Pacific Alliance Business and Investment Guide

2015 / 2016

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el Dorado investments

Alianza del Pacífico

EY Building a better working world

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Introduction

Humberto Astete Miranda
Partner, Tax Services
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Building a better working world

The Pacific Alliance, formed by Chile, Colombia, Mexico and Peru, is one of the most relevant efforts towards regional integration that has been seen in recent decades. Its objectives are directed at facilitating the liberalization of the exchange of goods and services, free circulation of people and capitals, as well as fostering the mechanisms for cooperation between the member countries.

Considered an economic unit, the Pacific Alliance is the eighth economy in the world, contributing more than 38% of the Gross Domestic Product (GDP) of Latin America and the Caribbean. It has a joint population of more than 214 million people, and it is expected that as a block it will rank as the fourth contributor to the world's growth in the next five years. The Pacific Alliance offers relevant competitive advantages and a wide network of trade agreements that involve the most highly developed economies in the world, with a clear focus on the Asia-Pacific region.

The common denominator among the Pacific Alliance's member countries is an open-door policy towards 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 and it is no accident that they occupy the top four places in the country investment grade ranking for Latin America, as well as showing a growing rate, on average, that is double the annual average in Latin America. The average Gross Domestic Product (GDP) per capita in the Pacific Alliance is close to US$16,500 measured in purchasing power parity, or PPP. Given that the most part of its population is young, it is a market that is constantly growing and has a demographic dividend majority in its joint population structure that, consequently, provides a potential for productivity and production, consumption, savings and investment capacity.

As a result, the EY offices in Chile, Colombia, Mexico and Peru have made a joint effort to put together this Business and Investment Guide to the Pacific Alliance countries. It is an initiative to support the investor and business entrepreneur, providing key information on the current economic and business situation of the member countries as well as specific information on legal, tax, and labor matters, the setting up of companies and compliance with financial reporting laws, and everything that the investor should know at the time of making their investment decisions. It also includes a directory of embassies and general consulates, and the principal regulatory and investment promotion institutions of each of the member countries, as well as other contacts of interest to the investor.

Contents

Words from the Minister of Foreign Affairs

Gonzalo Gutierrez Reinel
Minister of Foreign Affairs

Ministry of Foreign Affairs
Peru

It is a privilege to be able to present this Business and Investment Guide of the Pacific Alliance, which is the result of the Agreement on Inter-institutional Cooperation signed between the Ministry of Foreign Affairs of Peru and EY Peru, and which Peru's Ministry of Foreign Affairs enthusiastically places at the service of the Pacific Alliance.

This Guide aims to become an accessible tool to promote the Pacific Alliance, placing in the hands of the business community in our countries and in the world, information on the economy, trade, the tax and labor laws, among other relevant aspects, of each of the member countries of the Pacific Alliance, and which has been rigorously compiled and updated by EY.

Peru is convinced that the free circulation of goods, services, capitals and people, one of the Pacific Alliance's central objectives, is an important factor to promote trade and thereby strengthen the development of our countries, with social inclusion. The role of businesses, from micro and small businesses to the large corporations, is fundamental in achieving this objective, since their performance and projection is essential to strengthen our integration process. Here, I would like to also highlight the fruitful link that exists between our Governments and the private sector, which is made apparent in the Business Council of the Pacific Alliance.

Growth with social inclusion requires not only good public policies but also an adequate international integration, for which knowledge and the access to information by our trade partners and the world's economic agents is of vital importance. This Guide offers a comprehensive view of the economic situation as well as of the business conditions and climate in our member countries, which will surely contribute to helping its users to form a clear criterion of the business and investment opportunities that the Pacific Alliance offers them, in our countries and as a joint projection to the world.

You can find this Pacific Alliance Business and Investment Guide through the following QR:

http://is-gd/RREE_Comience_a_Invertir

The Pacific Alliance:

A communion of regional affinities and integration

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. This constitutes a willing commitment to an in-depth integration on the part of the member countries towards the free circulation of goods, services, capitals and people by facilitating trade and customs cooperation. This will drive greater growth, and create jobs, development and competitiveness in the member economies in order to foster greater prosperity, overcome the socioeconomic inequalities and promote the social inclusion of its inhabitants.

With an accumulated real Gross Domestic Product (GDP) of US$ 2.164 billion and US$ 3.572 billion measured in purchasing power parity or PPP (equal to more than 38% of the total GDP of Latin America and the Caribbean) and with a growth forecast for 2015 of 3.8%–above the average 1.7% forecast for Latin America as of february 2015– the Pacific Alliance is a highly significant mechanism, given its economic importance and open trade policy. It is also the trade complement of the large economies in the world, particularly in the Asia Pacific rim, which makes it even more attractive.

Building a better working world

The Pacific Alliance currently ranks as the world's eighth economy, having been the recipient in 2013 of more than 44% of the direct foreign investment to Latin America, equivalent to close to US$83 billion. What is also notable in the Pacific Alliance is that the average inflation and unemployment rates estimated for 2014 are 3.8% and 6.6%, respectively, lower than the regional average. Additionally, the sustained reduction in its poverty rates over the past decade has also been remarkable.

Individually, the four member countries have obtained the best investment grades throughout the region at the close of 2014, which naturally not only attracts investors and benefits their 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 of the GDP, compared with the other countries in the Latin American region.

The economic bloc is reinforced by the Latin American Integrated Market (MILA) which is the integration of the member countries' stock exchanges, and through which the Pacific Alliance hopes to diversity, broaden and make more attractive the trade of these types of assets in all four countries. There are already 780 listed companies, which through this market have access to greater sources of financing. At the close of 2014, the Latin American Integrated Market (MILA) ranks as the first market in Latin America by number of listed companies and the second in stock capitalization, with a consolidated value of more than US$1.1 billion.

We are grateful to all the institutions that have kindly contributed valuable information to prepare this Guide and we place key information at the disposal of the reader that we are sure will be of great use to them in developing their businesses and investing in the countries that form part of the Pacific Alliance. At EY we are committed to contributing towards attracting investment that can increase the prosperity of our countries' economies, and we invite you to read this Guide and are also at your disposal for any assistance that you may require.

Special thanks for the support received to date for this edition and provided by Ambassador Guido Loayza Devescovi, General Director for the Economic Promotion of the Ministry of Foreign Affairs of Peru.

The Pacific Alliance:

A very attractive destination for international investors

Melvin Escudero
CEO, El Dorado Investments
President, Peruvian Investments Professional Association

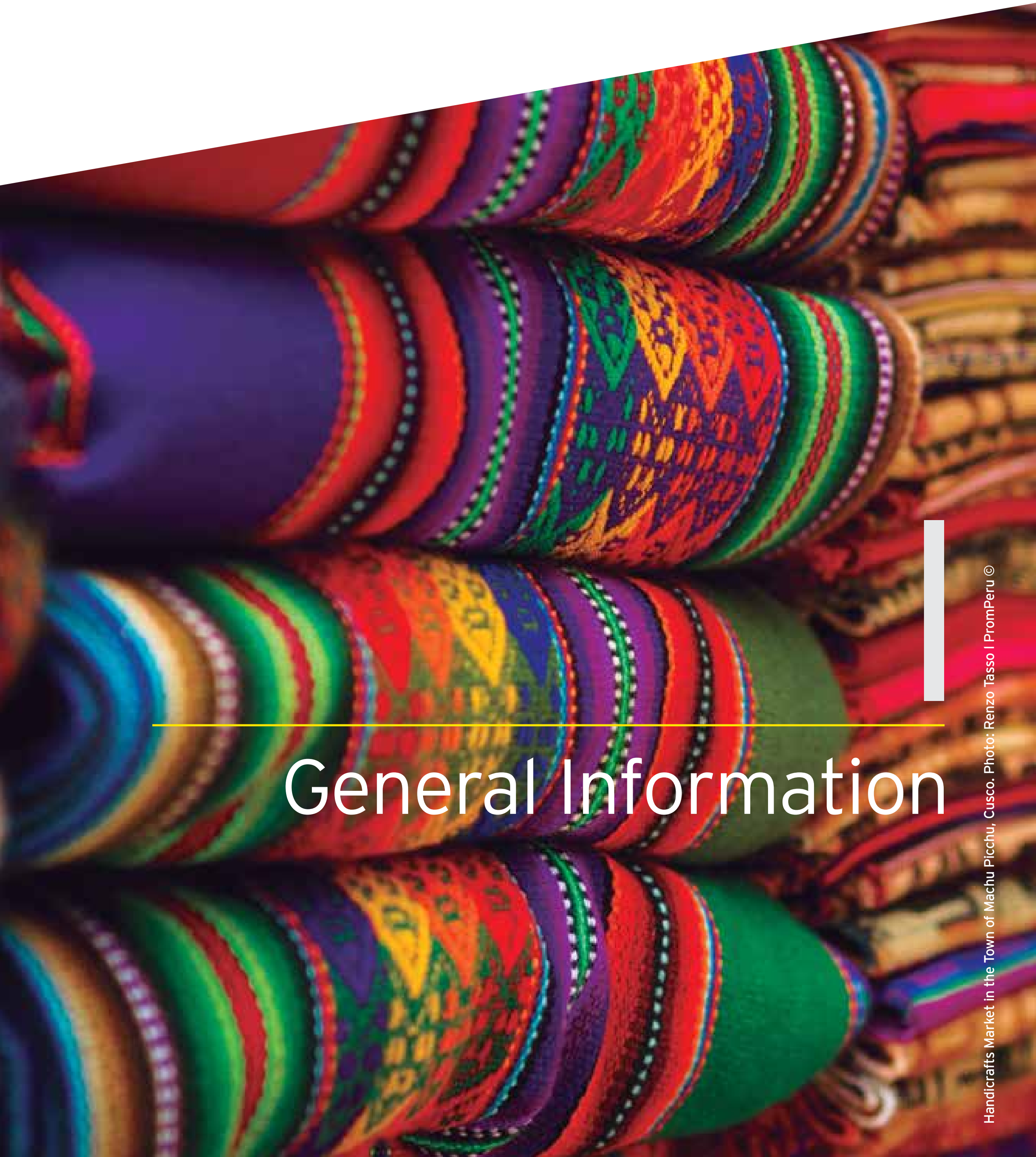
The emerging markets prospects do not look the best these days. Considering the recent evolution of the global flows of capital, the possibility of interest rate increases in the USA and potential problems hurting China´s future growth, Latin America and the Pacific Alliance could be negatively affected. But this may not be the objective and real situation. Like Warren Buffet´s value investing style propose: when the markets are in selling mood, it is possible to find great value for long term investors. I believe this is the case for the Pacific Alliance countries: Chile, Colombia, Mexico and Peru.

There are three different expected futures that need to be scrutinized carefully by international investors (in financial and real assets) to find interesting opportunities. In this context, I have the expectation that sooner or later there will be a decoupling and recognition that countries in the Alliance could create a single big market for the free flow of goods, services, people and capital. This new market will be a platform only comparable to the size of Brazil. So with a potential demand of 214 million people and a GDP representing the 8th or 9th largest economy in the world, this new integrated platform will offer enormous investments opportunities.

In parallel to the free trade agreement, the Presidents of the Alliance recently have created the Finance Ministers Council to lead and start the Pacific Alliance financial integration. The agenda has 4 points: (i) strengthen the integration of capital markets including the possibility to issue investment products simultaneously in the four countries, allow local private pension funds (the largest domestic institutional investors) to invest in the four countries using local investment limits and standardizing the tax treatment of capital markets; (ii) promote investments in infrastructure strengthening the coordination between the countries and focusing to improve the infrastructure development, legal and institutional framework and financing policies including public-private partnerships and infrastructure funds; (iii) coordinate to have a joint catastrophic risk management; and (iv) implement best practices in governance and fiscal transparency at the highest international standards to promote the Pacific Alliance brand.

With these proposals and concrete measures, the integration process enters its second stage using an institutional framework led by the Presidents and Ministers who work and coordinate directly with the private sector. This dynamic has been successful with the free trade agreement allowing us to be very optimistic during this new phase. The challenge is making progress steadily and there are reasons to believe it will be successful.

Finally, this investment guide presented by EY will be a very important tool to help international investors find information about investment opportunities in the Pacific Alliance countries. We invite you to take a look at one of the more dynamic economies in the world: The Pacific Alliance.



General Information

Handicrafts Market in the Town of Machu Picchu, Cusco. Photo: Renzo Tasso I PromPeru ©

1. What is the Pacific Alliance?

The Pacific Alliance is a novel mechanism for in-depth integration, established by the Declaration of Lima, signed by the Presidents of Peru, Chile, Colombia and Mexico on April 28, 2011. Its founding instrument is the Pacific Alliance Framework Agreement, signed on June 6, 2012 in Antofagasta, Chile. Its profile is predominantly economic and commercial, and its fundamental purpose is to become an area that fosters greater growth, development and competitiveness of its economies with a view to improving its projection to the world and contributing to an economic rise with social inclusion. The motivations behind the birth of the Pacific Alliance, which are also the principal factors that contribute to its development, are the interest in strengthening economic cooperation between its members, economic integration with the rest of the world (with a special emphasis on the dynamics that the Asia Pacific region represents) creating jobs and new business opportunities, improving its production standards and the fostering of technological innovation processes, all on the basis of its four pillars: free circulation of goods, services, capitals and people, as well as cooperation.

The four member countries that make up the Pacific Alliance are the following:

The member countries of the Alliance share an important common vision and characteristics that make this integration mechanism possible. In the first place, they are democracies governed by the rule of law and their corresponding constitutional order. They also share similar economic policies and have free trade agreements in force between each other. At the same time, their economies show sustained growth and dynamic markets that share the common conviction that free trade and an open-door policy to the world are the central tools for the development of their countries, the fight against poverty and for social inclusion.

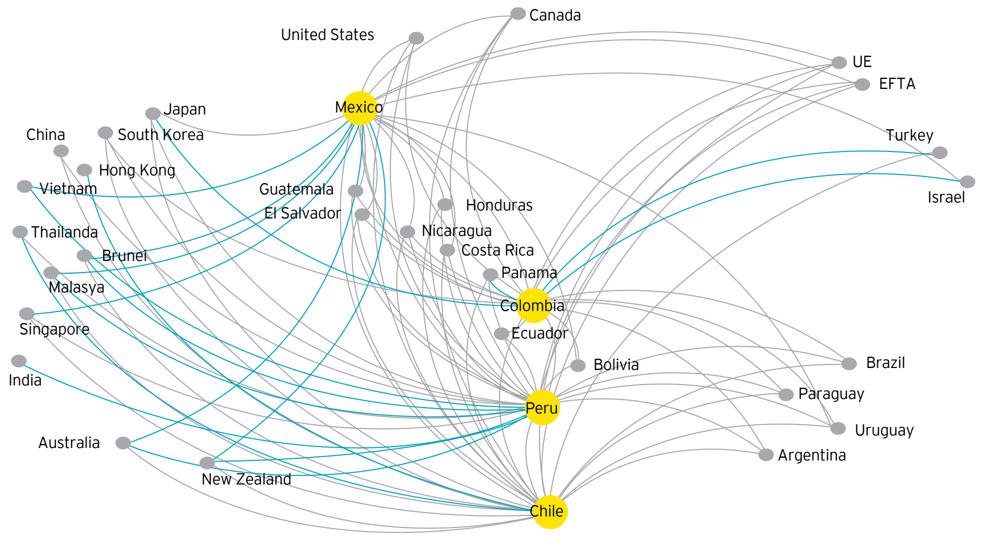
The objectives of the Pacific Alliance are three, and are focused on both strengthening cooperation between its members and the integration of this organization with the rest of the world, as follows:

- Build, together and in consensus, an area of in-depth integration to progressively move towards the free circulation of goods, services, capitals and people
- Drive greater growth, development and competitiveness of the economies of the member countries, with a view to greater wellbeing, overcoming socio-economic inequality, and furthering social inclusion of their inhabitants; and
- Become a platform for economic and commercial integration, with a projection to the world and a special emphasis on the Asia Pacific region.

The Pacific Alliance has great economic and commercial relevance. Seen as a bloc, it is the eighth economy worldwide, with an accumulated Gross Domestic Product (GDP) of US$2.164 billion (more than 38% of the GDP of Latin America and the Caribbean) and an average GDP growth rate of 3.8% for 2015, higher than the global average. It also has a population of 214.1 million and a GDP per capita of US$16,500 (measured in purchasing power parity or PPP). In 2013, it received 44.1% of all direct foreign investment in the region, reaching a total of US$82.98 billion. In 2014, average inflation in the Pacific Alliance countries was 3.8%, and the average unemployment rate was 6.6%, while average growth was 2.8%. As of february 2015 and for 2015, development is expected to be an average of 3.8%, above the average 1.7% estimate for Latin America as a whole, with an average inflation of 3.1%.

Important additional information is available on the Pacific Alliance website, at
www.alianzapacifico.net

The New Commercial Architecture of the World – Free Trade Treaties in Force



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

The Pacific Alliance currently has 42 observer countries: Costa Rica, Panama, Uruguay, Canada, Spain, Austria, Greece, Sweden, Denmark, Georgia, Poland, Hungary, Australia, New Zealand, Japan, Guatemala, Paraguay, Portugal, Haiti, Honduras, El Salvador, Ecuador, France, Dominican Republic, South Korea, United States of America, Turkey, China, Singapore, Thailand, Indonesia, Finland, United Kingdom, Germany, Netherlands, Italy, India, Switzerland, Israel, Morocco, Trinidad and Tobago, and Belgium.

Double Taxation Agreements

Pacific Alliance member countries have signed a network of agreements, and plan to increase the network, to avoid double taxation in order to channel their investments more efficiently from the fiscal perspective.

The double taxation agreements in force are shown as follows.

Detail:

Country	Chile	Colombia	Mexico	Peru
Germany				
Aruba				
Australia				
Austria				
Bahrain				
Barbados				
Belgium				
Brazil				
Canada				
Chile				
China				
Colombia				
Andean Community (Bolivia, Colombia, Ecuador and Peru)				
South Korea				
Costa Rica				
Croatia				
Denmark				
Ecuador				
United Arab Emirates				
Slovakia				
Spain				
United States of America				
Estonia				
Finland				
France				
Gibraltar				
Greece				
Hong Kong				
Hungary				
India				
Indonesia				
Ireland				
Iceland				
Israel				
Italy				
Japan				
Kuwait				

(continues)

(continued)

Latvia				
Country	**Chile**	**Colombia**	**Mexico**	**Peru**
Lithuania				
Luxembourg				
Malaysia				
Malta				
Mexico				
Norway				
New Zealand				
Netherlands				
Panama				
Paraguay				
Peru				
Poland				
Portugal				
Qatar				
United Kingdom				
Czech Republic				
Romania				
Russia				
Singapore				
South Africa				
Sweden				
Switzerland				
Thailand				
Turkey				
Ukraine				
Uruguay				

Source: EY

2. Structure and Organization

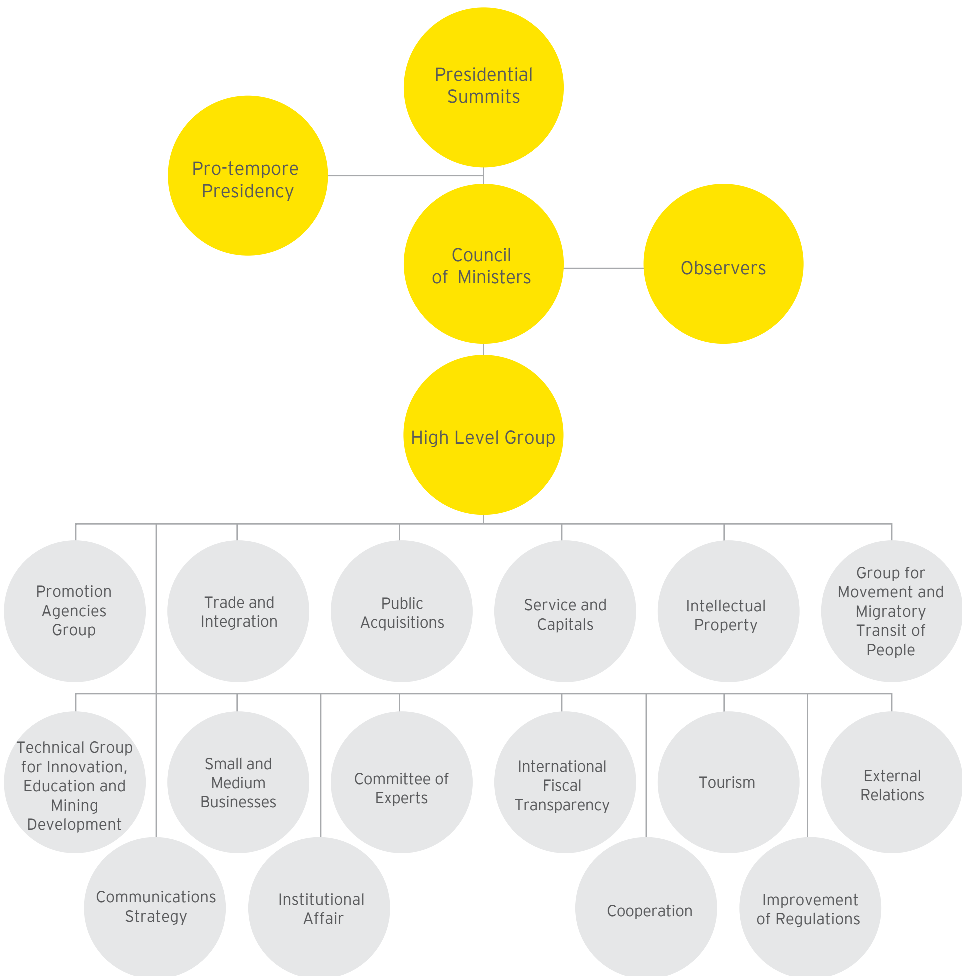
The Presidents of the four countries are, in practice, the highest decision-making body in the Alliance, carrying out those competencies in the Presidential Summits. The pro-tempore presidency of the Pacific Alliance is exercised successively by each one of the member countries for periods of one year (currently 2015-2016: Peru).

The Cabinet is the principal body of the organization, which is formed by the Ministers of Foreign Affairs and Foreign Trade of the member countries. The principal objective of the Cabinet is to adopt decisions that drive the actions that develop the objectives planned within the Framework Agreement and the Statements that result from the Presidential Summits of the Alliance.

The High Level Group is made up of the Deputy Ministers of Foreign Affairs and Foreign Trade of the member countries, and aims to supervise the progress of the technical groups and the report of new work areas that can be developed.

The technical groups and subgroups are formed by officials of the member countries and their function is to drive the disciplines related to the issues of greatest interest to the Pacific Alliance.

The structure and organization of the Pacific Alliance is as follows:

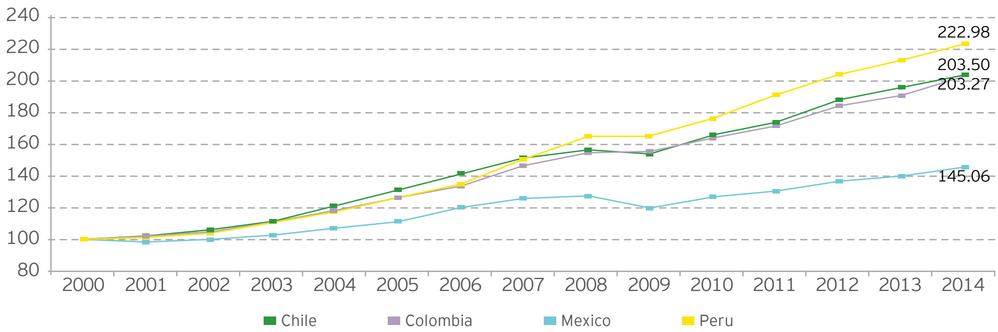


3. Economic Situation of the Pacific Alliance

	Chile	Colombia	Mexico	Peru
Gross Domestic Product (Real or Nominal)	US$264 billion (Estimate 2014)	US$400 billion (Estimate 2014)	US$1,296 billion (Estimate 2014)	US$204 billion (Estimate 2014)
Gross Domestic Product (PPP)	US$410 billion (2014)	US$642 billion (2014)	US$2,143 billion (2014)	US$377 billion (2014)
Gross Domestic Product Per Capita (Real of Nominal)	US$14,911 (2014)	US$8,394 (2014)	US$10,837 (2014)	US$6,625 (2014)
Gross Domestic Product Per Capita (PPP)	US$23,165 (2014)	US$13,459 (2014)	US$17,925 (2014)	US$11,989 (2014)
International Reserves	US$41 billion (at October 31, 2014)	US$47 billion (at December 31, 2014)	US$183 billion (at December 31, 2014)	US$62 billion (at December 31, 2014)
External Debt	US$135 million (Estimate 2014) 52.7% of GDP (Estimate 2014)	US$95 billion (Estimate 2014) 24.5% of GDP (Estimate 2014)	US$256 billion (Estimate 2014) 19.8% of GDP (Estimate 2014)	US$18 billion (Estimate 2014) 8.7% of GDP (Estimate 2014)
Total Public Debt	US$34 billion (Estimate 2014) 13.3% of GDP (Estimate 2014)	US$137 billion (Estimate 2014) 35.1% of GDP (Estimate 2014)	US$502 billion (Estimate 2014) 38.5% of GDP (Estimate 2014)	US$37 billion (Estimate 2014) 17.6% of GDP (Estimate 2014)
Gross Fixed Investment	22.2% of GDP (Estimate 2014)	25.0% of GDP (Estimate 2014)	21.9% of GDP (Estimate 2014)	27.3% of GDP (Estimate 2014)
Rate of Unemployment	6.5% (Estimate 2014)	9.7% (Estimate 2014)	5.2% (Estimate 2014)	5.5% (Estimate 2014)
Percentage of the Population Under the Poverty Line	14.4% (2011)	32.7% (2012) 30.6% (2013) 129.3% (Est. 2014)	45.5% (2012)	25.8% (2012) 23.9% (Estimate 2014)
Minimum Living Wage	CLP 225,000 (at December 31, 2014, Approximately US$370)	COP$ 616,000 (at December 31, 2014, Approximately US$257)	MX$ 2,036 (at December 31, 2014, Approximately US$141)	S/. 750 (at December 31, 2014, Approximately US$252)
Main Export Destinations	China, European Union, United States, Japan, Mercosur and South Korea	United States, China, Spain, Panama, Venezuela, Holland	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
Main Exports	Copper, cellulose, basic metal industry, chemicals, salmon, wine and dried fruits	Oil, coal, emeralds, coffee, nickel, flowers, bananas, textiles, chemical and petrochemical products	Machines and electrical materials, terrestrial vehicles and parts, 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, mango, cacao, quinoa, blueberries, urea, textiles, fishmeal and urea
Main Countries of Origin of Imports	China, United States, European Union, Mercosur, Ecuador and South Korea	United States, China, Mexico, Brazil, Colombia, Germany and France	United States, China, Japan, South Korea, Germany, Canada, Taiwan, Italy, Brazil and Spain	Germany, Argentina, Chile, China, Colombia, South Korea, Ecuador, United States and Mexico
Main Imports	Fuels, vehicles, chemical products, computers, machinery, mobile telephones, clothing and maize	Petroleum and byproducts, plastics, machinery, vehicles, telecommunications equipment, office machinery, iron and steel, wheat and paper	Mineral fuels and products, plastic and its byproducts, optical and medical instruments and devices, organic chemical products	Petroleum and byproducts, plastics, machinery, iron and steel, wheat and paper

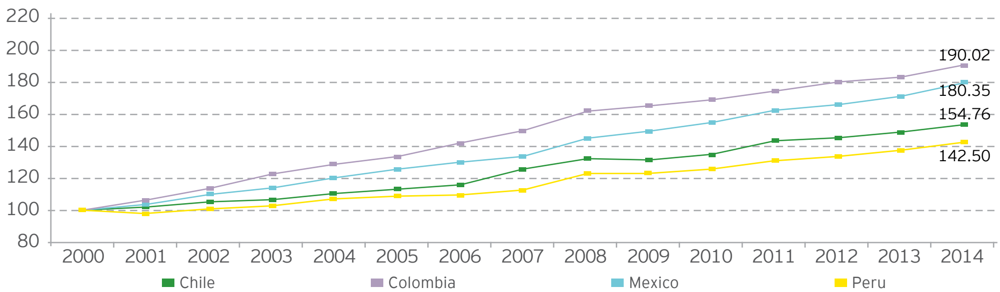
Sources: **Chile:** Banco Central de Chile/ Prochile / International Monetary Fund (IMF) / National Institute of Statistics.
Colombia: Banco de la Republica de Colombia / International Monetary Fund (IMF) / Central Intelligence Agency.
Mexico: Secretariat for Public Finance and Credit (SHCP) / Secretariat of Economy (SE) / National Institute of Statistics and Geography (INEGI) / Banxico / Oxford Economics.
Peru: Banco Central de Reserva del Peru* (BCRP) / Apoyo / Ministry of Economy and Finance (MEF) / International Labor Organization (ILO) / National Institute of Statistics and Informatics (INEI) / EY / International Monetary Fund (IMF).

Evolution of GDP per Capita Measured in Purchasing Power Parity – PPP (Year 2000=100)



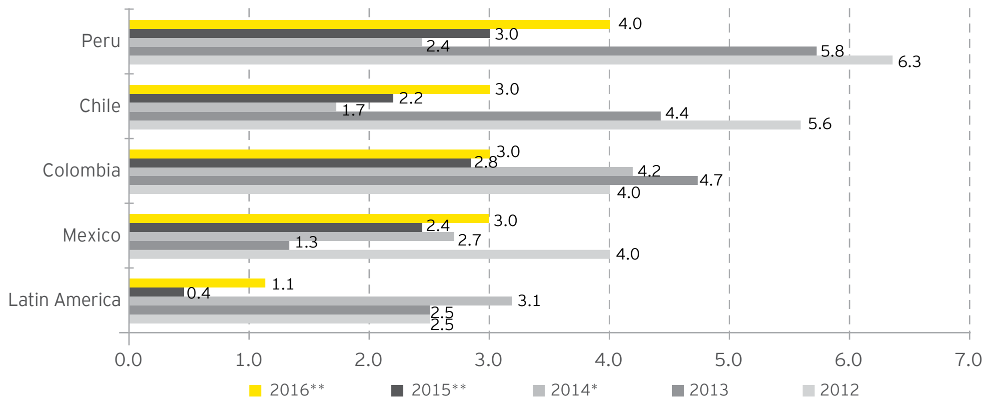
Source: International Monetary Fund (IMF) - World Economic Outlook

Evolution of Consumer Price Index (Year 2000=100)



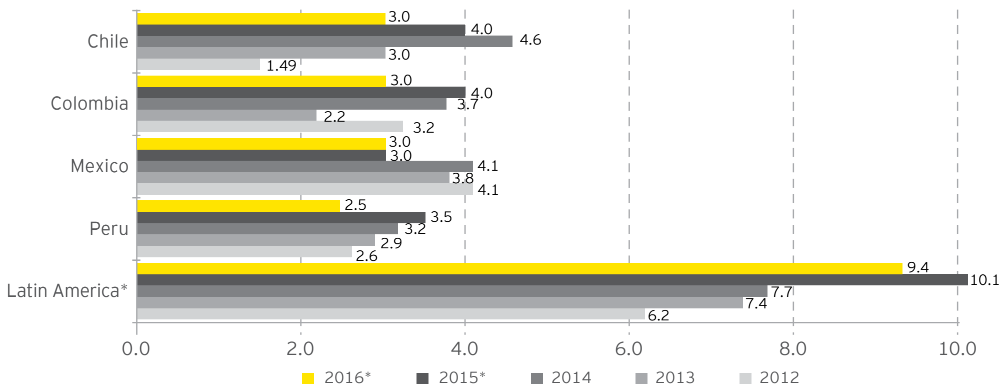
Source: International Monetary Fund (IMF) - World Economic Outlook

Estimated Gross Domestic Product Growth Rates (2012-2016)



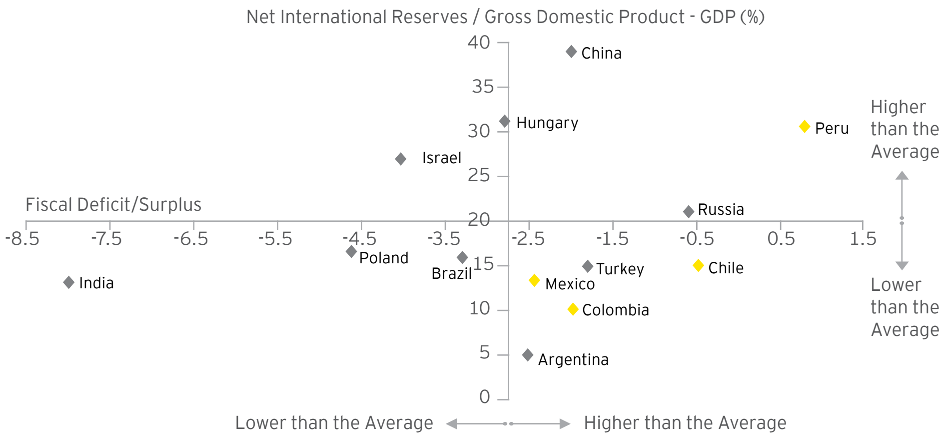
*Estimate
**Itau Unibanco, August 2015
Sources: BBVA Research-Peru/ Banco Central de Chile / Banco de la Republica de Colombia / Banxico / Banco Central de Reserva del Peru (BCRP)/ Prepared by EY.

Estimated Inflation Rates (2012-2016)



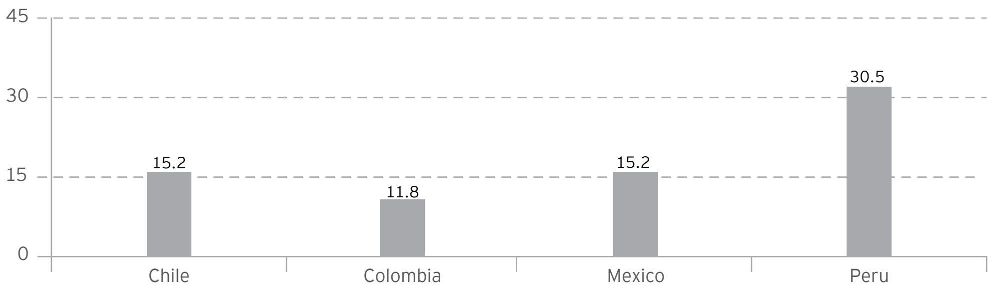
*Itau Unibanco, August 2015
Sources: BBVA Research-Peru / Banco Central de Chile / Banco de la Republica de Colombia / Banxico / Banco Central de Reserva del Peru (BCRP) / Prepared by EY.

Emerging Economy Indicators: International Net Reserves / Gross Domestic Product and Fiscal Deficit / Surplus (Estimate for 2013)



Source: Banco Central de Reserva del Peru (BCRP)

International Net Reserves (% of Gross Domestic Product - GDP, Estimated 2014)



Sources: Banco Central de Reserva del Peru (BCRP) / International Monetary Fund (IMF)

Investment Grade Ratings as of July 2015

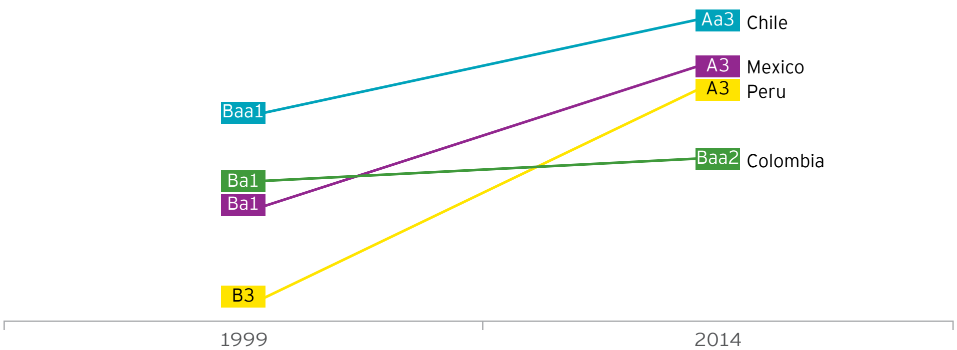
Country	S&P	Fitch	Moody's
Chile	AA-	A+	Aa3
Peru	BBB+	BBB+	A3
Mexico	BBB+	BBB+	A3
Colombia	BBB	BBB	Baa2
Brazil	BB+(*)	BBB	Baa2
Uruguay	BBB-	BBB-	Baa2
Bolivia	BB	BB-	Ba3
Paraguay	BB	BB-	Ba2
Venezuela	CCC+	CCC	Caa3
Ecuador	B+	B	B3
Argentina	SDu	RD	Caa1

Sources: Standard & Poor's / Fitch Ratings / Moody's
(*) As of September 10, 2015

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 capacity of repayment
BBB+, BBB, BBB-	Baa1, Baa2, Baa3	Moderate capacity of repayment
BB+, BB, BB-	Ba1, Ba2, Ba3	Some capacity of repayment
B+, B, B-	B1, B2, B3	High uncertainty in capacity of repayment
CCC+, CCC, CCC-,CC	Caa1, Caa2, Caa3	High vulnerability to default
SD/D	Ca	Default

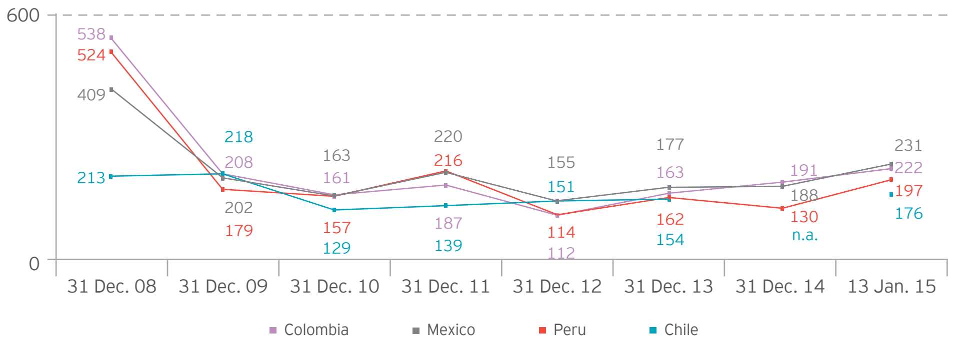
○ Investment Grade
Source: Bloomberg

Moody's Risk Rating in the Region



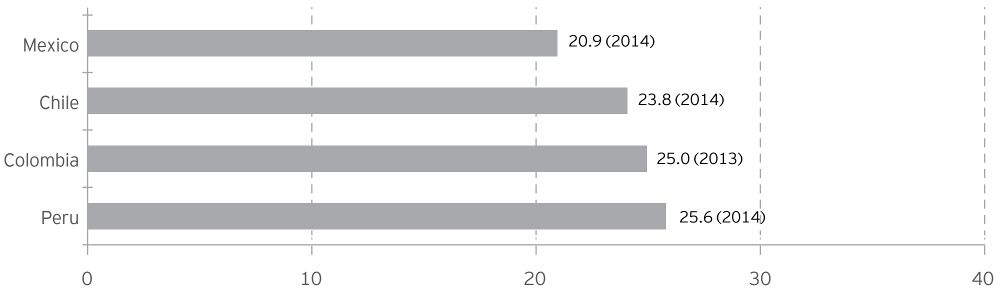
Sources: National Institute of Statistics and Informatics (INEI)/ Scotiabank's Economic Studies/ Bloomberg/ Moody's / Prepared by EY

Country Risk Indicators (in Basic Points)



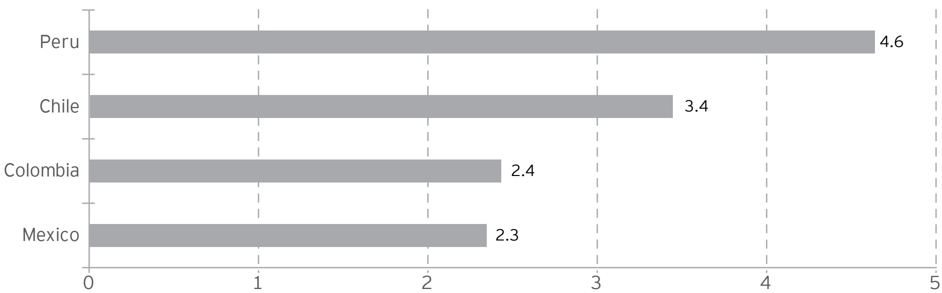
Source: Banco Central de Reserva del Peru (BCRP)

Total Investment in Percentage of Gross Domestic Product (GDP)



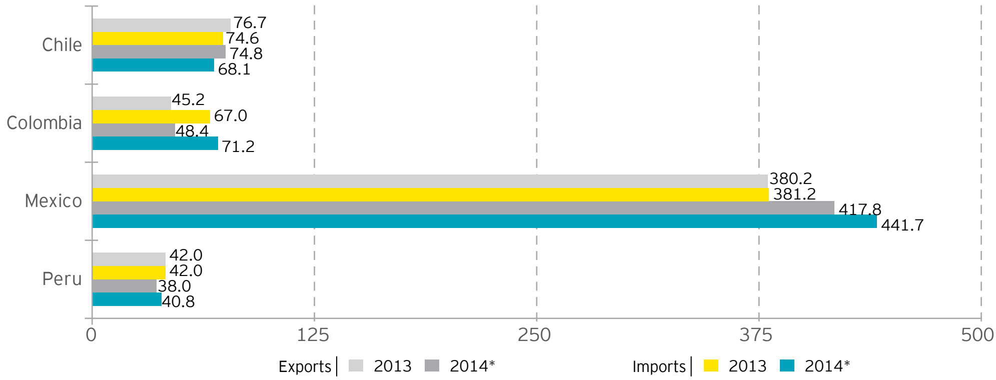
Sources: International Monetary Fund (IMF) / Banco Central de Reserva del Peru(BCRP) / EY

Direct Foreign Investment in Percentage of Gross Domestic Product (2013)



*Estimate
Source: EY

Trade Balance 2013 – 2014 of Pacific Alliance Countries (in Billions)



*Estimate
Source: Banco Central de Chile / Banco de la Republica de Colombia / National Administrative Department of Statistics (DANE) / Banxico / Banco Central de Reserva del Peru (BCRP) / ComexPeru

Investment Environment

World Competitiveness Ranking

	Chile	Colombia	Mexico	Peru
Total	33/148	66/148	61/148	65/148
Sub-indices				
Basic Requirements	30	78	69	74
Institutions	28	111	102	118
Infrastructure	49	84	65	88
Macroeconomic Framework	22	29	53	21
Basic Health and Education	70	105	71	94
Efficiency Drivers	29	63	60	62
Higher Education	32	69	87	83
Efficiency in Good Markets	34	109	86	53
Efficiency in Labor Market	50	84	121	51
Development in Financial Market	19	70	63	40
Technological Training	42	68	79	92
Market Size	41	32	10	43
Innovation and Sophistication Factors	49	64	59	99
Sophistication in Business	55	62	58	72
Innovation	48	77	61	117

Source: World Economic Forum 2014-2015

Doing Business

Facility for Doing Business – Latin America	
Ranking	Country
34	Colombia
35	Peru
39	Mexico
41	Chile
47	Puerto Rico (USA)
52	Panama
73	Guatemala
82	Uruguay
83	Costa Rica
84	Dominican Republic
92	Paraguay

Source: World Bank (WB) - Doing Business 2015

Forbes

Best Countries for Doing Business	
Ranking	Country
29	Chile
52	Peru
55	Uruguay
57	Costa Rica
61	Mexico
66	Panama
67	Colombia
90	El Salvador
94	Brazil
95	Guatemala
106	Paraguay

Source: Forbes 2014

Index of Economic Freedom 2015

The Index of Economic Freedom 2015 developed 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 the nations and the most effective tool to eliminate poverty.

The following is a summary of this ranking:

Country	World Ranking	South American Ranking	Score 2015
Hong Kong	1	-	89.6
Singapore	2	-	89.4
Australia	4	-	81.4
Canada	6	-	79.1
Chile	7	1	78.5
Colombia	28	2	71.7
Uruguay	43	5	68.6
Peru	47	8	67.7
Mexico	59	-	66.4
Paraguay	83	15	61.1
Brazil	118	21	56.6
Ecuador	156	25	49.2
Bolivia	163	26	46.8
Argentina	169	27	44.1
Venezuela	176	28	34.3

Source: The Heritage Foundation 2015

Emerging and Growth-Leading Economies (EAGLEs)

Emerging and Growth-Leading Economies, or EAGLEs, are elected every year by BBVA Research on the basis of the way in which their performance contributes to global growth. To this end, it is important to carry out an analysis of its economic relevance as well as its performance compared to a group of developed countries. There are currently nine countries classified as EAGLEs: China, India, Indonesia, Brazil, Russia, South Korea, Turkey, Mexico and Taiwan. Additionally, within the group of key emerging countries that accompany those mentioned is a group called the Nest (as "nest" of the EAGLE economies) which is made up of 14 countries. It is expected that, together with the EAGLE countries, the Nest countries will contribute 73% of the world growth between 2013 and 2023. Chile, Colombia and Peru are part of this group of Nest countries, while Mexico is already ranking among the EAGLE countries.

