Pacific Alliance Business and Investment Guide

2017 / 2018

July 2017

Alianza del Pacífico

Ministry of Foreign Affairs
Peru

EY
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Pacific Alliance Business and Investment Guide

2017 / 2018

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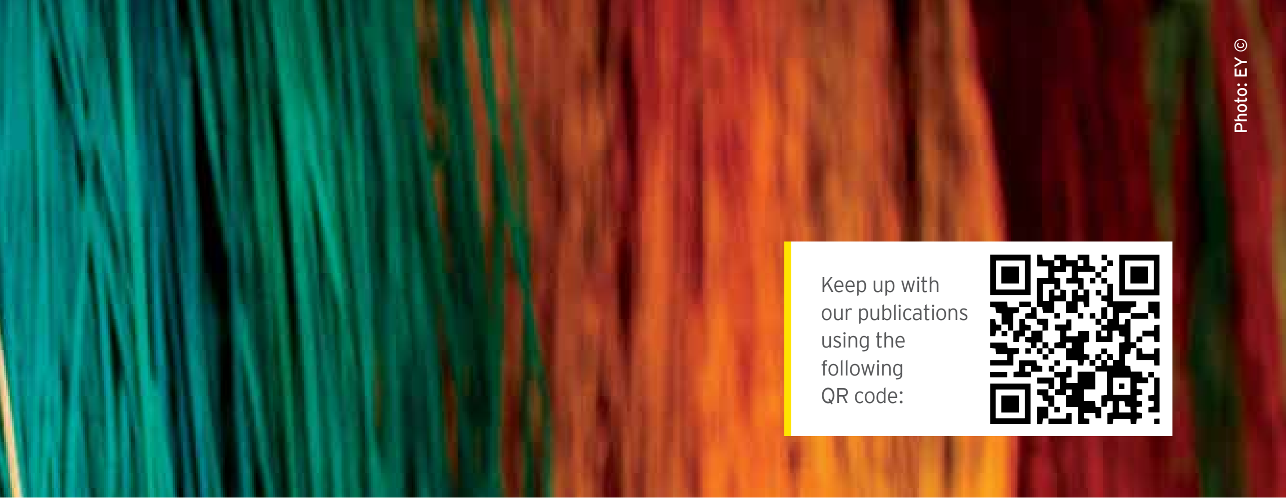

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For the correct use of this Guide, please read the Statement included on the inside back cover first.

Introduction

The Pacific Alliance, formed by Chile, Colombia, Mexico, and Peru, is one of the most relevant efforts towards regional integration seen in recent decades. Its objectives are aimed at facilitating the liberalization of the exchange of goods and services, the free movement of people and capital, and fostering mechanisms for cooperation among the member countries.

Taken as an economic bloc, the Pacific Alliance is the eighth largest economy in the world, accounting for over 38% of the Gross Domestic Product of Latin America and the Caribbean. It has a collective population of more than 217 million people, and is expected as a bloc to rank fourth in its contribution to the world's growth over the next five years. The Pacific Alliance offers notable competitive advantages and a wide-ranging network of trade agreements with the world's most developed economies, with a clear focus on the Asia-Pacific region.

The common denominator among the Pacific Alliance's member countries is their openness toward foreign investment, as well as the application of macroeconomic policies that promote private initiative and free trade. They also share a recent history of economic stability. It is no accident that they occupy the top four places in the country investment grade ranking for Latin America, in addition to registering an average growth rate that is double the annual average in Latin America. The average Gross Domestic Product per capita in the Pacific Alliance is over US$17,500, measured in "purchasing power parity" or "PPP". Given that, the vast majority of its population is young, the Alliance is a market with a constantly growing purchasing power, with a "demographic dividend" in its population, when taken as a whole. As a result, it shows enormous potential in terms of productivity and production, consumption, savings, and investment capacity.

In light of the foregoing, EY offices in Chile, Colombia, Mexico, and Peru have joined forces to put together this Business and Investment Guide on the Pacific Alliance countries, an initiative aimed at supporting investors and entrepreneurs by providing key information on current economic and business conditions, as well as specific information on the legal, tax, and labor matters, setting up companies in the member countries and complying with the financial reporting standards, as well as everything else investors need to know when making their investment decisions. This Guide also includes a directory of embassies and consulates, as well as the main regulatory and investment promotion agencies in each one of the member countries, along with other contacts of interest to the investor.

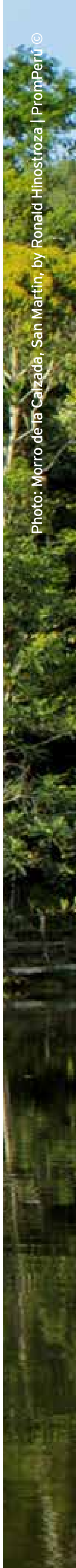
Photo: Morro de la Calzada, San Martín, by Ronald Hinostroza | PromPerú ©

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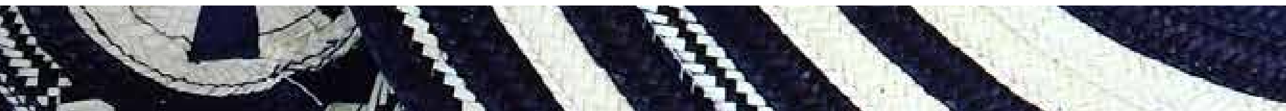
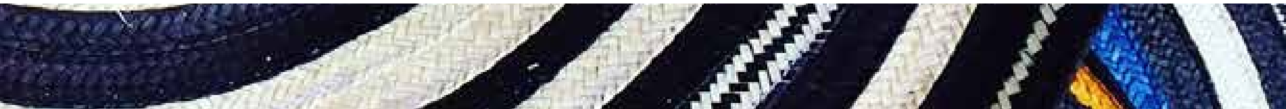
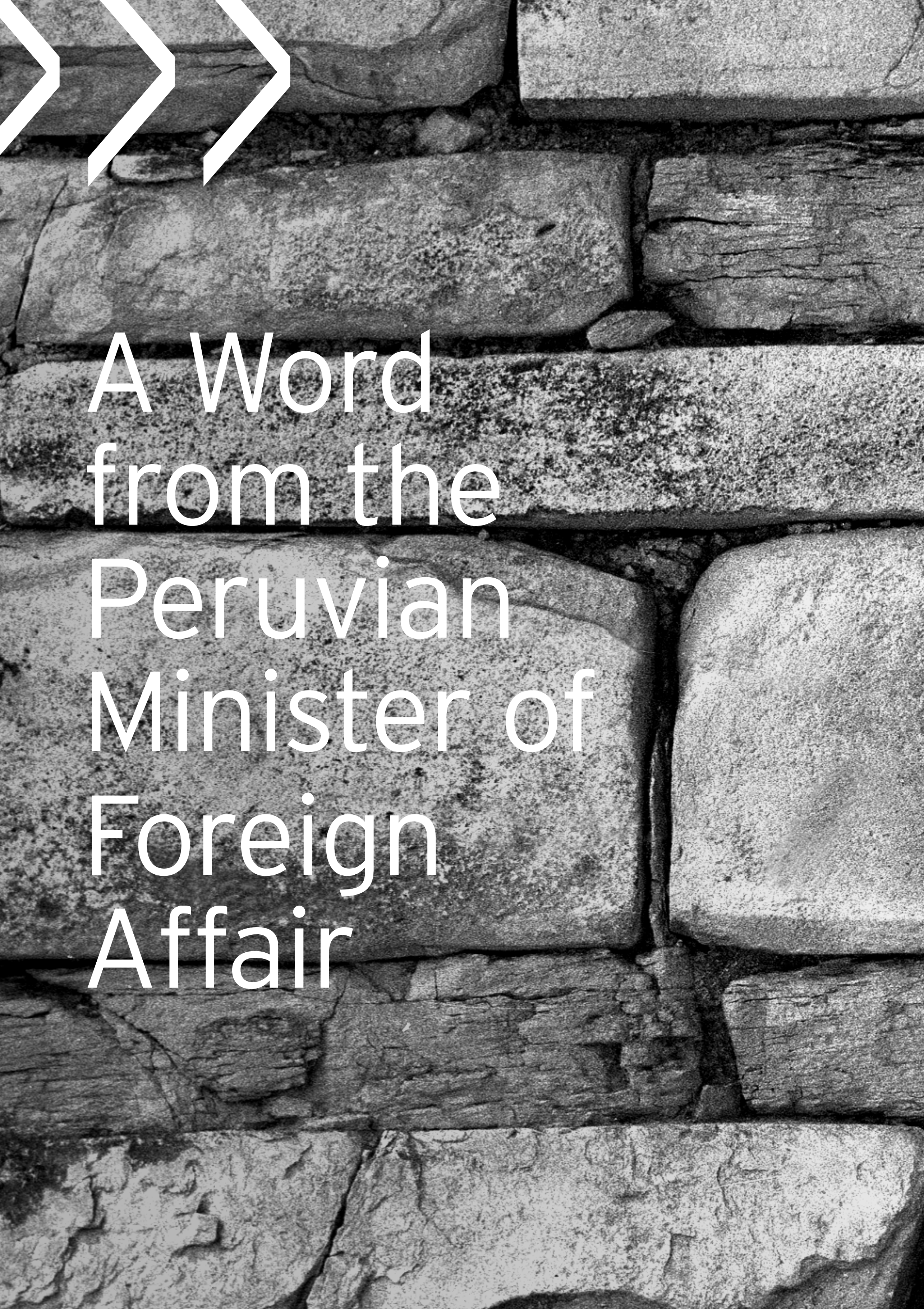


Exhibits





A Word from the Peruvian Minister of Foreign Affair

Ministry of Foreign Affairs
Peru

Ricardo Luna Mendoza
Peruvian Minister of
Foreign Affairs

It is a privilege to present this new edition of the Pacific Alliance Business and Investment Guide. The publication of this Guide coincides with the sixth anniversary of the signing of the Lima Declaration, which created the Alliance. Ever since the first edition was published, this Guide has been a valuable tool for getting to know the Pacific Alliance, and I have no doubt that, in time, it will be viewed as one of the important reference points for any person or institution with ties or an interest in establishing ties to this regional integration mechanism.

During the first six years of its existence, the Pacific Alliance's member countries have made commendable efforts to improve their citizens' wellbeing, promote inclusion, and overcome socioeconomic inequality by creating a deeply integrated area focused on the free movement of goods, services, people, and capital, with a view to fostering the growth, development, and competitiveness of their economies.

The Pacific Alliance is firmly committed to regional integration and economic openness. The strong relationships achieved with the 52 Observer States, international organizations, international economic entities, and other regional initiatives has ensured the international visibility of not just the Alliance as a bloc, but each one of its member countries.

The contributions of the private sector, channeled through the Pacific Alliance Business Council (CEAP) have also been invaluable in achieving the Alliance's objectives. Their suggestions and recommendations have contributed to the development of important productive sectors.

Despite the progress achieved, the Pacific Alliance continues to tackle challenges in its strengthening and consolidation process, such as the need to further increase intraregional trade, the free movement of capital, and business participation.

With regard to this aspect in particular, it is important to recall that May 1, 2017 marked the one-year anniversary of the entry into force of the Additional Protocol to the Framework Agreement of the Pacific Alliance, which is making contributions to the facilitation of intra- and extra-regional trade by eliminating tariffs on 92% of goods and gradually doing away with barriers to trade.

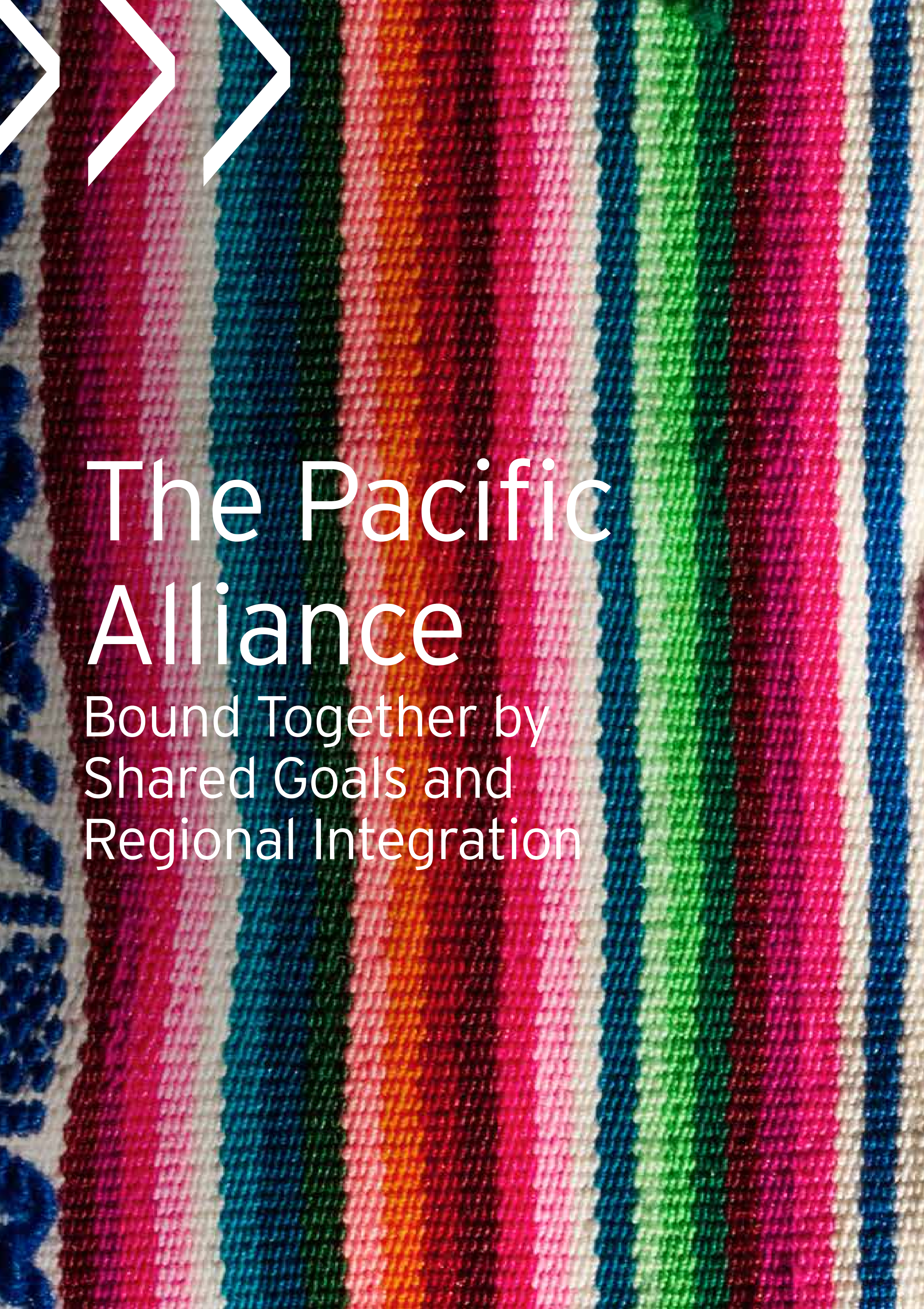
There are major expectations that this agreement will contribute to the development and internationalization of SMEs, thanks to the use of the established rules of origin, which will allow for the creation of regional value chains destined for export to third-party states.

By offering valuable information on the economic outlook for trade and investment in the four member countries, this Guide is incredibly useful for businesspeople and investors interested in the Pacific Alliance, allowing them to carry out concrete projects that translate into benefits for the private sector while also fostering the social and economic development of the Alliance's four partners.

You can find this Pacific Alliance Business and Investment Guide by using the following QR code:

http://www.rree.gob.pe/promocioneconomica/invierta/paginas/comience_a_invertir.aspx

Photo: Chavín de Huantar, Huari, Ancash, by Mayu Mohanna I PromPerú ©



The Pacific Alliance

Bound Together by Shared Goals and Regional Integration

Building a better working world

Paulo Pantigoso Velloso da Silveira
Country Managing Partner
EY Peru

The Pacific Alliance is a regional integration initiative signed by the presidents of Chile, Colombia, Mexico, and Peru on April 28, 2011, as an expression of the member countries' willing commitment to a deep-seated integration, as part of their efforts to progress toward the free movement of goods, services, capital, and people, and to facilitate trade and customs cooperation. This will drive greater growth and create jobs, development, and competitiveness in the member economies, with the goal of promoting greater prosperity, overcome socioeconomic inequality, and promote the social inclusion of residents.

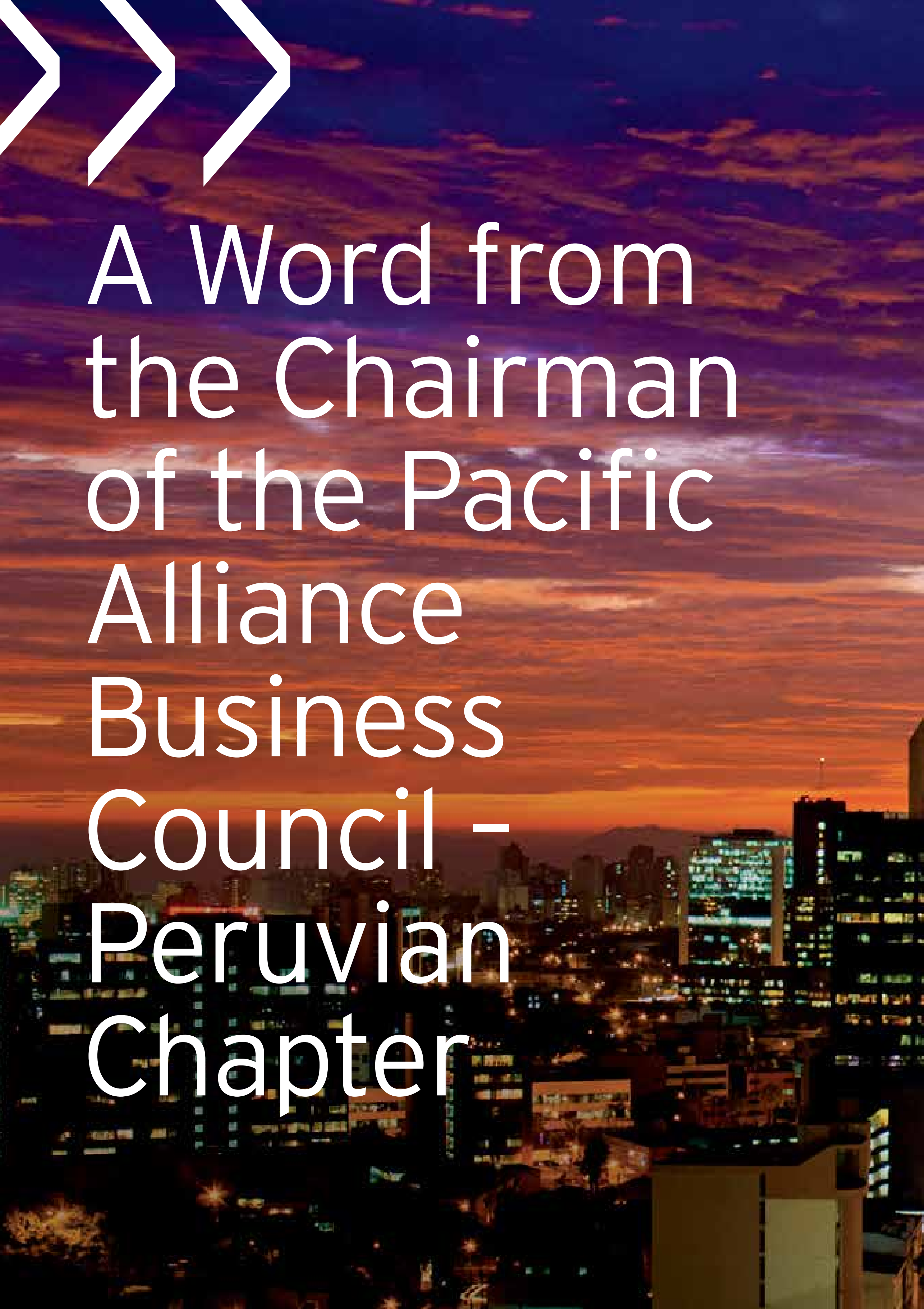
With an accumulated GDP of US$1,770 billion, and US$3,850 billion measured in purchasing power parity (PPP) (accounting for over 38% of the total GDP of Latin America and the Caribbean) and a projected 2.3% growth in their average GDP for 2017—well above the average of 1.1% forecast for Latin America as a whole—the Pacific Alliance has consolidated itself as a highly significant bloc, given its economic importance and its openness to trade. It also has a high degree of trade complementarity with the world's largest economies, particularly those of the Asia-Pacific hub, making it even more attractive.

The Pacific Alliance currently ranks as the world's eighth-largest economy, having been the recipient in 2016 of over 41% of the direct foreign investment to Latin America, equaling nearly US$42 billion. The Pacific Alliance is also notable for its average inflation and unemployment rates of 3.8% and 6.7% in 2016, respectively, both lower than the regional average. Additionally, the sustained reduction of its poverty rates over the last decade has been truly remarkable.

Individually, the four member countries have achieved the best investment grades in the entire region as of the close of 2016, which naturally not only attracts investors and benefits interest rates, but also constitutes an endorsement of the improvements in their social and macroeconomic indicators. They also have the highest percentages of private investment, direct foreign investment, and international reserves as a share of GDP, compared to the other countries of Latin America.

This economic bloc is bolstered by the Latin American Integrated Market (MILA) which is the result of the integration of the member countries' stock exchanges, in an attempt to diversify, expand, and increase the attractiveness of trading these types of assets in all four countries. There are already more than 770 different companies listed, which are now able to gain access to greater sources of financing through the market. As of the close of 2016, the MILA ranked first among markets in Latin America by number of companies listed, and second in stock capitalization, with a consolidated value of over US$744 billion.

We are grateful to all of the institutions that have kindly contributed valuable information during the preparation of this Guide, allowing us to provide readers with key information that we are sure will be of great use in doing business and making investments in the countries that form part of the Pacific Alliance. At EY we are committed to helping attract investment in order to increase the prosperity of our countries' economies. We invite you to read this Guide, and we remain at your disposal for any assistance you may require.



A Word from the Chairman of the Pacific Alliance Business Council – Peruvian Chapter

Juan Varilias Velásquez
President of the Pacific Alliance
Business Council – Peruvian Chapter

As businesspeople, the Pacific Alliance is an integration process that provides us with a new legal and institutional framework, one that facilitates the construction of a regional economic platform, within which we can now work on new strategies for doing business internationally.

To grasp the importance of the Pacific Alliance, it is important to understand the new global scenario in which we live. We must accept the fact that we are in an increasingly open world. The abundance of free trade agreements is bringing us ever closer to the ideal of the free movement of goods, services, capital, and people. There are now very few protected spaces in which a company might try and make it alone, isolated from everyone else.

On the other hand, thanks to notable technological advances, we have entered a new era, the era of the fourth industrial revolution, which is radically changing the way we do business. New technologies allow for the development of new forms of production, bringing communities, companies, and people much closer together. The free market and disruptive innovation intensify competition, but they also provide companies with many resources that they previously did not have. In this scenario, partnering together to compete seems to be the best strategy. The Pacific Alliance brings together all of these factors, so that we as companies have the greatest possible chance of success under these new circumstances.

Linking together one-stop windows for foreign trade, standardizing technical requirements, integrating financial markets, developing a digital agenda, promoting technology projects, joining educational efforts, etc., are all part of a series of topics being worked on from a business standpoint. It is for this reason that one of the most outstanding characteristics of the process being carried out by the Pacific Alliance is the active, assertive role played by the Pacific Alliance Business Council. As such, the preparation of this Pacific Alliance Business and Investment Guide is of vital importance.

To my fellow businesspeople, I strongly recommend that you take the time to read this Guide closely, studying it in order to get a clear idea of what the Pacific Alliance means to the success of your projects. I hope that you will read on with an open mind toward new opportunities, and above all, to new ways of doing business.

Photo: District of San Isidro. Photo: Fernando López | Promperú ©

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General information

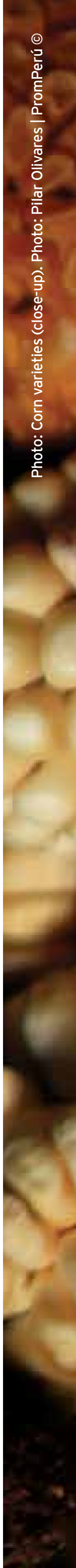
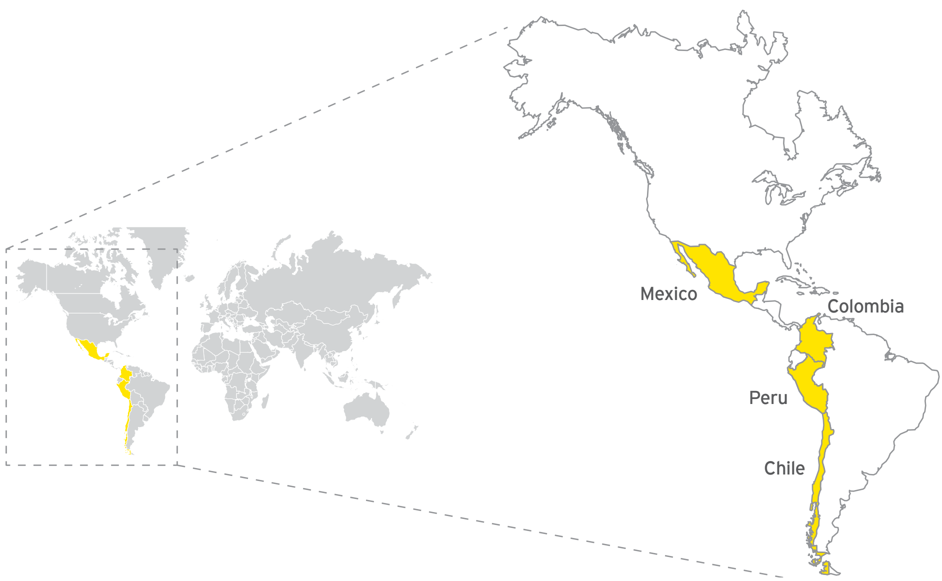


Photo: Corn varieties (close-up). Photo: Pilar Olivares | PromPerú ©

1 What is the Pacific Alliance?

On April 28, 2017, the Pacific Alliance celebrated six years since it was created with the signing of the Lima Declaration. The Alliance's founding instrument is the Pacific Alliance Framework Agreement, signed on June 6, 2012, in Antofagasta, Chile. Predominantly economic and commercial in nature, the Pacific Alliance has focused on creating an area of deep-seated integration that fosters greater growth, development, and competitiveness among its economies, in an attempt to progressively move forward toward the goal of achieving the free movement of goods, services, capital, and people. With this in mind, on February 10, 2014, at the 7th Pacific Alliance Summit, the presidents of Peru, Chile, Colombia, and Mexico signed the Additional Protocol of the Pacific Alliance, an essential instrument for the liberalization of goods, services, and capital, which entered into force on May 1, 2016. There are high expectations that this agreement will allow the Alliance to consolidate its position as an integration mechanism inserted in global value chains, rooted in a strong intra-regional trade dynamic.

Member countries that comprise the Pacific Alliance



On March 9, 2017, the presidents of the Pacific Alliance held an online meeting in which they discussed the outlook for the integration mechanism and agreed on prioritized actions that would help strengthen and consolidate it, most notably:

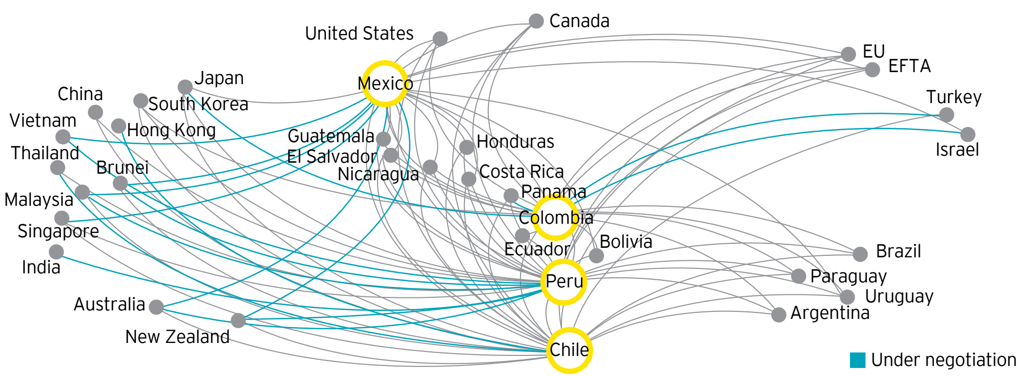
- Fostering closer relations with other regional blocs
- Promoting an increase in intraregional trade and fostering greater entrepreneurial participation
- Encouraging the free movement of capital
- Reaffirming the Pacific Alliance's commitment to fighting climate change, particularly through the development of coverage mechanisms in response to natural disasters
- Revising the protocols for Observer State categories, in order to identify those with which it is possible to work toward deeper ties

With regard to this last goal, the Pacific Alliance Council of Ministers created the category of Partner State—defined as "that State with which all of the Parties to the Pacific Alliance Framework Agreement enter into and put in force a binding agreement with high standards on economic and trade matters, which contributes to achieving the goals of the Pacific Alliance Framework Agreement"—and adopted the guidelines that govern it. Further still, at the 12th Pacific Alliance Summit, held on June 30, 2017 in Cali, Colombia, the presidents announced the start of negotiations with Australia, Canada, New Zealand, and Singapore, with a view to these countries acquiring this new status. This monumental decision is the first effect of the Pacific Alliance's international relaunch, as well as a reflection of interest from important countries in the Asia-Pacific region in strengthening and consolidating free trade with the Alliance.

As an integration mechanism, the Pacific is important in economic and trade terms. Taken as a bloc, it is the world's eighth-largest economy, with an accumulative GDP of US$ 1.77 billion (accounting for over 38% of the GDP of Latin America and the Caribbean).
It also has a population of 217 million inhabitants, and a GDP per capita in excess of US$17,500 (measured in purchasing power parity, or "PPP").
On the other hand, in 2016, it received 41% of the direct foreign investment destined for the region, totaling more than US$42 billion. In 2016, the countries of the Pacific Alliance achieved an average inflation rate of 3.8%, and an unemployment rate of 6.7%, while growing by an average of 2.5%. They are predicted to growth by an average of 2.3% in 2017, which is above the average forecast for Latin America, estimated at 1.1%, and they are expected to experience an average inflation 3.8%.

Important additional information on the Pacific Alliance can be found on its official website, at **www.alianzapacifico.net**

The world's new trade architecture – Free trade agreements in force



Source: International Development Bank (IDB) – International Economic Forum "Quo Vadis," Peru 2014

The Pacific Alliance currently has 52 observer countries: Costa Rica, Panama, Uruguay, Canada, Spain, Australia, New Zealand, Japan, Guatemala, Paraguay, Portugal, Honduras, El Salvador, Ecuador, France, Dominican Republic, South Korea, United States, Turkey, China, Singapore, Finland, United Kingdom, Germany, The Netherlands, Italy, India, Switzerland, Israel, Morocco, Trinidad and Tobago, Belgium, Austria, Denmark, Georgia, Greece, Haiti, Hungary, Indonesia, Poland, Sweden, Thailand, Argentina, Egypt, Slovakia, Norway, Czech Republic, Romania, Ukraine, Croatia, Slovenia, and Lithuania.

The Pacific Alliance has taken major steps towards forging closer ties with the Asia-Pacific. On September 24, 2016, the Pacific Alliance – Association of Southeast Asian Nations (ASEAN) Cooperation Framework was adopted, thus institutionalizing the relationship of cooperation between these two regional blocs. On the other hand, it continues to make efforts to position itself within the Asia-Pacific Economic Cooperation (APEC) Forum, having held three informal meetings with its members with the goal of exchanging the main achievements and perspectives of both blocs.

Agreements to avoid double taxation

Country	Chile	Colombia	Mexico	Peru
Andean Community (Bolivia, Colombia, Ecuador, Peru)		■		■
Argentina	■			
Australia	■		■	
Austria	■		■	
Bahrein			■	
Barbados			■	
Belgium	■		■	
Brazil	■		■	■
Canada	■	■	■	■
Chile		■	■	■
China	■		■	
Colombia	■		■	
Croatia	■			
Czech Republic	■	■	■	
Denmark	■		■	
Ecuador	■		■	
Estonia			■	
Finland			■	
France	■		■	
Germany			■	
Greece			■	
Hong Kong			■	
Hungary			■	
Iceland			■	
Italy	■		■	
India		■	■	
Indonesia			■	
Ireland	■		■	
Israel			■	
Japan	■		■	
Kuwait			■	
Latvia			■	

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Agreements to avoid double taxation (continued)

Country	Chile	Colombia	Mexico	Peru
Lithuania			■	
Luxembourg			■	
Malaysia	■			
Malta			■	
Mexico	■	■		■
Netherlands			■	
New Zealand	■		■	
Norway	■		■	
Panama			■	
Paraguay	■			
Peru	■		■	
Poland	■		■	
Portugal	■	■	■	■
Qatar			■	
Romania			■	
Russia	■		■	
Singapore			■	
Slovakia			■	
Spain	■	■	■	
South Africa	■		■	
South Korea	■	■	■	■
Sweden	■		■	
Switzerland	■	■	■	■
Thailand	■			
Turkey			■	
Ukraine			■	
United Arab Emirates			■	
United Kingdom	■		■	
United States			■	
Uruguay			■	

Source: EY

2 Structure and organization

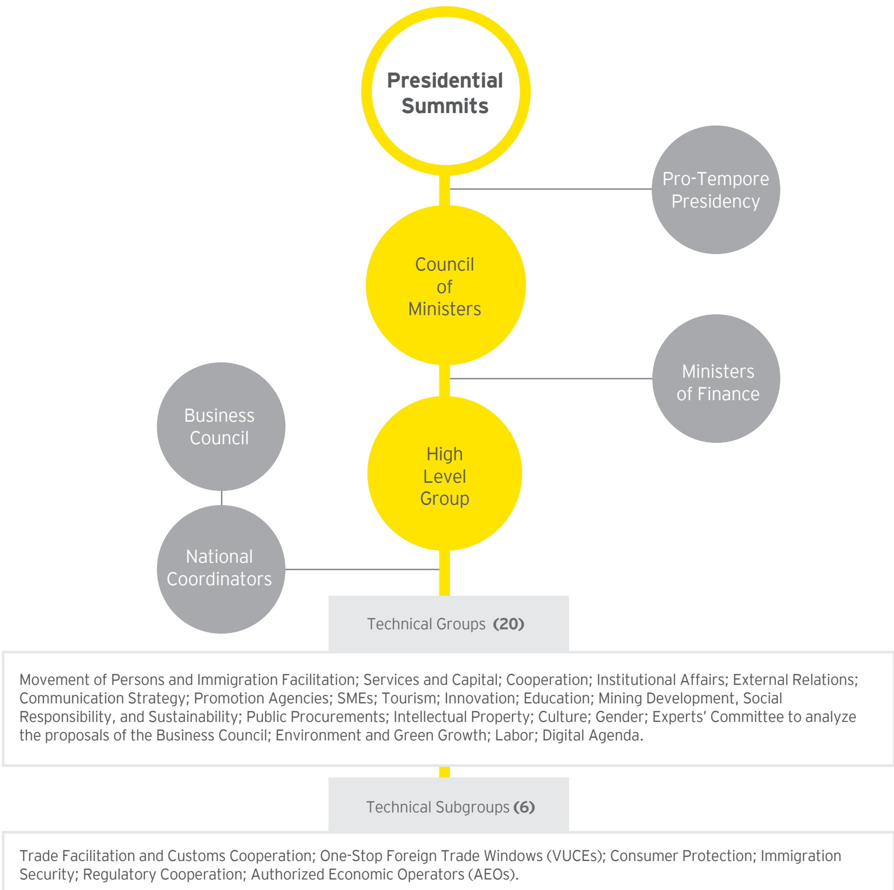
The presidents of the four countries are the highest decision-making bodies of the Alliance, carrying out said duties at the Presidential Summits. The pro-tempore presidency of the Pacific Alliance is held successively by each one of the member countries, for one-year periods. For the period starting July 1, 2017, Colombia holds the presidency.

The Council of Ministers consists of the member countries' Ministers of Foreign Affairs and Foreign Trade. The main objective of the Council of Ministers is to make decisions that drive actions for the development of the objectives set forth in the Framework Agreement and the Statements resulting from the Alliance's Presidential Summits.

The High Level Group is made up of the member countries' Deputy Ministers of Foreign Affairs and Foreign Trade, and supervises the progress of the technical groups and reports on new areas where work can be done.

The technical groups and subgroups are made up of officials from the member countries. Their function is to promote those fields tied to the issues of greatest interest to the Pacific Alliance.

Structure and organization of the Pacific Alliance



3 Economic situation

Main economic indicators of the Pacific Alliance countries

	Chile	Colombia	Mexico	Peru
Gross Domestic Product - GDP (current or nominal)	US$247 billion (est. 2016)	US$282 billion (est. 2016)	US$1,046 billion (est. 2016)	US$195 billion (est. 2016)
Gross Domestic Product - GDP (PPP)	US$439 billion (2016)	US$689 billion (2016)	US$2,316 billion (2016)	US$406 billion (2016)
GDP per capita (current or nominal)	US$13,576 (2016)	US$5,792 (2016)	US$8,555 (2016)	US$6,199 (2016)
GDP per capita (PPP)	US$24,113 (2016)	US$14,130 (2016)	US$18,938 (2016)	US$12,903 (2016)
International reserves	US$40 billion (at Dec. 31, 2016)	US$45 billion (at Dec. 31, 2016)	US$178 billion (at Dec. 31, 2016)	US$62 billion (at Dec. 31, 2016)
Foreign debt	US$10 billion (2016) 3.8% of GDP (2016)	US$71 billion (2016) 25.5% of GDP (2016)	US$181 billion (2016) 18.5% of GDP (2016)	US$24 billion (2016) 10.3% of GDP (2016)
Total public debt	US$53 billion (2016) 21.3% of GDP (2016)	US$154 billion (2016) 54.7% of GDP (2016)	US$519 billion (2016) 49.7% of GDP (2016)	US$47 billion (2016) 23.8% of GDP (2016)
Gross fixed investment	21.6% of GDP (2016)	25.5% of GDP (2016)	23.3 % of GDP (2016)	22.5% of GDP (2016)
Unemployment rate	6.8% (2016)	10.3% (est. 2016)	4.3% (est. 2016)	5.2% (2016)
Percentage of the population under the poverty line	22.2% (2011) 14.4% (2013) 11.7% (2015)	28.5% (2014) 27.8% (2015) 28.0% (2016)	45.5% (2012) 46.2% (2014)	22.7% (2014) 21.8% (2015) 20.7% (2016)
Minimum monthly living wage	CLP 270,000 (at Dec. 31, 2016, approx. US$405)	COP$ 737,717 (at Dec. 31, 2016, approx. US$246)	MX$2,401 (at Dec. 31, 2016, approx. US$141)	S/850 (at Dec. 31, 2016, approx. US$253)
Main export destinations	China, European Union, United States, Japan, Mercosur, and South Korea	United States, China, Spain, Panama, Venezuela, The Netherlands	United States, Canada, Spain, China, Brazil, Colombia, Germany, Japan, Venezuela, and Chile	Germany, Brazil, Canada, Chile, China, South Korea, Italy, Japan, Spain, Switzerland, United States, and Venezuela

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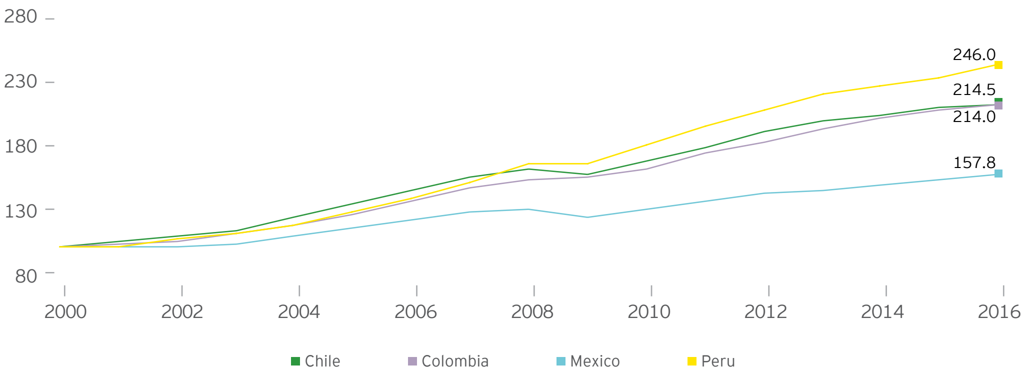
Main economic indicators of the Pacific Alliance countries (continued)

	Chile	Colombia	Mexico	Peru
Main exports	Copper, cellulose, basic metal industry, chemicals, salmon, wine, and fresh fruits	Petroleum, coal, emeralds, coffee, nickel, flowers, banana, textiles, chemical and petrochemical products	Machines and electrical materials, terrestrial vehicles and parts thereof, mineral fuels, mechanical devices, precious stones and materials; plastics and their byproducts, vegetables, plants, roots, and tubers	Gold, copper, silver, zinc, lead, crude oil and byproducts, coffee, potatoes, asparagus, paprika, organic bananas, mangos, cacao, quinoa, blueberries, urea, textiles, fishmeal, and urea
Origin of imports	China, United States, European Union, Mercosur, Ecuador, and South Korea	United States, China, Mexico, Brazil, Germany, Argentina, and France	United States, China, Japan, South Korea, Germany, Canada, Taipei, Italy, Brazil, and Spain	Germany, Argentina, Brazil, Chile, China, Colombia, South Korea, Ecuador, United States, and Mexico
Main imports	Fuels, vehicles, chemical products, computers, machinery, cell phones, clothing, and corn	Petroleum and byproducts, plastics, machinery, vehicles, telecommunications equipment, office machinery, iron and steel, wheat, and paper	Mineral fuels and products, plastics and their byproducts, optical and medical instruments and devices, organic chemical products	Petroleum and byproducts, plastics, machinery, vehicles, iron and steel, wheat, and paper

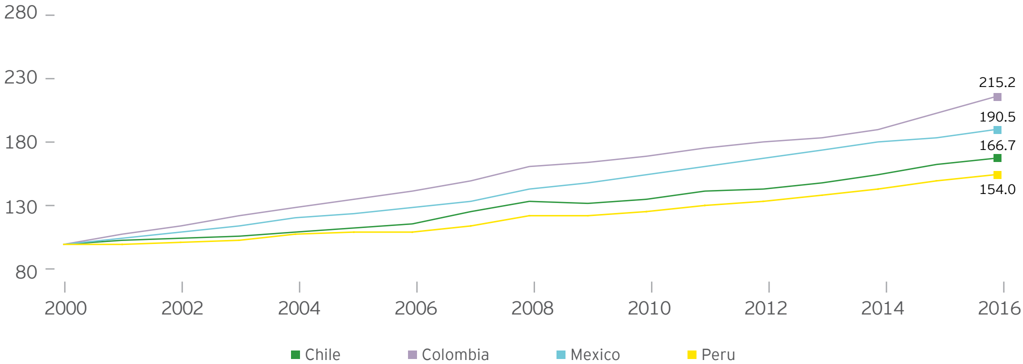
Sources: **Chile**: Central Bank of Chile, Ministry of Social Development, International Monetary Fund (IMF). **Colombia**: National Administrative Department of Statistics, Central Bank of Colombia. **Mexico**: Secretariat for Public Finance and Credit (SHCP), National Council for the Evaluation of Social Development Policy, International Monetary Fund (IMF). **Peru**: Central Reserve Bank of Peru (BCRP), International Labor Organization (ILO), National Institute of Statistics and Informatics (INEI), International Monetary Fund (IMF)

Evolution of GDP per capita measured in Purchasing Power Parity (PPP) (Year 2000=100)



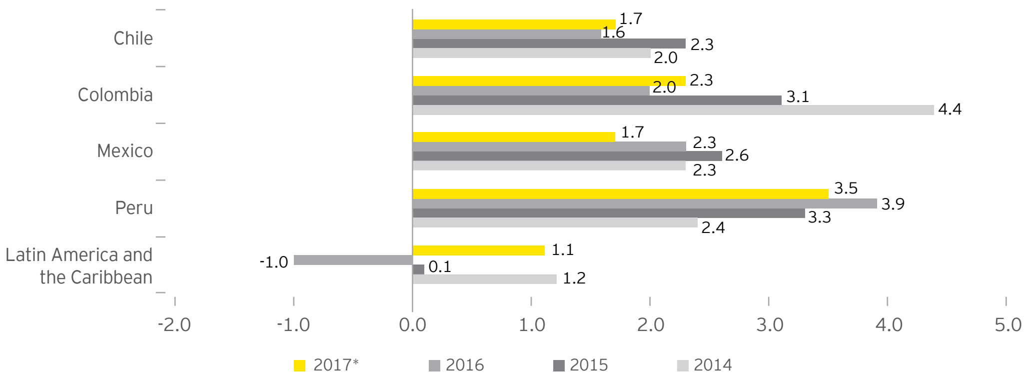
Source: International Monetary Fund (IMF) - World Economic Outlook

Evolution of consumer price index (Year 2000=100)



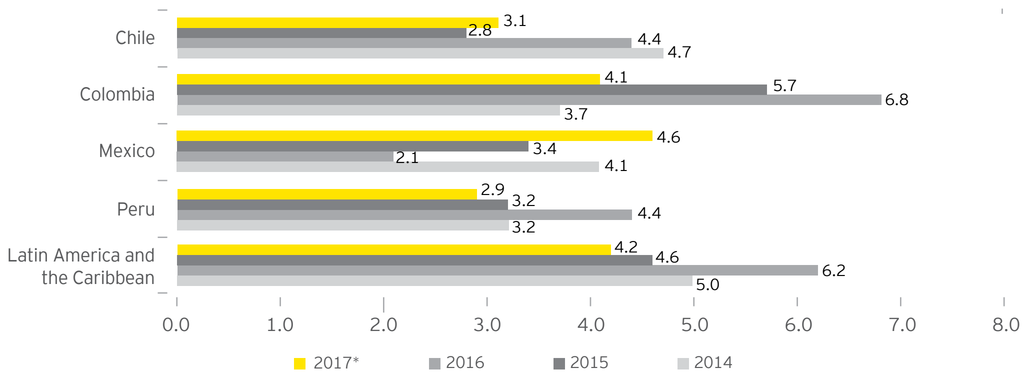
Source: International Monetary Fund (IMF) - World Economic Outlook

GDP growth rates



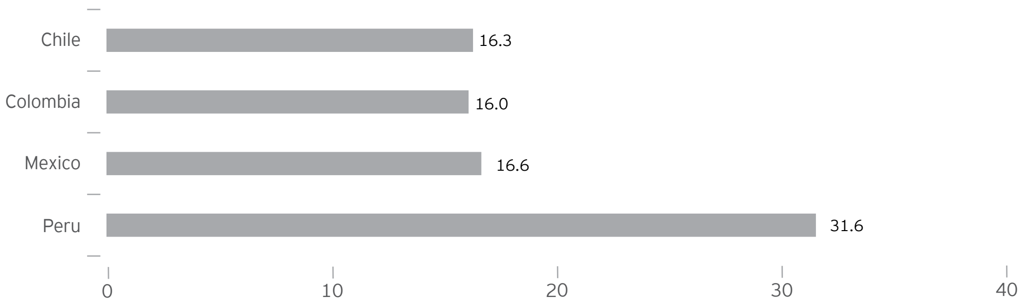
*Estimate as of April 2017
Source: International Monetary Fund (IMF)

Inflation rates



*Estimated as of April 2017
Source: International Monetary Fund (IMF)

Net international reserves 2016 (% of GDP)



Sources: Banxico, Central Bank of Colombia, Central Bank of Chile, Central Reserve Bank of Peru (BCRP)

Investment grade rating

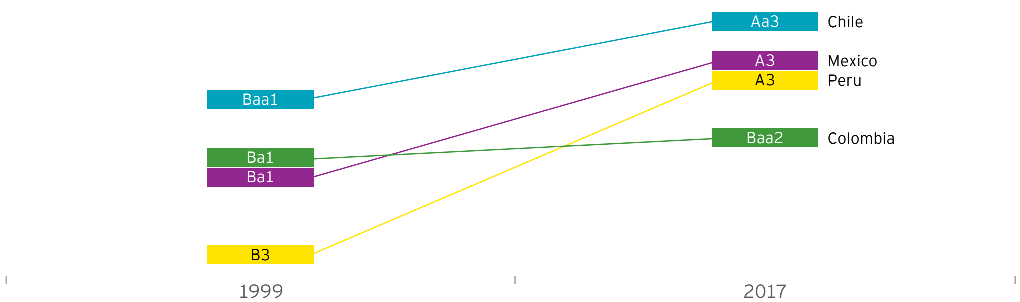
Country	S&P	Fitch	Moody's
Chile	AA-	A+	Aa3
Peru	BBB+	BBB+	A3
Mexico	BBB+	BBB+	A3
Colombia	BBB	BBB	Baa2
Uruguay	BBB	BBB-	Baa2
Paraguay	BB	BB	Ba1
Brazil	BB	BB	Ba2
Bolivia	BB	BB-	Ba3
Ecuador	B-	B	B3
Argentina	B	B	B3
Venezuela	CCC	CCC	Caa3

As of July 7, 2017
Sources: Standard & Poor's, Fitch Ratings, Moody's

S&P / Fitch	Moody's	Features
AAA	Aaa	Risk-free
AA+, AA, AA-	Aa1, Aa2, Aa3	High quality
A+, A, A-	A1, A2, A3	High repayment capacity
BBB+, BBB, BBB-	Baa1, Baa2, Baa3	Moderate repayment capacity
BB+, BB, BB-	Ba1, Ba2, Ba3	Some repayment capacity
B+, B, B-	B1, B2, B3	Highly uncertain repayment capacity
CCC+, CCC, CCC-,CC	Caa1, Caa2, Caa3	High vulnerability to default
SD/D	Ca	Default

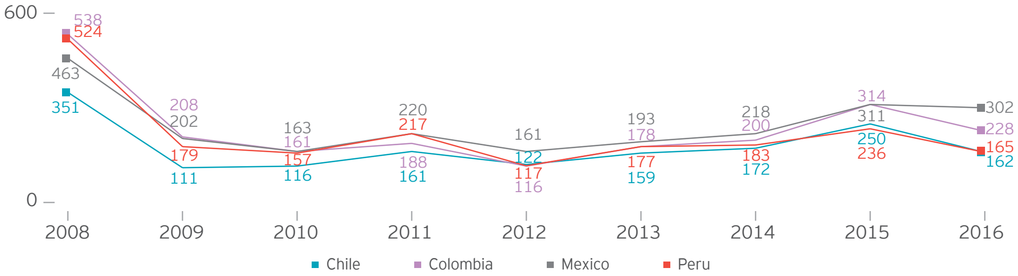
Source: Bloomberg

Moody's risk rating in the region



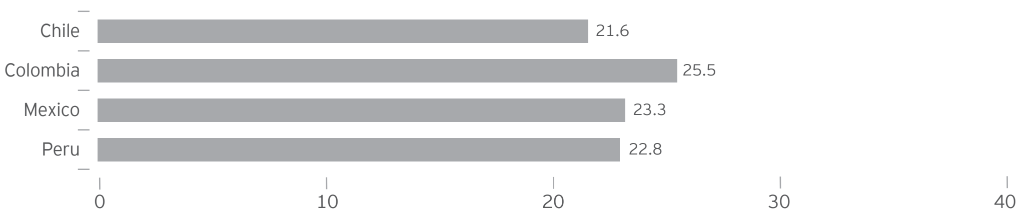
As of July 7, 2017
Source: Moody's

Country risk indicators (in basis points)



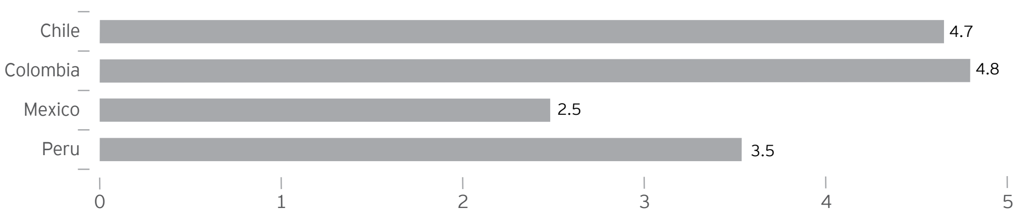
Source: Central Reserve Bank of Peru (BCRP)

Total investment 2016 (% of GDP)



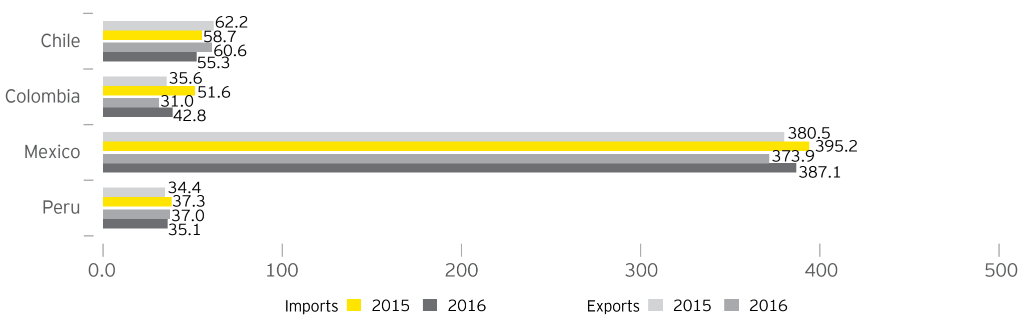
Source: International Monetary Fund (IMF)

Foreign direct investment 2016 (% of GDP)



Sources: Central Bank of Colombia, Central Reserve Bank of Peru (BCRP), Organization for Economic Cooperation and Development (OECD)

Trade Balance of the Pacific Alliance countries (US$ Billions)



Sources: Central Bank of Chile, Central Reserve Bank of Peru (BCRP), Banxico, National Department of Statistics

Investment environment

World competitiveness ranking

	Chile	Colombia	Mexico	Peru
Total	33/138	61/138	51/138	67/138
SUB-INDICES				
Basic Requirements	37	85	71	77
‣ Institutions	37	112	116	106
- Public institutions	36	123	119	117
‣ Property rights	37	75	79	96
‣ Ethics and corruption	41	125	126	104
‣ Undue influence	40	116	118	104
‣ Public-sector performance	42	108	103	119
‣ Security	45	131	128	126
- Private institutions	38	61	85	65
‣ Corporate ethics	49	104	112	101
‣ Accountability	31	34	51	40
‣ Infrastructure	44	84	57	89
- Transport infrastructure	48	99	33	98
- Electricity and telephony infrastructure	44	74	84	78
‣ Macroeconomic environment	32	53	51	33
- Government budget balance	49	62	91	46
- Gross national savings	70	81	73	60
- Inflation	87	103	1	64
- Government debt	8	72	80	16
- Country credit rating	23	43	34	42
‣ Health and primary education	71	90	74	98
- Health	29	75	51	79
- Primary education	100	109	87	116
Efficiency enhancers	31	48	45	57
‣ Higher education and training	28	70	82	80
- Quantity of education	1	55	78	62
- Quality of education	67	94	106	120
- On-the-job training	42	89	71	79
‣ Goods market efficiency	44	100	70	65
- Competition	42	123	77	70
- Quality of demand conditions	55	52	58	59
‣ Labor market efficiency	52	81	105	61
- Flexibility	56	70	79	65
- Efficient use of talent	54	89	111	62
‣ Financial market development	23	25	35	26
- Efficiency	22	70	66	38
- Trust worthiness and confidence	27	7	15	20
‣ Technological readiness	39	64	73	88
- Technology adoption	31	79	45	78
- Use of information and communications technologies	46	64	77	87
‣ Market size	44	35	11	48
- Domestic market size index	41	31	11	44
- Foreign market size index	46	53	12	63
Innovation and sophistication factors	56	63	50	108
‣ Business sophistication	56	59	45	78
‣ Innovation	63	79	55	119

Source: World Economic Forum 2016-2017

Doing Business

Ease of doing business - Latin America	
Ranking	Country
47	**Mexico**
53	**Colombia**
54	**Peru**
55	Puerto Rico (United States)
57	**Chile**
62	Costa Rica
70	Panama
88	Guatemala
90	Uruguay
103	Dominican Republic
106	Paraguay

Source: World Bank - Doing Business 2017

Forbes

Best countries for business	
Ranking	Country
36	**Chile**
49	Costa Rica
55	Uruguay
56	**Colombia**
57	**Peru**
59	Panama
65	**Mexico**
91	Brazil
93	El Salvador
95	Guatemala
116	Paraguay

Source: Forbes 2016

Index of economic freedom

The Index of Economic Freedom prepared by The Heritage Foundation, which includes an analysis of the business environment and freedom that countries have on the basis of ten indicators, concludes that promoting economic freedom within the standards of rule of law, governance, regulations, and in the areas of open markets, creates wide-ranging economic growth. Encouraging these standards brings significant results in the sustainability of the wealth of nations and is the most effective tool to eliminate poverty.

Country	World ranking	Latin American ranking	Score 2017
Hong Kong	1	-	89.8
Singapore	2	-	88.6
Australia	5	-	81.0
Canada	7	-	78.5
Chile	**10**	**1**	**76.5**
Colombia	**37**	**2**	**69.7**
Uruguay	38	3	69.7
Peru	**43**	**5**	**68.9**
Mexico	**70**	**12**	**63.6**
Paraguay	80	15	62.4
Brazil	140	23	52.9
Argentina	156	24	50.4
Ecuador	160	26	49.3
Bolivia	168	28	47.7
Venezuela	179	30	27.0

Source: The Heritage Foundation 2017

Emerging and Growth-Leading Economies ("EAGLEs")

Emerging and Growth-Leading Economies ("EAGLEs") are selected every year by BBVA Research based on the way in which their performance contributes to global growth. For such purpose, it is important to analyze their economic relevance, as well as their performance compared to a group of developed countries. There are currently 14 economies classified as EAGLEs: China, India, Indonesia, Brazil, Russia, Turkey, Mexico, Nigeria, Saudi Arabia, the Philippines, Pakistan, Iraq, Bangladesh, and Thailand. Additionally, among the group of key emerging economies that accompanies those mentioned, there is a group called "the Nest" (as in the "nest" of the EAGLE economies) which is made up of 16 economies. It is expected that, together with the EAGLE members, the Nest economies will account for 78% of world growth between 2014 and 2024. Chile, Colombia, and Peru are part of this group of Nest countries, while Mexico already ranks among the EAGLE economies.