Estimated Contribution to World Growth Between 2013 and 2023

	Country	Average Annual Estimated GDP Growth	Estimated World Percentage Share in GDP Growth
EAGLE's	China	6.8	30.3
	India	6.9	11.4
	Indonesia	6.4	2.7
	Brazil	2.8	1.9
	Russia	2.9	2.0
	Turkey	4.6	1.6
	Mexico	2.9	1.5
NEST	Saudi Arabia	4.3	1.2
	Nigeria	6.7	1.1
	Thailand	5.0	1.0
	Colombia	5.4	0.9
	Philippines	5.7	0.8
	Malaysia	5.0	0.8
	Irak	8.8	0.8
	Vietnam	6.6	0.8
	Pakistan	4.4	0.8
	Bangladesh	6.8	0.7
	Poland	3.2	0.7
	Egypt	3.9	0.6
	Iran	2.2	0.6
	Peru	5.4	0.6
	South Africa	3.4	0.6
	Chile	4.6	0.5

Source: BBVA Research Peru 2014

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

II

Areas of Integration and Cooperation in the Pacific Alliance

South Dock of the Port of El Callao. Photo: Joaquin Rubio I PromPeru ©

The Pacific Alliance's Framework Agreement determines that, as a fundamental part of the plan to achieve its objectives, efforts should be directed towards the free trade of goods and services, the free movement of people and capitals, and the development of cooperation mechanisms to encourage investment, as well as the sustainable quality of life for its populations. With this in mind, the member countries of the Alliance in early 2014 signed an Additional Protocol to the Pacific Alliance Framework Agreement, in which they defined the actions and guidelines that seek to achieve the proposed objectives.

As part of this, the Pacific Alliance member countries are completing their legal framework in order to promote the achievement of their objectives, based on their fundamental pillars: free movement of goods, services, capitals and people, as well as cooperation. The Pacific Alliance has structured its actions in 16 technical groups that are in charge of the work and projects related to different issues that are closely linked to the Alliance's fundamental pillars, which will then be validated by the High Level Group and by the Council of Ministers of the Pacific Alliance. The main efforts of these technical groups are being developed in their specific issues as follows:

1. Trade and Integration

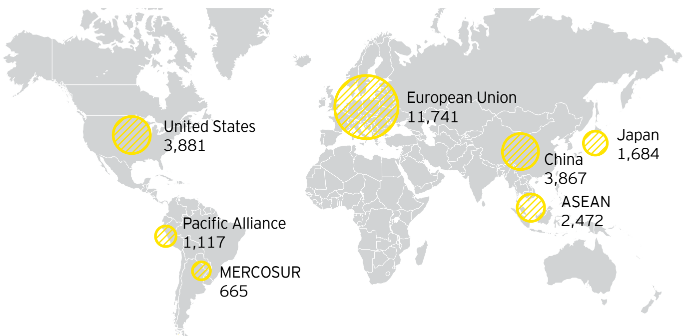
Within this scope of trade integration, the Alliance has focused on the fostering negotiations that translated into measures that will facilitate trade and customs cooperation between members. Efforts are focused towards eliminating tariff barriers, the cumulation of origin with regard to products that contain materials originating in one of the member countries, provided that the customs tariff is 0% everywhere, the reduction of technical obstacles to trade and the alignment with health and phytosanitary measures.

Principal Initiatives

The alignment and integration of businesses in the Alliance countries has been one of the principal areas in which this organization has been working. Currently, tariffs have been eliminated on 92% of products between Chile, Colombia, Mexico and Peru, with the hope that the remaining products be free of tariffs within a period of up to 17 years. The purpose of this measure is to stimulate the commercial exchange, create new production chains and a greater relationship among the business sectors, expanding the access to markets for the export offer of member countries and attracting greater investment.

In 2014, the Trade Promotion agencies of the member countries of the Alliance (PROEXPORT Colombia, PROCHILE, PROMPERU and PROMEXICO) defined a Plan of Activities that is focused on promoting the benefits that arise from the trade flows between them. As an initial step, a joint trade office was set up in Istanbul (Turkey) and another joint trade office is expected to be opened soon in Casablanca (Morocco) and numerous business promotion seminars will be held in 16 countries.

Total Trade by Economic Blocs in Billion of Dollars (2013)



Source: World Trade Organization (WTO) 2013

Meanwhile, Chile, Colombia, Mexico and Peru have made commitments to simplify customs procedures and make them more effective. These agreements were developed in the chapter on Trade Facilitation and Customs Cooperation which, as one of its principal measures, includes a mutual assistance mechanism for the exchange of information between customs administrations in order to strengthen and improve the control and prevention any actions that are against the law. Likewise, the agreements on customs cooperation matters are focused on increasing agility in the clearance of goods, automation of processes and accessibility to information in the data bases.

At the same time, the Pacific Alliance members have negotiated a Regime on Rules of Origin with the objective of promoting economic and trade integration through the increased supply of organic inputs and the creation of sub-regional value chains.

Another measure established within the trade integration framework is the completion of negotiations on technical obstacles to trade. Agreements have been developed that are focused on ensuring that the laws, technical regulations and procedures to evaluate trade compliance do not create unnecessary technical obstacles to trade, by coordinating between the parties on these issues.

Lastly, the members of the Alliance have carried out negotiations with regard to the health and phytosanitary measures connected to trade, which have been implemented in the chapter on Sanitary and Phytosanitary Measures in the Additional Protocol of the Framework Agreement. This agreement seeks, principally, to ensure that the sanitary and phytosanitary measures of one party do not arbitrarily discriminate against the parties with similar or identical conditions, neither within its own territory or that of the other parties. The objective is that the sanitary and phytosanitary measures are not applied in such a way as to be a disguised restriction on international trade. It also attempts to guarantee that the procedures to establish sanitary and phytosanitary measures between the parties are transparent, that they are applied without undue delays, and that they favor imported goods as well as similar national goods.

2. Capitals and Services

Within the scope of capitals and services, the Pacific Alliance's actions are directed towards cooperation in investment, cross-border trade of services, financial services, telecommunications, air transport and maritime transport. It also seeks to strengthen the integration of the stock exchanges of the member countries.

The Alliance has a Business Council, made up of the leading business organizations of the member countries. This entity's objective is to recommend measures to strengthen the business sector of the member countries and so facilitate the economic integration of the Alliance and its projection towards external markets. The Business Council has drawn up work proposals dealing with the uniformity in tax regulations, integration of the financial sector, the use of cooperation measures in public acquisitions, the support to entrepreneurship (through the consolidation of Latin American Association of Entrepreneurs) investment in education, harmonization of technical standards, and the promotion of production chains between businesses in the member countries, which shows the close relationship between the private and public sectors in the member countries of the Pacific Alliance.

Principal Initiatives

As part of the efforts made in this sector, one of the principal developments is the joint work on tax issues. In this aspect, the Pacific Alliance seeks to encourage fiscal transparency and the fight against tax evasion, and an exchange of information has been agreed to on tax matters between the parties, based on the established international standards and on the existing bilateral agreements.

The details of the principal initiatives and recommendations that arose at the meeting of the Business Council during the 8th Business Summit held on February 10, 2014 in Cartagena de Indias, Colombia are listed below:

- Uniformity in Tax Regulations: suggestions were made on investment protection agreements, agreements on free transfer and convertibility of foreign currency; the free movement of people for migration and work reasons, free movement of goods, subscription to international arbitration rules and strengthening of common mechanisms; simplification of tax systems, procedures and formal requirements; specific agreements on tax stability, uniformity of processes for business restructuring and transactions on the integrated Latin American market.

- Financial Integration: uniformity was recommended for the requirements to register public offer of securities, as well as changes in regulations on pension funds, which are the leading institutional investors.

- Public Acquisitions: facilities were requested to allow the private sector to bid in government purchases, as well as greater availability of information on the opportunities that exist within each of the member countries.

- Entrepreneurship and Innovation: the creation of a Pacific Alliance innovation center was suggested, as well as the establishment of an entrepreneurial observatory; working on tax incentives and intellectual property was also mentioned, as well as the consolidation of an international mentoring network to support entrepreneurs and the creation of public-private funds.

- Cooperation in Education: improvement in the quality of elementary education was requested, through the training of future school principals, identifying best practices, generating agents of change, and reformulating education in vacation periods. It was also proposed that careers with greater demand in the labor markets of the Pacific Alliance be identified.

- Harmonization of Tax Legislation: the work was initially carried out in three sectors: cosmetics, pharmaceuticals and food. For cosmetics, the approval of the signing of an annex was requested to facilitate the export-import process, surveillance and sanitary requirements for this type of product.

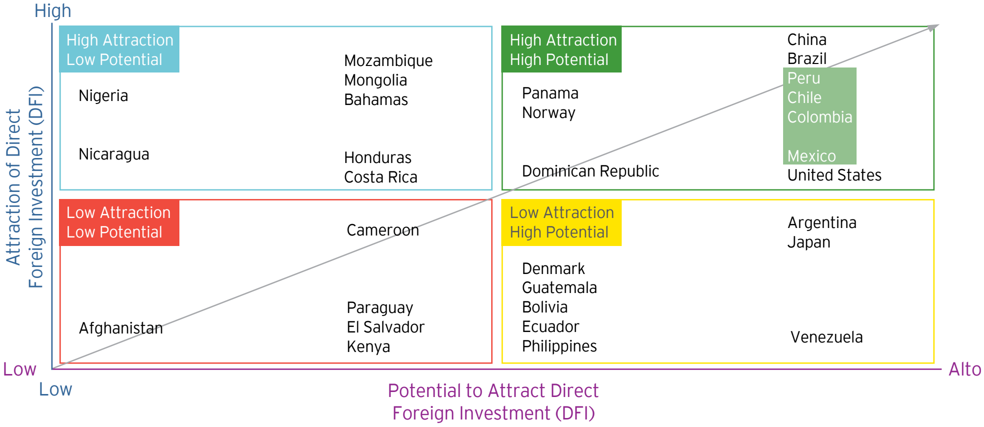
- Level IV Certification from the Pan American Health Organization (PAHO): it was proposed that the certificate issued by the National Sanitary Agencies be valid in the other countries with Level IV approval, which would reduce costs significantly.

- Single Window Facility for Foreign Trade: the harmonization of regulations was suggested as well as a mutual recognition of certifications, in order to maximize the benefits and implement a real inter-operational system. Also, a simple and electronic process was proposed, to reduce printed documents to a minimum.

- Production Chains: the identification of potential production chains that arise from cumulation of origin was requested, as well as support for the generation and consolidation of relations within the private sector of the Pacific Alliance.

- Competitiveness in Logistics: the proposal was made to develop an observatory of logistics costs in order to ensure transparency of costs linked to freight transport in the four Alliance countries.

Matrix of Attraction of Direct Foreign Investment with Regards to Potential



- **Attraction of Direct Foreign Investment (DFI)**
  DFI received in relation to economic size

- **Potential to Attract Direct Foreign Investment (DFI)**
  1. Market attraction
  2. Availability of manpower
  3. Presence of natural resources
  4. Infrastructure

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

Integrated Latin American Market (MILA)

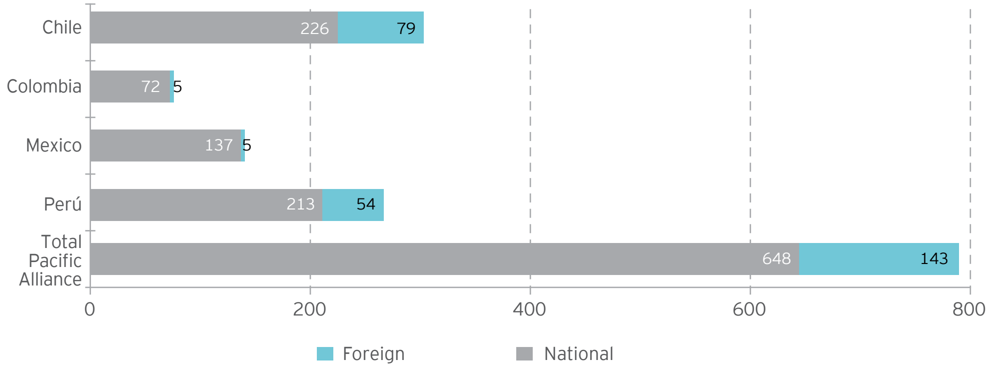
The Lima Stock Exchange –BVL (Peru), the Santiago Stock Exchange - BCS (Chile), the Colombia Stock Exchange - BVC (Colombia) and, since 2014, the Mexican Stock Exchange - BMV (Mexico) together with the central securities registers of each country - Cavali, DC, Deposito Centralizado de Valores de Colombia (Deceval S.A.) and Index of the Mexican Stock Exchange - Total Yield (INMEX RT), respectively - have integrated their variable income market (shares) by establishing the Integrated Latin American Market (MILA) with which it intends to diversify, expand and make more attractive the negotiation of this type of securities in the four countries, as much for local as for foreign investors.

This integration seeks to develop the capitals markets of the member countries, in order to provide investors with a greater offer of securities and issuers with wider sources of financing. It is hoped that the unified market of these countries will become the leader in the region in number of issuers.

As of December 1, 2014, the Mexican Stock Exchange was officially incorporated into MILA, helping exceed the consolidated value of stock capitalization to more than US$1.1 billion between the four member countries, making it one of the most attractive markets in the region.

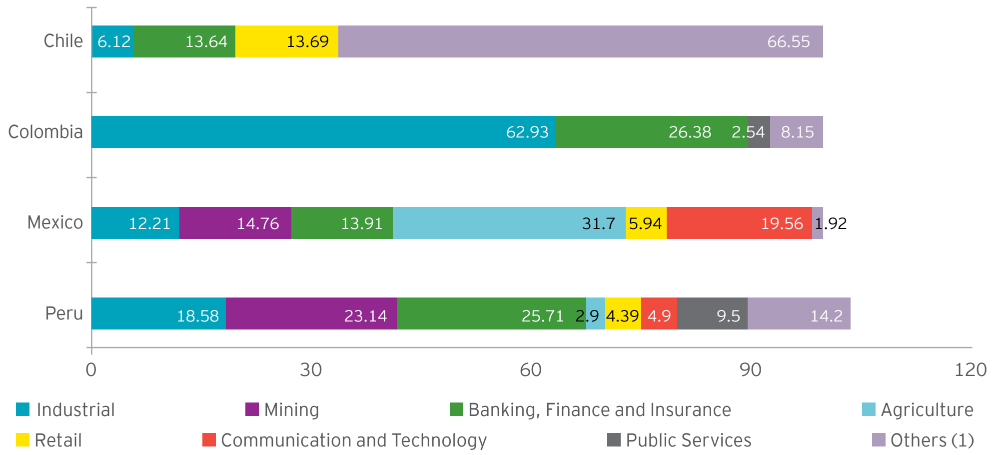
At November 2014, the total volume negotiated on the MILA totaled US$ 57.516 billion. Also by that date, including the incorporated Mexican issuers, it had more than 780 share issuers, as well as 36 intermediaries with 47 intermediation agreements signed by the stock agent societies of Chile, Colombia and Peru.

Number of Listed Companies (April 2014)



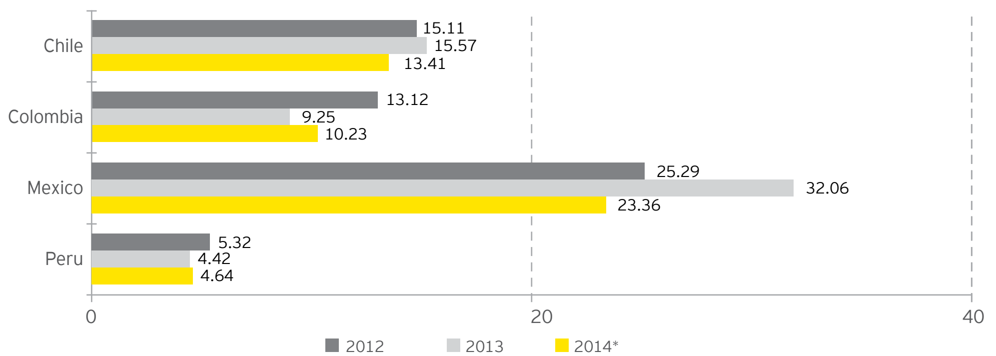
Source: Ibero American Federation of Exchanges (FIAB)

Comparison of Stock Market Capitalization by Sector of Local Companies (%, 2013)



Source: Ibero American Federation of Exchanges (FIAB)

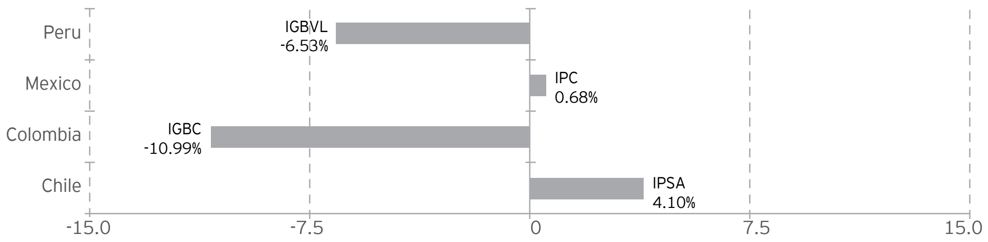
Rotation Rate of Domestic Shares



*As of August 2014

Source: Ibero American Federation of Exchanges (FIAB)

Variation of General Stock Exchange Index



Source: Bloomberg

3. Movement of People

The free movement of people is one of the central pillars of the Pacific Alliance. This work group is focused on developing issues such as facilitating migratory transit, free movement of people, consular cooperation, student and labor cooperation, and the exchange of information on migration flows.

Principal Initiatives

The principal efforts that have been developed include the waiver of visas by Mexico in 2012 for Colombian and Peruvian nationals (Chile did not require visas) as well as the waiver on visas by Peru for people travelling on business from Chile, Colombia and Mexico for up to 183 days per year, providing they do not carry out remunerative activities in the country. What should also be highlighted is the Vacations and Work Agreement, which will permit young citizens of the Pacific Alliance member countries to visit any of the Alliance countries for recreational and tourism purposes for up to 360 days, allowing them to receive partial payment for work during that period in order to finance their stay.

Additionally, an orientation guide has been developed for national travelers of the member countries, and the mechanisms for consular cooperation have been defined. The Alliance is also in the process of evaluating conditions to establish a security platform that will provide timely information on the number of visitors registered as tourists from the member countries.

The member countries have signed a cooperation agreement in matters of tourism, with the objective of strengthening and developing cooperation in drawing up initiatives that seek to increase the flow of tourists between the parties.

4. Cooperation

The Pacific Alliance seeks to encourage cooperation on aspects that significantly impact the comprehensive development of the population of member countries and the strengthening of technology of their industries. To achieve this, the main purposes of the cooperation work group are to consolidate a platform of student and academic movement, the structure of a scientific research network on climate change, the identification and use of synergies to increase competitiveness of medium, small and micro businesses, the execution of physical interconnection projects, and the creation of a Cooperation Fund.

Noteworthy progress has been made on the launching of the student and academic movement platform. As part of this project, following the fulfillment of the four first invitations, 656 scholarships have been granted, of which 157 have been given by the Colombian government, 186 by Chile, 177 by Mexico and 136 by Peru for undergraduate students, doctoral candidates and teachers. The beneficiaries are carrying out studies and academic activities in the universities of the member countries that are linked to this platform. At the same time, a project is underway to improve competitiveness of Small and Medium-Sized Enterprises (SMEs) which held its first workshop in Lima in November 2012; the second was held in Cali in April 2013, the third in Santiago in July 2013, and the fourth in Mexico in August 2013, where the Small and Medium – Sized Enterprises (SMEs) Technical Group was created. Its objective is the institutional strengthening of the sector, improve competitiveness and encourage innovation in the business sector of the Pacific Alliance countries.

Meanwhile, the Scientific Research Network on Climate Change is developing a work plan, which in its initial stage created a directory of research work in the member countries, in order to consolidate the progress made by the entities responsible in each country on matters related to climate change. It has published "Opportunities for Cooperation in Climate Change Research in Pacific Alliance Countries", and a project titled "Scientific Cooperation on Climate Change in the Pacific Alliance: Monitoring Biodiversity," which were presented at the Twentieth Conference of State Parties to the United Nations Framework Convention on Climate Change (COP20) in Lima, Peru in December 2014.

5. The Next Steps

In June 2014, the 9th Summit of the Pacific Alliance was held. The next steps that were agreed on to guide future action of this organization include the following:

- **Free Movement of Goods, Services, Capitals**: Maximize the utilization of agricultural trade within the Alliance; identify barriers and areas of opportunity for investment to generate a greater flow of capitals.
- **Free Movement of People and Facilitation of Migratory Transit**: Strengthen the Immediate Information Exchange Platform for Secure Migration in the Pacific Alliance.
- **Small and Medium Sized Enterprises (SMEs)**: Drive mechanisms that favor the small and medium sized enterprises and the possible development of a project with the Organization for Economic Cooperation and Development (OECD) to facilitate entry into the global value chains.
- **External Relations:** Continue the efforts to develop work agendas with the Observer States, which today total 32, to develop the themes prioritized with the countries with which it has held meetings (17).
- **Cooperation Projects**: Launch the sixth invitation for scholarships in 2015 (100 new scholarships); complete and implement the Project on Young Volunteers; develop the work of the recently established Technical Group on Education, on matters related to education on technical production.
- Progress in the discussions to establish an **"Infrastructure Development Fund"** in the Pacific Alliance.
- **Tourism**: Deepen the joint promotion tasks on tourism in the Pacific Alliance.

III

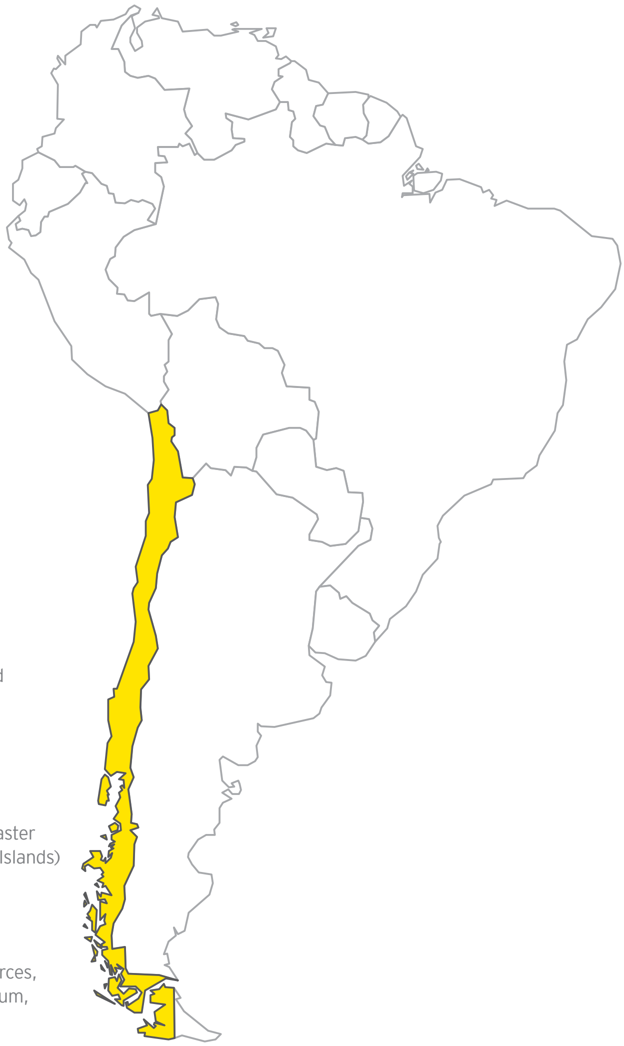
Chile

Note: Map Simplified by EY

1. Geography

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

Population	17.6 million Urban: 87% Rural: 13%
Surface Area	756,096 km^2
Currency*	Peso Chileno US$1 = CLP 613
Main Languages	Spanish
Religion	Freedom of worship Primarily Roman Catholic
Climate	Mediterranean in the Central Area, desert in the north and oceanic in the south
Time Zone	GMT -3 on the continent GM -5 in island territories (Easter Island and Salas and Gomez Islands)
Natural Resource	Copper, gold, fisheries resources, forest resources, iodine, lithium, salmon, fruit, among others.

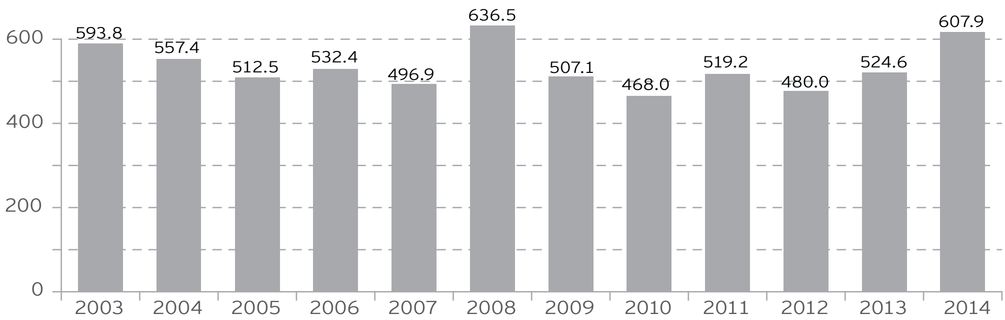


*Exchange rate reported on January 9, 2015
Sources: Banco Central de Chile / National Institute of Statistics (INE)

2. Currency

The official currency of Chile is the Peso Chileno. The country has a free floating exchange rate although the Banco Central de Chile intervenes sporadically to stabilize the currency.

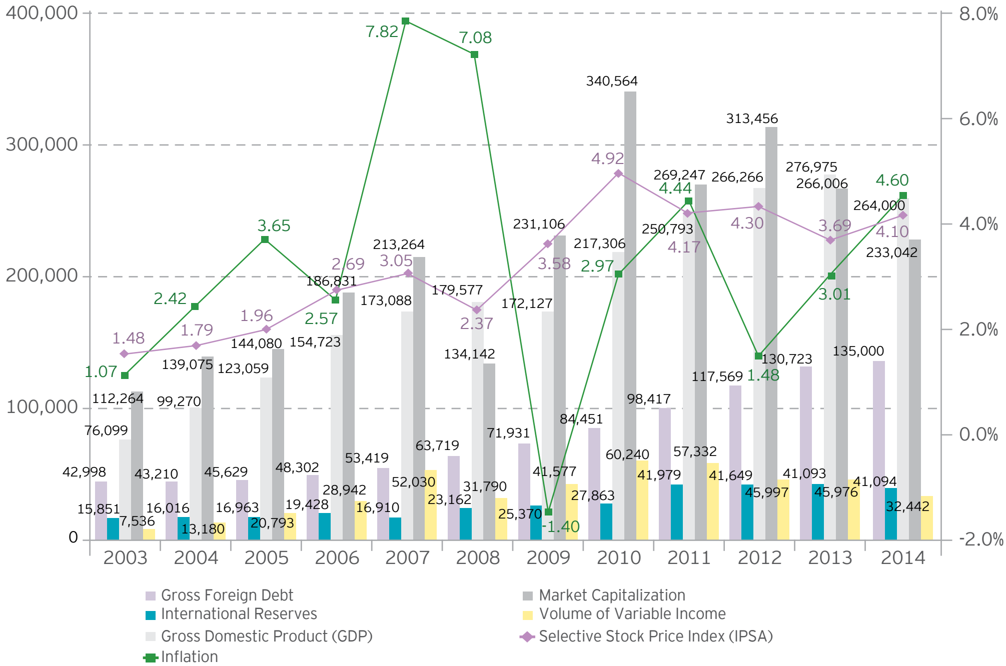
Exchange Rate Trend: Pesos per 1 US$ (End of Each Year)



Source: Banco Central de Chile

3. Economy

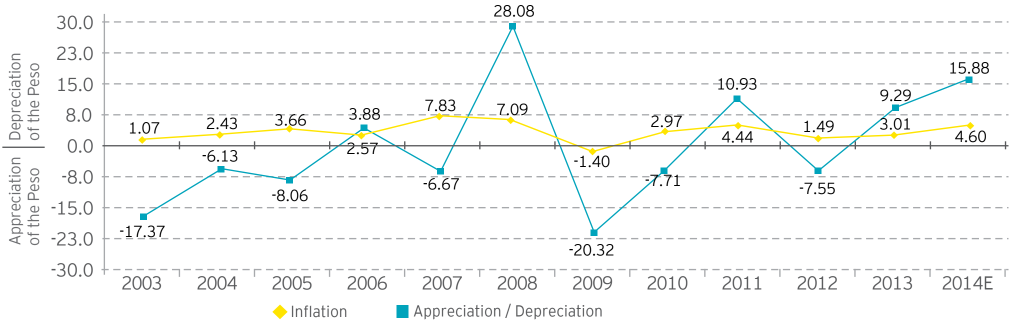
Rate of Change of Financial Indicators



Source: Banco Central de Chile / International Monetary Fund (IMF) / Santiago Stock Exchange

Appreciation / Depreciation and Inflation

At the end of 2014, the rate of inflation in Chile reached 4.6%, while the exchange rate depreciated 6.8% at the end of 2014 with regard to 2013.



Source: Banco Central de Chile / Forecast Survey to May of Banco Central de Chile / EY

It should be noted that in 2013, inflation was in the center of the target range set by the Banco Central de Chile (3%).

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, being the largest producer worldwide with approximately 33% of the market share. Other leading minerals are iron ore and gold.

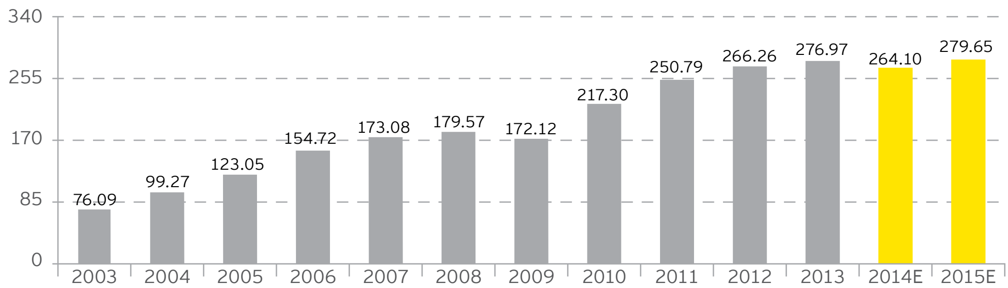
Other outstanding export industries are forestry, most importantly exports of cellulose and wood products.

In food and beverages, Chile has an important production of wines, salmon and trout, as well as fruit products such as apples, grapes, blueberries and cherries.

Gross Domestic Product (GDP) / Trade Balance

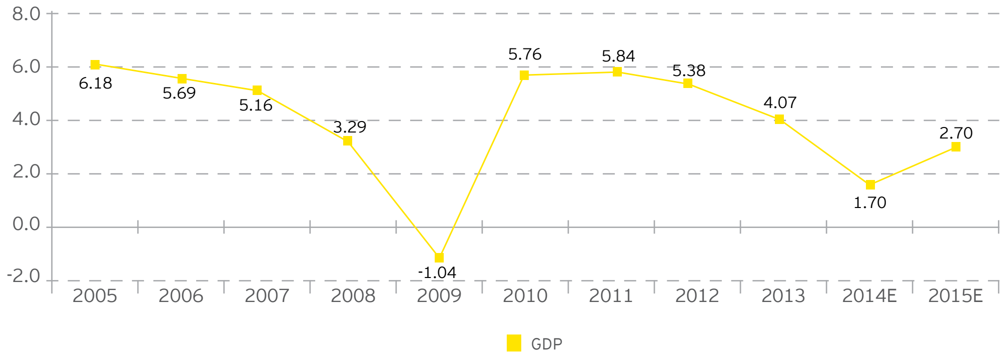
It is estimated that Gross Domestic Product (GDP) for 2014 was US$264 billion, according to International Monetary Fund (IMF) figures (it is important to note that GDP has not been measured in terms of Purchasing Power Parity, PPP, and that this information is found in Section 1.3). In growth terms, a rate of 1.7% was reported, according to forecasts by the Banco Central de Chile. For 2015, the Bank estimates a range of growth of between 2.5% and 3.5%.

Chile's Real Gross Domestic Product (GDP) (In US$ Billion)



Source: International Monetary Fund (IMF)

Gross Domestic Product (Annual Percentage Variation)



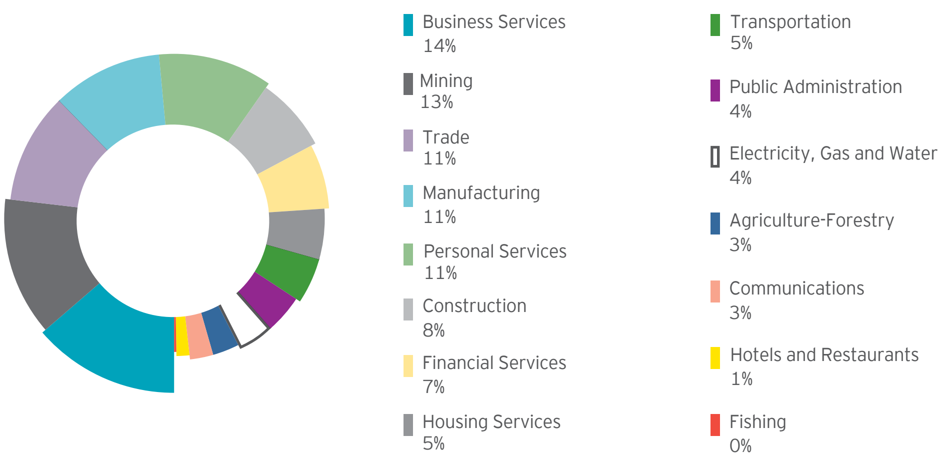
*Forcasts Survey, Banco Central de Chile at November 2014
Source: Banco Central de Chile

Gross Domestic Product (GDP) by Branch of Economic Activity / Annual Rate of Change in Percentage)

	2008	2009	2010	2011	2012	2013	2014*
Agriculture-Forestry	6.0%	-4.3%	0.3%	10.5%	-2.0%	4.7%	-1.5%
Fishing	15.4%	-14.2%	-0.2%	21.3%	5.2%	-12.7%	22.7%
Mining	-3.7%	-1.0%	1.5%	-5.2%	3.8%	6.1%	1.1%
Manufacturing	1.6%	-4.2%	2.6%	7.6%	3.4%	0.2%	-1.4%
Electricity, Gas and Water	4.3%	13.8%	8.7%	11.7%	7.6%	7.3%	6.4%
Construction	11.0%	-5.3%	1.8%	6.8%	7.0%	3.2%	1.0%
Trade, Hotels and Restaurants	5.2%	-5.8%	14.8%	12.1%	7.8%	6.5%	0.3%
Transportation	0.0%	-9.6%	7.9%	6.7%	5.5%	3.2%	2.4%
Communications	11.2%	5.4%	10.7%	7.7%	8.9%	4.9%	3.0%
Financial and Business Services	6.1%	1.5%	6.7%	8.8%	7.6%	4.0%	2.5%
Gross Domestic Product (GDP)	3.3%	-1.0%	5.8%	5.8%	5.4%	4.1%	1.7%

Source: Banco Central de Chile
*Rate of Change in Percentage Over Third Quarter 2013

Gross Domestic Product (GDP) by Economic Sector (2013)



Source: Banco Central de Chile

Net International Reserves (US$ Million)

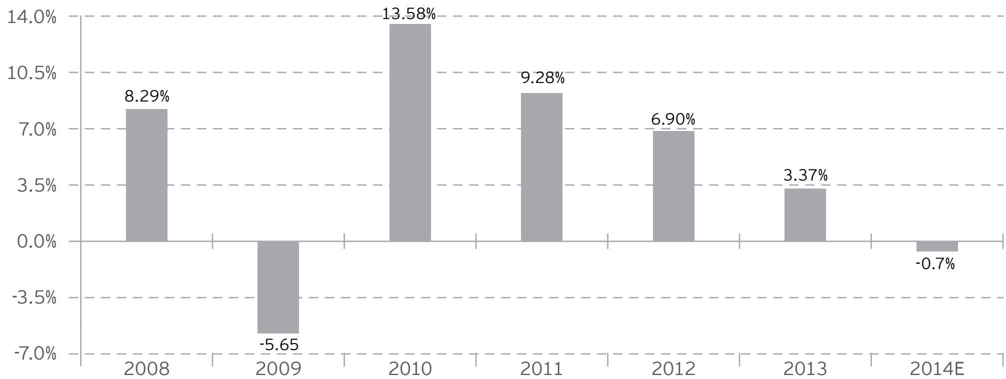
*October 2014
Source: Banco Central de Chile

Gross Domestic Product (GDP) by Type of Spending (Rate of Change in Percentage)

Variables	2008	2009	2010	2011	2012	2013	2014E
Gross Domestic Product	3.3%	-1.0%	5.8%	5.8%	5.4%	4.1%	1.7%
Imports	11.2%	-16.2%	25.9%	15.6%	5.0%	2.2%	-5.9%
Internal Demand	8.3%	-5.7%	13.6%	9.3%	6.9%	3.4%	-0.7%
a. Private Consumption	5.2%	-0.8%	10.8%	8.9%	6.0%	5.6%	n.d.
b. Public Consumption	0.3%	9.2%	4.6%	2.5%	3.7%	4.2%	n.d.
Fixed Capital Formation	17.9%	-12.1%	12.2%	14.4%	12.2%	0.4%	0.8%
Exports	-0.7%	-4.5%	2.3%	5.5%	1.1%	4.3%	1.4%

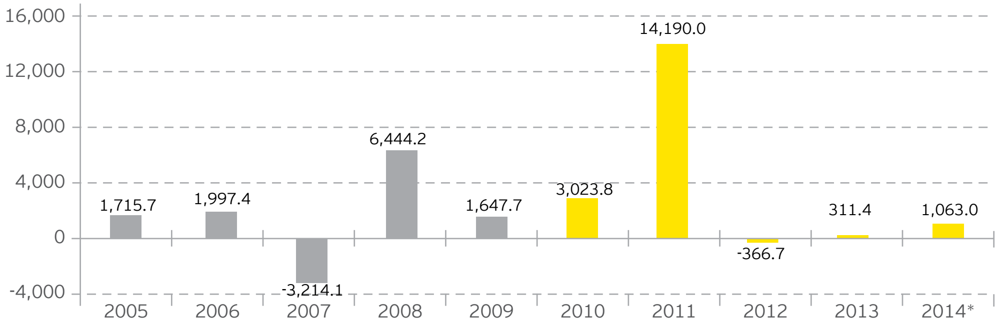
Source: Banco Central de Chiale /Monetary Policy Report, March 2014

Internal Demand (Rate of Change in Percentage)



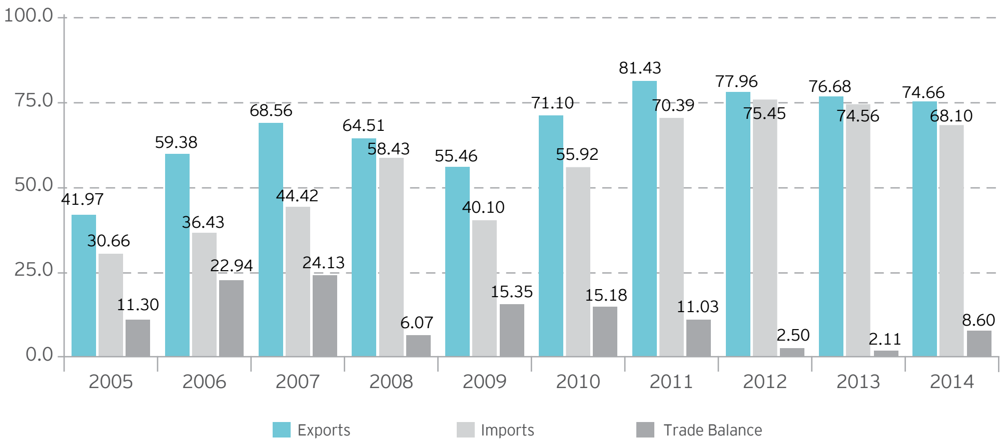
Source: Banco Central de Chile /Monetary Policy Report, March 2014

Balance of Payments (In US$ Million)



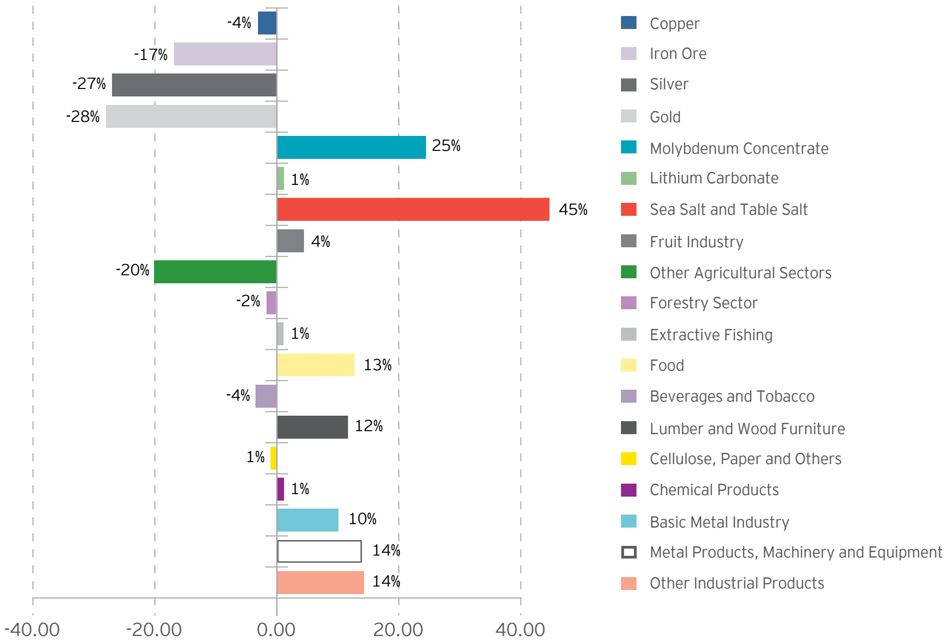
*At July 2014
Source: Banco Central de Chile

Trade Balance (In US $ Billion)



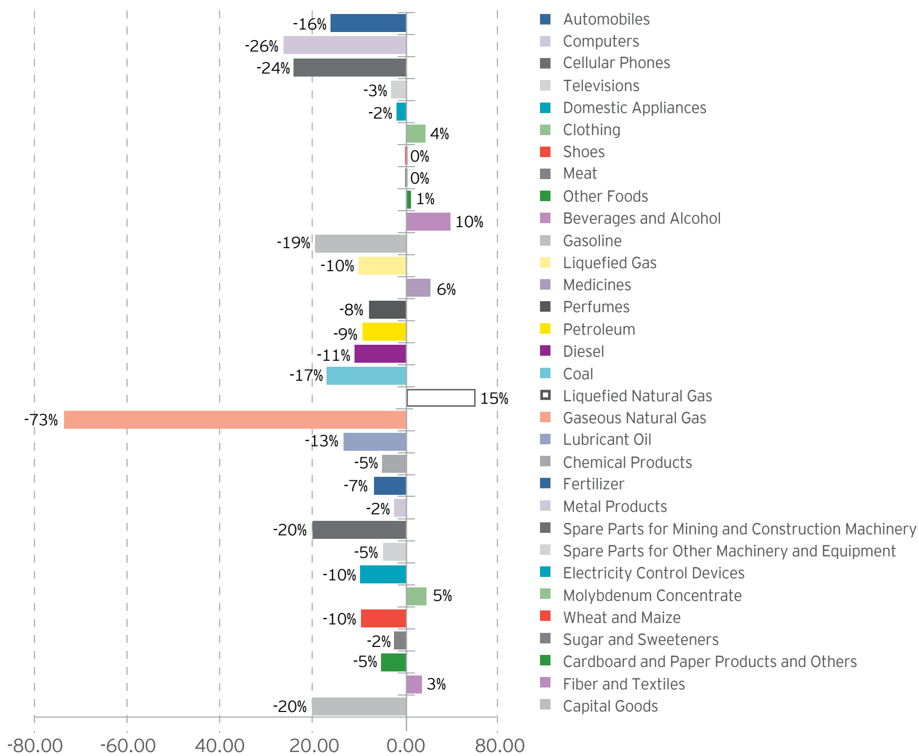
Source: Banco Central de Chile

Annual Rate of Change of Exports by Economic Sector, In Percentages (2014/2013)



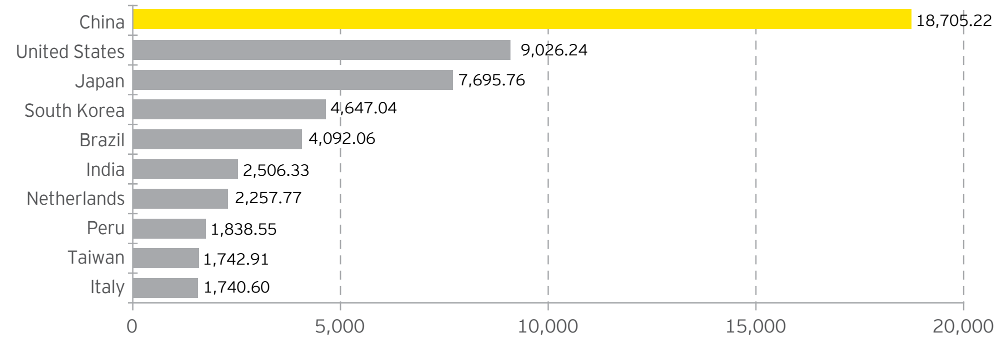
Source: Banco Central de Chile

Annual Rate of Change of Imports by Economic Sector, in Percentages (2014/2013)



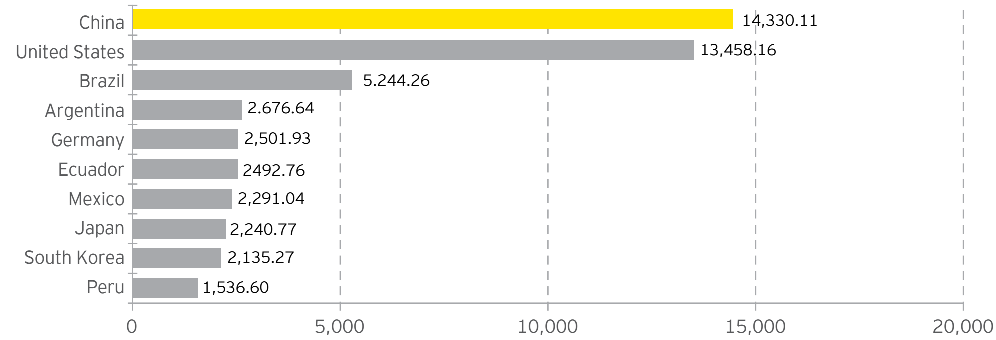
Source: Banco Central de Chile

Exports by Trade Partner in US$ Million, First 10 Partners (2013)



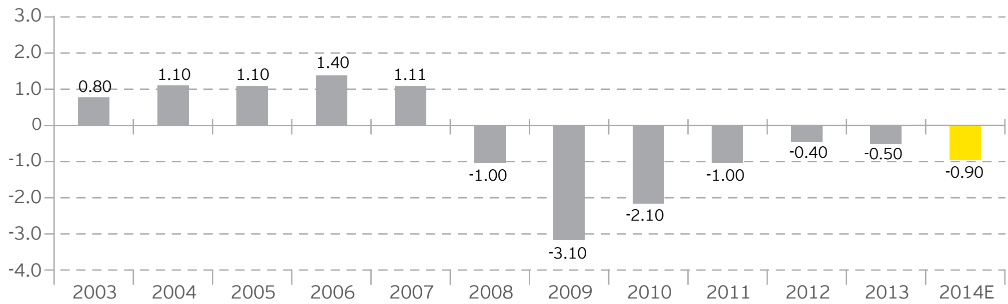
Source: Banco Central de Chile, 12 months prior to November 2014

Imports by Trade Partner in US$ Million, First 10 Partners (2013)



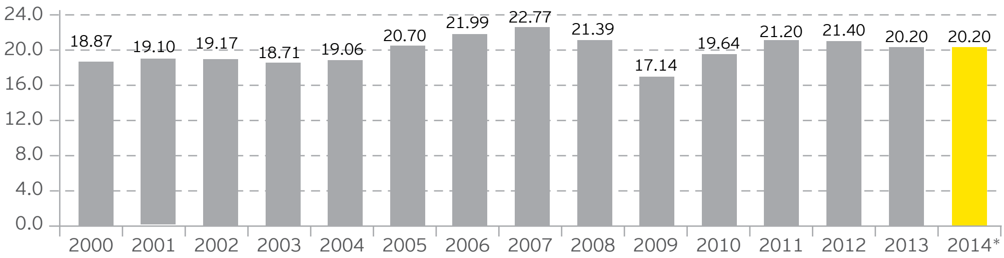
Source: Banco Central de Chile, 12 months prior to November 2014

Economic Results (Fiscal Surplus/Deficit) in the Public Sector with Respect to Structural Gross Domestic Product - G DP (In % of GDP)



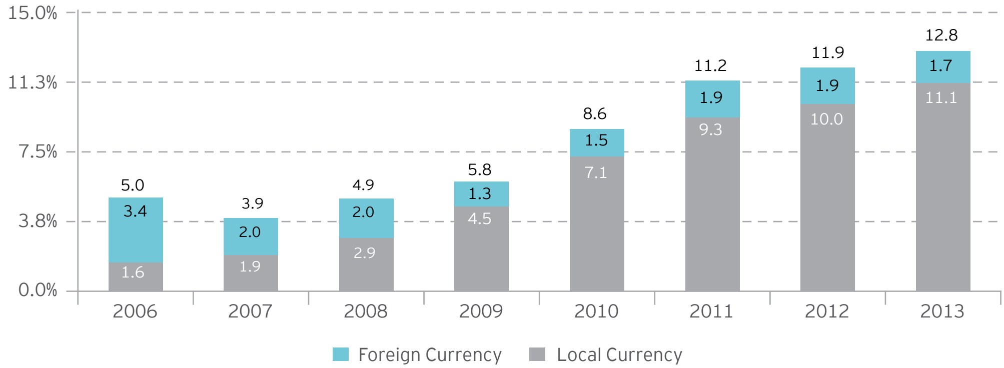
Source: Banco Central de Chile / Budget 2014

Tax Burden (in % of Gross Domestic Product - GDP)



*Estimated
Source: Organisation for Economic Co-operation and Development (OCED)

Public Debt (% of Gross Domestic Product - GDP)



Source: Banco Central de Chile

Evolution of Long-Term Foreign Currency Debt Rating

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

Sources: Standard & Poor's / Fitch Ratings / Moody's

4. Investment

Investment Promotion Conditions

a. Foreign Investment Legislation and Trends

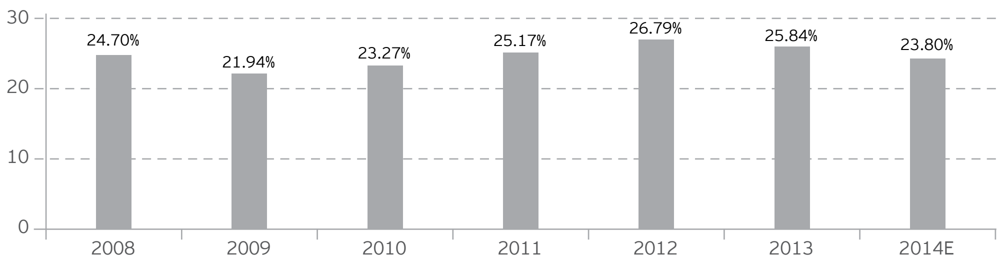
Chile is one of the most competitive, stable and open economies in Latin America and with the least levels of corruption, highlighted worldwide as an important destination for direct foreign investment. It also stands out for the solidity of its institutions and its macroeconomic figures, and for being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

Foreign investors can do business in Chile as individuals or through entities ruled by the Uniform Commercial Code and legislation. The basic structure considered by Chilean legislation is business corporations. 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

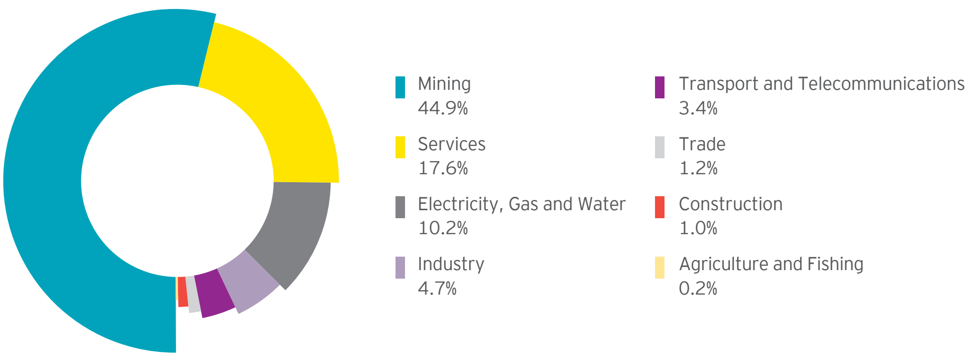
The principles that rule foreign investment in Chile are the following:
- Economic freedom
- No discrimination
- No discretionary procedures

Gross Capital Formation in Percentage of Gross Domestic Product - GDP (In Real Terms)



Source: Banco Central de Chile, Estimate Banco Central, Monetary Policy Report (IPoM) December 2014

Direct Foreign Investment by Sector (2009-2013)



Source: Foreign Investment Committee

Direct Foreign Investment by Sector in US$ Million (2013)

Sector	2013
Agriculture and Fishing	22
Mining	2,295
Manufacturing	671
Electricity, Gas and Water	4,832
Construction	125
Trade	34
Hotels and Restaurants	25
Transport and Storage	118
Communications	877
Financial Services	3,266
Real Estate and Business Services	156
Other Services	7,837
Total (US$ Million)	20,258

Source: Banco Central de Chile

World Competitiveness Ranking

	2013 - 2014			2014 - 2015	
	Ranking	Points		Ranking	Points
Total Chile	34/148	4.61		33/148	4.59
Sub-indices					
Basic Requirements	30	5.28		30	5.25
Institutions	28	4.88		28	4.82
Infrastructure	46	4.54		49	4.56
Macroeconomic Framework	17	6.02		22	5.88
Health and Basic Education	74	5.68		70	5.75
Efficiency Drivers	29	4.64		29	4.68
Higher Education	38	4.87		32	5.09
Efficiency in Goods Market	36	4.64		34	4.68
Efficiency in Labor Market	45	4.53		50	4.36
Development of Financial Market	20	4.83		19	4.88
Technological Training	42	4.48		42	4.59
Size of Market	42	4.49		41	4.50
Innovation and Sophistication Factors	45	3.92		49	3.88
Sophistication in Business	54	4.25		55	4.23
Innovation	43	3.60		48	3.54

Source: World Economic Forum 2014-2015

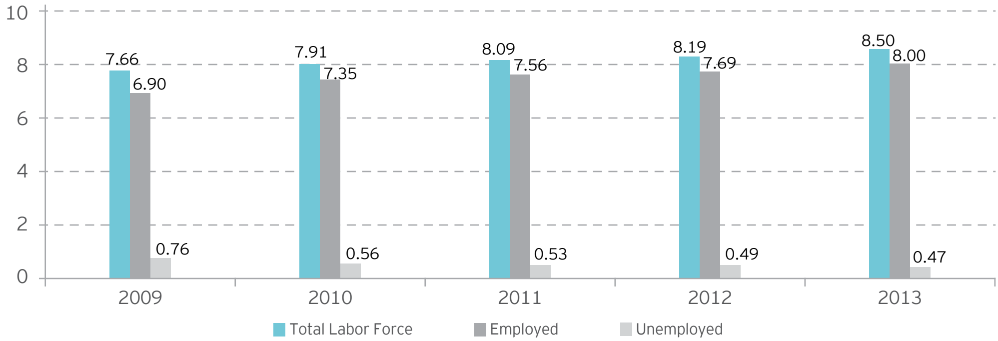
The following are the principal business climate indicators:

Indicators	Chile	Latin America and the Caribbean
Starting a Business		
‣ Procedures (Number)	7.0	8.3
‣ Time (Days)	5.5	30.1
‣ Cost (% of Income Per Capita)	0.7	31.1
‣ Registration of minimum paid-up capital (% of Income Per Capita)	0.0	3.2
Dealing with Construction Permits		
‣ Procedures (Number)	13.0	13.3
‣ Time (Days)	152.0	178.3
‣ Cost (% of Income Per Capita)	0.7	2.7
Registration of Properties		
‣ Procedures (Number)	6.0	7.0
‣ Time (Days)	28.5	63.3.0
‣ Cost (% of Property Value)	1.2	6.1
Obtaining Electricity		
‣ Procedures (Number)	6.0	5.5
‣ Time (Days)	30.0	67.4
‣ Cost (% of Income per Capita)	62.1	444.5
Obtaining Credit		
‣ Index of Strength of Legal Rights (0-10)	4.0	5.0
‣ Index of Scope of Credit Information (0-6)	6.0	5.0
‣ Public Records Coverage (% of adults)	44.7	12.6
‣ Private Organizations Coverage (% of adults)	8.8	39.3
Protecting Investors		
‣ Degree of Transparency Index (0-10)	8.0	3.9
‣ Index of Directors Liability (0-10)	6.0	5.1
‣ Index of Ease of Shareholders Legal Actions (0-10)	6.0	6.4
‣ Strength of Investor Protection Index (0-10)	4.5	4.6
Tax Payments		
‣ Number of Taxes Per Year	7.0	29.9
‣ Time (Hours Per Year)	291	365.8
‣Income Tax (%)	21.2	20.7
‣ Labor Taxes and Benefits (%)	4.0	14.7
‣ Other Taxes (%)	2.6	12.9
‣ Total Tax Rate (% on Income)	27.9	48.3
Trading Across Borders		
‣ Documents to Export (Number)	5.0	6.0
‣ Time to Export (Days)	15.0	16.8
‣ Cost to Export (US$ Per Container)	910	1,299.1
‣ Documents to Import (Number)	5.0	7.0
‣ Time to Import (Days)	12.0	18.7
‣ Cost to Import (US$ Per Container)	860	1,691.1
Enforcing Contracts		
‣ Time (Days)	480	736.9
‣ Cost (% of Goods)	28.6	30.6
‣ Procedures (Cents Per US$)	36.0	39.8
Resolving Insolvency		
‣ Time (Years)	3.2	2.9
‣ Cost (% of States)	14.5	16.4
‣ Recovery Rate (Cents on the Dollar)	30.0	36.0

Source: World Bank - Doing Business 2015

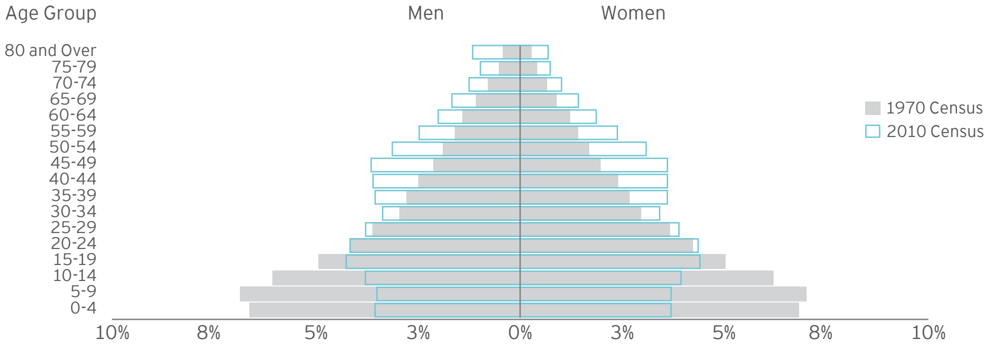
5. Population

National Active and Inactive Labor Force (Average Quarterly Flows, Millions of People)



Source: Banco Central de Chile

Population Pyramid as per Census (1970 and 2010)



Source: Estimates by National Institute of Statistics (INE) of Chile

6. Starting a Business

Foreign investors can do business in Chile as individuals or through entities regulated by the Uniform Commercial Code and Legislation. The basic structure that Chilean legislation considers is the business corporation. There is no restriction to the minimum or maximum amount of capital that any type of business corporation may have.

The following are the most widely used forms of doing business in the country:

a. Joint Stock Companies (Sociedades Anonimas) (more than one shareholder)

These are made up of shareholders who bring together a common capital. The resolutions are adopted by the majority through votes.

Characteristics:

- **Types**: Joint Stock Companies can be classified as Publicly-Held Corporations or Closely- Held Corporations.
  - **Publicly-Held Corporations (S.A.A.)**: (i) offer their shares to the public, (ii) they are companies with more than 500 shareholders, and (iii) are companies with 10% of their capital in the hands of at least 100 shareholders (excluding individual shareholders that exceed that percentage).
  - **Closely-Held Corporations**: all the remaining forms of Closely- Held Corporations that do not meet the characteristics of the S.A.A.
- **Liability**: The liability of shareholders is limited to the number of their shares.
- **Administration**: They must have a board with at least three directors, essentially revocable, that proceed to elect a manager and their chairman.
- **Supervisory Bodies**: Publicly-Held Corporations must be registered in the National Registry of Stock Corporations and are subject to supervision by the Superintendency of Securities and Insurance (SVS). Closely-Held Corporations are not subject to supervision.
- **Transferring Shares**: There is no legal limit to the transfer of shares.

b. Limited Liability Companies (Sociedades de Responsabilidad Limitada) (more than one shareholder)

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

Characteristics:

- **Partners**: A minimum of two and maximum of 50 partners, who can be nationals or foreigners, residents or not, individuals or legal entities.
- **Liability**: The partners limit their liability to the amount of their contributions or even a higher amount providing it is indicated, without demanding a minimum of capital.
- **Management and supervision**: The purpose, management and supervision of the company can be agreed on freely by the partners. However, there are some activities such as banking or insurance that cannot be carried out by this type of company.
- **Transferring social rights**: A unanimous vote is required to transfer social rights.

c. Sole Proprietorship Limited Liability Company (Empresa Individual de Responsabilidad Limitada) (one shareholder)

An individual can become a legal person or entity under the figure of a Sole Proprietorship Limited Liability Company (E.I.R.L.). The assets are limited to what is indicated in the articles of the incorporation and the owners responds only with their personal property up to the capital contribution to the company, and the company responds with all of its assets.

The EIRLs may operate any kind of civil and commercial businesses, except those reserved by law to joint stock companies (S.A.)

d. Joint Stock Company by Shares (SpA) (Sociedad por Acciones) (one or more shareholders)

This is a variant of the joint stock company, as it is a legal entity created by one or more persons by way of an incorporation, and whose participation in the capital is represented by shares.

The SpA is regulated by the rules applicable to Closely-Held Corporations, and must carry a Shareholders Register, which is practically the same as required for joint stock companies.

Characteristics:

- **Liability**: The liability of the shareholders is limited to the amount of their shares.
- **Management**: The management of the SpA is similar to that required by joint stock companies but may be simplified.

- **Supervisory Body**: Like Closely-Held Corporations, the SpA are not subject to supervision by the Superintendency of Securities and Insurance (SVS) as are Publicly-Held Corporations.
- **Transferring Shares**: There is no legal limit to the transfer of shares.

e. Branch or Agency of a Foreign Branch

Government approval is not required to establish branches in Chile of foreign companies. A legal representative must be established on behalf of the foreign company, who must authenticate certain documents before a Chilean notary public. These documents must be written in the original language and accompanies by a translation into Spanish. The documents are the following:

- Proof that the company is legally incorporated abroad.
- Certification that the company exists.
- An authenticated copy of the bylaws in force in the company.
- A general power of attorney issued by the company to the legal representative who will represent them in Chile. This power must clearly establish that the legal representative acts in Chile under direct responsibility of the company and with full and sufficient powers to act in the name of the company.

Also, the legal representative must sign a notarially recorded instrument on behalf of the company. They then must register an extract of the same with the Registry of Companies and publish that extract in the Official Gazette.

7. Tax Environment

In order to determine Chile's tax system resulting from the recently approved Tax Reform (Law 20.780) it is necessary to distinguish between the environments before and after 2017. The current system is a two-tier integrated one; with a first-bracket tax, which is a corporate tax that will be applied at a rate of 21% for 2014, 22.5% for 2015 and 24% for 2016. For their part, withdrawals or distributions abroad are levied with the Additional Tax, at a rate of 35%, and the First-Bracket Tax paid by the company that may be applied as credit.

From 2017 onwards, the tax system will imply two different schemes: The first one is the attribution scheme. It comprises a 25% corporate-level first-bracket tax; a 35% additional tax levied on non-domiciled shareholders, which, unlike the current system, will be applied on an accrual basis, without requiring any distribution or remittance; and a 35% tax levied on domiciled shareholders, where the right to deduct as credit the first-bracket tax paid by the company remains applicable. In this sense, the 35% Additional Tax shall be applied to shareholders on a proportional basis according to the profits earned by the company, regardless of whether or not they are distributed.

The second scheme is the distribution scheme, with a first-bracket tax of 25.5% for 2017 and 27% from 2018 onwards. In this system, the 35% Additional Tax shall be applied on the amounts actually withdrawn or distributed and the first-bracket tax paid by the company can be used as credit. The credit derived from the first-bracket tax paid by the company shall not be used at 100%, but at 65%, for residents and non- residents of countries with which Chile does not have a double taxation avoidance treaty.

a. Current Chilean Tax System

The management and collection of the main taxes are the responsibility of the Chilean Tax Authority (SII) Its main objectives are controlling tax evasion and collecting taxes efficiently.

The main corporate taxes are:

First-bracket Tax (Corporate)	21% a 25% o 27% (a)
Capital Gain Tax	0/21% a 25/35% (b)
Tax on Affiliates	21% a 27%
Tax Withholding:	
‣ Dividends	35% (c)
‣ Interest	35/4% (d)
‣ Royalties from patents, trademarks, formulae and the like	30/15/0% (e)
‣ Technical services provided abroad	20/15% (f)
‣ Other payments and compensations for services	35%
Operating losses (years)	
‣ Carry-back	Unlimited (g)
‣ Carry-forward	Unlimited

(a) Depending on the taxation scheme chosen by the taxpayer, the rate will be 25% or 27% as from 2018.
(b) Depending on the specific circumstances of the transaction.
(c) The rate is 35% less a credit for the corporate taxes paid. The same treatment is applied to the profits distributed by affiliates.
(d) The general rate is 35%. The rate is 4% if payment is made to international banks or foreign institutions.
(e) A 15% rate may be applied to certain payments (patents, designs, software license) as long as the beneficiary is not a related company and is not domiciled in a tax haven. In those cases, a 30% rate is applied. Software-related payments are not subject to tax.
(f) 15% if the beneficiary is not a related company and is not domiciled in a tax heaven. In these cases, a 20% rate is applied.
(g) Effective from 2017, the carry-back shall no longer be allowed.

First-Bracket Tax – Domiciled Companies

Determination of the Tax Base

The First-Bracket Tax Rate ranges from 21% to 27% (depending on the year and the taxation scheme chosen by the taxpayer, as stated above) and is applied on the net profit. Companies domiciled in Chile are taxed on their foreign source profits. Affiliates in Chile of foreign companies are taxed on the profits attributed to them.

The First-Bracket Tax is a credit against the taxes on the profits distributed to owners or shareholders.

The Tax Base includes all earnings, with some minor exceptions (governmental incentives, for instance). The revenues are those generated in all transactions, asset sales and other activities.

The expenses in favor of related domiciled companies from abroad are deductible only from the time the Additional Tax is paid (when applicable).

Up to 2017, the profits distributed to final partners or shareholders (Chilean individuals or foreign taxpayers) will be taxed with the final taxes (Supplementary Global or Additional, as appropriate) with the right to a credit for the First-Bracket Tax paid by the company.

In the case of distributions to foreigners, the income-generating corporation must fulfill withholding duties on account of the final tax of partners or shareholders.

The taxed but undistributed profits and distributions of the financial profits generated on temporary differences, shall be monitored, which shall be taxed in the years in which such difference is reverted.

For its part, from 2017 onwards, it will be necessary to distinguish between the taxation schemes chosen by the shareholders or partners of the company.

For the attribution scheme, the applicable First-Bracket Tax will be 25%.

Final partners or shareholders will pay their taxes on an accrual or attribution basis, meaning that the Tax Base will be the profits yielded by the company during the commercial year, regardless of whether or not there is an effective distribution, which will be attributed at the end of the financial year; and shall pay the final, Supplementary Global or Additional Taxes with a credit from the First-Bracket Tax.

In this case, the attribution of profits to the partners or shareholders will be made as established in the corporate bylaws or in a public instrument informed to the Chilean Tax Authority (SII); this agreement may be objected by the authority if it does not reflect the market conditions.

If the distribution scheme is chosen, the First-Bracket Tax payable by the company will be 27% as from the year 2018 (25.5% in 2017).

Under this scheme, the final partners or shareholders will be taxed only on the income actually earned, with Supplementary Global or Additional Tax, applying as credit the First-Bracket Tax actually paid.

In the case of Chilean taxpayers and those residing in countries with which Chile does not have a double taxation avoidance treaty in force, only 65% of the First-Bracket Tax will be used as credit (with an effective tax rate of up to 44.45%). For their part, taxpayers residing in countries with which Chile has a double taxation avoidance treaty may use 100% of the tax paid as credit against the Additional Tax (with an effective tax rate of up to 35%).

Tax Loss Carryforward System

Currently, taxpayers may carry forward the losses against the revenues of past or future years. There is no time limit.

In addition, if a parent company with losses receives dividends from an affiliate, such dividends will be applied to the losses of the parent company and there is the right to request the refund of the taxes paid by the affiliate and on the profits distributed to the parent company.

As from 2017, the carryforward of losses is amended by the Reform for both taxation schemes on the attribution and distribution bases, and the concept of carry-back shall be eliminated. Therefore, losses may not be used against the profits of past years, but they may only be carried forward, without any time limit.

Under these schemes, the concept of refund of taxes paid by affiliates remains; the only change is that such refund will apply in the case of profit distribution or attribution.

Both currently and during the term of Law 20.780, losses are carried forward to the following year until their total consumption.

Undercapitalization Rules

By rule of thumb, the interest paid by Chilean entities to entities residing abroad is subject to the Additional Tax at a 35% rate or at the lower rate indicated by the double taxation avoidance treaty, should it exist.

If the entity granting the credit is a bank domiciled abroad, the additional rate tax will be 4%, provided that it is not a related party and provided the Chilean debtor entity has a debt-to-capital ratio less than 3:1.

In the event that any of the requirements set forth is not complied with, a 31% surtax shall be applied to the interest paid.

Law 20780 (Tax Reform) modifies this treatment for credits granted from 2015 onwards. Thus, stricter relationship rules are established (for instance, personal guarantees such as the surety are included in the relationship concepts), the 3:1 ratio determination basis is modified (considering national credits in the calculation) and it is provided that the credits coming from preferential regimes (a kind of tax havens) shall be subject to a 35% tax.

Controlled Foreign Corporation (CFC) Rules

The obligation to recognize passive income of controlled foreign corporations on an accrual basis is established.

Transfer Prices

Law 20630 regulates transfer pricing related aspects, such as relationship rules as well as methods and rules used in transactions between related parties. The regulator requires information to confirm that the transactions have been carried out in compliance with the regulations and may apply fines in the event of default.

Tax Havens

There is a list of countries considered as "tax havens". The transactions carried out with tax heavens lead to the application of higher rates on royalty and service payments and the application of undercapitalization rules for interest.

In addition to the list of tax havens, the Tax Reform includes the concept of Preferential Tax Regimes, which have a similar treatment to tax havens, with the difference that the new regulations do not establish what countries are deemed to have Preferential Tax Regimes, but they establish the requirements to be met to maintain such condition.

Without prejudice to the aforementioned requirements, those countries which are members of the Organization for Economic Cooperation and Development (OECD) are automatically excluded from the concept of preferential tax regimes, whether or not they meet the requirements.

Indirect Transfer

Section 10 of the Income Tax Act (IT) establishes the rules governing the indirect transfer of Chilean assets abroad. In this connection, it provides that any indirect transfer made abroad will be subject to tax in Chile, provided it meets certain requirements.

In addition, such Section states that Chilean permanent companies or establishments subject to indirect transfer are jointly and severally responsible for the payment of the taxes generated by the foreign transferor.

Tax Credits

In Chile, there is the right to use the taxes paid abroad as credit against the Income Tax, depending on whether the income comes from a country with which Chile has or does not have a double taxation avoidance Treaty.

With regard to the Income Tax paid in countries with which Chile has signed a double taxation avoidance treaty, only the taxes on dividends (both the income tax subject to withholding at the source and the corporate income tax paid by the company that distributed it) the income tax paid by permanent agencies or establishments, and the income tax levied on royalties and technical advisory services or similar services (withholding) may be used as credit against the Chilean income tax.

This credit may be used for up to a limit equal to 32% (countries without a Treaty) or 35% (countries with a Treaty) of the foreign source income, with certain adjustments.

Tax Incentives

- **Tax Stability Agreements**
  Foreign investors signing an investment agreement with the Republic of Chile may choose to pay a fixed rate of 42% for a period of ten years from the start of activities. (This benefit is known as Executive Order (Decreto Ley) 600 and was repealed by the Tax Reform, effective from 2016).

- **Double Taxation Avoidance Agreements**
  Chile has executed agreements with Australia, Belgium, Brazil, Canada, Colombia, South Korea, Croatia, Denmark, Ecuador, Spain, France, Ireland, Malaysia, Mexico, Norway, New Zeeland, Paraguay, Peru, Poland, Portugal, the United Kingdom, Russia, South Africa, Sweden, Switzerland and Thailand.

Taxes for Entities Not Domiciled in Chile

The revenues generated in Chile by a taxpayer not residing or domiciled in the country are subject to a 35% tax.

Strictly speaking, capital repatriation is not subject to tax in Chile. Without prejudice to the foregoing, upon repatriation, it is necessary to analyze whether capital or shares that have not paid the final taxes are being repatriated. In the case of shares, they would be subject to a 35% additional tax, being entitled to use the first-bracket tax paid by the company as credit.

Investment and Savings Incentives:

- **Depreciation Mechanism**: Under the current tax system, the depreciation mechanisms are the normal depreciation (on the useful life of the asset) and the accelerated depreciation (on 1/3 of the useful life of the asset).

  The latter mechanism is only applied against the First-Bracket Tax but not against final taxes.

  Law 20780 adds two new types of depreciation, maintaining the former ones. The new types of depreciation, effective from October 1, 2014, are the instant depreciation (in a single year) applicable to companies with revenues of less than US$1 million approximately and the instant depreciation (1/10 of the useful life of the asset) applicable to companies with revenues of less than US$4 million approximately. The rest of companies may apply the normal depreciation and the accelerated depreciation on 1/3 of the useful life.

  Furthermore, the effects of accelerated depreciations (1/3, 1/10 and immediate) have been extended to final taxes; hence, they must not be reverted upon attribution or distribution. The latter will come into force from January 2017; prior to such date, the effects are reverted at the time of distribution.

- **Special rules applicable to small-sized companies**: (i) Simplified accounting taxation system for companies with annual sales no greater than 50,000 Unidades de Fomento – UF (index-linked units), reduction in Monthly Provisional Payments (PPM) and change in the person liable for payment of the Value Added Tax (VAT), (ii) increase of the fixed asset acquisition credit to 6% for small and medium-sized companies.

- Savings incentives for individuals with savings in qualified financial instruments.

Stamp Duty Tax

It is applied to documents evidencing credit transactions. The rate is 0.033% a month, if the credit term is lower than 12 months. If the credit term is equal to or greater than 12 months, the tax rate is 0.4%.

The Tax Reform increases the rates for this tax as from January 2016, which would be 0.066% a month if the credit term is lower than 12 months and 0.8% if the credit term is equal to or greater than 12 months.

Second-Bracket Tax

It is a tax applied to dependent workers whose monthly salary exceeds 13.5 Unidades Tributarias Mensuales – UTM (Monthly Tax Units) (around US$1.000). Tax rates range from 4% to 40%, depending on the monthly income of the worker.

As from 2017, the maximum marginal rate of this tax will no longer be 40% but 35%.

Supplementary Global Tax

It is applied to income derived from business activities and independent workers. The already paid first-bracket taxes are credits and are not paid again. Marginal rates are the same as those of the Second-Bracket Tax and, according to the Reform, are subject to the same reduction, with a maximum marginal rate of 35%.

Value Added Tax (VAT)

The Value Added Tax (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%.

The VAT follows the debit/credit system, whereby the VAT paid on purchases is offset against the VAT on sales. The tax must be declare and paid on a monthly basis. Its amount is determined based on the difference between the tax debit and the tax credit. If a difference remains, there is a mechanism that allows it to be used in subsequent periods.

The Value Added Tax (Act) Act will be changed by the Tax Reform. Currently, the VAT is mainly levied on the sale of personal property and on services; its application on the sale of real property is exceptional. Law 20780 amends this concept and applies the VAT to all customary sales of real property, whether new or used.

Additionally, it must be taken into account that construction companies enjoy the benefit of a refund of 65% of the VAT incurred in the construction of houses with a cost lower than 4,500 UF (US$180,000 approximately). The Reform modifies the limit and reduces it to 2,000 UF (US$80,000 approximately).

Customs System

By rule of thumb, imports are subject to payment of the ad valorem duty (6%) on the CIF value (cost of the goods + insurance premium + freight value) and payment of the VAT (19%) on theCIF value plus the ad valorem duty.

In some cases, depending on the nature of the goods, it is necessary to pay special taxes on the same tax base (CIF value + ad valorem duty). On other occasions, the goods are subject to specific duties, according to the ranges established in each case (for instance, wheat and sugar).

In those cases where their import is authorized, used goods pay an additional surcharge of 3% on their CIF value, in addition to the taxes they are subject to, according to their nature.

In the case of goods originating from a country with which Chile has signed a trade agreement, the ad valorem duty may be free or subject to a percentage reduction. Chile maintains a wide array of Free Trade Agreements that reduce the rate to 0%.

The determination of the customs value is governed by the rules of the World Trade Organization (WTO).

International Treaties

- **Free Trade Agreements:** with Canada, Mexico, Central America, European Free Trade Association (EFTA); Iceland, Liechtenstein, Norway and Switzerland executed a Free Trade Agreement with Chile, the United States, South Korea, China, Panama and Japan on June 26, 2003.
- **Economic Complementation Agreement (ECA):** with Argentina, Bolivia, Cuba, Ecuador, MERCOSUR, Venezuela.
- **Economic Partnership Agreement (EPA):** with P-4 (New Zealand, Singapore, Brunei), the European Union and Japan
- **Free Trade Agreement (FTA): with Colombia and Peru**
- **Investment Protection Agreements: Chile has signed this type of agreement with 19 European countries, 5 Asian-Pacific countries and 14 American countries**
- **Pacific Alliance: with Colombia, Mexico and Peru; the reason for this guide**

Green Taxes and Indirect Taxes

The Tax Reform establishes green taxes, meaning that a specific tax will be levied on the acquisition of vehicles considered a source of pollution and that a specific tax will be applied to companies having energy generators with a power of over 50 mw.

Additionally, the Tax on Alcoholic Beverages with High Sugar Content is increased from 13% to 18% and the Specific Tax on Alcoholic Beverages is increased, depending on the type of beverage.

Lastly, the Ad Valorem Tax on Cigars (per package) is reduced, but the tax per unit of cigar is increased.

Anti-avoidance and evasion regulations

The Tax Reform adds a number of regulations to the Tax Code, which are aimed at avoiding the evasion of taxes and the simulation.

In this connection, it adds a general anti-evasion rule whereby the tax administration may object those agreements, structures or other activities carried out by taxpayers when such activities have been intended to evade the payment of taxes.

Without prejudice to the new powers of the administrative authority, it is subject to limitations such as the presumption of good faith for the taxpayer, the obligation to prove accusations (burden of the proof) the jurisdiction of tax courts to settle these conflicts, among others.

8. Labor Regulations

Hiring System for Chilean Employees and Foreign Workers

The Chilean Labor Code regulates the employment contract and its different types, as well as the rights and obligations of workers and employers. This Code defines the individual employment contract as "an agreement whereby the worker undertakes to provide personal services under a dependency and subordination relationship with the employer and the employer undertakes to pay the worker a specific remuneration for such services."

a. System Applicable to Chilean Workers

According to the term, there are three types of employment contract:

- **Indefinite-term contract:** It is a contract which term has not been previously established by the parties; it is the general hiring rule in Chile. This type of contract does not establish a date certain or a term and the employment relationship may only terminate by applying certain grounds contained in the Labor Code.

- **Fixed-term contract:** It is a contract entered into by and between the worker and the employer for a fixed term, accurately setting the termination date. Its maximum term is one year and, exceptionally, two years for managers or persons holding a professional or technical degree awarded by a Tertiary Education institution. The fixed-term contract may be renewed only once. If it is renewed for a second time, it automatically becomes an indefinite-term contract.
  The same occurs when the worker continues to provide services after the expiry of the agreed term, when the employer is aware of this. This also happens in the case of a worker who rendered intermittent services by virtue of more than two contracts, during twelve months or more, over a period of fifteen months after the first hiring.

- **Contract for specified work or service**: In this case, the worker undertakes to execute a specific material or intellectual work; the term of this contract is circumscribed or limited to the duration of such work.

  Furthermore, the Chilean legislation establishes other types of employment contracts named "special contracts", which respond to the nature of the services provided by the worker and regulate labor outsourcing and collective employment relationships.

  In the case of Contracts for the Provision of Professional Services, relationships are not governed by the labor regulations but by the civil or commercial law regulations, as appropriate, provided that the basic requirement of any employment relationship, i.e. the provision of personal services under a subordination and dependency relationship, is not met.

b. System Applicable to Foreign Workers

As a general rule, foreign workers providing services in Chile are subject to the same laws as Chilean workers. Nonetheless, general clauses must be included in their employment contracts for immigration purposes.

Moreover, the following must be taken into account:

- Foreign workers may not exceed 15% of the payroll of a company with over 25 workers. There are some exceptions: (1) the specialized technical personnel are excluded (this must be proven by the employer in the event of an audit); (2) a foreign worker whose spouse or children are Chilean or who is widow or widower of a Chilean spouse will be considered to be a Chilean citizen, and; (3) the foreign workers who have resided in Chile for more than five years will also be considered to be Chilean citizens.
- Social Security: Foreign professionals and technicians providing services in Chile may be exempted from the contributions to the Chilean social security system (pension funds and health insurance only) provided that they are affiliated abroad to a social security system that grants similar benefits to those granted in Chile (old-age, disability, illness and death) and provided that the employees expressly state their will to keep their affiliation abroad, which must be placed on record in the employment contract. This exemption does not include payments for work accidents and occupational diseases and unemployment insurance.

It is worth noting that Chile has International Social Security Agreements in effect with the following countries: Germany, Argentina, Australia, Austria, Belgium, Brazil, Canada, Colombia, Denmark, Ecuador, Spain, United States, Finland, France, Luxembourg, Norway, The Netherlands, Peru, Portugal, Quebec, Czech Republic, Sweden, Switzerland, and Uruguay. In addition, it has signed an Ibero-American Multilateral Agreement.

Fringe Benefits

In Chile, workers are entitled to the following fringe benefits, among others:

- **Vacations or Holidays:** Workers with more than one year of service are entitled to an annual vacation of 15 business days with full remuneration.
- **Compensation for Length of Service (severance pay) or Indemnities:** When an employment contract has been in force for more than one year and the employer terminates it due to specific grounds, the employer must pay the worker a money compensation or indemnity equal to 30 days of the latest monthly remuneration of the worker (with a limit of 90 Unidades de Fomento – UF (index-linked units) approximately CL$2 million) per year of service or fraction of more than six months, with a limit of 330 days or 11 months.
  The grounds that give entitlement to this compensation or indemnity for termination of contract include economic needs of the company, bankruptcy or a unilateral decision of the employer in respect of certain trust or management positions within the company.
- **Profit Sharing in Favor of Workers or Bonuses:** Companies must distribute a percentage of its profits among all of their workers. The employer must choose between two legal alternatives in respect of the determination of the benefit: 30% of the net taxable benefits, with certain adjustments, or 25% of the annual salaries, with a maximum limit of 4.75 minimum monthly salaries per employee.
- **Work Accidents or Occupational Diseases:** The law establishes a Life, Disability and Occupational Insurance and determines the medical and economic benefits to which the covered workers who suffer an occupational accident or professional disease are entitled.

  Employers pay a basic contribution of 0.95% on salaries up to 73.2 Index-Linked Units (UF) (2015) to cover the risk of occupational accidents. High-risk activities are subject to an additional contribution of up to 3.4%. This is mandatory for Chilean and foreign workers.
- **Unemployment Insurance:** It is co-financed by the employer and the employee at a rate of 2.4% and 0.6%, respectively, of the monthly salary of employees. The maximum monthly salary to be considered for these purposes is 109.8 Index-Linked Units (UF) (equal to approximately CL$2.7 million) for the year 2015. This contribution is mandatory for Chilean and foreign workers who signed an employment contract after October 2002 and voluntary for workers who signed an employment contract prior to such date. Following the termination of the employment contract, the employees may make up to five withdrawals from their account of personal funds for unemployment.

Taxes and Contributions Levied on Remunerations

It is worth mentioning that recently Law 20.780 (Tax Reform) has been approved and come into force in Chile. The main points of such Law are described in Section III. 7 Tax Environment.

- **Health System:** The mandatory discount for health is 7% of the gross salary. The employee may previously agree with the chosen institution a higher discount. This amount must be withheld and paid by the employer to the public or private institution to which the worker is affiliated, whether it be the National Health Fund (FONASA), which is a public institution, or the Health Insurance Institution (ISAPRE) which is a private entity.
- **Pension System:** Every worker must be affiliated to a Pension Fund Management Company (AFP) and the employer must discount the contribution amount from the salary and deliver it to the appropriate AFP. The minimum total discount that has to be made is approximately 12.3% of the gross salary.
- **Income Tax:** The employer is responsible for withholding and paying the income tax (second-bracket bracket) on labor income. Currently, it is applied at a progressive scale that goes from 0% to 40%. Effective from January 1, 2017, the maximum marginal rate of the tax will be reduced to 35%. The income categories are based on Unidades Tributarias Mensuales – UTM (Monthly Tax Units) which are monthly adjusted for changes in the CPI.

- **(*) Taxes on Residents**: The Additional Tax is applied to Chilean source income earned by individuals or legal entities that are not domiciled or resident in Chile. The general Additional Tax rate is 35%, applying lower rates to certain types of income that also meet the special requirements established for each of them in the regulations in force.

Extinction or Termination of the Employment Relationship

For matters related to the termination of the employment contract, Chile is governed by a relative job stability system. This means that there must be legal grounds in order to terminate an employment agreement. The grounds are classified into two large groups: those that result and those that do not result in the payment of a mandatory compensation.

- **Grounds for termination of an employment contract without the right to a mandatory compensation**
  They result from the parties' decision or natural causes, such as the mutual agreement, the death of an employee, the expiration of the term of the employment contract or the resignation of the employees. Other grounds for termination that do not generate the obligation to pay a compensation include misconduct of the employee, such as lack of probity, sexual harassment, immoral behaviors, incompatible negotiations and, in general, any conduct that may represent an intentional violation or serious breach of the labor obligations.
- **Termination of the employment contract with a mandatory compensation**
  The employer may unilaterally terminate the employment relationship invoking company's needs, such as those derived from the modernization of the services, the reduction of productivity, changes in the economy or in the market conditions which may make it necessary to reduce personnel.

As regards employees with 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 invoke any grounds.

In both cases, the dismissal requires the submission of a 30-day written notice to the employee. In the above cases, the employer is under the obligation to pay a severance compensation, subject to the limits and the conditions described above.

In addition, the employment contract shall terminate if the employer becomes subject to a liquidation proceeding, in which case the payment of the aforementioned compensations also applies.

Immigration

In general, a passport is required to enter the country, excepting citizens from Argentina, Brazil, Bolivia, Colombia, Ecuador, Paraguay, Peru and Uruguay, who require only an identification document.

The tourist visa allows foreigners to stay in the country for a 30-day period, which may be extended to a maximum of 90 days. Furthermore, it is important to mention that Chile has no business visa; hence, in these cases, a person must enter as a tourist.

Foreigners may request some of the visas listed below:

- **Temporary Residence Visa:** This visa allows a person to perform any activity in Chile only subject to the limitations established by law. It is issued for a maximum term of one year, renewable until completing two years. The applicant must have an interest in residing in the country, such as business, family or studies.
- **Residence Visa Subject to Contract:** Foreign workers may apply for this type of visa when they will be hired by a Chilean company. This visa allows their holder to perform labor activities exclusively with the employer with whom the non-resident employee signed the employment contract.
- **Permanent Residence Visa:** The permanent residence visa is granted to foreigners to authorize them to reside in Chile indefinitely and perform any lawful activity in the country. The terms to obtain the permanent residence will depend on the visa that was applied for before:

- Residence Visa Subject to an Employment Contract: two uninterrupted years with this type of residence visa.
- Temporary Residence visa: one year.
- Student Residence Visa: two years with this type of residence visa, provided that the studies have been completed.