Estimated contribution to global growth between 2014 and 2024

	Economy	Estimated annual variation of GDP	Estimated world percentage of share in GDP growth
EAGLE's	China	7.3	30.3
	India	7.3	11.4
	Indonesia	5.0	2.7
	Brazil	0.1	1.9
	Russia	0.6	2.0
	Turkey	2.9	1.6
	Mexico	**2.2**	**1.5**
	Saudi Arabia	3.5	1.2
	Nigeria	6.3	1.1
	Thailand	0.9	1.0
	Philippines	6.1	0.8
	Irak	-2.1	0.8
	Pakistan	4.7	0.8
	Bangladesh	6.1	0.7
Nest	**Colombia**	**4.6**	**0.9**
	Malaysia	6.0	0.8
	Vietnam	6.0	0.8
	Poland	3.3	0.7
	Egypt	2.2	0.6
	Iran	4.3	0.6
	Peru	**2.4**	**0.6**
	South Africa	1.5	0.6
	Chile	**1.9**	**0.5**

Source: BBVA Research Peru 2015

For more information on the Pacific Alliance, visit **http://alianzapacifico.net**

2 Areas of integration and cooperation in the Pacific Alliance

Photo: Cocoa beans (close-up). Photo: Juan Puelles | PromPerú ©

Under the Pacific Alliance Framework Agreement, it is vital to make efforts aimed at the free movement of goods, services, capital, and people as a fundamental part of the plan to achieve the Alliance's objectives. With this in mind, the member countries of the Alliance signed the Additional Protocol to the Pacific Alliance Framework Agreement, which entered into force on May 1, 2016, a key step toward the creation of a free trade zone in which they eliminated tourist and business visa requirements to facilitate the movement of their citizens, and created the category of Partner State of the Pacific Alliance in order to raise their visibility and jointly gain access to new markets.

To continue with this progress, the member countries are completing the Pacific Alliance's legal framework in order to promote the achievement of its objectives, based on its fundamental pillars: the free movement of goods, services, capital, and people, as well as areas of cooperation such as infrastructure, the environment, education, and small and medium-sized enterprises. For such purpose, the Pacific Alliance has structured its actions into 27 working groups that are responsible for the tasks and projects related to the different issues closely linked to the Alliance's fundamental pillars, which are subsequently validated by the High Level Group and the Council of Ministers of the Pacific Alliance. The main efforts of these working groups, in the thematic areas for which they are responsible, are discussed below.

1 Trade and integration

In the area of trade integration, the Alliance has focused on carrying out negotiations that translate into measures that facilitate trade and customs cooperation among its members. Efforts are concentrated on eliminating tariff barriers; the cumulation of origin for those products containing materials originally from another member country, provided the customs tariff is 0% in all member countries; reducing technical barriers to trade; and the alignment of health and phytosanitary measures.

Principal initiatives

The alignment and integration of trade in the Alliance countries has been one of the organization's primary focuses. Among other achievements, the Trade Protocol has entered into force, offering businesspeople new trade development opportunities. The First and Second Protocol Amendments were also signed, taking trade integration to the next level.

Under these agreements, tariffs have been eliminated for 92% of all goods between Chile, Colombia, Mexico, and Peru, with expectations for the remaining goods to be free of tariffs in less than seven (7) years. This measure is intended to stimulate trade, create new production chains, and bolster the relationship between business sectors, expanding access to markets for the member countries' export offer, and attracting greater investment.

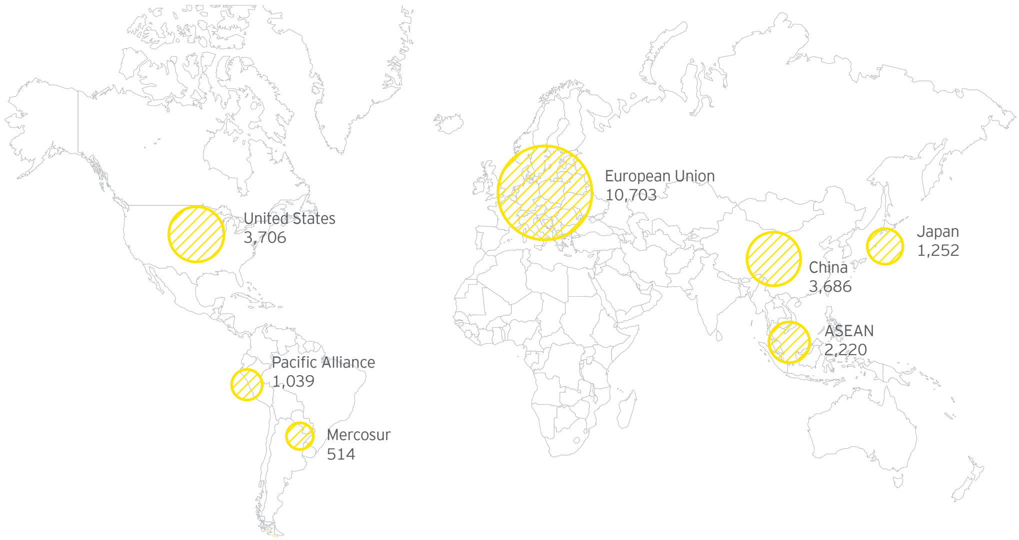
Chile, Colombia, Mexico, and Peru have also assumed the commitment to making customs procedures simpler and more effective. These agreements are aimed at streamlining merchandise shipments, automating processes, and ensuring the availability of information in databases.

Also of note is the implementation of a system for the interoperability of Foreign Trade Windows, allowing for the online exchange of documents, facilitating and expediting procedures for businesspeople and government authorities. The Pacific Alliance Business Council (CEAP) was also created, in an effort to make sure that regional integration reflects the perspectives and proposals of the countries' entrepreneurs.

On the other hand, the Pacific Alliance members have negotiated a Regime on Rules of Origin, with the objective of promoting economic and trade integration by increasing the supply of organic ingredients and creating of sub-regional value chains.

Another measure established within the trade integration framework are the agreements focused on ensuring that laws, technical regulations, and evaluation procedures for trade compliance do not create unnecessary technical barriers to trade, by coordinating among the parties on these issues.

Total trade by economic blocs 2016 (US$ Billions)



Source: World Trade Organization

2 Services and capital

In the area of services and capital, the Pacific Alliance's actions have been directed toward cooperation on investment, cross-border trade of services, financial services, telecommunications, air transport, and maritime transport. It also seeks to strengthen the integration of the member countries' stock exchanges.

The Alliance has a Business Council, which is made up of the leading business organizations in the four member countries. This entity's objective is to recommend measures that strengthen the business sector in the member countries, in a way that facilitates the Alliance's economic integration and its presence in external markets. The Business Council has drawn up working proposals on the harmonization of tax laws, the integration of the financial sector, the use of cooperation measures in public procurements, support for entrepreneurship (via the creation of the Latin American Association of Entrepreneurs) investment in education, harmonization of technical standards, and the promotion of production chains between companies in the member countries, all of which demonstrates the close relationship between the public and private sectors in the member countries of the Pacific Alliance.

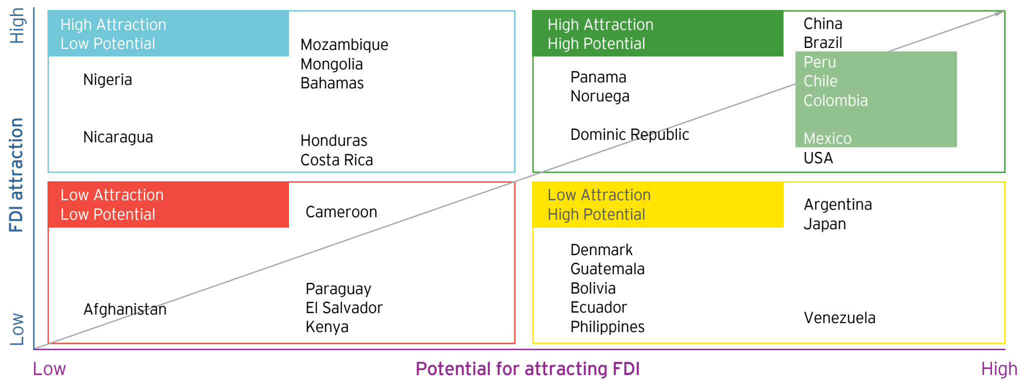
Principal initiatives

As part of the efforts made in this area, one of the main developments has been the joint work done on tax issues. In this regard, the Pacific Alliance seeks to promote fiscal transparency and the fight against tax evasion, and has agreed to exchange information on tax issues among the parties, in accordance with international standards and based on the provisions set forth in the existing bilateral agreements.

Below are some of the main achievements of the Pacific Alliance bloc:

- The creation of the Innovation Agency Network (InnovAP) the adoption of the operating protocols for the business acceleration network (Red AcelerAP) and the investors' network (Ángeles AP) as well as the first edition of the Pacific Alliance Innovation Awards, to promote the internationalization of innovation and entrepreneurship
- The implementation of the Entrepreneurs' Capital Fund, with the collaboration of the IDB-FOMIN, the completion of the memorandum of understanding for collaboration among Business Development Centers, the identification of mechanisms to encourage the participation of Small and Medium-Sized Enterprises (SMEs) as suppliers in public bidding processes called by the member states, and the holding of the First SME Meeting to promote their development as exporters
- The implementation of the Patent Acceleration Procedure Agreement, which streamlines the administrative formalities and decreases costs for obtaining patents in the four member states
- The creation of the Pacific Alliance Investment Facilitation Initiative (IFIAP)

Matrix of attraction of foreign direct Investment with regards to potential



- **FDI attraction**
  FDI received in relation to economic size
- **Potential for attracting FDI**
  1. Market attraction
  2. Labor availability
  3. Presence of natural resources
  4. Infrastructure

Source: United Nations Conference on Trade and Development (UNCTAD)

Integrated Latin American Market (MILA)

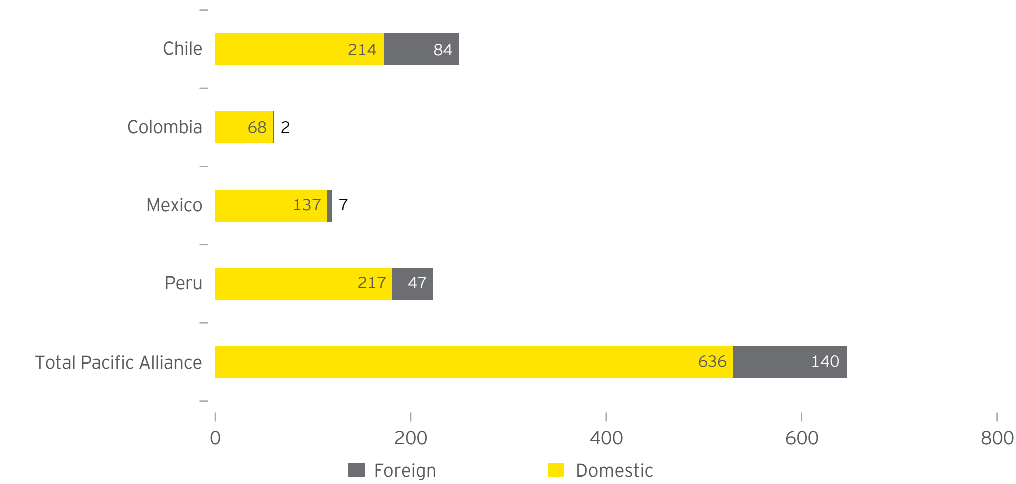
The Lima Stock Exchange (BVL - Peru) the Santiago Stock Exchange (BCS - Chile) the Colombia Stock Exchange (BVC - Colombia) and the Mexican Stock Exchange (BMV - Mexico) along with each country's central securities register—Cavali, DC, Deceval, and INMEX RT, respectively—have integrated their equities (shares) market with the creation of the Latin American Integrated Market (MILA) in an attempt to diversify, expand, and increase the attractiveness of trading these types of assets in all four countries, for both local and foreign investors.

This integration is aimed at the development of the member countries' capital market, in order to provide investors with a greater offer of securities and to provide issuers with more sources of financing. The countries' unified market is expected to become the largest in the region, in terms of the number of issuers.

As of December 1, 2014, the Mexican Stock Exchange was officially incorporated into the MILA, thus exceeding a consolidated stock capitalization value of over US$1 billion among the four member countries, making it one of the most attractive markets in the region.

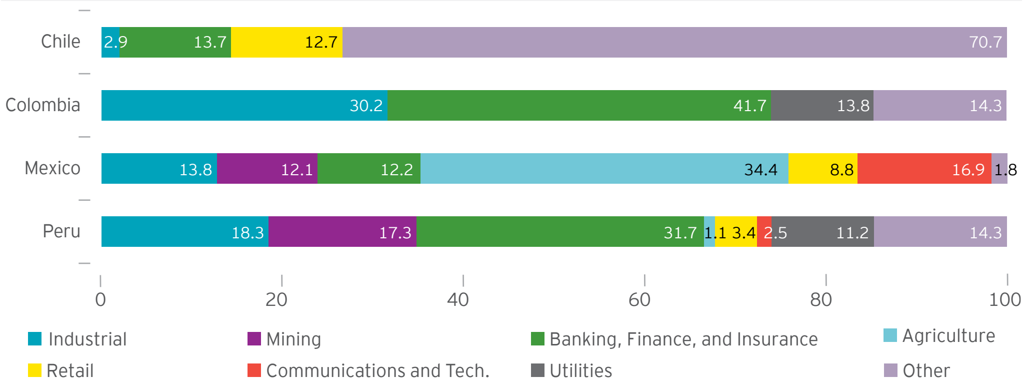
In 2016, the total volume traded by the four stock exchanges that comprise the MILA came to US$152.208 billion. As of said date, including the Mexican issuers incorporated, the MILA had over 770 issuers. Also as of said date, the MILA had 65 brokers with brokerage agreements signed by the stock brokers' associations of Chile, Colombia, and Peru.

Number of companies listed (december 2016)



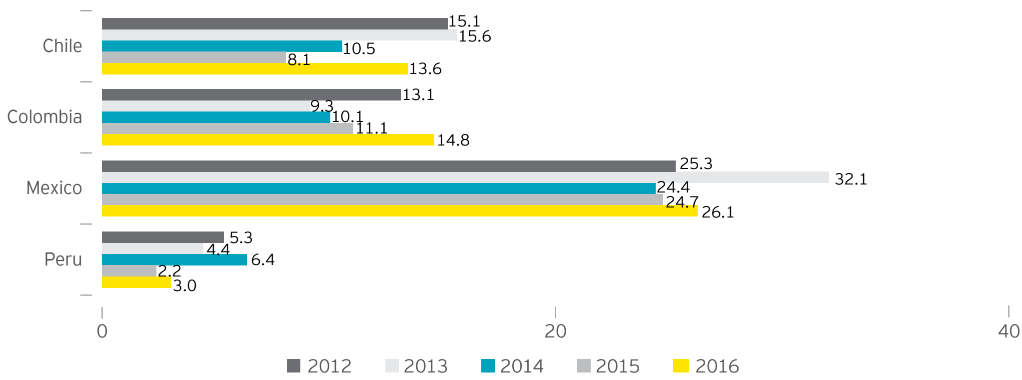
Source: Ibero-American Federation of Exchanges (FIAB)

Comparison of stock market capitalization by local company sectors (%, 2015)



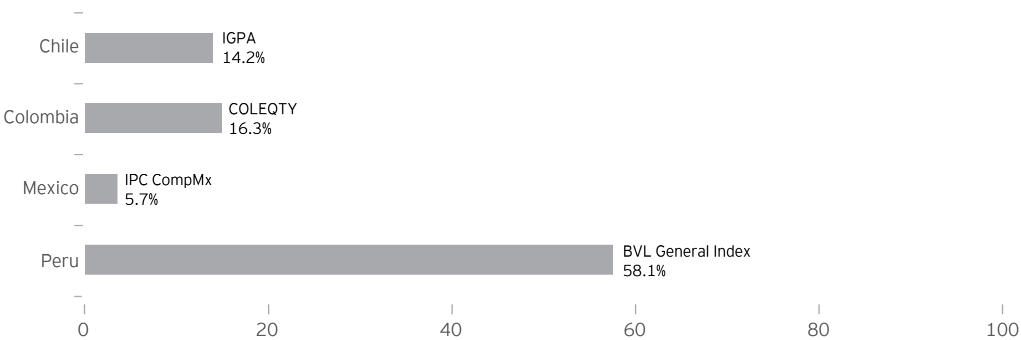
Source: Ibero-American Federation of Exchanges (FIAB)

Domestic share turnover rate



Source: Ibero-American Federation of Exchanges (FIAB)

Variation in general stock exchange index 2016/2015



Source: Ibero-American Federation of Exchanges (FIAB)

3 Movement of people

The free movement of people is one of the central pillars of the Pacific Alliance. This working group is focused on issues such as facilitating cross-border movement, the free movement of people, consular cooperation, student and labor cooperation, and the exchange of information on cross-border movement flows.

Principal initiatives

The main achievements thus far include the waiver of tourist and business visas for citizens of the Pacific Alliance and foreign residents, as well as starting work on the interconnection of the Immediate Inquiry Platform for Immigration-Related Information between Colombia, Mexico, and Peru. Through these initiatives, a free movement area has been created, without neglecting the essential aspect of security. Furthermore, with the main goal of ensuring the protection and wellbeing of their populations, the members have entered into a Consular Assistance Agreement, which will help facilitate assistance to their citizens in countries where they have no diplomatic or consular representation. Additionally, in an effort to facilitate the registered movement of citizens from the four countries as tourists, an Inter-Institutional Agreement for a Vacation and Work Program was signed, and the Vacation and Work Program Guide, the Consular Cooperation, and the Pacific Alliance Traveler’s Guide were created.

4

Cooperation

In 2016, in order to strengthen the external relationship with the Observer States, through an efficient, effective, dynamic and sustainable linkage, the Pacific Alliance established a new work plan for cooperation development that identified four vital thematic areas:

- Science, technology and innovation
- Trade facilitation
- SMEs
- Education

The Pacific Alliance seeks to encourage cooperation on aspects that significantly impact the comprehensive development of the member countries' population and bolster the technology of their industries. To achieve this, the cooperation working group is focused on consolidating a student and academic movement platform, structuring a scientific research network on climate change, identifying and taking advantage of synergies to increase the competitiveness of micro-, small-, and medium-sized enterprises, implementing physical interconnection projects, and creating a Cooperation Fund.

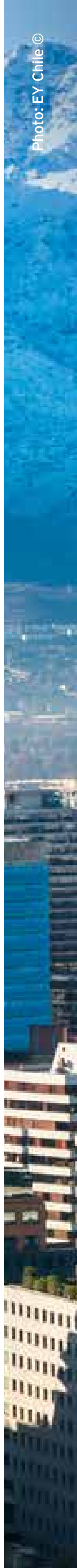
The working group's most recent achievements include the creation of an Academic and Student Movement Platform, under which 1,440 scholarships have been granted and the same number of scholarship recipients have been able to travel, after eight contests by 363 institutions in the four countries as of 2016. Also of note are the athletic diplomacy efforts made, with a focus on social inclusion, peaceful coexistence, and intercultural dialogue among children and adolescents of the initiative's member countries, through four beach volleyball, 3x3 basketball (streetball) track and field, coed indoor soccer, and traditional game exchanges, which benefited 81 boys and girls. Also of note, between 2014 and 2016, the Pacific Alliance youth volunteers—which included the participation of 96 youths from Chile, Colombia, Mexico, and Peru, in two separate groups—shared their experiences and knowledge in different local programs and projects.

5 Next steps

In June 2017, the 12th Pacific Alliance Summit was held, agreeing on the steps that will guide the bloc's future actions, which include the following:

- **Trade facilitation and customs cooperation**: Identify best practices in risk management and propose capacity-building actions. Foster cooperation among customs administrations through the exchange of information, to prevent, detect, and fight illegal trade activities and disseminate the results such actions, in an effort to discourage these practices.
- **Authorized economic operator**: This instrument will facilitate trade operations between operators who meet the minimum safety standards in their logistics chain, thus contributing to a region characterized by more streamlined trade and facilitating the participation of the Pacific Alliance's companies in the global market.
- **Services and capital**: Carry out cooperation actions and the exchange of good practices on matters of service trade statistics among the member countries of the Pacific Alliance. Identify regional projects that fit the working agenda of the Pacific Alliance Investment Facilitation Initiative.
- **SMEs**: Promote the simplification and digitalization of requirements and formalities, through the gradual development of the Technological Platforms for Business Formalities in the Pacific Alliance member countries. Develop an Entrepreneurial Education Program for young people, to foster a business culture among them, taking advantage of the benefits of the Pacific Alliance.
- **Innovation**: Develop a working program on technology transfer, with an emphasis on the training of specialized human capital. Implement the Pacific Alliance Innovation Agencies Network (InnovAP). Prepare a mapping of start-up initiatives in the Pacific Alliance with the potential to compete at an international level.
- **Promotion of trade, investment, and tourism**: Draft a plan for the promotion of agricultural and food exports to intra-Alliance markets and third-party economies, based on an analysis of the sector's potential. Promote cooperation actions in order to increase industrial complementarity among member countries and create productive chains, in coordination with the ministries of trade.
- **Labor**: Implement actions for the exchange of information and best practices on the prevention of psychosocial risks in the workplace. Create a group of experts to analyze options for facilitating the movement of young apprentices undergoing vocational and technological training in the Pacific Alliance, so that they can participate in internships in one of the member countries of the Pacific Alliance.
- **Cooperation**: Organize two workshops for the Sustainable Production and Consumption project in Mexico and Chile, one in September to share the experiences and results of the consultancies performed in the four countries, and the other in November to conclude the project.
- **Foreign relations**: Hold the third dialogue meeting among the presidents of the PA and the leaders of the APEC economies, and move forward on matters of trade facilitation and SMEs. Hold a seminar on opportunities for joint work on services, trade facilitation, and SMEs, during the Third APEC Senior Officials' Meeting, in August 2017. Organize the Fourth PA-ASEAN Ministerial Meeting during the second half of 2017, adopt the PA-ASEAN Working Plan, and follow up on the implementation of cooperation actions in the context of this Plan.
- **Movement of people and facilitation of cross-border movement**: Make progress on the implementation of cross-border movement verification, through a platform that performs multi-country consultations, as well as searching for information, in real time, on visas or residence permits in the countries of the Pacific Alliance, in order to ensure the security of both incoming visitors and the member countries.
- **Strategic vision**: Perform an analysis, in coordination with the private sector, to establish the Pacific Alliance's strategic vision through 2030.

3 Chile



1 Geography

Chile is located in the southwest of South America. It is bordered by the Pacific Ocean to the west, Peru and Bolivia to the north, and Argentina to the east.

Population

18.2 millions
Urban: 87%
Rural: 13%

Surface area

756,096 km^2

Currency*

Chilean Peso
US$1 = CLP 667

Main languages

Spanish

Religion

Freedom of worship; mainly Roman Catholic

Climate

Mediterranean in central Chile, desert-like in the north, and marine climate in the south

Time zone

GMT -3 on the continent. GMT -5 in island territories (Easter Island and Salas and Gómez Islands).

Natural resources

Copper, gold, fisheries resources, forestry resources, iodine, lithium, salmon, fruit, etc.

*Exchange rate as of December 31, 2016
Sources: Central Bank of Chile, National Institute of Statistics (INE)

2 Currency

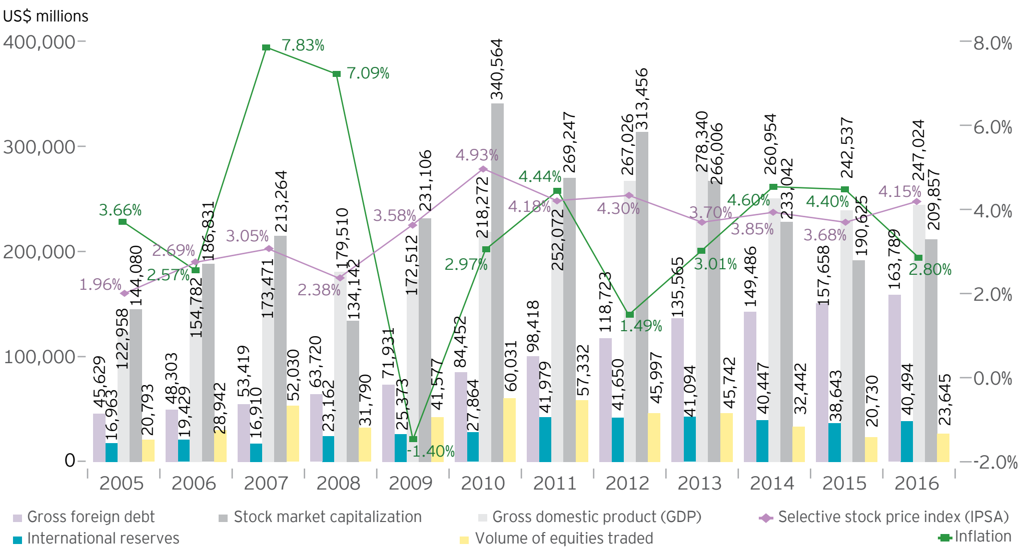
The official currency of Chile is the Chilean peso. The country has a free floating exchange rate, although the Central Bank of Chile intervenes sporadically to stabilize the currency.

Exchange rate trend: Chilean Pesos per US$1 (end of each year)

Source: Central Bank of Chile

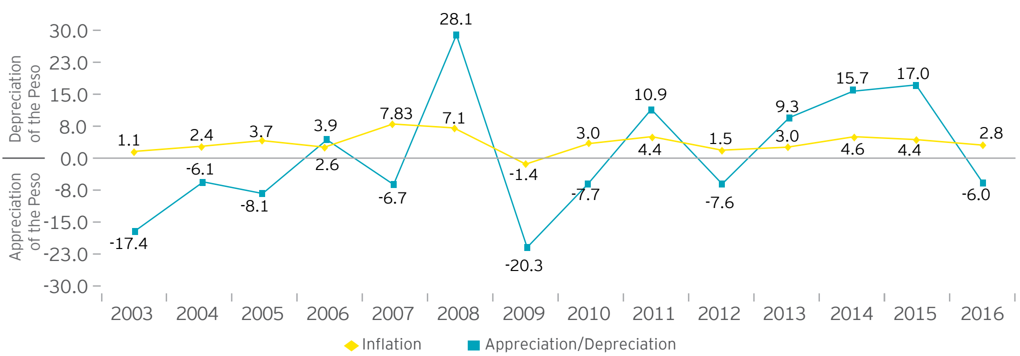
3 Economy

Evolution of financial indicators



Source: Central Bank of Chile, International Monetary Fund (IMF), Santiago Stock Exchange, Ministry of the Treasury

Appreciation/Depreciation and Inflation



Source: Ministry of the Treasury, Central Bank of Chile

At the end of 2016, the inflation rate in Chile was 2.8%. Meanwhile, the exchange rate depreciated by 6.0% at the end of 2016 over 2015.

It should be noted that in 2016, inflation fell within the target range set by the Central Bank of Chile.

Principal economic activities

Chile's leading economic activities include mining (copper and sodium chloride, gold, silver, molybdenum, saltpeter, iodine, and lithium carbonate) fishing, trade and tourism, agriculture, and forestry.

Chile's main export product is copper. The country is the largest producer of this mineral in the world, with a market share of approximately 26.9%. It is also a notable producer of iron and gold.

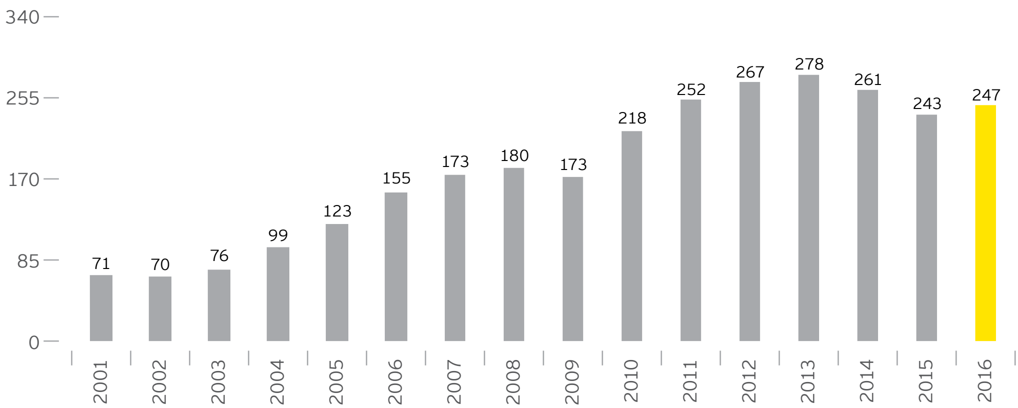
Other outstanding export activities include forestry, especially with regard to the export of cellulose and timber products.

In the food and beverage sector, Chile produces a significant amount of wines, salmon and trout, and fruit products such as apples, grapes, blueberries, and cherries.

Gross Domestic Product (GDP)

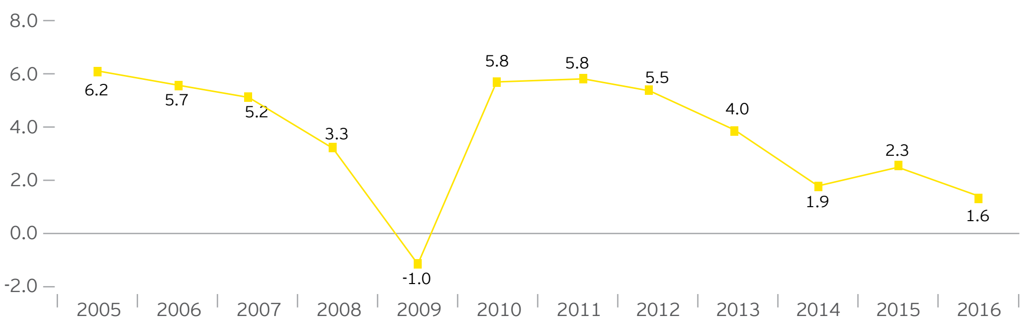
The estimated Gross Domestic Product (GDP) for 2016 was US$247 billion, according to the figures of the International Monetary Fund (GDP not measured in terms of purchasing power parity; this information can be found in Section I.3). In terms of growth, a rate of 1.6% was reported, according to forecasts by Banco Central de Chile. For 2017, the Bank estimates a growth rate of 1.5% to 2.5%.

Chile's Gross Domestic Product (US$ Billions)



Source: International Monetary Fund (IMF)

Real Gross Domestic Product (annual percent change)



Source: Central Bank of Chile

Gross Domestic Product by branch of economic activity (annual percent change)

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Agriculture/Forestry	6.0	-4.3	0.3	10.5	-2.0	4.7	-3.8	9.8	4.5
Fishing	15.4	-14.2	-0.2	21.3	5.2	-12.7	24.7	-8.3	-1.1
Mining	-3.7	-1.0	1.5	-5.2	3.8	6.1	2.3	0.0	-2.9
Manufacturing industry	1.6	-4.2	2.6	7.6	3.4	0.2	-0.3	0.2	-0.9
Electricity, gas, and water	4.3	13.8	8.7	11.7	7.6	7.3	3.8	3.5	1.6
Construction	11.0	-5.3	1.8	6.8	7.0	3.2	-1.9	3.9	2.5
Trade, restaurants, and hotels	5.2	-5.8	14.8	12.1	7.8	6.5	2.8	2.4	2.8
Transportation	0.0	-9.6	7.9	6.7	5.5	3.2	3.0	3.7	3.3
Communications	11.2	5.4	10.7	7.7	8.9	4.9	2.5	6.1	3.1
Financial and business services	6.1	1.5	6.7	8.8	7.6	4.0	1.4	2.6	0.1
Gross Domestic Product (GDP)	3.3	-1.0	5.8	5.8	5.4	4.1	1.9	2.3	1.6

Source: Central Bank of Chile

Gross Domestic Product by economic sector (2016)

12.5% Personal services

11.3% Manufacturing industry

11.2% Mining

11.0% Business services

10.2% Trade

8.0% Housing and real estate services

7.0% Construction

5.8% Financial services

5.4% Transportation

5.1% Public administration

3.6% Communications and information services

3.3% Agriculture/Forestry

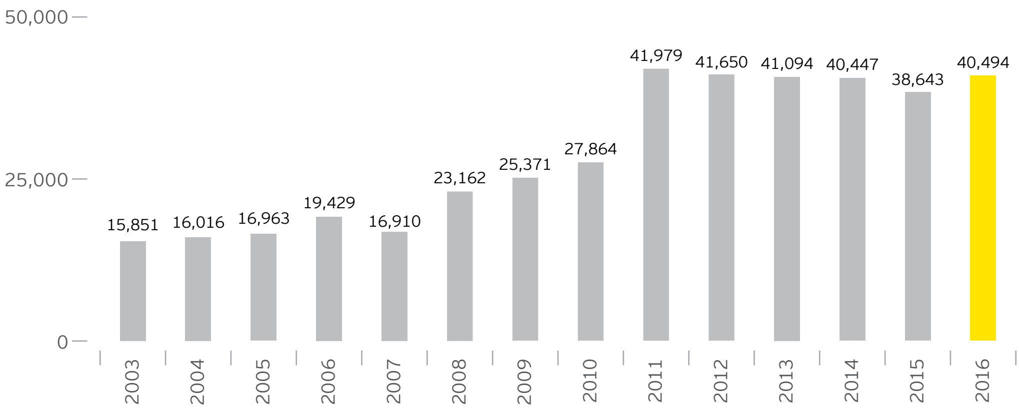
2.9% Electricity, gas, water, and waste management

2.0% Restaurants and hotels

0.7% Fishing

Source: Central Bank of Chile

Net international reserves (US$ Millions)



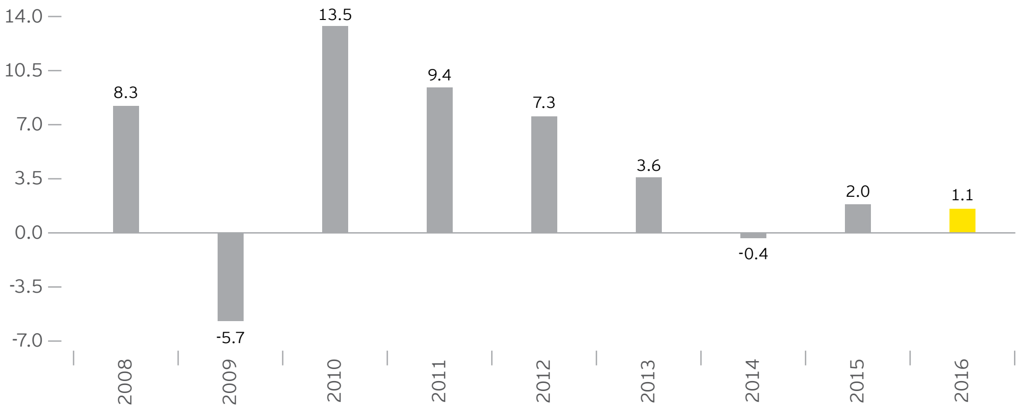
Source: Central Bank of Chile

Gross Domestic Product by type of spending (annual percent change)

Variables	2008	2009	2010	2011	2012	2013	2014	2015	2016
Gross Domestic Product	3.3	-1.0	5.8	5.8	5.5	4.0	1.9	2.3	1.6
Imports	11.2	-16.2	25.5	16.0	4.8	2.1	-6.6	-2.7	-1.6
Domestic demand	8.3	-5.7	13.5	9.4	7.3	3.6	-0.4	2.0	1.1
a. Private consumption	5.2	-0.8	10.8	8.9	6.1	5.5	2.7	2.0	2.4
b. Public consumption	0.3	9.2	4.6	2.5	3.5	3.5	4.4	4.5	5.1
Gross fixed capital formation	17.9	-12.1	11.6	15.0	11.6	2.2	-4.8	-0.8	-0.8
Exports	-0,7	-4.5	2.3	5.5	0.1	3.3	0.3	-1.8	-0.1

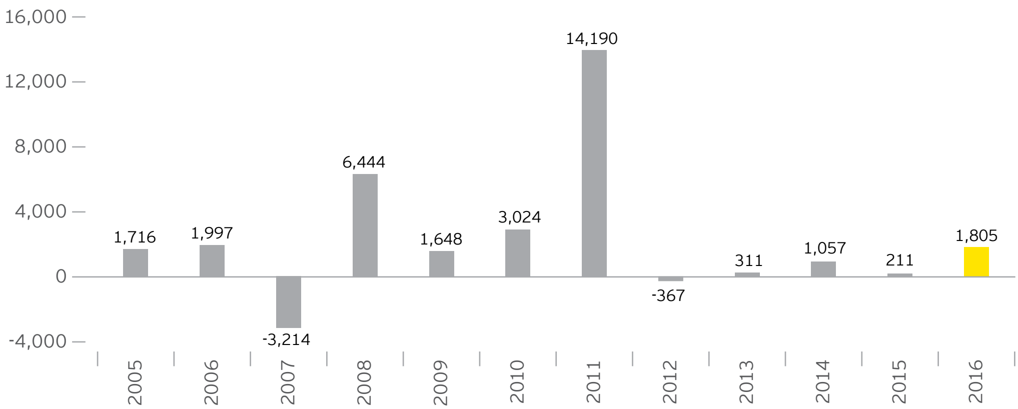
Source: Central Bank of Chile

Domestic demand (annual percent change)



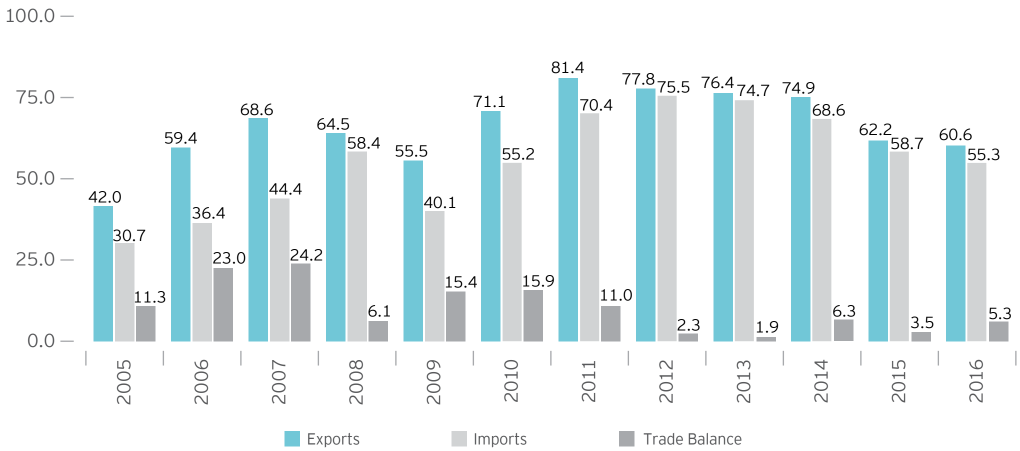
Source: Central Bank of Chile

Balance of payments (US$ Millions)



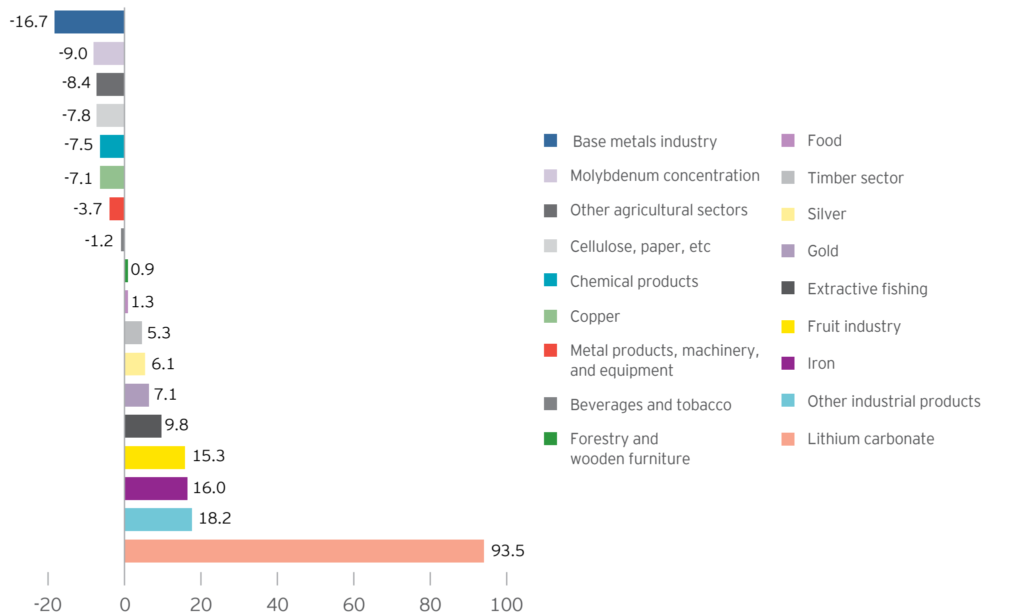
Source: Central Bank of Chile

Trade balance (US$ Billions)



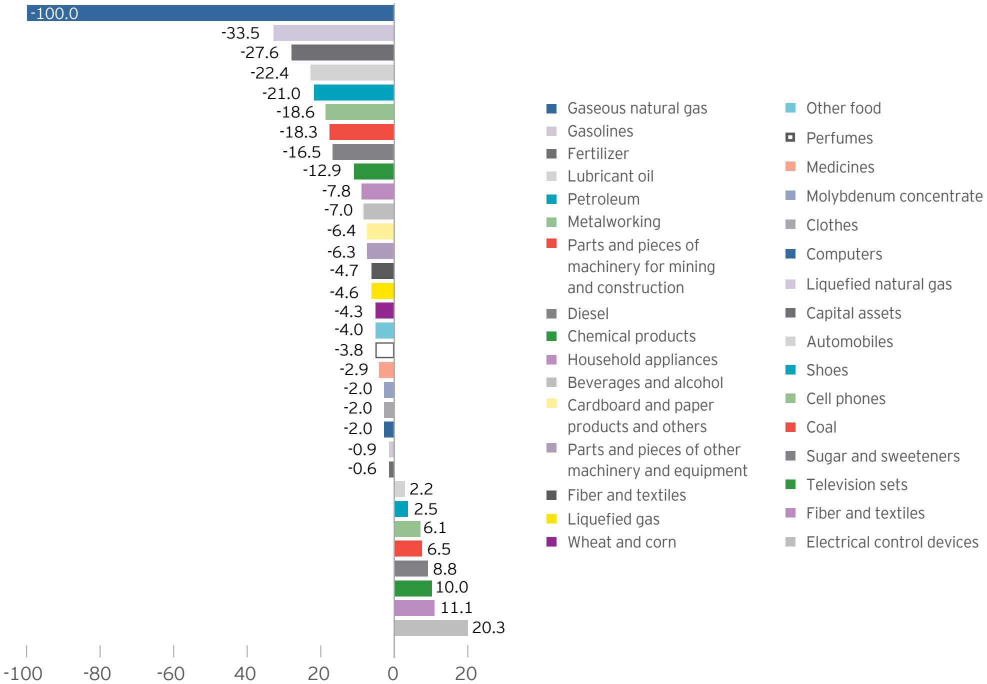
Source: Central Bank of Chile

Annual change in exports by economic sector 2016/2015 (in %)



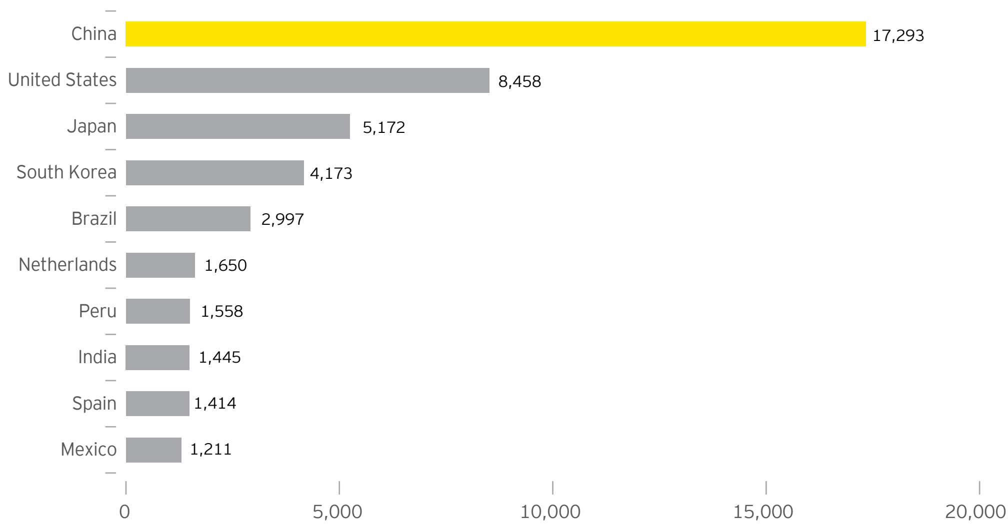
Source: Central Bank of Chile

Annual change in imports by economic sector 2016/2015 (in %)



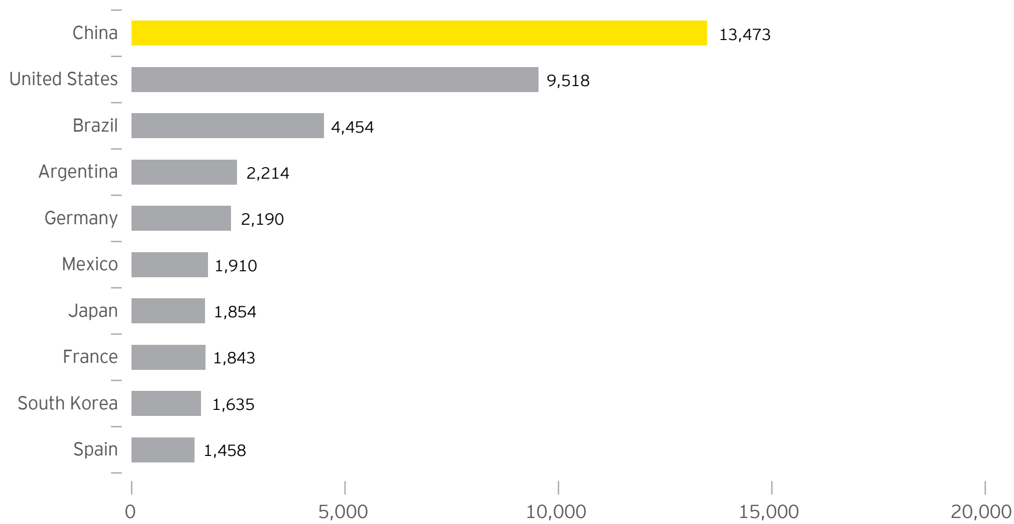
Source: Central Bank of Chile

Exports by trading partner, top ten partners 2016 (US$ Millions)



Source: Central Bank of Chile

Imports by trading partner, top ten partners 2016 (US$ Millions)

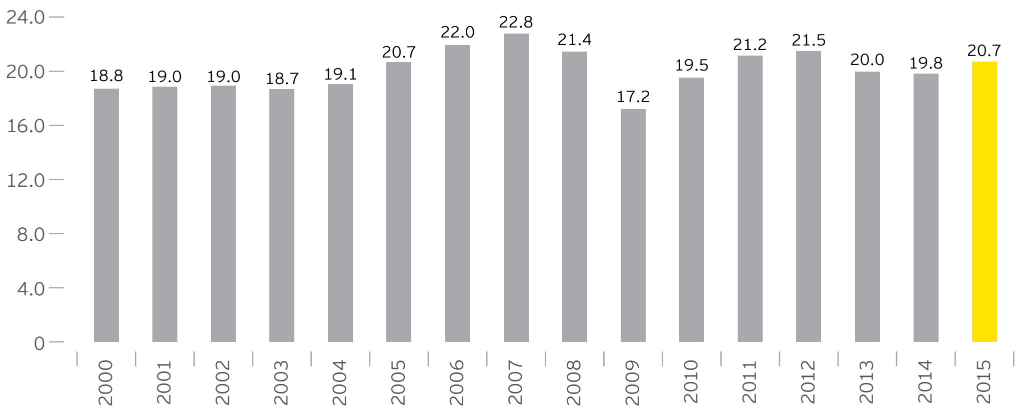


Source: Central Bank of Chile

Overall Balance (Fiscal Surplus/Deficit) of the public sector (% of GDP)

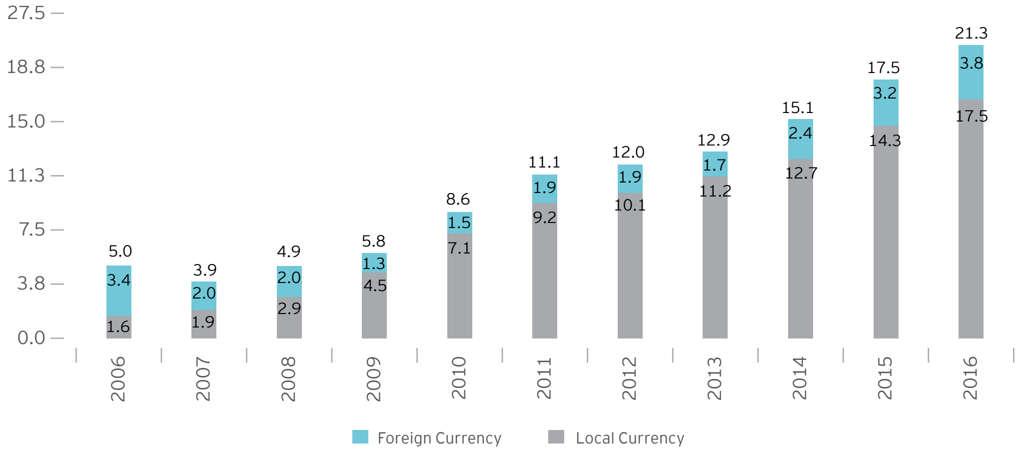
Source: Central Bank of Chile

Tax revenue (% of GDP)



Source: Organization for Economic Cooperation and Development (OECD)

Public debt (% of GDP)



Source: Ministry of the Treasury

Evolution of long-term foreign currency debt rating

Agency	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fitch	A	A	A	A	A+	A+	A+	A+	A+	A+	A+
S&P	A+	A+	A+	A+	A+	AA-	AA-	AA-	AA-	AA-	AA-
Moody's	A2	A2	A1	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3

As of July 7, 2017
Sources: Fitch Ratings, Standard & Poor's, Moody's

4 Investment

Investment promotion conditions

a. Foreign investment legislations and trends

Chile is one of the most competitive, stable, and open economies in Latin America, with one of the lowest levels of corruption, highlighted worldwide as an important destination for foreign direct investment. It also stands out for the solidity of its institutions and its macroeconomic figures, as well as being one of the countries with the greatest freedom for doing business and investing.

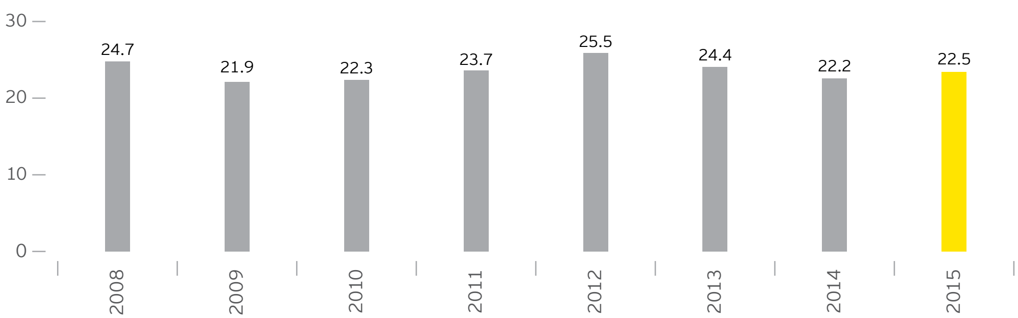
Foreign investors can do business in Chile as individuals or through entities regulated under the Commercial Code and national legislation. The basic structure under Chilean law is the corporation. It should be noted that there are no restrictions on the minimum or maximum amount of capital that any type of business corporation can have.

b. Favorable legal framework for foreign investors

The principles that regulate foreign investments in Chile are as follows:

- Economic freedom
- Non-discrimination
- Non-discretionality of procedures

Gross capital formation (GDP, in %)



Source: Central Bank of Chile

Foreign direct investment flows by sector (2009-2015)

44.9%	Mining
11.1%	Electricity, gas and water
9.5%	Financial services
6.7%	Trade
5.7%	Manufacturing industry
2.9%	Communications
1.9%	Other services
1.3%	Transport and warehousing
0.9%	Construction
0.5%	Real estate and business services
0.2%	Agriculture and fishing
0.1%	Hotels and restaurants
14.3%	Others

Source: Central Bank of Chile

Foreign Direct Investment flows by sector (US$ Millions)

Sector	2015
Mining	10,683
Electricity, gas, and water	2,283
Financial services	1,389
Trade	1,049
Manufacturing industry	424
Hotels and restaurants	38
Other services	3
Communications	0
Agriculture and fishing	-2
Real estate and business services	-17
Construction	-107
Transportation and warehousing	-237
Non-assigned	4,952
Total	20,457

Source: Central Bank of Chile

International competitiveness ranking

	2014 - 2015		2015 - 2016		2016 - 2017	
	Ranking	Score	Ranking	Score	Ranking	Score
Total Chile	33/148	4.59	35/140	4.58	33/138	4.64
SUB-INDICES						
Basic requirements	20	5.25	36	5.12	37	5.08
Institutions	28	4.82	32	4.64	35	4.51
Infrastructure	49	4.56	45	4.60	44	4.66
Macroeconomic environment	22	5.88	29	5.61	32	5.44
Health and primary education	70	5.75	74	5.64	71	5.71
Efficiency enhancers	29	4.68	31	4.67	31	4.77
Higher education and training	32	5.09	33	5.03	28	5.20
Goods market efficiency	34	4.68	40	4.62	44	4.59
Labor market efficiency	50	4.36	63	4.29	52	4.41
Financial market development	19	4.88	21	4.65	23	4.82
Technological readiness	42	4.59	39	4.85	39	5.09
Market size	41	4.50	44	4.56	44	4.50
Innovation and sophistication factors	49	3.88	50	3.81	56	3.73
Business sophistication	55	4.23	53	4.14	56	4.09
Innovation	48	3.54	50	3.47	63	3.38

Source: World Economic Forum 2016-2017

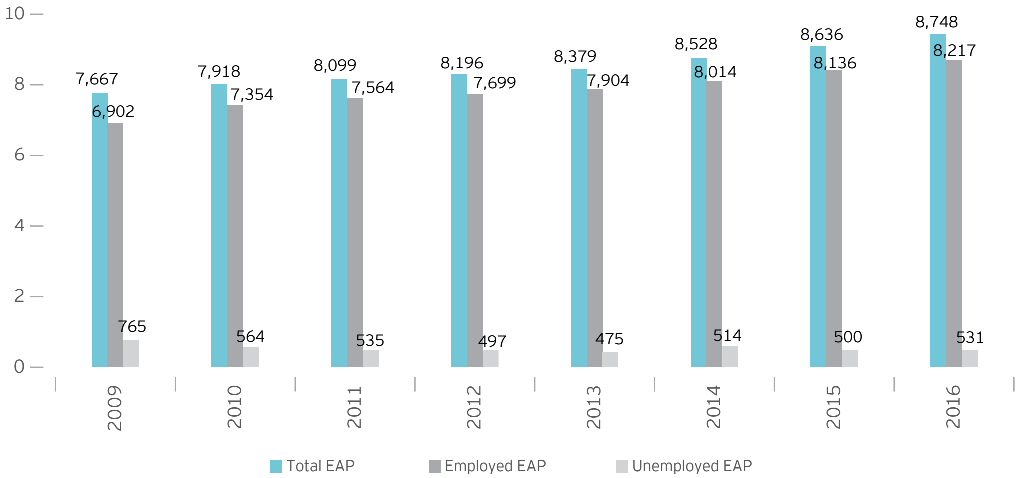
Main Doing Business indicators 2017

Indicators	Chile	Latin America and the Caribbean
Starting a business		
‣ Procedures (number)	7.0	8.3
‣ Time (days)	5.5	31.6
‣ Cost (% of income per capita)	0.7	31.5
‣ Paid-in minimum capital (% of income per capita)	22.4	2.3
Dealing with construction permits		
‣ Procedures (number)	13.0	14.4
‣ Time (days)	152.0	181.3
‣ Cost (% of warehouse value)	0.6	2.5
Registering property		
‣ Procedures (number)	6.0	7.1
‣ Time (days)	28.5	68.6
‣ Cost (% of property value)	1.2	5.8
Getting electricity		
‣ Procedures (number)	6.0	5.5
‣ Time (days)	43.0	66.0
‣ Cost (% of income per capita)	70.5	999.0
Getting credit		
‣ Strength of legal rights index (0-12)	4.0	5.3
‣ Depth of credit information index (0-8)	6.0	4.8
‣ Credit registry coverage (% of adults)	48.4	13.0
‣ Credit bureau coverage (% of adults)	12.4	41.2
Protecting minority investors		
‣ Extent of conflict of interest regulation index	7.0	5.3
‣ Extent of shareholder governance index	6.0	4.4
‣ Strength of minority investor protection index	6.5	4.8
Paying taxes		
‣ Payments (number per year)	7.0	28.9
‣ Time (hours per year)	291	342.6
‣ Total tax rate (% of profit)	30.5	46.3
Trading across borders		
‣ Time to export: border compliance (hours)	60.0	63.0
‣ Cost to export: border compliance (US$)	290.0	527.0
‣ Time to import: border compliance (hours)	54.0	65.0
‣ Cost to import: border compliance (US$)	290.0	685.0
Enforcing contracts		
‣ Time (days)	480	749.1
‣ Cost (% of claim)	28.6	31.3
‣ Quality of judicial processes index (0-18)	9.0	8.4
Resolving insolvency		
‣ Time (years)	3.2	2.9
‣ Cost (% of estate)	14.5	16.7
‣ Recovery rate (cents on the dollar)	33.5	31.0

Source: World Bank - Doing Business 2017

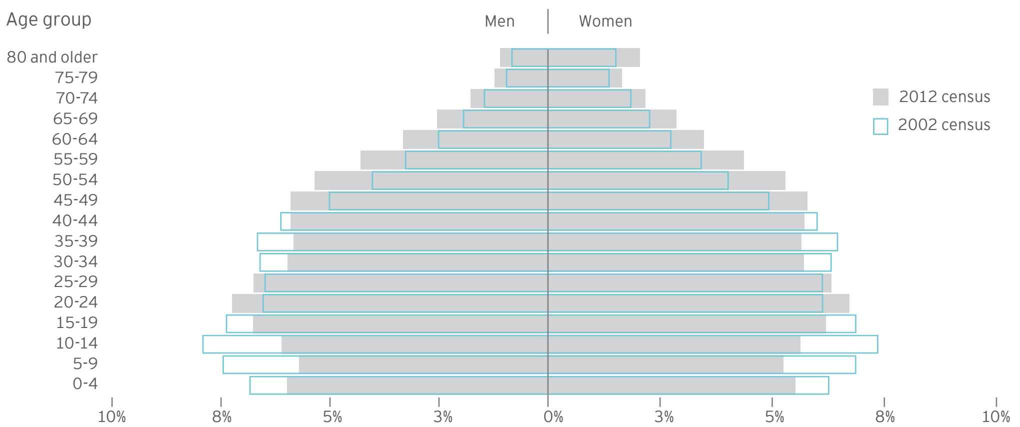
5 Population

Economically Active Population - EAP and Unemployed Economically Active Population - UEAP (quarterly moving averages, in thousands of people)



Source: Central Bank of Chile

Population pyramid as per census



Source: Chilean National Institute of Statistics (INE)

6

Starting a business

Foreign investors can do business in Chile as individuals or through entities regulated by the Commercial Code and other applicable laws. The following are the most commonly used entities for doing business in the country:

a. Joint stock companies (*Sociedades Anónimas* – S.A.)