Visas may be applied for from abroad at the Chilean Consulates present in the country of the foreigner or through the Department of Foreign Affairs and Immigration, which reports to the Ministry of Internal Affairs and Public Security of the Government of Chile from the Chilean territory.

Labor Reform

Presently, a labor reform bill is being processed at the Chilean Congress; such bill –according to the current Administration- aims at strengthening union organizations within a company and simplify the collective bargaining processes within a company.

9. Financial Reporting Procedures

Since 2013, in general, all companies in Chile must present their financial statements in accordance with the International Financial Reporting Standards (IFRS).

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

The process for conversion to the IFRSs began in 2009, when the Chilean Securities and Exchange Commission (SVS) and the Chilean Accountants' Association established that year as the first for the implementation of said standards for 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 IFRSs by groups of companies, which was finalized in 2013.

The Chilean Accountants' Association has provided the option for the application of the IFRSs by Small and Medium-Sized Enterprises (known as the IFRSSME regime) via 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.

IV

Colombia

Note: Map Simplified by EY

1. Geography

Colombia is located in the northwestern region of South America. It is bordered to the east by Venezuela and Brazil, to the south by Peru and Ecuador, and to the northwest by Panama. With regard to maritime limits, it borders Panama, Costa Rica, Nicaragua, Honduras, Jamaica, Haiti, the Dominican Republic, and Venezuela in the Caribbean Sea, and Panama, Costa Rica, and Ecuador in the Pacific Ocean.

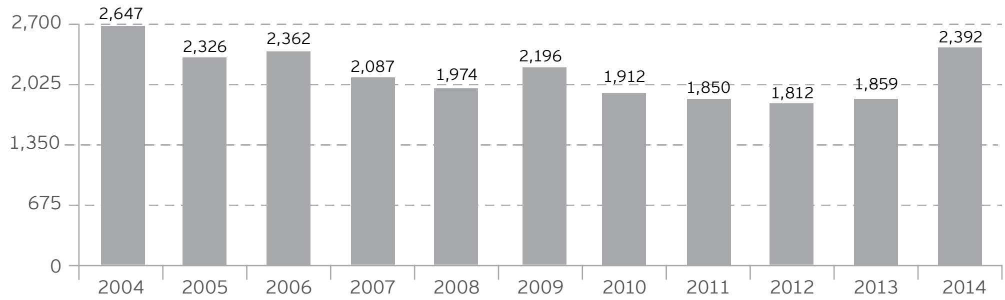
Population	47 million Urban: 75% Rural: 25%
Area	1,141,748 km^2
Currency	Colombian Peso (COP$) US$1 = COP$ 2.405
Main Language	Spanish
Religion	Freedom of religion Catholic 90%
Climate	Diversity of climates depending on altitude
International Time	GMT - 5 (5 hours behind Greenwich Mean Time) There is no daily savings time, and the time is the same throughout the country
Natural Resources	Emeralds, Gold, Nickel, Coal, Hydrocarbons, other minerals, Coffee, Flowers, Bananas

*Interbank exchange rate as of January 9, 2015
Sources: Banco de La Republica / National Administrative Department of Statistics (DANE) / CIA The World Factbook

2. Currency

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

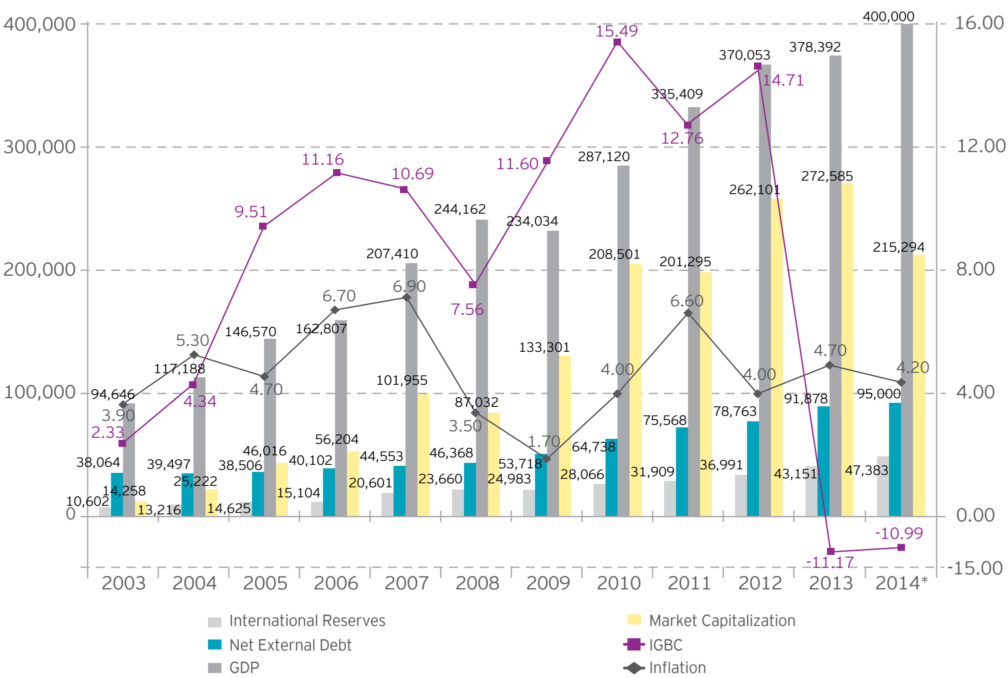
Exchange Rate Evolution: COP$ per 1US$ (end of each year)



Source: Banco de La Republica de Colombia

3. Economy

Evolution of Financial Indicators

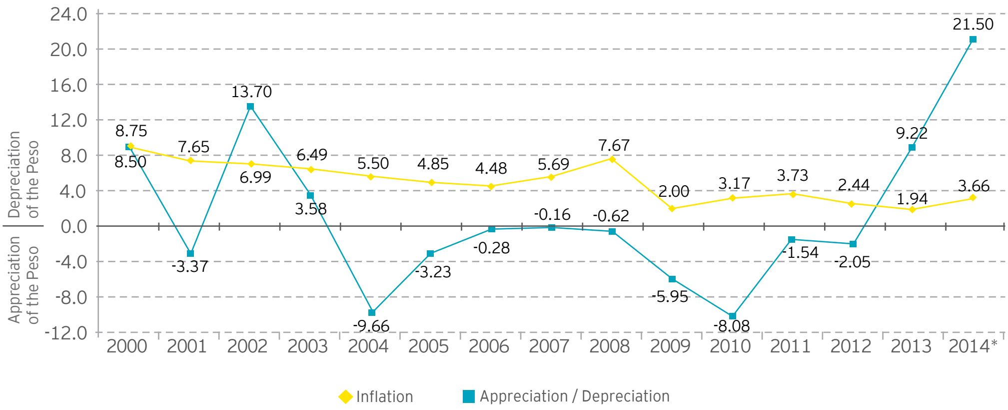


*Estimated Net International Reserves as of December 2014 / Market Capitalization as of September 2014. Starting in November 2013, the Index of the Colombia Stock Exchange (COLCAP) replaced the General Index of the Colombia Stock Exchange (IGBC) as the primary indicator of the behavior of the Colombian stock market. As of September 2014, the COLCAP Index was 1.752,26.

Source: Banco Central de Colombia

Appreciation/Depreciation and Inflation

At the end of 2014, the inflation rate in Colombia reached 3.66%. The annual depreciation rate of the Colombian Peso in relation to the U.S. Dollar for 2014 is 9.32%..



*October 2014
Source: Banco de La Republica / National Administrative Department of Statistics (DANE) / Ernst & Young (EY)

Primary Economic Activities

The Colombian Economy is an outstanding emerging economy in the international context, thanks to the solid growth it has experienced over the last decade and its attractiveness to foreign investment. In the international rankings, it is one of the 31 largest in the world.

The Colombian economy is essentially based on the production of primary 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, which makes Colombia one of the largest exporters of this product worldwide.

The country's oil production is among the most significant on the continent, with nearly one million barrels per day, ranking Colombia fourth on the continent in terms of production (both data as of December 2013).

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

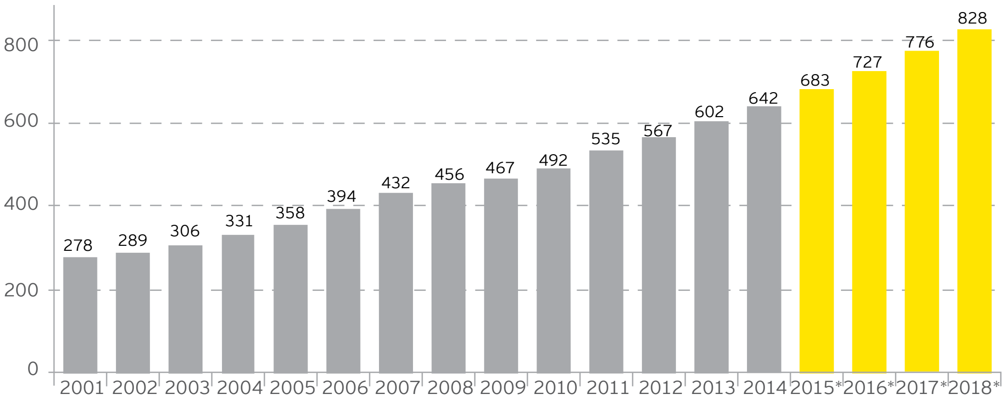
In the field of agriculture, floriculture and banana crops occupy an important position, while standouts in the industrial sector include textiles and the automotive, chemical, and petrochemical industries.

Sources: EY / CIA The World Factbook / Proexport

Gross Domestic Product (GDP) /Trade Balance

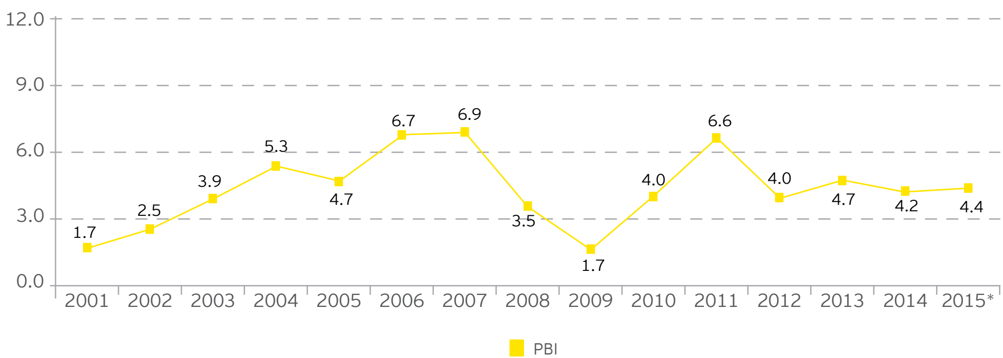
The Gross Domestic Product (GDP) for 2014 was estimated at US$400 billion, according to figures from the International Monetary Fund - IMF (GDP not measured in terms of purchasing power parity). Below is the evolution of the GDP, this time measured in purchasing power parity, according to the IMF. See also: Section I.3.

Real Gross Domestic Product (GDP) of Colombia in Purchasing Power Parity (in US$ Billion)



*Estimated
Source: International Monetary Fund (IMF)

Gross Domestic Product - GDP (Annual Rate of Change)



*Estimated as of January 2015
Source: Banco de La Republica de Colombia

Gross Domestic Product (GDP) by Branch of Economic Activity / Annual Rate of Change (%)

	2008	2009	2010	2011	2012	2013*	2014**	2015**
Agriculture/Livestock, Forestry, Hunting, and Fishing pesca	7.42	5.06	2.31	9.29	-0.91	1.90	2.0	2.1
Exploitation of Mines and Quarries	46.52	-3.44	26.29	50.01	6.38	3.25	3.4	3.5
Manufacturing Industry	7.31	-0.66	4.67	10.02	4.54	-0.46	-0.5	-0.5
Electricity, Gas, and Water	8.40	3.21	7.52	7.57	5.93	7.06	7.4	7.7
Construction	20.65	16.58	1.10	16.59	15.24	15.42	16.1	16.8
Trade, Repairs, Restaurants, and Hotels	7.38	4.64	8.25	11.27	7.58	6.68	7.0	7.3
Transport, Warehousing, and Communications	3.80	5.32	3.40	4.38	5.03	5.51	5.7	6.0
Financial Institutions, Insurance, Real Estate, and Services to Companies	11.67	8.36	7.22	8.41	8.76	7.27	7.6	7.9

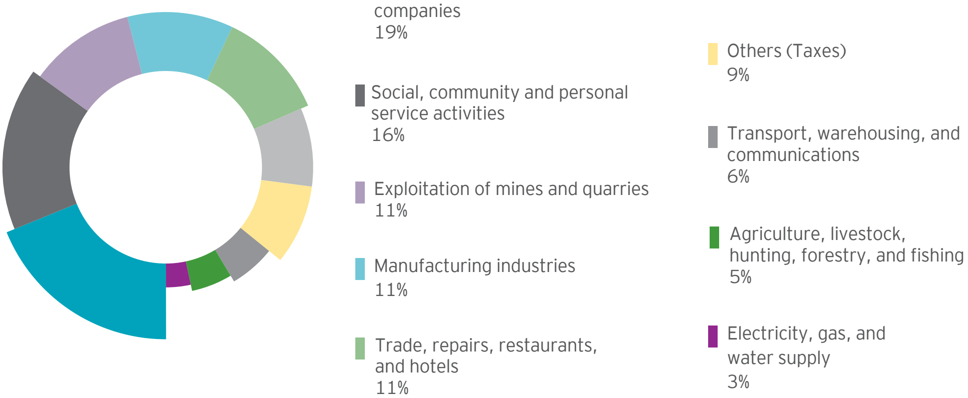
(continues)

(continued)

	2008	2009	2010	2011	2012	2013*	2014**	2015**
Social, Community, and Personal Services	9.72	10.24	8.81	8.71	10.54	8.94	9.3	9.7
Added Value Subtotal	11.92	5.75	7.61	13.27	7.57	6.23	6.5	6.8
Non-Deductible VAT	7.89	-1.36	11.44	20.06	5.49	5.98	6.2	6.5
Fees and Taxes on Imports	2.84	-6.96	18.68	11.41	0.38	1.52	1.6	1.7
Taxes Except VAT	3.28	0.18	10.44	21.63	6.31	6.93	7.2	7.5
Subsidies	28.70	4.22	-10.70	61.89	12.78	5.86	6.1	6.4
Total Taxes	5.91	-1.63	12.23	19.06	5.09	5.82	6.1	6.3

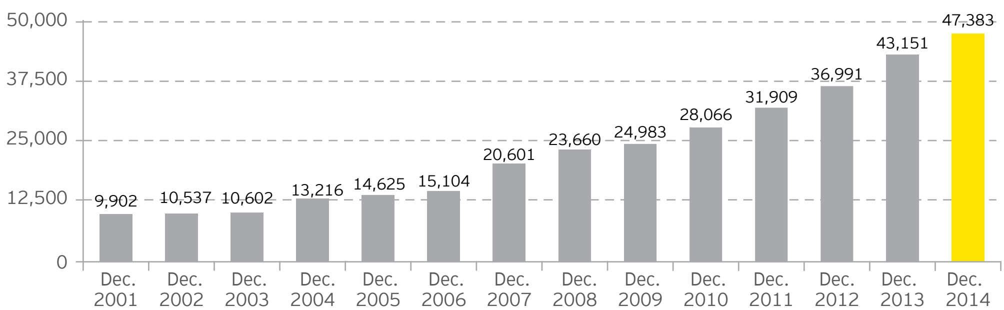
*Preliminary Figures
**Estimated Figures
Source: Banco de La Republica de Colombia

Gross Domestic Product - GDP of Colombia by Economic Sector in % (Third Quarter 2013), Using the Structure of the Economy with Base Estimation Year 2005



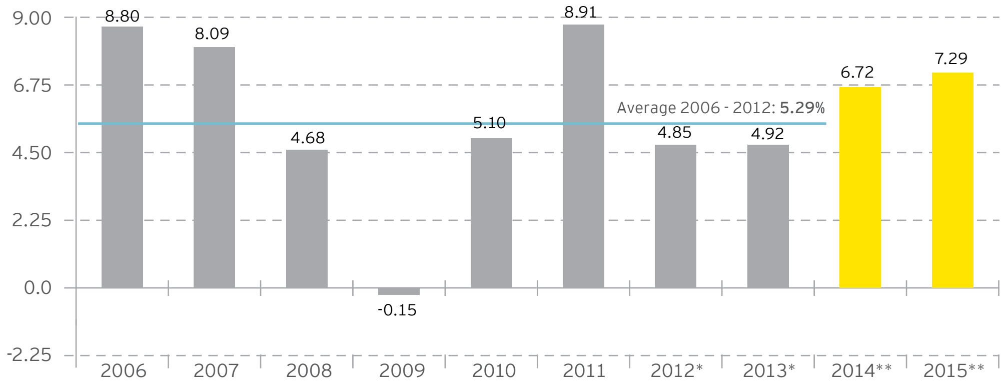
Source: Banco de La Republica de Colombia

Net International Reserves (in US$ Million)



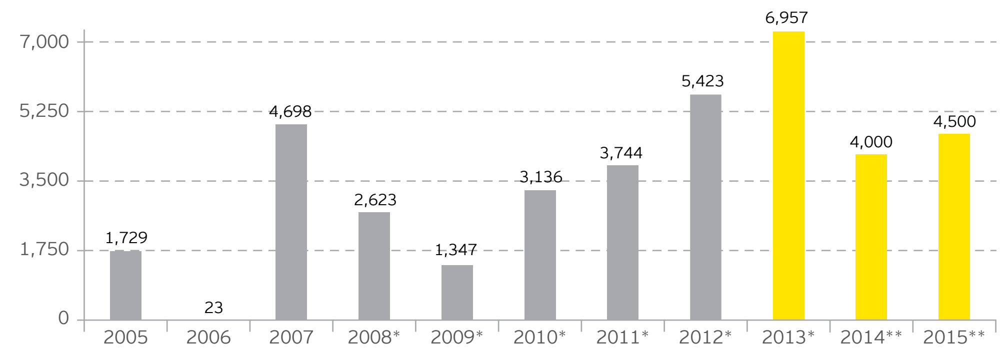
Source: Banco de La Republica de Colombia

Internal Demand (Rate of Change in Percentage)



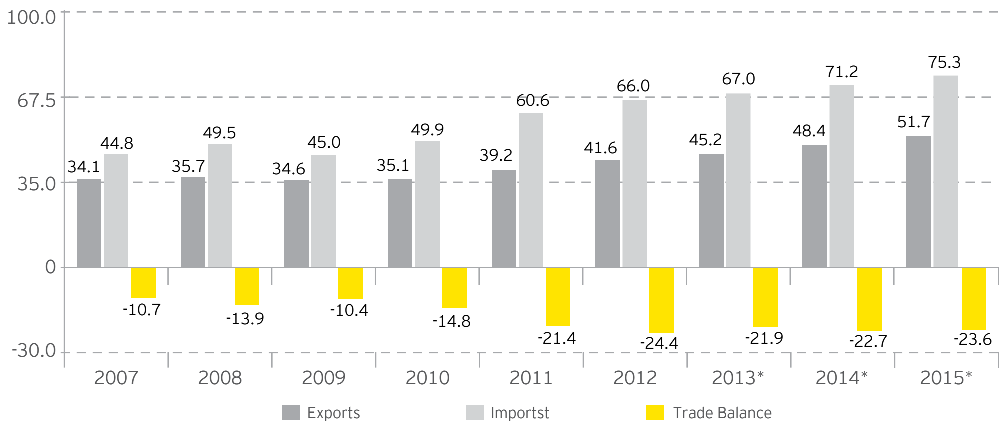
*Preliminary Figures
**Estimated Figures
Sources: Banco de La Republica de Colombia / National Administrative Department of Statistics (DANE)

Balance of Payments (in US$ Million)



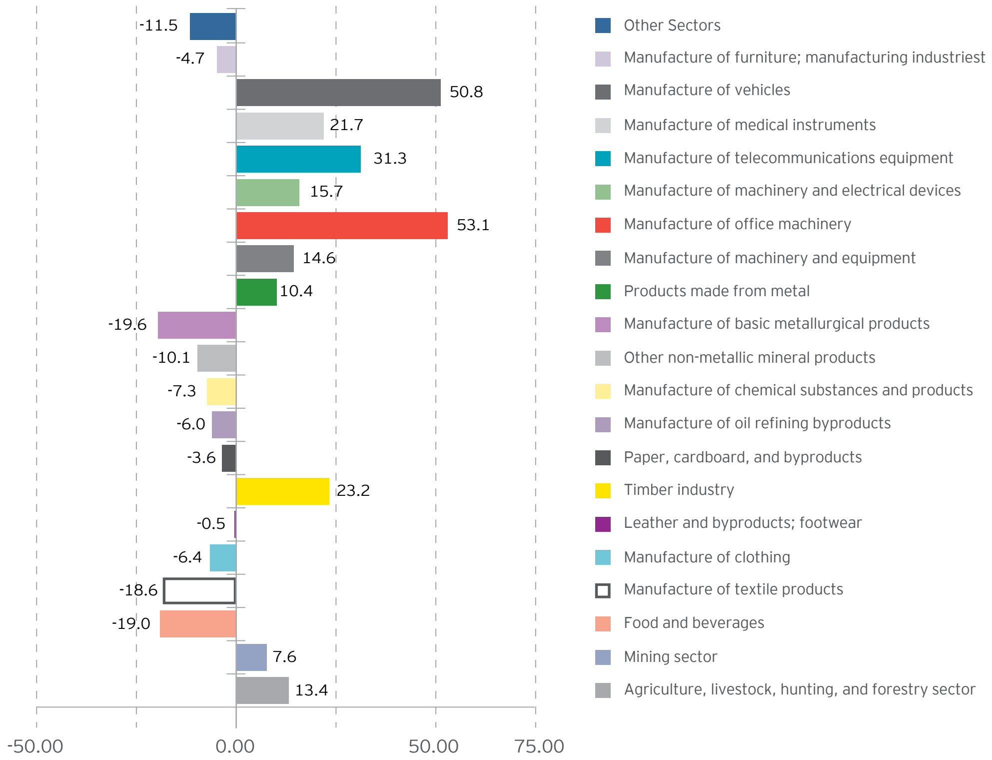
*Preliminary Figures
**Estimated
Sources: Banco de La Republica de Colombia / National Administrative Department of Statistics (DANE)

Trade Balance (in US$ Billion)



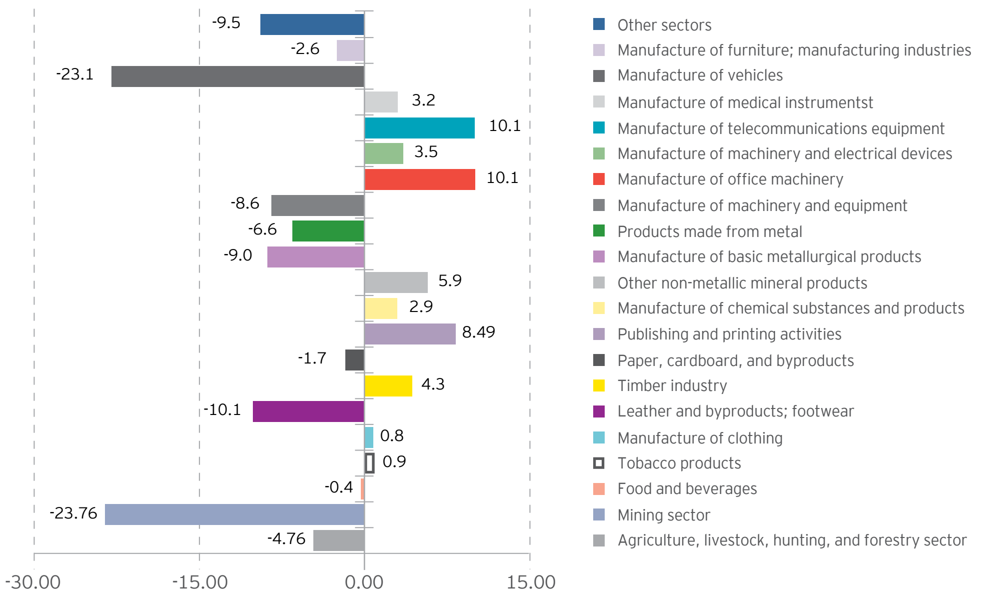
*Estimated
Sources: Banco de La Republica de Colombia / National Administrative Department of Statistics (DANE)

Annual Rate of Change for Exports by Economic Sector, in Percentage (2013 / 2012)



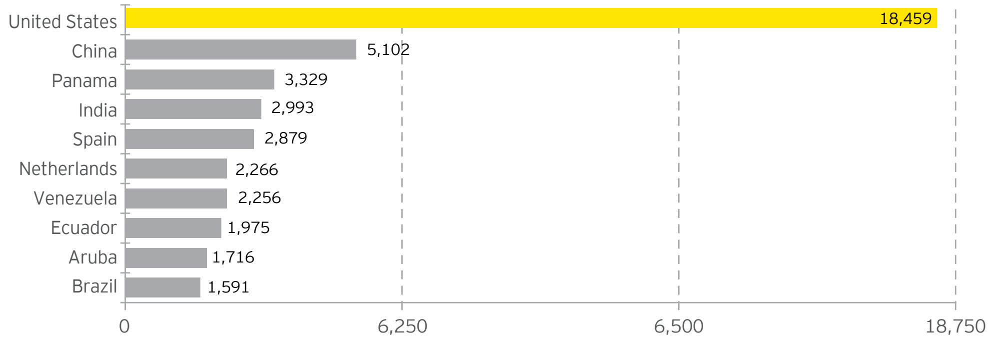
Source: National Administrative Department of Statistics (DANE)

Annual Rate of Change for Imports by Economic Sector, in Percentage (2013 / 2012)



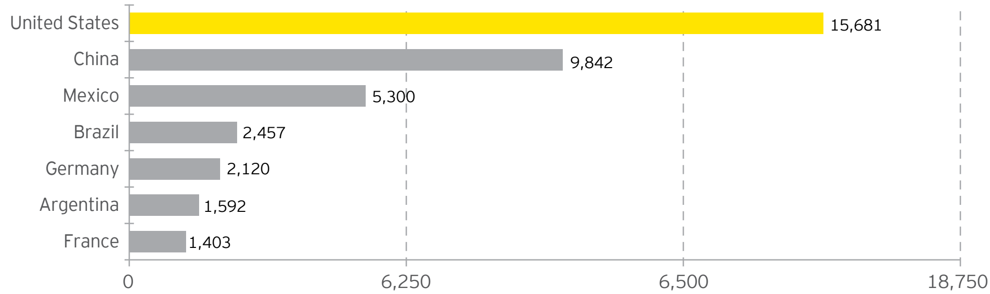
Source: National Administrative Department of Statistics (DANE)

Exports by Trading Partner in US$ Million, Top Ten Partners (2013)



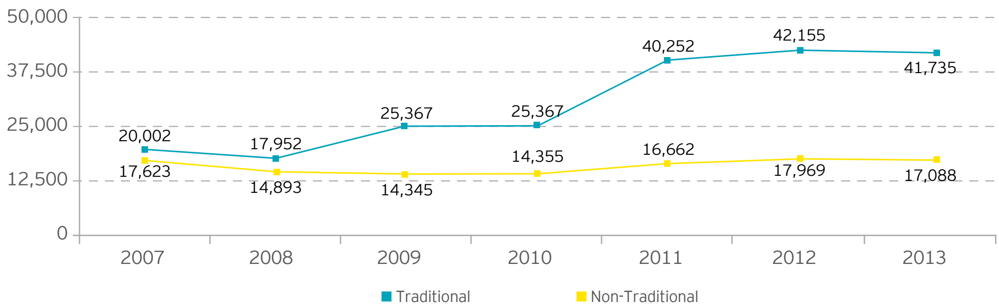
Source: Proexport Colombia

Imports by Trading Partner in US$ Million, Top Seven Partners (2013)



Source: Proexport Colombia

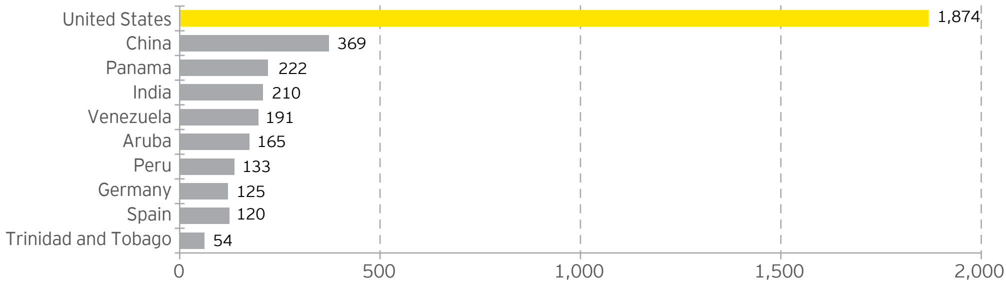
Traditional and Non-Traditional Exports in US$ Million (2013)



Fuente: Proexport Colombia

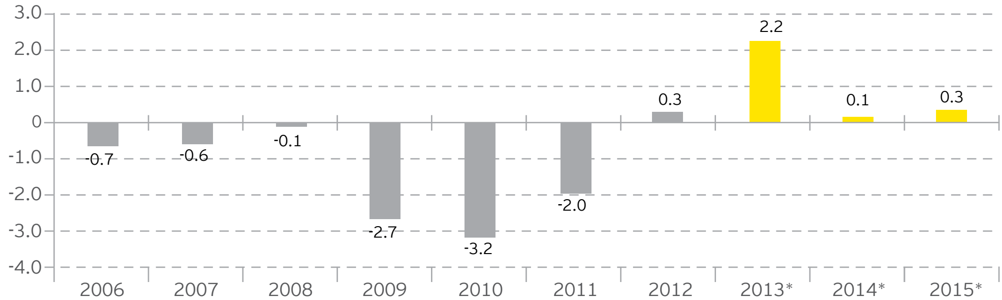
During 2013, the non-traditional product markets with the highest exports were manufacturing and inputs (20.6%), most notably the chemical sector, metalworking, and the plastic and rubber sector, all with a share of (3%) of total exports. In second place is the agribusiness sector, with a (12.6%) share of total exports, most notably the export of agribusiness products (5%) followed by flowers and plants, with a share of (3.5%). On the other hand, there are textiles and clothes manufacturing, with a (4.7%) share, and precious stones, with a (4.6%) share.

Non-Traditional Exports by Trading Partner in US$ Million (2013)



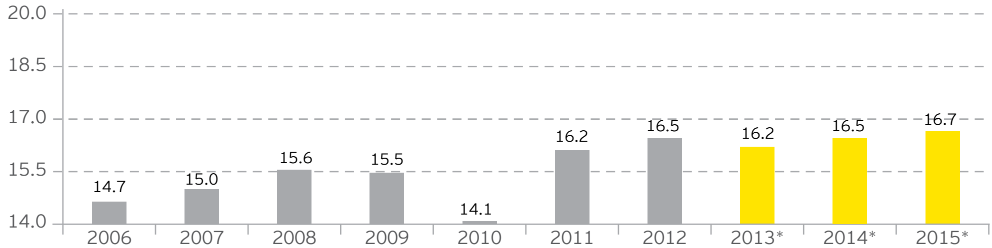
Source: National Administrative Department of Statistics (DANE)

Economic Result (Fiscal Surplus/Deficit) of the Non-Financial Public Sector (in % of GDP)



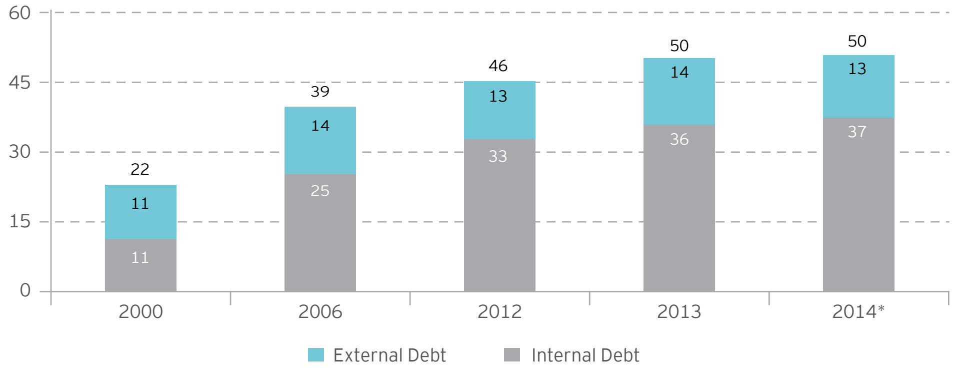
*Estimated
Source: Banco de La Republica de Colombia / National Administrative Department of Statistics (DANE)

Tax Burden (in % of GDP)



*Estimated
Source: Banco de La Republica de Colombia / National Administrative Department of Statistics (DANE)

Public Debt (% of GDP)



*Provisional Date
**Estimated
Source: Banco de La Republica de Colombia / National Administrative Department of Statistics (DANE)

Evolution of the Long-Term Foreign Currency Credit Rating

Agency	2011	2012	2013	2014
Fitch	BBB-	BBB-	BBB	BBB
S&P	BBB-	BBB-	BBB	BBB
Moody´s	Baa3	Baa3	Baa3	Baa2

Sources: Standard & Poor's / Fitch Ratings / 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 innovation strategy, and its competitive legal framework. Colombia has a regulatory framework aimed at attracting foreign investment, through which it has implemented mechanisms to protect international investments and reduce unnecessary barriers and paperwork, making Colombia the third most business-friendly country and the one that has shown a better upward trend in Latin America according to the World Bank's Doing Business 2013.

Colombian foreign investment law states that foreigners and nationals have the same rights, for which reason it is possible to carry out foreign investment in all sectors of the economy, with a handful of exceptions. Likewise, foreign investors shall have access to the benefits or incentives established by the government under the same conditions as domestic investors. The constitutional principles that govern foreign investment are: equal treatment, universality, automaticity, and stability.

Under the principle of equal treatment, foreign investors receive the same treatment as national investors. As such, it is not possible 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 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 automaticity, the investment of foreign capital in Colombia does not require prior authorization, with the exception of investments in the insurance and finance, mining, and hydrocarbon sectors, which require prior authorization or recognition by the authorities, in certain cases (for example, the Colombian Superintendency of Finance, or the Ministry of Mines and Energy).

Under the principle of stability, the conditions for the refund of the investment and the remittance of profits associated therewith that were in force as from the date on which the foreign investment was registered may not be amended in a way that unfavorably affects the investor. Nevertheless, the conditions of the foreign investment and the rights granted by the due registration thereof may be amended in a way that affects the foreign investor solely when international reserves are less than three months of imports.

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

b. Favorable Legal Framework for Foreign Investors

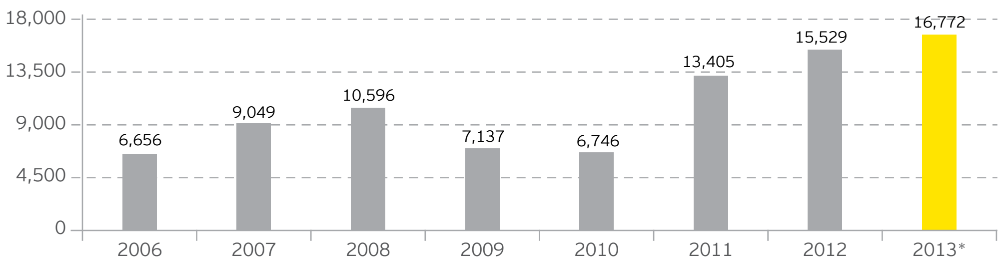
By virtue of Colombian legal provisions[1] and international treaties, Colombia offers a legal framework to protect foreign investors, offering them:

- Equal treatment, as if they were domestic investors
- Access to the majority of sectors of the economy
- The impossibility of expropriating an investor without due cause. Expropriation is viable 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.
- Stability of the conditions for the refund of the investment and remittance of profits associated therewith, unless international reserves are less than three months of imports
- Special investment instruments for the development of infrastructure projects, which may or may not involve pubic resources, allowing infrastructure projects to stem from private initiative.
- Mechanisms for the settlement of disputes that may arise between foreign investors and the Colombian state.
- Special international arbitration rules for the settlement of disputes that may arise between parties from different states.
- Free competition

Direct foreign investments must be registered with the Banco de la Republica de Colombia.

Foreign investors may remit abroad (with no restrictions whatsoever) all net profits originating from registered investments, as well as performing transfers abroad for returns on shares, resources derived from the sale or liquidation of their investments, perform capital reductions, and dissolve/liquidate companies.

Foreign Investment in Colombia in US$ Million



Source: Banco de la Republica de Colombia

[1]Colombian Constitution, Law 9 of 1991, Law 1508 of 2012, Law 1563 of 2012, Order 2080 of 2000, Order1746 of 1991, External Resolution 8 of 2000 of the Board of Directors of the Banco de la Republica de Colombia, External Regulatory Circular DCIN 83 of the Banco de la Republica de Colombia.

Direct Foreign Investment by Sector (2013)

Source: Banco de la Republica de Colombia

Direct Foreign Investment by Sector in US$ Million

Sector	2013
Petroleum	4,909
Mines and Quarries	2,916
Manufacturing	2,659
Financial and Business Services	1,578
Transport, Warehousing, and Communications	1,740
Trade and Hotels	1,584
Others	1,385
Total (US$ Million)	16,772

Source: Banco de la Republica de Colombia

International Competitiveness Ranking

	2013 - 2014		2014 - 2015	
	Ranking	Score	Ranking	Score
Total Colombia	69/148	4.19	66/148	4.19
SUB-INDICES				
Basic Requirements	80	4.44	78	4.45
Institutions	110	3.35	111	3.32
Infrastructure	92	3.50	84	3.66
Macroeconomic Framework	33	5.59	29	5.65
Basic Health and Education	98	5.32	105	5.19
Efficiency Drivers	64	4.11	63	4.17
Higher Education	60	4.33	69	4.37
Efficiency in Goods Market Efficiency	102	4.01	109	4.03
Efficiency in Labor Market Efficiency	87	4.16	84	4.08
Development in Financial Market	63	4.10	70	4.02
Technological Training Training	87	3.40	68	3.84
Market Size	31	4.70	32	4.71
Innovation and Sophistication Factors	69	3.60	64	3.65
Sophistication in Business	63	4.10	62	4.08
Innovation	74	3.20	77	3.21

Source: World Economic Forum 2014-2015

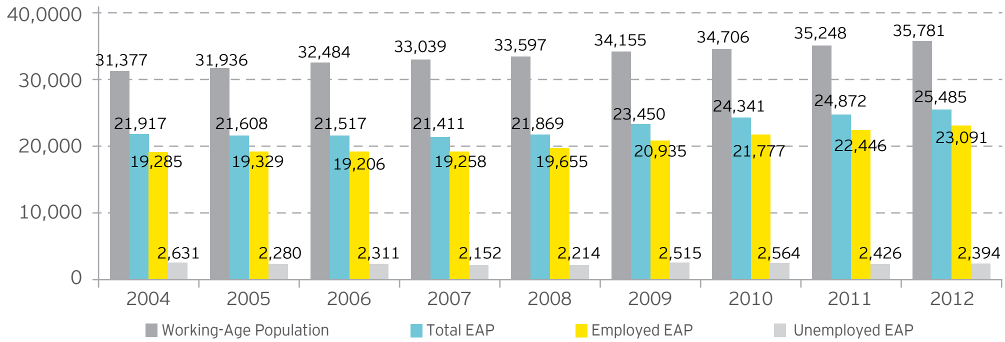
Below are the main business climate indicators:

Indicators	Colombia	Latin America and the Caribbean
Starting a Business		
‣ Procedures (Number)	8.0	8.3
‣ Time (Days)	11.0	30.1
‣ Cost (% of Income Per Capita)	7.5	31.1
‣ Registration of Minimum Paid-up Capital (% of Income Per Capita)	0.0	3.2
Dealing with Construction Permits		
‣ Procedures (Number)	10.0	13.3
‣ Time (Days)	73.0	178.3
‣ Cost (% of Income Per Capita)	7.4	2.7
Registering Property		
‣ Procedures (Number)	6.0	7.0
‣ Time (Days)	16.0	63.3.0
‣ Cost (% of Property Value)	2.0	6.1
Obtaining Electricity		
‣ Procedures (Number)	5.0	5.5
‣ Time (Days)	105.0	67.4
‣ Cost (% of Income Per Capita)	2.0	444.5
Obtaining Credit		
‣ Strength of Legal Rights Index (0-10)	12.0	5.0
‣ Depth of Credit Information Index (0-6)	7.0	5.0
‣ Public Records Coverage (% of Adults)	0.0	12.6
‣ Private Institutions Coverage (% of adults)	87.0	39.3
Protecting Investors		
‣ Extent of Disclosure Index (0-10)	9.0	3.9
‣ Extent of Director Liability Index (0-10)	7.0	5.1
‣ Ease of Shareholders' Legal Actions Index (0-10)	8.0	6.4
‣ Strength of Investor Protection Index (0-10)	7.2	4.6
Paying Taxes		
‣ Payments (Number Per Year)	11.0	29.9
‣ Time (Hours Per Year)	239.0	365.8
‣ Profit Tax (%)	19.9	20.7
‣ Labor Tax and Contributions (%)	26.9	14.7
‣ Other Taxes (%)	28.6	12.9
‣ Total Tax Rate (% Profit)	75.4	48.3
Trading Across Borders		
‣ Documents to Export (Number)	4.0	6.0
‣ Time to Export (Days)	14.0	16.8
‣ Cost to Export (US$ Per Container)	2,355.0	1,299.1
‣ Documents to Import (Number)	6.0	7.0
‣ Time to Import (Days)	13.0	18.7
‣ Cost to Import (US$ Per Container)	2,470.0	1,691.1
Enforcing Contracts		
‣ Time (Days)	1,288.0	736.9
‣ Cost (% of Claim)	47.9	30.6
‣ Procedures (Number)	33.0	39.8
Resolving Insolvency		
‣ Time (years)	1.7	2.9
‣ Cost (% of Assets)	6.0	16.4
‣ Recovery Rate (Cents on the Dollar)	72.0	36.0

Source: World Bank (WB) - Doing Business 2015

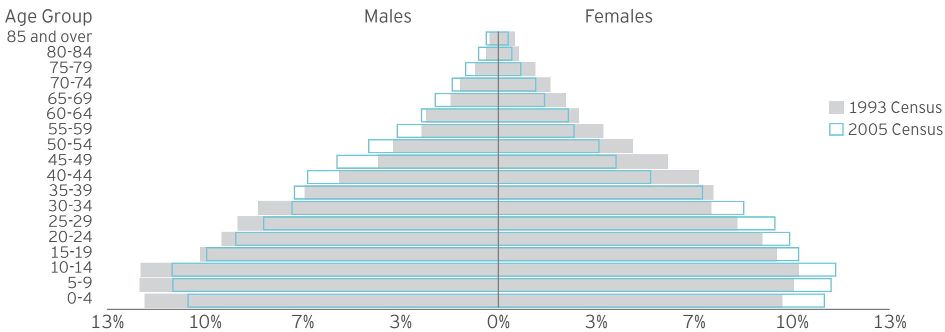
5. Population

Evolution of the Economically Active Population (Thousands of People)



Source: National Administrative Department of Statistics (DANE)

Population Pyramid as per Census (1993 and 2005)



Source: National Administrative Department of Statistics, based on the most recent National Census (2005)

6. Opening a Business

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

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

a. Simplified Joint-Stock Company (S.A.S.)

There is no minimum number of shareholders for their incorporation and operation, nor limitations with regard to concentration of capital. They may be established by one or more individuals and/or legal entities.

Simplified Joint-Stock Companies 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.
- **Governance**: Shareholders' Meeting and Legal Representative. The Board of Directors is an optional body, as established in the bylaws.
- **Control**: They 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$1,280,665 for 2014); 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$768,399 for 2014).
- **Transferring Shares**: Shares are freely transferrable. However, the bylaws may prohibit the trading of shares for a term of up to ten years.

b. Joint-Stock Company (S.A.)

Their incorporation and operation requires at least five shareholders, none of whom may hold more than 94.99% of the subscribed shares.

Its purpose must be determinate, defining the joint-stock company's capacity. The period of existence of the corporation must also be defined.

Characteristics:

- **Trade Name**: Must include the indication "Joint-Stock Company" ("Sociedad Anonima") 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 corporation's obligations.
- **Governance**: Shareholders' Meeting, Board of Directors, and Legal Representative.
- **Control**: 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 (LTDA)

The incorporation and operation of "Limited Liability Companies" requires a minimum of two and a maximum of 25 partners. Its purpose must be determined, and the company's existence must be defined.