These are made up of shareholders who bring together a common capital stock. Decisions are made by shareholders' meetings and the company's governance is delegated to a board of directors.

Characteristics:

- **Shareholders**: Formed by a minimum of 2 shareholders, with no maximum number.
- **Types:** Joint stock companies can be classified as publicly held or closely held.
  - **Publicly held corporations (Sociedades Anónimas Abiertas – S.A.A.):** (i) offer their shares to the public; (ii) are companies with over 500 shareholders; and (iii) are companies with 10% of their capital stock in the hands of a minimum of 100 shareholders (excluding individual shareholders holding more than said percentage).
  - **Closely held corporations (Sociedades Anónimas Cerradas – S.A.C.)**: All the remaining forms of joint stock companies that do not meet the characteristics of an S.A.A.
- **Liability**: Shareholders' liability is limited to the number of their shares.
- **Governance**: They must have a board of directors with at least three directors, essentially revocable, who proceed to elect a manager and their chairperson.
- **Supervisory bodies**: Publicly held corporations must be registered in the National Registry of Stock Corporations and are subject to supervision by the Chilean Securities and Exchange Commission (SVS). Closely held corporations are not subject to supervision.
- **Transferring shares**: There are no legal limits on the transfer of shares.
- **Restricted business**: There are certain types of business that are restricted to joint stock companies, which are supervised by the SVS or other sectorial supervisory bodies (banks, insurance companies, public works concessionaires, general fund management companies, etc.).

b. Limited liability companies

Limited liability companies are one of the most common forms used by individuals and legal entities to do business in Chile.

Characteristics:

- **Partners:** They are formed by a minimum of 2 and a maximum of 50 members, who can be Chilean or foreigners, residents or not, individual or legal entities.
- **Liability**: The members limit their liability to the amount of their contributions, or to a higher amount provided it is expressly established, without requiring a minimum of capital.
- **Governance and supervisory bodies**: The purpose, governance, and supervision of the company can be freely agreed to by the members. However, there are some activities, such as banking or insurance, which cannot be carried out by this type of company.
- **Transferring corporate rights**: A unanimous vote is required for the transfer of corporate rights.

c. Sole proprietorship limited liability company (*Empresa Individual de Responsabilidad Limitada*)

An individual can become a legal entity under the form of a sole proprietorship limited liability company (E.I.R.L). The equity is limited to that indicated in the articles of incorporation, and the proprietor can be held liable for his personal assets only up to the amount of capital contributed to the company, while the company can be held liable for all of its assets.

EIRLs can engage in all types of civil and commercial business, except for those restricted by law to joint stock companies (S.A.).

d. Joint stock company by shares (*Sociedad por Acciones* – SpA)

This is a variant of the joint stock company, and is regulated, first and foremost, by its bylaws, giving its shareholders a great deal of freedom to determine the provisions thereof. In all matters not provided for in its bylaws or the special laws that apply to this type of company, it is regulated by the laws on closely-held corporations.

Characteristics:

- Shareholders: Formed by a minimum of 1 shareholder. The company must be transformed into a joint stock company and register with the SVS in the event that it incurs in any of the grounds for which a corporation must be considered publicly held.
- Liability: Shareholders' liability is limited to the amount of their shares.
- Governance: The governance of a SpA can be freely agreed to by its shareholders in the bylaws.
- Supervisory bodies: Like closely held corporations, SpAs are not subject to supervision by the SVS.
- Transferring shares: There are no legal limits on the transfer of shares.

e. Branch or agency of a foreign branch

Formal government approval is not required to establish branches of foreign companies in Chile. A legal representative must be appointed on behalf of the foreign company, who must have certain documents authenticated by a Chilean notary public. These documents must be written in the original language and accompanied by a translation into Spanish. The documents are the following:

- Proof that the company is legally incorporated abroad.
- Certificate of good standing of the company.
- An authenticated copy of the company's bylaws currently in force.
- A general power of attorney granted by the company to the legal representative who will represent it in Chile. This power must clearly state that the legal representative acts in Chile under direct responsibility of the company, and with full and sufficient powers to act in the name, in lieu and instead of the company.

The legal representative must also sign a notarially recorded instrument on behalf of the company. He must then register an excerpt of this instrument with the Registry of Companies and publish that excerpt in the official gazette.

7 Tax environment

Starting on January 1, 2017, the amendments introduced by the tax reforms of 2014 and 2016 are now in full force and effect. The most significant of these amendments is the entry into force of the new tax systems for Chilean companies, as well as an increase in the corporate tax rate.

a. Current chilean tax system

The management and collection of the main taxes is the responsibility of the Chilean Tax Authority (SII). This entity's main objectives are to control tax evasion and collect taxes in an efficient manner.

The main corporate taxes are the following:

First-category income tax rate (Corporate)	25% o 25.5% (1)
Capital gains tax	0/35% (2)
Tax on affiliates	0 (2)
Tax withholdings:	
‣ Dividends (c)	35% (3)
‣ Interest (d)	4/35% (4)
‣ Royalties from patents, trademarks, formulae, and the like (e)	0/15/30% (5)
‣ Technical services provided abroad (f)	15/20% (6)
‣ Other payments and compensations for services	35%
Operating losses (years)	
‣ Carry-back	N/A
‣ Carry-forward	Unlimited

(1) Depending on the tax scheme chosen by the taxpayer. Starting in 2018, the Scheme B rate will be 27%.

(2) Generally speaking, capital gains are subject to corporate tax plus withholding tax (in the case of non-residents). The corporate tax is fully recoverably, for which reason capital gains are taxed at an effective rate of 35%. Capital gains on shares listed on the stock exchange are not subject to income tax. Distributions among Chilean companies are not taxed, although they must be included in the tax base of the receiving company in certain cases.

(3) In the case of non-residents, dividends are subject to a withholding tax of 35%.

(4) The general rate is 35%. The rate is 4% if the payment is made to international banks or foreign institutions. In this case, thin-cap rules apply.

(5) The general rate is 30%, and drops to 15% in certain cases (invention patents, models, computer programs). On an exceptional basis, certain royalties may be exempt from withholding tax (standard software).

(6) The general rate is 15%, unless the beneficiary is a resident of a tax haven, in which case the tax rises to 20%.

Corporate tax (first-category tax)

Determination of the tax base

The first-category income tax rate is 25% or 25.5% (depending on the year and the tax scheme chosen by the taxpayer) and is applied to the net profit. Companies domiciled in Chile are taxed on their foreign source profits. Affiliates of foreign companies in Chile are taxed on their income received or accrued.

Under Tax Scheme A, or the "attributed income" scheme, a company's annual profits are subject to a corporate tax (first-category tax) of 25%, and are attributed annually to its partners or shareholders, regardless of whether they are withdrawn or effectively distributed. For each shareholder, the attributed income is subject to a withholding tax (additional tax) of 35%, in the case of non-residents; or a proportional and progressive personal tax (supplemental overall tax) at a maximum rate of 35%, in the case of residents. In both cases, the corporate tax paid by the company may be claimed in its entirety as a credit. As such, the attributed income is subject to an effective tax rate of 35%.

This scheme is available only for corporations comprised exclusively of Chilean citizens or non-residents, whether individual or legal persons. Joint stock companies are also excluded from this scheme.

Under Tax Scheme B, or the "distributed income" scheme, on the other hand, a company's annual income is subject to a corporate tax of 25.5% (27% in 2018). The profits effectively withdrawn or distributed by the members or shareholders are subject to a withholding tax of 35%, in the case of non-residents; or a proportional and progressive personal tax, at a maximum rate of 35%, in the case of residents. As opposed to Scheme A, under this system, only 65% of the tax paid by the company can be claimed as a credit, resulting, in the case of foreign shareholders, in an effective tax rate of 44.45% for 2017.

In all cases, those shareholders domiciled in countries with which Chile has entered into a double taxation agreement are entitled to 100% of the credit for the corporate tax paid by the company, resulting—like Scheme A—in an effective tax rate of 35%. This applies even to agreements that are not currently in force, but only through December 31, 2019.

The tax base includes all earnings, with some minor exceptions (government incentives, for example). Revenues are considered to include those generated in all transactions, asset sales, and other activities. Expenses in favor of related domiciled companies from abroad are deductible only to the extent they are effectively paid out, and provided the applicable withholding tax is duly declared and paid (where applicable).

Finally, taxpayers must remain for five (5) consecutive business years in their chosen tax scheme. After said period has elapsed, they may voluntarily choose to change to a different scheme when they meet the requirements for that scheme, and they will begin to pay taxes under the rules of the new scheme starting on January 1 of the year in which they switch to the new scheme.

In the event that a taxpayer fails to meet any of the requirements for the chosen scheme while said scheme is in force, the company shall be forced to abandon the scheme. If this is due to changes of a legal nature, the abandonment shall be considered to have entered into force as from January 1 of the year in which the failure to comply occurred. If, on the other hand, this abandonment is due to a change in the corporation's makeup, it shall be considered to enter into force as from January 1 of the year following the failure to meet the requirements.

Tax loss carryforward system

Currently, tax losses for the fiscal year can only be claimed against profits generated in subsequent fiscal years (carry- forward only).

Revenues received from Chilean affiliates may absorb the accumulated losses. In this case, the company can ask the SII to refund the corporate tax paid for the absorbed profits.

Thin capitalization rules

As a rule of thumb, interest paid by Chilean entities to those domiciled abroad is subject to withholding tax at a rate of 35%, or at the lowest rate established in the double taxation treaty, should it exist.

Interest paid to international banks or foreign financial institutions may benefit from a lower rate of 4%, provided that certain requirements are met, even in the case of related parties. In this case, however, thin capitalization rules apply.

Basically, these rules state that in the event of excessive debt (when the total debt is three times higher than the company's taxable net worth) the interest, fees, or remunerations paid abroad for debts with related parties are subject to an effective tax rate of 35%. When calculating debt, all debts shall be taken into account, whether with related parties or not, both local and foreign.

This applies for interest paid at 4% under local laws, as well as for those that benefit from a lower rate of 35% under a treaty.

Controlled Foreign Corporation (CFC) rules

These rules establish the obligation to recognize passive income received from or accrued by controlled foreign corporations on an accrual basis.

Transfer pricing

Transfer pricing rules in Chile have been in force since 2013, and follow the directives of the Organization for Economic Cooperation and Development (OCDE).

By virtue of these rules, cross-board transactions between related parties must be performed under normal market conditions ("arm's length").

Any price adjustments made by the administrative authority are subject to a penalty tax of 40%.

Tax havens

There is a list of countries considered "tax havens." Transactions carried out with tax havens are subject to the application of higher rates on payments for certain concepts abroad, as well as leading to an assumption of relationship under certain circumstances.

There are also preferential jurisdictions or regimes, which have a similar treatment to tax havens, although there is no exhaustive list of such jurisdictions or regimes.

These jurisdictions must meet certain requirements to be considered "preferential." However, OECD member countries are automatically eliminated from the concept of preferential regimes.

Indirect transfer

Capital gains generated by the indirect transfer of Chilean underlying assets are subject to taxes in Chile, provided certain circumstances are met in relation to the value of the entity transferred abroad and the Chilean entity indirectly transferred.

Once an indirect transfer has been triggered, the capital gains are subject to a 35% tax. These transactions must be duly reported to the administrative authority.

In all cases, the Chilean companies or permanent establishments transferred are jointly and severally liable for the payment of the taxes accrued by the foreign transferor. .

Tax credits

In Chile, there is a right to use taxes paid abroad as a credit against income tax (corporate or personal). In these cases, to determine the taxes deductible from taxes in Chile, the income tax laws make a distinction between those cases where there is a double taxation treaty in force, and those cases where there is no double taxation treaty in force.

With regard to income tax paid in countries with which Chile has not entered into a double taxation treaty, only taxes on dividends (both income tax subject to withholding at the source, and corporate income tax paid by the company that distributes them) income tax paid by permanent agencies or establishments, and income tax levied on royalties, technical advisory services, or similar services can be claimed as credit against Chilean income tax.

In the event that there is a double taxation treaty in force, all income tax levied on the income received can be claimed as tax credit in Chile.

This credit can be used for a limit of up to 32% (for countries with no treaty) or 35% (countries with a treaty) of the foreign source income, with certain adjustments.

Tax incentives

- **Double taxation treaties**
  Chile has entered into treaties with Argentina, Australia, Austria, Belgium, Brazil, Canada, Colombia, South Korea, Denmark, Ecuador, Spain, France, Ireland, Italy, Japan, Malaysia, Mexico, Norway, New Zealand, Paraguay, Peru, Poland, Portugal, United Kingdom, Czech Republic, Russia, South Africa, Sweden, Switzerland, and Thailand.

  Currently, the treaties with the United States and Uruguay are signed, but not in force.

Taxes for entities not domiciled in Chile

Chilean source revenues received by a taxpayer not residing or domiciled in the country are subject to a 35% withholding tax.

As explained above, dividends are subject to a 35% withholding tax, against which up to 100% of the corporate tax paid by the Chilean company can be claimed as a tax credit. This same tax applies to returns of capital that benefit a foreign shareholder, unless the amount returned effectively corresponds to paid-in capital and not profits that should have been subject to tax.

Investment and Savings Incentives:

- **Depreciation Mechanism**: IDepreciation mechanisms include normal depreciation (over the asset's useful life) and accelerated depreciation (in one-third of the asset's useful life) in addition to other regimes that may be used by small and medium-sized enterprises.
- Savings incentives for natural persons who hold savings in eligible financial instruments.

Personal taxes (second-category tax and supplemental overall tax)

Second-category tax applies to income from work. It is proportional and progressive, reaching a maximum marginal rate of 35%.

The supplemental overall tax applies to income derived from business activities. The maximum marginal rate is 35%.

Value Added Tax (VAT)

VAT is levied on the sale of goods in the country, the provision and use of services, and the import of goods, at a rate of 19%.

VAT uses the debit/credit system, whereby the VAT paid on purchases is offset against VAT on sales. This tax must be declared and paid on a monthly basis. The VAT amount is determined based on the different between the tax debit and the tax credit. If there is a remainder after this difference, there is a mechanism that allows it to be used in subsequent periods.

Currently, VAT is mainly levied on the normal sale of personal property; real property, whether new or used; and services.

Customs system

As a rule of thumb, imports are subject to the payment of an ad valorem duty (6%) on the CIF value, and the payment of VAT (19%) on the CIF value plus the ad valorem duty.

On an exceptional basis, the import of capital goods may be exempt from the payment of customs duties and VAT, provided they meet certain requirements.

In the case of goods originating from a country with which Chile has entered into a trade agreement, the ad valorem may be free or levied at a lower percentage. Chile has entered into many free trade agreements that reduce this rate to 0%.

The determination of the customs value is performed in accordance with the rules of the World Trade Organization (WTO).

International treaties

- Free trade agreements: With Australia, Canada, China, South Korea, Central America (1) the European Free Trade Association (EFTA) (2) the United States, Hong Kong SAR, Malaysia, Mexico, Panama, Thailand, Turkey, and Vietnam
- Economic Complementation Agreements (ECAs): With Argentina, Bolivia, Cuba, Ecuador, MERCOSUR, and Venezuela
- Economic Partnership Agreements (EPAs): With the P-4 (New Zealand, Singapore, Brunei) the European Union (3) and Japan
- Free Trade Agreements (FTAs): with Colombia and Peru
- Investor protection agreements: Chile has entered into this type of agreement with nineteen countries in Europe, five in the Asia-Pacific region, and fourteen in the Americas
- Pacific Alliance: With Colombia, Mexico, and Peru, subject matter of this Guide

Green taxes and indirect taxes

Green taxes levy a specific tax on the purchase of vehicles considered a source of pollution, and apply a specific tax to those businesses that emit pollutants.

Additionally, the most recent reforms have increased taxes on alcoholic beverages and cigarettes.

Stamp duties

These taxes apply to documents evidencing credit transactions. The rate is 0.066% per month, if the credit term is shorter than twelve (12) months. If the credit term is equal to or greater than twelve (12) months, the tax rate is 0.8%.

Anti-tax avoidance and evasion regulations

The recent reforms incorporated into the tax code the so-called "general anti-avoidance rule," whereby the tax administration may object to the agreements, structures, or other activities carried out by taxpayers when such activities are intended to evade the payment of taxes through violations or misrepresentation.

Despite the administrative authority's new powers, it does have limitations, such as the presumption of good faith on the part of the taxpayer, the authority's obligation to prove its charges (burden of proof) the tax courts' jurisdiction to rule on these disputes, etc.

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(1) Central America: Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

(2) EFTA: Iceland, Liechtenstein, Norway, and Switzerland.

(3) European Union: Germany, Austria, Belgium, Bulgaria, Cyprus, Croatia, Denmark, Slovakia, Slovenia, Spain, Estonia, Finland, France, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, United Kingdom, Czech Republic, Sweden.

8 Labor regulations

1. Chilean employee hiring system and special requirements for foreigners

The Chilean Labor Code regulates the employee/employer relationship, employment contracts, and the rights and obligations arising from the employment relationship for both parties.

Section 7 of this Code defines the individual employment contract as "an agreement whereby the employer and the employee mutually bind themselves: the employee undertakes to provide personal services under a dependent and subordinate relationship with the employer, and the employer undertakes to pay a given remuneration for these services."

a. System applicable to all employees, whether chilean or foreign

With regard to the term, there are three types of employment contracts:

- **Indefinite-term contract:** A contract in which the term has not been established beforehand by the parties. This type of contract is the general rule in Chile. It does not establish a certain date or a specific duration, and the employment relationship can only be terminated on specific grounds established in the Labor Code, making for a relatively stable employment system in Chile.
- **Fixed-term contract:** Whereby the employee and the employer enter into an employment agreement for a specific time, setting the exact date on which the relationship will end. The maximum duration of this type of contract is one (1) year, and—on an exceptional basis—two (2) years in the case of managers or persons with a professional or vocational degree awarded by a higher education institution. A fixed-term contract can be renewed for one (1) time only, and can be automatically transferred into an indefinite-term contract if it is renewed for a second time. The same thing occurs if the employee continues to provide services after the expiration of the established term, with the employer's knowledge, or in the case that the employee has provided intermittent

services by virtue of more than two (2) fixed-term contracts, for twelve (12) months or more, during a fifteen (15)-month period, counted as from the first time the employee is hired.

- **Contract for a specific job or task:** In this case, the term of the contract will depend on the nature of the services for which the employee is hired, rather than a term established by the parties. This type of contract is characterized by its short duration. One example of this type of contract is that in which the employee undertakes to perform a specific material or intellectual work, the term of which is limited to the duration thereof.

As for the nature of the services provided by the employee, Chilean law establishes other types of employment contracts, known as "special" contracts, in addition to regulating the outsourcing of work and collective employment relationships (unions and collective bargaining).

In the case of contracts for the provision of professional services, the contractual relationship between the parties is not regulated by labor laws, but by civil or commercial law, depending on the case, provided that the basic assumption of any employment relationship—the provision of personal services under a subordinate and dependent relationship, and the payment of a remuneration—is not met.

The Labor Code goes on to set forth the characteristics of a contract, primarily establishing that it is a consensual agreement, for the execution of which only the will of the parties is required. The law also establishes a deadline for the contract's registration as a notarially recorded instrument, which depends on the term of the contract. Section 10 of the Labor Code sets forth the essential content or provisions that must be included in all employment contracts in Chile.

b. Additional considerations for foreign employees

Foreigners providing services in Chile are subject to the same laws as Chilean workers. However, there are certain special clauses, in addition to those established in Section 10 of the Labor Code, which must be included in their employment contracts for immigration purposes. The most important of these are the travel clause; the clause establishing the applicable pension regime; the clause on the payment of income tax; and the clause specifying the date of the contract's entry into force.

c. Other legal considerations with regard to foreign employees

When establishing an employment relationship, the following should be taken into account:

- **Allotments**: At least 85% of the employees working for the same employer must be Chilean citizens. Employers with no more than 25 employees are exempt from this rule. However, it is possible to exclude foreigners for effects of calculating the foregoing allotment in the following cases: (1) specialized technical personnel are excluded (status must be proven by the employer in the event of an audit); (2) a foreign employee whose spouse, common-law partner, or children are Chilean, or who is a widow or widower of a Chilean spouse, shall be considered to be a Chilean citizen; and (3) foreign residents who have resided in Chile for more than five(5) years shall also be considered Chilean citizens.
- **Social security**: Foreign professionals and technicians providing services in Chile may be exempt from paying contributions to the Chilean social security system (only pension and health insurance funds) provided they meet the requirements established in Section 1 of Law 18.156, i.e., they are enrolled in a social security system abroad that grants benefits similar to those provided in Chile (old age, disability, illness, and death) and provided the employee expressly establishes in the employment contract his/her intention to remain enrolled in said system abroad. This

exemption does not include payments for work accidents and occupational diseases, or layoff/unemployment insurance.

It is worth noting that Chile has international social security agreements with the following countries: Germany, Argentina, Australia, Austria, Belgium, Brazil, Canada, Colombia, Denmark, Ecuador, Spain, United States, Finland, France, The Netherlands, Luxembourg, Norway, Peru, Portugal, Quebec, United Kingdom, Czech Republic, Sweden, Switzerland, and Uruguay, as well as a Multilateral Ibero-American Agreement.

d. Immigration regulations

In general, a passport is required to enter the country, except for citizens of Argentina, Brazil, Bolivia, Colombia, Ecuador, Paraguay, Peru, and Uruguay, who require only a national identification document.

With regard to work by foreigners in Chile, it must be borne in mind that no foreigner entering the country as a tourist is automatically authorized to engage in remunerated activities in Chile, unless he/she has a special permit to work as a tourist, known as a "PETT."

This permit or authorization can be requested by any foreigner in the country as a tourist who meets the respective requirements. The request is filed with the Ministry of Internal Affairs, and is valid for thirty (30) days, renewable for equal periods until the expiration of the tourist visa (ninety – 90- days).

As such, in order for a foreigner to work in Chile, they need to obtain the proper corresponding authorization or a residence permit (visa):

- Temporary residence visa: This visa allows a person to engage in any activity in Chile, subject only to those limitations established by law. It is issued for a maximum period of one (1) year, renewable for a total of two (2) years. The applicant must have an interest in residing in the country, such as business, work, family, or studies.
- Temporary work residence visa: This visa entitles the holder to the same benefits as all temporary visas, with the difference being that the applicant must have signed an employment contract with a Chilean employer in order to apply for the visa. Under this visa, the employer does not have the obligation to pay the foreign employee's return airfare to his/her country of origin once the employment relationship has come to an end.
- Residence visa subject to contract: Foreign employees may apply for this type of visa when they are going to be hired by a Chilean company. This visa allows the holder to engage in labor activities exclusively for the employer with which the foreign employee signed the employment contract.
- Permanent residence visa: The permanent residence visa is granted to foreigners authorizing them to reside in Chile indefinitely and engage in all types of lawful activity in the country. The minimum period during which the applicant must have resided in the country before applying for a permanent residence visa depend on the type of visa he/she held previously:
  - Residence visa subject to contract: Two (2) years of residence
  - Temporary residence visa: One year
  - Student residence visa: Two (2) years with this type of residence visa, on the condition that the applicant has finished his/her studies

These terms must be uninterrupted, meaning that the foreigner has not remained outside the country for more than one hundred and eighty (180) days during the final year of the residence visa.

Visas may be applied for at Chilean consulates in the foreigner's country of residence, or in Chile, through the Department of Foreigners' Affairs and Immigration, which is part of the Chilean Ministry of Internal Affairs and Public Safety.

e. Regulations applicable to all non-freelance employment

In Chile, workers with a dependent relationship upon an employer have the right to the following labor benefits, among others:

- Vacations or holidays: Employees with more than one (1) year of service have the right to an annual vacation of fifteen (15) business days with full remuneration.
- Workers' profit sharing or bonuses: Companies must distribute a percentage of their profits among all of their employees. The employer must choose between two legal alternatives with regard to the determination of the benefit: either 30% of the net taxable profits, with certain adjustments, or 25% of the annual salaries, with a maximum limit of 4.75 minimum monthly salaries per employee.
- Social security: Under the Chilean social security system, all dependent employees are obligated to pay contributions to the pension system. This includes the obligatory quotas of 7% of the monthly remuneration for health insurance (ISAPRE or FONASA) and 10% of the monthly remuneration for the pension fund (AFP) plus a commission of approximately 0.47%. Both quotas have a taxable limit of one monthly remuneration of 75.7 Index-Linked Units (UFs) for 2017. This limit is readjusted annually depending on the change in the real remunerations index. Employees may also voluntarily make contributions to a private pension fund management company (AFP) using any of the voluntary pension savings regimes.

  Furthermore, the same limit is used to calculate a disability and survivorship life insurance of 1.41% and an occupational accident insurance of 0.95%, which may be increased to 3.4%, depending on the risk posed by the company's activities. Both of these quotas are the responsibility of the employer.

There is also unemployment insurance, co-financed by the employee (the employer is responsible for withholding this contribution) the employer, and the government. These contributions are as follows:

- **Employee**: 0.6% of gross remuneration, with a limit of 113.5 Index-Linked Units (UFs) for 2017
- **Employer**: 2.4% of the gross remuneration, with a limit of 113.5 Index-Linked Units (UFs) for 2017

f. Taxes levied on remunerations

It is worth mentioning that Law 20.780 on Tax Reform was recently approved and entered into force in Chile. The main points of this law are described in Section III.7: Tax Environment.

- **Income tax**: The employer is responsible for withholding and paying income tax (consolidated second-category tax, which is the general rule, or additional tax in those cases in which the employee qualifies as a non-resident or not domiciled in Chile) applicable to the employee's remuneration. This tax is currently applied on a progressive scale, ranging from 0% to 35%. Income brackets are based on Monthly Tax Units ("Unidades Tributarias Mensuales," or "UTMs") which are adjusted each month based on changes in the CPI.
- **Tax on non-residents**: The additional tax is applied to Chilean-source income earned by individuals or legal entities who are not domiciled or do not reside in Chile. The additional tax has a general rate of 35%, although lower rates do apply to certain types of income that also meet the special requirements established for each one of them in the national laws in force.

g. Extinction or termination of the employment relationship

When it comes to the termination of employment contracts, Chile has a relatively strong job stability system. This means that there must be legal grounds in order to terminate an employment contract. Grounds are classified into two major groups: those that result in the payment of a mandatory compensation, and those that do not.

- **Grounds for termination of an employment contract without the right to a mandatory compensation**: These grounds are based on the parties' decision or natural causes, such as a mutual agreement, the employee's death, the expiration of the contract term, or the employee's resignation. Other grounds for termination that do not give rise to the obligation to pay a compensation include employee misconduct, such as failures to act with integrity, sexual harassment, immoral behavior, conflicts of interest, and, in general, any other conduct that may represent an intentional violation or a serious breach of labor obligations.
- **Termination of the employment contract with mandatory compensation severance pay and compensation as a substitute for prior notice**: The employer may unilaterally terminate the employment contract, citing the company's needs, such as those resulting from an overhaul of its services, a decrease in productivity, changes in the economy, or market conditions that may result in the need to reduce its staff. With regard to employees who have the authority to represent the employer, such as managers or agents vested with general management powers, the employment contract may be terminated without the need to cite any grounds.

Additionally, there is a compensation for terminations and layoffs due to a situation that affects the employer, established in Section 163-B of the Labor Code, with regard to bankruptcy proceedings for winding-up.

With regard to severance pay, this must be paid provided the employment contract has been in force for more than one year and the employer is the one who terminates it due to the aforementioned grounds. The employer must pay the employee a cash compensation equivalent to thirty (30 days of the employee's most recent monthly remuneration, with a limit of 90 Index-Linked Units (UFs) for each year of service, or fraction of a year greater than six (6) months, with a maximum of three hundred and thirty (330) days or eleven (11) months.

The grounds based on which severance pay applies include economic needs on the part of the company, bankruptcy, or the employer's unilateral decision regarding certain positions of trust or managerial positions within the company.

In those cases in which the termination is based on any of the grounds that give rise to the right to a compensation payment, the employee must receive a written 30-day notice. Failure to receive this notice shall result in the employer being required to pay an additional compensation as a substitute for prior notice, subject to the limits and conditions described above.

2. Labor reform

The Labor Reform Act, Law 20.940, passed on August 29, 2016 and published on September 8, 2016, will enter into force on April 1, 2017, and is aimed, according to the objectives sought by the government, to strengthen union organizations inside companies and streamlining collective bargaining processes.

Among the main changes introduced by the new law, special note should be made of the following:

- Expansion of collective bargaining coverage
- Expansion of matters subject to collective bargaining
- Establishment of minimum entitlements for bargaining
- Negotiation of agreements on special work conditions
- Regulation of unions' right to receive information from companies
- Recognition of the right to strike, prohibiting the replacement of workers on strike as a collectively exercised right
- Guarantee of women's representation on unions' executive boards
- Recognition of inter-company unions and their bargaining rights

9 Financial reporting procedures

In general, since 2013, all companies in Chile have been required to present their financial statements in accordance with International Financial Reporting Standards (IFRS).

However, there are certain companies that have adapted their practices to these standards, but do not fully report under the IFRS. These include banks, insurance companies, and private pension fund management companies (AFPs).

The process of conversion to IFRS began in 2009, when the Chilean Securities and Exchange Commission (SVS) established that year as the first for the progressive implementation of said standards by those corporations regulated by the SVS, and on a voluntary basis for non-regulated entities.

Since then, a calendar has been established for the gradual adoption of the IFRS by groups of companies, finalizing in 2013.

The Chilean Accountants' Association has offered the option of applying the IFRS for small and medium-sized enterprises (known as the "IFRS PYME" regime) through a simplified compendium of the traditional IFRS standards.

It should be noted that, for such effects, the definition of "small and medium-sized enterprises" does not have to do with size, but instead refers to all those private enterprises that are not of public interest.

4

Colombia

Photo: Calle Candelaria, Bogota. Photo: Cesar Leguerque ©

1 Geography

Colombia is located in the northwestern part of South America. It is bordered by Venezuela and Brazil to the east, Peru and Ecuador to the south, and Panama to the northwest. Its territorial waters are bordered by those of Panama, Costa Rica, Nicaragua, Honduras, Jamaica, Haiti, the Dominican Republic, and Venezuela in the Caribbean Sea; and those of Panama, Costa Rica, and Ecuador in the Pacific Ocean.

Population

49 million
Urban: 75%
Rural: 25%

Surface area

1,141,748 km^2

Currency*

Colombian Peso (COP$)
US$1 = COP$ 3,000.71

Main languages

Spanish

Religion

Freedom of worship; Roman Catholic: 90%

Climate

Diversidad de climas según altitud

Time zone

GMT - 5 (5 hours behind Greenwich Mean Time). There is no daylight savings time, and the time zone is the same throughout the entire country

Natural resources

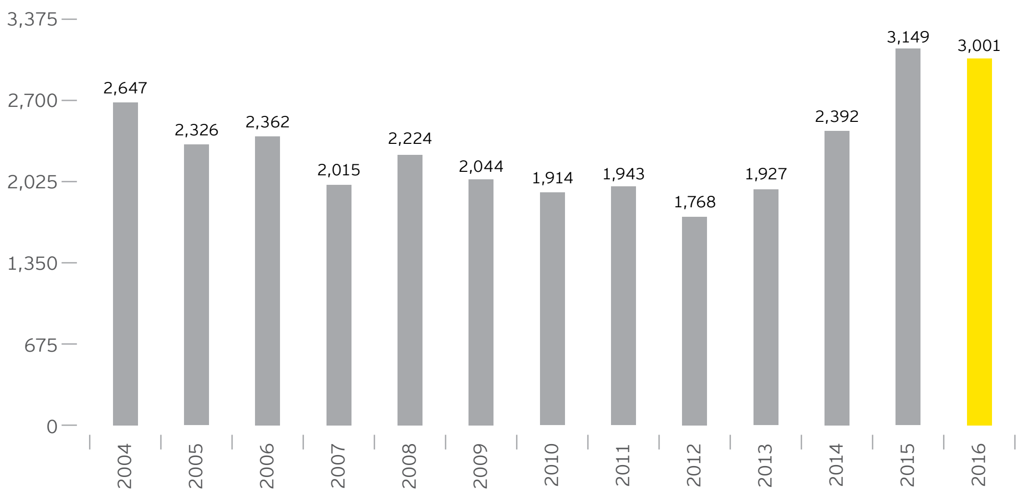
Emeralds, gold, nickel, coal, hydrocarbons, other minerals, coffee, flowers, bananas

*Representative market rate as of December 31, 2016
Source: Central Bank of Colombia

Currency

The official currency of Colombia is the Colombian peso. The monetary policy strategy is implemented within a flexible exchange rate regime, subject to certain rules of intervention.

Exchange rate trend: Colombian Pesos per US$1 (end of each year)

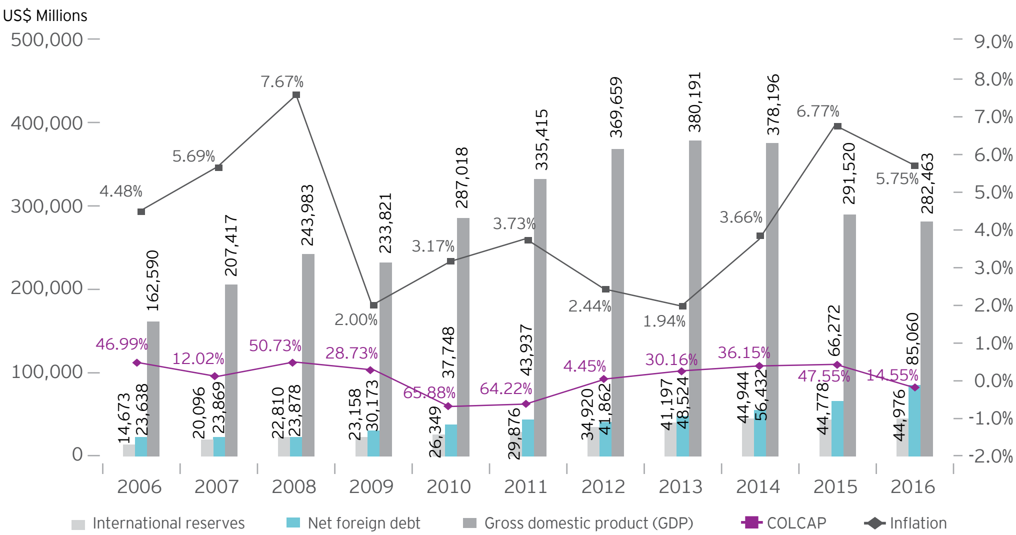


Source: Central Bank of Colombia

3

Economy

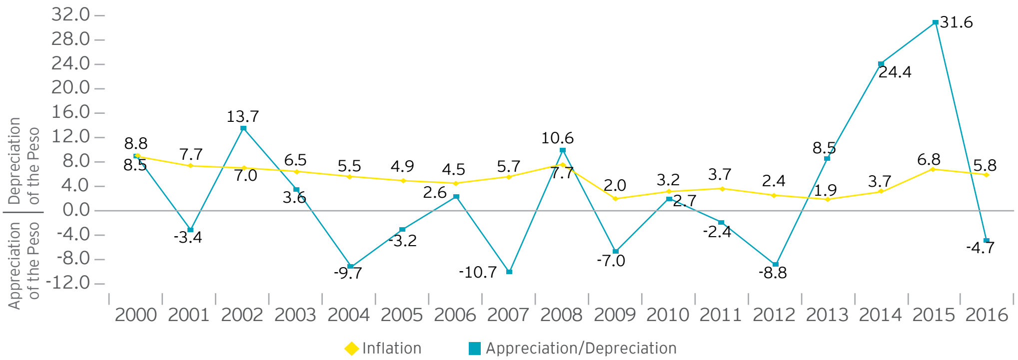
Evolution of financial indicators



Starting in November 2013, the Index of the Colombia Stock Exchange (COLCAP) replaced the General Index of the Colombia Stock Exchange (IGBC) as the main indicator of the behavior of the Colombian stock market. As of December 2016, the COLCAP Index was 1,351.68.

Source: Central Bank of Colombia

Appreciation/Depreciation and Inflation



Source: Oxford Economics Databank 2017

At the end of 2016, the inflation rate in Colombia was 8%. The annual appreciation rate of the Colombian peso in relation to the U.S. Dollar was 4.7% in 2016.

Principal economic activities

Colombia's economy is an outstanding emerging economy on the international stage, thanks to the strong growth it has experienced over the last decade and its attractiveness to foreign investors. It ranks among the 31 largest economies in the world.

The Colombian economy is essentially based on the production of commodities for export (14.9%) and the production of consumer goods for the internal market (8.4%). One of the most traditional economic activities is coffee growing, making Colombia one of the largest exporters of this product in the world.

Colombia ranks fourth in the Americas in crude oil production, behind Mexico, Venezuela, and Brazil. In 2016, the average production was 886,000 barrels per day, making for an 11% drop compared to the figures reported as of the end of the previous year, when production was nearly a million barrels per day.

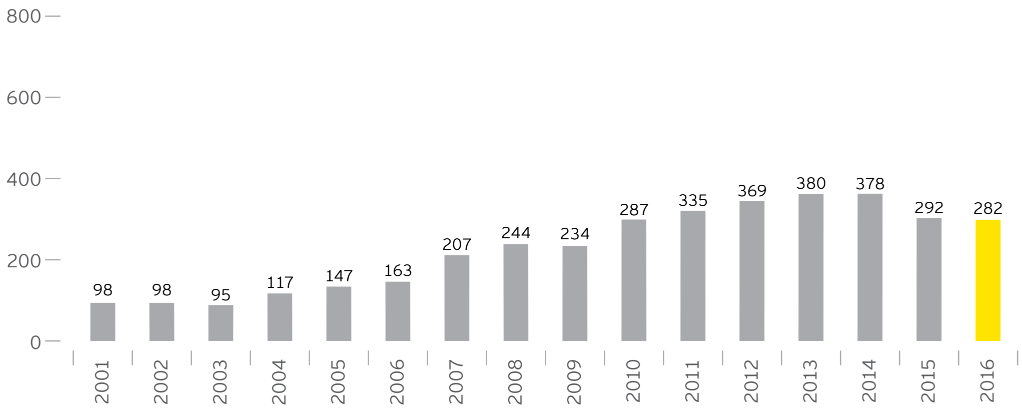
As for the mining sector, Colombia is the fourth largest exporter of coal in the world. It also produces and exports gold, emeralds, sapphires, and diamonds.

In the agriculture sector, floriculture and banana crops play an important role, while the industrial sector is focused on textiles and the automotive, chemical, and petrochemical industries.

Gross Domestic Product (GDP)

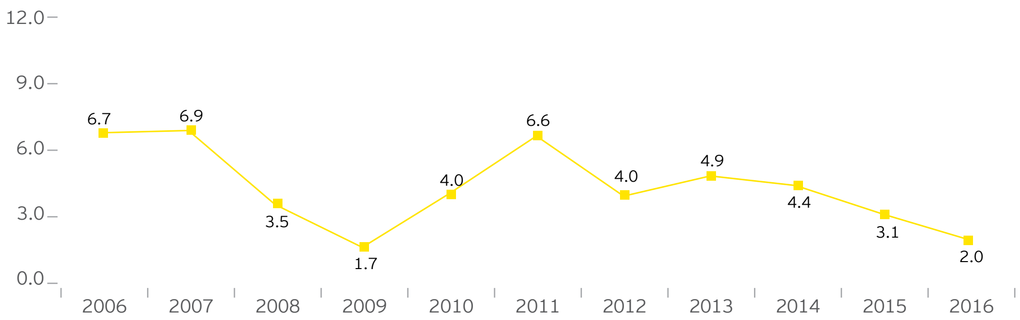
The Gross Domestic Product (GDP) for 2016 was estimated at US$282 billion, according to figures from the International Monetary Fund – IMF (GDP not measured in terms of purchasing power parity).

Colombia's Gross Domestic Product (US$ Billions)



Source: International Monetary Fund (IMF)

Real Gross Domestic Product (annual percent change)



Source: Oxford Economics Databank 2017

Gross Domestic Product by branch of economic activity (annual percent change)

	2009	2010	2011	2012	2013	2014	2015*	2016*
Agriculture, livestock, forestry, hunting and fishing	-0.7	0.2	2.1	2.5	6.5	2.7	2.5	0.5
Exploitation of mines and quarries	10.9	10.6	14.5	5.3	5.0	-1.2	0.2	-6.6
Manufacturing industry	4.2	1.8	4.8	0.1	0.9	1.1	1.7	3.0
Electricity, gas, and water	1.9	3.9	3.0	2.3	3.0	3.4	3.1	0.1
Construction	5.3	-0.1	8.2	5.9	11.5	10.3	3.7	4.1
Trade, repairs, restaurants, and hotels	-0.3	5.2	6.7	3.9	4.6	5.0	4.6	1.8
Transportation, warehousing, and communications	-1.3	6.2	6.7	3.9	3.3	4.6	2.6	-0.2
Financial institutions, insurance, real estate, and services to companies	3.1	3.6	6.7	5.1	4.6	5.8	5.1	5.0
Social, community, and personal service activities	4.4	3.6	3.2	4.6	5.9	5.2	3.1	2.2
Added value subtotal	2.0	3.7	6.2	3.9	5.0	4.3	3.3	1.9
Non-deductible VAT	-2.0	6.8	10.7	4.8	3.1	5.7	1.2	2.6
Fees and taxes on imports	-12.9	18.2	24.5	10.3	6.3	9.3	0.7	-3.3
Taxes (other than VAT)	3.8	1.5	6.4	5.0	5.8	5.4	2.0	3.8
Subsidies	0.7	2.5	3.6	3.5	5.9	9.1	29.1	-0.3
Total Taxes	-1.7	6.6	11.1	5.4	4.0	5.7	0.8	2.2

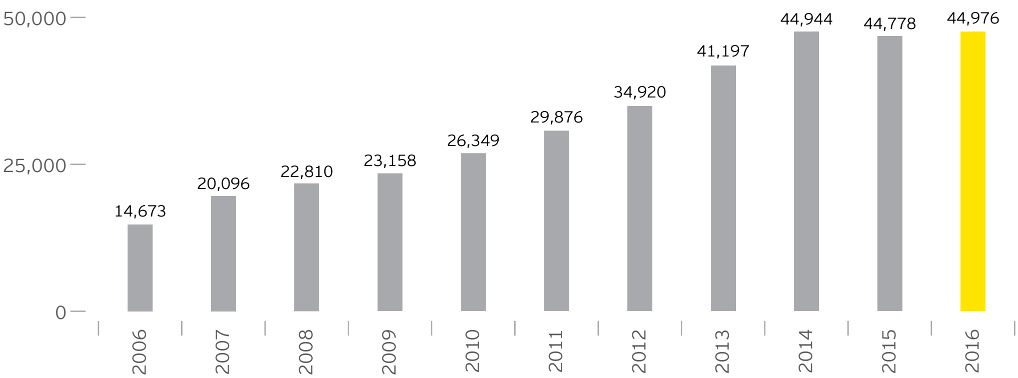
*Preliminary figures
Source: National Administrative Department of Statistics (DANE)

Gross Domestic Product by economic sector (2016)

- **19.6%** Financial establishments, insurance, real estate activities, and services to companies
- **16.6%** Social, community, and personal service activities
- **12.5%** Trade, repair, restaurants, and hotels
- **11.5%** Manufacturing industries
- **9.4%** Construction
- **8.5%** Other (taxes)
- **6.5%** Agriculture, livestock, hunting, forestry, and fishing
- **6.4%** Transportation, warehousing, and communications
- **5.4%** Exploitation of mines and quarries
- **3.6%** Electricity, gas, and water supply

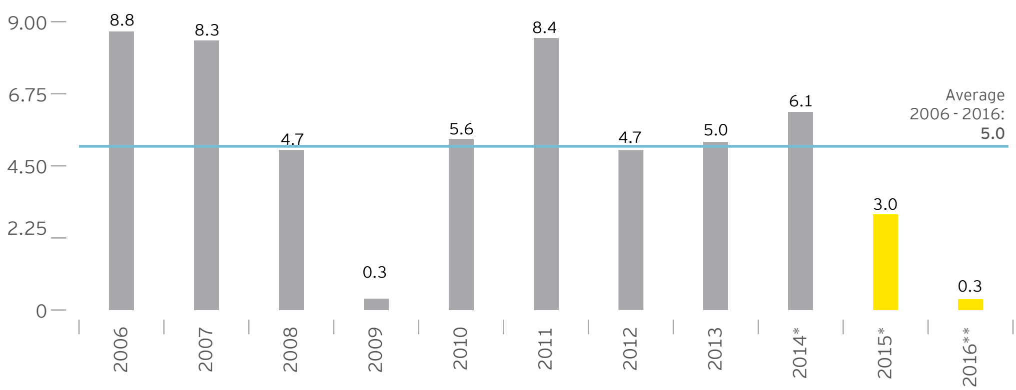
Source: Central Bank of Colombia

Net international reserves (US$ Millions)



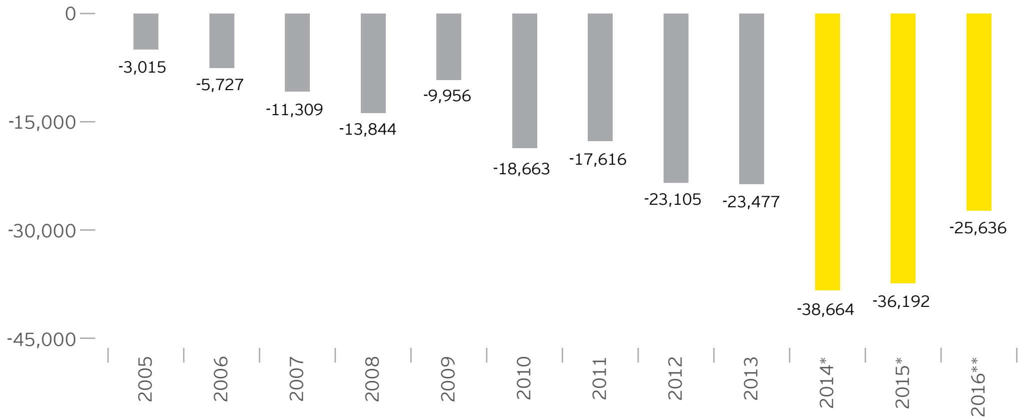
Source: National Administrative Department of Statistics (DANE)

Domestic demand (annual percent change)



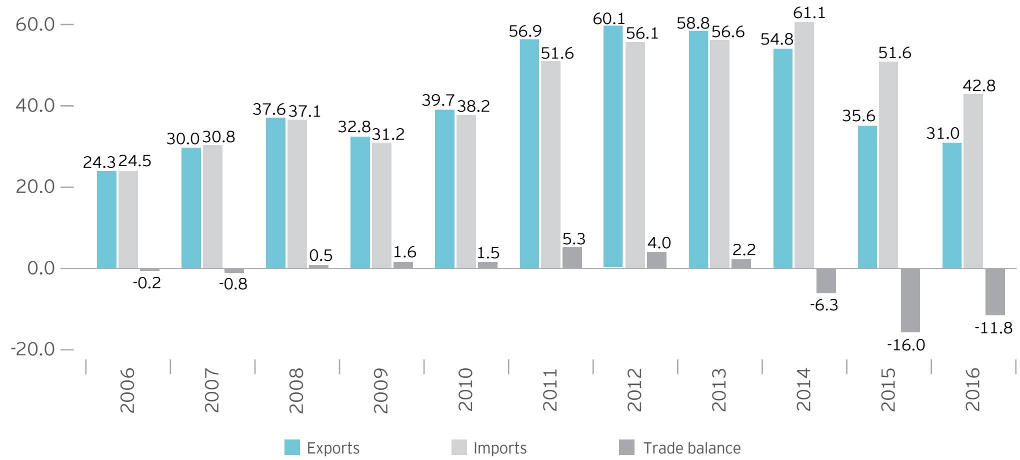
*Preliminary figures
**Estimated figures
Source: National Administrative Department of Statistics (DANE)

Balance of payments (US$ Millions)



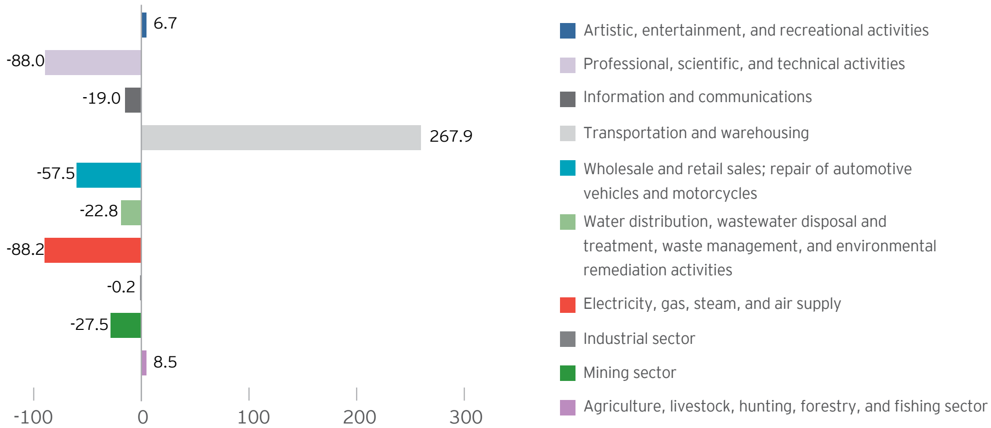
*Preliminary figures
**Estimated figures
Source: Central Bank of Colombia

Trade balance (US$ Billions)



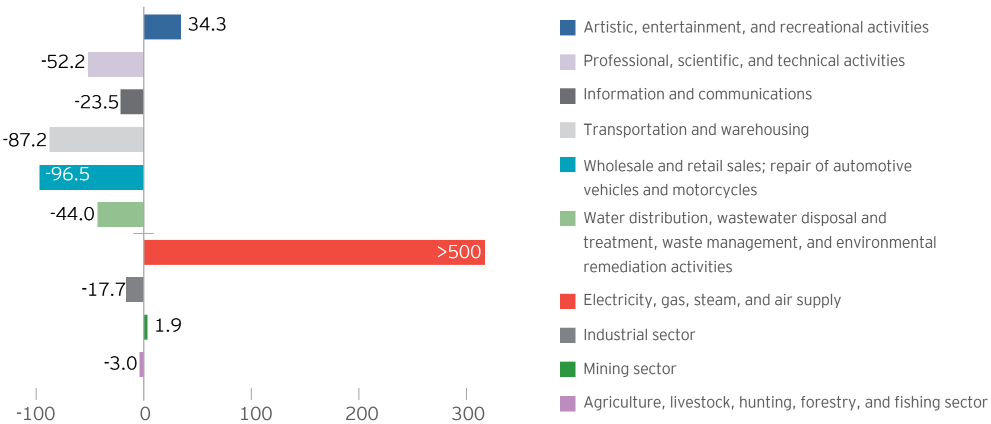
Source: National Administrative Department of Statistics (DANE)

Annual change in exports by economic sector 2016/2015 (in %)



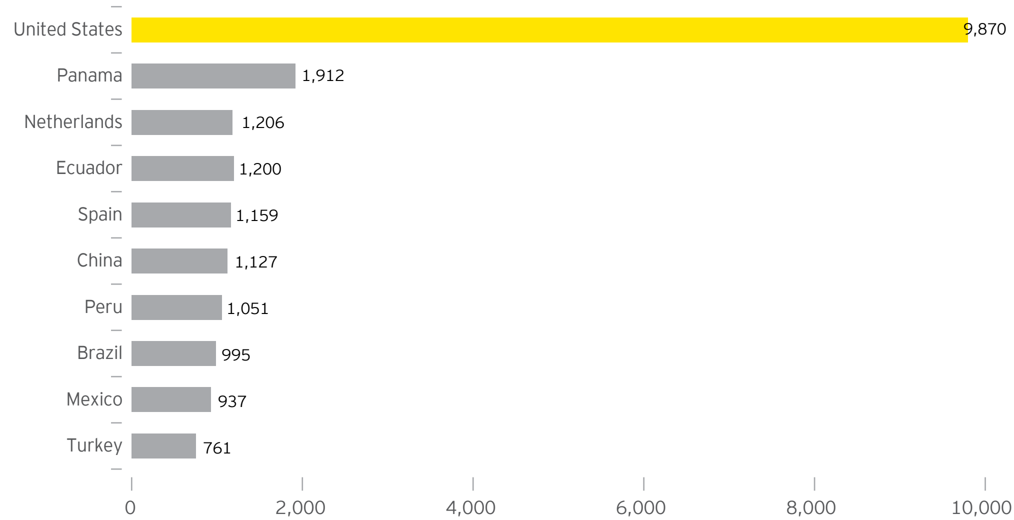
Source: National Administrative Department of Statistics (DANE)

Annual change in imports by economic sector 2016/2015 (in %)



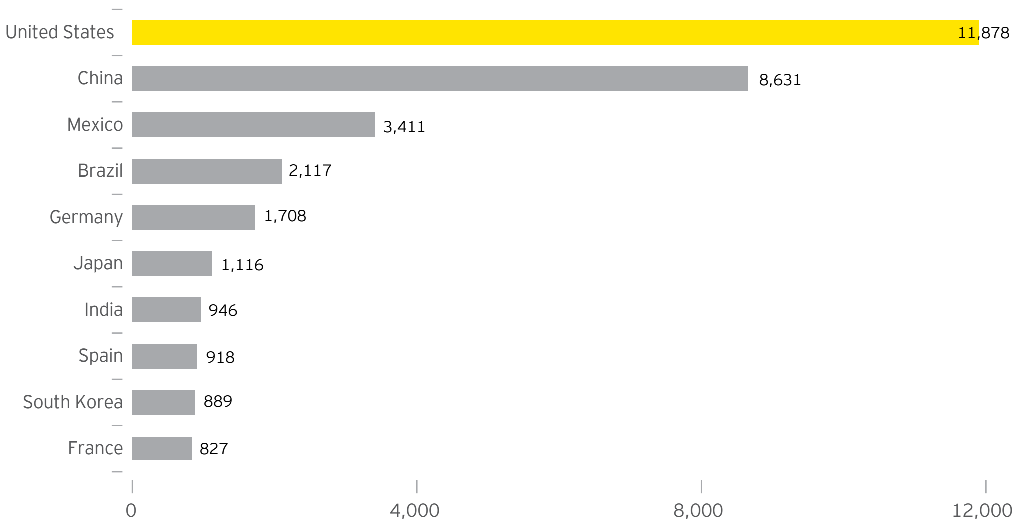
Source: National Administrative Department of Statistics (DANE)

Exports by trading partner, top ten partners 2016 (US$ Millions)



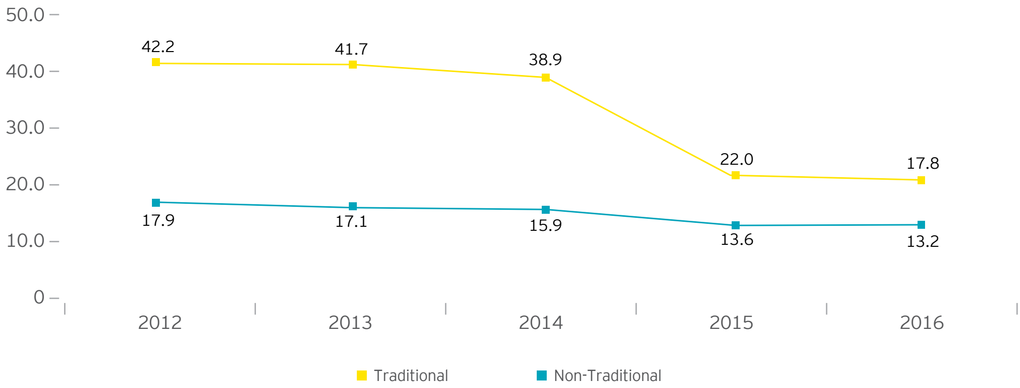
Source: National Administrative Department of Statistics (DANE)

Imports by trading partner, top ten partners 2016 (US$ Millions)



Source: National Administrative Department of Statistics (DANE)

Traditional and non-traditional exports (US$ Billions)

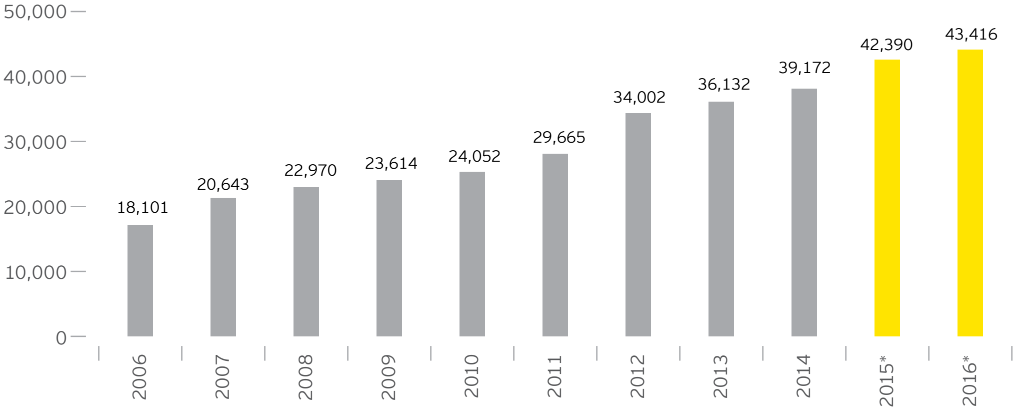


Source: National Administrative Department of Statistics (DANE)

Overall balance (Fiscal Surplus/Deficit) of the non-financial public sector (% of GDP)

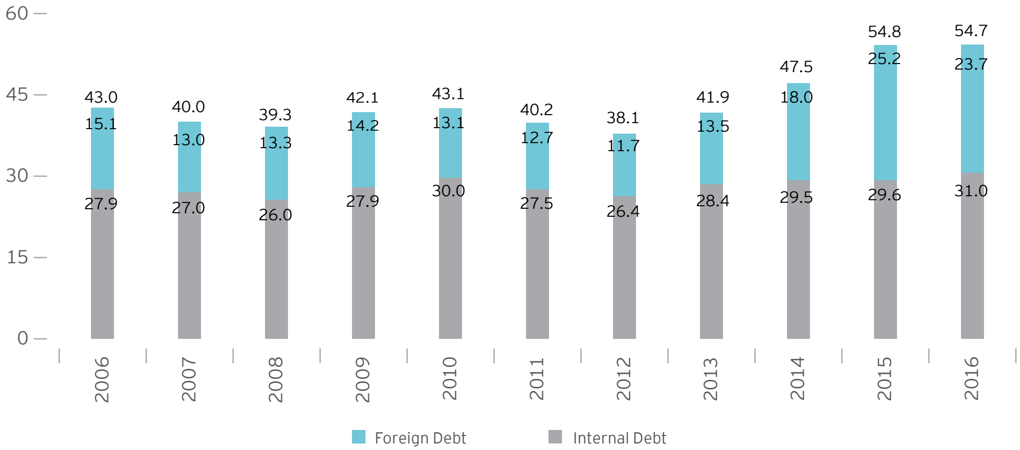
Sources: Central Bank of Colombia, National Administrative Department of Statistics (DANE)

Total tax revenue (US$ Millions)



*Provisional data
Source: Bureau of National Taxes and Customs

Public debt (% of GDP)



Source: Central Bank of Colombia

Evolution of the long-term foreign currency debt rating

Agency	2011	2012	2013	2014	2015	2016	2017
Fitch	BBB-	BBB-	BBB	BBB	BBB	BBB	BBB
S&P	BBB-	BBB-	BBB	BBB	BBB	BBB	BBB
Moody's	Baa3	Baa3	Baa3	Baa2	Baa2	Baa2	Baa2

As of July 7, 2017
Sources: Fitch Ratings, Standard & Poor's, Moody's

4 Investment

Investment promotion conditions

a. Foreign investment legislation and trends

Colombia has become one of the most attractive destinations for investments in Latin America due to its institutional stability, its interconnectedness with the world, its commitment to economic development, its strategic location in Latin America, its strategy of innovation, and its competitive legal framework. Colombia has a regulatory framework aimed at attracting foreign investments, through which it has implemented mechanisms to protect international investments and reduce unnecessary barriers and formalities, making Colombia the second most business-friendly country in Latin America, according to the World Bank's Doing Business 2017.