Characteristics:

- **Trade Name**: Must include the denomination "Limited" ("Limitada") or its 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 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 case, the liability is joint and several and unlimited with regard to any obligation. The partners shall also have a joint and several, unlimited liability in the following cases: labor and tax obligations.
- **Governance:** This is the responsibility of all the partners, 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 bylaws, which must be performed through a notarially recorded instrument duly registered with the corresponding Chamber of Commerce at the company's principal place of business. The partners have a right of first refusal, unless otherwise established in the 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 shall be specific. The branch's existence is defined, with the possibility of an extension from the main office, depending on the existence of the main office.

Characteristics:

- **Denomination**: 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, in such a way 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 in 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 shall have joint, several, and unlimited liability 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.
- **Administration**: General Attorney in Fact
- **Control**: 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 member limited liability companies (empresas unipersonales). However, these types of corporations are not commonly used due to the broad and unlimited liability of their partners, the special laws on their administration, and some limitations on the execution of certain 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, equity, progressiveness, efficiency and irretroactivity.

In Colombia, the main taxes are those levied on income, property, consumption and financial transactions. Moreover, there are other contributions to the Health Social Security System and the National Pensions System.

The management and collection of the main national taxes are the responsibility of the Directorate of National Taxes and Customs (DIAN). The management and collection of local taxes are the responsibility of each municipality or region according to the nature of the tax.

As a rule of thumb, tax returns become "final" and cannot be reviewed two years from when they were filed, except where tax losses are settled or applied, in which case tax returns become final after five years.

The Directorate of National Taxes and Customs (DIAN) is authorized to use all the interpretation methods admitted by law. Furthermore, it is governed by the following principles in matters of tax determination and sanction application: (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, so that the taxpayer is not required to pay more than what the law itself establishes as a necessary contribution by a taxpayer to the Colombian public taxes; (ii) the administration's decisions must be based on proven facts; and (iii) the In dubio contra fiscum principle, whereby any doubt derived from evidentiary gaps must be resolved in favor of the taxpayers.

On January 1, 2013, the concept of abuse in tax matters was introduced. According to such concept, the use or implementation, through one or more operations, of any type of entity, legal act or procedure aimed at altering, distorting, or artificially modifying the tax effects that otherwise would be generated for one or more taxpayers constitutes an abuse in tax matters. Under the local regulations, no abuse will be presumed to exist when the taxpayers avail themselves of benefits expressly established by law by complying with the pertinent requirements, without using artificial mechanisms, procedures, entities or acts. Tax fraud constitutes an abuse in tax matters.

Income Tax (IT)

Income Tax is imposed 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. For special cases, there are liquidations by fraction of year, such as the liquidation of corporations or unliquidated successions, or instantaneous liquidations, such as the transfer of shares in Colombia by foreign investors. In general, the Income Tax Returns for Legal Entities must be filed in April of the following year.

Income Tax is imposed on the earning of income which is likely to contribute to increasing the taxpayer's estate.

Domiciled Entities

National corporations and individuals domiciled in Colombia are taxed on their foreign source income and assets. For their part, foreign corporations and entities are solely taxed on their Colombian source income and assets.

A national corporation means a company: (i) whose headquarters are located in Colombia; (ii) incorporated in Colombia; or, (iii) whose place of effective management is located in Colombia. Place of effective management means the place where the commercial and management decisions which are critical and necessary for the conduct of the business of the corporation or entity as a whole are made in substance, to which end it is necessary to analyze all the facts and circumstances. In any event, a corporation is not said to have a place of effective management in Colombia when such corporation has issued bonds or shares on the Colombia Stock Exchange and/or on another stock exchange of international reputation. The law protects affiliates and subsidiaries until their accounting is consolidated in the financial statements of the corporation listed on the stock exchange. Moreover, a place of effective management is not said to exist in the case of corporations whose income obtained in their jurisdiction of incorporation is equal to or greater than 80% of their total revenues, for which purpose the passive income (the law provides some examples of income considered to be passive) will not be taken into account.

Permanent Establishments (PE) are subject to payment of Income Tax on their occasional income and windfall profits of Colombian source that are attributable to it. The determination of such occasional income and windfall profits must be made on the basis of criteria as to the functions, assets, risks and staff involved in obtaining such occasional income and windfall profits, and must be supported by the tax accounting of the Permanent Establishment.

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 an individual not residing in Colombia, as appropriate, performs its activities in whole or in part. This concept includes, among others, "the branches of foreign corporations, agencies, offices, factories, workshops, mines, quarries, oil and gas wells, or any other place involving the extraction or exploitation of natural resources". Furthermore, a Permanent Establishment exists when a person, other than an independent agent, acts on behalf of a foreign company, and has or customarily exercises in the territory the power to execute acts or contracts that are binding for the company. Additionally, a Permanent Establishment exists when a person acts through an independent agent, and the company and the agent establish, agree on or impose conditions governing their trade and financial relationships that are different from those that would have been established or agreed on between independent companies, given that, in that case, the agent is not considered to be independent.

Determination of the Taxable Base

The Income Tax rate is 25% for Colombian and foreign corporations with a Permanent Establishment or branch in the country. The Income Tax rate is 15% for legal entities that are free trade zone users (except for commercial users).

A special treatment is applied to certain companies that are considered "small" due to the volume of their assets and number of employees and that started activities as of 2011. Said activities would have a special income tax rate: 0% for the first two years, 6.25% for the third year, 12.50% for the fourth year, and 18.75% for the fifth year. As of the sixth year, they will be subject to the general rate. Moreover, certain services and activities are exempt of income tax.

For foreign corporations, the income tax rate was 33% until 2014 provided that their activities were not carried out through a Permanent Establishment or branch. This rate will be increased thus during the years 2015 to 2018:

Year	General withholding
2015	39%
2016	40%
2017	42%
2018	43%

The Colombian tax system establishes three ways of determining the taxable base of the income tax: the ordinary system, the presumptive income system and the equity comparison system.

The ordinary system includes all income, whether ordinary or extraordinary, which was earned during the taxable 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 from these earnings to obtain the value of the net income. The costs incurred and attributable to such earnings are subtracted from the net income to obtain the value of the gross income. The deductions made are subtracted from the gross income to obtain the value of the net income, which constitutes the taxable income to which the rate established by the tax laws is applied.

Under the presumptive income system, it is presumed that, in each taxable year, the net income must not be less than 3% of the net equity[2] as at 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 previously explained) the former is higher than the latter, the tax regulations establish that the presumptive income will be taken as taxable base of the income tax, that is, as 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 the presumptive income, taxpayers are entitled to a deduction, within the following five years, equal to the excess of the presumptive income over the ordinary net income, adjusted for tax purposes.

The equity comparison system is applied when the aggregate of the taxable income, the exempted income and the net windfall profit is less than the difference between the net equity for the last taxable period and the net equity of the immediately preceding period. Consequently, such difference is considered taxable income, unless the taxpayer shows that the increase in equity is justified.

[2]The net equity is calculated by subtracting the debts allowed by the tax laws from the gross equity (tax assets)

Tax Loss Carryforward System

Tax losses generated as of 2007, adjusted for tax purposes, may be offset with the ordinary net income obtained in subsequent taxable periods, without a time limit or percentage. This is without prejudice to the presumptive income for the year.

Occasional losses may be offset with the windfall profits generated in the same fiscal period.

Income tax returns determining or offsetting tax losses may be reviewed by the Tax Authorities during the five years following the date of filing of the tax return.

Thin-capitalization Rules

Colombian rules limit the deduction of expenses from interest to a 3:1 ratio (net equity to debt ratio). The average total amount of the debt that, during the relevant taxable year, exceeds the result of multiplying by three the taxpayer's net equity determined as at December 31 of the immediately preceding year does not generate deductible interest. The debts to establish the 3:1 ratio are those accruing interest, regardless of whether the debt is local or foreign, with third parties or related parties.

Transfer Prices

In Colombia, the transfer pricing regulations are applicable to income tax payers: (i) who carry out transactions with economic entities or foreign related parties; (ii) who are domiciled in the national customs territory (TAN) and enter into transactions with related parties located in a free trade zone; and (iii) who carry out transactions with related parties domiciled in Colombia in connection with the Permanent Establishment of one of them abroad.
Furthermore, the transactions carried out from, to or through tax havens must comply with the 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 the transactions carried out by taxpayers must be determined in application of the arm's length principle as if they were transactions carried out with independent parties.

Taxpayers subject to transfer pricing regulations will be required to file an information tax return every year with all the transactions carried out with their economic entities or related parties, and will prepare and send the supporting documentation of each of the transactions carried out.

Tax Havens

The Ministry of Treasury and Public Credit issued a list which specifically details, in terms of taxation, the countries, jurisdictions, domains, associated states or territories that are considered tax havens for tax purposes.

The main consequences derived from the performance of transactions with tax havens include:

- In order for payments to be Income Tax deductible, it is necessary to document and show the details of the functions performed, the assets used, the risks assumed and all the costs and expenses incurred by the corporation located, resident or domiciled in the tax haven that is the beneficiary of the payments, unless it is shown that this is not an operation with an economic related party by providing the pertinent evidence.

- Additionally, to constitute a cost or deduction, the tax must have been withheld at the source (except for financial transactions registered with the Banco de la Republica de Colombia"). Pursuant to law, if the payment constitutes taxable income for the beneficiary, the applicable rate is 33%, regardless of their nature. The withholding at the source rate for portfolio capital investors resident or domiciled in tax havens will be 25% instead of 14%.

Furthermore, in the case of payments that constitute foreign source income for their beneficiary (originating from operations not carried out in Colombia or considered by the Colombian law as a Colombian source operation) such payments will not be subject to withholding at source in Colombia. While this exemption from the withholding at source would create a deductibility risk for the Colombian taxpayers, the Directorate of National Taxes and Customs (DIAN) established, through its official doctrine, that the expense could be deductible provided that the transfer pricing rules applicable to operations with tax havens are complied with.

The operations performed with persons, corporations, companies or entities located, resident or domiciled in tax havens will be subject to the transfer pricing regime, with the obligation to submit supporting documentation and informational tax returns concerning such operations, in all cases.

- If the supporting documentation omits information relative to operations carried out with persons, corporations, companies or entities located, resident or domiciled in tax havens, and the costs and deductions derived from such operations are unknown, a special sanction of 4% of the total value of such operations will be applied. The sanction may not exceed COP$282,790,000 (for the taxable year 2015).

If such information is also omitted in the informational tax return, and the costs and deductions derived from said operations are unknown, a sanction of 2.6% of the total value of the operations will be applied. The sanction may not exceed COP$169,674,000 (for the taxable year 2015).

- Those Colombian individuals who, during the relevant taxable year or period, are tax residents in a jurisdiction classified as a tax haven will be considered Colombian residents for tax purposes.

Tax Credits

Colombian taxpayers earning foreign source income subject to the income tax in the country of origin are entitled to subtract the amount paid abroad on the same income from the income tax, the Income Tax for Equality (CREE) and its surcharge, according to the proportion of each item in the total taxpayer's tax burden.

In the case of income due to dividends received from abroad, a direct credit is contemplated (for the tax applied to dividends or profits at the time of their distribution) as well as an indirect credit (where the tax to be discounted is the result of applying the tax rate to the profits earned by the entity distributing them).

The tax credit may not exceed the amount of the income tax, added to the Income Tax for Equality (CREE) and its surcharge, to be paid by the taxpayer in Colombia for the same income.

Tax Incentives

- **Legal Stability Agreements**
  The Legal Stability Agreements were removed from the Colombian legal system on the effective date that Law 1607 came into force in 2012. Therefore, only the legal stability applications submitted prior to the effective date of Law 1607 will enjoy these benefits.

- **Double Taxation Avoidance Agreements**
  Colombia has current agreements with the Andean Community of Nations, Canada, Chile, Mexico, Spain, Switzerland, South Korea and India.

International Tax Transparency System

Colombia does not have international tax transparency rules in place. Nonetheless, there are special tax transparency rules applicable to the operations performed through trusts created via the execution of trust agreements. For income tax purposes, the profits or losses obtained in trusts must be included in the beneficiaries' income tax returns, in the same taxable year in which they accrue on the autonomous equity. Profits or losses will preserve their nature as taxable or non-taxable, deductible or non-deductible, and the same conditions as if they were earned directly by the beneficiary.

Domiciled Individuals

All foreign individuals who have been physically present in Colombia for over 183 days during any 365-day period will be considered as tax residents in Colombia for tax purposes. The quality of resident implies that they are subject to Income Tax in Colombia on their Colombian-source and foreign source income. Furthermore, they must report the assets they own both in Colombia and abroad.

Tax residents in Colombia are subject to the tax at progressive rates ranging from 0% to 19% and 28% to 33%, according to the level of taxable net income (income net of tax benefits) as shown in the following table:

Ranges in Tax Value Unit (TVU)[3]		Marginal Rate	Tax
From	To		
> 0	1,090	0%	0
> 1,090	1,700	19%	(Taxable income or taxable windfall profit expressed in Tax Value Units (TVU) less 1090 TVU)* 19%
> 1,700	4,100	28%	(Taxable income or taxable windfall profit expressed in Tax Value Units (TVU) less 1700 TVU)*28% plus 116 TVU
> 4,100	Onwards	33%	(Taxable income or taxable windfall profit expressed in Tax Value Units (TVU) less 4100 TVU)*33% plus 788 TVU

Non-domiciled Individuals

Foreign individuals who do not meet the residence requirements described above will be deemed as tax non-residents in Colombia. This quality as non-resident implies that they are taxed only on their Colombian-source income and that they must only report the assets they hold in Colombia.

Until 2014, non-residents in Colombia have been subject to the tax at the rate of 33% on their taxable net income. This rate will be increased thus in the years 2015 to 2018:

Year	General withholding
2015	39%
2016	40%
2017	42%
2018	43%

In the case of foreign individuals from countries with which Colombia currently maintains Double Taxation Avoidance Agreements, such as Spain, Chile, Canada, Switzerland, Mexico, India, South Korea and the Andean Community (CAN) countries (Ecuador, Bolivia and Peru); other tax provisions could apply.

[3]For the year 2015, the Tax Value Unit (TVU) is COL$28.279 (USD$14 approximately).

Non-domiciled Entities

Foreign corporations and entities are only taxed on their Colombian-source income and windfall profits. In the case of Colombian-source income, a "withholding at the source" system is contemplated, 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)	‣ 10%
Payment for technical services (provided in Colombia or abroad)	‣ 10%
Consulting services (provided in Colombia or abroad)	‣ 10%
Payments for services provided in Colombia (other than those mentioned above)	‣ 33%
Payments for services provided abroad (rule of thumb) (other than those mentioned above)	‣ 0%
Royalty Payments	‣ 33% industrial property ‣ 26.4% software
Lease payments	‣ 33% ‣ 1% lease of vessels, helicopters and/or aircraft
Dividend payments	‣ 0% (if profits were taxed at the corporate level) ‣ 33% (in the case of profits that are not taxed at the corporate level)
Interest payments[4]	‣ 14% (loan with a term of over one year) ‣ 33% (loan with a term of less than one year)

Note: While Law 1739 dated December 23, 2014 introduced changes to the income tax rate on the income earned by non-residents without a branch or Permanent Establishment in Colombia, it is not clear as to the effect of this increase on the withholding at source rates subject to 33%. In other words, it is not clear whether the 33% withholdings will be temporarily increased with the income tax rates or whether they will remain at 33%. This issue is expected to be clarified by the Government; however, in the meantime, withholding agents are expected to apply the highest withholding rates.

Complementary Tax on Windfall Profits

The Tax on Windfall Profits is complementary to Income Tax and applies to the following income:

- Income obtained from inheritance, legacies, grants, donations and splits of marital common property.
- Income obtained from lotteries, prizes, raffles and the like
- Income obtained from any other legal act executed inter vivos, without a consideration.
- Income obtained from the sale of fixed assets owned by the taxpayer for a period equal to or greater than two years.
- Income originating from the liquidation of a corporation.

The general rate for the Tax on Windfall Profits is 10%, regardless of the source of the windfall profit or the type of asset.

Income Tax for Equality (CREE)

Just as for Income Tax, the event triggering Income Tax for Equality (CREE) is the earning of income capable of increasing the equity of taxpayers during the taxable year or period.

The taxpayers of the Income Tax for Equality (CREE) are those parties subject to the payment of Income Tax, including branches and Permanent Establishments. Foreign corporations without a Permanent Establishment or branch are not subject to the Income Tax for Equality (CREE).

[4] In agreement with Law 1739 of 2014 the withholding rate at the source was set at 5% for payments or credits to accounts related to financial returns or interest applied to non-residents, originating from credits or credit securities, with a term equal to or greater than eight years, allocated to the financing of infrastructure projects under the scheme of public-private associations contemplated in Law 1508 of 2012.

The taxable base of Income Tax for Equality (CREE) will be the higher of that calculated through the ordinary system and a minimum taxable base. The ordinary system is similar to the base of Income Tax.

As it was executed, Law 1739 of 2014 modified the taxable base of the Income Tax for Equality (CREE) by establishing the application of the transfer pricing rules, the application of the thin-capitalization rule, the inclusion of some special gross income, as well as the inclusion of the net income resulting from the recovery of items previously deducted. As a rule of thumb, the general income tax system is applicable to the extent that it is compatible with the Income Tax for Equality (CREE).

The Income Tax for Equality (CREE) tax rate is 9%. Additionally, Income Tax for Equality (CREE) taxpayers whose taxable base equals or exceeds COP$800,000,000 (approximately USD$348,000) will be subject to an Income Tax for Equality (CREE) surcharge applicable for the years 2015, 2016, 2017 and 2018 at the rates of 5%, 6%, 8% and 9%, respectively. The surcharge is subject to a 100% advance payment, calculated on the basis used to settle the Income Tax for Equality (CREE) of the immediately preceding year and will be paid in two installments within the terms established by the Government for each of the taxable years mentioned.

The tax losses and excessive presumptive income generated as of the taxable year 2015 may be offset against Income Tax for Equality (CREE). Additionally, it is possible to take Income Tax for Equality (CREE) and its surcharge as a tax credit for a portion of the taxes paid abroad, applying conditions and limits similar to those established for the Income Tax.

Wealth Tax

Law 1739 of 2014 established the Wealth Tax, which is paid by individuals or legal entities domiciled in Colombia and reporting Income Tax, as well as by non-domiciled individuals or legal entities which are not exempt under the law from the payment of the tax and whose net equity (assets less debts) is, as at January 1, 2015, greater than COP$1,000,000,000 (approximately US$415,800). This tax is also paid by unliquidated successions if they have the net equity level mentioned above.

As provided for by the Law, those taxpayers whose net equity is below said limit as at January 1, 2015 will not be liable to pay the tax for that year and the years 2016, 2017 or 2018 (in the case of individuals).

For persons not domiciled in Colombia, the tax will 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, would only be taxed on the assets they own in the country.

As a rule of thumb, this tax will not be paid by individuals, unliquidated successions, legal entities and de facto corporations that do not pay Income Tax. Also exempted from this tax are the foreign portfolio capital investors, companies under liquidation, reorganization, administrative forced liquidation, mandatory liquidation or companies that have signed a restructuring agreement, or individuals subject to insolvency proceedings.

The taxable base and accrual of the tax (including the accounting tax as ordered by law) are annual, taking as reference January 1, 2015, 2016, 2017 for corporations and January 1, 2015, 2016, 2017 and 2018 for individuals and unliquidated successions.

The taxable base of the Wealth Tax is the gross equity less debts in each year. Nevertheless, a protection band is created for positive and negative variations in equity, with reference to the taxable base as of January 1, 2015, which takes into account a 25% inflation variation that will affect what has been determined in 2015. In the case of branches and Permanent Establishments, the taxable base will the attributed equity, for which purpose a study must be conducted, according to the arm's length principle, in which the duties performed, the assets used, the staff involved and the risks assumed are considered.

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

The wealth tax rates are as follows:

- 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 y <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

- For individuals:

Range in Colombian Pesos	Rate	Applicable Formula
>0 y <2,000,000,000	0.125%	Base gravable x Tarifa
>=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 onwards	1.50%	((Taxable Base - $5,000,000,000) x Rate) + Fixed Amount

The Wealth Tax is not deductible for Income Tax or Income Tax for Equality purposes.

Tax for Tax Standardization

The Tax for Tax Standardization was created as a mechanism to fight Wealth Tax evasion. It is paid by the taxpayers of the Wealth Tax and voluntary taxpayers who omitted assets or declared non-existing liabilities in the past.

The assets or liabilities under standardization must also be included in the Taxpayer's Income Tax Return and this will not generate any equity comparison income or net income for omission of assets.

The taxable base of the goods will be the equity value according to the rules of the tax statute or the property valuation as established by the taxpayer; which must not be less than the patrimonial value.

The standardization tax rate varies depending on the year in which the taxpayers decide to standardize their assets or liabilities, ranging from 10% for 2015, to 11.5% for 2016 and to 13% for 2017. It is established that the tax will only be paid in the year in which the standardization takes place.

In any case, it will not be possible to standardize assets of illicit origin or related to money laundering or to the financing of terrorism.

Value Added Tax (VAT)

Value Added Tax (VAT) is a national indirect tax levied on: (i) the sale of tangible personal property that have not been expressly excluded, (ii) the provision of services within the national territory, (iii) the import of tangible personal property that have not been expressly excluded, (iv) the sale of tickets or vouchers and the operation of chance games, excepting lotteries.

In the case of services, as a rule of thumb, the services provided abroad are not subject to Value Added Tax (VAT). Notwithstanding the foregoing, there are certain exceptions in which, for purposes of Value Added Tax (VAT) it is understood that the services are provided in Colombia, even when they are materially provided abroad (this is the case of technical services, technical assistance and consulting services).

The exports of goods and services are exempted from the Value Added Tax (VAT). The sale of fixed assets is subject to Value Added Tax (VAT).

In accordance with the tax regulations, for Value Added Tax (VAT) purposes, certain operations are exempt (taxed at 0% rate) or excluded (not subject to Value Added Tax (VAT)).

Value Added Tax (VAT) contemplates two systems:

- Simplified System: applicable to individuals who are traders, farmers, artisans and service providers complying with the conditions of earnings, equity and form as set forth in the regulations.

- Common System: applicable to all taxpayers not included in the simplified system.

Rate:

The general Value Added Tax (VAT) rate is 16%. However, there are reduced rates of 5% and 0%, which vary depending on the good sold or the service provided.

Value Added Tax (VAT) Recovery:

Value Added Tax (VAT) taxpayers performing taxed or exempted activities are authorized to take the Value Added Tax (VAT) paid in the acquisition of goods and services (discountable VAT) giving rise to the recognition of costs and/or expenses deductible for income tax purposes as a credit against the Value Added Tax (VAT) generated by their activity.

The VAT paid may be discounted in the fiscal year corresponding to the date of accrual or in any of the two immediately following bimonthly periods and be included in the tax return for the period in which it was accounted for[5].

In the case of taxpayers performing Value Added Tax (VAT) exempted operations, the VAT paid in the acquisition of goods or services is not discountable (the value of the respective cost or expense is higher).

National Consumption Tax

The Consumption Tax is a national indirect tax that is levied on the provision or sale of the following services and goods: (i) mobile telephone services, (ii) the sale of food and beverages prepared in restaurants, coffee shops, self-services, ice cream parlors, fruit stores, pastry shops and bakeries, food services under contract and the sale of food and alcoholic beverages for consumption in bars, taverns and discos, and (iii) the sale of certain locally manufactured or imported personal tangible property.

Depending on the activity or nature of the property, the rates can vary from 4% to 16%.

Tax on Financial Transactions (FTT)

The Tax on Financial Transactions is an indirect tax levied on the performance of financial transactions whereby the funds deposited in current or savings accounts are disposed of, such as the making of a payment. It is accrued upon disposal of the funds subject matter of the financial transaction. The rate is 0.4% of the total value of the financial transaction whereby funds are disposed of. Starting from 2019, this tax will be gradually reduced until it is eliminated in 2022, as follows:

Year	Rate
2019	0.3%
2020	0.2%
2021	0.1%
2022 onwards	0%

[5]Law 1739 of 2014 includes the possibility of discounting two points from the Value Added Tax (VAT) paid at the general rate in the acquisition or import of capital goods against Income Tax.

This tax is collected via withholdings at the source by the bank where the respective current or savings account is held. Fifty percent (50%) of the FTT paid is deductible in determining the Income Tax and the Income Tax for Equality (CREE) whether or 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 imposed on gross income derived from industrial, commercial and services activities directly or indirectly performed by individuals, legal entities or de facto corporations within their respective municipal jurisdictions. The taxable base of this tax is the gross value obtained by the taxpayer less the deductions, exemptions and non-subjections to which he is entitled.

The applicable rate is determined by a Resolution issued by the City Council and is within the generally known range of 0.2% to 1.0%, depending on the nature of the activity to be developed in the municipality.

The taxable base is the gross income generated by such activities, excluding refunds, rebates and discounts, exports (goods or services) and the sale of fixed assets. Additionally, there are non-subjections specified in the law basically for certain primary and export activities. In any case, when there is no income or the transaction does not yield any income, the tax does not exist.

Exemptions from the Industry and Commerce Tax (ICA) are established by the City Council. It is necessary to review the Agreements applicable to the municipality where the taxed activity will be carried out in order to verify the origin.

The Industry and Commerce Tax (ICA) actually paid during the taxable year or period is 100% deductible, provided that there is a causal relationship with the income-generating activity.

Unified Property Tax

This tax is imposed on the ownership, beneficial use, usufruct or possession of real property located in a municipality of Colombia.

The applicable rate is determined by Resolution issued by the City Council and is within the general range of 0.1% to 1.6% for built up plots of land (it may be up to 3.3% in the case of undeveloped plots of land).

The taxable base is the value of the property valuation in force at the time the tax was originated.

Registration Tax

The registration of documents containing acts, interlocutory orders, contracts or legal transactions where private persons are parties or beneficiaries and which are required by the legal provisions to be registered with the Chambers of Commerce or with the Public Records Offices are subject to this tax.

The taxable base is the value incorporated in the document containing the act, contract or legal transaction.

The departmental assemblies establish the rates applicable in each jurisdiction, depending on the nature of the act to be recorded.

Customs System

The import of goods into the Colombian customs territory gives rise to the payment of customs taxes in Colombia. Pursuant to the customs regulations, import is defined as the entrance of goods into the Colombian customs territory coming from anywhere in the world or from a free trade zone to remain in the country, either permanently or temporarily, for the fulfillment of a specific purpose. Customs taxes include the payment of the tariff and Value Added Tax (VAT) depending on the characteristics of the good being imported.

In tariff matters, Colombia has different types of rates generally ranging from 0% to 15%. A number of specific goods (for instance, vehicles and agricultural products) may have a higher rate.

In Colombia, the Customs System contemplates several import modalities for purposes of deferring or not paying the customs duties.

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

Temporary imports have two sub-modalities, namely: (i) Short-term temporary imports: they refer to imports of certain goods that are imported to meet specific needs; the import term is one (1) year. In this case, no customs duties (that is, tariffs and Value Added Tax (VAT)) are paid; and (ii) long-term temporary imports, which maximum term is five years. Such term may be extended, but the law does not establish a final term. The goods that can be imported under this modality include capital goods (generally, the national government issues a list of tariff subheadings). In this case, there is no exemption from customs duties, but they are paid on a deferred basis (at the end of each semiannual period).

Furthermore, there are several mechanisms for planning international sales, such as:

1. The use of the free trade agreements (so far Colombia has signed 12 agreements with over 30 countries)

2. Temporary imports for inward processing, which allow importing raw materials and inputs without paying customs taxes, provided that such raw materials are used in products intended for export.

3. Free Trade Zones: These special areas are qualified as permanent free trade zones and special permanent free trade zones (the former are referred to as "Industrial Parks" and the latter as "Single Company Free Trade Zones". These Special Zones involve users of goods, service users and commercial users. In the case of industrial users of goods, they must develop goods production, transformation or assembly activities. The service users must develop any type of service, excluding the marketing, storage and/or conservation of goods.

   This type of industrial users of goods and/or services enjoy several benefits, among them: (i)

   Income tax rate of 15%; (ii) exemption from tariffs and Value Added Tax (VAT) on the import of capital goods and equipment, while they remain in the zone declared as such; (iii) exemption from the Value Added Tax (VAT) on domestic sales made by companies located within the national territory to Free Trade Zone users.

There are two modalities of temporary import:

- **Short-term**: this refers to the temporary import of goods into the national customs territory for a short permanence in such territory. The maximum term for these imports is six months, extendable for three additional months. In the short-term temporary import modality, no customs taxes are paid

  There is a restricted list of goods that can be imported under the short-term temporary import modality.

  In order to carry out a short-term temporary import operation, it is necessary to establish a guarantee in favor of the Nation for 150% of the value of customs taxes.

- **Long-term**: this refers to the temporary import of capital goods, their pieces and accessories, into the national customs territory, for a maximum permanence period of five years.

  Under this import modality, the payment of the customs taxes (tariffs and Value Added Tax -VAT) is distributed in identical semi-annual installments for the period of permanence of the goods on the national customs territory. Installments are paid at the end of the semi-annual period, for which purpose they are converted into Colombian pesos at the exchange rate prevailing on the date of submission and payment of each installment.

International Agreements

Presently, the following agreements are in force:

- **Free Trade Agreements** with Mexico, United States, Chile, Canada, European Union, Switzerland and Liechtenstein, Venezuela, Republic of El Salvador, Honduras, Guatemala, Cuba and Nicaragua.

- **Andean Community of Nations ("CAN")**: By virtue of this agreement, Colombia is free from encumbrances and restrictions, representing a free trade zone together with Bolivia, Ecuador and Peru.

- **Economic Complementation Agreement (Andean Community CAN – Common Market of the South (Mercosur))**. This agreement establishes subheadings with immediate tariff elimination and tariff reduction terms of 6 to 15 years for sensitive products such as vehicles, auto parts and home appliances.

- **Caribbean Community ("Caricom")**. This agreement establishes tariff preferences in favor of Colombia, both with immediate effect from June 1, 1998 and gradual (25% each year), the first 25% starting from January 1, 1999. Caricom member countries that participate as signatories are: Trinidad and Tobago, Jamaica, Barbados, Guyana, Antigua and Barbuda, Belize, Dominica, Granada, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines. Colombia grants tariff preferences to these countries in 1128 Andean nomenclature subheadings for products and receives tariff rebates in 1074 subheadings only from Trinidad and Tobago, Jamaica, Barbados and Guyana. At present, the negotiated preferences for products are of 100%.

- Colombia is a member of the World Trade Organization.

- Colombia has current Double Taxation Agreements (DTA) with the countries of the Andean Community of Nations (CAN), Spain, Chile, Canada, Mexico, Switzerland, India and South Korea.

- Colombia has signed Double Taxation Avoidance Agreements in transportation matters with Germany, Argentina, Brazil, Chile, United States, France, Italy, Panama and Venezuela.

8. Labor Regulations

Hiring System for Colombian and Foreign Workers

Foreign employees have the same rights and obligations as Colombian workers. Nonetheless, when a foreign person enters into an employment contract in Colombia, both the employer and the employee must fulfill additional obligations originating from the migratory administrative proceeding followed to enter and remain in the country. Foreign employees with employment contracts in Colombia will be voluntary affiliates to the pension social security system.

The execution of an employment contract does not require any formality and it is only necessary that the following three requirements be met: (i) personal provision of the service; (ii) subordination to and dependence on the employer; (iii) salary as compensation for the service.

Employment contracts may be classified into the following types depending on their duration:

Types of Employment Contract	
Indefinite Term	This type of contract has an indefinite term and is not determined by a term or condition. Any oral contract is understood to have an indefinite term.
Fixed Term	This type of contract establishes a specific duration, which must be evidenced in writing or must be capable of being verified through any evidentiary mechanism. Fixed-term contracts with a term of less than one year may be renewed for three periods equal to or shorter than the initial term, after which the contract may not be renewed for periods of less than one year and so forth. Fixed-term contracts with a term of between one and three years may be renewed indefinitely. Fixed-term contracts do not become indefinite-term contracts. If there is not the intention to renew the contract, a written notice must be given to the other party at least thirty calendar days in advance of the expiration date of the contract.
According to the Duration of the Contracted Work or Task	The duration of the contract is determined by the time required to execute a contracted work or activity. Due to the need to describe in detail the work or task for which the contract is being made, the contract must be in writing. Contracts based on the duration of the contracted work or task may not be extended.
Accidental or Transitory	This contract is entered into for the execution of works other than the company's regular works and its duration is less than one month.

Furthermore, it is possible to agree on a trial period to allow the parties to know their skills and conditions and to assess each other in order to determine whether or not it is convenient to continue with the employment relationship. During this period, which must be agreed in writing, any of the parties may terminate the employment contract without prior notice and without paying any compensation. Its duration depends on the type of employment contract; however, in no case may it exceed two months. In fixed-term contracts, the duration may not exceed the fifth part of the agreed term, with a limit of two months.

Fringe Benefits

Employers are required to pay the following fringe benefits to those employees who earn an ordinary salary, regardless of the duration of the contract:

- Severance: Employers must make an annual deposit to the individual severance fund account of each employee. The severance value is equivalent to one month's salary per year of services and proportionally per fractions of year. This deposit must be made prior to February 15 of each year to the severance fund chosen by the employee. The severance will be paid to an employee upon termination of the employment contract or when the employee requests an advance payment thereof for housing payments. This fringe benefit may be paid when the salary modality changes from ordinary salary to integrated salary or when there is an employer substitution.

- **Interest on Severance**: It is equivalent to 12% per year on the severance value calculated as at 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 severance is paid.
- **Service Bonus**: It is equivalent to 15 days of salary per six months of services and must be paid no later than June 30 and December 20 of each year.
- **Transportation Allowance**: It is a fixed amount that is set by the government on a yearly basis and that must be paid by the employer to all employees earning no more than twice the Current Legal Monthly Minimum Salary (SMMLV) to cover their transportation expenses. The transportation allowance for 2014 is COP$74,000 (approximately US$31). In the case of disabilities, vacation or leaves of absence, the payment of this allowance does not apply. This allowance is included in the base to calculate and pay fringe benefits.
- **Working Footwear and Garment**: It consists of one pair of shoes and one garment appropriate for the job to be performed by the employee. The footwear and garment must be supplied three times a year (no later than April 30, August 31 and December 20). Employees entitled to this benefit are those who earn up to twice the SMMLV – (COP$1,288,700 – approximately US$535) and who have been employed for at least three months.

Taxes and Contributions Levied on Remunerations

The Social Security System is made up of the pension system, the health system and the labor risks system. Every employer is under the obligation to enroll its employees in the Social Security System and to make the respective monthly contributions.

Foreign employees are not required to be enrolled in the pension system. The obligation to pay a contribution to the parafiscal and social security system is 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%
Labor 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

Notes:

(1) The contributions to the Comprehensive Social Security System (Pensions, Solidarity Fund, Health and Labor Risks) must be calculated on the ordinary salary earned by the employee. Notwithstanding the foregoing, if the monthly salary is more than 25 times the current monthly minimum salary, the contributions to the social security must be calculated on such cap of 25 current monthly minimum salaries (approximately US$6,698 per month in total, calculated at the exchange rate of COP$2,405).

The non-salary payments agreed between the employer and the employee are not included in the base to calculate the contributions to the Comprehensive Social Security System, to the extent that they do not exceed 40% of the employee's remuneration, in which case the excess will serve as basis for payment of such contributions.

(2) For those employees earning a comprehensive salary, 70% will be considered as the basis to calculate the fringe benefits. However, if 70% of the comprehensive salary is higher than 25 the current legal minimum salaries, the contributions to the Social Security System will be calculated considering the maximum base of 25 current legal minimum salaries (approximately US$6,698 per month, in total)

(3) The contributions to the Pension Solidarity Fund only apply to employees earning more than four current legal monthly minimum salaries (approximately US$1,072). This payment is equivalent to 1% of the monthly salary; however, for employees earning more than 16 minimum salaries, the percentage increases as follows:

If the employee earns between 16 and 17 minimum salaries, an extra percentage of 0.2% must be paid; if the employee earns between 17 and 18 minimum salaries, an extra percentage of 0.6% must be paid; if the employee earns between 19 and 20 minimum salaries, an extra percentage of 0.8% must be paid; if the employee earns between 20 and 25 minimum salaries, an extra percentage of 1% must be paid. It should be borne in mind that the contributions to the Pension Solidarity Fund also have a cap of 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 levels of risk entailed by the economic activities of each company. The respective insurer makes a classification at the time of affiliation. It should be kept in mind that the contributions to the Labor Risks System are also subject to a cap of 25 current legal monthly minimum salaries (approximately US$6,698 per month, in total).

(5) The contributions to the National Apprenticeship Service (SENA), the Colombian Institute of Family Welfare (ICBF) and the Compensation Funds (Parafiscal Contributions) must be calculated on the ordinary salary earned by the worker, including paid rest periods, such as vacations. If the employee receives a global salary, the base will be 70% thereof. The non-salary payments agreed between the employer and the employee are not included in the calculation basis of Parafiscal Contributions. Parafiscal Contributions are not subject to a cap.

The companies subject to the Equity Income Tax (CREE) will be exempted from payment of the 5% of the parafiscal taxes intended to the Colombian Institute of Family Welfare (ICBF: 3%) and the National Apprenticeship Service (SENA: 2%) but only in the case of employees earning up to ten Current Legal Monthly Minimum Salaries; this exemption became effective on May 1, 2013. It is important to clarify that companies will continue to be required to pay the remaining 4% of the parafiscal taxes to the Family Compensation Funds.

(6) Since January 1, 2014, companies required to report income are exempted from payment of the 8.5% of contributions to the Health System in the case of employees earning up to ten current legal monthly minimum salaries.

Employees are subject to a withholding at the source according to an official table established by the National Government in Tax Value Units (UVT). The UVT is equivalent to COP$28,279 for the fiscal year 2015, which is equal to approximately US$12.

Moreover, in order to calculate the tax to be withheld at the source, it is necessary to use a special formula, which takes into account the former interval, subtracting a number of UVT before applying the relevant percentage, then adding an additional annual fixed number of UVT to determine the final tax to be withheld.

Termination of the Employment Relationship

In general terms, with some legal and constitutional exceptions (e.g. pregnant employees, employees who are in a manifest vulnerable health condition, unionized employees, employees entitled to be rehired in the event of dismissal) employment contracts may be terminated at any time without prior notice. However, the effects of the termination vary depending on the type of contract and on whether the contract is terminated with or without just cause.

As a consequence of the termination of the employment relationship, it is possible that an indemnification must be paid to the employees. As a matter of fact, an indemnification is the payment resulting from the employer's failure to comply with any legal or contractual obligation or from its failure to comply with any obligations that the labor law imposes on the employer. Indemnifications comprise emerging damage and loss of profits and their determination will depend on the type of contract executed by the employee.

Immigration

All foreigners who enter Colombia must show their passport and, where required, the Colombian visa to the immigration authority. Where a visa is not required to enter Colombia, the immigration authority may grant entry and permanence permits to foreign visitors who have no intention to reside in the national territory.

The table below shows the most recurrent permits and visas:

Type of Permit or Visa	Permitted Activities
Entry and Permanence Permit PIP-5	Tourism, recreation and leisure.
Entry and Permanence Entry PIP-6	Attend or participate, without an employment relationship, in academic, scientific, artistic, cultural, sports events, to have an interview at a recruitment process in public or private entities, business training, business contracts or negotiations and journalistic coverage.
Entry and Permanence Permit PIP-7	Provide urgent specialized technical assistance to public or private entities for a period of 30 calendar days.
Business Visa NE-1	Conduct trade and business efforts, promote the economic exchange, make investments and create business.
Business Visa NE-2	Enter the national territory on a temporary basis as a businessperson within the context of current international instruments, including free trade agreements and partnership agreements with the purpose of advancing business management activities; promote business; develop investments; establish the commercial presence of a company; promote trade in goods and services across borders or other activities that are defined in said instruments.
Business Visa NE-4	Enter the national territory as president or senior executive of a multinational company to make investments and generate business.
Temporary Visa TP-3	Enter the national territory developing an academic program, with or without a scholarship, provided by an education or training center in the country, duly certified for that purpose or pursuant to an agreement of academic exchange and student internships; enter the Colombian territory to receive training in an art or occupation.
Temporary Visa TP-10 Mercosur	Temporary residence for citizens from Brazil, Argentina, Chile, Uruguay, Venezuela, Paraguay, Bolivia and Peru.
Temporary Visa TP-13	Provide specialized technical assistance, with or without an employment contract, to public or private entities for 180 calendar days.
Resident Visa RE	Enter and remain in the country with the intention of settling in it.

All foreigners claiming to be a professional require a temporary permit/license/concept or the validation of the undergraduate degree and the formal professional certification.

9. Financial Reporting Procedures

In Colombia, the business requirements (Uniform Commercial Code) state that merchants (legal entities or individuals) are obliged to keep accounting books and records in accordance with the Generally Accepted Accounting Principles in Colombia (PCGAs). Said PCGAs include regulatory orders issued by the federal government (Orders 2649 and 2650 of 1993) 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 businesses.

On July 13, 2009, the Congress of the Republic approved Law 1314, the purpose of which is to form a unique high-quality, easy-to-understand, and mandatory consolidated, homogeneous system on accounting standards, financial reporting, and information assurance. 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 point. For such purpose, groups have been established for the application of the International Financial Reporting Standards (IFRS) as follows: Group 1, Group 2, and Group 3. Group 1 comprises large companies and/or public interest companies; Group 2 comprises medium-sized enterprises; and Group 3 comprises microenterprises and/or Small and Medium Sized Enterprises (SMEs).

The application dates for Group 1 and Group 3 open on 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 International Financial Reporting Standards (IFRS) with a cutoff date of December 31, 2015, with a comparison with the previous period (2014). The dates for Group 2 are one year later in each case.

The Generally Accepted Auditing Standards in Colombia will converge with the International Auditing Standards issued by the International Federation of Accountants (IFAC). The application dates are similar to those of the aforementioned groups.

V

Mexico

Note: Map Simplified by EY

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 coast line 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: 120.3 million (Estimate for July 2014)

Surface Area: 1,959,247 km^2

Currency*: Mexican Pesos US$1 = $14.63

Climate: Varies from tropical to desert

Languages: Spanish (95%) and indigenous languages (such as Náhuatl, Maya, Mixtec, Tzeltal, and Zapotec, among others)

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

Religion: Roman Catholic: 82.7%
None: 4.7%
Other: 12.6%

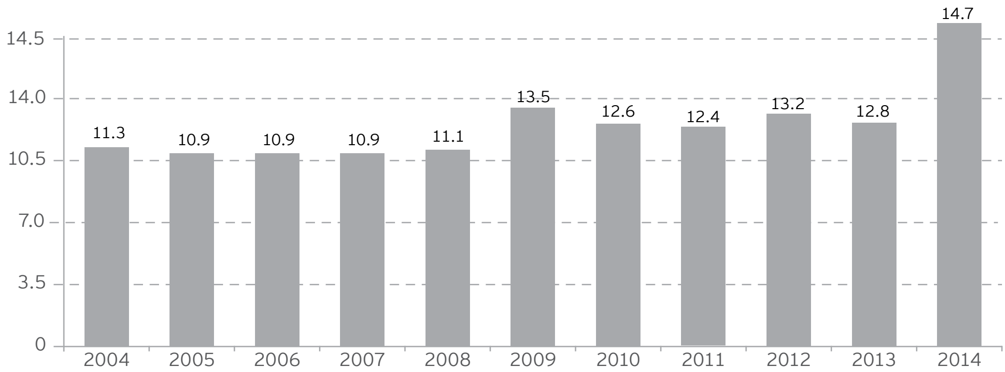
Natural resources: Petroleum, silver, gold, lead, zinc, copper, natural gas, timber

*Interbank exchange rate at January 9, 2015
Sources: CIA Factbook / International Monetary Fund (IMF) / National Institute of Statistics and Geography (INEGI)

2. Currency

Mexico's official currency is the Mexican Peso. In late 1994, the Foreign Exchange Commission of the Banco de Mexico 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: No. of Mexican Pesos per 1 US Dollar (at end of each year)

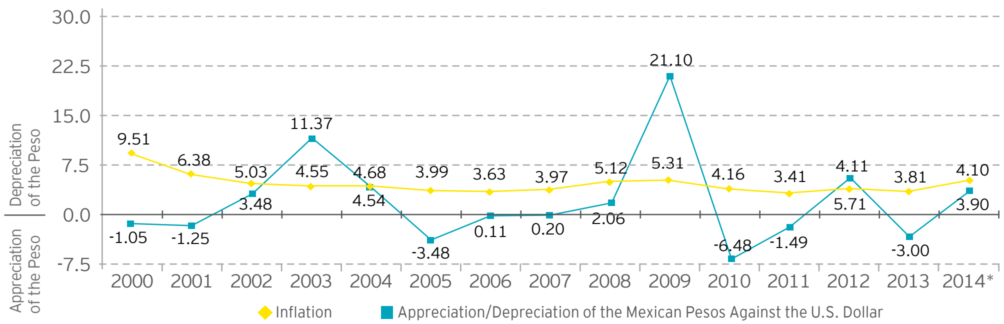


Source: Banxico

3. Economy

Appreciation/Depreciation and Inflation

At the end of 2014, the inflation rate in Mexico reached 4% (real rate of 3.8% in 2013). The annual depreciation rate of the Mexican Peso against the U.S. Dollar for 2014 reached 4.3% (real appreciation rate of 3% in 2013).



*Estimate
Sources: Banxico / Oxford Economics

Main Economic Activities

Within Mexico's main 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, iron, molybdenum, carbon, coke, and manganese lead Mexico´s mineral production.

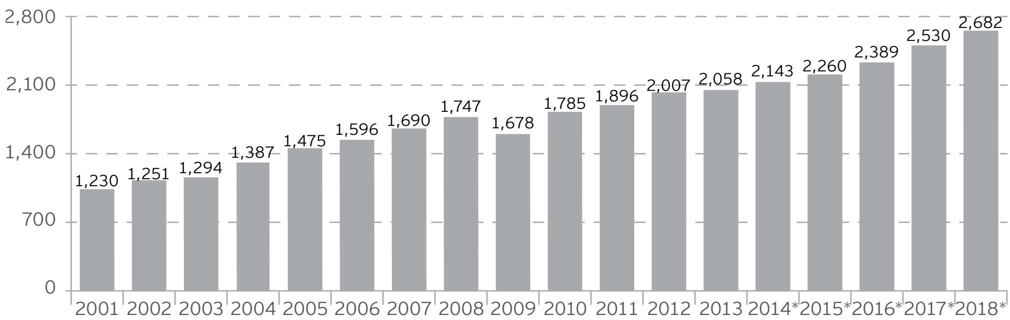
Mexico's secondary activities include the automotive sector, which is recognized as an international leader in the field.. As of 2011, Mexico became the eighth largest producer of new vehicles and the fourth largest exporter of vehicles in the world. Other industries that represent this economic sector 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)/ Trade Balance

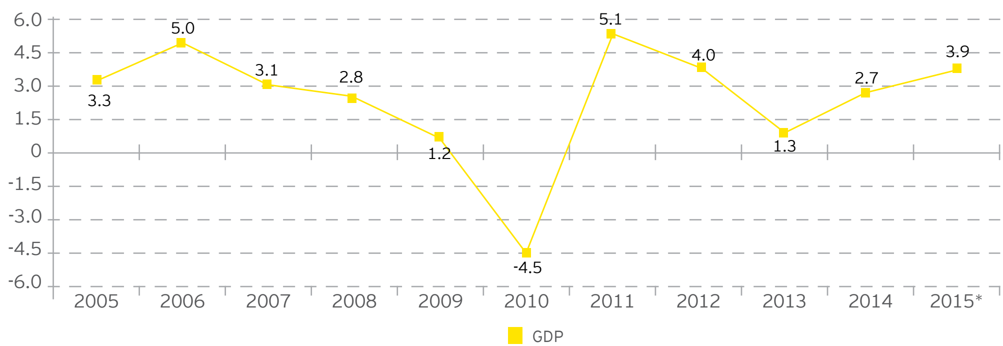
Mexico's Gross Domestic Product (GDP) (*) for 2014 was USD 1,296 billion according to the International Monetary Fund (IMF) (GDP not measured in terms of Purchasing Power Parity or PPP). Below is the evolution of the GDP, this time measured in Purchasing Power Parity, according to the IMF. See also: Section I.3.

Real Gross Domestic Product (GDP) of Mexico in Purchasing Power Parity – PPP (in US$ Billion)



Source: International Monetary Fund (IMF)

Gross Domestic Product – GDP (Annual Rate of Change in Percentage)



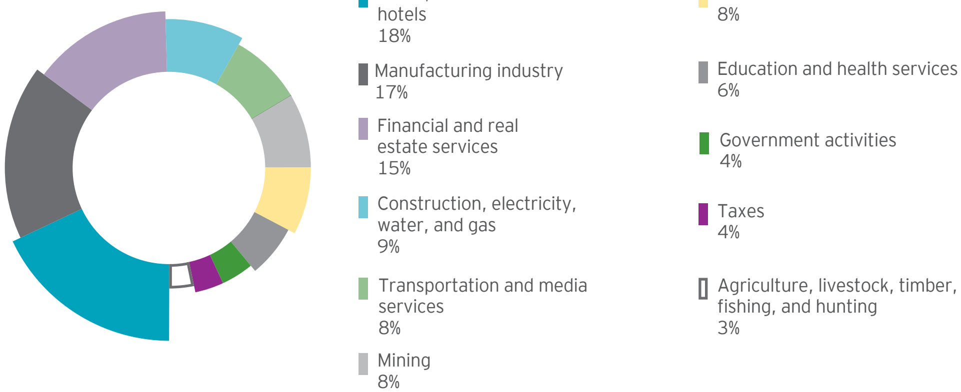
*Estimate
Source: Banxico / Oxford Economics

Gross Domestic Product (GDP) by Branch of Economic Activity/Annual Rate of Change in Percentage

	2008	2009	2010	2011	2012	2013
Primary Activities	1.3	-2.5	0.8	-2.3	7.3	0.3
Agriculture, livestock (breeding and use), timber, fishing and hunting	1.3	-2.5	0.8	-2.3	7.3	0.3
Secondary Activities	-0.5	-6.2	4.6	3.4	2.6	-0.7
Mining	-3.7	-4.0	0.9	-0.4	0.8	-1.7
Generating, transmitting, and distributing electricity, distribution of water and natural gas to end consumers through pipelines	1.3	1.3	4.5	6.7	2.3	0.2
Construction	3.8	-6.1	0.8	4.0	2.0	-4.5
Manufacturing industry	-1.0	-8.4	8.5	4.6	3.8	1.4
Tertiary activities	2.6	-3.9	5.7	4.6	4.5	2.1
Trade	0.2	-12.5	11.9	9.4	4.4	2.8
Transportation, mail and warehouse services	-0.1	-7.2	7.7	4.0	4.4	1.5
Media services	6.0	8.5	1.0	4.2	16.4	5.5
Financial and insurance services	21.9	3.4	21.0	7.1	8.5	3.8
Real estate and leasing services of personal property and intangible assets	3.3	1.1	2.8	2.8	2.5	1.5
Professional, scientific, and technical services	3.1	-5.0	-0.1	5.0	1.1	-1.0
Corporate services	7.5	-8.2	5.3	3.4	6.7	-5.7
Business support services and waste management and disposal services	2.2	-7.0	0.7	5.9	4.4	3.9
Education services	1.1	0.2	0.2	1.6	2.2	1.1
Health and social assistance services	1.3	2.0	-0.1	2.1	2.1	2.0
Recreational, cultural and sports services, and other recreational services	0.3	-4.1	4.1	-0.8	2.9	0.1
Temporary accommodation services and food and beverage preparation	0.1	-9.6	1.9	1.5	5.4	2.1
Other services, excluding government activities	1.3	-0.6	1.0	1.8	2.8	1.7
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	3.8	0.8

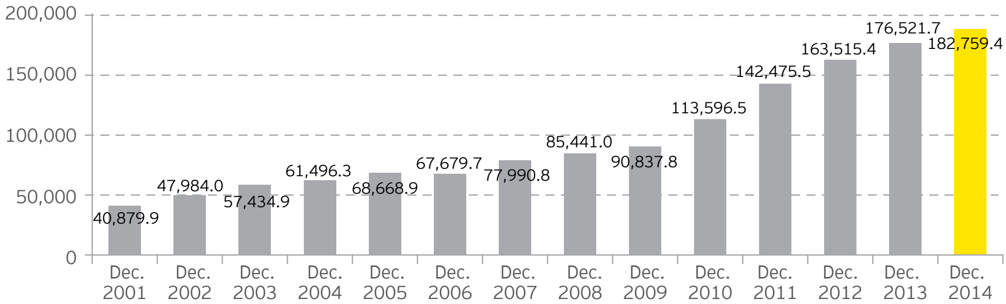
National Institute of Statistics and Geography (INEGI)

Gross Domestic Product (GDP) for Mexico by Economic Sector (2013)



Source: National Institute of Statistics and Geography (INEGI) 2014

Net International Reserves (US$ Million)



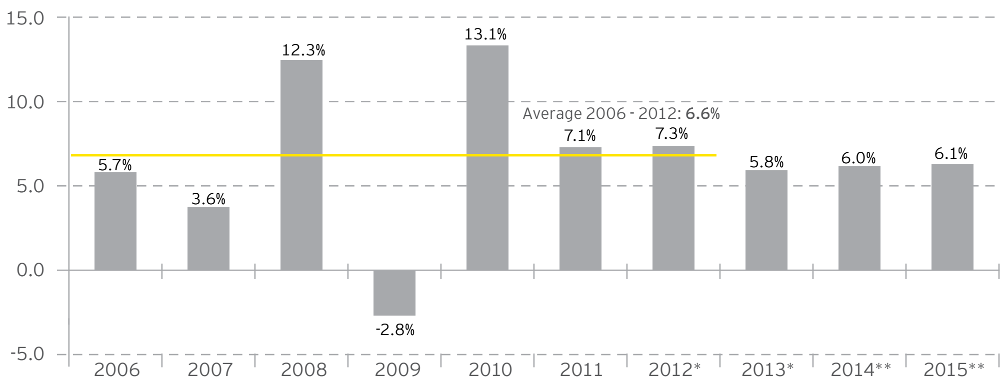
Source: Banxico

Gross Domestic Product (GDP) by Type of Expense (Rate of Change in Percentage)

Variables	2008	2009	2010	2011	2012	2013	2014*	2015*
Imports	9.5	-24.0	28.6	16.4	5.7	2.8	15.9	12.1
Domestic demand	12.30	-2.80	13.10	7.10	7.30	5.80	6.00	6.10
Exports	7.2	-21.2	29.9	17.1	6.1	2.6	9.9	12.0

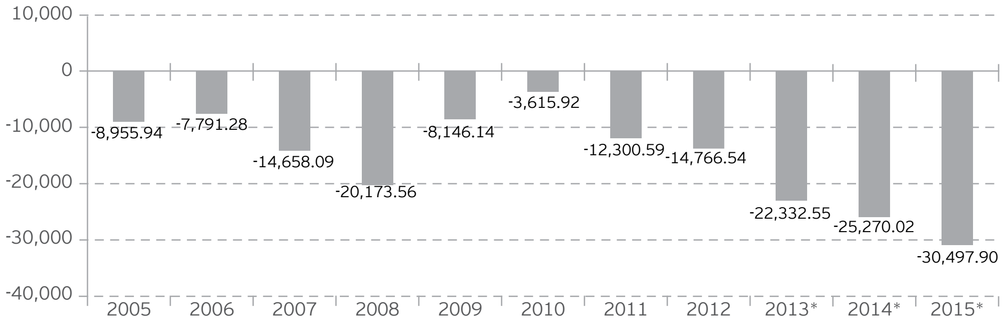
*Estimate
Source: Banxico

Internal Demand (Rate of Change in Percentage)



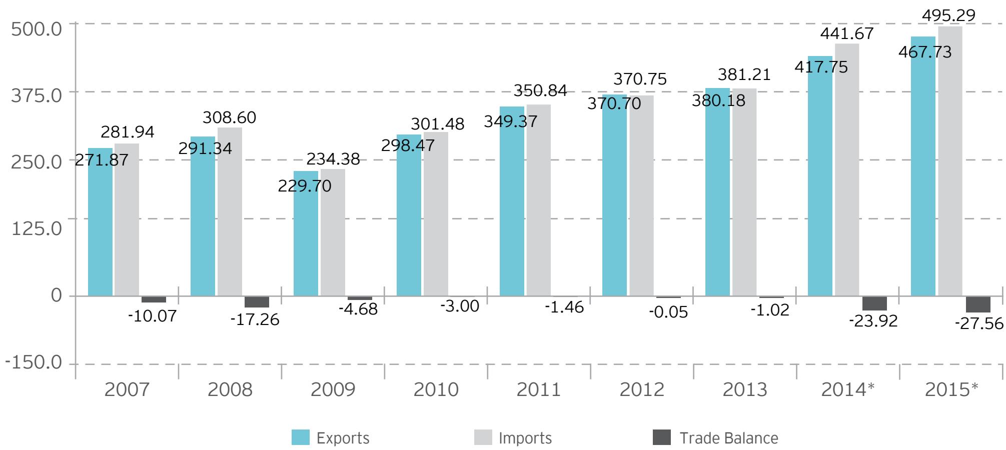
Source: Banxico
*(Falta)
**(Falta)

Balance of Payments (in US$ Million)



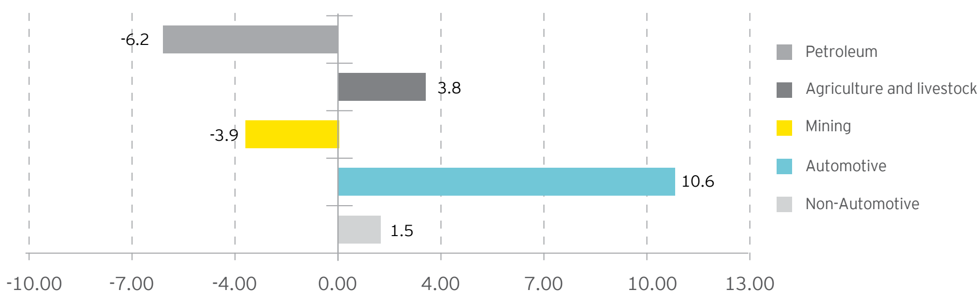
*Estimate: Oxford Economics
Source: Banxico

Trade Balance (in US$ Million)



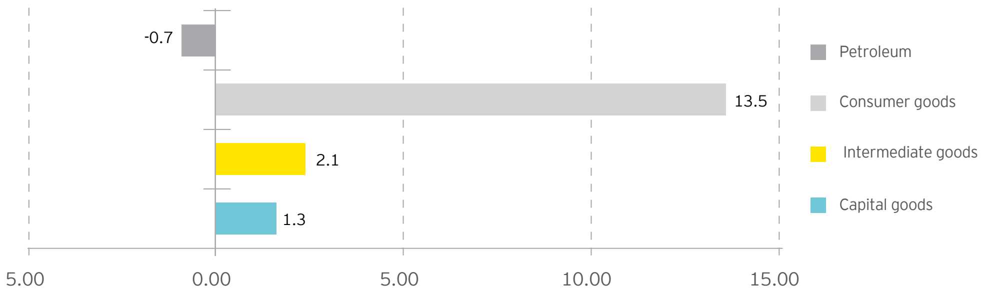
*Estimate: Oxford Economics
Source: Banxico

Annual Rate of Change of Exports by Economic Sector, in Percentage (2013 / 2012)



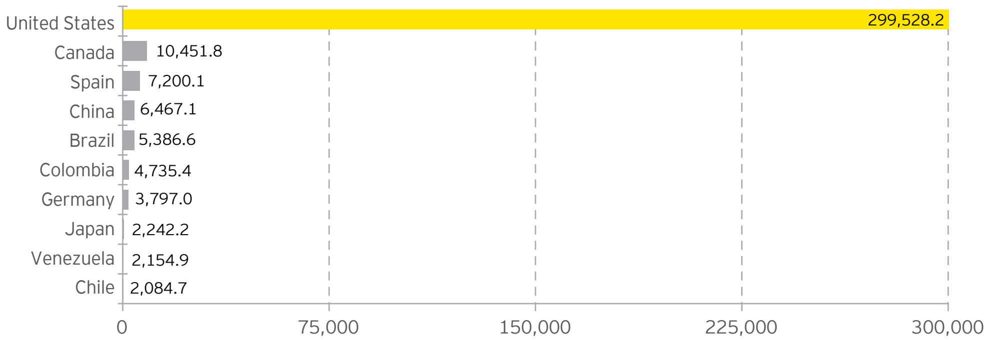
Source: Source: National Institute of Statistics and Geography (INEGI)

Annual Rate of Change in Imports by Economic Sector (2013 / 2012) in Percentage



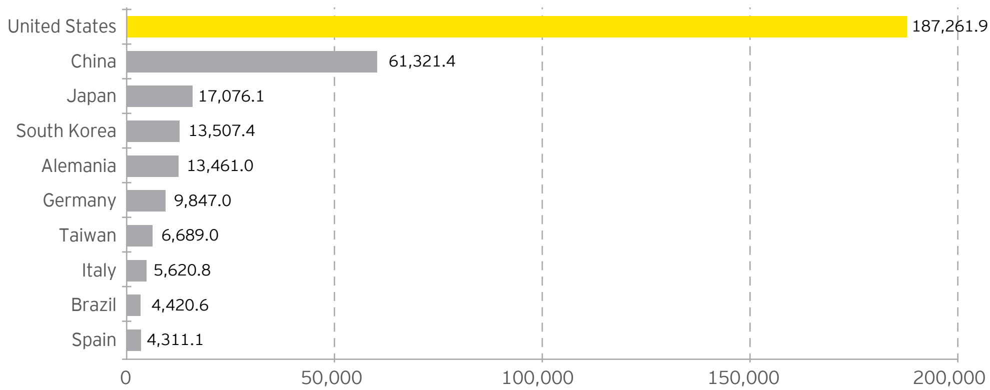
Source: Source: National Institute of Statistics and Geography (INEGI)

Exports by Trade Partner in US$ Million for Top Ten Trade Partners (2013)



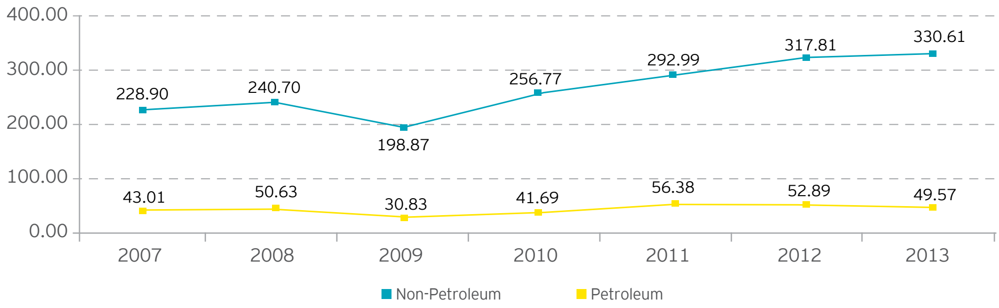
Source: Ministry of Economy (SE)

Imports by Trade Partner in US$ Million for Top Ten Trade Partners (2013)



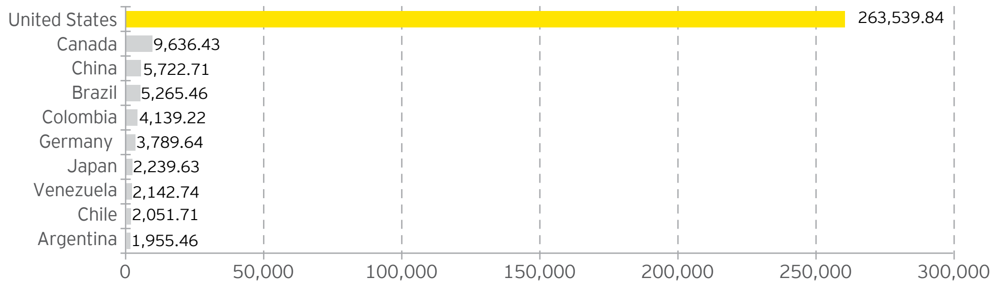
Source: Ministry of Economy (SE)

Petroleum and Non-Petroleum Exports in Billion of US Dollars



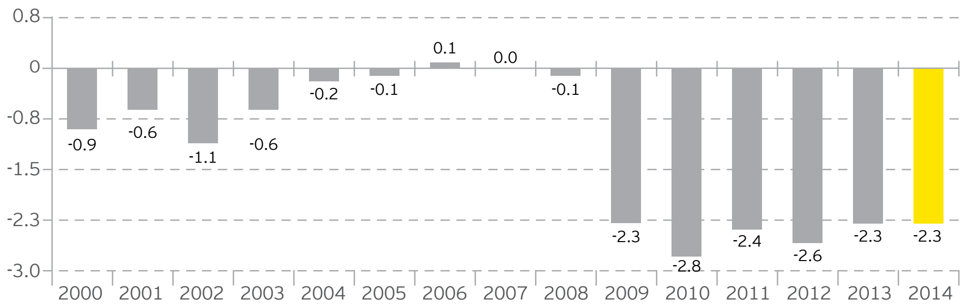
Source: Ministry of Economy (SE)

Non Petroleum Exports by Trade Partner in UUS$ Million (2013)



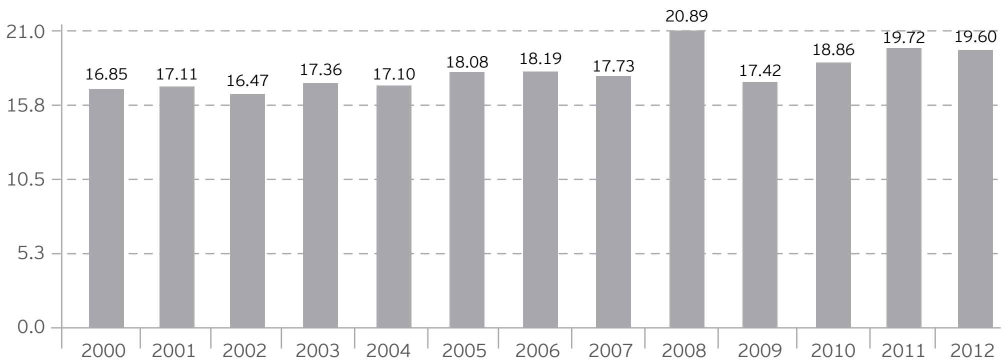
Source: Banxico

Tax Balance (% of the Gross Domestic Product -GDP)



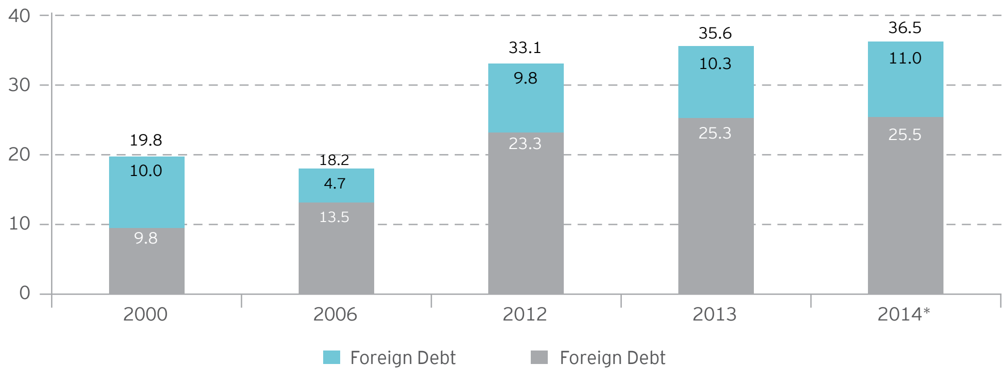
Source: Banxico

Tax Collection Rate (% of the Gross Domestic Product - GDP)



Source: Organisation for Economic Co-operation and Development (OECD)
There is no official data for 2013 and 2014 or official estimates for 2015

Public Debt (% of Gross Domestic Product - GDP)



*Estimate as at March 2014
Source: Ministry of Finance and Public Credit / House of Representatives

Changes in Mexico's long-term foreign currency debt rating

Agency	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Moody´s	Baa3	Baa3	Baa3	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1	A3

Source: Moody's

4. Investments

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. The free trade treaties that Mexico has signed with approximately 43 other countries have given Mexican companies a competitive advantage.

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, 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**: aims to strengthen confidence in the government by moving Mexico towards greater democracy and by reducing crime rates.
- **An inclusive Mexico**: aims to closing 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.

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[1] Ministry of Economy (Foreign Direct Investment)

b. Legal framework designed to encourage foreign investment

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 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

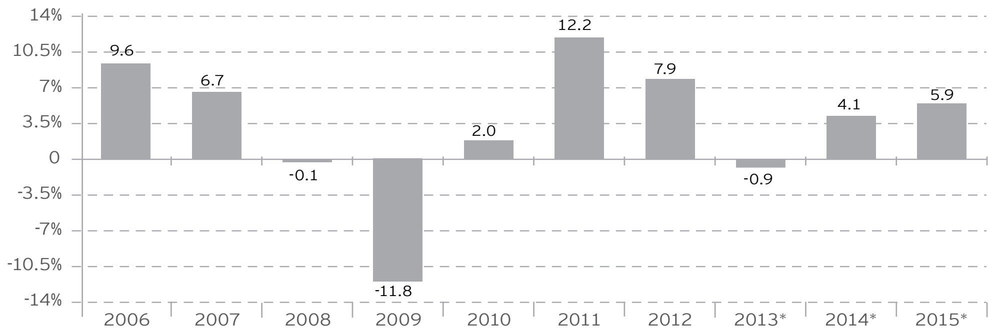
Mexico's General Foreign Investment Office (DGIE) is the administrative unit of the Ministry of Economy that, among other responsibilities, issues administrative rulings under the Foreign Investment Act and manages and operates the National Foreign Investors Registry (RNIE). It also drafts and publishes 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 guidelines.

Similarly, the agreements for the reciprocal promotion and protection of investments (APPRI, Spanish acronym) are 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, they 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 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 developed countries through the export activities of multinational companies.

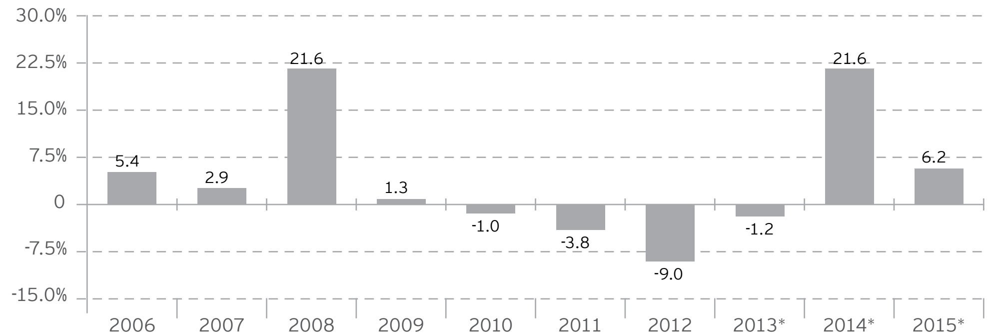
[2] Ministry of Economy (Foreign Direct Investment)

Private Investment (Rate of Change in Percentage)



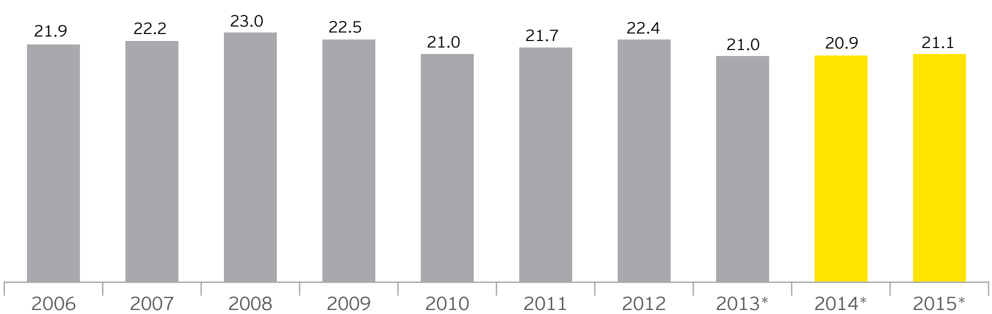
*Estimate
Source: BBVA Research

Public Investment (Rate of Change in Percentage)



*Estimate
Source: BBVA Research

Fixed Gross Investment as a % of the Gross Domestic Product (GDP)



*Estimate
Source: Oxford Economics / National Institute of Statistics and Geography (INEGI) / Harver Analytics

Direct Foreign Investment by Sector (2013)

Source: EY

Direct Foreign Investment by Sector in US$ Million

Sector	2013
Manufacturing industry	25,963
Mining	2,767
Trade	1,709
Lodging services	1,058
Lodging services	982
Other	2,708
Total in millions of U.S. dollars	35,188

Source: Ministry of Economy

World Competitiveness Ranking

	2013 - 2014			2014 - 2015	
	Rank	Points		Rank	Points
Total for Mexico	55/148	4.30		61/148	4.30
SUB-INDEXES					
Basic Requirements	63	4.60		69	4.59
Institutions	96	3.60		102	3.40
Infrastructure	64	4.10		65	4.19
Macroeconomic Framework	49	5.10		53	5.04
Basic Health and education	73	5.70		71	5.73
Efficiency Drivers	55	4.30		60	4.20
Higher Education	85	4.00		87	3.99
Efficiency in Goods Market markets	83	4.20		86	4.19
Efficiency in Labor Market	113	3.90		121	3.71
Development in Financial Market	59	4.20		63	4.14
Technological Training	74	3.70		79	3.55
Market Size	11	5.60		10	5.61
Innovation and Sophistication Factors	55	3.80		59	3.73
Sophistication in Business	55	4.20		58	4.14
Innovation	61	3.30		61	3.32

Source: World Economic Forum 2014-2015

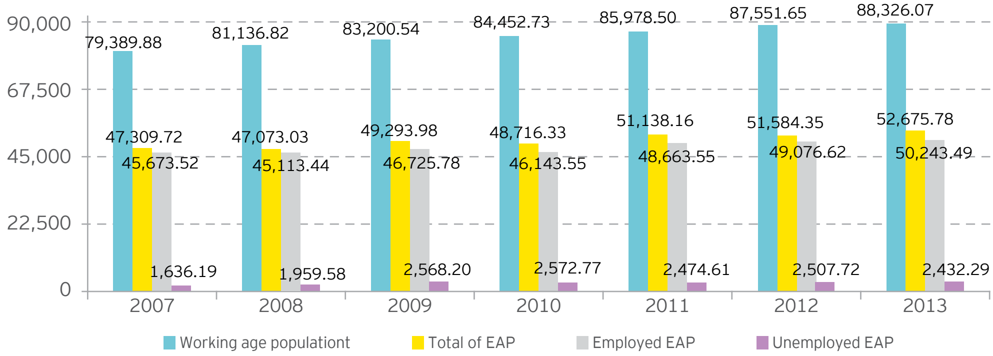
The following is a list of the main indicators of the business environment:

Indicators	Mexico	Latin America and the Caribbean
Starting a Business		
‣ Procedures (Number)	6.0	8.3
‣ Time (Days)	6.0	30.1
‣ Cost (% of Income Per Capita)	20.0	31.1
‣ Registration of Minimum Paid-up Capital (% of Income Per Capita)	0.0	3.2
Dealing with Construction Permits		
‣ Procedures (Number)	11.0	13.3
‣ Time (Days)	82.0	178.3
‣ Cost (% of Income Per Capita)	11.8	2.7
Registration of Property		
‣ Procedures (Number)	7.0	7.0
‣ Time (Days)	73.0	63.3
‣ Cost (% of Property Value)	5.4	6.1
Obtaining Electricity		
‣ Procedures (Number)	7.0	5.5
‣ Time (Days)	85.0	67.4
‣ Cost (% of Income Per Capita)	367.8	444.5
Obtaining Credit		
‣ Strength of Legal Rights Index (0-10)	8.0	5.0
‣ Depth of Credit Information Index (0-6)	8.0	5.0
‣ Public Records Coverage (% of Adults)	0.0	12.6
‣ Private Institutions Coverage (% of Adults)	100.0	39.3
Protecting investors		
‣ Extent of Disclosure Index (0-10)	8.0	3.9
‣ Extent of Director Liability Index (0-10)	5.0	5.1
‣ Ease of Shareholders Legal Actions Index (0-10)	5.0	6.4
‣ Strength of Investor Protection Index (0-10)	5.8	4.6
Paying taxes		
‣ Payments (Number Per Year)	6.0	29.9
‣ Time (Hours Per Year)	334.0	365.8
‣ Profit Tax (%)	25.0	20.7
‣ Labor Tax and Contributions (%)	25.9	14.7
‣ Other Taxes (%)	0.9	12.9
‣ Total Tax Rate (% Profit)	51,7	48.3
Trading Across Borders		
‣ Documents to Export	4.0	6.0
‣ Time to Export (Days)	11.0	16.8
‣ Cost to Export (US$ per Container)	1,450.0	1,299.1
‣ Documents to Import	4.0	7.0
‣ Time to Import (Days)	11.0	18.7
‣ Cost to Export (US$ per Container)	1,840.0	1,691.1
Enforcing Contracts		
‣ Time (Days)	400.0	736.9
‣ Cost (% of Claim)	31.0	30.6
‣ Procedures (Number)	37.0	39.8
Resolving insolvency		
‣ Time (Years)	1.8	2.9
‣ Cost (% of Assets)	18.0	16.4
‣ Recovery Rate (Cents on the Dollar)	68.1	36.0

Source: World Bank (WB) - Doing Business 2015

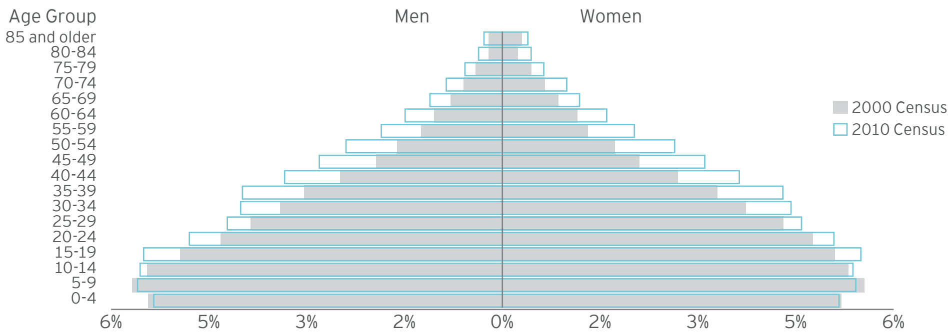
5. Population

Rate of Change of the Economically Active Population (Thousands of People)



Source: National Institute of Statistics and Geography (INEGI)

Population Pyramid as per Census (2000 and 2010)



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 Anonima - S.A.)
- Limited Liability Company (Sociedad de Responsabilidad Limitada – S de R.L.)
- General Partnership (Sociedad en Nombre Colectivo)
- Limited Partnership (Sociedad en Comandita)

Each of these may adopt the form of a variable capital corporation. These entities may be used to structure wholly-owned subsidiaries, as well as joint companies with both Mexican and foreign partners.

Another type of company available for investors is the Limited Partnership, which is only allowed to carry out economic, non-profit activities. This means that a Limited Partnership may not enter into trading activities. Consequently, this type of company is used by professional service providers and 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:

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 Corporation (Joint Venture)
- Trust agreement (trust fund)
- Branch
- Representation office

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 Anonima - S.A.)

Certain procedures must be performed with the Ministry 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 and the Company officers named by the Board.
- Liability: the company's administrators 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.
- Supervision: 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.
- Transfers of shares: 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. The Board of Directors may deny authorization of such transfer by designating a buyer of the shares at market value.

b. Limited Liability Company (Sociedad de Responsabilidad Limitada - S.R.L.)

A Limited Liability Company must have a minimum of two and a maximum of 50 partners. 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: an SRL company is governed by one or more managers named by the partners, as set forth in the company by-laws. These managers may or may not be partners in the company. The partners

meeting is the ultimate authority since each partner has the right to one vote for each Peso contributed. If no governance structure is established in the by-laws, the partners shall share the governance of the company.

- Supervision Body: If so required in the by-laws, an SRL creates a Supervision Body comprised of partners or individuals external to the company.
- **Transfer of ownership interests**: ownership interests may not be publically traded.
- **Limitations**: the company is not allowed to publicly issue obligations or bonds.

c. Corporations with Variable Capital

A variable capital (C.V.) Joint Stock Company (SA) or Limited Liability Company (SRL) has the same corporate characteristics as a non-variable capital company, but the variable capital component 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 articles of incorporation, a Variable Capital Corporation (or S.A. de C.V.) may perform these increases or decreases without making this change in its bylaws.

The variable portion of a company's capital stock must be established in its articles of incorporation, and under no circumstances may it be reduced to less than MXN 50,000.

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.

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

- Register the branch with the Registry of Foreign Investment
- Register the foreign company's articles of incorporation and bylaws 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 Trade and Industrial Development (SECOFI) 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. Certain corporate requirements, such as establishing a board of directors and holding shareholders' meetings, do not apply to a branch. However, one disadvantage of a branch is that it does not have independent legal status in Mexico and so it is the parent company that 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 no commercial operations and is generally only 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 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 it earns in Mexico.

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 for the majority of losses incurred on the sale of shares.

Tax Loss Carry forward System

The term for carrying forward tax losses is ten years, although there are restrictions on the use of such losses in the case of mergers and spin-offs in Mexico.

Employee Profit Sharing

Each year employers in Mexico must pay their workers 10% of their tax profit.

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 and foreign residents. 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 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.

Mexican taxpayers are also required to provide and maintain support 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 Agreement

Mexico has executed tax treaties with Aruba, Australia, Austria, Bahrain, Barbados, Belgium, Brazil, Canada, Colombia, Costa Rica, Chile, China, Czech Republic, Denmark, Ecuador, Estonia, Finland, France, Germany, Gibraltar, Greece, Hong Kong, Hungry, India, Indonesia, Ireland, Iceland, Israel, Italia, Japan, Korea, Kuwait, Latvia, Lithuania, Luxemburg, Malta, Norway, New Zealand, Netherlands, Panama, Peru, Poland, Portugal, Qatar, Slovakia, Spain, Rumania, Russia, Singapore, Sweden, Switzerland, Turkey, United Arab Emirates, United Kingdom, United States, Ukraine and Uruguay.

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 new 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. Most 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$ 9,685 at an exchange rate of 13x1) and MXN 1,000,000 (US$ 76,923 at an exchange rate of 13x1). A 30% rate applies to earnings in excess of MXN 1,000,000.
- **Fees**: the applicable tax rate is 25% of the total income with no deductions whatsoever.
- **Leasing of Property**: the applicable tax 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.
- **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 21%, 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%.

Interests

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 general withholding rate on interest paid abroad is 35%, unless an exception is applied.

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 (iv) 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 of a given property depends on the terms of the property tax law 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 Agreements (APPRIs) and 9 Limited Scope Agreements (Economic Cooperation Agreements and Partial Scope Agreements) under the framework of the Latin America Integration Association (ALADI).

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 America Integration Association (ALADI).

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 Association.
- **Trans-Pacific Partnership Agreement**
- **Mercosur**: Economic Cooperation Agreement.
- **European Union**: Economic Partnership Agreement.
- **Bilateral Investment Treaties**: with Argentina, Cuba, Panama, Trinidad and Tobago, Uruguay, China, Korea, India, Singapore, Germany, Austria, Denmark, Spain, Finland, Italia, United Kingdom, Switzerland, Sweden, Netherlands, and Portugal, among others.

8. Labor Law

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. The following is a description of each of the different types of employment contracts used in Mexico:

a. For National Employees

I. Individual contracts

- **For a Specific Project**: may be used only when the nature of the work demands it; that is, when the work will be performed temporarily for a limited-time service or project.
- **For a Specified Term**: may be used only in the following cases: (a) when so required, based on the nature of the work to be carried out; (b) when the purpose of the arrangement is to temporarily replace another employee; and (c) in all other cases set forth in the Federal Labor Act.
- **For an Indefinite Term**: as a rule of thumb, this type of contract is for continuous projects, but may be used for non-continuous arrangements when the services are either required for a pre-determined but periodic purpose for seasonal activities, or when the services are not required by the employer during the entire week, month, or year.
- **Trial Period Contract**: this is the only type of contract used to verify that employees meet the requirements for carrying out the work for which they were hired. Generally, a trial contract may not exceed 30 days. The trial period may be extended to up to 180 days, but only for employees in executive or management positions and other individuals with executive or management functions in the company or one of its establishments, as well as those who perform technical or very specialized work.
- **Initial Training**: this is the training through which the employees agree to render their services under the guidance and leadership of the employer in order to acquire the knowledge or skills they need to be able to perform the activities that they will be hired to carry out. The maximum term of the labor relationship is three months or up to six months only in the case of employees in executive or management positions and for other individuals with executive or management functions within the company or one of its establishments, as well as those employees who perform tasks which demand highly specialized skills.

It is important to mention that the labor relationship during the initial training or trial period may only last as long as agreed in the terms provided for in each contract, and neither period may be extended. Upon termination of these contracts, the employees have the right to have their contract renewed for either an indefinite or a specific term or, where applicable, to have the labor relationship terminated. Labor relationships resulting from a trial period may only be established when the position being covered by the employees is for an indefinite period of time.

II. Collective Contracts

- **Collective Labor Contract**: 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.
- **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:

- 90% of the rest of the entity's employees must be Mexican.
- 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.

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 for the subordinate personal services they render to their employer, and those benefits are paid by the employer:

- **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 days every subsequent year until reaching the minimum 12 -day period for employees with four years of service. After the fourth year, the period is increased by two days for every five additional years of service.
- **Vacation Premium**: for each year of service, employees are entitled to receive a vacation premium equal to 25% of their salary.
- **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 15 days of the employee's salary.
- **Days Off**: by law, employees are entitled to one day off every six 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 salary, plus an amount equal to twice their salary for that day.
- **Termination Payments**: if an employee is dismissed due to reasons that are not attributable to the employer, the employee shall receive a termination payment equal to (i) the salary for the previously unpaid days worked in the week, fortnight, or month as applicable; (ii) the proportional amount of the Christmas

Bonus accrued through the dismissal days; (iii) unused days of leave accrued through the dismissal date; (iv) the vacation premium; and (v) a seniority premium, as well as any other benefits due and payable to the employees as set forth in their contract.

- **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 years of their operations, newly created mining companies during their exploration period.

- **Seniority Premiums**: permanent employees are entitled to receive a seniority premium. Seniority premiums are payable to workers with 15 or more years of service in the company and are equal to 12 days' salary for each year of service.
- **Termination Benefits**: employees who are dismissed without just cause are entitled to receive a termination benefit that is equal to three months' salary plus 20 days for each year of service.

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.
- **Employer 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 social security purposes
Daycare and Social Welfare Benefits	1.00% of the employee's basic salary for social security purposes
Federal Housing Financing Agency (INFONAVIT)	5.00% of the employee's basic salary for social 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 Labor Relationship

All labor 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 labor 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.

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 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 that: 1) Have a valid visa from the United States 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 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 that: 1) Have a valid visa from the United States 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.

(continues)

(continued)

Category	Type of Visa	Permitted Activities	Exception
Visa that excludes a permit to perform long-term paid activities (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.	
Temporary Resident Visa	Temporary / Resident	Applicable for foreign individuals who intend to remain in Mexico as a temporary resident for more than 180 days but less than four 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 180 days but less than four years must apply for a Temporary Residency Visa. Individuals intending to stay in Mexico for more than four 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.

This development is the result of the fact that starting in 2012, the National Banking and Securities Commission (CNVB) has required that all companies that issue shares or credit instruments in Mexico report their financial information under IFRS (except for companies in the financial, insurance and securities sectors) and that they be audited under International Auditing Standards (IAS).

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

Although private companies still apply Mexican regulations, when full convergence is achieved, the financial information of all entities will be comparable to the financial information of a large number of countries in the world.

VI

Peru

Note: Map Simplified by EY

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	31.2 million (2015 estimate) Urban: 76.6% Rural: 23.4%
Surface Area	1,285,215.60 km^2
Currency*	Nuevo Sol (S/.) US$1 = S/. 2.99
Main Languages	Spanish Quechua 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

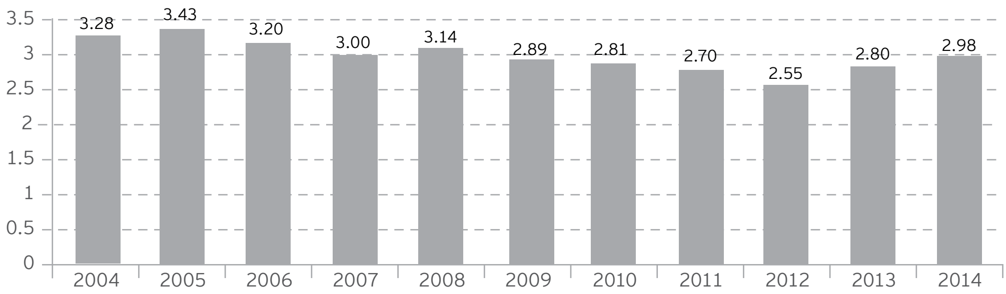
*Interbank exchange rate as of January 9, 2015
Sources: Banco Central de Reserva del Peru (BCRP) / International Monetary Fund (IMF)

Note: For more information on Peru, see the Peruvian Business and Investment Guide at http://is.ga/rree_comience_a_invertir

2. Currency

The official currency of Peru is the Nuevo Sol (S/.) The country has a free floating exchange rate, under which the government occasionally intervenes for purposes of stabilization. As of December 31, 2014, banks were buying U.S. Dollars at S/.2.979 and selling them at S/.2.981. The parallel markets have very similar exchange rates.