Colombian foreign investment legislation states that foreigners and Colombians have the same rights. As such, it is possible to carry out foreign investments in all sectors of the economy, with a handful of exceptions. Foreign investors shall also have access to the benefits or incentives established by the government under the same conditions as Colombian investors. The constitutional principles that govern foreign investment include equal treatment, universality, automatic allowance, and stability.

Under the principle of equal treatment, foreign investors receive the same treatment as Colombian investors. As such, it is prohibited to impose discriminatory or more favorable conditions or treatments for foreign investors.

In view of the principle of universality, foreign investment is permitted in all sectors of the economy, except for national defense and security activities, and those activities involving the processing and disposal of toxic, hazardous, or radioactive waste not produced in the country.

By virtue of the principle of automatic allowance, the investment of foreign capital in Colombia does not require prior authorization, with the exception of investments in the insurance and finance, mining, and hydrocarbons sectors, which require prior authorization or recognition by the authorities, in certain cases (e.g., the Colombian Securities and Exchange Commission, or the Ministry of Energy and Mines).

Under the principle of stability, the conditions for the redemption of investments and the remittance of profits associated therewith that were in force as of the date on which the foreign investment was registered cannot be modified in any way that negatively affects an investor. Nevertheless, the conditions of foreign investments and the rights granted by the due registration thereof may be amended in a way that affects foreign investors only when international reserves are less than three months' worth of imports.

In parallel with the local regulatory framework, and with the objective of creating and maintaining favorable conditions for investors from other states within Colombian territory, Colombia has executed a number of international investment agreements, which include agreements for the reciprocal promotion and protection of investments, free trade agreements, and double taxation agreements.

b. Favorable legal framework for foreign investors

By virtue of Colombian law[1] and the international treaties to which it is party, Colombia offers a legal framework for the protection of foreign investors, providing them with:

- Equal treatment, as if they were Colombian investors.
- Access to the vast majority of sectors of the economy.

[1] The Colombian Constitution, Law 9 of 1991, Law 1508 of 2012, Law 1563 of 2012, Order 119 of 2017 (in force no later than July 26, 2017) Order 1068 of 2015, Order 1746 of 1991, External Resolution 8 of 2000 of the Board of Directors of the Banco de la República, External Regulatory Circular DCIN 83 of Banco de la República.

- The impossibility of expropriating an investor's assets without due cause. Expropriation is permitted only for reasons of public utility or social interest, in accordance with due process, good faith, and the payment of a prior, prompt, adequate, and effective compensation.
- Stable conditions for the redemption of the investment and the remittance of profits associated therewith, unless international reserves are less than three months' worth of imports.
- Special investment instruments for the development of infrastructure projects, which may or may not involve public resources, allowing infrastructure projects to be driven by private initiative.
- Mechanisms for the settlement of disputes that may arise between foreign investors and the Colombian government.
- Special international arbitration rules for the settlement of disputes that may arise between parties from different states.
- Free competition.

Foreign direct investments must be registered with the Banco de la República de Colombia.

Foreign investors may remit abroad (without any restrictions whatsoever) all net profits originating from registered investments, as well as transferring abroad all returns on shares, resources derived from the sale or liquidation of their investments, perform capital reductions, and dissolve/wind up companies.

Foreign investment in Colombia (US$ Millions)

Source: Central Bank of Colombia

Foreign direct investment by sector (2016)

26.7%	Electricity, water, and gas
18.9%	Financial and business services
16.0%	Petroleum
14.0%	Manufacturing
8.1%	Transportation, warehousing, and communications
7.7%	Trade, restaurants, and hotels
5.0%	Construction
2.5%	Community services
1.9%	Agriculture, hunting, forestry, and fishing
-0.8%	Mines and quarries

Source: Central Bank of Colombia

Foreign direct investment by sector (US$ Millions)

Sector	2016
Electricity, gas, and water	3,630
Financial and business services	2,572
Petroleum	2,172
Manufacturing	1,914
Transportation, warehousing, and communications	1,096
Trade, restaurants, and hotels	1,044
Construction	677
Community services	341
Agriculture, hunting, forestry, and fishing	251
Mines and quarries (including coal)	-104
Total	13,593

Source: Central Bank of Colombia

International competitiveness ranking

	2014 - 2015		2015 - 2016		2016 - 2017	
	Ranking	Score	Ranking	Score	Ranking	Score
Total Colombia	66/148	4.19	61/140	4.28	61/138	4.30
SUB-INDICES						
Basic requirements	78	4.45	77	4.46	85	4.35
Institutions	111	3.32	114	3.31	112	3.33
Infrastructure	84	3.66	84	3.67	84	3.67
Macroeconomic environment	29	5.65	32	5.53	53	4.95
Health and primary education	105	5.19	97	5.32	90	5.44
Efficiency enhancers	63	4.17	54	4.26	48	4.38
Higher education and training	69	4.37	70	4.30	70	4.39
Goods market efficiency	109	4.03	108	4.00	100	4.06
Labor market efficiency	84	4.08	86	4.06	81	4.11
Financial market development	70	4.02	25	4.61	25	4.75
Technological readiness	68	3.84	70	3.82	64	4.25
Market size	32	4.71	36	4.77	35	4.73
Innovation and sophistication factors	64	3.65	61	3.65	63	3.65
Business sophistication	62	4.08	59	4.06	59	4.04
Innovation	77	3.21	76	3.24	79	3.26

Source: World Economic Forum 2016-2017

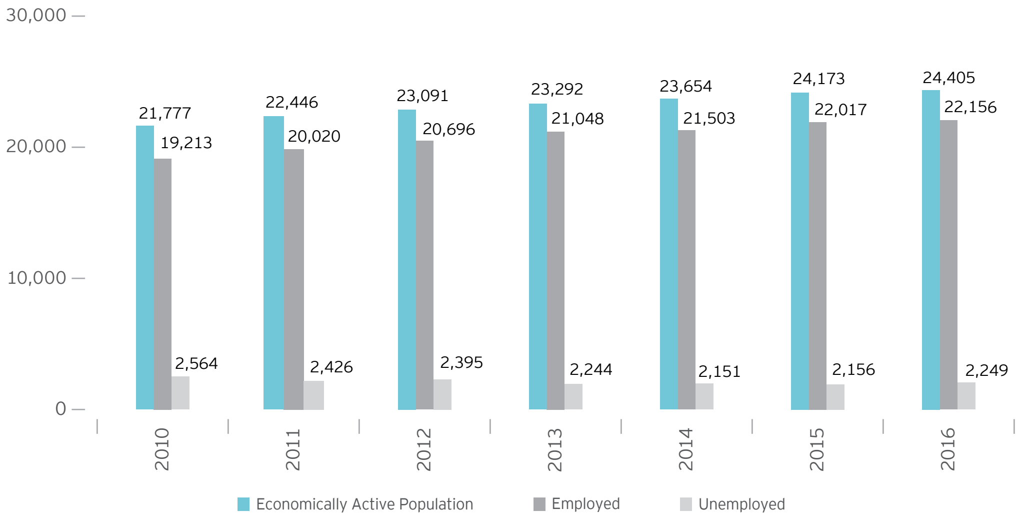
Main Doing Business indicators 2017

Indicators	Colombia	Latin America and the Caribbean
Starting a business		
‣ Procedures (number)	6.0	8.3
‣ Time (days)	9.0	31.6
‣ Cost (% of income per capita)	7.5	31.5
‣ Paid-In Min. capital (% of income per capita)	0.0	2.3
Dealing with construction permits		
‣ Procedures (number)	10.0	14.4
‣ Time (days)	73.0	181.3
‣ Cost (% of warehouse value)	6.7	2.5
Registering property		
‣ Procedures (number)	6.0	7.1
‣ Time (days)	16.0	68.6
‣ Cost (% of property value)	2.0	5.8
Getting electricity		
‣ Procedures (number)	5.0	5.5
‣ Time (days)	109.0	66.0
‣ Cost (% of income per capita)	581.4	999.0
Getting credit		
‣ Strength of legal rights index (0-12)	12.0	5.3
‣ Depth of credit information index (0-8)	7.0	4.8
‣ Credit registry coverage (% of adults)	0.0	13.0
‣ Credit bureau coverage (% of adults)	92.1	41.2
Protecting minority investors		
‣ Extent of conflict of interest regulation index (0-10)	8.0	5.3
‣ Extent of shareholder governance index (0-10)	6.7	4.4
‣ Strength of minority investor protection index (0-10)	7.3	4.8
Paying taxes		
‣ Payments (number per year)	12.0	28.9
‣ Time (hours per year)	239.0	342.6
‣ Total tax rate (% of profit)	69.8	46.3
Trading across borders		
‣ Time to export: border compliance (hours)	112	63.0
‣ Cost to export: border compliance (US$)	545	527.0
‣ Time to import: border compliance (hours)	112	65.0
‣ Cost to import: border compliance (US$)	545	685.0
Enforcing contracts		
‣ Time (days)	1,288.0	749.1
‣ Cost (% of claim)	45.8	31.3
‣ Quality of judicial processes index (0-18)	9.0	8.4
Resolving insolvency		
‣ Time (years)	1.7	2.9
‣ Cost (% of estate)	8.5	16.7
‣ Recovery rate (cents on the dollar)	69.4	31.0

Source: World Bank Doing Business 2017

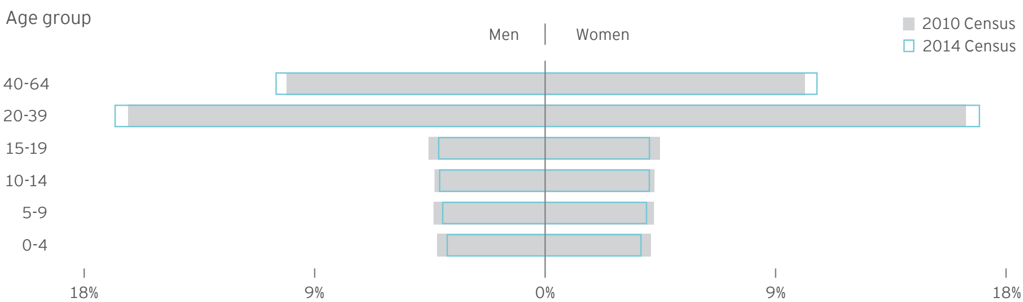
5 Population

Economically Active Population - EAP (thousands of people)



Source: National Administrative Department of Statistics (DANE)

Population pyramid as per census



Source: National Administrative Department of Statistics (DANE) based on the most recent national census (2005)

6 Starting a business

There are different types of corporation that can be used by investors to start a business in Colombia.

The vehicles most widely used by foreign investors to engage in permanent activities in the country include: simplified joint stock companies (sociedades por acciones simplificadas - S.A.S.); joint stock companies (sociedades anónimas – S.A.); limited liability companies (sociedades de responsabilidad limitada – Ltda.); and branches of foreign corporations.

a. Simplified joint stock company (*Sociedad por Acciones Simplificada* – S.A.S.)

There is no minimum number of shareholders for the incorporation and operation of this type of incorporation, nor limitations with regard to concentration of capital. It can be established by one or more individuals and/or legal entities.

An S.A.S. may have an indeterminate corporate purpose, as well as a perpetual existence.

Characteristics:

- **Trade name:** Must include the indication: "Simplified Joint Stock Company" ("Sociedad por Acciones Simplificada") or the abbreviation S.A.S.
- **Liability**: Shareholders' liability is limited to the amount of their contributions (except under extraordinary circumstances that give rise to the piercing of the corporate veil, when the corporation is used to commit fraud against the law or to the detriment of third parties).
- **Governance**: Shareholders' Meeting and Legal Representative. The Board of Directors is an optional body, where established by the bylaws.
- **Supervisory bodies**: These companies are under no obligation to have a statutory auditor, unless: (i) the value of the gross assets is equal to or greater than 5,000 legal monthly minimum salaries in force (approximately US$1,230,000 for 2016; or (ii) the gross revenues for the immediately preceding year are equal to or greater than 3,000 legal monthly minimum salaries in force (approximately US$738,000 for 2016).

- **Transferring shares**: Shares are freely transferrable. However, the bylaws may prohibit the trading of shares for a term of up to ten (10) years. The shares of the S.A.S. cannot be registered in the National Securities and Issuers' Registry, or traded on the stock exchange.

b. Joint stock company (*Sociedad Anónima* –S.A.)

The incorporation and operation of this kind of company requires at least five (5) shareholders, none of whom may hold more than 94.99% of the subscribed shares.

The corporate purpose must be determinate, defining the company's capacity. The company's existence must also be defined.

Characteristics:

- **Trade name**: Must include the indication "Joint Stock Company ("Sociedad Anónima") or the abbreviation "S.A."
- **Liability**: Shareholders are liable for up to the amount of their contributions, which determines the maximum amount for which the shareholders may be held liable for the company's obligations.
- **Governance**: Shareholders' Meeting, Board of Directors, and Legal Representative.
- **Supervisory bodies**: The statutory auditor is a mandatory body.
- **Transferring shares**: Shares are freely transferrable. However, the transfer may be limited by a right of first refusal in favor of the company and/or the other shareholders, which must be established in the bylaws.

c. Limited liability company (*Sociedad de Responsabilidad Limitada* – Ltda.)

The incorporation and operation of limited liability companies (Ltda.) requires a minimum of two (2) and a maximum of twenty-five (25) members. The corporate purpose must be determinate, and the company's existence must also be defined.

Characteristics:

- **Trade name**: Must include the denomination "Limited" ("Limitada") or the abbreviation "Ltda."
- **Liability**: Partners' liability is limited to the amount of their contributions, except for the following: (i) when the bylaws establish a greater partners' liability with regard to any specific obligation(s); and (ii) in case the contribution is not paid up at the time the company is established, or due to an inadequate denomination of the company. In this latter case, the liability is joint and several and unlimited with regard to any obligation. There is also a joint and several and unlimited members' liability in the case of labor obligations and taxes.
- **Governance**: This is the responsibility of all of the members, who may delegate it to a third party, who shall act as legal representative. The Board of Directors is not mandatory.
- **Transferring ownership interests**: The sale or assignment of ownership interests requires an amendment to the corporate bylaws, which must be performed through a notarially recorded instrument, duly registered with the corresponding Chamber of Commerce at the company's principle place of business. The partners have a right of first refusal, unless otherwise established in the corporate bylaws.

d. Branch of a foreign corporation

The branch and its main office are considered the same legal entity. As such, the branch cannot, under any circumstances, have a legal status superior to or different from that of its main office. The corporate purpose must be determinate, and included within that of the main office. The branch's existence is defined, with the possibility of being extended by the main office, depending on its own existence.

Characteristics:

- Trade name: The Superintendency of Businesses has established that branches must have the same denomination as their main office, followed by the expression "Sucursal" ("Branch") "Sucursal en Colombia" ("Branch in Colombia") "Sucursal Colombia" ("Colombia Branch") or the like, to guarantee that there is no confusion among the public regarding its legal nature.
- Incorporation and amendments: The resolution for the opening of the branch must be made into a notarially recorded instrument and entered into the Registry of Companies of the Chamber of Commerce.
- Payment of capital stock: The entirety of the capital stock allocated shall be immediately paid up. Contributions may also be received as supplementary investments to the assigned capital stock.
- Liability: The main office is jointly and severally responsible for the branch's activities. In other words, the main office, with its equity, is responsible for all types of obligations assumed by the branch, including, but not limited to, labor and tax obligations.
- Governance: General Attorney in Fact.
- Supervisory bodies: The statutory auditor is a mandatory body.

In addition to the foregoing, Colombian business law provides for other vehicles through which investors can establish commercial operations, such as limited partnerships ("sociedades en comandita simple") or partnerships limited by shares ("sociedades en comandita simple por acciones") general partnerships ("sociedades colectivas") and single proprietorship limited liability companies ("empresas unipersonales"). However, these types of corporations are not commonly used to the broad and unlimited liability of their partners, the special laws established on their governance, and certain limitations on the execution of specific contracts that limit the future scheme of operations.

7 Tax environment

In accordance with the Colombian Constitution, the tax system is governed by the principles of legality, equality, progressiveness, efficiency, and non-retroactivity.

In Colombia, the main taxes are those levied on income, property, consumption, and financial transactions. There are also contributions to the health social security system, the national pension and worker's compensation systems, and parafiscal contributions to the National Apprenticeship Service (SENA) the Colombian Institute of Family Welfare (ICBF) and Family Compensation Funds.

The management and collection of the principal national taxes is the responsibility of the Bureau of National Taxes and Customs (DIAN). The collection and management of local taxes is the responsibility of each municipality or department, depending on the nature of the tax.

As a general rule, tax returns are considered "final" and cannot be reviewed after three (3) years, counted as from the date on which the return is filed. In the case of income tax, there are special terms of six (6) and even twelve (12) years until they are considered final.

The Bureau of National Taxes and Customs (DIAN) is authorized to use all interpretation methods admitted by law. It is also governed by the following principles when determining taxes and imposing sanctions: (i) application of the principle of justice in procedural matters, whereby public officials must, as a matter of policy, carry out their duties in strict compliance with the laws and in a broad spirit of justice, such that the taxpayer is not required to pay more than what the law itself establishes as a necessary contribution by a taxpayer to Colombia's public expenses; (ii) the administration's decisions must be based on proven facts; and (iii) the in dubio contra fiscum principle, whereby any doubt caused by a lack of evidence must be decided in favor of the taxpayer.

On January 1, 2013, a general anti-avoidance clause was introduced, through the concept of "tax abuse". Tax abuse is considered to include the use or implementation, through a transaction or series of transactions, of any type of entity, legal act, or procedure aimed at altering, distorting, or artificially modifying the tax effects that would otherwise apply to one or more taxpayers. It should be noted, in any case, that abuse shall not be understood to have been committed when the taxpayer avails himself, after meeting the relevant requirements, of benefits expressly established in the law, provided he does not use deceitful mechanisms, procedures, entities, or acts for such purpose.

Income Tax (IT)

Income tax is levied on net income and is determined on an annual basis. The fiscal year begins on January 1 of each year and ends on December 31. For special cases, there are payments for fractions of a year, such as in the liquidation of corporations or unliquidated successions; or instantaneous payments, such as in the transfer of shares in Colombia by foreign investors. In general, the income tax returns of legal entities must be filed in April of the following year.

Income tax is levied on earned income that is likely to contribute to an increase in the taxpayer's net worth.

Domiciled entities

Domestic corporations and individuals who reside in Colombia are taxed on their foreign source income and assets. For their part, foreign corporations and entities are taxed only on their Colombian source income and assets.

A domestic corporation is a company: (i) whose headquarters are in Colombia; (ii) who has been incorporated in Colombia; or (iii) whose actual place of management is located in Colombia.
An "actual place of management" shall be understood to mean the place where the business and management decisions necessary to carry out the activities of the corporation or entity as a whole are materially made, for which purpose it is necessary to analyze all of the facts and circumstances. In any event, a corporation is not said to have a place of actual management in Colombia when it has issued bonds or shares on the Colombian Stock Exchange

and/or on another internationally reputable stock exchange. The law protects affiliates and subsidiaries, provided their accounting is consolidated in the financial statements of the corporation listed on the stock exchange. Neither is a place of actual management said to exist for those corporations whose income obtained in the jurisdiction in which they were incorporated is equal to or greater than 80% of their total revenues, for which purpose their passive income (the law provides some examples of income considered to be passive) shall not be taken into account.

Permanent establishments (PEs) are subject to the payment of income tax on sporadic Colombian source revenues and earnings that are attributable to them. The determination of said sporadic revenues and earnings shall be performed based on criteria of functions, assets, risks, and staff involved in obtaining said sporadic revenues and earnings, and shall be based on the tax accounting of the permanent establishment.

A permanent establishment is defined as a fixed place of business located in the country, through which a foreign company—whether a corporation or any other foreign entity—or individual not residing in Colombia, as applicable, performs its activities, in whole or in part. This concept includes, among others, "branches of foreign corporations, agencies, offices, factories, workshops, mines, quarries, petroleum and gas wells, or any other place involving the extraction or exploitation of natural resources." A permanent establishment shall also be said to exist when a person—other than an independent agent—acts on behalf of a foreign company, and has customarily exercises, in Colombian territory, the power to execute acts or contracts that are binding on the company. A permanent establishment also exists when a person acts through an independent agent, and the company and the agent establish, agree on, or impose conditions governing their business and financial relationships other than those that would have been established or agreed upon between independent companies, given that, in such case, the agent is not considered to be independent.

Determination of the taxable base

The income tax rate for domestic and foreign corporations with a permanent establishment or branch in Colombia is 34% for 2017 and 33% from 2018 on. For 2017 and 2018, there is a surcharge on income tax of 6% and 4%, respectively, for taxpayers paying taxes on a taxable base of more than $800 million. This surcharge is subject to the advance payment of 100% of its value. For those legal entities who are users of the free trade zone (except for commercial users) the income tax rate is 20%.

In the past, there was a special treatment applied to certain companies considered "small" based on the volume of their assets and the number of employees, who commenced their activities in or after 2011, who were subject to the following special income tax rates: 0% for the first two (2) years; 6.25% for the third year; 12.50% for the fourth year; and 18.75% for the fifth year. From their sixth year on, they would be subject to the general rate. Certain services and activities were also exempt from income tax. Starting in 2017, the taxpayers covered under the progressive income tax rate system established by Law 1429 of 2010, as set forth above, must apply the tax rate determined in the following table, based on the number of years counted since the date on which they commenced their economic activities:

Year	Rate
First year	9% (GR - 9%)*0
Second year	9% (GR - 9%)*0
Third year	9% (GR - 9%)*0.25
Fourth year	9% (GR - 9%)*0.50
Fifth year	9% (GR - 9%)*0.75
Sixth year	GR

GR: general income tax rate for the fiscal year.

The Colombian tax system establishes three ways to determine the taxable base for income tax: the ordinary system, the presumptive income system, and the equity comparison system.

The ordinary system includes all revenues, whether ordinary or extraordinary, which was obtained during the tax year or period, capable of generating a net increase in equity upon receipt, and which is not expressly exempt. All refunds, rebates, and discounts are subtracted to obtain the value of the net revenues. The costs incurred and attributable to such revenues are subtracted from the net revenues to obtain the value of the gross income. Any deductions made are subtracted from the gross income to obtain the value of the net income, considered the taxable income, to which the rate established by the tax laws is applied.

In application of the International Financial Reporting Standards, for tax purposes, the accounting rules of accrual or accumulation must be used to register assets, liabilities, revenues, costs, and expenses. Without prejudice to the foregoing, a series of exceptions are provided to the general rule of accrual or accumulation of revenues, which result in differences with the accounting standards.

Under the presumptive income system, it is presumed that, in each tax year, the net income must not be less than 3.5% of the net equity[1] as of December 31 of the immediately preceding year. If, as a result of the comparison of the presumptive income value with the net income (determined using the ordinary system, as set forth above) the former is higher than the latter, the tax regulations establish that the presumptive income shall be used as the taxable base for income tax, i.e., as the net income. Income tax determination using the presumptive income system is not applicable in certain cases expressly established by law. When the tax to be paid has been determined based on presumptive income, taxpayers are entitled to a deduction, within the following five (5) years, equivalent to the surplus presumptive rent over the ordinary net income.

[1]Net equity is calculated by subtracting the debts allowed by the tax laws from the gross equity (tax assets).

The equity comparison system is applicable when the sum of taxable income, exempt income, and net windfall profits is less than the difference between the net equity for the last taxable period and the net equity for the period immediately prior. Consequently, said difference is considered taxable income, unless the taxpayer is able to demonstrate that the increase in equity is justified.

Tax loss carryforward system

Starting in 2017, tax losses can be offset against the ordinary net income obtained within the following twelve (12) tax years, without prejudice to the presumptive income for the fiscal year.

Tax losses generated prior to 2017 in income tax and equity income tax (CREE) may be offset without any time limit, using a specific formula. These losses are not subject to tax recalculations. Occasional losses can only be offset against windfall profits generated during the same tax period.

Income tax returns determining or offsetting tax losses may be reviewed by the tax authorities for a special period of twelve (12) years following the date on which the return is filed.

Thin capitalization rules

Colombian law limits the deduction of interest expenses to a 3:1 net-equity-to-debt ratio. The average total amount of the debt that, during the relevant tax year, exceeds the result of multiplying by three the taxpayer's equity, determined as of December 31 of the immediately preceding year, does not accrue deductible interest. The debts included in establishing the 3:1 ratio are those that accrue interest, regardless of whether the debt is local or foreign, with third parties or related parties.

Transfer pricing

In Colombia, transfer pricing regulations are applicable to income tax payers who engage in the following transactions:
(i) transactions with economically related parties, or foreign related parties; (ii) those who are domiciled in national customs territory (TAN) and enter into transactions with related parties located in a free trade zone; and (iii) transactions with related parties domiciled in Colombia in relation to the permanent establishment of one of them abroad. Transactions carried out from, to, or through tax havens must also comply with transfer pricing rules.

Colombian regulations basically follow the guidelines of the Organization for Economic Cooperation and Development (OECD). Under the transfer pricing regime, the terms and conditions of transactions performed by taxpayers must be determined in application of the arm's length principle, as if they were transactions performed between independent parties.

Taxpayers subject to transfer pricing regulations are required to file an informational tax return every year, with all the transactions carried out with economically related parties, and to prepare and submit the supporting documentation for each one of the transactions performed.

Non-cooperative, low-, or no-tax jurisdictions, and preferential tax regimes

This regime replaces the regulations on tax havens, making it possible to include not only certain jurisdictions, but also some regimes, under the tax law regulations. These regulations establish higher withholdings on payments from Colombian sources made to these jurisdictions over companies with a preferential regime.

The main consequences resulting from the performance of transactions with these types of jurisdictions include:

- In order for the payments to be considered deductible for income tax purposes, it is necessary to document and demonstrate the details of the functions performed, the assets used, the risks assumed, and all the costs and expenses incurred by the corporation located, residing, or domiciled in the respective tax haven that is the beneficiary of the payments, unless it is proven that the transaction is not being performed with an economically related party by providing the relevant evidence.
- Additionally, those payments made to individuals, legal entities, or any other type of entity located or operating in these types of jurisdictions shall not be considered a cost or a deduction, unless the respective withholding has been performed at the source. Financial transactions registered with Banco de la República de Colombia shall be exempted from this treatment.

  According to law, when the payment is considered taxable income for the beneficiary, the applicable rate is 34% (for 2017) and 38% (from 2018 on) regardless of its nature. The withholding rate at the source for portfolio capital investors residing or domiciled in tax havens is now 25%, rather than 14%.

On the other hand, payments considered foreign source income for the beneficiary (arising from transactions that are not carried out in Colombia, or which are not considered Colombian source income under Colombian law) shall not be subject to withholding at the source in Colombia. Although this exemption from withholding at the source may create a risk regarding their deductibility for Colombian taxpayers, the official doctrine of the Bureau of National Taxes and Customs (DIAN) has established that, provided that the transfer pricing rules applicable to tax havens have been complied with, the expense is deductible.

- Transactions performed with persons, corporations, companies, or entities located, residing, or domiciled in these types of jurisdictions shall be subject to the transfer pricing regime, with the obligation to submit supporting documentation and an informational tax return on such transactions, in all cases.
- If the supporting documentation fails to include information on transactions performed with persons, corporations, companies, or entities located, residing, or domiciled in these types of jurisdictions, not only will this mean that the costs and deductions arising from said transactions shall not be admitted for tax purposes, but a special sanction shall be imposed, equivalent to 4% of the total value of said transactions. This sanction shall not exceed COP$ 318,590,000 (for tax year 2017).

If such information is also omitted in the informational tax return, this shall result in a sanction of 2.6% of the value of said transactions, without exceeding COP$ 191,154,000 (for tax year 2015) and the costs and deductions arising from said transactions shall not be admitted for tax purposes.

- Colombian individuals who are tax residents of one of the jurisdictions deemed a tax haven during the respective tax year or period shall be considered Colombian residents for tax purposes.

Tax credits

Colombian taxpayers who receive foreign source income subject to income tax in the country of origin are entitled to deduct the amount paid abroad on said income from the income tax, as well as any surcharges, based on the proportion represented by each concept in the taxpayer's total tax burden.

In the case of income from dividends received abroad, the law provides for a direct credit for the tax applied to dividends or profits at the time of their distribution. An indirect credit shall also be admitted when the tax to be deducted is the result of tax rate on said profits to which the entity distributing them is subject.

The tax credit may not exceed the amount of the income tax to be paid by the taxpayer in Colombia for that same income, nor may it be less than 75% of the income tax determined using the presumptive income system, calculated before any tax deductions or credits.

Tax incentives

- **Legal stability agreements**
  Currently, the only contracts that remain in force are those executed before the passage of Law 1607 of 2012 and those requests pending a decision that were submitted before the entry into force of said law. Under these agreements, companies are guaranteed the continued stability of the laws that were in force at the time the contract was entered into, including provisions on income tax, wealth or equity tax, and others.
- **Double taxation treaties**
  Colombia currently has agreements in force with the Andean Community of Nations (Ecuador, Peru, and Bolivia) Canada, Chile, Mexico, Spain, Switzerland, South Korea, India, Portugal, and the Czech Republic.

  It has also entered into agreements with France and England, which are pending entry into force after they conclude the verification and ratification processes.

Colombia also has double taxation agreements on transport matters with Germany, Argentina, Brazil, Chile, the United States, France, Italy, Panama, and Venezuela.

There are special tax transparency rules:

- Trust regulations: Those applicable to transactions performed through trusts established via the execution of trust agreements. In such transactions, the beneficiaries must include the income, costs, and expenses accrued against the trust fund in their income and supplementary tax returns for the same tax period in which they accrue in favor of or against the trust fund, with the same tax conditions—such as source, nature, deductibility, and concept—that they would have if the activities that gave rise to them were carried out directly by the beneficiary.

- Collective investment fund regulations: All income received through these funds, after deducting any expenses related thereto, as well as the consideration paid to the management company, shall be distributed among the subscribers or participants, under the same title as they have been received by the fund, and under the same tax conditions that they would have if they had been received directly by the subscriber or participant.
- Beneficial owner regulations: The beneficial owner shall be considered the individual who has effective control over or benefits, directly or indirectly, from corporations, trust funds, investment vehicles, or permanent establishments, among others.

The law establishes that all Colombian entities, except for those listed on the Colombian Stock Exchange, must identify their beneficial owners and report certain information on these owners to the tax authorities.

Domiciled individuals

All foreign individuals who have been physically present in Colombia for over one hundred and eighty three (183) days during any three hundred and sixty five (365) -day period shall be considered tax residents in Colombia for tax purposes. The status of "resident" means that they are subject to income tax in Colombia on foreign-source income, and they must regularly report the assets they hold, both in Colombia and abroad.

Law 1819 of 2016 introduced a schedular system of taxation for tax residents in Colombia, which contains the following progressive rates, depending on each schedule, based on their level of taxable net income (income net of tax benefits):

- Income from work
- Pensions
- Capital gains
- Non-work income
- Dividends and profit sharing

The analysis of the income corresponding to each one of the schedules is performed on an independent basis.

Rates:
- The maximum tax rate shall be 33% for net income from work and pensions.
- For net non-work income and capital gains, the maximum rate shall be 35%.
- The maximum rate for dividends distributed untaxed to domiciled individuals shall be 10%, while for dividends distributed taxed, the rate shall be 35%.

Non-domiciled individuals

Foreigners who do not meet the residence requirements described above shall be considered non-residents for tax purposes in Colombia. This status means that they are taxed only on their Colombian source income, and must report only on the assets they hold in Colombia.

The tax rate for individuals not domiciled in the country is 35%.

In the case of foreigners from countries with which Colombia has double taxation treaties in force—Spain, Chile, Canada, Switzerland, Mexico, India, South Korea, Portugal, and the countries of the Andean Community of Nations (Ecuador, Bolivia, and Peru)—other tax provisions may apply.

Non-domiciled entities

Foreign corporations and entities are taxed only on their Colombian source income and windfall profits. In the case of Colombian source income, a "withholding at the source" system is used, depending on the type of income obtained, according to the general scheme detailed in the table below:

Description	Income Tax Withholding
Payment for technical assistance (provided in Colombia or abroad)	‣ 15%
Payment for technical services (provided in Colombia or abroad)	‣ 15%
Consulting services (provided in Colombia or abroad)	‣ 15%
Payments for services provided in Colombia (other than those mentioned above)	‣ 15%
Payments for services provided abroad (rule of thumb) (other than those mentioned above)	‣ 0%
Royalty payments	‣ 15% industrial property ‣ 26.4% software
Lease payments	‣ 15% ‣ 1% lease of ships, helicopters, and/or aircraft
Dividend payments	‣ 5% (if profits were taxed at corporate level)[1] ‣ 35% (if profits were not taxed at corporate level) + 5% of net
Interest payments[2]	‣ 15% (loan with term equal to or greater than one year) ‣ 5% (loans to non-domiciled individuals for a term of over eight (8) years, for financing of infrastructure projects under PPP schemes)
Payments for premium ceded by reinsurers	‣ 1%
Payments for management activities performed for non-domiciled individuals or parties not domiciled in Colombia	‣ 15%
International transport	‣ 5%
Turnkey contracts	‣ 1% of the gross value of the payments or deposits in account

[1]Taxation of dividends: The distribution of dividends to non-domiciled individuals shall be subject to withholding at the source, at a rate of 5%. This shall only apply to the distribution of dividends originating from profits obtained starting in 2017. If the dividends are being distributed based on profits that were not subject to the payment of taxes by the entity distributing them (e.g., due to the application of a special deduction, discount, etc.) then such distribution shall be subject to a tax of 35%, collected via withholding at the source. In this case, a tax of 5% shall be levied on the distribution amount, after it has been subject to the 35% tax. Dividends received by individuals domiciled in Colombia from foreign corporations are taxed at a rate of 35%. If the dividend is received by a corporation domiciled in Colombia, it shall be subject to the general rate, as per the applicable regulations.

[2]Following the passage of Law 1739 of 2014, the rate of withholding at the source was set at 5% for payments or deposits in account related to financial yields or interest, made to non-domiciled individuals, originating from loans or credit securities, with a term equal to or greater than eight (8) years, for the financing of infrastructure projects under the public-private partnership scheme established in Law 1508 of 2012.

Complementary tax on windfall profits

The tax on windfall profits is complementary to income tax, and is levied on the following income:

- Income obtained from inheritance, bequests, donations, and splits of marital community property
- Income obtained from lotteries, prizes, raffles, and the like
- Income obtained from any other legal act executed inter vivos, for no valuable consideration
- Income obtained from the sale of fixed assets owned by the taxpayer for a period equal to or greater than two (2) years
- Income originating from the winding-up of a corporation

The general rate on windfall profits is 10%, regardless of the origin of the windfall profit or the type of asset.

Wealth tax

Law 1739 of 2014 established a wealth tax levied on all individuals or legal entities domiciled in Colombia who report income tax, as well as those non-domiciled individuals or legal entities who are not exempt from the payment of this tax, and whose net equity (assets less debts) as of January 1, 2015, exceeds COP$ 1,000,000,000 (approximately US$333,254). This tax is also levied on unliquidated successions, if they exceed the aforementioned net equity level.

According to this law, those taxpayers whose net equity does not exceed the aforementioned limit as of January 1, 2015 are not subject to taxes for that year, nor for 2016, 2017, or 2018 (in the case of individuals).

For individuals not domiciled in Colombia, the tax shall be assessed only on the assets they own in the country, either directly or through a branch or a permanent establishment located in Colombia.

Similarly, the unliquidated successions of taxpayers not domiciled in Colombia shall only be taxed on the assets they hold in the country.

As a rule of thumb, taxpayers are not considered to include those individuals, unliquidated successions, legal entities, or de facto associations that are not subject to income tax. Also exempted from this tax are foreign portfolio capital investors, companies under liquidation, reorganization, administrative forced liquidation, or companies that have entered into a restructuring agreement, as well as individuals subject to insolvency proceedings.

The taxable base and accrual of the tax (including the accounting tax, as ordered by law) is established on an annual basis, using January 1, 2015, 2016, 2017 as a reference for corporations, and January 1, 2015, 2016, and 2017 for individuals (the tax is also applied to individuals in 2018).

The taxable base of the wealth tax is the taxpayer's gross equity less debts in each year. However, a protective band has been established for positive and negative fluctuations in equity, as per the taxable base as of January 1, 2015, which takes into account a 25% variation for the inflation that will affect the amount calculated for 2015. For the case of branches and permanent establishments, the taxable base shall be considered the attributed equity, preparing a study based on the arm's length principle, analyzing the duties performed, the assets used, the staff involved, and the risks assumed.

Certain assets specified by law may be deducted from the taxable base, such as the net equity value of shares in Colombian corporations, even those held through commercial trusts, collective investment funds, voluntary pension funds, voluntary pension insurance, or individual life insurance.

Wealth tax rates for legal entities

Range in Colombian Pesos	Rate for 2015	Rate for 2016	Rate for 2017	Applicable formula	Fixed amount for 2015	Fixed amount for 2016	Fixed amount for 2017
>0 and <2,000,000,000	0.20%	0.15%	0.05%	Taxable Base x Rate	-	-	-
>=2,000,000,000 <3,000,000,000	0.35%	0.25%	0.10%	((Taxable Base - $2,000,000,000) x Rate) + Fixed Amount	4,000,000	3,000,000	1,000,000
>=3,000,000,000 <5,000,000,000	0.75%	0.50%	0.20%	((Taxable Base - $3,000,000,000) x Rate) + Fixed Amount	7,500,000	5,500,000	2,000,000
>=5,000,000,000 and up	1.15%	1.00%	0.40%	((Taxable Base - $5,000,000,000) x Rate) + Fixed Amount	22,500,000	15,500,000	6,000,000

Wealth tax rates for individuals

Range in Colombian Pesos	Rate	Applicable formula
>0 and <2,000,000,000	0.125%	Taxable Base x Rate
>=2,000,000,000 <3,000,000,000	0.35%	((Taxable Base - $2,000,000,000) x Rate) + Fixed Amount
>=3,000,000,000 <5,000,000,000	0.75%	((Taxable Base - $3,000,000,000) x Rate) + Fixed Amount
>=5,000,000,000 and up	1.50%	((Taxable Base - $5,000,000,000) x Rate) + Fixed Amount

The wealth tax is not deductible for income tax purposes, nor for equity income tax purposes.

Tax regularization tax

The tax regularization tax was created as a mechanism to fight wealth tax evasion, and is levied on taxpayers subject to wealth tax and voluntary taxpayers who have omitted assets or declared nonexistence liabilities in the past.

The assets or liabilities subject to regularization must also be included in the taxpayer's income tax return. This will not generate any equity comparison income or net income due to omission of assets.

The taxable base of the assets shall be the equity value, as per the rules of the tax code or the self-appraisal performed by the taxpayer, which must be the equity value, at a minimum.

The regularization tax rate varies depending on the year in which taxpayers choose to regularize their assets or liabilities, ranging from 10% for 2015 to 11.5% for 2016, and finally, 13% for 2017. The law establishes that the tax shall only be paid in the year in which the regularization is performed.

Under no circumstances is it permitted to regularize assets of illegal origin or those related to money laundering or terrorism financing.

Value Added Tax (VAT)

Value Added Tax (VAT) is a national indirect tax levied on: (i) the sale of tangible personal and real property that is not expressly excluded; (ii) the sale or assignment of rights on intangible assets, only in the case of those associated with industrial property; (iii) the provision of services inside national territory, or from abroad, with the exception of those cases expressly excluded; (iv) the import of tangible personal property that is not expressly excluded; (iv) the circulation, sale, or operation of games of chance or luck, with the exception of lotteries and those games of chance and luck operated exclusively via internet.

According to the tax laws in force, for the purposes of VAT there are transactions that are exempt (taxed at a rate of 0%) or excluded (not levied with VAT, which means that the deductible VAT cannot be used as a tax credit).

Exports of goods and services are exempt from VAT. The sale of fixed assets is not subject to VAT, with the exception of real properties for residential use, automobiles, and other fixed assets that are typically sold on behalf and account of third parties. For such purpose, real properties shall be excluded from this tax, with the exception of residential real estate being sold for the first time, for a value in excess of 26.800 Tax Units (UVTs) equivalent to approximately US$854 million, which shall be taxed at a rate of 5%.Valued Added Tax (VAT) is levied using two systems:

- Simplified system: Applicable to individuals who are merchants, farmers, artisans, and service providers, provided they meet the income, equity, and form conditions established in the regulations.
- Regular system: Applicable to all persons who are not eligible to use the simplified system.

Rate:
The general VAT rate is 19%. However, there are reduced rates of 5% and 0%, which vary depending on the good sold or the service provided.

VAT recovery:
Taxpayers subject to VAT who are engaged in taxed or tax-exempt activities are authorized to use the VAT paid in the procurement of goods and services (deductible VAT) giving rise to the recognition of income-tax-deductible costs and/or expenses as a credit against the VAT generated by their activities.

The VAT paid may be deducted during the tax period corresponding to the date of accrual or in any of the three half-year periods immediately following, requesting it in the tax return for the period in which it was accounted for.[1]

For taxpayers performing transactions exempt from VAT, the VAT paid in the procurement of goods or services is not deductible. Rather, it must be treated as the respective cost or expense, whichever is highest.

National consumption tax

Consumption tax is a national indirect tax levied on the provision or sale of the following services and goods: (i) mobile telephone, mobile navigation, and data services; (ii) the sale of foods and beverages prepared in restaurants, cafés, self-service eateries, ice cream parlors, fruit stands, pastry shops and bakeries, food services under contract, and the sale of food and alcoholic beverages for consumption in bars, pubs, and nightclubs; and (iii) the sale of certain locally manufactured or imported personal tangible property.

Depending on the activity or the nature of the good, the rates range from 4% to 16%.

Financial Transaction Tax (FTT)

The financial transaction tax is an indirect tax levied on financial transactions whereby the funds deposited in current or savings accounts are made available, as in the case of a payment. This tax is accrued upon availability of the resources subject matter of the financial transaction. The rate is 0.4% of the total value of the financial transaction through which the resources are made available.

[1] Law 1739 of 2014 includes the possibility of deducting two points from the VAT paid at the general rate in the procurement or import of capital goods against income tax.

This tax is collected via withholding at the source, under the responsibility of the bank in which the respective current or savings account is held. Of the FTT paid, 50% is deductible when calculating income tax, regardless of whether not there is a causal relationship with the taxpayer's income-generating activity.

Industry and Commerce Tax (ICA)

The industry and commerce tax (ICA) is a municipal tax levied on the gross income obtained per fiscal year of industrial, commercial, and service activities performed, directly or indirectly, by individuals, legal entities, or de facto associations within the respective municipal jurisdictions. The taxable base of this tax consists of the gross amount obtained by taxpayers, less the deductions, exemptions, and credits to which they are entitled.

The applicable rate is determined by a resolution issued by the city council, and generally falls within the range of 0.2% to 1.0%, depending on the nature of the activity to be performed within the municipality.

The taxable base consists of all ordinary and extraordinary income generated by said activities, excluding refunds, rebates, and discounts, exports (goods or services) and the sale of fixed assets. There are also exemptions specified in the law, basically for certain primary and export activities. In all cases where there is no income or the transaction does not yield any income, the tax is not applicable.

Exemptions from the industry and commerce tax (ICA) are determined by the city council. The resolutions applicable to the municipality where the taxed activity will be performed must be checked in order to verify whether there are any applicable exemptions.

The industry and commerce tax (ICA) actually paid during the tax year or period is 100% deductible, provided there is a causal relationship with the income-generating activity.

Consolidated property tax

This tax is levied on the ownership, beneficial ownership, or possession of real estate located in a municipality in Colombia.

The applicable rate is determined in a resolution issued by the city council, and is generally somewhere in the range of 0.1% to 1.6% for built-up land (non-built-up land may be as high as 3.3%).

The taxable base is the cadastral appraisal value in force at the time the tax arises.

Registration tax

The registration tax is levied on the filing of documents containing acts, court orders, contracts, or legal businesses in which the filers are a party or beneficiaries, and must be registered, by law, in Chambers of Commerce or Public Records Offices.

The taxable base consists of the value incorporated in the document containing the act, contract, or legal business.

The departmental assemblies establish the rates applicable in each jurisdiction, based on the nature of the act subject to registration.

Customs system

Imports in Colombia. Pursuant to customs regulations, importation is defined as the entrance of goods from abroad into Colombian customs territory, complying with the customs formalities established in the customs system. Importation also includes the entrance of goods from a free trade zone to the rest of national customs territory. The fees and taxes levied on imports include the payment of customs duties and all other fees, taxes, or surcharges applicable to the import, generally consisting of customs duty and VAT, depending on the tariff subheading to which the good being imported belongs.

In tariff matters, Colombia has different types of rates, generally ranging between 0%, 5%, 10%, and 15%. Some specific goods, (e.g., vehicles and agricultural products) may be subject to a higher rate.

In Colombia, the customs system includes several import methods for purposes of deferring or not paying customs duties and taxes. The federal government issued Executive Order No. 390, dated March 7, 2016, adopting a new set of customs regulations in Colombia. However, the title on imports has not yet entered into force, because the corresponding regulations still have not been issued. As such, the import system in force as of this date is that established in Executive Order 2685 of 1999.

In this regard, there are temporary imports, which may be short- or long-term, allowing for goods to be imported into national customs territory (under lease or sale) to be re-exported under the same conditions after an established period of time, or else cleared through customs.

In keeping with the foregoing, temporary imports are either (i) short-term: those goods (capital goods defined by their tariff subheading under Executive Order 2394 of 2002, and others included in Section 94 of Resolution 4240 of 2000) that are imported to meet specific needs, and which remain in national customs territory for a maximum of one (1) year. In this case, the imports are not subject to the payment of import fees and taxes (i.e., duties and VAT) for the duration of this import method; or (ii) long-term: the maximum duration of this method is five (5) years, and covers the import of capital goods, their accessories, parts and replacements, provided they arrive in the same shipment. In this case, the customs duties and import taxes are divided into equal biannual installments for the duration of the time that the goods remain in national customs territory, and are paid on a deferred basis, every six months, based on the exchange rate in force for customs purposes at the time each installment is paid.

There are also different mechanisms for planning international purchases, including:

1. The use of free trade agreements (Colombia has currently signed 16 international instruments that contain trade agreements with over 30 countries, as well as 2 trade agreements that have been signed but are not in force, and another 2 currently being negotiated).

2. Temporary imports under the "Vallejo Plan" Special Import/Export Systems, which allow individuals or legal entities (including consortiums, joint ventures, and business partnerships) to temporarily import into national customs territory inputs, raw materials, intermediate goods, capital goods, and spare parts used in the production of goods for export, or that are destined for the provision of services directly tied to the production or export of these goods, with:

   - An exemption of total or partial suspension of customs duties and import taxes; or
   - Deferred VAT payment.

3. Free trade zones: Free trade zones are geographically defined areas within national territory, where industrial goods and services activities, or commercial activities are performed, under special regulations on tax, customs, and foreign trade matters. The goods that enter these zones are considered to be outside national customs territory for effects of import and export taxes, which means that customs duties and import taxes are not paid for goods purchased abroad that enter a free trade zone.

   There are three types of free trade zones, as follows: (i) permanent or multi-company free trade zones, where multiple industrial or commercial users are established; (ii) special or single-company free trade zones, where only a single user is established; and (iii) temporary free trade zones, where national and international fairs, expos, conferences, and seminars are held, of importance to the economy and/or international trade.

   Industrial users of goods and services, commercial users, and others are eligible to establish themselves in free trade zones. In the case of industrial users of goods, they must be engaged in goods production, processing, or assembly activities. Service users, for their part, may provide any type of service, such as logistics, handling, information technology systems, auditing, and others, provided these activities do not involve the sale, storage, and/or holding of goods, given that these activities correspond exclusively to commercial users.

The tax and customs benefits offered under the Colombian free trade zone system include the following: (i) pursuant to Section 101 of Law 1819 of 2016, the tax rate for free trade zone users is 20%, applicable starting on January 1, 2017, while commercial users (authorized to perform activities for the storage, sale, marketing, and holding of goods) are subject to the general rate; (ii) exemption from the payment of import duties and taxes on the entrance into the free trade zone of goods coming from the rest of the world, such as raw materials, packaging material, and machinery, provided they remain in the area declared a free trade zone; (iii) exemption from VAT on local sales by companies located in national customs territory to industrial users of free trade zones, or sales among such industrial users, provided the goods sold are necessary to engage in the industrial user's corporate purpose.

International agreements

The following agreements are currently in force:

- **Free trade agreements**: As well as the Additional Protocol to the Framework Agreement of the Pacific Alliance, the following instruments executed by Colombia are currently in force:
  1) Economic Complementation Agreement between Colombia and the MERCOSUR
  2) Decision 416 of 1997 of the Andean Community of Nations
  3) Free Trade Agreement between Mexico and Colombia
  4) Free Trade Agreement between Chile and Colombia
  5) Partial Scope Agreement between Venezuela and Colombia
  6) Agreement on Trade and Economic and Technical Cooperation between Colombia and the Caribbean Community (CARICOM)
  7) Trade and Economic and Technical Cooperation Agreement between Colombia and El Salvador, Guatemala, and Honduras ("Northern Triangle")
  8) Partial Scope Agreement between Nicaragua and Colombia
  9) Trade Promotion Agreement between the United States and Colombia
  10) Trade Promotion Agreement between the Republic of Colombia and Canada
  11) Trade Agreement among the European Union, Colombia, and Peru
  12) Free Trade Agreement between the Republic of Colombia and the States of the European Free Trade Association (EFTA)
  13) Economic Complementation Agreement entered into between the Republic of Colombia and the Republic of Cuba
  14) Free Trade Agreement between the Republic of Colombia and the Republic of Korea
  15) Free Trade Agreement between Colombia and Costa Rica

  On the other hand, Colombia has also signed trade agreements with Israel and Panama, which are not in force, and negotiations are underway with Turkey and Japan.
- Colombia is a member of the World Trade Organization (WTO).
- Colombia has double taxation treaties (DTTs) in force with the countries of the Andean Community of Nations (CAN) Spain, Chile, Canada, Mexico, Switzerland, India, South Korea, Portugal, and the Czech Republic. Colombia has also signed DTTs with France and the United Kingdom, but they are not currently in force.
- Colombia has double taxation treaties on transport matters with Germany, Argentina, Brazil, Chile, the United States, France, Italy, Panama, and Venezuela.

8 Labor regulations

Hiring system for colombian and foreign employees

Foreign employees have the same rights and obligations as Colombian employees. However, when a foreign individual enters into an employment contract in Colombia, both the employer and the employee must meet the additional obligations established in the administrative immigration procedure for the employee's entry and stay in the country. Foreign employees with employment contracts in Colombia shall be voluntarily registered in the pension social security system.

The execution of an employment contract does not require any specific formalities. Instead, it is sufficient to meet the following three requirements: (i) personal provision of the service; (ii) subordinate, dependent relationship with the employer; (iii) salary as compensation for the service.

Employment contracts can be classified into the following types, based on their duration:

Types of employment contract

Indefinite term	This type of contract is open-ended, and does not establish a term or conditions. All verbal agreements are understood to have an indefinite term.
Fixed term	This type of contract establishes a specific duration, which must be set forth in writing or able to be proved using any type of evidence. Fixed-term contracts with a term of less than one (1) year may be renewed for three (3) periods equal to or less than the initial period, after which the renewal period may not be less than one (1) year, and so on, successively. Fixed-term contracts with a term of between one (1) and three (3) years may be renewed indefinitely. Fixed-term contracts cannot be converted into indefinite-term contracts. In the case that one of the parties does not wish to renew the contract, they shall send written notice to the other party no less than thirty (30) calendar days before the contract's expiration date.
For the duration of the contracted work or task	The term of the contract is based on the time required to carry out a contracted work or activity. Given the need for a detailed description of the work or task subject matter of the contract, this type of contract must be entered into in writing. Contracts for the term duration of the contracted work or task cannot be extended.
One-time or temporary	This contract is entered into for the performance of activities other than the company's typical activities, and has a duration of less than one (1) month.

It is also possible to agree on a trial period, providing the parties with an opportunity to determine the other's qualities and conditions, and to assess one another, so that they may then decide whether or not it is advisable to continue with the employment relationship. During this period, which must be agreed to in writing, either of the parties can terminate the employment contract without prior notice, and without the payment of any indemnity. The duration of the trial period depends on the type of employment contract, but shall not exceed two (2) months under any circumstances. In fixed-term contracts, the trial period cannot exceed one-fifth (1/5) of the established term, and shall not be longer than two (2) months in any case.

Fringe benefits

All employers are obligated to pay any employees who earn an ordinary salary, regardless of the term of the contract, the following fringe benefits:

- **Severance fund:** Employers must make an annual deposit in the individual severance fund account of each employee. The amount of this payment is equal to one (1) month's salary for each year of service, calculated proportionally for fractions of a year. This deposit must be made prior to February 15 of each year in the severance fund chosen by the employee. The severance fund shall be paid out to the employee upon the termination of the employment contract, or when the employee requests an advance thereon for housing payments. This benefit may also be paid out to the employee whenever there is a change in salary type from ordinary to comprehensive, or there is a substitution of employers.

- **Interest on severance:** Equivalent to 12% annually on the severance fund benefits paid as of December 31 of each year. The interest on severance must be paid to the employee no later than January 31 of each year, and whenever the severance fund benefit is paid out.
- **Service bonus**: Equivalent to fifteen (15) days' salary for each half-year of services, to be paid no later than June 30 and December 20 of each year.
- **Transportation allowance**: This is a fixed amount paid annually, as established by the government. Employers must pay this allowance to all employees earning no more than twice the legal monthly minimum salary currently in force (COP$1,475,434, or approximately US$500) to help cover any transportation expenses they incur. The transportation allowance for 2017 is COP$ 83,140 (approximately US$28). In case of disability, vacation, or leave of absence, the payment of this allowance does not apply. This allowance is included in the base amount used to calculate the payment of fringe benefits.
- **Work shoes and clothing**: This benefit consists of one pair of shoes and one set of appropriate work clothes for the task(s) to be performed by the employee. These shoes and clothes must be provided three (3) times per year (no later than April 30, August 31, and December 20) to all employees earning no more than twice the legal monthly minimum salary currently in force (COP$1,475,434, or approximately US$500) who have been employed for at least three (3) months.

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Taxes and contributions levied on remunerations

The social security and parafiscal tax system consists of the pension system, the health system, the occupational risk system, and parafiscal contributions. Every employer is under the obligation to register its employees in the system and pay the corresponding monthly contributions.

Foreign employees are not required to be enrolled in the pension system. With regard to social security agreements, Colombia has signed agreements with Argentina, Chile, Spain, Uruguay, Ecuador, Peru, and Bolivia. The agreements with Chile and Spain are the only two currently in force.

The social security and parafiscal contribution obligations are summarized in the table below:

	Base	Rate	Employer	Employee
Pension	Salary (1) (2)	16%	12%	4%
Health	Salary (1) (2)	12.5%	8.5%	4%
Solidarity fund	Salary (1) (2) (3)	1% / 2%	N/A	1% / 2%
Occupational risks	Salary (1) (2) (4)	0.348% / 8.7%	0.348% / 8.7%	N/A
SENA, ICBF, Compensation fund (parafiscal)	Salary (5)	9%	9%	N/A

Notas:

(1) Contributions to the comprehensive social security fund (pensions, solidarity fund, health, and occupational risks must be calculated based on the ordinary salary earned by the employee. Notwithstanding the foregoing, if the monthly salary is more than twenty five (25) times the current monthly minimum salary, the social security contributions must be calculated on said cap of twenty five (25) current monthly minimum salaries (approximately US$6,698 per month in total, calculated at an exchange rate of COP$2,405).

Any non-salary payments agreed to between the employer and the employee are not included in the base amount for the calculation of social security contributions, unless they exceed 40% of the employee's remuneration, in which case any amount in excess of said percentage shall constitute the base of calculation for the payment of such contributions.