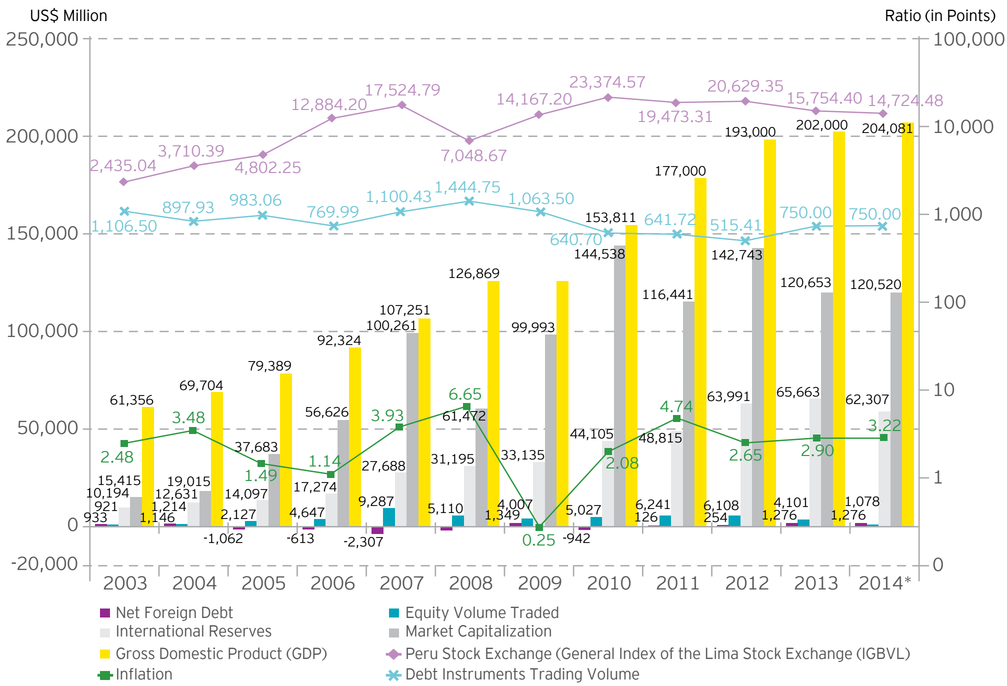
Exchange Rate Trend: Nuevos Soles per 1US$ (End of Each Year)



Source: Banco Central de Reserva del Peru (BCRP)

3. Economy

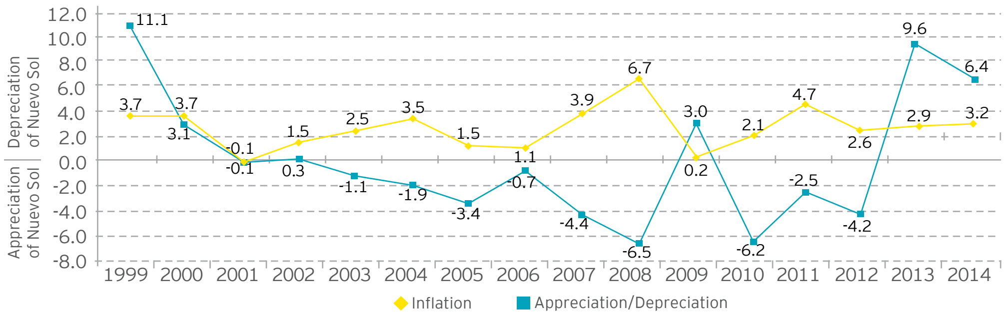
Rate of Change of Financial Indicators



Source: Banco Central de Reserva del Peru (BCRP) / Prepared by EY

Appreciation/Depreciation and Inflation

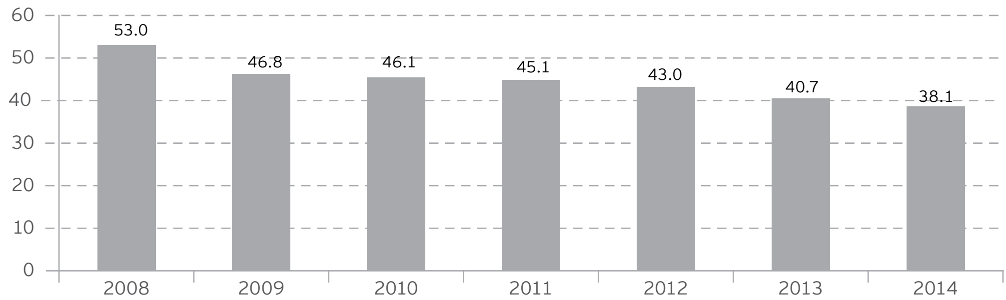
At the end of 2014, the inflation rate in Peru was 3.22% (real rate of 2.9% in 2013). The annual depreciation rate of the Nuevo Sol against the U.S. Dollar for 2014 reached 6.4% (real depreciation rate of 9.6% in 2013).



Sources: Banco Central de Reserva del Peru (BCRP) / EY

For the close of 2015, inflation is estimated to hit 2%. On the other hand, as of January 31, 2014, the average interbank interest rate in local currency, as set by the Banco Central de Reserva del Peru (BCRP) was situated at 3.80%, while the preferential corporate rate was 4.70%.

Bank Deposit Dollarization Ratio



Source: Banco Central de Reserva del Peru (BCRP)

Main Economic Activities

Peru's main 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.

During 2014, the non-traditional exports that evolved the most compared to 2013 were handicrafts (61.9%) and agricultural and livestock exports (21.9%). The primary non-traditional products exported in 2014 were fresh or refrigerated as asparagus, mangos, grapes, avocados, quinoa, cocoa, organic bananas, artichokes, mandarins, paprika, olives, and mollusks.

With regard to mining, according to the Mineral Commodity Summaries publication of the U.S. State Department, in 2013, Peru was the world's third-largest producer of silver, copper, tin, and zinc; the fourth-largest producer of molybdenum, boron, and lead; and the fifth-largest producer of mercury and gold, in addition to possessing large deposits of iron, phosphate, manganese, oil, and natural gas.

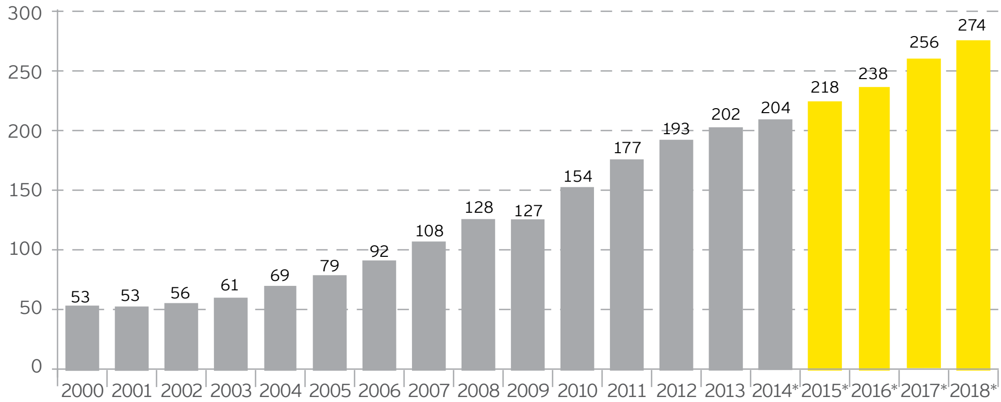
The primary destinations of Peruvian copper production are China and Japan; with gold exported to Switzerland, the United States, and Canada; and zinc and silver to China and South Korea.

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)/Trade Balance

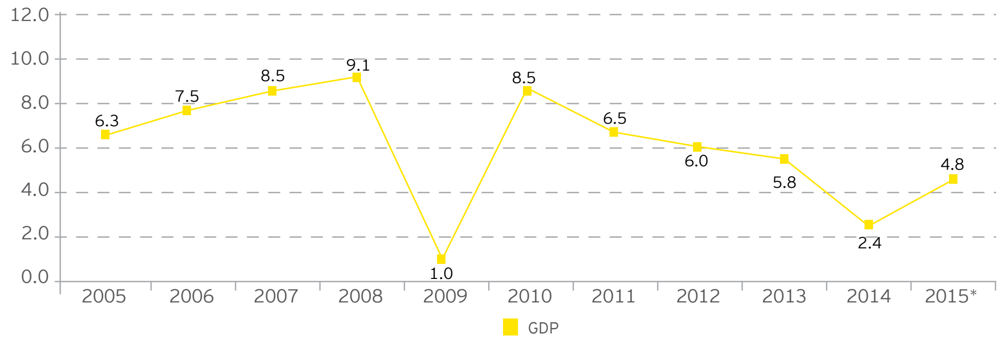
The estimated Gross Domestic Product -GDP for 2014 is US$204 billion, according to the Banco Central de Reserva del Peru (BCRP) (for the Gross Domestic Product -GDP measured in terms of purchasing power parity, see Section I.3). It is estimated that, as of the close of 2014, total FOB exports came to US$37.9 billion, while imports totaled US$42.4 billion. The primary exports came from the mining, hydrocarbon, and agriculture sectors.

Real Gross Domestic Product (GDP) of Peru (in US$ Billion)



*Estimate
Sources: Banco Central de Reserva del Peru (BCRP) / Ministry of Economy and Finance (MEF) / International Monetary Fund (IMF) / EY

Gross Domestic Product - GDP (Annual Rate of Change in Percentage)



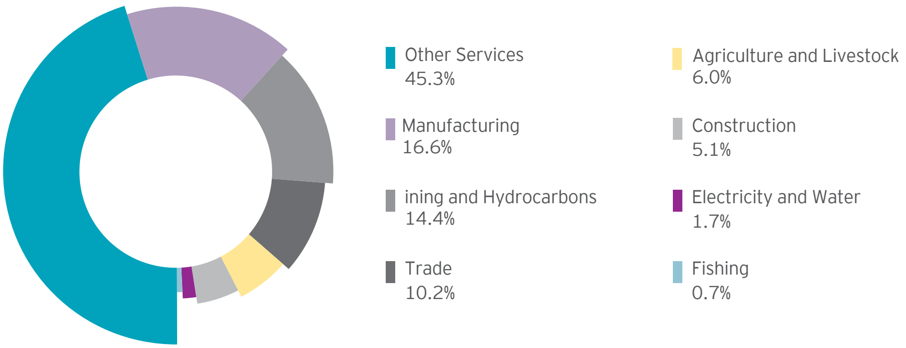
*Estimate as of March 2015
Source: Ministry of Economy and Finance (MEF) / Banco Central de Reserva del Peru (BCRP)

Gross Domestic Product by Economic Industry / Annual Rate of Change %

	2008	2009	2010	2011	2012	2013	2014	2015*	2016*
Agriculture and Livestock	8.0	1.3	4.3	4.1	5.9	1.6	1.4	2.6	3.5
Fishing	3.0	-3.4	-19.6	52.9	-32.2	18.1	-25.3	17.2	18.1
Mining	7.3	-1.4	-0.7	-1.1	2.2	4.3	-2.2	6.3	12.1
Hydrocarbons	10.3	16.1	28.4	19.7	2.3	7.2	3.9	3.2	5.0
Manufacturing	8.6	-6.7	10.8	8.6	1.5	5.1	-2.9	3.7	4.7
Electricity and Water	8.1	1.1	8.1	7.6	5.8	5.5	4.9	5.3	6.1
Construction	11.0	-0.5	12.5	8.9	7.2	8.9	2.1	5.7	7.0
Trade	16.8	6.8	17.8	3.6	15.8	5.9	4.4	4.9	5.5
Other Services	8.7	3.6	8.8	7.0	7.3	6.2	4.8	4.9	5.5
GDP Product	9.1	1.0	8.5	6.5	6.0	5.8	2.4	4.8	6.0

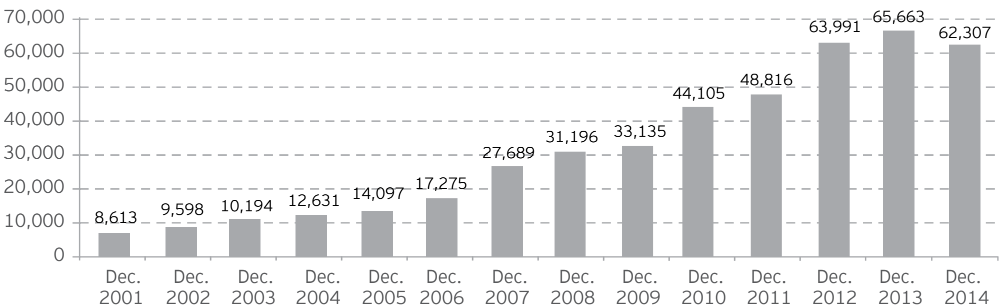
*Estimate as of March 2015
Source: Banco Central de Reserva del Peru (BCRP)

Gross Domestic Prodcuct (GDP) of Peru by Economic Sector in %, Using the Structure of the Economy with Base Estimation Year 2007



Source: National Institute of Statistics and Informatics (INEI) / Institute of Economics and Development of the Lima Chamber of Commerce

Net International Reserves (in US$ Million)



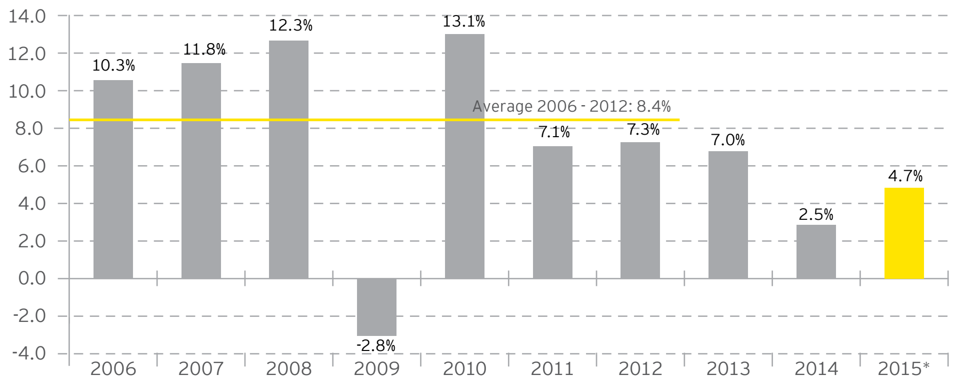
Source: Banco Central de Reserva del Peru (BCRP)

Gross Domestic Product (GDP) by Type of Spending (Rate of Change in Percentage)

Variables	2008	2009	2010	2011	2012	2013	2014	2015*
GDP	9.1	1.0	8.5	6.5	6.0	5.8	2.4	4.8
Imports	26.2	-16.0	29.3	9.8	10.4	3.6	-1.3	2.9
Internal demand	12.3	-2.8	13.1	7.1	7.3	7.0	2.5	4.7
a. Private Consumption	8.7	2.4	6.3	6.4	5.8	5.3	4.3	4.5
b. Public Consumption	2.1	16.5	7.9	4.8	9.4	6.7	6.4	6.6
Private Investment	25.9	-15.1	22.1	11.4	13.5	6.4	-1.5	3.0
Public Investment	33.6	21.2	26.7	-18.0	20.8	12.1	-3.6	12.0
Exports	9.9	-2.9	4.8	8.8	5.4	-0.9	-2.2	3.4

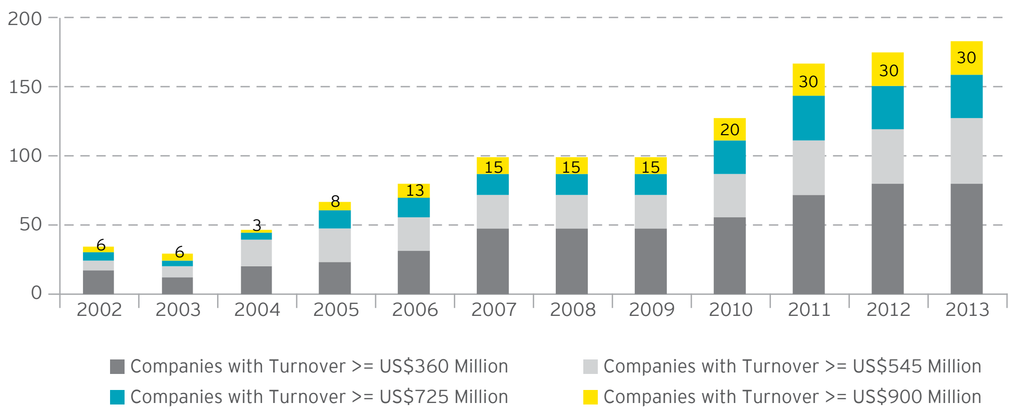
*Estimate
Source: Banco Central de Reserva del Peru (BCRP)

Internal Demand (Rate of Change in Percentage)



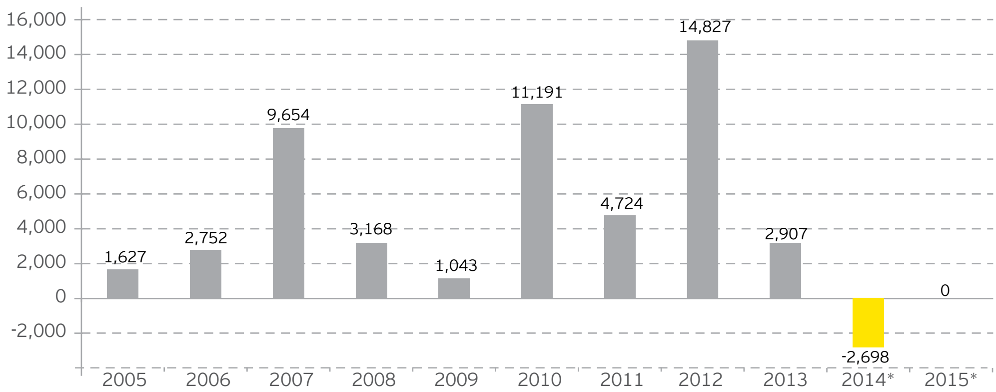
*Estimate
Source: Banco Central de Reserva del Peru (BCRP)

Number of Companies by Annual Turnover Range (in US$ Million)



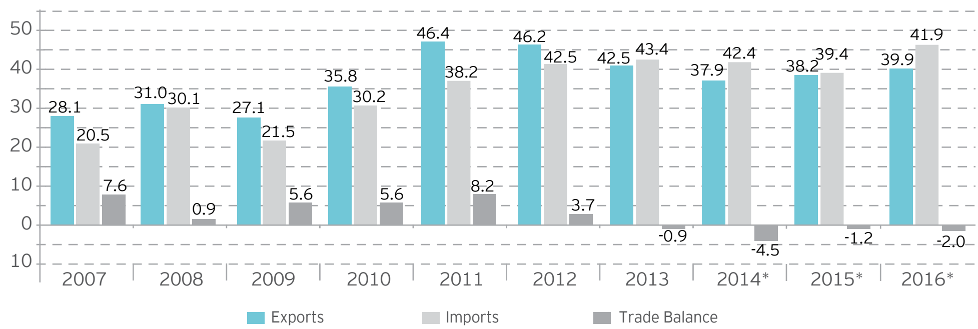
Source: Top 10k-Peru Top Publications / Peruvian Business Directory - Dun & Bradstreet / Prepared by EY

Payment Balance (in US$ Million)



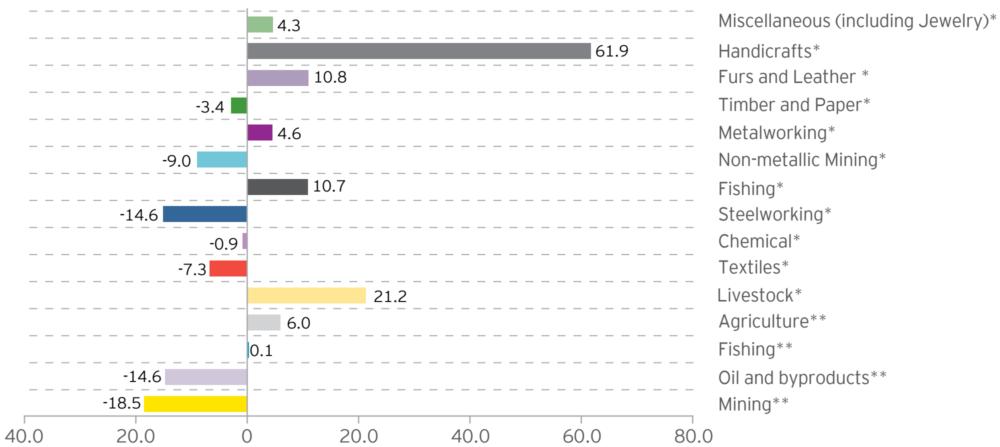
*Estimated
Source: Banco Central de Reserva del Peru (BCRP)

Balanza Comercial (en US$ miles de millones)



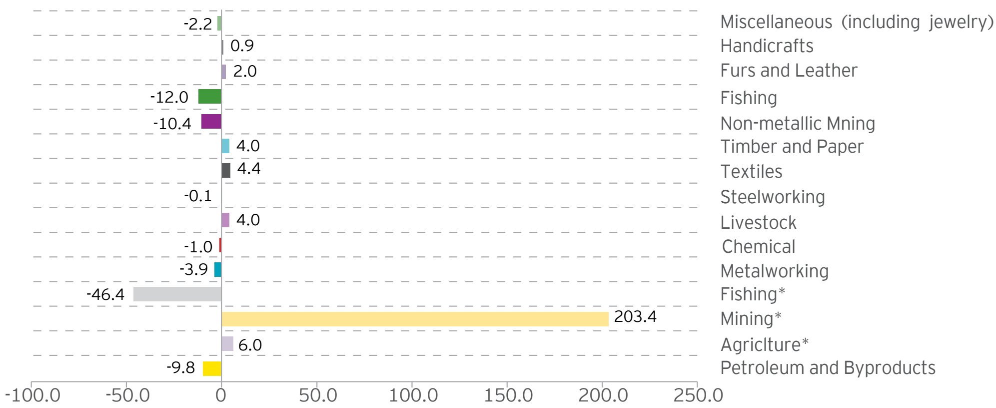
*Estimated
Source: Banco Central de Reserva del Peru (BCRP) / ComexPeru

Annual Variation of Exports by Economic Sector, in Percentage (2014 / 2013)



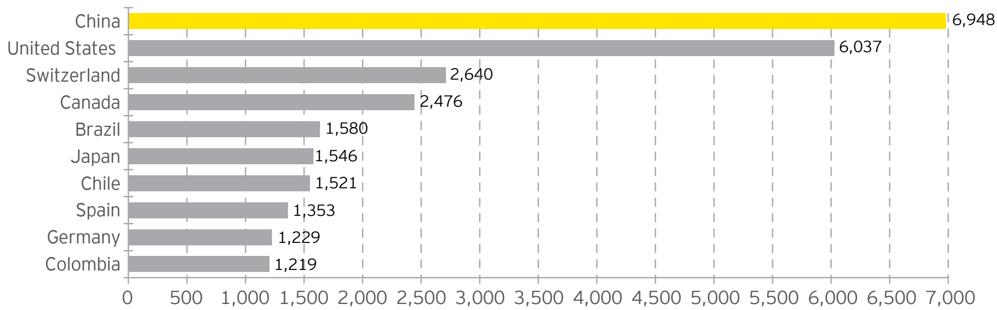
*Non-Traditional
**Traditional
Source: ComexPeru

Annual Variation of Non-Traditional Imports by Economic Sector, in Percentage (2014 / 2013)



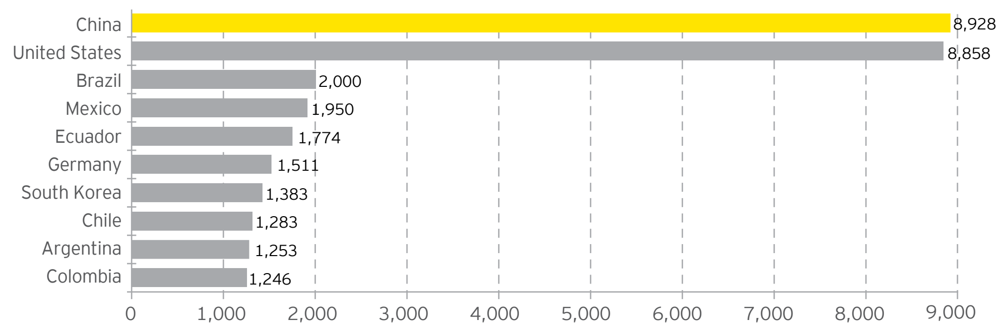
*Traditional
Source: ComexPeru

Exports by Trading Partner in US$ Million, Top Ten Partners (2014)



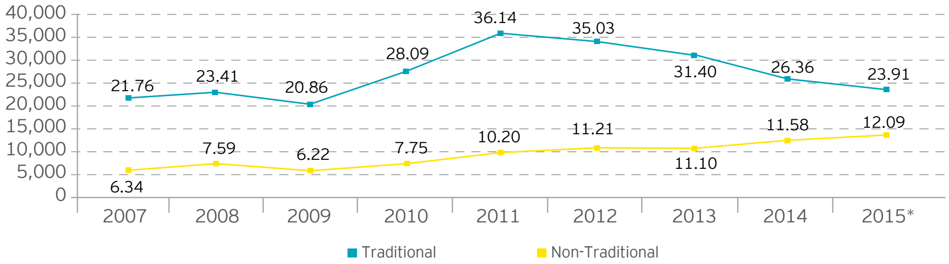
Source: ComexPeru

Imports by Trading Partner in US$ Million, Top Ten Partners (2014)



Source: ComexPeru

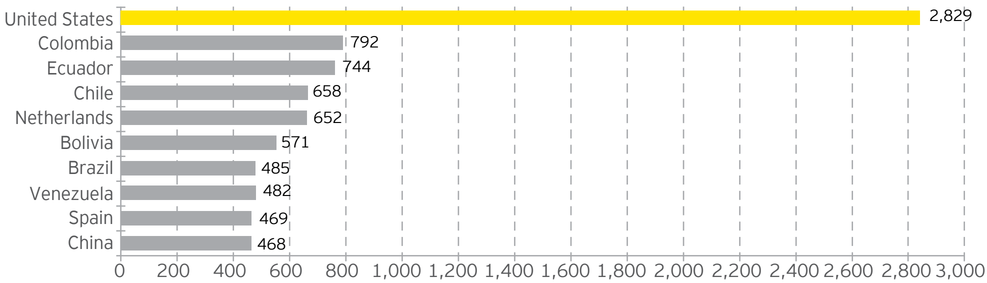
Traditional and Non-Traditional Exports in US$ Billion



*Estimated
Source: ComexPeru / Banco Central de Reserva del Peru (BCRP)

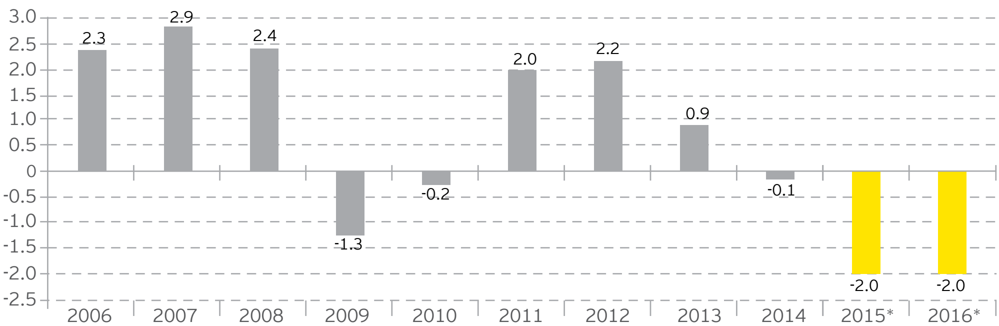
In 2014, the non-traditional products markets with the highest exports were handicrafts (61.9%) and agriculture and livestock (21.2%). The primary non-traditional products exported during 2014 were fresh or refrigerated asparagus; fresh avocados; quinoa; cocoa; mandarins; olives; mollusks, such as cuttlefish and squid; mangos; organic bananas; artichokes; paprika; and blueberries. The most important traditional products, on the other hand, were gold, copper, lead, zinc, natural gas, petroleum oil, coffee, and fishmeal.

Non-Traditional Exports by Trading Partner in US$ Million (2013)



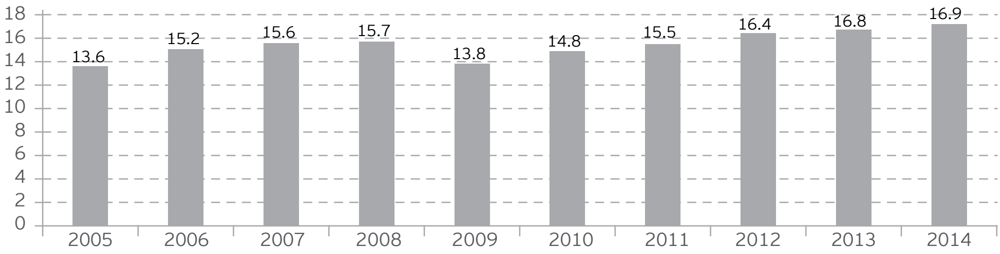
Preliminary
Source: ComexPeru

Economic Results (Fiscal Surplus/Deficit) of the Non-Financial Public Sector (in % of GDP)



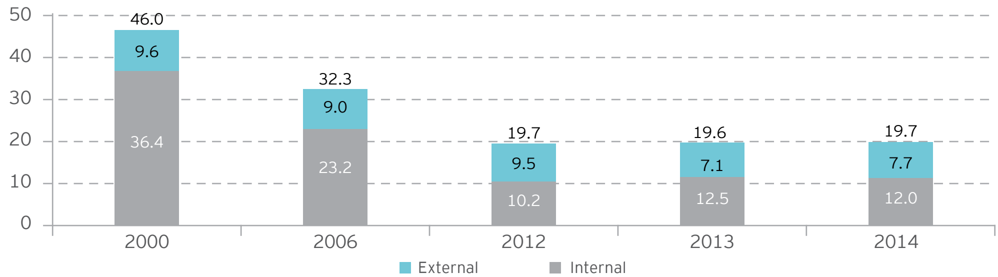
*Estimated
Source: Banco Central de Reserva del Peru

Tax Pressure (in % of Gross Domestic Product - GDP)



Source: Banco Central de Reserva del Peru (BCRP)

Public Debt (% of Gross Domestic Product - GDP)



Source: Banco Central de Reserva del Peru (BCRP)

Rate of Change of the Long-Term Foreign Currency Debt Rating

Agency	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Fitch	BB-	BB-	BB	BB	BB+	BB+	BBB-	BBB-	BBB-	BBB	BBB	BBB+	BBB+
S&P	BB-	BB-	BB	BB	BB+	BB+	BBB-	BBB-	BBB-	BBB	BBB	BBB+	BBB+
Moody´s	Ba3	Ba3	Ba3	Ba3	Ba3	Ba2	Ba1	Baa3	Baa3	Baa3	Baa2	Baa2	A3

Source: EY

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. It addition, the laws necessary to protect the economic stability of investors with regard to arbitrary changes in the legal terms and conditions applicable to their projects, and reduce government interference in economic activities were established.

The Peruvian government may grant legal stability to foreign investors with regard to the statutes in place on income tax and distribution of dividends. 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 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:

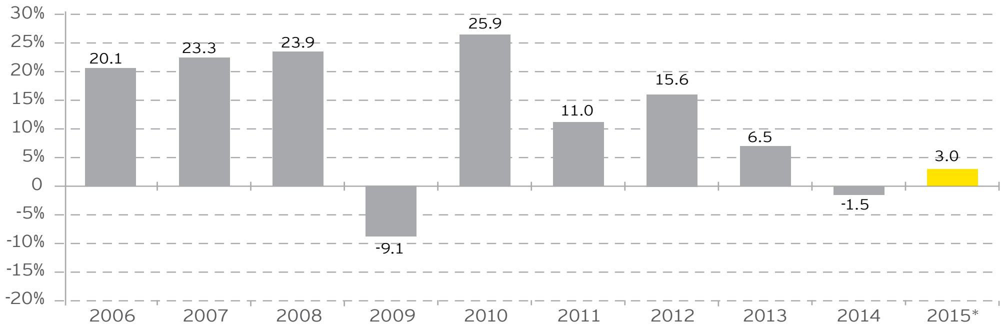
- Right to free competition
- Guarantee of private property (no expropriations, except in cases of national security or public necessity as established by law, in accordance with the constitution, and no state takeovers)
- Freedom to acquire shares in Peruvian companies
- Freedom to gain access to internal and external credit
- Freedom to remit royalties and profits from their investments
- Simplicity of the majority of operations, whether in local currency (Nuevo Sol) or U.S. Dollars, without exchange rate controls
- A broad series of investment agreements, combined with the fact that Peru is a member of the Investment Committee of the Organization for Economic Cooperation and Development (OECD)

[1] Constitutional provisions, the "Foreign Investment Act," Executive Order (Decreto Legislativo) 662, the "Framework Act for the Growth of Private Investment," Executive Order (Decreto Legislativo) 757, the "Act for the Promotion of Private Investment in Public Infrastructure and Public Service Works," Consolidated Text (TUO) approved by Supreme Executive Order (Decreto Supremo) 059-96-PCM. Taken from the Private Investment Promotion Agency (ProInversion).

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

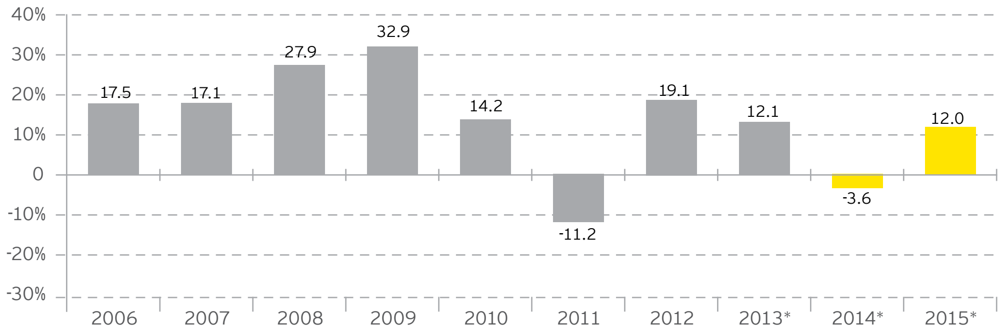
Foreign investors may remit abroad (without any restrictions whatsoever) the net profits originating from their investments, as well as transferring their shares, ownership rights or interests, perform capital stock reductions, and wind up businesses.

Private Investment (Percentage Change)



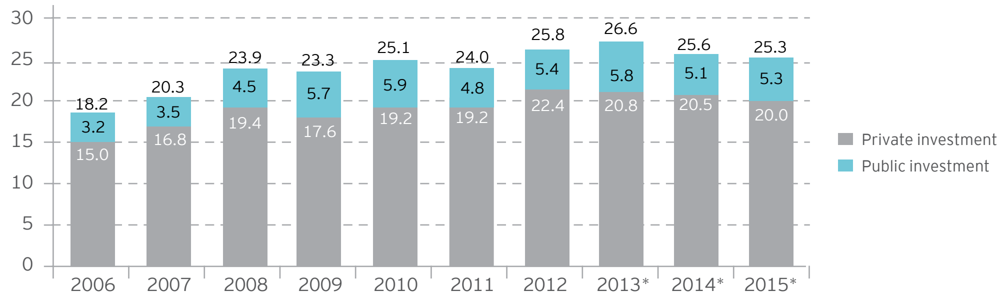
*Estimated
Source: Banco Central de Reserva del Peru (BCRP)

Public Investment (Percentage Change)



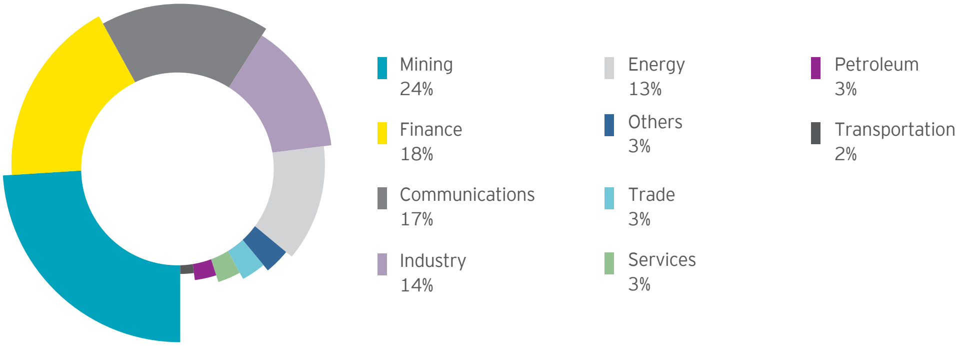
*Estimated
Source: Banco Central de Reserva del Peru (BCRP)

Gross Fixed Investment as % of Gross Domestic Product (GDP)



*Estimated
Source: Banco Central de Reserva del Peru (BCRP)

Direct Foreign Investment by Sector (2014)



Source: Private Investment Promotion Agency (Proinversion)

Direct Foreign Investment by Sector in US$ Million (2014)

Sector	2013
Mining	5,604
Finance	4,298
Communications	3,932
Industry	3,163
Energy	3,074
Trade	798
Petroleum	680
Services	674
Transportation	364
Others	695
Total US$ (in Million)	23,283

Source: Private Investment Promotion Agency (Proinversion)

Global Competitiveness Index

	2013 - 2014			2014- 2015	
	Ranking	Score		Ranking	Score
Total Peru	61/148	4.25		65/148	4.20
SUB-INDEXES					
Basic Requirements	72	4.53		74	4.59
Institutions	109	3.36		118	3.40
Infrastructure	91	3.50		88	4.19
Macroeconomic Framework	20	5.91		21	5.04
Basic Health and Education	95	5.36		94	5.73
Efficiency Drivers	57	4.20		62	4.20
Higher Education	86	4.01		83	3.99
Efficiency in Goods Market	52	4.37		53	4.19
Efficiency in Labor Market	48	4.50		51	3.71
Development in Financial Market	40	4.50		40	4.14
Technological Training	86	3.39		92	3.55
Market Size	43	4.46		43	5.61
Innovation and Sophistication Factors	97	3.35		99	3.73
Sophistication in Business	74	3.95		72	4.14
Innovation	122	2.76		117	3.31

Source: World Economic Forum 2014-2015

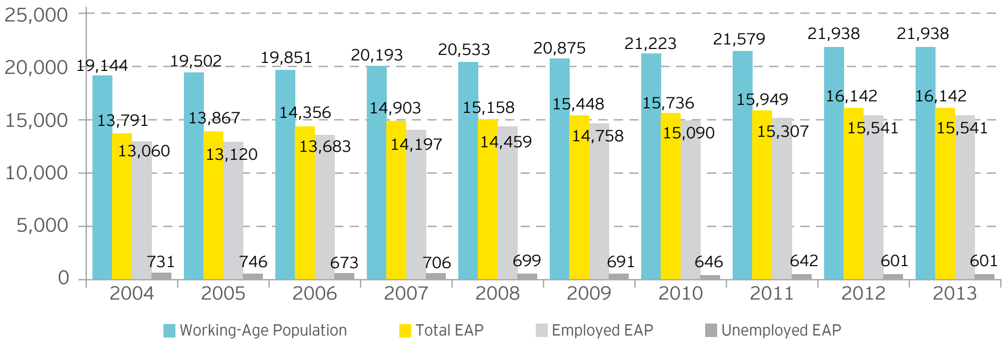
Below are the main business climate indicators:

Indicators	Peru	Latin America and the Caribbean
Starting a Business		
‣ Procedures (Number)	6.0	8.3
‣ Time (Days)	26.0	30.1
‣ Cost (% of Income Per Capita)	9.2	31.1
‣ Registration of Minimum Paid -up Capital (% of Income Per Capita)	0.0	3.2
Dealing with Construction Permits		
‣ Procedures (Number)	14.0	13.3
‣ Time (Days)	174.0	178.3
‣ Cost (% of Income Per Capita)	0.5	2.7
Registration of Property		
‣ Procedures (Number)	4.0	7.0
‣ Time (Days)	6.5	63.3
‣ Cost (% of Property Value)	3.3	6.1
Obtaining Electricity		
‣ Procedures (Number)	5.0	5.5
‣ Time (Days)	100.0	67.4
‣ Cost (% of Income Per Capita)	325.7	444.5
Obtaining Credit		
‣ Strength of Legal Rights Index (0-10)	8.0	5.0
‣ Depth of Credit Information Index (0-6)	8.0	5.0
‣ Credit Registry Coverage (% of Adults)	33.5	12.6
‣ Credit Bureau Coverage (% of Adults)	100.0	39.3
Protecting Investors		
‣ Extent of Disclosure Index (0-10)	9.0	3.9
‣ Extent of Director Liability Index (0-10)	6.0	5.1
‣ Ease of Shareholder Legal Actions Index (0-10)	6.0	6.4
‣ Strength of Investor Protection Index (0-10)	6.2	4.6
Paying Taxes		
‣ Payments (Number per Year)	9.0	29.9
‣ Time (Hours per Year)	293.0	365.8
‣ Profit Tax (%)	22.8	20.7
‣ Labor Tax and Contributions (%)	11.0	14.7
‣ Other Taxes (%)	2.2	12.9
‣ Total Tax Rate (% Profit)	36.0	48.3
Trading Across Borders		
‣ Documents to Export (Number)	5.0	6.0
‣ Time to Export (Days)	12.0	16.8
‣ Cost to Export (US$ per Container)	890.0	1,299.1
‣ Documents to Import (Number)	7.0	7.0
‣ Time to Import (Days)	17.0	18.7
‣ Cost to Import (US$ per Container)	1,010.0	1,691.1
Enforcing Contracts		
‣ Time (Days)	426.0	736.9
‣ Cost (% of Claim)	35.7	30.6
‣ Procedures (Number)	41.0	39.8
Resolving Insolvency		
‣ Time (Years)	3.1	2.9
‣ Cost (% of Assets)	7.0	16.4
‣ Recovery Rate (Cents on the Dollar)	28.5	36.0

Source: World Bank – Doing Business 2015

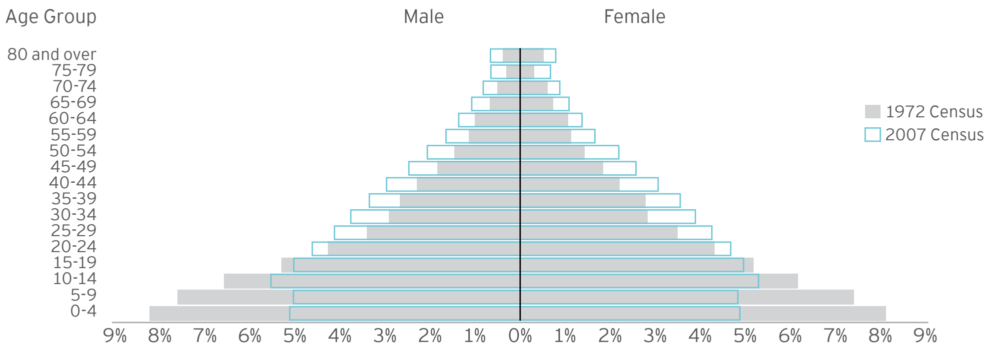
5. Population

Rate of Change of the Economically Active Population (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 (Sociedades Anonimas)

A minimum of two shareholders is required. Non-domiciled shareholders must choose a representative to execute the corporate bylaws. The capital stock for the initial investment, whether in local or foreign currency, 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$330).

Characteristics:

- **Trade Name**: Must include the indication Joint Stock Company (Sociedad Anonima) o the abbreviation "S.A."
- **Limited Liability**: The shareholders' liability is limited to the value of the shares they hold.
- **Centralized 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 Anonimas Cerradas)

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

Characteristics:

- **Trade Name**: Must include the indication Closely Held Corporation (Sociedad Anonima 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 of Directors is optional.
- **Transferring Shares**: The shareholders have the right of first refusal in case of proposals for the transfer of shares to a third party. This right may be deleted in the bylaws.

c. Publicly Held Corporation (Sociedades Anonimas Abiertas)

This type of corporation is basically 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 in shares, or in which more than 35% of the capital stock belongs to 175 or more shareholders. They must be registered in the Registry of Companies that list on the stock exchange.