(2) For those employees earning a comprehensive salary, 70% of this amount shall be used as the base for the calculation of fringe benefits. However, if 70% of the comprehensive salary exceeds twenty five (25) current legal monthly minimum salaries, the contributions to the social security system shall be calculated based on the maximum of 25 current legal monthly minimum salaries (approximately US$6,698 per month, in total).

(3) Contributions to the pension solidarity fund only apply to those employees who earn more than four (4) current legal monthly minimum salaries (approximately US$1,072). This payment is equivalent to 1% of the monthly salary. However, in the case of employees who receive more than 16 minimum salaries, the percentage increases as follows:

If the employee earns between sixteen (16) and seventeen (17) minimum salaries, an extra percentage of 0.2% must be paid. If the employee earns between seventeen (17) and eighteen (18) minimum salaries, an extra percentage of 0.6% must be paid. If the employee earns between nineteen (19) and twenty (20) minimum salaries, an extra percentage of 0.8% must be paid; and if the employee earns between twenty(20) and twenty five (25) minimum salaries, an extra percentage of 1%. It must be borne in mind that contributions to the pension solidarity fund are also subject to a cap of twenty-five (25) current legal monthly minimum salaries (approximately US$6,698 per month, in total).

(4) The percentage depends on a legal scale that is based on the different risk levels entailed by each company's economic activities. The respective insurance company shall determine the classification at the time the employee is registered. It must be borne in mind that the contributions to the occupational risk system are also subject to a cap of twenty five (25) current legal monthly minimum salaries (approximately US$6,698 per month, in total).

(5) Contributions to the National Apprenticeship Service (SENA) the Colombian Institute of Family Welfare (ICBF) and the Compensation Funds (parafiscal contributions) must be calculated based on the ordinary salary earned by the employer, including paid rest periods, such as vacations. In the case of employees who earn a comprehensive salary, the calculation base shall be 70% of this salary. Any non-salary payments agreed to between the employer and the employee are not included in the calculation base for parafiscal contributions. Parafiscal contributions are not subject to a cap. Companies subject to equity income tax (CREE) shall be exempted from the payment of 5% of the parafiscal taxes intended for the Colombian Institute of Family Welfare (ICBF: 3%) and the National Apprenticeship Service (SENA: 2%) but only for those employees earning up to ten (10) current legal monthly minimum salaries. This exemption shall enter into force on May 1, 2013. It is important to clarify that companies will continue to be required to pay the remaining 4% of parafiscal taxes to the Family Compensation Funds.

(6) Since January 1, 2014, companies required to report income have been exempt from the payment of 8.5% in contributions to the health system for those employees earning up to ten (10) current legal monthly minimum salaries. Employees are subject to withholding at the source, according to an official table established by the national government based on tax units (UVTs). One UVT is equal to COP $ 28,279 for tax year 2015, equivalent to approximately US$12.

Additionally, to calculate this withholding at the source, a special formula must be used, which takes into account the previous interval, subtracting a certain number of UVTs before applying the corresponding percentage, and then adding an additional fixed annual amount of UVTs to determine the final amount of taxes to be withheld

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Termination of the employment relationship

As a rule of thumb—with certain legal and constitutional exceptions (e.g., pregnant employees, employees with clearly deteriorated health conditions, unionized employees, employees entitled to reinstatement in case of wrongful dismissal)—employment contracts can be terminated at any time, without prior notice. However, the effects of the termination vary depending on the type of contract and whether the contract is terminated with or without just cause.

As a consequence of the termination of the employment relationship, it may be necessary to pay an indemnity to employees. Indemnities are payments arising from the employer's violation of its obligations under the law or international conventions, or from a failure to recognize its duties under the labor laws in force. Indemnities include consequential damages and loss of profit, and are determined depending on the type of contract through which the employee was hired.

Immigration

All foreigners entering Colombia must appear before the immigration authorities with their passport and the corresponding Colombian visa, where required. In those cases where a visa is not required to enter Colombia, the immigration authority may grant permission to enter and stay for those foreign visitors who have no intention of residing in national territory.

Most common types of permissions and visas

Type of permission or visa	Permitted activities
Permission for entry and stay PIP-5	Tourism, recreation, and leisure.
Permission for entry and stay PIP-6	Attend or participate, without an employment relationship, in academic, scientific, artistic, cultural, and sporting events; to attend an interview as part of an employee selection process with a public or private entity; business training, trade or business contacts or dealings, and journalistic coverage.
Permission for entry and stay PIP-7	Provide urgent specialized technical assistance to a public or private entity for a period of thirty (30) calendar days.
Business Visa NE-1	Carry out trade and business dealings, foster economic exchange, make investments and start companies.
Business Visa NE-2	Temporarily enter national territory as a businessperson under the international instruments in force, including free trade agreements and partnership agreements, for the purpose of moving forward with business activities; promoting business deals; developing investments; establishing a company's commercial presence; promoting the cross-border trade of goods and services or other activities defined in said instruments.
Business Visa NE-4	Enter national territory as president or senior executive of a multinational company in order to make investments and generate business.
Temporary Visa TP-3	Enter national territory as part of an academic program, with or without a scholarship or grant, given out by a center of education or vocational training in Colombia, duly certified for such purpose; or by virtue of an agreement for academic exchange and student internships; enter Colombian territory to be trained in a trade or vocation.
Temporary Visa TP-10 Mercosur	Temporary residence for citizens of Brazil, Argentina, Chile, Uruguay, Venezuela, Paraguay, Bolivia, and Peru.
Temporary Visa TP-13	Provide specialized technical assistance, with or without an employment agreement, to public or private entities, for a period of one hundred and eighty (180) calendar days.
Resident Visa RE	Enter and remain in the country with the intention of residing there.

All foreigners claiming to be a professional shall require a temporary permission/license/certificate or a validated undergraduate degree and proof of full-time registration with the respective professionals' association.

9 Financial reporting procedures

In Colombia, commercial regulations (Consolidated Code of Commerce) establish that merchants (legal entities or individuals) are required to keep accounting books and records in accordance with the Generally Accepted Accounting Principles in Colombia (PCGAs). The PCGAs were established as a reference standard in Law 1314 of 2009 and are included in the regulatory orders issued by the federal government (Orders 3019, 3022, 3023, and 3014 of 2013, among others) and the external memos and accounting doctrines issued by the superintendencies (supervisory bodies).

In Colombia, there are ten superintendencies, including the Financial Superintendency of Colombia and the Superintendency of Businesses, which are responsible for supervising the majority of Colombian companies.

Law 1314 of 2009 established a single, consistent, high quality, easy-to-understand, mandatory system of accounting, financial reporting, and information assurance standards. As a result, in Colombia it was decided to use the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as a reference standard. The orders issued by the government have ratified the recommendations on how to gradually apply the IFRSs, as well as information assurance standards in Colombia. These recommendations include the creation of different groups to implement the new international financial reporting standards. For such purpose, three groups were established: Group 1 consists of large companies and/or companies of public interest; Group 2 consists of small and medium-sized companies; and Group 3 consists of microenterprises.

The IFRS implementation date for Group 1 and Group 3 was January 1, 2015, with the preparation of an opening financial statement with a cutoff date of January 1, 2014, and a complete financial statement under the IFRSs with a cutoff date of December 31, 2015, including a comparison with the previous period (2014). For Group 2, these dates are one year later, in each case.

On the other hand, following the issuing of Order 302 of 2015, Colombia began its transition toward international information assurance standards. The application of these standards will become mandatory starting on January 1, 2016. The order includes International Standards on Auditing (IAS); the International Standard on Quality Control (ISQC); International Standard on Review Engagements (ISRE); International Standard for Attestation Engagements (ISAE); International Standard on Related Services (NISR); and the code of ethics for accounting professionals. This set of standards is issued by the International Auditing and Assurance Standards Board (IAASB) with the assistance of the International Federation of Accountants (IFAC).


PALACIO DE BELLAS ARTES

5

Mexico

Photo: EY Mexico ©

1 Geography

Mexico is located in North America. It is bordered to the north by the United States and to the south by Belize and Guatemala. Mexico's Pacific coastline is 8,560 kilometers (5,316 miles) long and is separated from the Baja California peninsula by the Gulf of California. The Gulf of Mexico and the Caribbean Sea are located in the east of the country. Mexico has three mountain ranges: the Sierra Madre Occidental to the west, the Sierra Madre Oriental to the east, and the Sierra Madre del Sur to the south.

Population

123.5 million (estimate for 2017)

Surface area

1,959,375 km^2

Currency*

Mexican Peso
US$1 = $18.69

Languages

Spanish (92.7%) and indigenous languages (Náhuatl, Maya, Mixtec, Tzeltal, Zapotec, etc.) and others (7.3%)

Religion

Roman Catholic: 82.7%
None: 4.7%
Others: 12.6%

Climate

Varies from tropical to desert

Time zone

GMT -6 during Standard Time and -5 in Daylight Savings Time

Natural resources

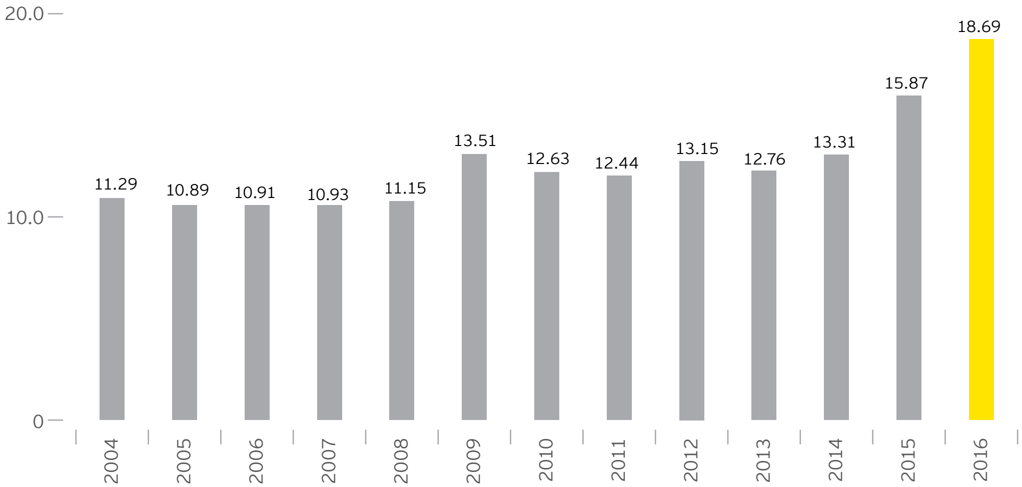
Petroleum, silver, gold, lead, zinc, copper, natural gas, timber

*Exchange rate as at December 31, 2016
Sources: CIA Factbook, International Monetary Fund (IMF), National Institute of Statistics and Geography (INEGI), National Population Council (CONAPO)

2 Currency

Mexico's official currency is the Mexican Peso. In late 1994, the Foreign Exchange Commission of Banco de México agreed on making the country's exchange rate regime flexible. This means that the value of the Peso is determined freely following market forces only.

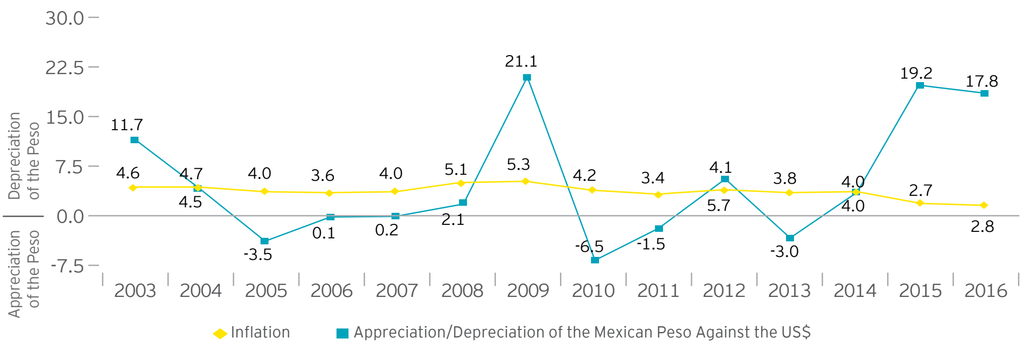
Exchange rate trend: Mexican Pesos per US$1 (end of each year)



Source: Banxico

Economy

Appreciation / Depreciation and Inflation



Sources: National Institute of Statistics and Geography (INEGI), Oxford Economics

At the end of 2016, the inflation rate in Mexico reached 2.8% (2.7% rate in 2015). The annual depreciation rate of the Mexican Peso against the US$ for 2016 reached 17.8% (depreciation rate of 19.2% in 2015)..

Principal economic activities

Mexico's principal economic activities feature crude oil extraction, revenue from remittances sent by Mexican immigrants working abroad, tourism and intense industrial, mining and agricultural activity. Mexico's primary activities vary in nature and include cultivation of a large variety of agricultural products, mainly sugarcane, maize, sorghum, oranges, wheat, bananas, tomatoes, green chilies, lemons, mangos, and potatoes. Livestock is also an important sector for Mexico.

Gold, silver, lead, copper, zinc, molybdenum, coal, coke, iron, and manganese lead Mexico's mineral production.

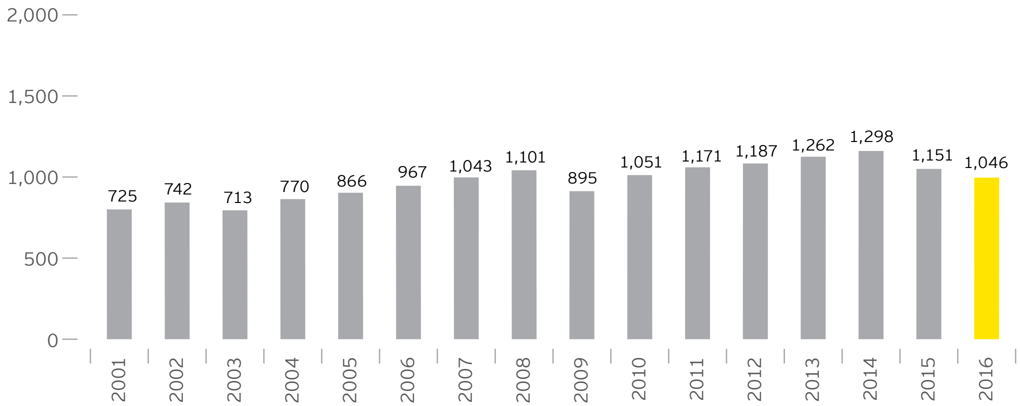
Mexico's secondary activities include the automotive sector, which is recognized as an international leader in the field. As of 2011, Mexico became the eighth largest producer of new vehicles and the fourth largest exporter of vehicles in the world. Other industries that represent this economic sector are the petrochemistry, cement production and construction, textiles, as well as food and beverages.

Amongst Mexico's most important tertiary or service activities is tourism. According to the World Tourism Organization (WTO) Mexico is the world's thirteenth most visited country.

Gross Domestic Product (GDP)

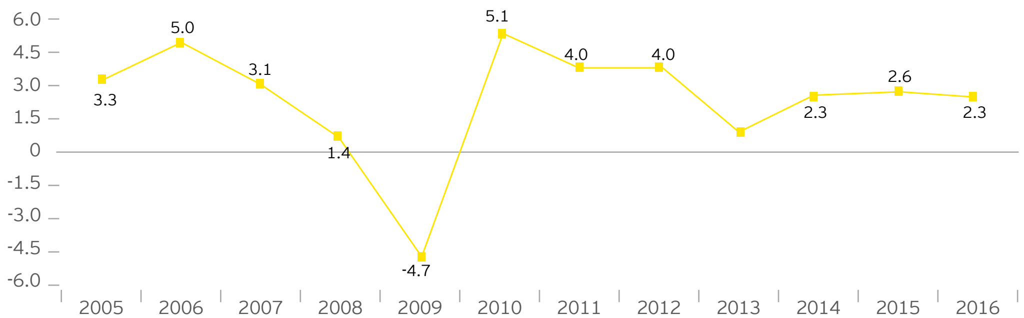
Mexico's Gross Domestic Product (GDP) for 2016 was US$1.04 billion, according to the International Monetary Fund (IMF) (GDP not measured in terms of Purchasing Power Parity or PPP).

Mexico's Gross Domestic Product (US$ Billions)



Source: International Monetary Fund (IMF)

Real Gross Domestic Product (annual percent change)



Source: International Monetary Fund (IMF)

Gross Domestic Product by branch of economic activity (annual percent change)

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Primary activities	1.3	-2.5	0.8	-2.3	7.4	0.9	4.3	1.6	3.6
Agriculture, livestock (breeding & animal husbandry) forestry, fishing & hunting	1.3	-2.5	0.8	-2.3	7.4	0.9	4.3	1.6	3.6
Secondary activities	-0.5	-6.2	4.6	3.4	2.9	-0.5	2.7	1.0	0.0
Mining	-3.7	-4.0	0.9	-0.4	0.9	-0.1	-1.4	-4.6	-6.4
Generating, transmitting, and distributing electricity, distribution of water and natural gas to end consumers through pipelines	1.3	1.3	4.5	6.9	2.1	0.5	8.2	2.3	3.3
Construction	3.8	-6.1	0.8	4.1	2.5	-4.8	2.0	2.5	1.8
Manufacturing industry	-1.0	-8.4	8.5	4.6	4.1	1.2	4.2	2.6	1.3
Tertiary activities	2.6	-3.9	5.7	4.7	4.5	2.4	1.8	3.5	3.4
Trade	0.2	-12.5	11.9	9.7	4.8	2.2	3.1	4.8	2.4
Transportation, mail and storage services	-0.1	-7.2	7.7	4.0	4.1	2.4	3.2	4.3	2.8
Media services	6.0	8.5	1.0	4.4	16.3	5.0	0.2	7.8	10.1
Financial and insurance services	21.9	3.4	21.0	7.1	7.7	10.4	-0.8	4.3	7.7
Real estate and leasing services of personal property and intangible assets	3.3	1.1	2.8	2.9	2.5	1.0	2.1	2.5	1.9
Professional, scientific, and technical services	3.1	-5.0	-0.1	5.1	1.1	1.2	1.7	4.2	7.0
Corporate services	7.5	-8.2	5.3	3.5	8.6	-1.8	7.2	3.5	4.7
Business support services and waste management and disposal services	2.2	-7.0	0.7	6.0	4.4	4.3	-0.2	1.2	4.1
Education services	1.1	0.2	0.2	1.6	2.2	0.8	0.1	0.0	1.0
Health and social assistance services	1.3	2.0	-0.1	2.1	2.1	0.6	-0.6	-2.3	1.3
Recreational, cultural and sports services, and other recreational services	0.3	-4.1	4.1	-0.7	2.9	3.4	-1.5	3.8	5.7
Temporary accommodation services and food and beverage preparation	0.1	-9.6	1.9	1.5	5.4	1.8	2.9	5.8	3.8
Other services, excluding government activities	1.3	-0.6	1.0	1.9	3.3	2.1	1.7	2.4	5.8
Activities related to the legal, governmental and justice system as well as international world bodies and foreign organizations	2.0	2.0	2.4	-1.4	3.7	-0.5	1.9	2.7	0.0

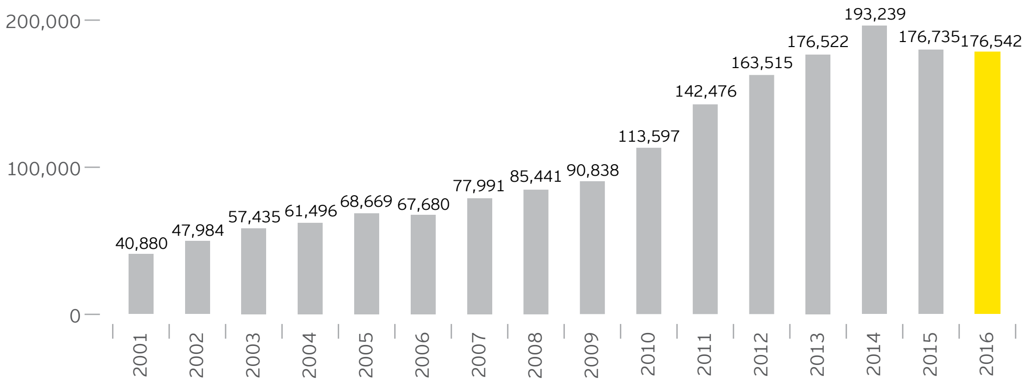
Source: National Institute of Statistics and Geography (INEGI)

Gross Domestic Product by economic sector (2016)

16.7%	Manufacturing industry
15.8%	Trade
11.8%	Real estate and leasing services of personal property and intangible assets
7.3%	Construction
6.2%	Mining
5.9%	Transportation, mail and storage services
4.8%	Financial and insurance services
3.7%	Mass media information
3.1%	Agriculture, livestock, forestry, fishing and hunting
2.8%	Taxes
2.3%	Generating, transmitting and distributing electricity, distribution of water and natural gas to end consumers through pipelines
19.6%	Other services

Source: National Institute of Statistics and Geography (INEGI)

Net international reserves (US$ Millions)



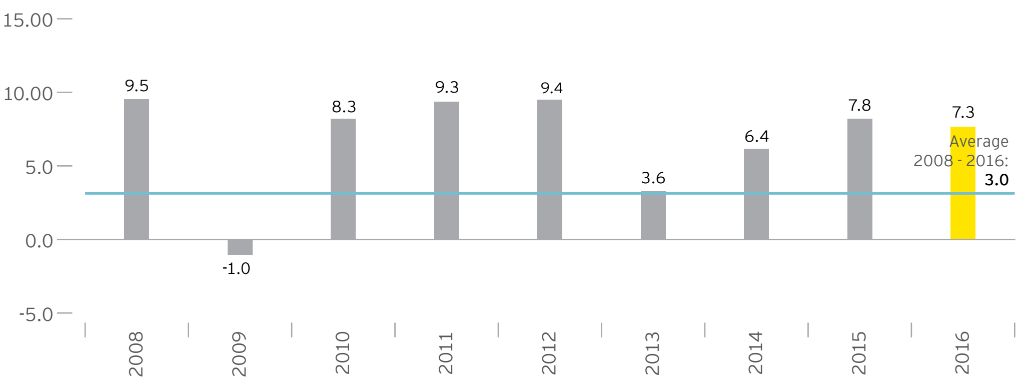
Source: Banxico

Gross Domestic Product by type of expense (annual percent change)

Variables	2008	2009	2010	2011	2012	2013	2014	2015	2016
Gross domestic product	1.4	-4.7	5.1	4.0	4.0	1.4	2.3	2.6	2.3
Imports	4.4	-17.6	20.5	8.0	5.5	2.6	6.0	8.6	1.1
Domestic demand	2.7	-6.2	4.2	5.2	4.7	1.2	2.1	2.7	2.1
a. Private consumption	1.9	-6.5	5.7	4.8	4.9	2.1	1.8	2.3	2.8
b. Public consumption	3.0	2.2	1.7	2.4	3.5	1.0	2.1	2.3	1.1
Gross fixed capital formation	5.0	-9.3	1.3	7.8	4.8	-1.6	3.0	4.2	0.4
Exports	-1.3	-11.8	20.5	8.2	5.8	2.4	7.0	10.3	1.2

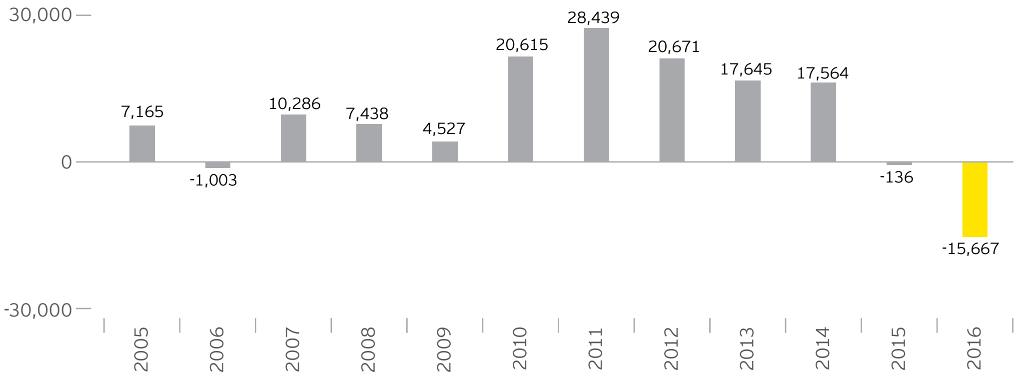
Source: National Institute of Statistics and Geography (INEGI)

Domestic demand (annual percent change)



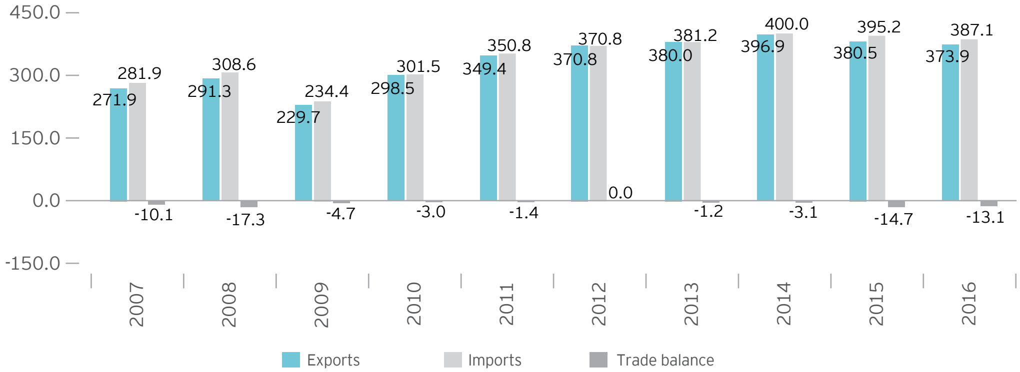
Source: National Institute of Statistics and Geography (INEGI)

Balance of payments (US$ Millions)



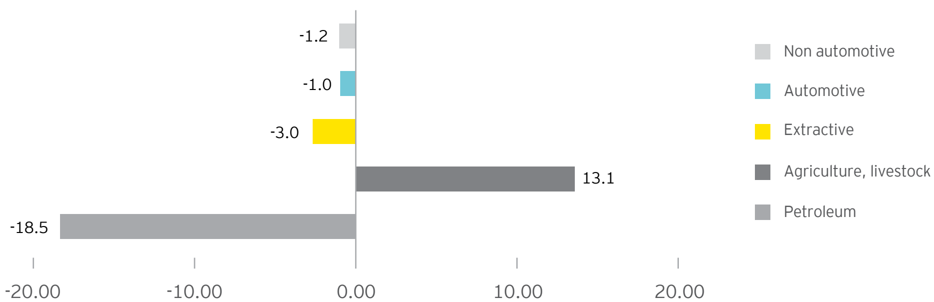
Source: Banxico

Trade balance (US$ Millions)



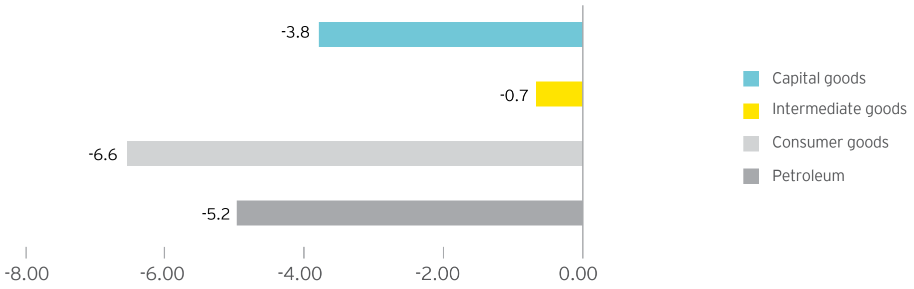
Source: Banxico

Annual change in exports by economic sector 2016 / 2015 (in %)



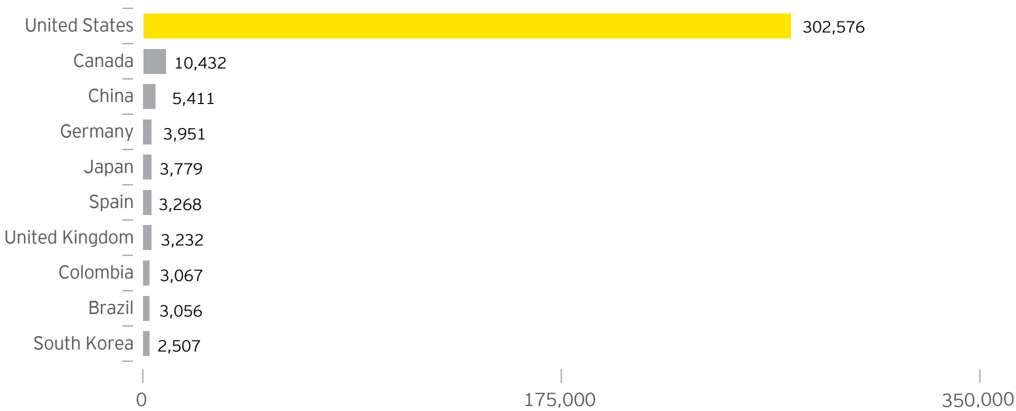
Sources: Banxico, National Institute of Statistics and Geography (INEGI)

Annual change in imports by economic sector 2016 / 2015 (in %)



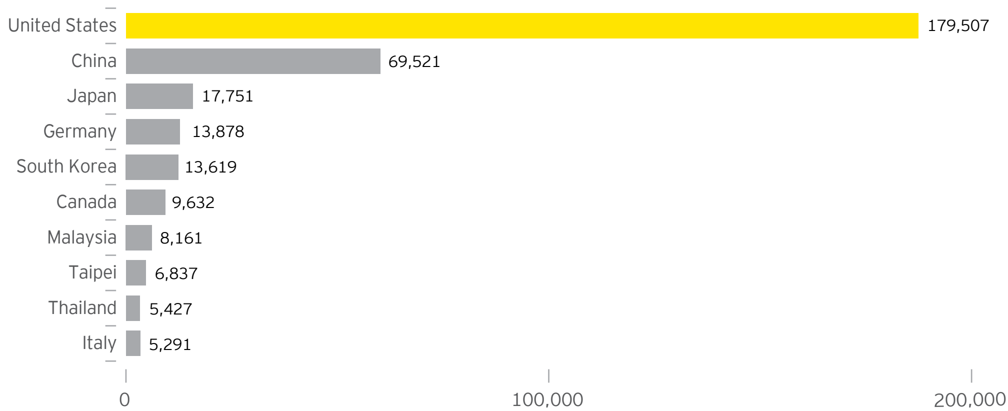
Sources: Banxico, National Institute of Statistics and Geography (INEGI)

Exports by trading partner, top ten partners 2016 (US$ Millions)



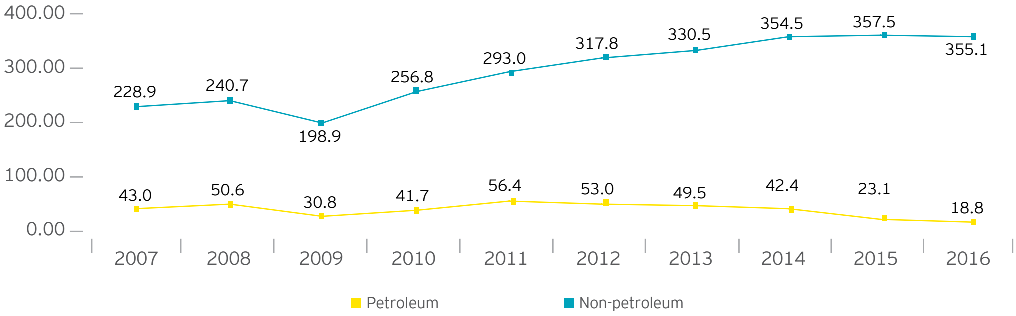
Source: Ministry of Economy (SE)

Imports by trading partner, top ten partners 2016 (US$ Million)



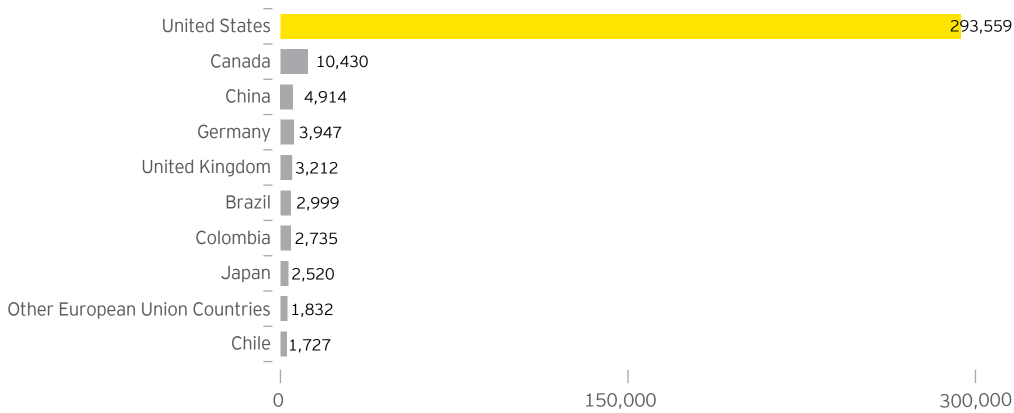
Source: Banxico

Petroleum and non-petroleum exports (US$ Billions)



Source: Banxico

Non-petroleum exports by trading partner 2016 (US$ Millions)

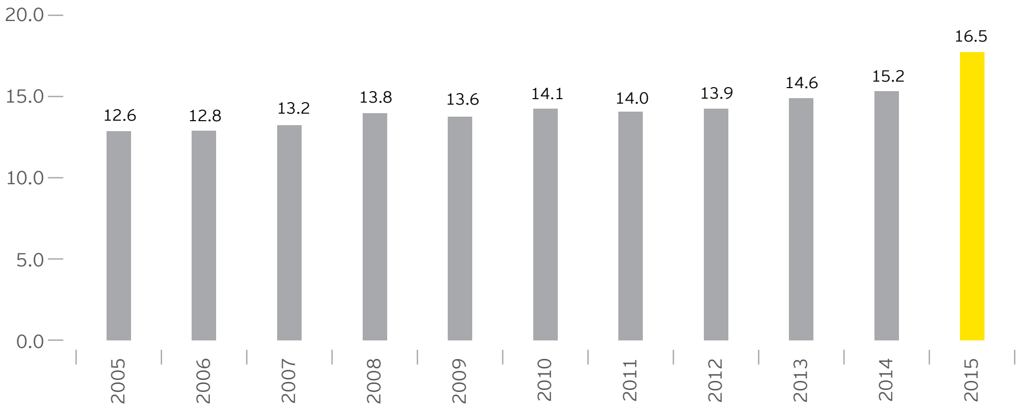


Source: Banxico

Tax balance (% of GDP)

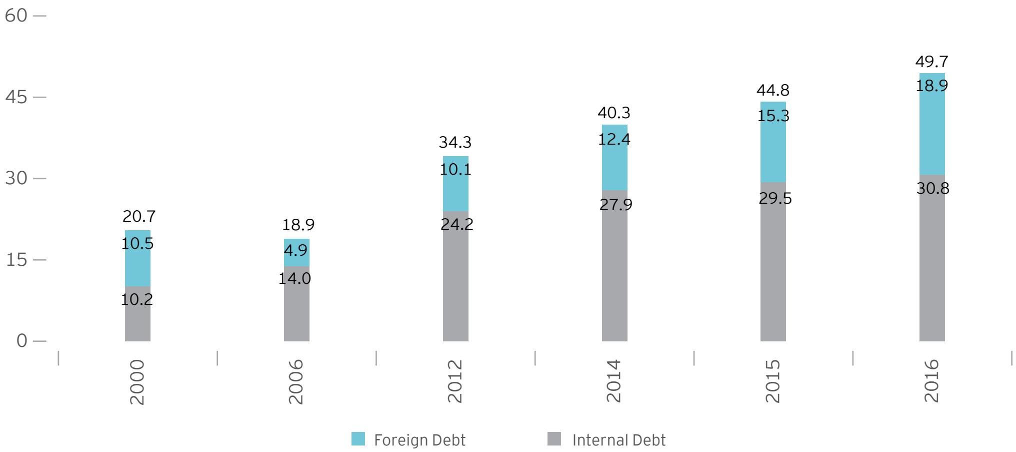
Source: Ministry of Finance and Public Credit

Tax revenue (% of GDP)



Source: Organisation for Economic Co-operation and Development (OECD)

Public debt (% of GDP)



Source: Ministry of Finance and Public Credit

Evolution of long-term foreign currency debt rating

Agency	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fitch	BBB	BBB	BBB	BBB	BBB+	BBB+	BBB+	BBB+	BBB+
S&P	BBB	BBB	BBB	BBB	BBB+	BBB+	BBB+	BBB+	BBB+
Moody's	Baa1	Baa1	Baa1	Baa1	Baa1	A3	A3	A3	A3

As of July 7, 2017
Sources: Fitch Ratings, Standard & Poor’s, Moody’s

4 Investment

Attracting foreign investment

a. Legislation and foreign investment

Mexico takes measures to attract foreign investment that will bring it long-term sustained growth. To achieve this, over the past few years, the Mexican government has introduced various structural reforms affecting the energy, education, labor, financial, and political sectors that are aimed at having the right condition in Mexico to encourage foreign investment and economic growth.

It is not only Mexico's structural reforms that have attracted investors. Another contributing factor is Mexico's network of 12 Free Trade Agreements with 46 countries, 32 Agreements for the Reciprocal Promotion and Protection of Investment or Bilateral Investment Treaties (APPRIs) with 33 countries and 9 Limited Scope Agreements (Economic Complementation Agreements and Partial Scope Agreements) executed within the framework of the Latin American Integration Association (LAIA).

The underlying aim of all Foreign Direct Investment (FDI) is to foster long-term interest among foreign investors to continue doing business in Mexico. FDI is a key catalyst for economic development because it has the potential to create jobs, increase personal savings, raise capital for businesses, drive competition in the market, increase local supply, stimulate transfers of new technologies, and boost exports. All of these factors have a positive effect on Mexico's productive and competitive business environment.

There are certain restrictions on foreign investment that are outlined in the Foreign Investment Act, which regulates foreign investment and aims to ensure Mexico's continued economic sovereignty. This law sets forth territorial and conceptual restrictions on foreign investment, as it establishes the restrictions on what foreign companies may do in Mexico and where they may or may not do business, and also outlines the constitutional restrictions that foreign investors are subject to.

Mexico has positioned itself as an important manufacturing hub that supplies the North American market. This positioning has led to large foreign investment in various sectors, such as the automotive and aerospace sectors. In an effort to reap the benefits of this growth, many of Mexico's state governments have implemented investment support and incentive programs for both domestic and foreign investors.

Mexico's current administration has implemented the 2013-2018 Domestic Development Program, to provide a roadmap for encouraging economic growth through achievement of the following goals:

- **A Mexico in peace:** raims to strengthen confidence in the government by moving Mexico towards greater democracy and by reducing crime rates
- **An inclusive Mexico**: aims to close Mexico's social inequality gaps and broaden access to basic services
- **A Mexico with quality education**: aims to encourage the existence of qualified human capital that will give rise to innovation
- **A prosperous Mexico**: aims to foster development by passing regulations to ensure fair competition among companies and by designing effective policy for economic development that is focused on driving innovation and growth in Mexico's strategic sectors
- **A globally responsible Mexico**: aims to reassert Mexico's commitment to free trade, capital mobility, and productive integration

The overriding aim of this plan is to take steps for Mexico to reach its maximum potential and to achieve economic, social, and cultural stability for all of its citizens and foreign investors.

To provide increased tax and legal certainty to domestic and foreign investors, the government signed the Taxation Pact through which it pledged not to increase corporate taxes in any shape or form until the end of the current presidential administration in 2018.

b. Legal framework designed to encourage foreign

Mexico's laws generally make it easier for companies to do business in the Mexican economy. Since the beginning of the current presidential administration, several structural reforms have been introduced for the country. The most attractive of these reforms for foreign investors is the energy reform, which will open up Mexico's energy sector and create investment opportunities for both Mexican and foreign investors.

Mexico's laws are generally favorable for investors, as they provide the following rights and guarantees:

- Access to the business sector
- Non-discriminatory and equal treatment

Mexico also offers the following advantages:

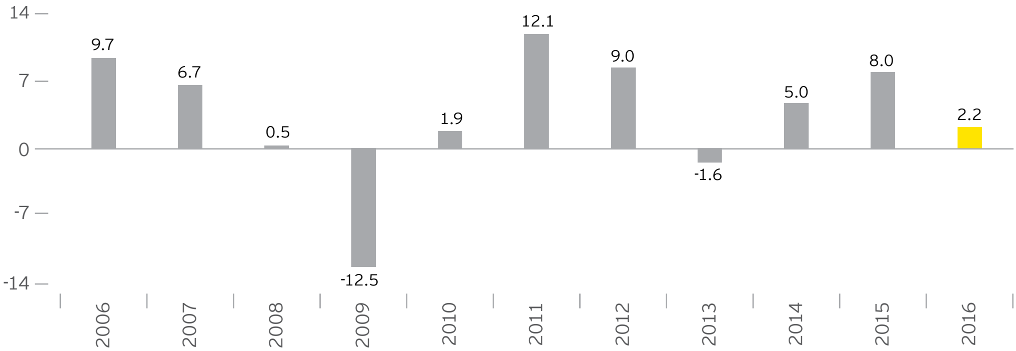
- Access to the business sector
- Non-discriminatory and equal treatment Mexico also offers the following advantages
- Access to a large network of international free trade and tax treaties
- Tax benefits for the manufacturing industry
- Open access to credit and the acquisition of real estate and corporate shares
- Protection of intellectual property

Mexico's General Foreign Investment Office (DGIE) is the administrative unit of the Ministry of Economy that, among other responsibilities, issues administrative rulings under the Foreign Investment Act and manages and operates the National Foreign Investors Registry (RNIE). It also drafts and publishes statistical reports on Direct Foreign Investment trends in Mexico, and it functions as the Technical Ministry of the National Foreign Investment Commission. In addition, the DGIE represents Mexico at international investment forums, while it aids in promoting and attracting investments, provides information and publishes studies on Mexico's investment environment and proposes public policy direct foreign investment.

Similarly, the Agreements for the Reciprocal Promotion and Protection of Investments or Bilateral Investment Treaties (APPRI´s) international investment treaties that are designed to promote and legally protect productive capital flows on the basis of reciprocity. They are recognized as instruments that generate confidence for foreign investors, since they decrease perceptible non-commercial risks, send positive signals, and in general, contribute to creating a more positive environment for investment.

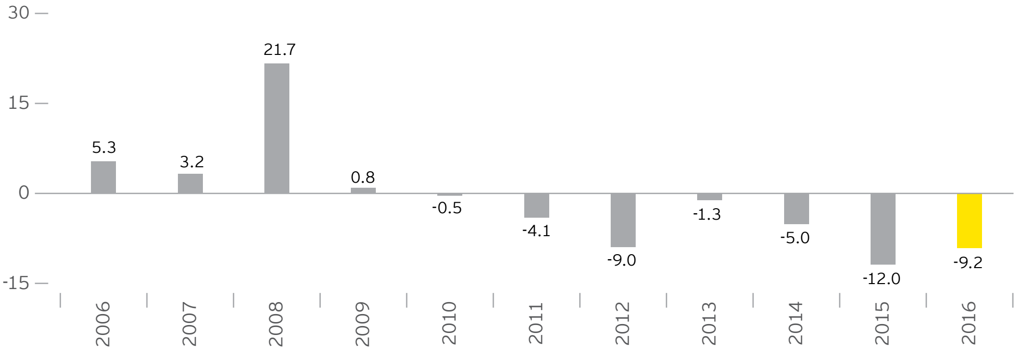
Given the close relationship between investment and trade, the chapters on Investment in Mexico's Free Trade Agreements take into account the trade rules, since one third of international trade of goods and services is carried out among related parties. Investment contributes to an increase in exports to developing countries through the export activities of multinational companies.

Private investment (annual percent change)



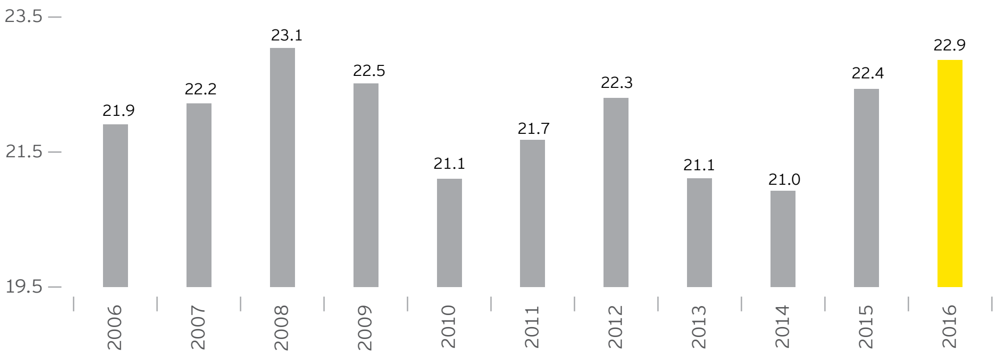
Source: BBVA Research

Public investment (annual percent change)



Source: BBVA Research

Fixed gross investment (of % GDP)



Sources: Oxford Economics, National Institute of Statistics and Geography (INEGI), Harver Analytics

Foreign direct investment by sector (2016)

- **61.0%** Manufacturing industry
- **9.3%** Financial services
- **6.4%** Transportation, mail and storage services
- **4.6%** Mining
- **4.2%** Generating, transmitting and distributing electricity
- **14.5%** Other services

Source: Ministry of Economy

Foreign direct investment by sector (US$ Millions)

Sector	2016
Manufacturing industry	16,756
Financial services	2,564
Transportation, mail and storage services	1,749
Mining	1,257
Generating, transmitting and distributing electricity	1,160
Other services	3,961
Total	27,447

Source: Ministry of Economy (SE)

International competitive ranking

	2014 - 2015		2015 - 2016		2016 - 2017	
	Ranking	Score	Ranking	Score	Ranking	Score
Total Mexico	61/148	4.30	57/140	4.29	51/138	4.41
SUB-INDiCES						
Basic requirements	69	4.59	73	4.53	71	4.56
Institutions	102	3.40	109	3.34	116	3.30
Infrastructure	65	4.19	59	4.22	57	4.26
Macroeconomic environment	53	5.04	56	4.85	51	4.98
Health and primary education	71	5.73	71	5.71	74	5.68
Efficiency enhancers	60	4.20	53	4.27	45	4.41
Higher education and training	87	3.99	86	4.00	82	4.12
Goods market efficiency	86	4.19	82	4.23	70	4.33
Labor market efficiency	121	3.71	114	3.75	105	3.85
Financial market development	63	4.14	46	4.24	35	4.54
Technological readiness	79	3.55	73	3.77	73	3.97
Market size	10	5.61	11	5.65	11	5.64
Innovation and sophistication factors	59	3.73	52	3.78	50	3.83
Business sophistication	58	4.14	50	4.18	45	4.24
Innovation	61	3.32	59	3.38	55	3.41

Source: World Economic Forum 2016-2017

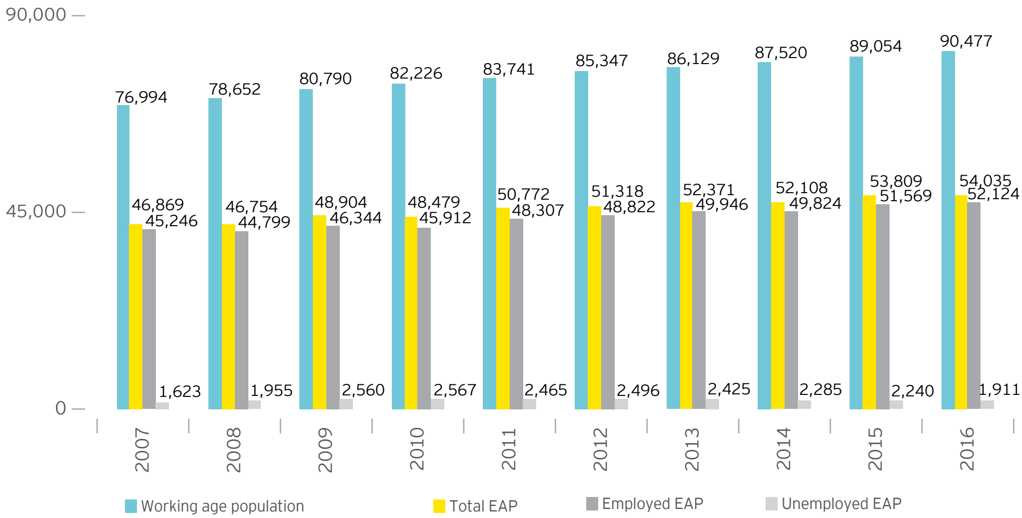
Main indicators in Doing Business 2017

Indicators	Mexico	Latin America and the Caribbean
Starting a business		
‣ Procedures (number)	8.0	8.3
‣ Time (days)	8.5	31.6
‣ Cost (% of income per capita)	19.1	31.5
Dealing with construction permits		
‣ Procedures (number)	13.0	14.4
‣ Time (days)	81.0	181.3
‣ Cost (% of warehouse value)	11.3	2.5
Registering property		
‣ Procedures (number)	8.0	7.1
‣ Time (days)	46.0	68.6
‣ Cost (% of property value)	5.6	5.8
Getting electricity		
‣ Procedures (number)	7.0	5.5
‣ Time (days)	112.0	66.0
‣ Cost (% of income per capita)	357.9	999.0
Getting credit		
‣ Strength of legal rights index (0-12)	10.0	5.3
‣ Depth of credit information index (0-8)	8.0	4.8
‣ Credit registry coverage (% of adults)	0.0	13.0
‣ Credit bureau coverage (% of adults)	100.0	41.2
Protecting of minority investors		
‣ Extent of conflict of interest regulation index (0-10)	6.0	5.3
‣ Extent of shareholder governance index (0-10)	6.0	4.4
‣ Strength of minority investor protection index (0-10)	6.0	4.8
Paying taxes		
‣ Payments (number per year)	6.0	28.9
‣ Time (hours per year)	286.0	342.6
‣ Total tax rate (% on profit)	52.0	46.3
Trading across borders		
‣ Time to export: border compliance (hours)	20.0	63.0
‣ Cost to export: border compliance (US$)	400.0	527.0
‣ Time to import: border compliance (hours)	44.0	65.0
‣ Cost to import: border compliance (US$)	450.0	685.0
Enforcing contracts		
‣ Time (days)	350.0	749.1
‣ Cost (% of claim)	33.5	31.3
‣ Quality of legal processes index (0-18)	9.5	8.4
Resolving insolvency		
‣ Time (years)	1.8	2.9
‣ Cost (% of estate)	18.0	16.7
‣ Recovery rate (cents on the dollar)	68.1	31.0

Source: The World Bank - Doing Business 2017

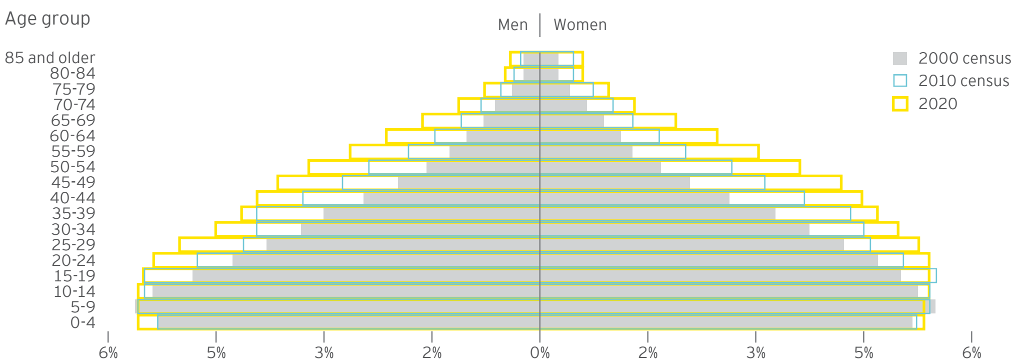
5 Population

Evolution of Economically Active Population - EAP (thousands of people)



Source: National Institute of Statistics and Geography (INEGI)

Population pyramid as per census



Source: National Institute of Statistics and Geography (INEGI)

6 Starting a business

Mexico has different types of corporations that allow the structuring of foreign investments and to start-up a business in the country. These options can vary from legal entities to representation offices that generate no revenues. The gap between these two extremes is covered by joint venture agreements and commercial trusts.

The main legal entities (corporations) that foreign investors who intend to do business in Mexico can use are incorporated and governed by the Mexican Corporations Act (LGSM) as follows:

- Joint-stock company (*Sociedad Anónima* – S.A.)
- Limited liability company (*Sociedad de Responsabilidad Limitada* – S.R.L.)

These entities may be used to structure wholly-owned subsidiaries, as well as joint companies with both Mexican and foreign partners (always subject to the restrictions on shareholding and areas regulated by the Foreign Investment Act).

Other types of companies available for investors are the Limited Partnership (*Sociedad Civil*) and the Non-Profit Organization (*Asociación Civil*). They are regulated by the civil legislation and are barred from engaging in commercial speculation. Consequently, these companies are used by professional service providers, charities, etc.

The following investment vehicles are also available and although they are not formally recognized as legal entities in Mexico, they offer attractive features for foreign investors:

- Joint Venture (Unincorporated association)
- Trust agreement (Trust fund)
- Branch (Permanent establishment)
- Representation office for promotion purposes

The following is a description of the main features of the different types of entities that are used the most for investments in Mexico:

a. Joint-stock company (*Sociedad Anónima* – S.A.)

Certain procedures must be performed with the Secretariat of Foreign Affairs to incorporate a Joint-Stock Company. In some cases, the incorporation of a Joint-Stock Company also requires approval from the National Foreign Investments Commission. Provided that the entity will not engage in activities that are restricted under the Foreign Investment Act, a Joint-Stock Company may be owned entirely by foreign investors.

Characteristics:

- Capital: The incorporation papers of a Joint-Stock Company must establish the entity's minimum capital stock with which it will be incorporated; however, there is currently no fixed amount for the incorporation of this type of companies. At least 20% of the total value of all shares must be fully subscribed and paid-up in cash. In addition, all shares that are payable in kind must be paid up.
- Governance: Based on the company's by-laws, a Joint-Stock Company must be managed by its Board of Directors or a single manager. The Company may or may not appoint additional officers.
- Liability: The managers are severally liable to the corporation with respect to: (i) the management of capital contributions, (ii) the compliance with all legal and statutory requirements regarding dividends paid to the shareholders, (iii) the creation and maintenance of the accounting, control, filing, registration, and information systems set forth under the law; and (iv) the due compliance with the resolutions adopted at the shareholders' meetings.
- Supervisory bodies: The monitoring of a Joint-Stock Company is the responsibility of one or several temporary and revocable statutory auditors. These statutory auditors may either be partners in the company or individuals outside of the company.
- Transferring shares: Generally, no corporate authorization is required to transfer shares; however, a Joint-Stock Company's incorporation papers may state that the entity's shares may only be transferred with the authorization of the Board of Directors.

b. Limited liability company (*Sociedad de Responsabilidad Limitada* – S.R.L.)

A Limited Liability Company must have a minimum of two (2) and a maximum of fifty (50) members. Regarding its day-to-day operations, this type of company essentially operates in the same way as a Joint-Stock Company.

Characteristics:

- Capital: The capital stock will be established in the incorporation papers. The capital stock is divided into ownership interests that may have different values and categories but that in any case must be a multiple of one Mexican Peso.
- Governance: A limited liability company may be governed by a board of managers or by a single manager, named by the members as set forth in the company by-laws. These managers may or may not be members in the company. The members meeting is the ultimate authority since each member has the right to one vote for each Mexican Peso contributed. If no governance structure is established in the by-laws, the members shall share the governance of the company.
- Supervisory bodies: Due to the limited liability of this type of business organization, the company may or may not appoint a supervisory body or a statutory auditor.
- Transferring ownership interests: Ownership interests may not be listed in the Stock Exchange and the approval of the members meeting is required in all cases.
- Limitations: The company is not allowed to publicly issue obligations or bonds.

c. Forms of corporate structures

A Joint-Stock Company (S.A.) or a Limited Liability Company (S.R.L.) may adopt the variable capital (CV) form. A variable capital company has the same corporate characteristics as a non-variable capital company, but the variable capital form offers a more flexible alternative for structuring investments in Mexico. While a normal Joint Stock Company (S.A.) may not increase or decrease its capital stock without amending its by-laws, a Variable Capital Corporation (S.A. de C.V.) may perform these increases or decreases without making this change in its by-laws.

The variable portion of a company's capital stock must be established in the by-laws.

Furthermore, another common form of a Joint-Stock Company (S.A.) is the private equity firm (S.A.P.I.) which was created to give more flexibility to the corporate system applicable to the S.A. This form is suitable for receiving capital investments, and establishes broader rights for minority shareholders, less stringent corporate controls, and exit and dividend distribution mechanisms.

d. Foreign company branch

In accordance with Mexican law, foreign companies may perform commercial activities in Mexico. Unlike the creation of a representation office, through a branch, a foreign company engages in income-generating activities in Mexico. In other words, a foreign company is considered a Mexican-domiciled entity for tax purposes as a result of their commercial activities.

The procedures that a foreign company must fulfill to establish a branch in Mexico are as follows:

- Obtain the authorization to register the foreign company's by-laws with the Registry of Companies. Such authorization is issued by the General Foreign Investment Office (DGIE) of the Ministry of Economy.
- Register the branch with the National Foreign Investors Registry (RNIE).
- Formalize the authorization granted by the Ministry of Economy and the foreign company's by-laws before a local notary public.
- Register the foreign company's articles of incorporation and by-laws with the Registry of Companies.

In accordance with the Foreign Investment Act, a company that intends to open a branch in Mexico must obtain prior authorization from the Ministry of Economy to register the branch with the Registry of Companies.

The main advantage of having a branch in Mexico is how easily a branch can be opened. However, one disadvantage of a branch is that it is an extension of the foreign company and, hence, does not have independent legal status in Mexico. As a result, the company that has been authorized to open a branch is liable for any claim resulting from the activities carried out by the branch.

e. Representation office

A representation office is set up by entities that intend to become established in Mexico and that require a representative to perform their activities. A representation office performs limited activities and is generally engaged in providing information and advice regarding the activities, products, and/or services provided by its parent company abroad.

The difference between a representation office and a branch is that a branch purports to perform on-going business activities and to generate its own revenues.

7 Tax environment

Income tax

Domiciled corporations

Determining the taxable base

The corporate income tax rate (IT) in Mexico is 30%. Mexican-domiciled corporations pay income tax on their total worldwide income.

A corporation is considered a domiciled taxpayer if its headquarters are located in Mexico. In addition, the permanent establishment (PE) of a foreign resident is taxed at the same rate as that of a Mexican resident, but only on the income attributable to such PE.

As a rule of thumb, expenses incurred by taxpayers related to their activities are deductible for income tax purposes. However, pursuant to Mexico's tax regulations, a series of requirements and formalities have to be met with respect to each transaction in order to carry out the deduction, including requirements related to accounting records and tax receipts.

As for capital gains and losses, they are treated as ordinary income and deductions, except, in some cases, for the losses incurred on the sale of shares.

Tax loss carry forward system

The term for carrying forward tax losses is ten (10) years, although there are restrictions on the use of such losses in the case of mergers and spin-offs in Mexico, as well as company's changes of control.

Employee Profit Sharing (PTU)

Each year, employers in Mexico must pay their employees 10% of their tax profit, as determined for IT purposes, with some exceptions.

Dividends

As of 2014, Mexican-domiciled corporations must withhold 10% of the dividends or other earnings that they distribute to their shareholders, if they are individuals or foreign residents, provided they refer to profits earned in fiscal years subsequent to 2013. For individuals, this 10% additional withholding of tax on their earnings or dividends received is a non-creditable tax payment.

It is important to analyze on a case-by-case basis whether a foreign resident is a beneficiary of any of the fifty (50) double taxation avoidance agreements that are currently in force in Mexico, since this could reduce the maximum withholding rate and in some cases even eliminate the withholding requirement entirely.

Thin capitalization regulations

Interest expense related to loans from non-domiciled related parties is non-deductible when the company possesses a 3-to-1 debt to equity ratio.

Loans taken out for the construction, operation, or maintenance of productive infrastructure related to Mexico's strategic areas are exempt from the 3-to-1 ratio thin capitalization requirement.

Transfer pricing

Mexican taxpayers are required to perform their transactions with related parties at market values; additionally, they must file an annual information statement, as well as some information statements derived from the OECD’s Base Erosion and Profit Shifting (BEPS) Report (CbC, local file and master file).

Mexican taxpayers are also required to provide and maintain supporting documentation (i.e., a transfer pricing study) as evidence that their revenue and deductions resulting from their intercompany transactions are for amounts that would have been earned and incurred had the transactions been carried out with non-related parties under similar conditions.

Acceptable transfer pricing methods include the comparable uncontrolled price method; the resale price method; the cost-plus method; the profit split method; the residual profit split method; and the transactional net margin method.

Taxpayers have the option of securing an Advanced Price Agreement (APA) with the Tax Authorities to have confirmation of their transfer pricing method. Advanced Price Agreements (APA) may be applied for a period of up to five years in the case of unilateral agreements, or even longer in the case of bilateral agreements.

Inflation adjustments

Mexican companies must recognize the effects of inflation on the gains or losses attributable to their monetary assets and liabilities.

As such, in order to determine how an investment in Mexico will be financed, a company needs to consider the treatment of income tax of their borrowing costs, through which the inflation gains arising on their debt will likely either offset in whole or in part this interest expense.

Double taxation avoidance agreements

MMexico has executed double taxation avoidance agreements —currently in force— with Australia, Austria, Bahrain, Barbados, Belgium, Brazil, Canada, Chile, China, Colombia, Czech Republic, Denmark, Ecuador, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Ireland, Iceland, Israel, Italy, Japan, Kuwait, Latvia, Lithuania, Luxemburg, Malta, Norway, New Zealand, Netherlands, Panama, Peru, Poland, Portugal, Qatar, Rumania, Russia, Singapore, Slovakia, South Africa, South Korea, Spain, Sweden, Switzerland, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States of America, and Uruguay.

Mexico and other contracting members signed the Multilateral Convention to Implement Tax Treaty-Related BEPS Measures, which could change some rules contained in the above-mentioned agreements.

Domiciled individuals

Individuals who are Mexican residents are required to pay income tax on the income they receive in cash, goods, credit, services, on a non-cash basis or any other type, as indicated in the legal provisions in force.

Individuals who are Mexican residents must add to their income the dividends or profits received from Mexican domiciled corporations, and they may credit the taxes remitted by the companies that distributed them, considering for such purposes, the 30% tax rate applicable to legal entities.

The maximum income tax rate for individuals is 35%, which is higher than the rate of 30% applied to companies.

Individuals calculate their income and deductions on a cash-flow basis, and based on profits they obtain on a monthly basis (revenue minus deductions). They also determine income tax on revenue earned from (i) salaries and wages; (ii) business or professional activities; (iii) leases and fees for granting the use or temporary enjoyment of assets; (iv) sales of assets; and (V) other items. Individuals apply the rates shown in the table below to calculate their income tax.

Lower limit	Upper limit	Fixed fee	Rate for exceeding the lower limit in %
$0.01	$496.07	$0.00	1.92%
$496.08	$4,210.41	$9.52	6.40%
$4,210.42	$7,399.42	$247.24	10.88%
$7,399.43	$8,601.50	$594.21	16.00%
$8,601.51	$10,298.35	$786.54	17.92%
$10,298.36	$20,770.29	$1,090.01	21.36%
$20,770.30	$32,736.83	$3,327.42	23.52%
$32,736.84	$62,500.00	$6,141.95	30.00%
$62,500.01	$83,333.34	$15,070.90	32.00%
$83,333.34	$250,000.00	$21,737.57	34.00%
$250,000.01	Thereafter	$78,404.23	35.00%

Non-domiciled Individuals

Individuals who reside abroad and who earn revenue from sources of income on the Mexican territory must pay income tax based on the following rates:

- **Salaries and wages**: Income Tax on Salaries and Wages is calculated by applying a 15% rate to income of between MXN 125,900 (US$6,994 at an exchange rate of 18x1) and MXN1,000,000 (US$55,555 at an exchange rate of 18x1). A 30% rate applies to earnings in excess of MXN1,000,000.
- **Fees**: the applicable tax rate is 25% of the total income with no deductions whatsoever.
- **Leasing of property**: the applicable tax rate is 25% of the total income with no deductions whatsoever.
- **Sale of real estate**: the applicable tax rate is 25% of the full sale price with no deductions whatsoever. There is an option to pay 35% only on the profit obtained on the sale, provided the seller has representation in Mexico.
- **Sale of shares of stock**: the applicable tax rate is 25% of the full sale price with no deductions whatsoever. There is an option to pay 35% only on the gain earned from the sale, provided the seller has representation in Mexico and files an audit report prepared by a certified public accountant that must validate the transaction.
- **Dividend income**: income from dividends and other distribution earnings or refunds are subject to a 10% income tax rate, provided they come from fiscal years subsequent to 2013.
- **Interest**: income Tax on Interest is paid through withholding carried out by the person who pays the interest at rates ranging from between 4.9% and 35%, depending on the type of interest, applied to the full amount of the interest with no deductions whatsoever.

Non-domiciled entities

Capital gain

In the case of foreign residents, capital gain on sale of shares of stock or securities that represent the ownership of assets are taxed at a rate of 25%, when the legal entity that issued the securities is a resident of Mexico or when more than 50% of the book value of the entity is represented by real property located in Mexico. There is an option to tax net gains (the difference between market value and the tax cost) at a 35% rate, provided that the transaction is audited by a certified public accountant registered with the Tax Authorities and the audit report states that the tax was calculated following the tax regulations. The income may also be deferred if the taxpayer receives authorization from the Mexican Tax Authorities to do so before the taxable amount is transferred.

It is important to mention that there are Double Taxation Avoidance Agreements that may exempt or reduce the tax rate on capital gains on stock sales.

Royalties and technical assistance

Income tax is withheld on royalties and technical assistance fees on the payment date or at the time the amounts become due and payable. Under Mexican tax law, the withholding rate on know-how is 25%, and for the use of patents, certificates of invention or enhancement, trademarks, and brand names, the rate is 35%. However, for royalties paid to a related party that is resident of a tax haven, the rate is 40%.

Interest

The source of wealth is considered to be in Mexican territory when investment is placed or is invested in Mexico, or when the interest is paid by a resident or by the resident of a foreign country with permanent establishment in Mexico. In Mexico, the applicable tax rate varies from 4.9% to 35% and the general withholding rate on interest paid abroad is 35%.

Value Added Tax (VAT)

The Value Added Tax (VAT) Law sets forth that Value Added Tax (VAT) is payable by individuals and legal entities that perform any of the following activities in Mexico: sale of goods and merchandise, rendering of independent services, granting the use or temporary enjoyment of goods, and importing goods or services.

The Value Added Tax (VAT) rate is 16%; however, a 0% rate exists and may apply to certain transactions, such as the export of goods and certain services and sales of food, medicine, books, and gold.

When an entity engages in activities subject to the 0% rate and also during the pre-operating periods of newly created companies, it is very common for the tax calculation of these entities to result in recoverable balances, which the taxpayer may recover on a monthly basis either through a request for a refund, by offsetting them against other taxes, or else crediting them against payable taxes, in cases in which the taxpayer is allowed to do so.

On the other hand and as a rule of thumb, non-residents may not register for Value Added Tax (VAT) in Mexico, unless the resident has a Permanent Establishment (PE). Thus, for transactions or contracts executed in Mexico that require local goods or services, it is advisable to establish a Mexican entity in order to recover the Value Added Tax (VAT) that is incurred on most types of contracts.

Special tax on production and services

Individuals and legal entities are required to pay this tax on sales or definitive imports of spirits, wine and beer, denatured alcohol, non-crystallizing syrup, finished tobacco products, and petrol and diesel fuel, among others. The tax rate varies according to the product.

This is an indirect tax, since it is not paid directly, but rather it is passed on and collected from customers (except on imports) and the taxpayer only reports this tax to the Tax Administration System (SAT).

Property tax

Property tax is paid to municipal governments. This tax is levied on property or the ownership of real estate and is aimed at strengthening municipal economies.

Property Tax rates range from 0.7% to 0.8% on the value of the property. The value of a property is determined considering its value per square meter according to its location, as set forth in the property tax laws of the state in question. It must be pointed out that the value and rate of a given property depend on the terms of the property tax laws of the state where the property is located.

Customs system

As a rule of thumb, any person who intends to import goods into Mexico must be registered in the Importers Registry.

Mexico's Customs Code requires that all goods imported into Mexico be classified in accordance with the tariff classification system specified in the Import Duties Act.

The tax base for import duties is the value of the imported goods. The Mexican Customs Code establishes that the value of a transaction is the value shown on the respective invoice. In addition to the price paid, the value of a transaction also includes certain expenses, such as customs fees, purchase commissions, packing expenses, the cost of labor related to packing the materials, freight, and insurance premiums, among other items, incurred before the goods are imported.

The Customs Code also establishes that all royalties and licensing fees related to the valued goods that the importer will need to pay either directly or indirectly as a result of the sale of the goods should be added to the value of the imported good.

Import duties

Importers in Mexico must pay the applicable tariffs, Value Added Tax (VAT) and customs processing fees. In certain cases, an importer may also be required to pay antidumping duties.

Below is a description of each of these duties:

a. Import duties
   The duty rate varies based on the type of product being imported and the country of origin of the goods. As a result, it is considered crucial that importers apply the correct classification and valuation, since the amount of customs duties they will pay is based directly on this classification. For merchandise that is subject to an Ad Valorem Tax, a specific or compounded rate may apply. The Ad Valorem Tax is the tax that is applied most frequently to imports in Mexico, and this tax is based on a percentage of the value of the imported goods. A specific rate for purposes of this tax is an amount per unit, weight or another amount, such as 5.9 cents per dozen. A compound rate is a combination of an Ad Valorem percentage and a specific rate, such as 7 cents per kilo plus 10% Ad Valorem.

b. Value Added Tax (VAT)
   Imports into Mexico are subject to a 16% Value Added Tax (VAT) rate. However, the Value Added Tax (VAT) paid on imports may be credited against the Value Added Tax (VAT) charged on a subsequent sale of the merchandise in Mexico. Entities that wish to credit Value Added Tax (VAT) or request a Value Added Tax (VAT) refund must be registered with the Federal Taxpayers Registry.

c. Customs processing fee
   The Customs Processing Fee, also known as DAT is applicable to permanent import of goods into the country and its rate is equal to 0.008% of the invoiced value of the goods.

International agreements

According to the Ministry of Economy, Mexico is currently party to a network of 10 Free Trade Agreements with 45 countries, 30 Bilateral Investment Treaties (APPRIs) and 9 Limited Scope Agreements (Economic Complementation Agreements and Partial Scope Agreements) under the framework of the Latin American Integration Association (LAIA)

In addition, Mexico is an active member of various multilateral and regional organizations and forums, including the World Trade Organization (WTO) the Asia-Pacific Economic Cooperation Mechanism (APEC) the Organisation for Economic Co-operation and Development (OECD) and the Latin American Integration Association (LAIA).

Mexico's most important international treaties include the following:

- **Free trade agreements:** with the United States and Canada (NAFTA) and with Latin American countries (LAFTA: Argentina, Belize, Bolivia, Brazil, Colombia, Costa Rica, Cuba, Chile, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Uruguay) Israel, Japan, and the European free trade.
- **Trans-pacific partnership agreement**
- **Mercosur**: Economic Complementation Agreement.
- **European Union**: Economic Partnership Agreement.
- **Bilateral investment treaties**: with Argentina, Cuba, Panama, Trinidad and Tobago, Uruguay, China, South Korea, India, Singapore, Germany, Austria, Denmark, Spain, Finland, Italy, United Kingdom, Switzerland, Sweden, Netherlands, Portugal, among others.

As a result of President Trump's new presidential administration in the United States, the NAFTA renegotiation date will formally start on August 16, 2017. Additionally, in regards to the Economic Partnership Agreement with the European Union, delegations of the European Union and Mexico have held negotiation rounds to update the political and cooperation aspects of their legal framework on the basis of Economic Partnership, Political Coordination and Cooperation. The parties reaffirmed their commitment to complete the negotiations in 2017. The aim is to strengthen political dialog and enhance cooperation and coordination in foreign policy, security policy and international matters, so that the parties are better prepared to cope with the challenges posed by today's world.

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8 Labor regulations

Hiring system

In Mexico, employer-employee relationships are regulated by the Federal Labor Act, which sets forth the rights and obligations of both parties. Under the Federal Labor Act, an individual employment contract means a contract under which an individual agrees to render subordinated staff services to the employer in exchange for a salary.

Furthermore, the Federal Labor Act includes the concept of collective bargaining agreement, which binds the employer and all employees.

The scope and terms of the above-mentioned agreements vary depending on the hiring period and the particular characteristics of the work hired.

The hiring rules may also vary when foreigners are hired to work in Mexico or when Mexican citizens are hired to provide services outside the country.

The following is a general overview of individual and collective hiring of both Mexican citizens and foreigners.

a. For national employees

I. Individual contracts

- **For an indefinite term:** As a rule of thumb (unless the adoption of another type of contract is justified) this type of contract must be implemented. Employees performing permanent activities must execute this contract, which may adopt two forms:
  a) Trial period contract: this form of contract may only be used to verify whether the employee meets the requirements and has the necessary knowledge to perform the requested work. Therefore, this contract requires the new employee to have past experience in the same or similar activities to be performed. The general trial period is thirty (30) calendar days at the most and, in exceptional cases, it may be extended for up to one hundred and eighty (180) calendar days only in the case of employees in executive or management positions or employees performing technical or specialized work. If, upon expiry of the trial

period and at the employer's discretion, the employee does not meet the established requirements, the employment relationship may be terminated without any liability for the employer and, hence, without the payment of any compensation. Under certain circumstances, a combined commission made up of employee and employer representatives may take part in the evaluation process by simply making recommendations.

b) Initial training: this type of contract involves hiring an employee with no experience in the same or similar activities to be performed. Therefore, the purpose of this contract is to train the employee on the job position assigned and decide, at the end of the training period, whether the employee will remain in that position. The general term is three (3) months and, in exceptional cases, it can be extended to up to one hundred and eighty (180) calendar days only in the case of employees in executive or management positions or performing technical or specialized work. If the employee does not acquire the required skills during the measurable period, the employer may terminate the contract without assuming any liability.

- **For a specific project**: this type of contract may be used only when the employee is exclusively hired to perform a specific activity. Therefore, the contract expires when said activity is completed.
- **For a specified term**: in general terms, this type of contract may be used only when the employee is hired to carry out work for a specified term, to the extent justified by the work to be performed, or when the employee will temporarily replace another employee who is on leave.
- **Seasonal**: this contract has an indefinite term but with suspension periods, given that the work hired does not need to be carried out on a permanent basis. During the execution of the work hired, the employment relationship will be in force and will be suspended upon expiry of the term previously agreed.

  During the suspension period, the employer is not required to pay any salaries and the employee is not required to provide services. The employee has the right and the employer has the obligation to reactivate the contract at the beginning of the following season.

II. Collective contracts

- **Collective bargaining agreement**: this is an agreement entered into by one or multiple labor unions and one or multiple employers, or one or multiple employer unions as a means to establish the conditions under which the work will be carried out in one or more companies or establishments. The execution of a collective bargaining agreement compensates for the lack of an individual contract.
- **Industry-wide union contract**: this is a contract entered into by one or multiple labor unions and multiple employers, or one or multiple employer unions as a means to establish the conditions under which the work will be carried out in a specific branch of the industry, and which is declared compulsory in one or more States, in one or more economic regions that cover one or more of said States, or in the entire country.

b. For foreign employees

Pursuant to the Federal Labor Act, the responsibilities of employers who hire foreigners are as follows:

- The types and forms of individual contracts available to Mexican employees may be applied to foreign employees.
- The employer may only hire foreigners to satisfy not more than 10% of its personnel requirements.
- All employees performing technical activities in the entity must be Mexican, unless the position requires very specific and specialized know-how that can only be provided by a foreigner and only on a temporary basis.

- Foreign employees must train Mexican employees in their area of expertise.
- All in-house doctors must be Mexican.
- Foreign employees may be members of Mexican labor unions, but may not be part of the Board of Directors.

Foreigners who carry out paid activities in Mexico require a special authorization to do so from the National Immigration Agency (INM). There are also specific authorizations in order to remain in Mexico without performing any paid activities, such as studying.

It is important to note that, when companies hire foreign staff, they assume obligations with Mexico´s immigration authority, including the obligation to file notices related to the foreigner's status in Mexico.

Employment benefits

All labor relationships give rise to rights and obligations for the parties involved, as well as the obligation to pay minimum employment benefits to employees.

A salary is the financial compensation that an employer must pay its workers for their work. The salary consists of the daily amount of wages, as well as bonuses, housing benefits, and any other earnings the employees receive in exchange for their work. What is defined as a salary should be interpreted in a broad sense, since the salary does not only include monetary remuneration, but may also include payments in kind, such as food and housing, among others.

In addition, employees have the legal right to receive the following benefits:

- Leave: Employees who have been rendering their services for one year shall enjoy an annual paid leave period that may not be less than six working days. The period of leave is increased by two (2) days every subsequent year until reaching the minimum twelve (12)-day period for employees with four (4) years of service. After the fourth year, the period is increased by two (2) days for every five (5) additional years of service.
- Vacation premium: For each year of service, employees are entitled to receive a vacation premium equal to at least 25% of their basic salary (excluding benefits).
- Christmas bonus: Employees have the legal right to receive an annual Christmas Bonus that must be paid before December 20. The minimum Christmas Bonus amount is fifteen (15) days of the employee's basic salary.
- Days off: By law, employees are entitled to one (1) day off every six (6) days they work, in addition to legal holidays (bank holidays). If the employees are required to work on a legal holiday, the employer must pay the employees their daily basic salary, plus an amount equal to twice their salary for that day.
- Employee profit sharing: Employee profit sharing is a benefit paid to employees for their contribution in generating the profits earned by the company they work for. The amount of profit sharing received by employees varies depending on the seniority, and salary of each employee, as well as the number of days worked during the year. Employee profit sharing is paid in May of each year and is calculated at 10% of the profit reported by the company for the preceding year.

However, certain companies are exempt from paying profit sharing to their employees when they meet certain conditions. This includes companies in their first year of operation, companies that manufacture new products during the first two (2) years of their operations, newly created mining companies during their exploration period.

Payroll-related taxes and contributions

Employers are required to remit or pay the following taxes:

- Payroll tax (ISRTP): This is a tax on the earnings of workers for services provided in Mexico.
- Employee portion of social security contributions: The purpose of social security contributions is to protect the rights of citizens to receive health services, medical assistance, protection of their means of subsistence and to ensure the social services needed for the individual and collective wellbeing of all Mexicans, as well as to provide a pension guaranteed by the State.

The contributions that must be paid include: (i) Workmen's Compensation Insurances; (ii) Health and Maternity Leave Insurance; (iii) Disability and Life Insurance; (iv) Retirement, Early Retirement and Old Age Pension Insurance; and (v) Daycare Services and Social Welfare Benefits.

- **The Federal Housing Financing Agency (INFONAVIT):** The purpose of this tax is to provide the INFONAVIT with the resources it needs to operate a financing system that gives employees access to low-cost loans that are large enough for them to acquire comfortable and clean housing, as well as to coordinate and fund programs to build housing to be acquired by workers.

The following table shows the tax rates applicable to each of the contributions:

Contribution	Rate
Payroll tax (ISRTP)	Between 2% and 3% approximately of the total salary; tax rate established by the State.
Employer portion of social security contributions:	
Occupational risk	Between 0.54% and 7.59%, depending on the employee's activity, of the employee's basic salary for social security purposes
Health and maternity leave	Between 20% and 23%, of the employee's basic salary for social security purposes
Disability and life	1.75% of the employee's basic salary for social security purposes
Retirement, early retirement and old age pension	5.15% of the employee's basic salary for security purposes
Daycare and social welfare benefits	1.00% of the employee's basic salary for social security purposes
Federal housing financing agency	5.00% of the employee's basic salary for security purposes

In addition, employers are required to withhold Income Tax and Employer Social Security Contributions deriving from salaries paid to employees. The withholding rates for employees are as follows:

- **Income tax rate:** Ranges between 1.92% and 35%, depending on the amount for earnings.
- **Social security contributions:** From 2% to 3% of the employee's basic salary for social security purposes.

Termination of the employment relationship

All employment relationships give rise to rights and obligations for employees and their employers. However, at any given moment one of the parties may fail to comply with their obligations, making it impossible for the relationship to continue. In these cases, the employment relationship may be terminated as soon as the breach takes place.

The party requesting termination of the contract because the other failed to comply with its obligations or because any of the conditions set forth for termination in the law were met and this may be demonstrated, incurs no liability for doing so. Employees may also terminate an employment contract due to reasons similar to those mentioned above.

Given that the rights of employees are irrevocable, employers must cover all benefits accruing up to their last day of employment to their employees as a result of their services, based on the calculated termination payment and the amounts corresponding to each item.

In general terms, when the employer terminates the employment relationship for a reason other than those stated in the Federal Labor Act, the payment of the following items to the employee shall apply:

- **Seniority premium**: Permanent employees are entitled to receive a seniority premium. Seniority premiums are equal to twelve (12) days' salary for each year of service and are paid to workers with Fifteen (15) or more years of service who are dismissed without just cause or who voluntarily resign from work, provided they have completed at least fifteen (15) years of service.
- **Termination benefits**: Employees who are dismissed without just cause are entitled to receive a termination benefit that is equal to three (3) months' salary plus twenty (20) days for each year of service.

Immigration

Foreigners may apply for the visas described below based on the activities they intend to perform in Mexico:

Category	Type of Visa	Permitted activities	Exception
Tourist Visa	Temporary	Recreational or health-related activities; artistic, cultural, or sports activities (unpaid) attending conferences, conventions, fairs, or exhibitions provided their participation in these events is of a cultural, educational, informative, sports-related, or artistic nature. The maximum term of a tourist visa is one hundred and eighty (180) days	Foreign nationals from countries with which the Mexican government has a visa suspension agreement do not need a visa. No visa is required for individuals who: 1) Have a valid visa from the United States of America 2) Have documentation demonstrating permanent residency in any of the following countries: Canada, the United States, a Schengen Area country, Japan, or the United Kingdom
Business Visa	Temporary	Recreational or health-related activities; artistic, cultural, or sports activities (unpaid) attending conferences, conventions, fairs, or exhibitions provided their participation in these events is of a cultural, educational, informative, sports-related, or artistic nature. The maximum term of a business visa is one hundred and eighty (180) days	Foreign nationals with ordinary passports from countries with which the Mexican government has a visa suspension agreement do not need a visa. No visa is required for individuals who: 1) Have a valid visa from the United States of America. 2) Are permanent residents of any of the following countries: Canada, the United States, a Schengen area country, Japan, or the United Kingdom.
Visa that excludes a permit to perform long-term paid activities (ten -10 years)	Temporary	For foreign individuals demonstrating financial standing, frequent travelers to Mexico; prominent individuals; spouses of Mexican citizens and temporary or permanent residents; family members of foreign diplomats with consular authorization in Mexico; and the supervisors of foreign companies with affiliates in Mexico or executives of affiliates or business offices of Mexican companies located abroad who intend to enter Mexico as visitors without the permission to perform paid activities and who do not intend to reside in Mexico	

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Category	Type of Visa	Permitted activities	Exception
Temporary Resident Visa	Temporary / Resident	Applicable for foreign individuals who intend to remain in Mexico as a temporary resident for more than one hundred and eighty (180) days but less than four (4) years. This type of visa may be applied for directly at any Mexican consular representation. It allows the foreign individuals to work in Mexico, provided the salary they receive is paid to them in a country outside of Mexico. In the case of foreign individuals with an employment offer in Mexico and who will receive their salary in Mexico, either the company they are going work for or the individuals must process their visa application from the National Immigration Agency (INM).	
Permanent Residency Visa	Temporary / Resident	Individuals who will remain in Mexico for more than one hundred and eighty (180) days but less than four (4) years must apply for a Temporary Residency Visa. Individuals intending to stay in Mexico for more than four (4) years must apply for a Permanent Residency Permit.	

9 Financial reporting procedures

The Business Corporations Act, the Federal Tax Code, and the Income Tax Act, all of which derive from the provisions of the Mexican Constitution, establish the guidelines Mexican companies must follow to adhere to the Financial Reporting Standards (NIF) issued by the Mexican Board for Research and Development of Financial Reporting Standards (CINIF).

The Mexican Board for Research and Development of Financial Reporting Standards (CINIF) is responsible for issuing the accounting standards that Mexican companies are required to follow. This body has made considerable progress regarding convergence with International Financial Reporting Standards (IFRS). One of the most significant accomplishments of the Mexican Board for Research and Development of Financial Reporting Standards (CINIF) is that since 2012, there has been a set of Mexican FRS converged with IFRS for companies to adopt.

All companies that issue shares or credit instruments in Mexico must report their financial information under IFRS (except for companies in the financial, insurance and securities sectors) according to the requirements of the National Banking and Securities Commission (CNBV) and be audited under International Auditing Standards (NIA).

Accordingly, the adoption of IFRS in Mexico has enabled said companies to meet international requirements regarding disclosures and transparency in their financial reporting.

Private companies may elect to apply either the Mexican regulations or the international regulations. However, due to the convergence of both of them, the financial information of all companies that apply either of these regulations is comparable to the financial information of a large number of companies in the world.

6

Peru

Photo: Machu Picchu Citadel - Cusco. Photo: Gihan Tubbeh | PromPerú ©

1 Geography

Peru is located on the central west coast of South America. It is bordered by the Pacific Ocean to the west, Chile to the south, Brazil and Bolivia to the east, and Colombia and Ecuador to the north.

Population

31.8 million (estimate 2017)
Urbana: 76.7% Rural: 23.3%

Surface area

1,285,215.60 km^2

Currency*

Sol (S/)
US$1 = S/3.357

Main languages

Spanish, Quechua, and Aymara

Religion

Freedom of worship. Primarily Roman Catholic

Climate

Varies from tropical in the Amazon region to dry on the coast and temperate to very cold in the mountains

Time zone

GMT - 5 (5 hours behind Greenwich Mean Time). There is no daylight savings time, and the Time Zone is the same throughout the country

Natural resources

Gold, copper, silver, zinc, lead, hydrocarbons, fishing, phosphates, grapes, quinoa, blueberries, asparagus, coffee, organic bananas, and other agricultural products

*Interbank exchange rate as at December 31, 2016
Sources: Central Reserve Bank of Peru (BCRP), International Monetary Fund (IMF)

Note: For more information on Peru, see the Peruvian Business and Investment Guide at **http://www.rree.gob.pe/promocioneconomica/invierta/paginas/comience_a_invertir.aspx**

2 Currency

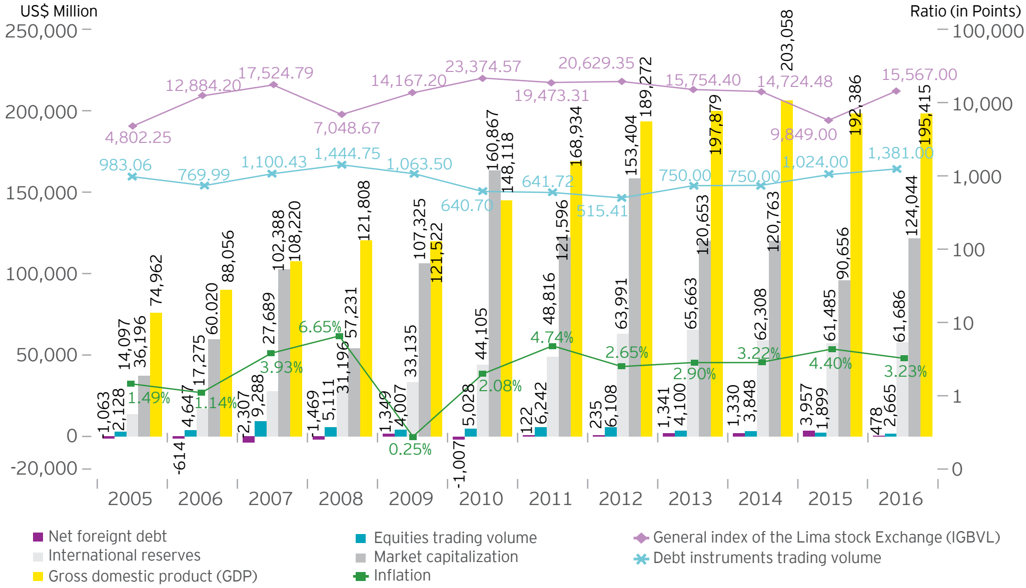
The official currency of Peru is the Sol (S/). The country has a free floating exchange rate, under which the government occasionally intervenes for purposes of stabilization. As of December 30, 2016, banks were buying US$ at S/3.355 and selling them at S/3.357. The parallel markets have very similar exchange rates.

Exchange rate trend: Soles per US$1 (end of each year)

Source: Central Reserve Bank of Peru (BCRP)

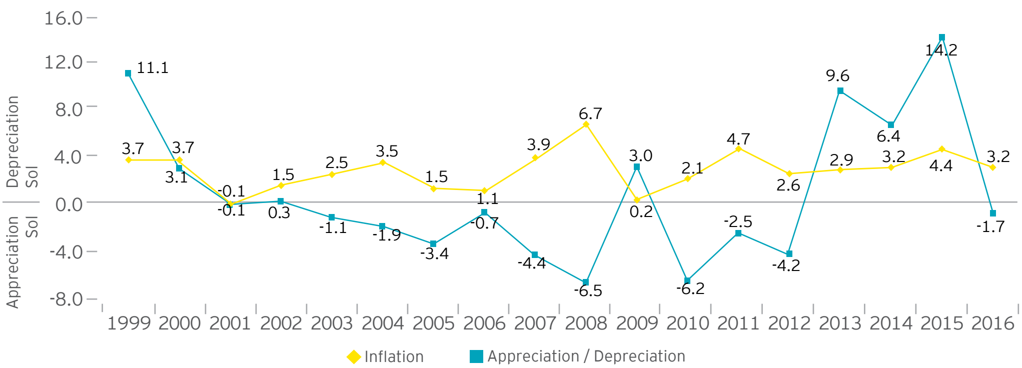
3 Economy

Evolution of financial indicators



Source: Central Reserve Bank of Peru (BCRP)

Appreciation / Depreciation and Inflation

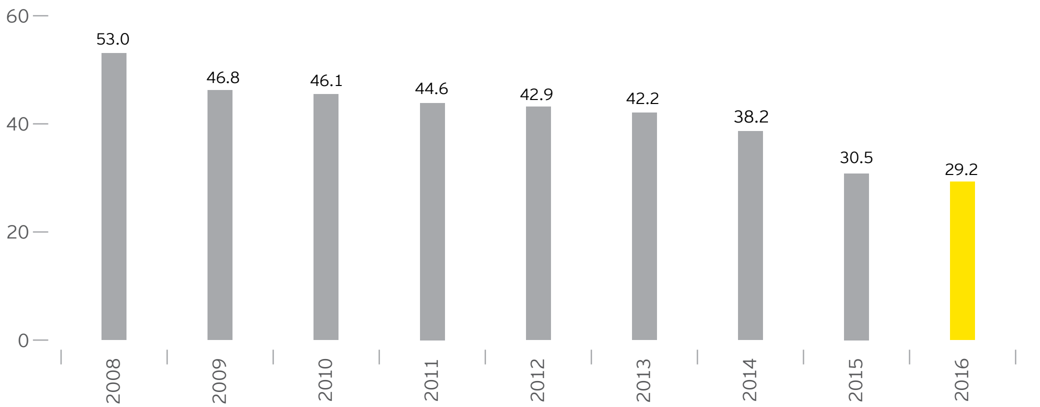


Sources: Central Reserve Bank of Peru (BCRP), Ministry of Economy and Finance (MEF)

At the end of 2016, the inflation rate in Peru was 3.2%. In that year, the annual appreciation rate of the Sol against the US$ reached 1.7% (real depreciation rate of 14.2% in 2015).

For the close of 2017, inflation is estimated to reach the target range projected by Central Reserve Bank of Peru (BCRP) between 1.0% and 3.0%. On the other hand, as of December 2016, the average interbank interest rate in local currency was 4.37%, while the preferential corporate rate was 5.19%.

Bank deposit dollarization ratio



Source: Central Reserve Bank of Peru (BCRP)

Principal economic activities

Peru's principal economic activities include agriculture, fishing, mining, hydrocarbon exploitation, and the manufacturing of goods, most notably textiles, among others. The rugged relief of its geography has made Peru a diverse country, with a wide variety of ecosystems, and thus, flora and fauna.

With regard to mining, according to the Mineral Commodity Summaries publication of the U.S. State Department, in 2016, Peru was the world's second-largest producer of silver, copper, and zinc; the fourth-largest producer of molybdenum, boron, mercury, and lead; and the sixth-largest producer of tin and gold, in addition to possessing large deposits of iron, phosphate, manganese, petroleum and natural gas.

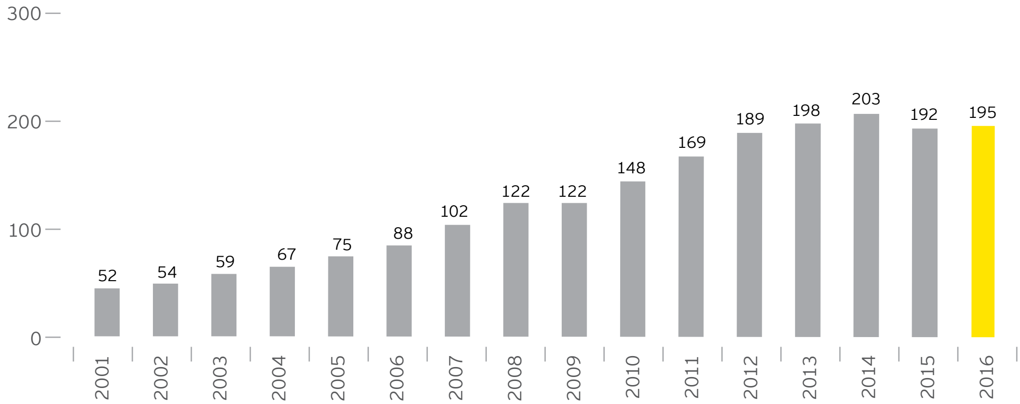
The primary destinations of Peruvian copper production are China and Japan; with gold exported to Switzerland, the United States, and Canada; and zinc and silver to China and South Korea.

Likewise, one of the economic activities that has recently been on the rise, exhibiting great potential, is the extraction of forest resources (primarily cedar, oak, and mahogany).

Gross Domestic Product (GDP)

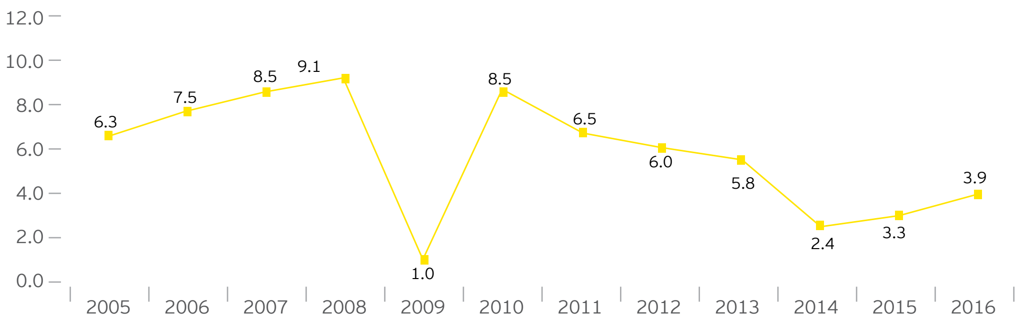
The Gross Domestic Product (GDP) reported in 2016 amounted to US$195 billion, according to the Banco Central de Reserva (BCRP) (for the Gross Domestic Product (GDP) measured in terms of Purchasing Power Parity (PPP) see Section I.3).

Peru's Gross Domestic Product (US$ Billions)



Sources: Central Reserve Bank of Peru (BCRP), International Monetary Fund (IMF)

Peru's Real Gross Domestic Product (annual percent change)



Source: Central Reserve Bank of Peru (BCRP)

Gross Domestic Product by branch of economic activity (annual percent change)

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Agriculture and livestock	8.0	1.3	4.3	4.1	5.9	1.5	1.9	3.2	1.8
Fishing	3.0	-3.4	-19.6	52.9	-32.2	24.8	-27.9	15.9	-10.1
Mining	7.3	-2.1	-2.7	-2.1	2.5	4.3	-2.2	15.7	21.2
Hydrocarbons	6.4	17.1	15.0	5.1	1.0	7.2	4.0	-11.5	-5.1
Manufacturing	8.6	-6.7	10.8	8.6	1.5	5.0	-3.6	-1.5	-1.6
Electricity and water	8.1	1.1	8.1	7.6	5.8	5.5	4.9	5.9	7.3
Construction	16.8	6.8	17.8	3.6	15.8	8.9	1.9	-5.8	-3.1
Trade	11.0	-0.5	12.5	8.9	7.2	5.9	4.4	3.9	1.8
Other services	8.7	3.6	8.8	7.0	7.3	6.2	5.0	4.2	3.9
Gross domestic product	9.1	1.0	8.5	6.5	6.0	5.8	2.4	3.3	3.9

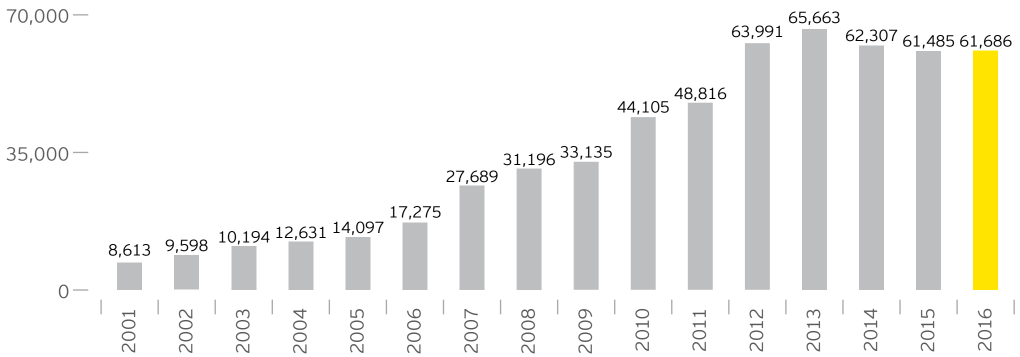
Source: Central Reserve Bank of Peru (BCRP)

Gross Domestic Product by economic sector (structure of the economy with base estimation year 2007)

16.5% Manufacturing
14.4% Mining and hydrocarbons
10.2% Trade
6.0% Agriculture and livestock
5.1% Construction
5.0% Transportation and courier
4.3% Public administration and defense
4.2% Services provided to companies
3.2% Financial and insurance services
2.9% Accommodation and restaurants
2.6% Telecommunications
1.7% Electricity, natural gas and water
0.7% Fishing
14.9% Other services
8.3% Import duties and other taxes

Source: National Institute of Statistics and Informatics (INEI)

Net international reserves (US$ Millions)



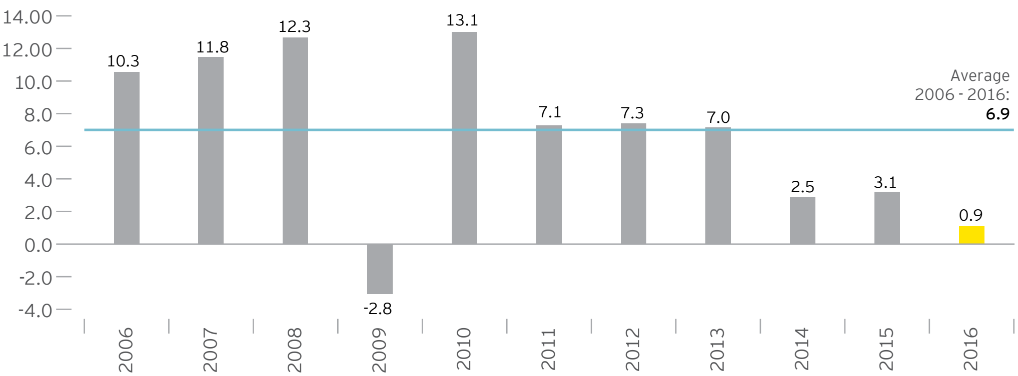
As of December 31
Source: Central Reserve Bank of Peru (BCRP)

Gross Domestic Product by type of spending (annual percent change)

Variables	2008	2009	2010	2011	2012	2013	2014	2015	2016
Gross domestic product	9.1	1.0	8.5	6.5	6.0	5.8	2.4	3.3	3.9
Imports	24.1	-16.7	26.0	11.6	10.7	4.2	-1.4	2.5	-2.3
Domestic demand	13.6	-3.3	14.9	7.7	7.3	7.3	2.2	3.1	0.9
a. Private consumption	8.9	3.1	9.1	7.2	7.4	5.7	3.9	3.4	3.4
b. Public consumption	5.4	13.0	5.6	4.8	8.1	6.7	6.1	9.8	-0.5
Private investment	23.9	-9.1	25.5	10.8	15.5	6.9	-2.3	-4.4	-6.1
Public investment	27.9	32.9	14.2	-11.2	19.9	10.7	-3.4	-7.3	-0.4
Exports	7.1	-0.8	1.4	6.9	5.8	-1.3	-0.8	3.5	9.7

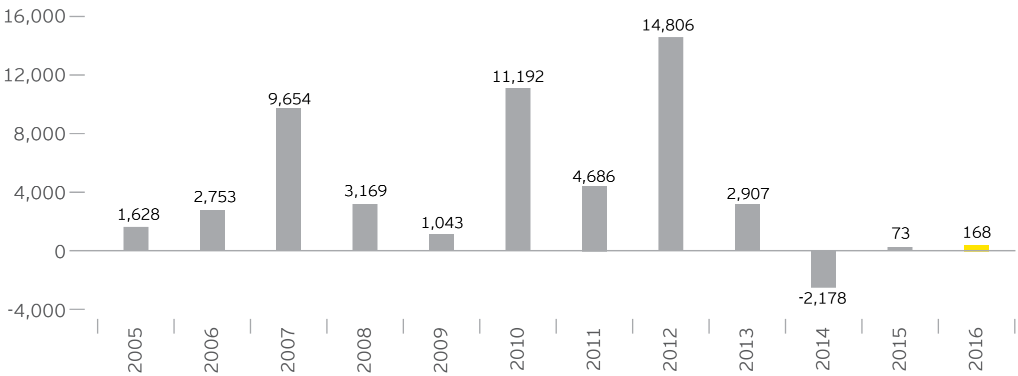
Source: Central Reserve Bank of Peru (BCRP)

Domestic demand (annual percent change)



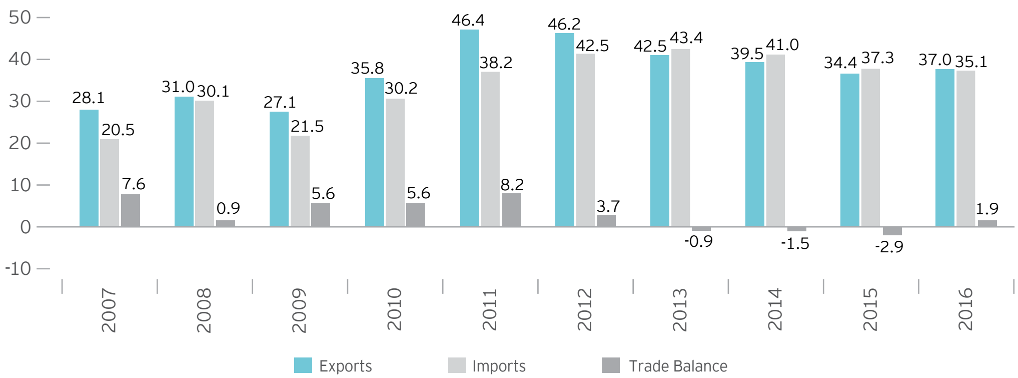
Source: Central Reserve Bank of Peru (BCRP)

Balance of payments (US$ Millions)



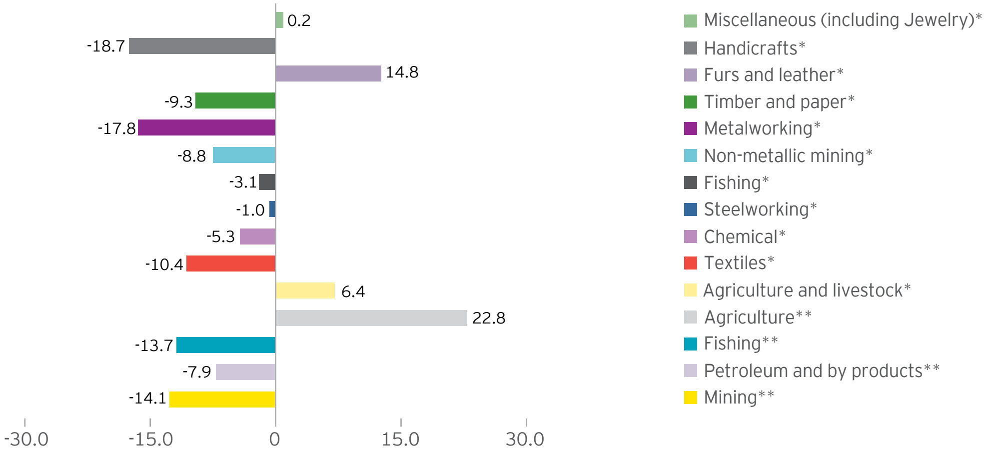
Source: Central Reserve Bank of Peru (BCRP)

Trade balance (US$ Billions)



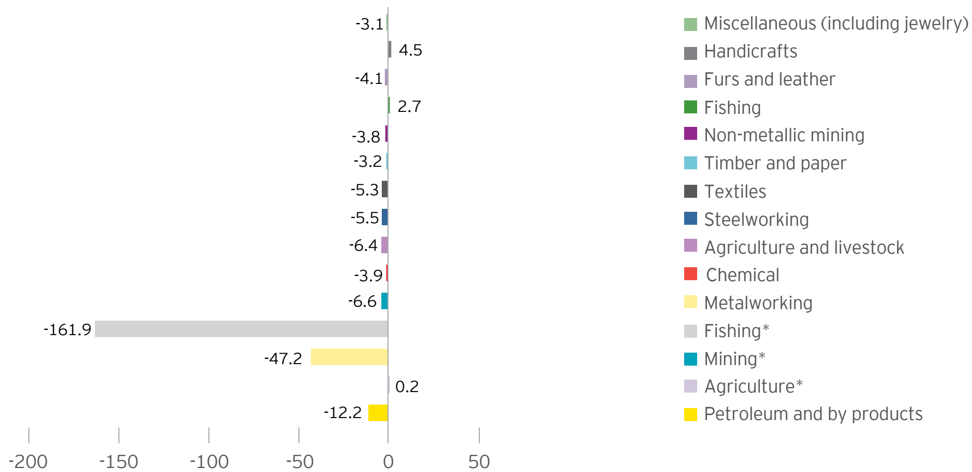
Source: Central Reserve Bank of Peru (BCRP)

Annual change in exports by economic sector 2016 / 2015 (in %)



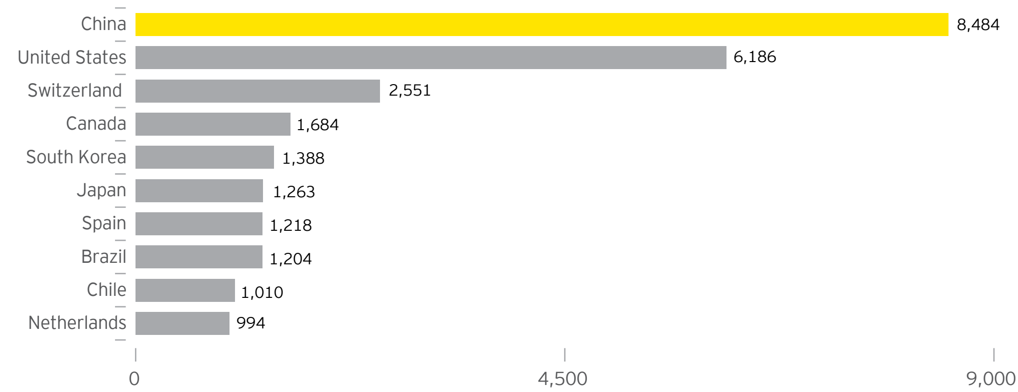
*Non-Traditional
**Traditional
Source: ComexPerú

Annual change in non-traditional imports by economic sector 2016 / 2015 (in %)



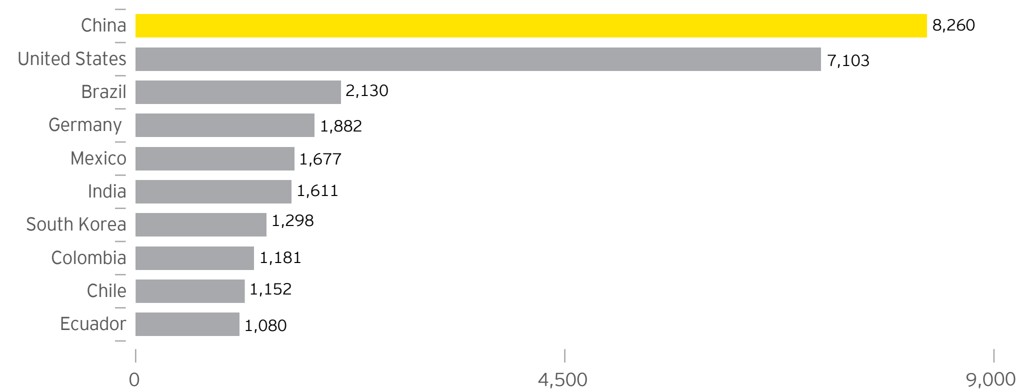
*Traditional
Source: ComexPerú

Exports by trading partner, first top ten partners 2016 (US$ Millions)



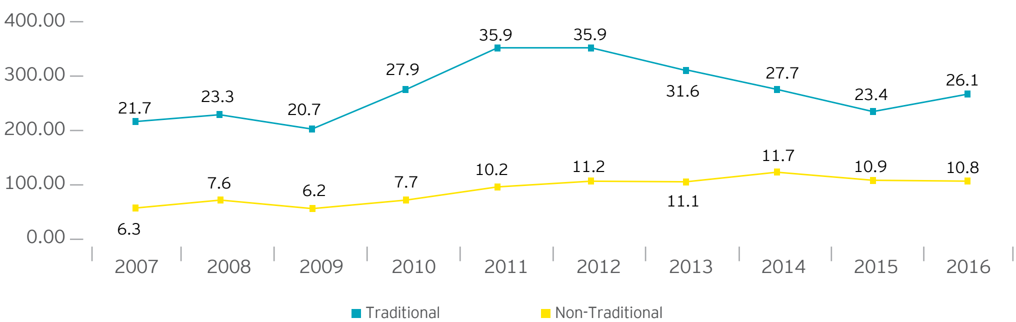
Source: Lima Chamber of Commerce (CCL)

Imports by trading partner, top ten partners 2016 (US$ Millions)



Source: Lima Chamber of Commerce (CCL)

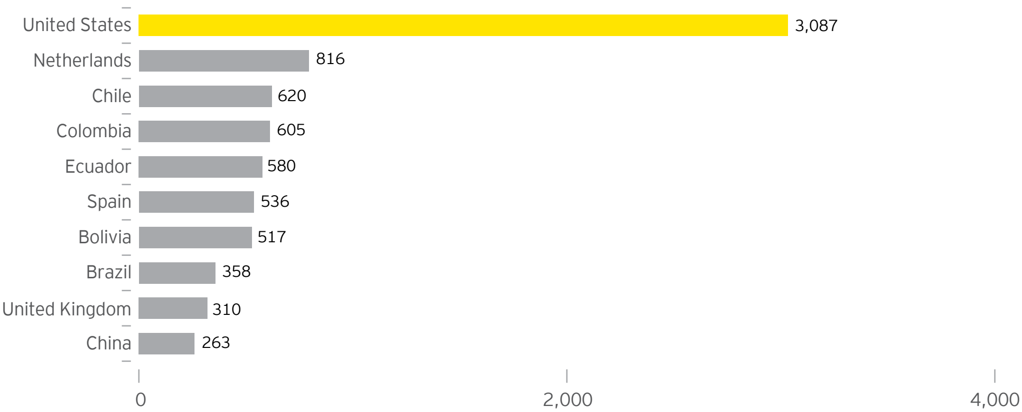
Traditional and non-traditional exports (US$ Billions)



Source: Central Reserve Bank of Peru (BCRP)

In 2016, the non-traditional products markets with the highest exports were furs and leather (+14.8%) and agriculture and livestock (+6.4%). The primary products exported were fresh grapes, fresh and refrigerated asparagus, fresh and dried mangoes or mangosteens, natural calcium phosphates and unalloyed unwrought zinc. The most important traditional products, on the other hand, were gold, copper, lead, zinc, natural gas, coffee and fishmeal.

Non-traditional exports by trading partner 2016 (US$ Millions)

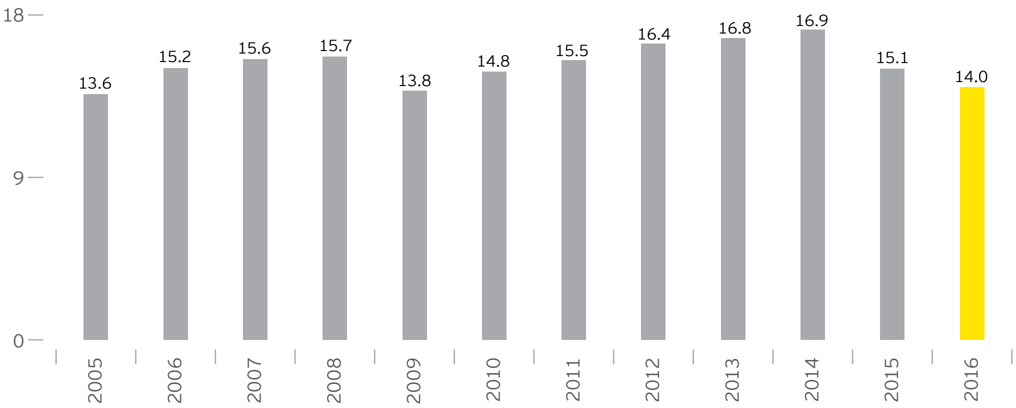


Source: Lima Chamber of Commerce (CCL)

Overall balance (fiscal Surplus/Deficit) of the non-financial public sector (% of GDP)

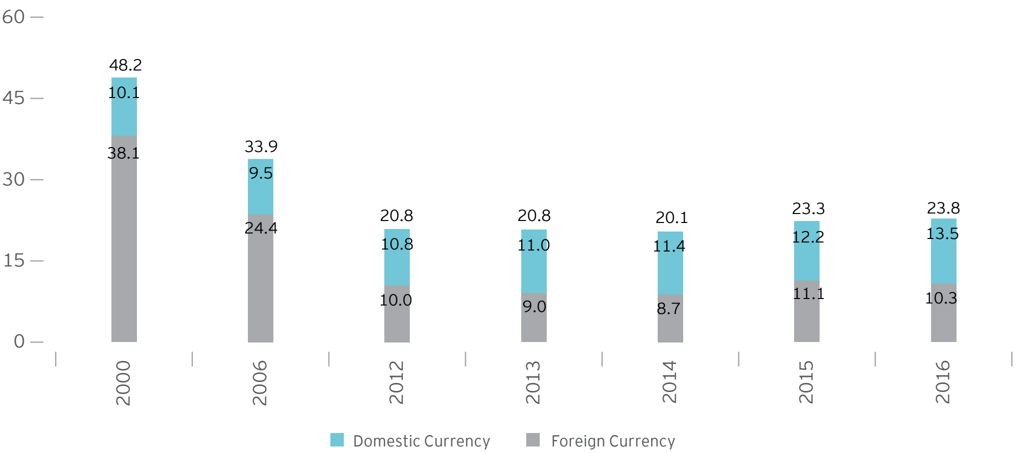
Source: Central Reserve Bank of Peru (BCRP)

Tax revenue (% of GDP)



Source: Central Reserve Bank of Peru (BCRP)

Public debt (% of GDP)



Source: Central Reserve Bank of Peru (BCRP)

Evolution of long-term foreign currency debt rating

Agency	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fitch	BB	BB	BB+	BB+	BBB-	BBB-	BBB-	BBB	BBB	BBB+	BBB+	BBB+	BBB+	BBB+
S&P	BB	BB	BB+	BB+	BBB-	BBB-	BBB-	BBB	BBB	BBB+	BBB+	BBB+	BBB+	BBB+
Moody's	Ba3	Ba3	Ba3	Ba2	Ba1	Baa3	Baa3	Baa3	Baa2	Baa2	A3	A3	A3	A3

As of July 7, 2017
Sources: Fitch Ratings, Standard & Poor's, Moody's

4 Investment

Investment promotion conditions

a. Foreign investment legislation and trends

Peru is seeking to attract investment, both domestic and foreign, in all sectors of the economy. For such purpose, it has taken the necessary measures to establish a coherent investment policy that eliminates barriers that may be faced by foreign investors. As a result, it has been considered one of the countries with the most open investment regimes in the world.

Peru has adopted a legal framework that does not require prior authorization for foreign investment. As such, foreign investments are permitted without restrictions in the vast majority of economic activities. The activities with restrictions are very specific, such as air transport, maritime transport, public and private security, and the manufacture of weapons of war. In addition, Peru has established a legal framework to protect the economic stability of investors and reduce government interference in economic activities.

The Peruvian State may grant legal stability to domestic and foreign investors with regard to the statutes in place on income tax and, specifically, on dividend distribution. Those foreign investors who can seek the execution of a legal stability agreement are those willing to invest in Peru, in a period of no less than two (2) years, minimum amounts of US$10 million in the mining and/or hydrocarbon sectors, or US$5 million in any other economic activity.

Peruvian laws, regulations, and practices do not discriminate between domestic companies and foreign companies. Foreign investors receive equal treatment. There are no restrictions on the repatriation of earnings, international capital transfers, or foreign exchange practices.

There are also no restrictions on the sending of interest and royalties. Foreign currency may be used to acquire goods or meet financial obligations, provided that the operator complies with the Peruvian tax legislation in force.

b. Favorable legal framework for foreign investors

Peru offers a legal framework[1] that protects the interest of foreign investors, offering them:

- A non-discriminatory, equal treatment
- Unrestricted access to the majority of economic sectors
- Free transfer of capital

Additionally, domestic and foreign investors are offered:

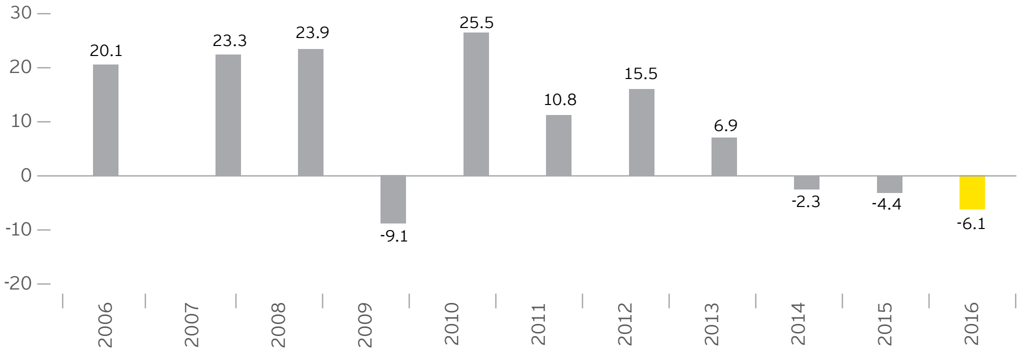
- Right to free competition
- Guarantee of private property (no expropriations or state takeovers)
- Freedom to acquire shares in peruvian companies
- Freedom to gain access to internal and external credit
- Freedom to remit royalties and profits from their investments
- Simplicity of the majority of operations, whether in local currency (Sol) or U.S. Dollars, without exchange rate controls
- A broad series of international investment agreements and participation in the Investment Committee of the Organisation for Economic Co-operation and Development (OECD)

Direct foreign investments must be registered with the Private Investment Promotion Agency (ProInversión).

Foreign investors may remit abroad (without any restrictions whatsoever) the net profits originating from their investments, as well as transferring their shares, ownership rights or interests, perform capital stock reductions, and wind up businesses.

[1] Constitutional provisions, the "Foreign Investment Act," Legislative Order (Decreto Legislativo) 662, the "Framework Act for the Growth of Private Investment," Legislative Order (Decreto Legislativo) 757, as amended and regulated. Taken from the Private Investment Promotion Agency (ProInversión).

Private investment (annual percent change)

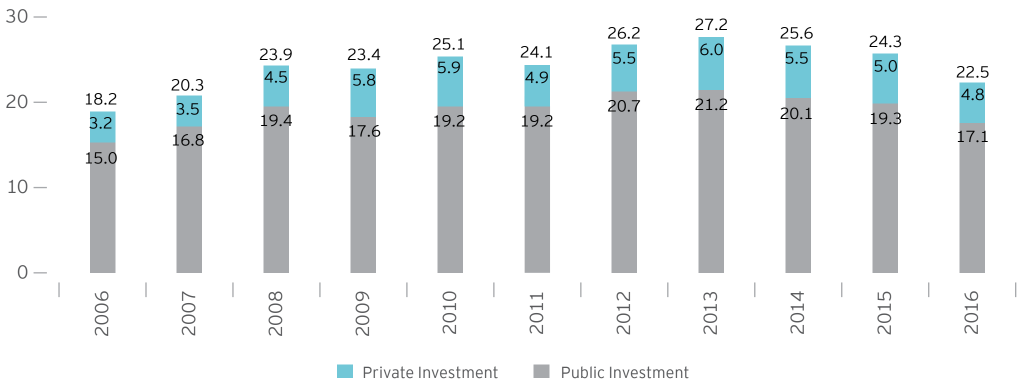


Source: Central Reserve Bank of Peru (BCRP)

Public investment (annual percent change)

Source: Central Reserve Bank of Peru (BCRP)

Gross fixed investment (% of GDP)



Source: Central Reserve Bank of Peru (BCRP)

Foreign direct investment by sector (2016)

22.9%	Mining
19.7%	Communications
17.4%	Finance
13.7%	Energy
13.0%	Industry
3.3%	Trade
2.8%	Petroleum
2.7%	Services
1.6%	Construction
2.9%	Others

Source: Private Investment Promotion Agency (ProInversión)

Foreign direct investment by sector (US$ Millions)

Sector	2016
Mining	5,648
Communications	4,874
Finance	4,298
Energy	3,382
Industry	3,218
Trade	803
Petroleum	680
Services	671
Construction	383
Others	727
Total	24,684

Source: Private Investment Promotion Agency (ProInversión)

International competitiveness ranking

	2014- 2015		2015- 2016		2016- 2017	
	Ranking	Score	Ranking	Score	Ranking	Score
Total Peru	65/148	4.20	69/140	4.21	67/138	4.23
SUB-INDICES						
Basic requirements	74	4.59	76	4.48	77	4.43
Institutions	118	3.40	116	3.28	106	3.30
Infrastructure	88	4.19	89	3.49	89	3.57
Macroeconomic environment	21	5.04	23	5.86	33	5.44
Health and primary education	94	5.73	100	5.28	98	5.33
Efficiency enhance	62	4.20	60	4.18	57	4.26
Higher education and training	83	3.99	82	4.07	80	4.13
Goods market efficiency	53	4.19	60	4.36	65	4.37
Labor market efficiency	51	3.71	64	4.29	61	4.34
Financial market development	40	4.14	30	4.53	26	4.75
Technological readiness	92	3.55	88	3.40	88	3.56
Market size	43	5.61	48	4.44	48	4.40
Innovation and sophistication factors	99	3.73	106	3.28	108	3.30
Business sophistication	72	4.14	81	3.79	78	3.78
Innovation	117	3.31	116	2.78	119	2.82

Source: World Economic Forum 2016-2017

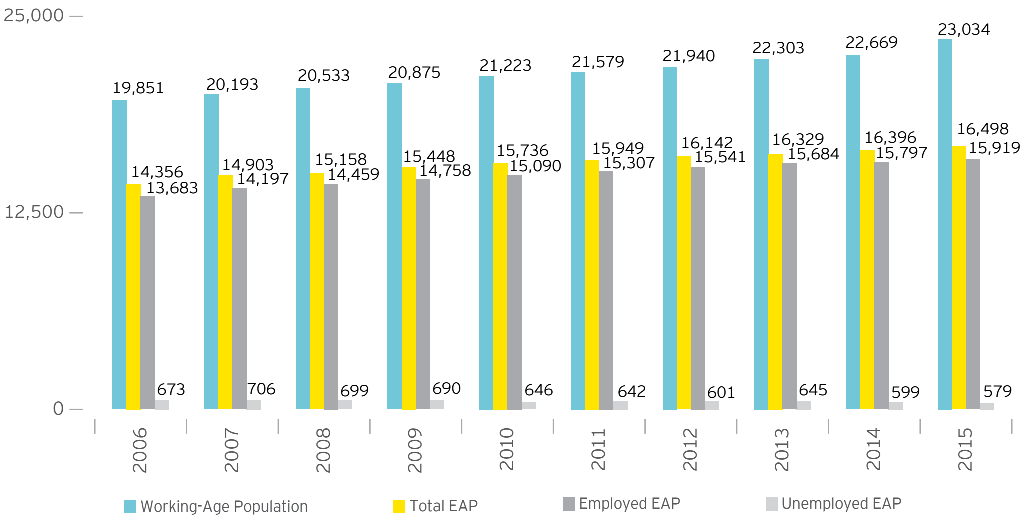
Principal indicators in Doing Business 2017

Indicators	Peru	Latin America and the Caribbean
Starting a business		
‣ Procedures (number)	6.0	8.3
‣ Time (days)	26.0	31.6
‣ Cost (% of income per capita)	9.9	31.5
‣ Paid-In minimum capital (% of income per capita)	0.0	2.3
Dealing with construction permits		
‣ Procedures (number)	14.0	14.4
‣ Time (days)	174.0	181.3
‣ Cost (% of warehouse value)	0.5	2.5
Registering property		
‣ Procedures (number)	4.0	7.1
‣ Time (days)	6.5	68.6
‣ Cost (% of property value)	3.3	5.8
Getting electricity		
‣ Procedures (number)	5.0	5.5
‣ Time (days)	67.0	66.0
‣ Cost (% of income per capita)	335.5	999.0
Getting credit		
‣ Strength of legal rights index (0-12)	8.0	5.3
‣ Depth of credit information index (0-8)	8.0	4.8
‣ Credit registry coverage (% of adults)	37.4	13.0
‣ Credit bureau coverage (% of adults)	100.0	41.2
Protecting minority investors		
‣ Extent of conflict of interest regulation index (0-10)	7.0	5.3
‣ Extent of hareholder governance index (0-10)	5.0	4.4
‣ Strenght of minority investor protection index (0-10)	6.0	4.8
Paying taxes		
‣ Payments (number per year)	9.0	28.9
‣ Time (hours per year)	260.0	342.6
‣ Total tax rate (% on profit)	35.6	46.3
Trading across borders		
‣ Time to export: border compliance (hours)	48.0	63.0
‣ Cost to export: border compliance (US$)	460.0	527.0
‣ Time to import: border compliance (hours)	72.0	65.0
‣ Cost to import: border compliance (US$)	583.0	685.0
Enforcing contracts		
‣ Time (days)	426.0	749.1
‣ Cost (% of claim)	35.7	31.3
‣ Quality of legal processes index (0-18)	8.5	8.4
Resolving insolvency		
‣ Time (years)	3.1	2.9
‣ Cost (% of estate)	7.0	16.7
‣ Recovery rate (cents on the dollar)	30.3	31.0

Source: World Bank - Doing Business 2017

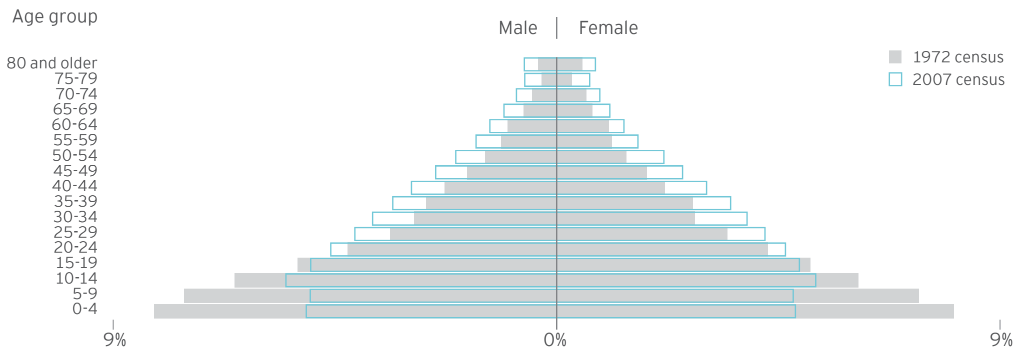
5 Population

Evolution of Economically Active Population - EAP (thousands of people)



Source: National Institute of Statistics and Information (INEI)

Population pyramid as per census (1972 and 2007)



Source: National Institute of Statistics and Information (INEI)

6 Starting a business

There are different kinds of corporations that may be used by foreign investors to start their business in Peru. The most widely used forms are as follows:

a. Joint-stock companies (*Sociedad Anónima*)

A minimum of two Peruvian or foreign shareholders is required, which may be individuals or legal entities. Non-domiciled shareholders must grant a power of attorney to a representative to sign the notarially recorded instrument of incorporation. The initial capital stock consists of the shareholders' contributions, which may be made in the form of money, credits or non-monetary assets.

Monetary contributions may be in domestic or foreign currency and must be deposited in a local bank. There is no legally established minimum. However, financial institutions customarily require a minimum amount of S/1,000 of initial capital (approximately US$307). At least 25% of the subscribed capital must be paid-up.

Characteristics:

- **Name**: Must include the indication Joint Stock Company (Sociedad Anónima) or the abbreviation "S.A."
- **Limited liability**: The shareholders' liability is limited to the value of the shares they hold.
- Governance: Shareholders' Meeting, Board of Directors and Management
- **Transferring shares**: The transfer of shares is free.
- **Continuity**: The death, illness, bankruptcy, and/or retirement or resignation of the shareholders does not cause the winding-up of the corporation.

b. Closely-held corporations (*Sociedades Anónimas Cerradas*)

The Closely-Held Corporation maintains the limited liability of its members, and has a minimum of two and a maximum of twenty (20) shareholders. The shares may not be listed on the stock market.

Characteristics:

- **Name**: Must include the indication Closely-Held Corporation (Sociedad Anónima Cerrada) or the abbreviation "S.A.C."
- **Limited liability**: The shareholders' liability is limited to the value of the shares they hold.
- **Governance**: Shareholders' Meeting (which may be held without the physical presence of shareholders) and Management. The Board Directors is optional.
- **Transferring shares:** The shareholders have the right of first refusal in case of proposals for the transfer of shares to another shareholder or to a third party. This right may be deleted in the by-laws. The by-laws may establish restrictions on the transfer of shares, such as requiring the prior consent of the corporation.

c. Publicly-held corporations (*Sociedades Anónimas Abiertas*)

This type of corporation is mainly designed for companies with a large number of shareholders (over 750 shareholders) or those for which a primary public rights offering has been made, or which have obligations convertible into shares, or in which more than 35% of the capital stock belongs to one hundred and seventy five (175) or more shareholders. They must be registered with the Public Records Office of the Securities Market.

Characteristics:

- **Name**: Must include the indication Publicly-Held Corporation (Sociedad Anónima Abierta) or the abbreviation "S.A.A."
- **Limited Liability**: The shareholders' liability is limited to the value of the shares they hold.
- **Governance**: Shareholders' Meeting, Board of Directors, and Management.
- **Supervisory bodies**: Publicly-Held Corporations are subject to supervision by the Peruvian Securities and Exchange Commission (SMV).
- **Transferring shares**: Free. No restrictions or limitations whatsoever are allowed. The right of first refusal established in shareholders' agreements or in the by-laws is not recognized.

d. Limited liability companies (*Sociedades Comerciales de Responsabilidad Limitada*)

The Limited Liability Company is organized with a minimum of twenty (20) members. This type of corporation does not issue shares. The requirements for its establishment are the same as those for other corporations.

Its capital stock is divided into ownership interests, which are equal, cumulative, and indivisible and may not be incorporated in securities.

Characteristics:

- Limited liability: The members are not personally liable for the corporate obligations. Their liability is limited to the amount of their contributions.
- Governance: Members' Meeting and Management.
- Transferring ownership interests: The transfer of ownership interests to third parties is subject to the right of first refusal of the other members. The by-laws may establish other conditions applicable to the transfer of ownership interests, and may also fully prohibit these transfers. The transfers must be registered with the Registry of Companies.
- Continuity: The death, illness, bankruptcy, and/or retirement or resignation of the members does not cause the winding-up of the corporation.

e. Branches

For corporate purposes, a branch does not have a corporate existence separate from that of its parent company, which is hence liable for the branch's obligations. It has permanent legal representation and enjoys management autonomy in the activities established by the parent company. A branch is assigned a capital by its parent company; however, it does not need to be deposited in a local bank.

The resolution for the establishment of a branch must be notarized by the Peruvian Consulate and certified by the Ministry of Foreign Affairs in Peru, as applicable, or to the contrary, apostilled in the country from which it proceeds, before being put into the form of a notarially recorded instrument and being filed with the Public Records Office. A Certificate of Good Standing is also required from the parent company.

According to the Business Corporations Act (LGS) branches of foreign corporations may transform into a corporation duly established in Peru under any type of corporation regulated by the Business Corporations Act (LGS).

7 Tax environment

The Peruvian Tax System is governed by the principles of legal reservation, equality and respect for the fundamental rights of individuals. . Furthermore, the Peruvian Constitution establishes as a principle the non- confiscation of taxes and guarantees the right to the tax reserve.

In Peru, the main taxes are imposed on income, production, consumption, money circulation and property. Contributions are also paid to the Health Social Security (EsSalud) and to the National Pension System (SNP).

The management and collection of the main taxes are the responsibility of the National Superintendency of Customs and Tax Administration (SUNAT) and, in some cases, of the Municipalities or regulatory entities.

SUNAT is authorized to use all the interpretation methods admitted by the law and to observe the economic purpose of taxpayers' acts, giving priority to the content over the form of the acts. The analogy in tax matters is prohibited. In 2012, anti-avoidance rules were introduced to the Tax Code in respect of the SUNAT powers in situations considered as tax avoidance or simulated transactions.

Income tax

The Income Tax is levied on the net income and is determined on an annual basis. The fiscal year starts on January 1 of each year and ends on December 31, without exception.

In general, the Income Tax (IT) returns of corporations, branch offices and individuals must be filed prior to March 31 of the next year.

Domiciled entities

The companies organized in Peru are subject to the corporate Income Tax on their worldwide income[1]. Conversely, the companies not domiciled in Peru, the branch offices and the permanent establishments of foreign companies are only subject to tax on their peruvian source income.

[1] The dividends received from other domiciled legal entities are not subject to tax; conversely, the dividends received from non-domiciled legal entities are subject to payment of the appropriate corporate Income Tax rate.

Determination of the tax base

The Income Tax rate applicable to domiciled companies was 30% for the fiscal year 2014, was 28% for the fiscal years 2015 and 2016, and is 29.5% starting from the fiscal year 2017.

This tax is levied on the net income.

In order to determine the third-bracket net income, the deduction of the costs and expenses required for the generation of taxable income or the maintenance of the income-generating source is admitted (principle of causality) subject to certain limitations in specific cases.

Domiciled companies and branch offices are required to make Income Tax prepayments, the amount of which is determined by comparing the monthly installments resulting from the application of one of the following methods, whichever is greater:

- Percentage method: Apply 1.5% to the total net income for the month.
- Coefficient method: Divide the tax calculated for the previous fiscal year by the total net income for the same fiscal year and apply the resulting coefficient to the net income for the month. For the months of January and February, use the coefficient determined based on the calculated tax and net income for the fiscal year preceding the former one. For purposes of determining the prepayments for the fiscal year 2017 and for January and February 2018, the coefficient must be multiplied by the 1.0536 factor.

In specific cases, it is possible to request the suspension of the obligation to make the aforementioned prepayments.

Tax loss carryforward

For tax loss carryforwards, domiciled companies and branch offices may choose one of the following systems:

- Losses can be carried forward for four consecutive years, beginning with the first year following the year in which the loss arose.
- Losses can be carried forward indefinitely, but with a deduction limit equivalent to 50% of the net income for each fiscal year.

It is prohibited to carry back losses to fiscal years previous to the year in which the losses arose and to calculate the net losses coming from abroad.

Once a specific system is applied, it cannot be changed until all the losses registered have been exhausted.

Thin capitalization rules

Interest paid by domiciled legal entities and branch offices to related parties or associated companies is not Income Tax deductible in the portion that exceeds the result of applying a coefficient (debt/equity ratio) of "3/1", considering equity at the close of the immediately preceding fiscal year.

Transfer pricing

Transfer pricing rules are based on the arm's length principle, as interpreted by the Organisation for Economic Co-operation and Development (OECD) and must be considered only for IT purposes. In Peru, these rules not only apply to transactions between related parties but also to transactions with companies domiciled in tax havens. However, note that the value agreed to by the parties may only be adjusted when they are detrimental to the tax results.

Taxpayers participating in international transactions involving two or more jurisdictions may enter into Advance Pricing Agreements (APAs) with the Tax Administration (SUNAT) which may be unilateral or bilateral. Bilateral agreements may only be entered into with regard to transactions with residents in countries with which Peru has entered into Double Taxation Avoidance Agreements. The APAs may also be entered into in respect of transactions carried out between related companies domiciled in Peru.

Tax heavens

Companies domiciled in Peru may not deduct, for purposes of determining the Income Tax, the expenses derived from transactions carried out with individuals or legal entities residing in countries or territories with low or nil taxes; and are not entitled to offset the losses resulting from such transactions with foreign source income, except in the case of the following transactions: (i) credit; (ii) insurance and reinsurance; (iii) assignment for use of vessels or aircraft; (iv) transport from and to Peru; (v) fee for transit through the Panama Canal.

Likewise, the transactions carried out from, to or through tax havens must comply with the transfer pricing rules.

Tax credits

The taxes actually paid abroad may be offset against the Peruvian Income Tax, even if there is no Double Taxation Avoidance Agreement, provided that the amount resulting from applying the average taxpayer rate to income earned abroad is not exceeded.

The credit not applied in a given fiscal year may not be offset during subsequent or prior fiscal years nor may it be refunded.

Double taxation avoidance agreements

Peru has entered into Double Taxation Avoidance Agreements with Brazil, Canada, Chile, the Andean Community of Nations (CAN) South Korea, Mexico, Portugal and Switzerland.

International tax transparency system

Effective from January 1, 2013, the "International Tax Transparency System" was incorporated. Such system applies to taxpayers domiciled in Peru who are owners of controlled non-domiciled entities (hereinafter CNDEs) with regard to the passive income of the CNDEs, provided that they are subject to Income Tax in Peru on their foreign-source income.

According to the system, the passive income obtained through subsidiaries incorporated in other jurisdictions must be included in the taxable income of individuals and companies domiciled in Peru, even when the dividends associated with such passive income have not been actually distributed.

The law sets forth the requirements that foreign companies must meet to be qualified as a CNDE. Furthermore, an exhaustive list of items that qualify as passive income and a list of excluded items have been established.

The aforesaid passive income will be attributed to its owners domiciled in Peru who, as of the close of the fiscal year, have a direct or indirect share in over 50% of the results of the CNDE.

Domiciled individuals

Domiciled individuals are taxed on their worldwide income, regardless of the country in which it was generated, the country in which it was paid, or the currency in which it was received.

In the case of domiciled individuals, the fourth- and fifth-bracket Income Tax, i.e. the tax on income received for personal work (independent and dependent, respectively) and on foreign source income, is determined by applying a cumulative progressive rate, as detailed below[1]:

Up to Fiscal Year 2014		As from Fiscal Year 2015	
Addition of net labor income and foreign source income	Rate	Addition of net labor income and foreign source income	Rate
Up to 27 Tax Units (UITs)	15%	Up to 5 UITs	8%
From 27 UITs to 54 UITs	21%	From 5 UITs to 20 UITs	14%
Over 54 UITs	30%	From 20 UITs to 35 UITs	17%
		From 35 UITs to 45 UITs	20%
		Over 45 UITs	30%

For salaries, wages and any other type of remuneration derived from dependent or independent work (fourth- and fifth-bracket income) a non-taxable minimum of seven (7) Tax Units (UITs)[2] (S/28,350 or approximately US$8,696) is established. Additionally, a 20% deduction on income derived from independent work and the deduction of donations and the Tax on Financial Transactions are admitted. Effective from January 1, 2017, the following amounts may be deducted as expenses up to a limit of three (3) (UIT)[3]:

a) 30% of the lease fee established in the lease and/or sub-lease agreements for real property not located in Peru and not exclusively intended for the development of third-bracket income-generating activities.

b) Interest deducted from a single mortgage loan obtained to purchase a first house.

c) 30% of physicians' and dentists' fees for services rendered in Peru, provided they qualify as fourth-bracket income. The health care expenses incurred by taxpayers for themselves or for certain relatives established by the IT Act are tax deductible.

d) 30% of the compensation paid for services qualifying as fourth-bracket income[4], excepting the compensation paid to company directors, trustees, agents, business managers, executors, and individuals performing similar duties, including municipal councilmen or regional advisors, for which they are paid a compensation.

e) The contributions paid to the Health Social Security (EsSalud) in respect of domestic workers.

[1]In 2017, the Tax Unit (UIT) is equal to S/4,050, approximately US$1,209.

[2]In 2016, the Tax Unit (UIT) was equal to S/3,950, approximately US$1,176 (as of December 31, 2016); in 2017, it is equal to S/4,050, approximately US$1,239 (as of June 7, 2017).

[3]The Ministry of Economy and Finance (MEF) may, by means of an Executive Order (Decreto Supremo) include other expenses or exclude the indicated expenses using tax avoidance and economy formalization criteria.

[4]The professions and occupations entitled to expense deduction include: i) attorney-at-law; ii) systems and computer analyst; iii) architect; iv) nurse; v) sports coach; vi) photographer, and movie and TV camera operator; vii) engineer; viii) interpreter and translator; ix) nutritionist; x) obstetrician; xi) psychologist; xii) medical technologist, and xiii) veterinarian.

In order to be able to deduct such expenses, taxpayers must file a tax return at the end of the year and hold the relevant payment vouchers.

Furthermore, individuals are entitled to a 20% deduction on income derived from independent work and the deduction of donations and the Tax on Financial Transactions, subject to certain limits. The deduction of other expenses is not permitted.

The income derived by domiciled individuals from the lease, sublease and assignment of property (first-bracket income) as well as other capital income (second-bracket income) are subject to an effective rate of 5% of gross income.

The dividends distributed by companies incorporated or established in Peru and received by individuals are subject to a rate of 6.8% for 2015 and 2016, and 5% starting from 2017. If the profits distributed correspond to retained earnings up to December 31, 2014, a rate of 4.1% will be applied.

Non-domiciled individuals

Individuals not domiciled in Peru are taxed only on their Peruvian source income. The Income Tax will be paid through the withholding-at-source system, taking into account the Income Tax rates established by the Income Tax Act.

In the case of income from dependent work, the withholding rate is 30%, without deductions. Conversely, income from independent work is subject to an effective rate of 24% of gross income.

Without prejudice to the foregoing, the income earned in the country of origin by non-domiciled individuals entering Peru on a temporary basis in order to perform any of the activities listed below is not considered to be Peruvian source income:

- Acts executed before any kind of foreign investments or business is carried out;
- Acts intended to supervise or control the investment or business (data or information collection, interviews with people from the public or private sector, among others);
- Acts related to the hiring of local personnel;
- Acts related to the execution of agreements or similar documents.

In the case of foreigners coming from countries with which Peru maintains Double Taxation Avoidance Agreements, such as Chile, Canada and Brazil or countries from the Andean Community of Nations (Ecuador, Colombia, Bolivia and Peru) as well as Portugal, South Korea, Mexico and Switzerland since January 1, 2015, other tax provisions may apply.

Non-domiciled entities

In the case of Peruvian source income earned by non-domiciled entities, the withholding tax rate to be applied depends on the type of income earned, as detailed in the table below:

Withholding tax rates by type of income applicable to non-domiciled entities

Income	Rate
Dividends and other forms of profit distribution as well as the remittance of profits from the branch office	5.00%[1]
Interest, provided certain requirements established in the Income Tax Act are met	4.99%
Interest paid to related companies abroad	30.00%
Technical assistance services economically used in Peru	15.00%
Digital services used on an economic basis in Peru	30.00%
Royalties	30.00%
Capital gains derived from the disposal of marketable securities through the Lima Stock Exchange[2], including: ▸ Disposal, redemption or surrender of shares, bonds or other securities issued by corporations organized in Peru ▸ Indirect disposal of shares owned by peruvian companies	5.00%
Capital gains derived from the disposal of marketable securities outside the Lima Stock Exchange, including: ▸ Disposal, redemption or surrender of shares, bonds or other securities issued by corporations organized in Peru ▸ Indirect disposal of shares owned by peruvian companies	30.00%
Other income derived from business activities conducted in peruvian territory	30.00%

[1]These items are taxed at a rate of 6.8% for the 2015 and 2016 fiscal years; the same rate applies to dividends paid in subsequent years, but in connection with the results of such years. These items are taxed at rate of 5% starting from 2017. If the distributed profits correspond to retained earnings as at December 31, 2014, a rate of 4.1% will be applied.
[2]The securities must be registered with the Public Records Office of the Securities Market and negotiated through a Peruvian centralized trading mechanism.

Temporary Tax On Net Assets (ITAN)

The Temporary Tax on Net Assets (ITAN) is equivalent to 0.4% of the total value of net assets in excess of S/1,000,000 (approximately US$306,749) determined as of December 31 of the previous fiscal year. Companies in the pre-operating stage are excluded from this tax. The ITAN can be used as a credit against the Income Tax. If, at the end of the year, the ITAN has not been applied in full, a refund may be requested.

Tax on Financial Transactions (ITF) and means of payment

In general, a 0.005% tax is imposed on deposits and withdrawals in accounts kept in Peruvian financial institutions.

Any payment in excess of S/3,500 or US$1,000 must be made using any of the so-called "Means of Payment", which include bank deposits, drafts, wire transfers, payment orders, debit or credit cards issued in Peru and "non-negotiable" checks.

If such means of payment are not used, it will not be possible to recognize the cost or expense associated to such payment for Income Tax purposes. Additionally, it will not be possible to use the Value Added Tax (VAT) paid for the acquisitions of goods or services involved as a tax credit.

Value Added Tax (VAT)

The Value Added Tax (VAT) is levied on the sale of goods in Peru, the provision and use of services, and the import of goods at a rate of 18% (it includes a 2% Municipal Promotion Tax).

The Value Added Tax Act applies the debit/credit system, under which the VAT paid on purchases is offset against the VAT paid on sales. Any VAT not used as a credit in a given month may be applied in the following months until it is used up. Such credit is not subject to any statute of limitations.

Corporate reorganizations are not subject to this tax.

Special early value added tax (VAT) recovery system

Individuals or legal entities currently developing projects and undergoing a pre-operating stage equal to or greater than two years may request the early recovery of VAT before starting commercial operations. For this purpose, an application is filed with PROINVERSIÓN for the execution of an Investment Agreement with the Peruvian Government. The investment commitment may not be less than US$5 million, excluding VAT, except in the case of investments to be made in the agricultural sector, which are exempted from this requirement.

Furthermore, a special system has been recently approved that authorizes micro-enterprises or small enterprises registered with the National Registry of Micro-Enterprises and Small Enterprises (REMYPE) that are in the operating stage to recover any tax credit paid on imports and/or local acquisitions of new capital goods that has not been exhausted within the three months following the date of registration of the respective payment voucher in the Purchase Journal.

Final Value Added Tax (VAT) refund

The Final Value Added Tax (VAT) Refund System applies to: (i) companies and individuals that are holders of mining concessions, and (ii) investors who have executed the hydrocarbons exploration and exploitation license agreements or services agreements referred to in the Organic Law on Hydrocarbons. To this end, in both cases, the beneficiary must be in the exploration stage.
In the case of mining concessions, an exploration investment agreement involving a minimum investment of US$500,000 must also be signed.

Export of goods

The export of goods is not subject to payment of Value Added Tax (VAT).

The Value Added Tax (VAT) Act defines the export of goods as the sale of personal property by a domiciled taxpayer in favor of a non-domiciled taxpayer, regardless of whether the transfer occurs abroad or in Peru, provided that such goods are subject to the customs process for final export.

Export of services

The export of services is not subject to payment of Value Added Tax (VAT).

The operations considered to be export of services are those listed in Appendix V to the Value Added Tax (VAT) Act, to the extent they are provided for valuable consideration, the exporter is domiciled in Peru, the user is not domiciled in Peru, and the use, exploitation or utilization of the services by the non-domiciled party takes place abroad.

Services include, but are not limited to, consulting and technical assistance services, lease of personal property, advertising services, data processing services, computer software application and similar services, personnel placement and supply services, credit placement commission services, financing operations, insurance and reinsurance, certain telecommunication services, tourism services, and business support services. Also included are accounting, treasury, technological or IT or logistics support, contact center, laboratory and similar services.

Excise tax (ISC)

This tax is imposed on the consumption of specific goods, such as fuels, cigars, beer, liquors, soft drinks, among others. It is applied under three systems: (i) specific, which involves a fixed amount in Soles per unit of measurement; (ii) at value, based on a percentage of the sales price; and,(iii) retail price, based on a percentage of the suggested retail price.

Real estate tax

The Real Estate Tax is an annual municipal tax levied on the value of urban or rural property. For this purpose, property is considered to include land, buildings, and fixed and permanent facilities.

The tax rate is based on a progressive cumulative scale varying between 0.2%, 0.6% and 1%, depending on the value of the property. This tax is payable by the individual or legal entity that, as of January 1 of each year, is the owner of the property subject to tax.

Property transfer tax

The Property Transfer Tax is levied on urban or rural property for valuable consideration or for free, regardless of the form or modality used, including sales with reservation of legal ownership or transfers of real property as a result of a corporate reorganization.

The tax base is the sales price of the real property. The applicable rate is 3%. This tax is paid by the purchaser. The first ten (10) Tax Units (UITs) (S/40,500 or approximately US$12,423).

Vehicle property tax

The Vehicle Property Tax is an annual tax levied on the ownership of automobiles, pickup trucks and station wagons manufactured in Peru or imported that are no more than three (3) years old. The three (3) years are calculated as from the first registration of the vehicle with the Vehicle Ownership Registry.

The tax base is the original value of acquisition, import or entry into ownership. The applicable rate is 1%.

Customs system

The import of goods is subject to the payment of import tariffs. The current rates are 0%, 6% and 11%[1], saccording to the tariff heading assigned to the imported goods, applied on the customs value of the goods, determined according to the World Trade Organization's Customs Valuation Agreement.

Likewise, the Value Added Tax (VAT) is levied on the import of goods. In this case, the taxpayer is the importer, who may use the VAT paid on the import as a credit against the tax debit generated by its local operations.

Additionally, depending on the type of goods and their country of origin, imports may be taxed with the Excise Tax, Antidumping Duties, Compensation Duties, among others.

In this connection, it should be mentioned that the antidumping duties are applied to some imported goods when the price discrimination could harm or threaten to harm a branch of national production. Compensation duties are applied when the imported goods are subsidized in the country of origin and their importation could harm or threaten to harm national production.

In the case of agricultural products (yellow corn, rice, milk and sugar) specific duties that fix variable additional duties are applied.

[1]In the case of expedited shipments (goods with a FOB value equivalent to US$200 or more, up to a maximum of US$2,000 per shipment) a 4% ad valorem rate is applied.

The custom taxes and duties applied are summarized below:

Tax	Rate	Tax base
Customs Tariffs[a]	0%, 6% y 11%	CIF Value [d]
Value Added Tax (VAT) [b] [c]	18%	CIF + Customs Duties

[a] The customs tariff rate depends on the type of goods being imported
[b] The Value Added Tax (VAT) can be used as a tax credit by the importer
[c] Certain goods are additionally subject to the Excise Tax
[d] This value will be determined as established in the World Trade Organization's Customs Valuation Agreement, the Andean Community regulations, and the Peruvian legislation.

International treaties

- **Andean Community (CAN):** Peru fully enjoys the benefits of the free trade zone established under this agreement by all member countries: Bolivia, Colombia, Ecuador and Peru. Within this framework, there are other agreements related to the sub-regional liberalization of the services market, community regulations concerning intellectual property, transportation by land, air and water, and telecommunications.
- **Latin-American Integration Association (ALADI):** Peru maintains certain tariff preferences with countries of the region (Argentina, Brazil, Chile, Cuba, Paraguay, Uruguay, and Venezuela) established through agreements executed under the 1980 Montevideo Treaty.
- **Southern Common Market (Mercosur):** Some agreements executed by the Peruvian Government with each of the member countries (Brazil, Argentina, Paraguay and Uruguay) are still in force. Under such agreements, Peru and the MERCOSUR countries have granted reciprocal preferential tariff rates.
- **Pacific Alliance**: Along with Colombia, Chile and Mexico, Peru is part of this integration area. The Pacific Alliance seeks, among other purposes, the free circulation of goods among member countries. In addition to the tariff preferences granted to member countries under bilateral agreements, Peru recognizes, under the Pacific Alliance, a different preferential tariff treatment.
- The following Free Trade Agreements are currently in force: The agreements executed with the United States, Canada, China, EFTA, Mexico, Japan, Singapore, Chile, Panama, the European Union, Costa Rica, Honduras, Venezuela and South Korea. Furthermore, Peru has executed a Protocol to accelerate the liberalization of trade with Thailand.
- The Trade Agreements that are close to coming into force are the agreements with Guatemala, Brazil and the Trans-Pacific Partnership Agreement (TPP).
- The following Trade Agreements are being negotiated: with Turkey, El Salvador, and India, and the DOHA Program for Development.
- Peru is a member of the World Trade Organization (WTO).

Other considerations

The customs legislation authorizes the temporary import into the country, for an 18-month period, of certain capital goods –included in a limited list – without paying the customs tariffs and import duties. For these purposes, it is necessary to furnish a guarantee for the unpaid taxes and the capital goods must be re- exported at the end of such period.

This system will be applied to the extent that the goods are identifiable and are intended for a specific purpose in a given zone and are re-exported at the end of the period without any change, except for the depreciation resulting from ordinary use.

Processing systems

Furthermore, the customs legislation authorizes the import of goods without paying import taxes if such goods will be processed or used in a production process for the preparation of an exported product.

To this end, the temporary admission systems for inward processing, duty-free replacement of goods or drawback may be used.

Drawback

The drawback system allows producer-exporters to recover all or part of the customs duties paid on the import of raw materials, inputs, intermediate products, and parts and pieces incorporated or used in the production of goods to be exported, provided that the CIF import value does not exceed 50% of the FOB value of the exported product and all the requirements set forth to be eligible for this benefit are complied with. The applicable rate is 4% of the FOB value of the exported product. Such rate will be reduced to 3% as from January 1, 2019.

8 Labor regulations

Hiring system

a. For Peruvian employees

Indefinite-term employment contracts are the rule of thumb for hiring in Peru. Without prejudice to the foregoing, fixed-term and part-time employment contracts may be executed in exceptional cases. The main features of each of these contracts are detailed below:

- **Indefinite-term employment contracts**: They do not have an expressly defined duration. This form of employment contract grants employees all labor rights and benefits in force, which are detailed below, and does not require any formality to be valid[1].
- **Fixed-term employment contracts**: They grant employees all the rights and benefits established for employees hired for an indefinite term. Under the legislation, the execution of such contracts is subject to the effective existence of an objective motive or cause that justifies the temporary hiring (for example, the start of a new activity, specific work or service, substitution, etc.) and their validity is subject to compliance with the requirements set forth by law (execution in writing and explanation in the contract of the cause for the alleged temporary hiring).
- **Part-time employment contracts**: They regulate labor relationships that cover work schedules with a weekly average of less than four (4) hours per day. Part-time employees are entitled to all the labor benefits in force, except for: (i) compensation for arbitrary dismissal; (ii) severance pay (CTS); and (iii) the vacation time of thirty (30) days (they only have the right to six (6) business days' vacation per year). These contracts must be entered into in writing in order to be valid.

[1] The Peruvian body of laws prefers the existence of indefinite-term employment contracts, for which reason this type of contract may be executed even verbally.

In all of these contracts, the statutory trial period is applicable; during this period, the employees do not have the right to receive any compensation in the event of arbitrary dismissal. The trial period is computed from the start of the labor relationship and may have a maximum duration of: (i) three (3) months for all employees in general, (ii) six (6) months for qualified employees or those in positions of trust; and (iii) twelve (12) months for management workers. In order to be valid for more than three (3) months, the trial period must be in writing.

b. For foreign employees

The labor relationships of foreign citizens entering Peru to provide dependent services to a domiciled company are regulated by the Foreign Personnel Hiring Act. These employees are entitled to the same benefits granted to private activity employees and are subject to the same contributions and taxes. The difference lies in the fact that, in order to start the provision of services, it is necessary to obtain the approval of the employment contract by the Ministry of Labor and Employment Promotion (MTPE) and, basically, to obtain the qualifying immigration status.

As a rule of thumb, foreign employees must not exceed 20% of the total personnel of a company. Additionally, the total remuneration received by foreign employees must not exceed 30% of the total payroll. The company may request to be exempted from these limits in the case of professionals and/or specialized technical personnel, or management personnel for a new business activity, or in the event of a corporate restructuring or reorganization, among others.

None of the limits as to number of personnel and salary amount are applicable to foreign employees who provide services in Peru on an immigrant visa, who are married to Peruvian citizens, or who have Peruvian children, parents or siblings; who are foreign investors with a permanent investment in Peru of at least five (5) Tax Units (UITs) 1; or who provide services in the country under bilateral or multilateral agreements executed by the Peruvian Government, among others.

Companies must follow the approval process before the MTPE by submitting a file that contains, in addition to the employment contract, the declaration of the fulfillment of or exemption from the limit percentages and the Sworn Statement certifying the work experience or professional training of the foreign employee. Moreover, the company must keep in the file of each foreign employee a copy of the documents supporting the employee's qualification, such as the work certificate and/or the professional degree, as applicable.

It should be mentioned that the fact of belonging to the Pacific Alliance does not grant any facilities for the approval of the foreign employee's contract. However, Colombian citizens2 may avail themselves of other agreements that grant benefits in this matter.

[1] The value of the UIT for the year 2017 is approximately US$1,208.95, considering the exchange rate prevailing on December 31, 2016.

[2] Colombian citizens do not require the approval of the foreign employee contract, given that – as members of the Andean Community of Nations – they will follow a procedure to register the employment contract. The benefits include: (i) no professional degree or work certificate required; (ii) the general percentage limits are not applicable; (iii) registration is automatic on the Internet.

Fringe benefits

Employees are entitled to the following fringe benefits, the cost of which is borne by the employer:

Benefit	Amount / Applicable rate
Vacations	Equivalent to thirty (30) calendar days of rest, with one (1) month of paid remuneration
Statutory bonuses	Two (2) monthly remunerations a year
Extraordinary bonus	9% of the statutory bonus
Severance pay	1.1666 monthly remunerations a year
Profit sharing	Between 5% and 10% of the before-tax net income
Family allowance	10% of the Minimum Living Wage (US$25 approximately)

- **Vacations**: This benefit confers the right to thirty (30) calendar days of paid vacation for each complete year of service, provided employees have worked the minimum number of days required by law.
- **Statutory bonuses**: Two (2) bonuses per year are paid, the first one in July and the second one in December.
- **Extraordinary bonus**: It is equal to 9% of the statutory bonuses and is paid at the same time as the statutory bonuses. If the employee is affiliated to a Healthcare Service Provider (EPS) the bonus is equal to 6.75% of the statutory bonuses.
- **Severance pay (CTS)**: This is a fringe benefit to cover contingencies derived from termination of employment and to promote employees and their families. It is deposited in the employee's bank account in May and November. Employees are authorized to use a portion of this benefit before termination of their labor relationship, subject to certain conditions.
- **Employees' profit sharing**: Companies with more than twenty (20) employees who develop corporate income-generating activities must distribute a percentage of their annual income before taxes among their employees. The profit sharing percentage is set by law.

  Type of company:

  - Fishing, telecommunications and industrial companies: 10%
  - Mining companies, wholesale and retail businesses, and restaurants: 8%
  - Companies engaged in other activities: 5%
- **Family allowance**: Employees who have one or more dependent children under the age of eighteen (18) or who have older children pursuing higher education or university studies, are entitled to this benefit until their children reach the age of twenty four (24) years.
- **Global annual remuneration**: The employer may agree with employees who earn a basic salary of at least S/8,100 per month (approximately US$2,417) to pay them a Global Annual Remuneration (RIA) in twelve (12) monthly installments that include all the above-detailed benefits, except for profit sharing

Taxes and contributions levied on remunerations

Remunerations are subject to the following taxes and contributions:

Taxes / Contributions	Applicable rate
Health social security (EsSalud)	9%
Mandatory life insurance	It depends on the type of policy
Occupational life and disability insurance	It depends on the type of policy
Pension system	13% for the Public System or 12.94% for the Private System (approximately)
Income tax	Between 8% and 30% (see table in the "Tax Environment" section)

- **Income tax**: The employer is responsible for withholding and paying the income tax on labor revenues to the Tax Administration. This tax is paid by the employee. It is applied at progressive rates based on income categories ranging from 8% to 30%.
- **Health social security (EsSalud)**: This contribution is paid by the employer and is designed to finance the Health Social Security System (EsSalud) so that it may provide employees healthcare services and

financial assistance in case of disability, through the payment of subsidies. Employers may provide private medical insurance, either through their own services or through Healthcare Service Providers (EPS). In the case of providing such insurance, employers may obtain a credit of up to 2.25% of the contribution to EsSalud, which becomes 6.75%, subject to certain limits and conditions.

- **Mandatory life insurance**: This is a group insurance provided to employees who have rendered services to the same employer for morethan four (4) years. However, the employer may optionally provide such insurance after the third month of services.
- **Pension systems**: The employee may join the National Pension System (SNP) or the Private Pension System (SPP) which are mutually exclusive. This contribution is paid by the employee; the employer is solely responsible for withholding it. In the case of SPP, the contribution consists of a credit to the individual capitalization account (10%) plus a premium for disability, survivors and funeral expenses insurance, plus the fee paid to Pension Fund Management Companies (AFP). Such fee is calculated based on the remuneration earned and on the pension fund balance.
- **Other contributions**: Other contributions depend on the activity developed by the companies.

Termination of the employment relationship

The employment contract is terminated in the following cases:

- Compliance with the termination condition or expiry of the term of fixed-term contracts
- By agreement between the employee and the employer, which must be put in writing
- By resignation of the employee, who must provide thirty (30) days prior notice
- Due to permanent absolute disability or death of the employee
- Due to retirement of the employee
- Due to justified dismissal, the cause of which must be related to the skill or conduct of the employee, according to the cases established by Peruvian law
- In cases of collective dismissal, pursuant to Peruvian law

The dismissal will be subject to the verification of a justified cause provided by law. If there is no such cause, the employer will be penalized with the payment of a compensation. However, the Constitutional Court has established certain cases in which employees may also request the reincorporation into their job position, according to the following table:

Type of dismissal	Description	Consequences
Dismissal without cause	When the employer does not state a legal cause or motive.	Reincorporation / Compensation at employee's election
Fraudulent dismissal	When the employer falsely and fraudulently charges the employee of committing gross negligence.	Reincorporation / Compensation at employee's election
Void dismissal	When the measure violates the fundamental rights of the employee.	Reincorporation
Dismissal with reasonable charge of gross negligence	When the gross negligence is not proven during the process, although the procedure regulated by the law was properly followed.	Compensation
Indirect dismissal	When the employee is the victim of acts of hostility comparable to dismissal.	Compensation

Compensation shall apply only once the trial period has been completed and is limited to twelve (12) monthly remunerations.

In the case of employees hired for an indefinite term, the compensation amounts to one and a half remunerations for each year of completed service. Conversely, in the case of employees hired for a fixed term, the compensation amounts to one and a half remunerations for each month not worked up until the expiry of the contract. In both cases, the fractions of year are paid by twelfths (12ths) and thirtieths (13ths).

Management staff and those in positions of trust who are hired as such do not have the right to request reincorporation and are only entitled to receive a compensation for arbitrary dismissal, unless they have previously held an ordinary position, in which case they may also be entitled to reincorporation into such ordinary position.

Immigration

Foreigners may apply for one of the visas listed below, depending on the activity they intend to perform in Peru:

Category	Type of Visa	Permitted activities
Tourist Visa	Temporary	Limited to tourist visits, recreation or similar activities. Paid or profit-making activities are not permitted.
Business Visa	Temporary	This visa allows foreigners to take part in business, legal, contractual, specialized technical assistance or similar activities. It is granted by the Ministry of Foreign Affairs. In the case of countries with which Peru has executed international visa exemption agreements, the immigration status is obtained at the immigration control post.
Work Visa	Temporary / Resident	This visa allows foreigners to perform profit-making activities, on a subordinated or independent basis, for the public or private sector under an employment contract, an administrative relationship or a services contract.
Investor Visa	Resident	This visa allows foreigners to establish, develop or administer one or more lawful investments in accordance with Peruvian law. Foreigners must demonstrate an investment equal to or higher than S/500,000. These foreign nationals may only act as managers or directors of their companies.
Designated Worker Visa	Temporary / Resident	This visa allows foreigners to perform labor activities when they are sent by their foreign employer for a limited and defined term to engage in a specific task or duty or a work that requires professional, commercial, technical or any other kind of highly specialized knowledge.
Permanent		Provided they enter the country to take up residence, foreigners may perform their activities on a permanent basis. This visa may be obtained only after no less than three (3) consecutive years of residence.

Peru does not require a tourist visa for citizens coming from a large number of countries, among them, the citizens of countries that are members of the Pacific Alliance. They may enter Peru as tourists without any prior formality. It should be mentioned that the maximum stay period of one hundred and eighty three (183) days, cumulative during a three hundred and sixty five (365)-day period, which cannot be extended.

In order to promote and facilitate the temporary entry of investors and businessmen from countries that are members of the Pacific Alliance, the citizens of Chile, Colombia and Mexico have been exempted from the requirement to obtain a business visa. This exemption is also accessible to citizens from Brazil; citizens from a Schengen Area country; citizens from China, provided they hold a visa granted by the United States, Canada, United Kingdom, Australia or a Schengen Area country or are residents of any of these countries.

This provision is currently being applied; therefore, the citizens of the member countries may enter Peru with the "business" immigration status without requesting a visa from the respective Consulate.

In order to obtain any other immigration status, the fact of being a member of the Pacific Alliance does not grant any facilities. However, the Colombian and Chilean citizens1 may avail themselves of other agreements that confer immigration benefits.

Foreigners coming from MERCOSUR countries (Brazil, Argentina, Chile, Uruguay, Colombia, Bolivia) from CAN countries (Bolivia, Colombia, Ecuador, besides Peru) or from countries with specific immigration agreements (Spain, Argentina, Ecuador, among others) may be subject to other immigration provisions and/ or facilities.

[1] Colombians and Chileans can obtain the immigration status of "Worker" under the Mercosur Agreement, the benefits of which include: i) it is no longer necessary to submit an employment contract approved by the Ministry of Labor at the time of application; ii) they shall be granted residency for two (2) years; iii) the procedure is faster than through regular channels. It should be noted that, in case of availing themselves of the Mercosur Agreement, the residency granted shall be for two (2) years, non-extendable.

9 Financial reporting procedures

The Business Corporations Act (LGS) establishes that the financial statements of companies established in Peru must follow the Peruvian Generally Accepted Accounting Principles, as well as other provisions on the matter. The Peruvian Accounting Standards Board (CNC) has established that the Peruvian Generally Accepted Accounting Principles are essentially the International Financial Reporting Standards which include the IFRS, IFRIC, and IAS, and the specific provisions approved for particular businesses (banks, insurance companies, etc.). The United States Generally Accepted Accounting Principles are applicable on a supplementary basis.

The Peruvian Accounting Standards Board (CNC) is responsible for issuing the Chart of Accounts for companies and the methodology applied to private businesses and government entities.

The Peruvian Accounting Standards Board (CNC) adheres to the standards approved by the International Accounting Standards Board, which are explicitly approved by the CNC and published in El Peruano Official Gazette, indicating the date of adoption thereof, which may differ from the date on which they are internationally approved.

Companies that issue debt or shares in the capital market are subject to the regulations of the Peruvian Securities and Exchange Commission (SMV). The companies supervised by this entity are required to issue their financial statements in accordance with the IFRS, as issued by the International Accounting Standards Board.

The annual financial information for companies supervised by the SMV must be audited and include the previous year for comparative purposes. The quarterly information does not need to be audited. This audit shall be performed in accordance with the provisions of the International Auditing and Assurance Standards issued by the International Federation of Accountants (IFAC).

On April 4, 2016, the Constitutional Court declared as unconstitutional the obligation of companies not registered with the Public Registry of the Securities Market to submit their audited financial statements. This obligation was in force since June 2011.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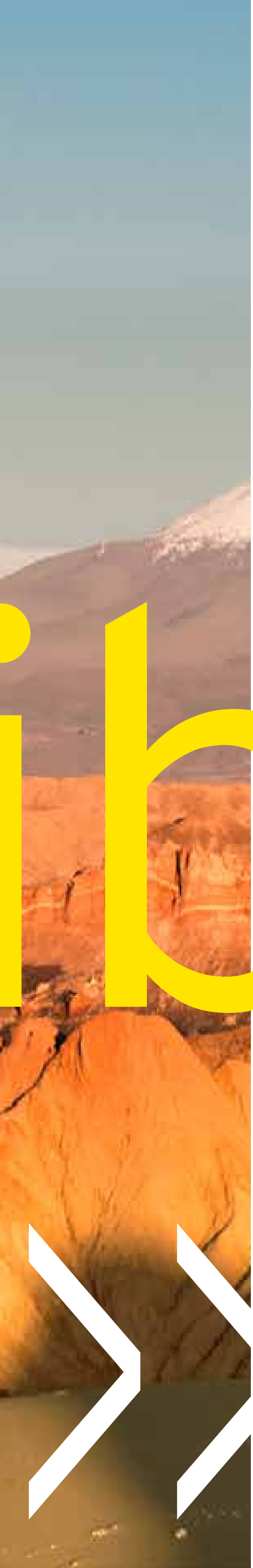

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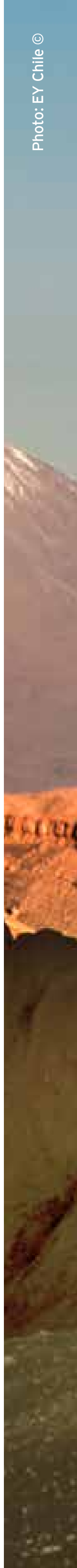

Photo: EY Chile ©

Exhibits
Principal regulatory and investment promotion bodies

Chile

Principal Regulatory and Promotion Bodies	Description
Central Bank of Chile Tel: +56 2 2670 2000 www.bcentral.cl	The Central Bank of Chile is responsible for ensuring currency value stability and the normal functioning of internal and external payments. The current Chilean Constitution grants it constitutional status. This entity may carry out transactions with public or private financial entities; however, it may not furnish guarantees or acquire documents issued by the State, its agencies or companies, or finance, directly or indirectly, any public expenditure or loan, with exceptions to be qualified by the National Security Council.
Ministry of Economy, Development and Tourism Tel: +56 2 2473 3400 www.economia.gob.cl	The Ministry of Economy, Development and Tourism is a government agency in charge of promoting the modernization and competitiveness of the country's production structure, the private initiative, the efficient operation of markets, the development of innovation and the consolidation of international economic integration to achieve a sustainable and equitable growth through the formulation of policies, programs and instruments that can facilitate the activity of production units of the country and its corporate organizations and institutions concerned with the country's production and technological development, both public and private, domestic and foreign.
Ministry of Labor and Social Security Tel: +56 2 2753 0400 www.mintrab.gob.cl	The Ministry of Labor and Social Security is the highest collaboration body of the President of the Republic in labor and social security matters. Accordingly, its duties include proposing and evaluating the respective policies and plans, studying and proposing the rules applicable to the sectors under its responsibility, ensuring compliance with the laws enacted, allocating resources and supervising the activities of the relevant sector.
National Consumer Service (SERNAC) Tel: +56 2 800 700 100 www.sernac.cl	The National Consumer Service (SERNAC) is the Chilean government entity in charge of protecting the consumer rights established by Law 19.496.

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Principal Regulatory and Promotion Bodies	Description
Superintendency of Electricity and Fuels (SEC) Tel: +56 2 600 6000 732 www.sec.cl	The Superintendency of Electricity and Fuels (SEC) is the body in charge of inspecting and supervising compliance with the legal and regulatory provisions and technical standards concerning the generation, production, storage, transportation and distribution of liquid fuels, gas and electricity, in order to ensure that the services provided to users is of the quality required by such provisions and technical standards and that neither the above-mentioned operations nor the use of energy resources endanger people or things.
National Geology and Mining Service (SERNAGEOMIN) Tel: +56 2 2482 5500 www.sernageomin.cl	The National Geology and Mining Service (SERNAGEOMIN) is a decentralized agency with legal status and its own assets. Its purpose is to give advice to the Ministry of Mines and contribute with the government programs in the development of mining and geological policies. Furthermore, it provides assistance to the State through the Ministry of Mines for inspection and training in mine safety, technical assistance and publications, in geology and mining matters, contributing towards the country's sustainable development with quality, through a professional and highly-skilled team, and satisfying the needs of the authorities, clients and beneficiaries.
Undersecretariat of Telecommunications Tel: +56 2 2588 8000 www.subtel.gob.cl	The Undersecretariat of Telecommunications is an agency accountable to the Ministry of Transportation and Telecommunications. It is in charge of coordinating, promoting, fostering and developing telecommunications in Chile, transforming this sector into a driver of the country's economic and social development motor.
Undersecretariat of Transportation Tel: +56 2 2421 3000 www.subtrans.gob.cl	The Undersecretariat of Transportation is the agency in charge of promoting the development of efficient, safe and sustainable transportation systems by defining policies and standards and by controlling their compliance, thus contributing to the country's territorial integration, favoring economic development and ensuring high-quality services for users.
Undersecretariat of Labor Tel: +56 2 2753 0400 www.subtrab.trabajo.gob.cl	The Undersecretariat of Labor is an agency attached to the Ministry of Labor and Social Security responsible for promoting employment and employability through the design, coordination and supervision of employment policies and programs, in order to facilitate the labor integration of employee.
Superintendency of Banking and Financial Institutions (SBIF) Tel: +56 2 2887 9200 www.sbif.cl	The Superintendency of Banking and Financial Institutions (SBIF) is an autonomous public entity in charge of supervising banking companies and other financial institutions, in order to protect depositors or other creditors as well as the public interest.

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Principal Regulatory and Promotion Bodies	Description
Superintendency of Pensions (SP) Tel: +56 2 2731 8153 www.safp.cl	The Superintendency of Pensions (SP) is the supervisory agency that represents the State in the Chilean pension system. It is an autonomous entity and its highest authority is the Superintendent. It relates with the Government through the Ministry of Labor and Social Security through the intermediary of the Undersecretariat of Social Security.
Superintendency of Securities and Insurance (SVS) Tel: +56 2 2617 4000 www.svs.cl	The Superintendency of Securities and Insurance (SVS) is mainly responsible for ensuring transparency in the markets it supervises through the prompt and wide distribution of the public information it holds, and for collaborating with the knowledge and education of investors, insurers and the general public. All these are essential elements for the development and proper operation of such markets.
Internal Revenue Service (SII) Tel: +56 2 2395 1115 www.sii.cl	The Internal Revenue Service (SII) is an agency accountable to the Ministry of Finance (MH) in charge of calculating and inspecting the taxes of the Central Government, except for customs taxes (such as Import Duties, the Sales and Services Tax on imports, among others) which are calculated and inspected by the National Customs Service (SNA).
Undersecretariat of Public Health (SSP) Tel: +56 2 2574 0100 web.minsal.cl	The mission of the Undersecretariat of Public Health (SSP) is to guarantee to all persons the right to health protection, performing the regulatory and supervisory duties incumbent upon the Chilean State. The purpose is to help improve the quality of public assets and access to sanitation-environmental policies in a participatory manner to allow for the sustained improvement of the health of the population, particularly the most vulnerable sectors, thus progressing towards the achievement of the decade's Sanitary Objectives.

Ministry of Foreign Affairs: General Directorate of International Economic Relations (DIRECON)

The General Directorate of International Economic Relations (DIRECON) is a public entity reporting to the Ministry of Foreign Affairs which is responsible for implementing and coordinating government policy in matters of International Economic Relations.

DIRECON was created on January 10, 1979 by Executive Order 53. Since its inception, its mission has been to execute the policy defined by the President of the Republic on economic relations with other countries, in addition to the duties entrusted to it by the executive order that created it, among them:

- Collaborate with the country's export development, within the context of the economic policy defined by the Supreme Government.
- Promote and negotiate international treaties and other agreements in economic matters.
- Participate in working groups, bilateral and multilateral negotiations, and other joint commissions in which Chile is involved.
- Evaluate, in all aspects, the participation of Chile in international trade and propose the appropriate measures.
- Organize public and private missions abroad; promote the visit of foreign trade missions, assist them with the scheduling of their activities and serve them during their stay in the country.
- Spread abroad the economic policy of the Supreme Government and propose the lines of action to be followed by Chilean missions abroad.
- Organize Chilean trade fairs abroad and organize or collaborate with the organization of international events.
- Provide technical information in matters under its responsibility.
- Make proposals to the public and private sectors for the optimal development of international markets.
- Continually disseminate information on Chilean products in the international market in order to create, expand or increase demand for such products under the best conditions.
- Ensure the faithful compliance with and observance of the laws, regulations and rules, as well as the international agreements executed by Chile with other countries in respect of the matters stated in the previous items.
- Perform all other duties delegated by the Ministry of Foreign Affairs to the General Directorate.

Contact information:

- Address: Teatinos 180, Santiago, Chile
- Tel: +56 2 282 75100
- Web: www.direcon.gob.cl

Ministry of Economy, Development and Tourism

The Ministry of Economy, Development and Tourism is the agency responsible for designing and monitoring the implementation of public policies that can boost the country’s competitiveness. Its main tasks include the design and promotion of Innovation and Entrepreneurship policies. It also works in the following areas: Digital Strategy, Tourism, Regulation and Fishing.

Its mission is to promote the modernization and competitiveness of the country’s production structure, the private initiative, the efficient operation of markets, the development of innovation and the consolidation of international economic integration to achieve a sustainable and equitable growth, through the formulation of policies, programs and instruments that can facilitate the activity of the country’s production units of the country and its corporate organizations and institutions concerned with the country’s production and technological development, both public and private, domestic and foreign.

Contact information:

- Address: Libertador Bernardo O'Higgins Avenue 1449, Santiago Downtown Torre II, Santiago de Chile
- Tel: +56 2 473 3400
- Fax: +56 2 473 3401
- Web: www.economia.gob.cl

PROCHILE

PROCHILE is the institution of the Ministry of Foreign Affairs of Chile in charge of promoting the export of products and services, while contributing to the dissemination of foreign investment and the development of tourism.

Contact information:

- Tel: +56 2 2827 5100
- Web: www.prochile.gob.cl

Santiago Chamber of Commerce (CCS)

The Santiago Chamber of Commerce (CCS) plays an important role in trade union matters, representing the concerns of its members before the Authority, actively participating in legislative matters deemed to be in the interest of its associates and companies nationwide.

CCS focuses on providing support to the country’s business development. To this end, it has an array of products and services basically designed to equip its associates –and businessmen in general– with the appropriate tools to improve their management work.

CCS covers five major areas of work:

- Information Services
- Application of Information Technologies
- Promotion of International Business
- Training of Human Resources
- Settlement of Commercial Disputes

Contact information:

- Address: Monjitas #392, Santiago de Chile
- Tel: +56 2 2360 7000
- Web: www.ccs.cl

National Institute of Statistics (INE)

The National Institute of Statistics (INE) a technical and independent agency, is a legal entity under public law, functionally decentralized body and having its own assets. It is charged with the official statistics and censuses of the Republic of Chile.

It has the following duties, among others:

- Carry out the process of collecting, technically producing, analyzing and publishing the official statistics.
- Evaluate the coordination of the statistics collection, classification and publication tasks performed by fiscal and semi-fiscal entities and State-run companies.
- Conduct the official censuses in accordance with international recommendations.
- Periodically conduct surveys in order to update the databases used for the different indexes, particularly the cost of living index.
- Approve and thus label as official the statistical data collected by the fiscal and semi-fiscal entities and State-run companies.
- Answer any statistics-related questions posed to INE.
- Evaluate, report on and propose any amendments to be made to the political, administrative and judicial division of the Republic of Chile and to the urban boundaries of the country's populations.
- Report on the creation of Vital Statistics Offices, public schools and police stations, according to population census or calculation results.
- Collect relevant information and prepare an inventory of the Nation's Economic Potential.

Contact information:

- Address: Presidente Bulnes Avenue 418, Santiago de Chile
- Tel: +56 2 2892 4000
- Fax: +56 2 2671 2169
- Web: www.ine.cl

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Colombia

Principal Regulatory and Promotion Bodies	Description
Central Bank of Colombia Tel: +571 343 1111 www.banrep.gov.co	Central Bank of Colombia is a unique government agency of Colombia with administrative, patrimonial and technical autonomy and performs central bank duties. It is responsible for adopting the political measures it deems necessary to regulate the liquidity of the economy and facilitate the regular operation of the payment system, ensuring the stability of currency value.
Ministry of Trade, Industry and Tourism Tel: +571 606 7676 www.mincit.gov.co	The Ministry of Trade, Industry and Tourism of Colombia is the agency in charge of supporting the business activity, the production of goods, services and technology, and tourism management in the different regions. Its primary objective, within its scope of responsibility, is to formulate, adopt, direct and coordinate the general policies for the economic and social development of the country, concerning competitiveness, integration and development of the production sectors of the industry, micro-enterprises, small and medium-sized enterprises, foreign trade in goods, services and technology, the promotion of foreign investment, domestic trade and tourism; and to implement the general foreign trade policies, plans, programs and projects.
Ministry of Labor Tel: +571 562 9300 www.mintrabajo.gov.co	The Ministry of Labor is part of the ministerial offices of the Executive Branch and is the head of the administrative or labor sector. Its main purpose is to formulate and adopt general policies, plans, projects and programs in labor matters nationwide. The National Training Service (SENA) the Special Administrative Unit of Solidarity Organizations, the Family Subsidy Superintendency are attached to the Ministry of Labor, and several state-run industrial and commercial companies are related to it.
Superintendency of Industry and Commerce Tel: +571 587 00 00 www.sic.gov.co	The Superintendency of Industry and Commerce protects consumer rights. It is responsible for enforcing compliance with the consumer and competition protection regulations, administering the national industrial property system, processing and deciding on the matters related to it, and learning and deciding on legal issues concerning consumer protection and unfair competition.
Ministry of Mines and Energy Tel: +571 220 0300 www.minminas.gov.co	The Ministry of Mines and Energy is responsible for directing, formulating and adopting the national policies concerning mining, hydrocarbons and energy infrastructure. The appointed Superintendent is the President of Colombia.

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Principal Regulatory and Promotion Bodies	Description
Colombian Geological Service Tel: +571 220 0200 www.sgc.gov.co	The Colombian Geological Service is responsible for performing basic and applied scientific research on the potential of subsoil resources; tracking and monitoring geological events; administering subsoil information; ensuring the safe management of nuclear and radioactive materials in the country; coordinating nuclear research projects, subject to the limitations established in the Colombian Constitution; and managing and using the Nation's nuclear reactor.
Commission for the Regulation of Communications Tel: +571 319 8300 www.crcom.gov.co	The Commission for the Regulation of Communications is an entity charged with the promotion of competition and investment through the creation of competitive markets in the Communications and Information Technology (CIT) sector, with a view to generating the conditions for the population to have access to the information society and its benefits.
Commission for the Regulation of Infrastructure and Transportation Tel: +571 595 3596 www.mintransporte.gov.co	The mission of the Commission for the Regulation of Infrastructure and Transportation is to design and define the economic regulation framework of the transportation and transportation infrastructure services to be applied when market failures occur, in order to promote efficiency and competition, control monopolies and prevent the abuse of dominant position.
Financial Superintendency of Colombia Tel: +571 594 0200 www.superfinanciera.gov.co	The Financial Superintendency of Colombia is the public entity in charge of supervising the Colombian financial and stock exchange systems in order to preserve their stability, safety and reliability, and to promote, organize and develop the securities market and the protection of investors, savers and insured persons.
National Directorate of Taxes and Customs Tel: +571 546 2200 www.dian.gov.co	It is a national technical Special Administrative Unit of the Colombian Government with legal status. It has budgetary and administrative autonomy and is attached to the Ministry of Finance and Public Credit.
Ministry of Health and Social Protection Tel: +571 595 3525 www.minsalud.gov.co	The Ministry of Health and Social Protection is in charge of directing the health and social protection system through health promotion policies, the prevention, treatment and rehabilitation of diseases, assurance, and inter-sector coordination for the development of policies on health determinants, under the principles of efficiency, universality, solidarity, equity, sustainability and quality, in order to contribute towards health improvement.

Ministry of foreign affairs

The Ministry of Foreign Affairs is the governing body of the Administrative Sector of Foreign Affairs and, under the supervision of the President of the Republic, is responsible for formulating, planning, coordinating, implementing and assessing Colombia's foreign policy, managing international relationships, and managing the foreign service of the Republic. Its aim is to promote the national interests through the geological and thematic strengthening and diversification of the foreign policy, and to promote the relationships with Colombian citizens abroad. Its strategic objectives are as follows:

- Create and take advantage of scenarios for Colombia's positioning into global dynamics and issues.
- Move forward in terms of effective incorporation into the integration and development axes
- Boost the immigration policy and strengthen citizen services
- Institutionally strengthen the Ministry
- Implement tools and models that will allow improving the efficacy, efficiency and effectiveness of the Comprehensive Management System
- Develop and strengthen the abilities, skills, and knowledge of the officials in order to achieve relevance, commitment and competitiveness with a view to facing the challenges and opportunities offered by the International System

Contact information:
- Address: Calle 10 # 5-51 Bogotá D.C., Colombia
- Tel: +571 381 4000
- Web: www.cancilleria.gov.co

Ministry of trade, industry and tourism

The Ministry of Trade, Industry and Tourism is the agency in charge of supporting the business activity, the production of goods, services and technology, and tourism management in the different regions. The current ministry is the result of the merger between the Ministries of Economic Development and Foreign Trade, carried out in 2002.

Its mission is to support the business activity, the production of goods, services and technology, and tourism management in the different regions, in order to enhance their competitiveness and sustainability and to encourage the generation of a higher added value, which will enable to consolidate their presence in the domestic and international markets, ensuring proper competition in the domestic market, to the benefit of consumers and tourists, thus helping improve the international positioning of Colombia and the quality of life of Colombian citizens.

The primary objective of the Ministry of Trade, Industry and Tourism is, within its scope of responsibility, to formulate, adopt, direct and coordinate the general policies for the economic and social development of the country, concerning competitiveness, integration and development of the production sectors of the industry, micro-enterprises, small and medium-sized enterprises, foreign trade in goods, services and technology, the promotion of foreign investment, domestic trade and tourism; and to implement the general foreign trade policies, plans, programs and projects.

Contact information:
- Tel: +571 606 7676
- Web: www.mincit.gov.co

PROCOLOMBIA

PROCOLOMBIA is the entity in charge of promoting international tourism, foreign investment and non-traditional exports in Colombia.

Through its national and international network of offices, it offers support and comprehensive advisory to clients through services or instruments aimed at facilitating the design and execution of its globalization strategy, which seeks to generate, develop and close business opportunities. It promotes international negotiations through:

- Identification of market opportunities
- Design of market penetration strategies
- Company globalization
- Support for action plan design.
- Contact among businesspersons through commercial promotion, investment and international tourism activities
- Specialized services for foreign businesspersons interested in acquiring Colombian goods and services or in investing in Colombia
- Alliances with national and international, private and public entities allowing for an increased availability of resources to support different business initiatives and enabling to promote the development and growth of the service portfolio

Contact information:

- Web: www.procolombia.co

Bogota Chamber of Commerce

The Bogota Chamber of Commerce is a private not-for-profit institution in charge of administering the commercial registries of companies and corporations organized in Bogota D.C. and, therefore, it represents the interests of the business sector and of the general society. It promotes economic growth in the city, promotes the competitiveness and the improvement of the quality of life of Bogota's citizens and businesspersons. Additionally, it provides certain formal character to the economic activity and strengthens business development.

Among the programs it develops with the District of Bogota are: Bogotá Emprende, Acercar Industria, Acercar Transporte and Concejo Cómo Vamos.

Contact information:

- Address: Eldorado Avenue No. 68D-35. Bogotá
- Tel: +571 383 0330
- Web: camara.ccb.org.co

National Institute of Statistics (INE)

The National Institute of Statistics (INE) is an articulated set of components that, in an organized and systematic manner, guarantees the production and dissemination of official statistics required by the country.

Contact information:

- Address: Carrera 59 No. 26-70 Interior I. Bogotá
- Tel: +571 597 8300
- Web: www.dane.gov.co

3 Mexico

Principal Regulatory and Promotion Bodies	Description
Bank of Mexico Tel: +52 55 5237 2000 www.banxico.org.mx	The main functions of Bank of Mexico, Mexico's central bank, include: providing Mexico its domestic currency (the Mexican Peso) developing and implementing monetary policy aimed principally at ensuring stability in the purchasing power of the Mexican Peso, promoting sound development of Mexico's financial system, and ensuring the correct functioning of the country's payment systems. In accordance with its Internal Regulations, Banco de México has the following roles: providing treasury services to the Federal Government and acting as the government's financial agent; advising the Federal Government on economic and particularly financial matters; participating as an active member of the International Monetary Fund (IMF) and other international financial cooperation organizations and organizations that bring together central banks from around the world; and working with other central banks and with foreign corporations that have roles as financial authorities in their home countries.
Under-Ministry for Industry and Commerce Tel: +52 55 5729 9100 www.gob.mx/se	Mexico's Under-Ministry for Industry and Commerce encourages sustainable economic development by establishing policies aimed at driving innovation, competitiveness, productivity and competition in a global setting. Based on the core directive, the Under-Ministry has articulated an industrial policy that has been created to bring increased productivity to Mexico. This industrial policy is based on five closely linked key priorities: to promote industry, to strengthen domestic markets, to promote innovation, to improve digitalization in companies, and to protect the economic welfare of Mexican families.
Ministry of Labor and Social Welfare Tel: +52 55 3000 2100 www.gob.mx/stps	The Ministry of Labor and Social Welfare, an agency of Mexico's executive branch, performs the activities it has been designated to perform under the Federal Public Administration Act, the Federal Labor Act, and any other of Mexico's laws, treaties, regulations, executive orders, agreements, and decrees issued by the President of Mexico. The main objective of this Ministry is to strengthen Mexico's labor policy following four guiding principles to ensure that Mexicans have access to quality employment opportunities with full benefits and rights through the democratization of the country's productivity, and full protection of the rights of workers and the rights of underprivileged individuals, while also guaranteeing that all citizens have access to the justice system to settle labor disputes. The Ministry performs all of it functions and it also promotes open social dialogue that is accountable in nature, and sensible and open to finding solutions and compromises that ensure the continuity of Mexico's productive processes and sources of employment as a means to ultimately ensure Mexico's economic growth and harmony among the participants of its labor market.

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Principal Regulatory and Promotion Bodies	Description
Under-Ministry for Foreign Trade Tel: +52 55 5729 9100 www.gob.mx/se	The Under-Ministry for Foreign Trade performs activities aimed at strengthening Mexico's integration and competitiveness in the global value chain by negotiating, signing, and executing foreign trade and investment treaties and agreements with the government of other countries.
Ministry of Energy Tel: +52 55 5000 60000 www.gob.mx/sener	The Ministry of Energy controls, manages, and regulates all of Mexico's energy sources (fossil fuels, electricity, and nuclear energy). It also regulates the concessions granted to private industry to ensure the full exploitation of these energy sources.
Mexican Agency of Geology (SGM) Tel: +52 77 1711 4266 www.gob.mx/sgm	The Mexican Agency of Geology (SGM) is a decentralized Federal agency that acts as a legally independent body which operates in terms of the Mining Act, following the policy developed for its sector by the Ministry of Economy through its General Bureau of Mines.
Federal Telecommunications Agency Tel: +52 55 5015 4000 www.ift.org.mx	The Federal Telecommunications Agency is an independent agency that aims at ensuring the efficient development of Mexico's broadcasting and telecommunications sector, in terms of the Mexican Constitution. To achieve this, the Agency regulates and oversees the use of Mexico's radio spectrum and the country's networks; it also oversees how public broadcasting and telecommunications services are provided in Mexico. The Agency is responsible for guaranteeing free access to infrastructure and other basic elements of the country's information and communication technologies, as well as broadcasting and telecommunications services, including the internet.
Ministry of Communications and Transportation (SCT) Tel: +52 55 5723 9300 www.gob.mx/sct	The Ministry of Communication and Transportation (SCT) manages, controls, and operates all existing and future means and methods of transportation and how these means and methods of transportation are used. The Ministry controls all frequencies of the radio spectrum and Mexico's Federal highways (including bridges, roads, etc.) The Ministry also oversees Mexico's mail and telegraph services.

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Principal Regulatory and Promotion Bodies	Description
Federal Labor Protection Agency Tel: +52 55 5998 2000 www.gob.mx/profedet	The Federal Labor Protection Agency is a decentralized agency of the Ministry of Labor and Social Welfare (STPS) and its mission is to protect the rights of all workers in labor disputes filed before the labor authorities by providing advice, arbitration services, and legal representation to workers.
National Banking and Securities Commission (CNVP) Tel: +52 55 1454 6000 www.gob.mx/cnbv	The mission of the National Banking and Securities Commission (CNVP) is to regulate and oversee entities that operate in Mexico's financial system in order to ensure stability and the proper functioning of this system, as well as to maintain and promote healthy and balanced development of this system as a whole.
Ministry of Finance and Public Credit Tel: +52 55 3688 1100 www.gob.mx/hacienda	The Ministry of Finance and Public Credit oversees all matters pertaining to the country's tax collection activities and its financial administration. The Ministry also conducts audits of the country's public spending and regulates and oversees Mexico's banking and securities sector.
Ministry of Health Tel: +52 55 5005 4000 www.gob.mx/salud	The Ministry of Health is the agency of the executive branch that is in charge of the health services provided to Mexicans. The Ministry also educates the public in health matters. In addition, it develops and executes vaccination campaigns and promotes public health programs. The Ministry is in charge of sustaining the country's public and private medical centers, and it controls the records of Mexico's healthcare outlets, its healthcare personnel, and those individuals who are affiliated with the Ministry's programs. Lastly, the Ministry regulates Mexico's food and beverages, and the country's catalogue of all over-the-counter and prescription medicines.

Secretariat of Foreign Affairs

The Mexican Secretariat of Foreign Affairs is the State Secretary responsible for managing Mexico's relations with other countries (including gathering foreign endorsements, engaging in diplomatic missions, and setting territorial limits). In addition, the Secretariat issues passports and naturalization certificates and it could be said to operate the country's entire Public Records system. The Secretariat promotes trade and tourism through the activities of the Ministry of Economy and the Secretariat of Tourism (SECTUR) respectively.

Contact Information:

- Address: Plaza Juárez #20, Col. Centro, Del. Cuauhtémoc. Distrito Federal
- Tel: +52 55 3686 5100
- Web: www.gob.mx/sre

Secretariat of Tourism (SECTUR)

The Mexican Secretariat of Tourism (SECTUR) is the State Secretary that according to Section 42 of the Federal Public Administration Act is in charge of functions related to the development of Mexico's tourism industry.

Contact information:

- Address: Presidente Masaryk Avenue 172, Col. Bosques de Chapultepec, Del. Miguel Hidalgo, Distrito Federal CP. 11580
- Tel: +52 55 3002 6300
- Web: www.gob.mx/sectur

PROMÉXICO

PROMÉXICO is responsible for promoting the attraction of direct foreign investments and the export of goods and services, as well as the globalization of Mexican companies, in order to contribute towards Mexico's economic and social development and the strengthening of Mexico's image as a strategic partner to do business.

Through its network of local and international offices, PROMEXICO provides comprehensive support and advice to its customers through services or tools designed to facilitate the creation and execution of internationalization strategies intended to generate, cultivate, and exploit business opportunities, and it also promotes the successful execution of international business deals..

Contact information:

- Dirección: Camino a Santa Teresa No. 1679, Col. Jardines del Pedregal, Del. Álvaro Obregón, C.P.01900, México, D.F.
- Tel: +52 55 5447 7000
- Web: www.promexico.gob.mx

Mexico City Chamber of Commerce

The Chamber of Commerce is a legally independent public interest organization that promotes the development of Mexico City's entrepreneurial sector and provides services to entrepreneurs in the trade, services, and tourism industries.

The Chamber of Commerce is a government consultation entity whose broad membership and level of representation give it the legitimacy it needs to credibly propose policies geared towards stimulating the development of companies in Mexico and preventing discriminatory actions by certain government authorities towards its members.

Contact information:

- Address: Paseo de la Reforma No. 42, Col. Centro, Delegación Cuauhtémoc, C.P. 06040. México D.F.
- Tel: +52 55 3685 2269
- Web: www.ccmexico.com.mx

National Institute of Statistics and Geography (INEGI)

The National Institute of Statistics and Geography (INEGI) is an independent agency of the Federal government that coordinates Mexico's National System for Statistical and Geographical Information. The Institute was created on January 25, 1983 as a result of a presidential order.

This Institute carries out Mexico's population census every ten years. It also performs an economic census every five years and an agricultural census as well. As of 1995, these censuses are performed every five years at the same time that the Institute conducts a population count, which an inter-censal estimate is created to update the results of the previous population census. The statistical information compiled by the Institute includes Mexico's monthly Gross Domestic Product (GDP) the results of consumer confidence surveys, business proportion samples, statistical data on occupations and employment, education, and family and domestic violence rates, as well as many other studies that strengthen the studies and projections performed by different government agencies.

Contact information:

- Address: Héroe de Nacozari Sur Avenue 2301, Fracc. Jardines del Parque, 20276, Aguas calientes, Ags., México.
- Web: www.inegi.org.mx

4 Peru

Principal Regulatory and Promotion Bodies	Description
Ministry of Foreign Affairs (Bureau of Economic Promotion - DPE) Tel: +51 1 204 3361 www.rree.gob.pe	The Bureau of Economic Promotion (DPE) is the entity of the Ministry of Foreign Affairs in charge of coordinating with missions abroad in an effort to promote Peru as a competent country for the provision of goods and services in international markets, besides positioning it as a recognized tourist destination worldwide, and a country with interesting business and investment opportunities in different economic sectors.
Central Reserve Bank of Peru (BCRP) Tel: +51 1 613 2000 www.bcrp.gob.pe	Central Reserve Bank of Peru or BCRP is an autonomous constitutional agency of the Peruvian Sate. The purpose of BCRP is to preserve currency stability. Its duties include regulating the amount of money, administrating international reserves, issuing notes and coins, and informing on national financial conditions.
Ministry of Foreign Trade and Tourism Tel: +51 1 513 6100 www.mincetur.gob.pe	The Ministry of Foreign Trade and Tourism defines, directs, executes, coordinates and supervises the foreign trade and tourism policy. It is responsible for the promotion of exports and international commercial negotiations, in coordination with the Ministry of Foreign Affairs and the Ministry of Economy and Finance and other Government sectors within their respective scope of responsibility. Likewise, it is in charge of regulating Foreign Trade.
Ministry of Labor and Employment Promotion Tel: +51 1 630 6000 www.mintra.gob.pe	The Ministry of Labor and Employment Promotion is the governing body in matters of development and evaluation of social and labor policies and promotion of employability and labor insertion, self-employment and decent work nationwide, thus guaranteeing compliance with the current labor regulations, the prevention and solution of conflicts, the improvement of work conditions and respect for the fundamental rights of the employee for progress of our companies to the benefit of the socioeconomic development of the country, within a democratic and social dialogue framework.
Lima Chamber of Commerce Tel: +51 1 463 3434 www.camaralima.org.pe	The main function of the Lima Chamber of Commerce is to promote the development of free enterprise seeking to protect legitimate rights and to facilitate business opportunities by providing assistance and services and driving its competeveness.

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Principal Regulatory and Promotion Bodies	Description
Ministry of Energy and Mines Tel: +51 1 411 1100 www.minem.gob.pe	The Ministry of Energy and Mines is the central governing body of the Energy and Mines Sector, and is part of the Executive Branch. Its purpose is to formulate and evaluate, in harmony with the general policy and Government plans, the policies of national scope in matters of sustainable development of mining and energy activities. It is also the competent authority in environmental matters related to mining and energy activities.
Institute of Geology, Mining and Metallurgy (INGEMMET) Tel: +51 1 618 9800 www.ingemmet.gob.pe	The Institute of Geology, Mining and Metallurgy (INGEMMET) is a Decentralized Technical Public Organization of the Energy and Mines Sector of Peru, under internal public law, with legal status and with technical, administrative and economic autonomy, focused on the achievement, storage, registration, processing, administration and efficient dissemination of geoscientific information and that related to basic geology, underground resources, geological risks and geoenvironment.
Ministry of Transportation and Communications (MTC) Tel: +51 1 615 7900 www.mtc.gob.pe	The Ministry of Transportation and Communications (MTC) is the body of the Government of Peru seeking to achieve a rational territory organization connected to resource, production, markets and populated areas, through regulation, promotion, execution and supervision of the transportation and communications infrastructure.
Supervisory Body for Private Investment in Telecommunications (OSIPTEL) Tel: +51 1 225 1313 www.osiptel.gob.pe	The Supervisory Body for Private Investment in Telecommunications (OSIPTEL) is a decentralized public entity in charge of the regulation and supervision of the public telecommunications services market, independently from operator companies. OSIPTEL is attached to the Office of the Prime Minister. It was created on July 11, 1991 by Legislative Order (Decreto Legislativo) 702 and started its activities with the installation of its first Board of Directors on January 26, 1994.
Superintendency of Banking, Insurance and Pension Fund Management Companies (SBS) Tel: +51 1 630 9000 www.sbs.gob.pe	The Superintendency of Banking, Insurance and Pension Fund Management Companies (SBS) is the body in charge of regulating and supervising the Financial, Insurance and Private Pension Systems, as well as preventing and detecting asset laundering and terrorism financing. Its primary objective is to protect the interests of depositors, insured people and the Private Pension System (SPP) affiliates.

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Principal Regulatory and Promotion Bodies	Description
National Superintendency of Customs and Tax Administration (SUNAT) Tel: +51 1 315 0730 +51 1 0 801 12 100 www.sunat.gob.pe	The National Superintendency of Customs and Tax Administration (SUNAT) is a specialized technical organization, attached to the Ministry of Economy and Finance (MEF). It is a legal entity under public law, with its own assets, and with functional, technical, economic, financial, budgetary and administrative autonomy. By virtue of Executive Order (Decreto Supremo) 061-2002-PCM issued pursuant to the provisions of Section 13, Subsection 13.1 of Law 27658, took over the National Customs Superintendency, assuming the functions, powers and duties that belonged to this entity by law.
Ministry of Health Tel: +51 1 315 6600 www.minsa.gob.pe	The Ministry of Health has the mission to protect personal dignity by promoting health, preventing illness and guaranteeing integral health care services for all inhabitants of the country; proposing and leading health policy guidelines in consensus with all public sectors and social actors.
General Directorate of Environmental Health (DIGESA) Tel: +51 1 442 8353 +51 1 631 4430 www.digesa.minsa.gob.pe	The General Directorate of Environmental Health (DIGESA) is the regulatory technical body in aspects related to basic sanitation, occupational health, food hygiene, zoonosis and environmental protection.
Environmental Evaluation and Control Agency (OEFA) Tel: +51 1 204 9900 www.oefa.gob.pe	The Environmental Evaluation and Control Agency (OEFA) as the governing body of the National Environmental Evaluation and Control System (SINEFA) is in charge of the evaluation, supervision and control of compliance with the environmental regulations nationwide, joining in a coordinate and transparent manner the efforts of the State and society, to ensure effective management and protection of the environment.
Ministry of the Environment (MINAM) Tel: +51 1 611 6000 www.minam.gob.pe	The Ministry of the Environment (MINAM) has the mission to promote the country's environmental sustainability by preserving, protecting, recovering and securing environmental conditions, ecosystems and natural resources.

Ministry of Foreign Affairs: General Bureau of Economic Promotion (DPE)

The General Bureau of Economic Promotion (DPE) is the body of the Ministry of Foreign Affairs (MMRREE) responsible for executing foreign policy actions in order to promote trade, investments and tourism abroad, in coordination with the competent public and private sectors. Moreover, it participates in negotiations within its scope of responsibility.

The main actions executed by the DPE include:

- Attention to requests
- Support to exporters, investors and travel agents
- Dissemination of opportunities
- Dissemination and/or organization of events
- Resolution of trade problems and impasses
- Support to commercial, investment and tourism missions

It is worth noting that the DPE maintains a quality management system certified with International Standard ISO 9001, thus reaffirming its commitment to provide services in line with high-quality standards.

List of Services Offered by DPE

Trade Promotion Services (PCO)

- Dissemination of business opportunities
- Dissemination of the export offer
- Support for solution of trade problems among companies
- Identification of business opportunities
- Support for trade missions and their participation in international fairs
- Support to exporters for solving trade impasses
- Organization of trade events

Investment Promotion Services (PIN)

- Participation in negotiations of Foreign Investment Promotion Agreements
- Dissemination of investment opportunities (national and regional governments and municipalities)
- Coordination of international investment promotion events (road shows, videoconferences, fairs and seminars)
- Preparation and coordination of the agenda for foreign business missions
- Dissemination of specialized investment information to foreign countries
- Support to investment and strategic alliances identification possibilities
- Dissemination of international public tenders and biddings called by national, public and private entities

Tourism Promotion Services (PTU)

- Dissemination of tourism offers
- Support to gastronomic events
- Dissemination of tourism material
- Support for tourism promotion fairs abroad
- Support for agendas involved in the promotion of tourism
- Promotion and negotiation of tourism agreements
- Dissemination of tourism information obtained by missions abroad
- Support in the dissemination of events organized by the tourism and gastronomy sectors

Contact information:

- Ricardo V. Luna Mendoza
  Minister of Foreign Affairs

- Silvia Alfaro Espinoza
  Ambassador
  General Director of Economic Promotion
  Tel: +51 1 204 3360 / +51 1 204 3361
  Email: salfaro@rree.gob.pe

- Francisco Rivarola Rubio
  Ambassador
  Director of Tourism Promotion
  General Directorate of Economic Promotion
  Tel: +51 1 204 3391 / +51 1 204 3392
  Email: frivarola@rree.gob.pe

- Ítalo Acha Puertas
  Minister
  Director of Investment Promotion
  General Directorate of Economic Promotion
  Tel: +51 1 204 3384 / +51 1 204 3385
  Email: iacha@rree.gob.pe

- Rafael Suárez Peña
  Minister-Counselor
  Director of Commercial Promotion
  General Directorate of Economic Promotion
  Tel: +51 1 204 3368 / +51 1 204 3369
  Email: osuarez@rree.gob.pe

- Luis Quesada Incháustegui
  Ambassador
  General Director of Economic Affairs
  Tel: +51 1 204 3162
  Email: lquesada@rree.gob.pe

- Jorge Félix Rubio Correa
  Minister
  Director of Integration
  General Directorate of Economic Affairs
  Tel: +51 1 204 3168 / +51 1 204 3169
  Email: jrubio@rree.gob.pe

- Address: Jr. Lampa 545, Piso 10 - Lima 1
- Tel: +51 1 204 3361 / +51 1 204 3365 (DPE)
  +51 1 204 3369 (PCO)
  +51 1 204 3385 (PIN)
  +51 1 204 3392 (PTU)
- Email: dpe@rree.gob.pe
- Web: www.rree.gob.pe
  (This portal has a list of decentralized offices in Tumbes, Piura, Iquitos, Arequipa, Cusco, Puno and Tacna)

Ministry of Foreign Trade and Tourism (MINCETUR) and PromPerú

The Ministry of Foreign Trade and Tourism (MINCETUR) defines, directs, executes, coordinates and supervises the foreign trade and tourism policy. It is responsible for promoting exports and international trade negotiations, in coordination with the Ministry of Foreign Affairs (MMRREE) the Ministry of Economy and Finance (MEF) and all other Government sectors within their scope of responsibility. Likewise, it is in charge of regulating Foreign Trade. The Minister of Foreign Trade and Tourism directs the international trade negotiations of the Peruvian State and is authorized to execute agreements within his/her scope of responsibility. In tourism matters, the Minister promotes, guides and regulates the tourism activity in order to drive its sustainable development, including the promotion, guidance and regulation of Peruvian crafts.

Contact information:

- Eduardo Ferreyros
  Minister

  Address: Calle Uno Oeste 050 Urb. Córpac,
  San Isidro
  Tel: +51 1 513 6100
  Web: www.mincetur.gob.pe

Commission for the Promotion of Peruvian Exports and Tourism (PromPerú)

PromPerú is an entity reporting to the Ministry of Foreign Trade and Tourism (MINCETUR) of Peru in charge of developing strategies to position an integrated and attractive image of Peru that will enable to develop domestic tourism and promote it worldwide as a privileged destination for inbound tourism and investment. It also promotes the exports made by Peru.

- **Objectives and guidelines:**

  - Design, coordinate, set up, and execute policies and actions designed to promote Peru's image abroad, and to promote its export products
  - Manage and channel the international technical and financial cooperation for the performance of their duties

- Participate in the strategic planning of export promotion, according to the provisions of Executive Order
- Participate in the design, coordination and execution of strategic planning for investment promotion, in coordination with competent entities
- Design, coordinate, set up, and execute actions intended for promotion of inbound tourism to Peru and internal tourism in Peru
- Manage and channel international technical and financial cooperation for promotion of tourism in Peru

Contact information:

- Address:
  - Export Office: República de Panamá Avenue 3647, San Isidro - Lima, Perú
  - Tourism Office and General Secretariat: Calle Uno Oeste 50, Edificio Mincetur, Pisos 13 y 14, San Isidro - Lima, Perú
- Tel: +51 1 616 7400 (Export Office)
  +51 1 616 7300 (Tourism Office and General Secretariat)
  +51 1 616 7300 / +51 1 616 7400
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- Web: www.promperu.gob.pe

Private Promotion Investment Agency (ProInversión)

The Private Promotion Investment Agency (ProInversión) is a Peruvian public entity attached to the Ministry of Economy and Finance (MEF) in charge of executing the national private investment promotion policy. It was created after the merger between COPRI, CONITE and PROMPERÚ Economic Promotion Management.

The mission of ProInversión is to promote investment with agents under a private regime, with the purpose of boosting Peru's competitiveness and sustainable development to improve the wellbeing of the population.

ProInversión provides information to potential investors so they will learn how to establish a company in Peru, identify sectorial investment opportunities, get to know the processes of public-private associations, among others.

Contact information:

- Álvaro Quijandría Fernández
  Executive Director

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  - Piura: Calle Palma de Monte Mz. 0 Lote 3, Urb. Los Cocos de Chipe, Piura
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    Fax: +51 73 310 081

National Institute of Statistics and Information (INEI)

The National Institute of Statistics and Information (INEI) produces and disseminates official statistics information needed by the country with the required quality, timeliness and coverage, in order to contribute to the design, monitoring and evaluation of public policies and the decision-making process of the socioeconomic agents, the public sector and the community in general.

Contact information:

- Víctor Aníbal Sánchez Aguilar
  Head of INEI

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  0 800 44 070
  Web: www.inei.gob.pe

National Confederation of Private Entrepreneurial Institutions (CONFIEP)

The National Confederation of Private Entrepreneurial Institutions (CONFIEP) is an institution that brings together and represents Peruvian private business activities within Peru and abroad. Its main objective is to contribute to the sustainable economic growth process, based on investment and employment promotion through individual initiatives, dissemination of the company and private property.

- **Objectives and Guidelines:**

  - Business Unit: Strengthen the union among Peruvian businesspersons to build a system in which the freedom of enterprise and the market economy are the distinguishing features.
  - Representation: Act as the principal spokesperson for national businesspersons before the State, and public and private forums.
  - Services: Promote further communication and inter-sectorial coordination, support, back up and provide advice to businesspersons.

Contact information:

- Roque Benavides
  President

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  Fax: +51 1 415 2566
  Web: www.confiep.org.pe

Peruvian Foreign Trade Association (ComexPerú)

ComexPerú is the private trade association that groups the leading companies related to foreign trade in Peru. Its main purpose is to contribute to improve competitiveness conditions, within a free market environment, that will make Peru an attractive destination for private investment..

▸ **Objectives and Guidelines:**

- Promote the development of foreign trade
- Defend free market
- Encourage private investment

Contact information:

▸ Jessica Luna Cárdenas
General Manager

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inPERU

The official announcement of the creation of inPERU was made on January 11, 2012. InPERU is a non-profit corporation which purpose is to promote investments towards Peru in the main international financial markets, seeking an exchange of better practices and, in general, making Peru known as a destination with diverse investment opportunities. inPERU includes the following private sector institutions as founders: Lima Stock Exchange (BVL) Cavali, Private Pension Fund Management Association (AAFP) Peruvian Banking Association (ASBANC) Procapitales, Peruvian Finance Association (APEF) National Confederation of Private Entrepreneurial Institutions (CONFIEP) and the Peruvian Association of Insurance Companies (APESEG). Likewise, it has the support of the Peruvian Estate, through the Ministry of Economy and Finance (MEF), Central Reserve Bank of Peru (BCRP), the Superintendency of Banking, Insurance and Private Pension Fund Management Companies (SBS), the Securities Market Superintendency (SMV), the Private Promotion Investment Agency (ProInversión) and the Commission for the Promotion of Peruvian Exports and Tourism (PromPerú).

During the year 2016, inPERU organized roadshows for promoting Peru in New York, London, and Madrid. At the end of May 2017, inPERU organized roadshows in Toronto and New York.

Contact information:

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President

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Lima Chamber of Commerce (CCL)

The Lima Chamber of Commerce (CCL) has exercised for 129 years the representation and defense of the interests of the entrepreneurial community before the authorities of the country and national and international entities. In this sense, it promotes the market and free enterprise with social responsibility, and loyal and straightforward competition within a set of values and ethical principles, promoting internal and external trade and good commercial practices.

It is a strategic partner of the State and cooperates to ensure that the legal regulations and other provisions promote national social and economic prosperity, assuming the initiative of its proposal and performing the activities the State has decided to assign. It seeks to achieve the closest relationship among all organizations representing business activities and cooperation for national and international development, supporting in productive decentralization. Additionally, it reconciles interests and administers arbitrations in an accessible and democratic manner among companies or businesspersons, achieving rapid and friendly agreement.

It shares the environmental concern of its community and the world. Therefore, it leads by example, through the implementation of sustainable eco-efficient practices in its place of work and activities. Likewise, it supports the pathway to making Peru a first-world country, promoting research, assessment and, in general, any other entity that contributes to development, conducting education practices for entrepreneurial activity. In this regard, it provides quality services certified under the international 9001standards demanded by its associates and the business community.

The mission of the Lima Chamber of Commerce (CCL) is to promote the development of free enterprise seeking to respect its legitimate rights, facilitating business opportunities, providing assistance and services and promoting competitiveness.

The vision of the Lima Chamber of Commerce (CCL) is to be the leading entrepreneurial trade association of the country, respected by society and a benchmark of entrepreneurial opinion.

The Lima Chamber of Commerce (CCL) groups over 14,000 associated businesses among which is the Chamber of Commerce, Production and Services -Perucámaras, which likewise groups the 63 Chambers and Associations.

Contact information:

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  President

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National Association of Industries (SNI)

The National Association of Industries (SNI) is the institution that groups the private industrial companies of Peru. It is a private-law legal entity that does not seek commercial purposes.

SNI is currently made up of more than 1,000 companies of the country's industrial sector, representing 90% of Gross Value of National Production. It is worth mentioning that 16% of the Gross Domestic Product (GDP) of Peru is composed of the contributions of the industrial sector.

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  President
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  General Manager

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Asociación de Exportadores del Perú - ADEX

La Asociación de Exportadores (ADEX) es una institución empresarial fundada en 1973 para representar y prestar servicios a sus asociados: exportadores, importadores y prestadores de servicios al comercio. Es un gremio constituido por empresas grandes, medianas y pequeñas que tienen como denominador común la visión de alcanzar objetivos empresariales ambiciosos.

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  President

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Exhibits

Embassies and consulates of the member countries of the Pacific Alliance

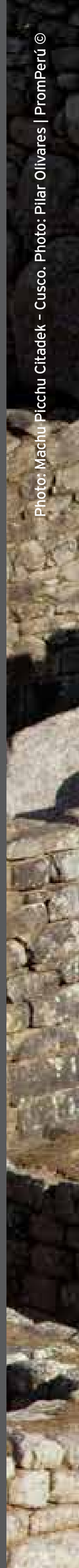

Photo: Machu Picchu Citadek - Cusco. Photo: Pilar Olivares | PromPerú ©

1 Chile

Colombia

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Exhibits

EY business and investment promotion services

Photo: Gold Museum, Bogotá. Photo: Jimmy Rengifo ©

Building a better working world

EY is the leading business advisory firm in Peru, assisting companies through its Advisory, Assurance, Tax, Transactions & Corporate Finance, and Financial Industry Advisory Services.

At EY, we focus on helping our clients achieve their business potential, assisting them in growing and improving their management. Our global network of professionals will aid our clients in finding financial, strategic and operating alternatives to enhance their liquidity, financial flexibility and performance. We will assist our clients in developing a sustainable growth, both in the short and long terms.

Our approach is based on combining leading practices, methodologies, and innovative thinking, adapting and renewing our services on a client-by-client basis. Not all companies are the same and changes have a different impact on each of them. High-performing companies know that confidence breeds success. That is why an increasing number of companies in Peru choose to work with EY.

Tangible benefits and real value

- **Market leaders**
  We provide services to 90% of the 100 largest Peruvian companies and audit seven of the top ten Peruvian economic groups.
- **We support and are committed to serving emerging and expanding businesses**
  We have offices in the northern and southern regions of the country, which allows us to serve the emerging and expanding companies located there.
- **Exceptional leaders working as a team**
  We have presence in 140 countries around the world and, in Peru, we have a team of 1400 professionals led by 76 leading executives.
- **We are committed to the country's growth**
  We publish and share our studies and publications for free through our EY Online Library.
- **We are opinion leaders**
  Our partners and main managers actively participate as spokespersons in the country's leading business media and as lecturers in diverse events.

For further information, visit:

- **www.eychile.cl**
- **www.ey.com/co**
- **www.ey.com/mx**
- **www.ey.com/pe**

1 Advisory

We help our clients solve the most complex industry issues and enhance the business environment. Our focus on risk mitigation and on performance improvement gives us an in-depth understanding of their challenges and opportunities, so that we can lead them towards the achievement of tangible results that boost, optimize and protect their companies.

Strategy services

a. Strategic planning and management indicators

- Strategic planning
- Definition of mission / vision
- Definition of project portfolio
- Balanced Scorecard (BSC)
- Setting of goals and organizational indicators
- Dissemination of target KPIs and priorities

b. Corporate governance and sustainability

- Diagnosis
- Implementation and improvement of good practices
- Corporate social responsibility
- Climate change and sustainability
- Adoption of governance pillars: strategy, control, shareholders, information and sustainability

Technology services

a. Real benefits of data processing

- ERP implementation and support (CRM, SCM, BI, SOD)
- Definition of IT governance model
- IT cost optimization/performance evaluation
- Design of the IT area
- Data quality diagnosis
- Software selection
- Data analytics / data quality
- Cloud solutions
- Support in the execution and control of the project

b. Information security

- Analysis and implementation of access roles in information systems
- Security evaluation, design and implementation in information systems (ERP security) and in computer infrastructure
- Segregation of duties (SoD) diagnosis and design
- Application vulnerability analysis

Talent advisory services

a. Leadership strengthening and talent management

- HR analytics
- Hire2retire cycle management
- Special job induction plans
- Career plans by job position and key personnel
- Learning maps for skills development
- Succession plans
- Area goal setting and measurement
- Applications that support human resources management

Process advisory services

a. Operational performance improvement

- Cost reduction
- Cost / benefit design
- Management control (KPIs)
- Finance analytics
- Design of cost models (cost center and ABC costs)
- Process redesign
- Business model redesign

b. Revenue improvement

- Revenue assurance and improvement
- Customer segmentation
- Customer analytics
- Business intelligence
- Pricing models
- Customer experience improvement
- Design of customer relationship management model (CRM)

c. Supply chain management

- Demand planning
- Design of networks, distribution centers and warehouses
- Sales and operation planning
- Strategic sourcing
- Optimization of stocks, raw materials and finished products
- Optimization of production chain
- Supply chain management (SCM) improvement

Risk management

a. Internal audit

- Internal audit co-sourcing
- Internal audit outsourcing
- Evaluation of internal audit quality according to the Institute of Internal Auditors' international standards
- Strengthening of the internal audit function

b. Risk management

- Efficiency in IT process and risk management
- COSO-based internal control
- Comprehensive risk management (enterprise risk management, contract risk services, etc.)
- Risk management in processes and projects
- Credit, liquidity, market and operational risk assessment
- Evaluation of management controls and tools
- Efficiency in asset management and control and in fixed asset componentization

c. Regulatory management

- Regulation compliance audit
- Adaptation to the data protect act
- Compliance with and adaptation to the Sarbanes-Oxley (SOX) Act
- Advisory on adaptation to FATCA regulations
- Advisory on electronic invoicing
- Advisory on adaptation to the regulations on negotiable invoices
- Systems auditing (COBIT-ISO27000-ITIL)
- SSAE16 review (outsourced services report)

Assurance

At EY, we contribute local and international capacity and experience to our audits. We assist companies in guaranteeing the quality and completeness of their financial information in order to reassure the market about the transparency and veracity of such information, in accordance with the applicable accounting standards.

We create value for their business by building confidence in the quality and adequacy of their financial and non-financial information, thus allowing for a proper decision-making.

Assurance services

a. Financial statement audit and special reviews

- Financial statement audit
- Internal control audit
- Special reviews for companies that will undergo an audit for the first time or that are planning to issue shares or bonds in the market
- Special reviews to improve processes and controls
- Advice on the implementation and/or review of controls, according to international criteria
- Special reports: money laundering, market consistent embedded value, actuarial calculations

b. Advisory on the International Financial Reporting Standards (IFRS)

- Diagnosis for IFRS implementation and support in the IFRS conversion process
- Review of the processes and controls required to apply the IFRS
- Review of the criteria and results of IFRS application
- Training and refresher courses on IFRS
- Technical reports on IFRS application
- Technical support in regulatory reviews of accounting and financial aspects
- Advice on specialized topics: derivatives, determination of adjustments for purchases, valuations, concessions

c. Auditing and review of sustainability reports

- Review of financial and non-financial aspects
- Advisory on risk identification, controls and monitoring activities for the preparation of sustainability reports

d. Financial due diligence

- Review of financial statements to determine adjustments and/or risk areas in purchase/sale processes
- Valuation of the company to be sold or acquired
- Evaluation of the procedures, systems and controls involved in the preparation of the financial information
- Analysis of financial structures and their accounting and tax effects

e. Fraud prevention and investigation of dispute resolution

- Fraud prevention
- Fraud investigation
- Support for the settlement of disputes, litigation and arbitration proceedings: expert evidence
- Data analysis for identification of unusual trends
- Administration of reporting lines / handling of complaints (Confidential Complaint Systems)
- Corporate and ethical compliance programs
- Advice and evaluation of compliance with the regulation of anti-corruption practices (FCPA/ UKBA)
- Advice and evaluation of compliance with the Money Laundering and Terrorism Financing Prevention Act

3

Tax

EY Tax Advisory services help companies adequately comply with the tax, customs and labor obligations inherent in their activities, minimizing tax risks within a context of constant regulatory changes that require a complex implementation.

We assist companies in all stages of the "Tax Life Cycle", which ranges from the understanding and planning of operations to the monitoring of compliance with their obligations. Furthermore, we accompany them during the audit actions taken by the respective Administrative Authority, offering support during any litigation that may arise.

Tax advisory services

a. Tax advisory

- Ongoing tax consulting
- Tax planning
- Advisory in audit processes
- Sector taxation
- Advisory on corporate reorganizations, mergers and others

b. Tax compliance

- Review of tax returns on Income Tax (IT) Value Added Tax (VAT) Temporary Tax on Net Assets (ITAN) and other applicable taxes
- Advisory on evaluation, improvement and monitoring of tax processes
- Tax reporting
- Analysis of tax implications related to IFRS implementation
- Support in the auditing processes started by the Tax Administration

c. Transfer pricing

- Compliance
- Consulting and strategic planning
- Disputes

d. Individual labor and tax advisory

- Labor, tax-labor and social security law
- Compliance in labor and tax-labor matters
- Taxation of individuals
- Analysis and immigration procedures from and to other countries
- Labor inspections and labor-related judicial proceedings

e. Legal services

- Design and planning of contractual and corporate structures, as well as corporate reorganizations
- Negotiation and drafting of business acquisition contracts
- Advisory on compliance with regulatory obligations and with personal data protection regulations
- Advisory on participation in processes for private investment in infrastructure

f. Customs and indirect taxes

- Consulting in customs and customs taxation
- Advisory and management in customs audit processes, performance of preventive diagnoses and reviews, and non-contentious and contentious proceedings
- Implementation of customs advantages, planning, taking advantage of trade agreements, compliance with rules of origin, customs valuation studies
- Advisory on implementation of mechanisms on balances owed to the exporter, early and final refunds and recovery of VAT, recovery of VAT withholdings and reverse withholdings
- Analysis of the nature of services such as technical assistance and processes related to their certification for income tax purposes in the case of non-domiciled parties

g. International taxation

- Advisory related to the incorporation of the most efficient legal vehicle from a tax perspective, the capitalization or financing of the operations, the repatriation of foreign currency, and an efficient final management of supply chains
- Advisory related to the efficient structuring of the international businesses of economic groups
- Identification of the most advisable jurisdictions to establish holding companies or financial companies
- Application of double taxation avoidance agreements

h. Tax litigation

- Contentious tax proceedings with the National Superintendency of Customs and Tax Administration (SUNAT) regulatory bodies, municipalities and the Tax Court (claims, appeals, complaints and oral reports)
- Judicial proceedings on tax matters with the Judiciary (contentious administrative proceedings, legality control proceedings) and the Constitutional Court (amparo, compliance and unconstitutionality proceedings)
- Refund and compensation proceedings
- Preparation of expert reports and agreed proceedings to be incorporated in and support the defense
- Preparation of contingency diagnosis reports
- Specific design of defense strategies
- Participation in the substantiation of oral reports before the Tax Court, the Judiciary and the Constitutional Court
- Validation of the proper disclosure in the financial statements of the tax contingencies related to tax proceedings and processes

i. Taxes on transactions

- Advisory on pre-transaction structuring
- Advisory on the optimization of tax benefits in the financing of the transaction
- Evaluation of tax modeling in the projected cash flows of the transaction
- Tax, customs, labor and transfer pricing due diligence

j. Accounting, tax, management and payroll processing outsourcing

- Accounting processing
- Statutory reports
- Tax compliance
- Payroll processing
- Personnel management

k. Executive training program

- Tailored training on tax, customs, legal, labor and financial-accounting matters

4 Transactions & Corporate Finance

The management of Transactions & Corporate Finance requires making the right decisions on how to manage capital strategically in a changing world with limited resources and restricted time. EY has a specialized team that helps organizations evaluate investment opportunities according to the Capital Agenda, in order to carry out efficient transactions and achieve their strategic goals.

We can advise you on the search for the right strategy for your company in merger and acquisition processes, the identification of synergies, support in financial modeling, and measurement of the transaction implications, so that your business is more competitive and profitable, and so it grows faster.

Transactions & Corporate Finance Services

a. Mergers and acquisitions

- Valuation of the target company (buy side or sell side)
- Advisory on identification of targets and buyers with a special emphasis on the identification of synergies that enable to add value to the transaction
- Preparation of Teasers and Information Memoranda
- Management of proposal outlines and binding proposals
- Accompaniment in negotiations with potential buyers and/or sellers
- Advisory on purchase/sales agreements and on the negotiation of the terms and conditions to close the transaction

b. Financial valuation and modeling

- Valuation of companies and businesses, tangible and intangible assets, derivatives and compound assets
- Fairness opinion: Independent opinion on the fair value of companies and assets
- Business Modeling: Design, structuring and review of valuation methods
- Purchase Price Allocation (PPA): Valuation of individual net assets and allocation of purchase prices within the framework of business combination transactions

c. Structuring of debt and equity instruments

- Advisory on fixed income and equity issuance programs
- Financial modeling of the optimal structure of the instrument
- Advisory on capital raising processes
- Design of structured financing alternatives (securitization of product flows)
- Review of the legal aspects of the transaction
- Accompaniment during entry to the capital market - IPO Readiness

d. Project finance and public-private partnerships (APP)

- Development of feasibility studies
- Preparation of financial modeling
- Risk analysis and mitigation
- Advisory on the definition of the optimal financing structure
- Support in the negotiation with potential financiers
- Design of optimal structuring models (tax and financial)
- Review and analysis of public and private projects

e. Working capital management

- Diagnosis, design and implementation of a comprehensive strategy
- Quantification of the improvement opportunity in the three main working capital components
- Quantification of the release of cash and increased profitability of the business
- Determination of policies for suppliers and implementation of best practices for working capital management

f. Operational transaction services – OTS

- Preparation and support in carve-out and integration processes
- Identification and materialization of synergies identified
- "Day One" diagnosis and "First 100 Days" plan in integration processes
- Support in business continuity management

g. Financial, accounting, tax, labor and legal due diligence

- Conduction of comprehensive due diligence: financial, accounting, tax, labor and legal
- Evaluation of financial statements and application of good financial, accounting, tax, labor and legal practices
- Analysis of EBITDA adjustment - Identification of the key financial factors likely to affect the determination of the transaction price
- Quantification of contingencies identified
- Analysis of the calculation of price adjustments for closing the transactions
- Review of the financial model

h. Commercial due diligence

- Performance of a pre-sale diagnosis for the competitive sustainability of the target's goods and services
- Evaluation of the stability and growth of the customer base
- Assistance in the evaluation of the competitive environment, supply and demand of the company's goods and services
- Evaluation of key suppliers and distributors as part of the target's business
- Assistance in takeovers for integration and carve-out processes

i. Operational due diligence

- Determination of the operational and IT deficiencies on the target
- Understanding of integration risks and costs
- Identification of priority areas for a proper integration planning
- Identification of synergies
- Understanding of the ongoing systems, including basic software and hardware and applications developed by internal personnel
- Understanding of the processes for risk and information security management.

j. Tax structuring

- Advisory on pre-transaction structuring to identify options that increase the transaction's value: tax cost reduction and design of exit strategies
- Advisory on the optimization of tax benefits in the financing of the transaction
- Structuring of transactions for the optimization of tax benefits
- Evaluation of tax modeling in the projected cash flows of the transaction

5 Financial Services Office (FSO)

Our vision guarantees the most complete value proposal in the business transformation area for the Financial Industry. We support in aligning your strategy, organization, processes and technology to achieve results that surpass your expectations.

Advisory services for the financial industry

a. Business transformation

- Digital transformation
- Diagnosis and design of innovation and growth strategies
- Innovation in customer experience and relationship
- Optimization of distribution, products and channels
- Customer experience improvement
- Distribution management

b. Value for the customer

- Revenue assurance and improvement
- Cost reduction and performance improvement
- Structural reform, and reform of operating business models and support areas
- Improvement of the customer acquisition process
- Advisory on claims
- Connection of the business with technology
- Core business redesign
- Transformation of retail and wholesale banking and capital markets
- IT transformation: Efficient integration of processes and technology
- Improvement of supply chain and supplier management
- Advisory and transformation of policies and products
- Advisory and transformation of general, life and health insurance
- Business transformation (front, middle and back office)

c. Company protection

- Governance, risk and control
- Internal audit and SOX
- Cyber risk management
- Actuarial services
- Business continuity and information security management
- Systems audit
- Management of regulations and compliance
- Integrated tests and internal control transformation

d. Financial performance and risks

- Treasury services and liquidity risk management
- CCAR - capital adequacy and stress testing
- Structured finance
- Economic and regulatory capital
- Transformation of the integrated risk management
- Profitability and cost optimization
- Commercial optimization
- Credit and market risk management
- Planning and improvement of financial risk performance
- Advisory on compliance
- Financial, risk and reporting improvement
- Regulatory reports

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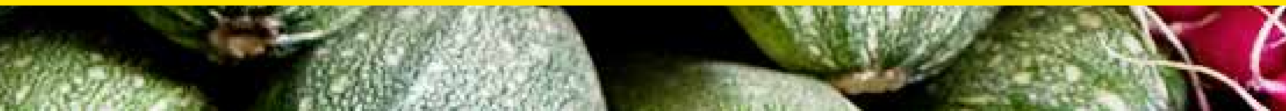

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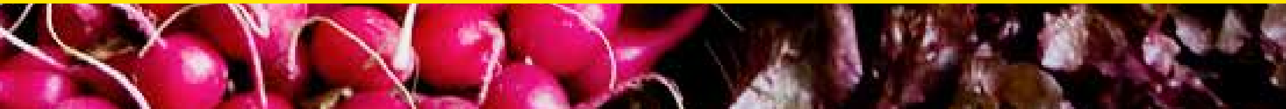

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