Characteristics:

- **Trade Name**: Must include the indication Publicly Held Corporation (Sociedad Anonima Abierta) or the abbreviation "S.A.A."
- **Limited Liability**: The shareholders' liability is limited to the value of the shares they hold.
- **Centralized Governance**: Shareholders' Meeting, Board of Directors, and Management.
- **Supervision**: 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.

d. Limited Liability Companies (Sociedades Comerciales de Responsabilidad Limitada

The Limited Liability Company is organized with a minimum of two and a maximum of 20 participating partners. 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.

Characteristics:

- **Limited Liability**: The partners are not personally liable for the corporate obligations.
- **Centralized Governance**: Partners' Meeting and Management.

- **Transferring Shares**: The transfer of ownership interests to third parties is subject to the prior authorization of the existing partners (the right of first refusal is mandatory) and must be registered in the Registry of Companies.
- **Continuity**: The death, illness, bankruptcy, and/or retirement or resignation of the shareholders does not cause the winding-up of the corporation, provided there is a minimum of two partners.

e. Branches

The resolution for the establishment of a branch, as issued by the parent company, 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, prior to being made into a notarially recorded instrument and being registered 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 and to the National Pension System.

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 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[2]. 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.

Determination of the Tax Base

The Income Tax rate applicable to domiciled companies is 30% for the fiscal year 2014, 28% for the fiscal years 2015 and 2016, 27% for the fiscal years 2017 and 2018 and 26% starting from the fiscal year 2019.

This tax is levied on the net income.

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[2]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.

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 higher:

- **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 2015, the coefficient will be multiplied by 0.9333.

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", 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, 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 Havens

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[3]:

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 7 Tax Units (UITs) (S/.26,950 or approximately US$8,900) 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. The deduction of other expense is not permitted.

The income derived by resident individuals from the lease, sublease or 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, 8% for 2017and 2018 and 9.3% starting from 2019. 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 domiciling 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.

[3]The Tax Unit (UIT) is equal in 2015 to S/.3,850, approximately US$1,291 as at December 31,2014).

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	6.80%[4]
Interest, provided that 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, 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%

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$336,000) determined as at 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 IT. 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.

[4] Rate applicable in the fiscal years 2015 and 2016.In the fiscal years 2017and 2018, the rate will be 8% and, starting from 2019, 9.3%. If the dividends correspond to retained earnings as at December 31, 2014, a 4.1% rate is applied.

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 PROINVERSION 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 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 license 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, unless 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.

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 Nuevos 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.

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 10 Tax Units (UITs) (S/.38,500 or approximately US$12,800) are tax-free.

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 years old. The three 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%[5], according 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.

The custom taxes and duties applied are summarized below:

Tax	Rate	Tax Base
Customs Tariffs [a]	0%, 6% and 11%	CIF Value
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

[5] 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.

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. Furthermore, Peru is party to other Andean Community agreements associated with the liberalization of the services, transport, telecommunications and other international trade-related markets.
- **Latin-American Integration Association (ALADI):** Peru maintains certain tariff preferences with countries of the region (Argentina, Brazil, Chile, Cuba, Paraguay and Uruguay) 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.
- **The following Free Trade Agreements are currently in force**: with the United States, Canada, China, EFTA, Mexico, Japan, Singapore, Chile, Panama, European Union, Costa Rica, Venezuela and South Korea. Likewise, Peru has signed the Protocol to accelerate the liberalization of trade with Thailand and a Trade Agreement with Guatemala.
- **The following Trade Agreements are being negotiated:** with Turkey, El Salvador, Honduras, Trans-Pacific Partnership Agreement 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.

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[6].

- **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, registration of the contract with the Ministry of Labor and Employment Promotion –hereinafter "MTPE"-and explanation 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 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 30 days (they only have the right to six business days' vacation per year).

In all of these contracts, it is possible to agree on a trial period, during which 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 months for all employees in general, (ii) six months for qualified employees or those in positions of trust; and (iii) 12 months for management workers. In order to be valid, the extension of the trial period must be made 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 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.

[6] 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.

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; who are foreign investors with a permanent investment in Peru of at least 5 Tax Units (UITs)[7] ;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 documents supporting such fulfillment or exemption (for instance, the professional degree or work certificate certifying the qualification of the foreign employee).

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 citizens[8] may avail themselves of other agreements that grant benefits in this matter.

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 30 calendar days of rest, with one month of paid remuneration
Statutory Bonuses	Two monthly remunerations a year
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 30 calendar days of paid vacation for each complete year of service, provided employees meet the vacation record, which is a minimum of days actually worked as required by law.
- **Statutory Bonuses**: Two bonuses per year are paid, the first one in July and the second one in December.
- **Severance Pay (CTS)**: This is a fringe benefit to cover contingencies arising 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' Profit Sharing**: Companies with more than 20 employees that 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 18, or if the children are older and are pursuing higher education or university studies, are entitled to this benefit until their children reach the age of 24 years.
- **Global Annual Remuneration**: The employer may agree with employees who earn a basic salary of at least S/.7,600 per month (approximately US$2,530) to pay them a Global Annual Remuneration (RIA) in 12 monthly installments that include all the above-detailed benefits, except for profit sharing, which will be paid at the time established by law.

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[7]The value of the UIT for the year 2015 is approximately US$1,291, considering the exchange rate prevailing on December 31, 2014

[8]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.

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 13.22%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. 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.
- **Mandatory Life Insurance**: This is a group insurance provided to employees who have rendered services to the same employer for more than four 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.
- **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 resolutory condition or expiry of the period 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 30 days prior notice
- Due to permanent absolute disability or death 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 the Peruvian legislation
- 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 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 (the three first months of service provision) has been completed and is limited to 12monthly 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 and thirtieths.

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 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 wish to perform in Peru:

Qualification	Type of Visa	Type of Visa
Tourist	Temporary	Limited to tourist visits, recreation or similar activities. Paid or profit-making activities are not permitted.
Business	Temporary	Foreigners may take part in business, legal or similar activities. They may sign contracts or perform transactions. They may not perform paid or profit-making activities or earn Peruvian source income, except in the case of director's fees for companies residing in Peru or international speaker's or consultant's fees by virtue of a services contract that does not exceed 30 calendar days, whether consecutive or cumulative, within any period of 12 months.
Work	Temporary / Resident	This visa allows foreigners to work under a contract previously approved by the Ministry of Labor
Investor	Temporary / Resident	Foreigners must make investments in a company organized or to be organized totaling no less than the equivalent in Nuevos Soles of US$30,000 and submit a feasibility project or business plan, as applicable, that includes the creation of five job positions within a term of no more than one year.
Designated Worker	Temporary	Foreigners may 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-skilled knowledge. They may also sign contracts or perform transactions.
Freelancer	Temporary / Resident	Foreigners may practice their profession independently.
Immigrant		Provided they enter the country in order to develop their activities on a permanent basis. It can be obtained only after no less than two 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 is 183 calendar days.

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 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 citizens9 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.

9. Financial Reporting Procedures

The Business Corporations Act (LGS) establishes that the financial statements of companies established in Peru must follow the Generally Accepted Accounting Principles in Peru, as well as other provisions on the matter.

The Peruvian Accounting Standards Board (CNC) has established that the Generally Accepted Accounting Principles in Peru 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 Generally Accepted Accounting Principles in the United States are applicable on a supplementary basis.

The CNC is responsible for issuing the Chart of Accounts for companies and the methodology applied to private businesses and government entities.

The CNC adheres to the standards approved by the International Accounting Standards Board, which are explicitly approved by the CNC and published in the Official Gazette El Peruano, 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, and in force internationally.

The annual financial information for companies supervised by the SMV must be audited and include the previous year for comparative purposes. 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).The quarterly information does not need to be audited.

In 2011, the Congress of the Republic of Peru approved a law by virtue of which the companies included within the scope of the Business Corporations Act (LGS) with assets or revenues in excess of 3,000 Tax Units (Unidades ImpositivasTributarias–UITs) (approximately US$43.8 million) are required to submit their audited financial statements to the SMV. This entity has published a timeline for the implementation of this law, based on company size.

Currently, those companies with assets or annual revenues in excess of 15,000 UITs (approximately US$19.25 million) must present their audited financial statements for 2014, prepared under the IFRS standards approved by the International Accounting Standards Board (IASB). Companies with assets or annual revenues are greater than 10,000 UITs (approximately US$12.8 million) shall present their audited financial statements starting with those for 2014, under the IFRS approved by the Peruvian Accounting

[9] Colombians and Chileans can obtain the migratory status of "Worker" under the Mercosur Agreement, the benefits of which include: i) that 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 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 years, non-extendable.

Standards Board (CNC)and, starting with the 2015 financial statements, under the IFRS approved by the IASB. Those companies with assets or revenues in excess of 5,000 UITs (approximately US$6 million) shall present their audited financial statements starting with those for 2015, under the IFRS approved by the CNC, and starting with those for 2016 under the IFRS approved by the IASB. Finally, those companies with assets or revenues in excess of 3,000 UITs (approximately US$3.85 million) shall present their audited financial statements for 2016 under the IFRS approved by the CNC, and those corresponding to the following year under the IFRS approved by the IASB. Branches of foreign companies are not included in this law.

Amendments as per the new SMV Resolution. 028-2014-SMV/01

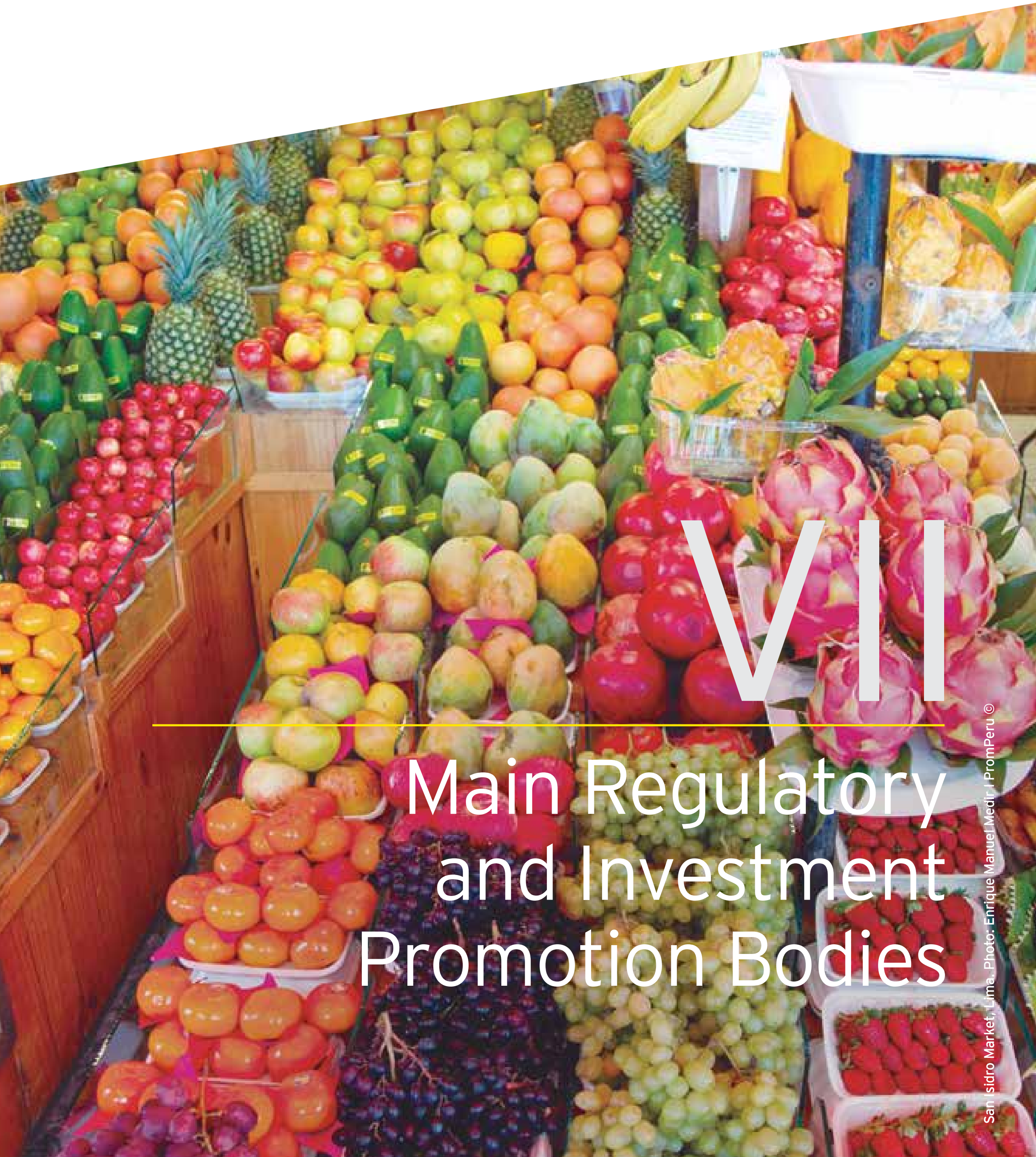
Tax Units (UIT) (*)	Nuevos Soles (**)	Presentation Required	Period
15,000 or more	57,750,000 or more	F.S. audited under IFRS	2014
10,000 - 15,000	38,500,000 - 57,750,000	F.S. audited under GAAS applicable in Peru	2014
		F.S. audited under IFRS	2015
5,000 - 10,000	19,250,000 - 38,500,000 (Referential)	F.S. audited under GAAS applicable in Peru	2015
		F.S. audited under IFRS	2016
3,000 - 5,000	11,550,000 - 19,250,000 (Referential)	F.S. audited under GAAS applicable in Peru	2016
		F.S. audited under IFRS	2017

(*) The applicable UIT shall enter into force as of January 1 of the year following the close of the respective fiscal year. As such, the first bracket (10,000-15,000) is based on a UIT of S/.3,850.The second bracket (5,000-10,000) is based on the UIT that will enter into force on January 1, 2016; while the third bracket (3,000-5,000) is based on the UIT that will enter into force as of January 1, 2017.

(**) The brackets mentioned refer to the total revenues for sales or provision of services, or to the total assets, and give rise to the obligation to present the audited financial information to the Peruvian Securities and Exchange Commission (SMV).

VII

Main Regulatory and Investment Promotion Bodies



San Isidro Market, Lima. Photo: Enrique Manuel Medir / PromPeru ©

Chile

Cordillera del Paine, Chile | EY ©

Main Regulatory and Promotion Agencies	Description
Banco Central de Chile Telephone: +56 2 2670 2000 www.bcentral.cl/index.asp	The Banco Central de 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 Telephone: +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 integration of the economy to achieve a sustainable and equitable growth through the formulation of policies, programs and instruments to facilitate the activity of production units of the country and its corporate organizations and institutions related to the production and technological development of the country, both public and private, domestic and foreign.
Ministry of Labor and Social Security Telephone: +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) Telephone: +56 2 600 594 6000 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.
Superintendency of Electricity and Fuels (SEC) Telephone: +56 2 2365 6800 www.sec.cl	The Superintendency of Electricity and Fuels (SEC) is the body in charge of inspecting and supervising the compliance with the legal and regulatory provisions and technical standards related to the generation, production, storage, transportation and distribution of liquid fuels, gas and electricity in order to ensure that the quality of the services provided to the users is that required by such provisions and technical standards and that the aforementioned operations and the use of energy resources do not endanger people or things.
National Geology and Mining Service (SERNAGEOMIN) Telephone: +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 in connection with the 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 Telephone: +56 2 2421 3500 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.

Main Regulatory and Promotion Agencies	Description
Undersecretariat of Transportation Telephone: +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 contribution, favoring economic development and ensuring high-quality services for users.
Undersecretariat of Labor Telephone: +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 employees.
Superintendency of Banking and Financial Institutions (SBIF) Telephone: +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.
Superintendency of Pensions (SP) Telephone: (+56 2) 2731 8796 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 Telephone: (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 Telephone: (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 Telephone: (+56 2) 2 5740 100 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.

1. 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
- Telephone: +56 2 282 75100
- Web: www.direcon.gob.cl

2. 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 integration of the economy 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 related to the production and technological development of the country, both public and private, domestic and foreign.

Contact Information:

- Address: Av. Libertador Bernardo O'Higgins Nº 1449, Santiago Downtown Torre II, Santiago de Chile
- Telephone: +56 2 473 3400
- Fax: +56 2 473 3401
- Web: www.economia.gob.cl

3. 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:

- Web: www.prochile.gob.cl

4. 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 – 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 – Chile
- Telephone: +56 2 2360 7000
- Web: www.ccs.cl

5. 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: Av. Presidente Bulnes 418, Santiago de Chile
- Telephone: +56 2 2892 4000
- Fax: +56 2 2671 2169
- Web: www.ine.cl

Colombia

Coffee Roaster | EY ©

Main Regulatory and Promotion Agencies	Description
Banco Central de Colombia Telephone: +571 343 1111 www.banrep.gov.co	Banco de la Republica 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 Commerce, Industry and Tourism Telephone: +571 606 7676 www.mincit.gov.co	The Ministry of Commerce, 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 main 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, related to 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 Telephone: +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 Telephone: +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, administrating 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 Telephone: +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.
Colombian Geological Service Telephone: +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 Telephone: +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.

Main Regulatory and Promotion Agencies	Description
Commission for the Regulation of Infrastructure and Transportation Telephone: +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 Telephone: +571 594 02 00 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 Telephone: +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 Telephone: +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.

1. 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 Bogota D.C., Colombia
- Telephone: +571 381 4000
- Web: www.cancilleria.gov.co

2. Ministry of Commerce, Industry and Tourism

The Ministry of Commerce, 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.

Create and take advantage of scenarios for Colombia's positioning in 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:
- Telephone: +571 606 7676
- Web: www.mincit.gov.co

3. PROEXPORT

PROEXPORT 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.proexport.com.co

4. 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.

Among the programs it develops with the District of Bogota are: Bogota Emprende, Acercar Industria, Acercar Transporte, and Concejo Como Vamos.

Contact Information:

- Address: Avenida Eldorado No. 68D-35. Bogota
- Telephone: 561 3830330.
- Web: camara.ccb.org.co

5. 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. Bogota
- Telephone: +571 597 8300
- Web: www.dane.gov.co

Mexico

Street door, San Miguel de Allende, Guanajuato, Mexico | EY ©

Mexico's principal investment regulatory and promotion agencies	Description
Banco Central de Mexico (Mexico's Central Bank) Telephone: +52 55 5652 3857 www.banxico.org.mx	The main functions of Banco de 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 Mexico 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 Telephone: +52 55 5729 9100 www.economia.gob.mx	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 Telephone: +52 55 3000 2100 www.stps.gob.mx	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.
Under-Ministry for Foreign Trade Telephone: +52 55 5729 9100 www.economia.gob.mx	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 Telephone: +52 55 5000 60000 www.sener.gob.mx	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 www.sgm.gob.mx	The Mexican Agency of Geology 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.

Mexico's principal investment regulatory and promotion agencies	Description
Federal Telecommunications Agency Telephone: +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 Communication and Transportation Telephone: +52 55 5723-9300 www.sct.gob.mx	The Ministry of Communication and Transportation 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.
Federal Labor Protection Agency Telephone: 01 800 911 7877 www.profedet.gob.mx	The Federal Labor Protection Agency is a decentralized agency of the Ministry of Labor and Social Welfare, 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) Telephone: 14 54 60 00 www.cnbv.gob.mx	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 Telephone: +52 55 3688 4600 www.shcp.gob.mx	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 Telephone: +52 55 5132 1200 www.salud.gob.mx	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 its 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.

1. Ministry of Foreign Affairs

The Mexican Ministry 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 Ministry issues passports and naturalization certificates and it could be said to operate the country's entire Public Records system. The Ministry promotes trade and tourism through the activities of the Ministry of Economy and the Ministry of Tourism (SECTUR) respectively.

Contact information:

- Address: Plaza Juarez #20, Col. Centro, Del. Cuauhtemoc. Distrito Federal
- Telephone: +52 55 3686 - 5100
- Website: www.sre.gob.mx

2. Ministry of Tourism (SECTUR)

The Mexican Ministry 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. On September 8, 2009, the then President Felipe Calderon Hinojosa proposed the elimination of the Ministry of Tourism (SECTUR) as a spending cut-back measure, but that proposal was rejected by the Mexican Senate.

Contact information:

- Address: Av. Presidente Masaryk 172, Col. Bosques de Chapultepec, Del. Miguel Hidalgo, Distrito Federal CP. 11580
- Telephone: +52 55 3002 6300
- Website: www.sectur.gob.mx

3. PROMEXICO

PROMEXICO promotes international tourism, foreign investment, and non-traditional exports from Mexico.

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:

- Address: Camino a Santa Teresa No. 1679, Col. Jardines del Pedregal, Del. Alvaro Obregon, C.P.01900, Mexico, D.F.
- Website: www.promexico.gob.mx

4. 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, Delegacion Cuauhtemoc, C.P. 06040. Mexico D.F.
- Telephone: 3685 2269
- Website: www.ccmexico.com.mx

5. 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 is an inter-censal estimate 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: Av. Jose Maria Morelos y Pavon Poniente 1005, De La Merced (Alameda), 50080 Toluca de Lerdo, Estado de Mexico, Mexico.
- Website: www.inegi.org.mx

Peru

Costa Verde in the District of Miraflores, Lima. Photo: Paul Vallejos I PromPeru

Main Regulatory and Investment Promotion Bodies	Description
Ministry of Foreign Affairs (Bureau of Economic Promotion) Telephone: +51 1 204 3361 www.rree.gob.pe	The General 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.
Banco Central de Reserva del Peru Telephone: +51 1 6132000 www.bcrp.gob.pe	Banco Central de Reserva del 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 (MINCETUR) Telephone: +51 1 513 6100 www.mincetur.gob.pe	The Ministry of Foreign Trade and Tourism (MINCETUR) 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 Telephone: +51 1 630 6000 www.mintra.gob.pe	The Ministry of Labor 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 (CCL) Telephone: +51 1 463 3434 www.camaralima.org.pe	The main function of the Lima Chamber of Commerce (CCL) 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 competiveness.
Ministry of Energy and Mines (MEM) Telephone: +51 1 411 1100 www.minem.gob.pe	The Ministry of Energy and Mines (MEM) 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) Telephone: +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) Telephone: +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) Telephone: +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 Executive Order (Decreto Legislativo) 702 and started its activities with the installation of its first Board of Directors on January 26, 1994.

Main Regulatory and Investment Promotion Bodies	Description
National Superintendency of Banking and Insurance (SBS) Telephone: +51 1 630 9000 www.sbs.gob.pe	The National Superintendency of Banking and Insurance (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.
National Superintendency of Customs and Tax Administration (SUNAT) Telephone: 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 that, by virtue of Supreme 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 Telephone: +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) Telephone: +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) Telephone: +51 1 717 6079 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) Telephone: +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.

1. Ministry of Foreign Affairs

The General Bureau of Economic Promotion (DPE) is the body of the Ministry of Foreign Affairs in charge of coordinating with missions abroad, the promotion of Peru as a competent country to provide goods and services in international markets, besides positioning it as a recognized tourist destination worldwide, and as a country that offers interesting business and investment opportunities in different economic sectors.

It is worth noting that DPE maintains a Quality Management System certified with International Standard ISO 9001:2008, applying values of equity, social commitment, honesty, transparency and team work, thus ensuring the satisfaction of the users' needs at the national and international levels.

This reasserts the commitment to providing services with high standards of quality, excellence and continuous improvement in the development of certified processes, such as:

- Support to Exporters, Investors and Travel Agents
- Support to Commercial, Investment and Tourism Missions
- Attention to Requests
- Training
- Dissemination of Opportunities
- Organization of Events
- Resolution of Trade Problems and Impasses
- Support to Exporters, Investors and Travel Agents

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 to 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

Contact Information:

- Gonzalo Gutierrez Reinel
  Minister of Foreign Affairs (as of the date of this edition)

- Ana María Sanchez Vargas
  Minister of Foreign Affairs (since April 2th, 2015)

- Juan Carlos Gamarra
  Ambassador
  Genaral Director of Economic Promotion
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  Fax: +51 1 204 3362
  Email: jcgamarra@rree.gob.pe

- Alfredo Chuquihuara Chil
  Ambassador
  Director of Tourism Promotion
  General Director of Economic Promotion
  Telephone: +51 1 204 3391 / +51 1 204 3392
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- Maria Eugenia Chiozza Bruce de de Zela
  Minister
  Director of Investment Promotion
  General Director of Economic Promotion
  Telephone: +51 1 204 3384 / +51 1 204 3385
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  +51 1 204 3369 (PCO) / +51 1 204 3385 (PIN)
  +51 1 204 3392 (PTU)
- Fax: +51 1 204 3362
- Email: dpe@rree.gob.pe
- Web: www.rree.gob.pe
  (This portal also has a list of the Decentralized Offices in Tumbes, Piura, Iquitos, Arequipa, Cusco, Puno and Tacna)

2. Ministry of Foreign Trade and Tourism - MINCETUR

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.

Contact Information:

- Magali Silva
  Minister
  Address: Calle Uno Oeste 050 Urb. Corpac, San Isidro
  Telephone: +51 1 513 6100
  Web: www.mincetur.gob.pe

Commission for the Promotion of Peruvian Exports and Tourism (PromPeru)

PromPeru 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, as well as promoting 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 (Decreto Legislativo) 805

  - 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 and General Secretariat: Av. Republica de Panama 3647, San Isidro - Lima, Peru
    - Sede Turismo: Calle Uno Oeste 50, Edificio Mincetur, Pisos 13 y 14, San Isidro - Lima, Peru
  - Telephone: +51 1 616 7400 (Export Office and General Secretariat)
    +51 1 616 7300 (Tourism Office)
    +51 1 616 7300 / +51 1 616 7400
  - Email: webmaster@promperu.gob.pe
  - Web: www.promperu.gob.pe

3. Private Promotion Investment Agency (ProInversion)

The Private Promotion Investment Agency (ProInversion) 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 PROMPERU Economic Promotion Management.

The mission of ProInversion 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.

ProInversion 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:

- Carlos Herrera Perret
  Executive Director
  Address: Sede Principal (Lima): Av. Enrique Canaval Moreyra Nº 150, piso 9, San Isidro – Lima 27
  Telephone: +51 1 200 1200
  Fax: +51 1 221 2941
  Email: contact@proinversion.gob.pe
  Web: www.proinversion.gob.pe

- Decentralized Offices:
  - Arequipa: Pasaje Belen Nº 113 – Vallecito, Arequipa
    Telephone: +51 54 608 114
    Fax: +51 54 608 115

  - Piura: Los Palmitos Mz. Q - Lote 13, Los Cocos de Chipe, Piura
    Telephone / Fax: +51 73 309 148 / +51 73 310 081

4. 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:

- Hermogenes Alejandro Vilchez de los Rios
  Head of INEI
  Address: Av. Gral. Garzon 654 - 658, Jesus Maria, Lima - Peru
  Telephone: +51 1 652 0000
  0 800 44 070
  Web: www.inei.gob.pe

5. National Confederation of Private Business Institutions (CONFIEP)

The National Confederation of Private Business 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:

▸ Martin Perez Monteverde
President
Address: Av. Victor Andres Belaunde 147, Edificio Real Tres, Of. 401 San Isidro, Lima - Peru
Telephone: +51 1 415 2555
Fax: +51 1 415 2566
Web: www.confiep.org.pe

6. Peruvian Foreign Trade Association (ComexPeru)

ComexPeru 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 Cardenas
General Manager
Address: Calle Bartolome Herrera 254, Miraflores, Lima 18
Telephone: +51 1 625 7700
Fax: +51 1 625 7701
Web: www.comexperu.org.pe

7. 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 Business 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), Banco Central de Reserva (BCRP), the Superintendency of Banking, Insurance and Private Pension Fund Management Companies (SBS), the Securities Market Superintendency (SMV), Private Promotion Investment Agency (ProInversion) and Commission for the Promotion of Peruvian Exports and Tourism (PromPeru).

During the year 2014, inPERU organized roadshows for the promotion of Peru in New York, Tokyo, Seoul, China, Paris, Geneva, London, Santiago, Bogota and Mexico City, and is planning a roadshow that will take place in Sao Paulo in March 2015, in Asia in the months of June/July 2015, and in the United States and the United Kingdom in the months of September/October 2015.

Contact Information:

- Address: Pasaje Acuña 106 - Lima 1
- Telephone: +51 1 619 333 Anx. 2169
- Email: info@inperu.pe
- Web: www.inperu.pe

8. Lima Chamber of Commerce (CCL)

The Lima Chamber of Commerce (CCL) has exercised for 125 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 straight forward competition within a set of values and ethical principles, promoting internal and external trade and good commercial practices.

The Lima Chamber of Commerce (CCL) 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 businessman, achieving rapid and friendly agreements.

The Lima Chamber of Commerce (CCL) 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 13,000 associated businesses among which is the Chamber of Commerce, Production and Services -Perucamaras, which likewise groups the 63 Chambers and Associations.

Contact Information:
- Mr. Jorge von Wedemeyer Knigge
  President

- Ing. Jose Rosas Bernedo
  General Manager

  Address: Av. Giuseppe Garibaldi 396 Jesus Maria, Lima
  Telephone: +51 1 463 3434
  Fax: +51 1 463 3434 Anx. 674
  Web: www.camaralima.org.pe

9. National Society of Industries (SNI)

The National Society of Industries (SNI) is the institution that groups the private industrial companies of Peru. It is a private law legal entity which does not seek commercial purposes.

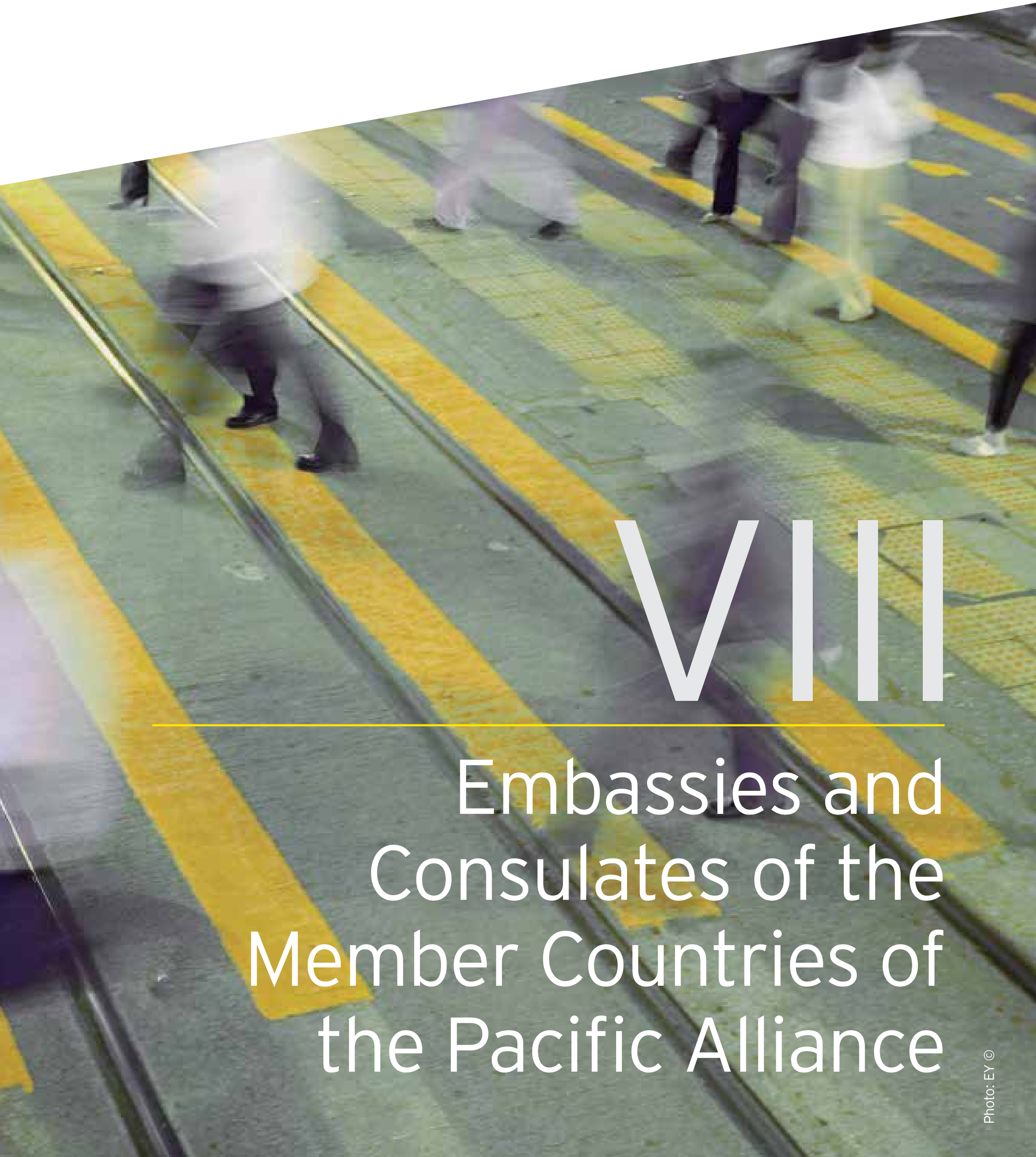
SNI is currently made up of more than 1,000 companies of the country's industrial sector, representing 90% of Gross Value of National Production. It is worth mentioning that 16% of the Gross Domestic Product (GDP) of Peru is composed of the contributions of the industrial sector.

Contact Information:
- Luis Salazar Steiger
  President
  Address: Los Laureles 365 San Isidro, Lima
  Telephone: +51 1 616 4433
  Web: www.sni.org.pe

10. Peruvian Exporters Association (ADEX)

The Peruvian Exporters Association (ADEX) is a business institution founded in 1973 to represent and provide services to its associates: Exporters, Importers and Trade Service Providers. It is a trade association made up by large, medium and small enterprises that have as common denominator the vision of achieving ambitious entrepreneurial objectives.

Contact Information:
- Gaston Pacheco
  President
  Address: Av. Javier Prado Este 2875 San Borja, Lima
  Telephone: +51 1 618 3333
  Web: www.adexperu.org.pe



VIII

Embassies and Consulates of the Member Countries of the Pacific Alliance

Photo: EY ©

1. Chile in

Colombia

Embassy
Calle 80 A, Nº 6-50, Bogota D.C., Colombia.
Telephone: +57 1 746 2360 / +57 1 744 8869
Fax: +57 1 744 8871
Email: embajadaperu@embajadadelperu.org.co
lbogota@cable.net.co
Web: www.embajadadelperu.org.co

Consulate General
Calle 11, Nº 5-32, Barrio San Martin, Leticia, Amazonas, Colombia.
Telephone: +57 8 592 3947 / +57 8 592 7755
Fax: +57 8 592 7755
Email: conperu@telecom.com.co
consulperu-leticia@rree.gob.pe

Mexico

Embassy
Paseo de la Reforma 2601. Colonia Lomas Reforma, Delegacion Miguel Hidalgo, C.P. 11020, Mexico, D.F.
Telephone: +52 55 1105 2270
Fax: +52 55 1105 2279
Email: embaperu@prodigy.net.mex

Consulate General
Paseo de la Reforma 2601. Colonia Lomas Reforma, Delegacion Miguel Hidalgo, C.P. 11020, Mexico, D.F.
Telephone: +52 55 1105 2270
Fax: +52 55 1105 2279
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Peru

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Email: echileperu@minrel.gov.cl

Consulate General
Av. Javier Prado Oeste 790, San Isidro, Lima.
Telephone: +51 1710 2211
Email: congechilelima@minrel.gov.cl

2. Colombia in

Chile

Embassy
Av. Andres Bello 1751, Providencia, Santiago, Casilla Postal: 16277.
Telephone: +56 2 2339 2600 / +56 2 2339 2601
Fax: +56 2 2235 2053 / +56 2 2235 8139
Email: embstgo@entelchile.net

Consulate General
Av. 18 de Setiembre Nº 1554, Arica, Chile.
Telephone: +56 58 223 1020 / +56 58 225 5048
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Email: conperarica@terra.cl

Mexico

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Peru

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Email: elima@cancilleria.gov.co

Consulate General
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Telephone: +51 1 462 0294

3. Mexico in

▸ Chile

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Fax: +56 2 2235 2053 / +56 2 2235 8139
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Email: conperarica@terra.cl

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4. Peru in

Chile

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Email: embstgo@entelchile.net

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Av. 18 de Setiembre Nº 1554, Arica, Chile.
Telephone: +56 58 223 1020 / +56 58 225 5048
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Email: conperarica@terra.cl

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Fax: +57 8 592 7755
Email: conperu@telecom.com.co
consulperu-leticia@rree.gob.pe

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Email: embaperu@prodigy.net.mex

IX

EY Business and Investment Promotion Services

Photo: EY ©

Ernst & Young (EY) is the leading business advisory firm in the member countries of the Pacific Alliance, assisting companies through its Auditing, Consulting, Tax and Transaction Advisory and Corporate Finance 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.

For further information, visit:
- www.ey.com/cl/en/home
- www.ey.com/co/es/home
- www.ey.com/mx/es/home
- www.ey.com/pe/es/home

Main Services

Advisory

Our Advisory services are subdivided into: a) Performance Improvement, and b) Risk Management

a. Performance Improvement

Our Performance Improvement services help companies identify improvement opportunities to increase and ensure their revenues and reduce their costs, design business solutions based on the redesign of processes, and implement technological solutions and improvements in the organizational model. Furthermore, these services assist in implementing the solutions proposed, efficiently achieving the expected benefits, while optimizing the operation and management of improvement projects, and preparing companies for continual improvement processes.

Our consulting services include the rapid evaluation, transformation and improvement in the following areas:

- **Optimization of business transformation strategies:**

  - Process redesign
  - Shared services center
  - Design of customer relationship management (CRM) strategy model
  - Strategic framework for sustainability management
  - Customer experience improvement
  - Supply Chain Management (SCM) improvement
  - Information Technology (IT) optimization
  - Strategic planning
  - Organizational design

- **Financial performance improvement services:**

  We assist companies in improving their financial and operating performance, through the identification, assessment and design of the strategies and support required and applicable to the business. For this purpose, we offer the following services:

  - Revenue assurance
  - Cost reduction
  - Analysis of goods, services and profitability by business unit
  - Balanced Scorecard

- ABC Costing
- Cost model design
- Financial and operating reports
- Call center management review

▸ **Performance improvement services through information:**

Our objective is to build trust in the company's information, the systems containing it, and the organization that manages it, through the following services:

- Data analytics
- Support in the planning and management of applications implementation (ERP, CRM, SCM, BI)
- Segregation of duties (SOD) diagnosis
- ERP Security
- Cloud computing
- System area design
- IT Effectiveness
- IT Cost optimization
- Project portfolio optimization
- Strategic information technology plan
- Data migration quality review
- Selection of outsourcing services

▸ **Project Management Support Services:**

We provide advice on how to improve the results of transformation and integration, technological innovation and strategy deployment projects, through the following services:

- Project risk management
- Project Management Office (PMO)
- Socials investment management advisory
- Definition of the project portfolio
- Project situation diagnosis
- Change management and assistance with merger or integration projects

b. Risk Management

At EY, we help our clients obtain a high return on their investments in risk management improvement. We assist them in designing and implementing effective controls and in applying our highly-specialized knowledge about the universe of risks in the different industries in which our clients operate. Thus, we help companies answer some basic questions such as: What are the key risks in your business and how are you managing them? Does your internal control model have risk management duties that overlap or leave gaps uncovered? Are you taking full advantage of the facilities offered by technology for risk prevention?

An effective risk management not only provides greater protection to your company, but also fosters the sustainable improvement of its performance and enhances the efficacy of decision-making.

▸ **Risk Management Services**

We develop control policies and mechanisms so that the company may protect its assets and preserve its equity, through the following services:

- Internal auditing
- COSO-Based Internal Control
- Advisory on Basel III and Solvency II
- Advisory on compliance with the Asset Laundering Prevention Act
- Advisory on compliance with the Sarbanes – Oxley (SOX) Act
- Advisory on regulatory compliance

- Advisory on adaptation to the FATCA regulations
- Advisory and evaluation of compliance with the anti-corruption practices regulations (FCPA and UK Bribery Act)
- Training and application of IFRS
- Enterprise Risk Management (ERM)
- Forensic information technology – Forensic analysis of electronic data
- Fraud investigation
- Ethics Line (Call Center)
- Corporate governance improvement
- Fraud prevention program
- Corporate social responsibility
- Internal control practices review

▸ Information Security Services for Risk Management

- Systems Auditing (COBIT - ISO 27000 - ITIL) and regulatory compliance with SBS and Sarbanes – Oxley Standards
- Definition of it governance model
- ERP effectiveness evaluation
- Business continuity plan
- Disaster Recovery Plan (DRP)
- Information security plan
- SSAE 16, ISAE 3402 – Report on outsourced services (formerly SAS70)

Assurance

EY auditing services help companies guarantee the quality and sufficiency of their financial and non-financial information so that their shareholders, investors, credit institutions and other stakeholders may make appropriate business decisions, avoiding distortions that affect such decisions and that may eventually affect their business and shareholders. Our Firm has proven experience in the market in terms of the quality of its auditing services, enabling investors, financial entities and regulators to reduce their transaction costs with companies able to provide an auditing report or certification as required.

Below is a summary of the main auditing services we provide through our specialized and internationally-certified professionals:

a. Auditing of Financial Statements and Special Reviews

Our financial statement audits focus on risks, processes and controls to ensure that your financial statements are free of errors or irregularities, and consider aspects of your business and sector that influence the financial information. This focus enables to identify opportunities for improvement of internal controls and risks that are not controlled by companies, while providing recommendations to improve the general processes, controls and quality of the information used by the Management, the Board of Directors and the Shareholders. Furthermore, we perform special reviews when companies need to prepare for their first audit, when they are planning to issue shares or bonds in the market, or when they need to improve their processes and controls, so as to make a diagnosis of the processes and controls to be implemented or improved, as well as the gaps and adjustments to be applied to guarantee the quality of the financial information.

b. Advisory on the International Financial Reporting Standards (IFRS)

The implementation of and conversion to IFRS represents an opportunity to obtain quality financial information in a language that allows companies to have access to both the local and international markets, even if they only seek to obtain credit lines with international banks, due to which this is considered as “the companies’ passport to the financial world”.

The advisory provided for IFRS implementation and application includes several aspects, among them:

- Diagnosis for IFRS implementation, including an analysis of accounting, operating and tax gaps.

- IFRS conversion process, considering the aspects identified in the diagnosis or other aspects determined by the company.

- Review of the criteria and results of IFRS application (including a review of accounting estimates, valuations, application in business combinations, etc.) being used to identify errors, alternatives or improvements in their application, based on international experience.

- Technical documentation of the main criteria adopted under IFRS that affect the accounting positions with tax effects. Provision of advisory to companies on the analysis of their positions in the event of tax audit reviews, when accounting law is the one that prevails.

- Training and refresher courses on IFRS.

c. Financial Due Diligence (Review of Financial Information in Merger and Acquisition Processes)

For companies making a purchase, we assist them in confirming whether or not the assets and liabilities of the company to be acquired truly exist, are properly supported and use acceptable accounting criteria, informing the purchaser on the adjustments that should be made to the accounting balances, as well as providing information on any deficiencies in the processes and controls, and other elements in the company that are subject to review. As part of this process, information is also provided on which results included in the financial statements are not recurrent or should be amended to provide an adequate valuation of the company. This information allows the purchaser to decide on the offer to be made, considering the financial aspects affecting such value, thus avoiding surprises that may end up being costly.

For companies evaluating their sale as a business strategy, we offer a similar service, helping them identify the areas that reduce their value and take the necessary actions to avoid losing value in the sales transaction they plan to carry out.

d. Auditing and Review of Sustainable Reports

Aware of the great interest in companies' sustainability management around the world, as well as the impact on the environment, among other aspects, EY provides auditing and review services for the sustainability reports prepared by companies to guarantee their quality, in accordance with the international standards on such reports. These reviews are made considering the company's specific economic sector and include the related financial and non-financial aspects, providing confidence to those requiring this information concerning the commitment of companies to guarantee the sustainability of their operations.

Additionally, we provide advisory to companies in order to help them implement or optimize the identification of risks, controls and monitoring activities required for the preparation of sustainability reports.

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 process. In this connection, our services assist companies in understanding and planning the tax, customs and labor matters. Moreover, they allow controlling the proper compliance with such obligations by companies, accompanying them during any audit that may be conducted by the appropriate Administrative Authority and finally providing support in any administrative or judicial proceeding that may arise.

a. Tax Advisory

We help companies properly implement the tax regulations applicable to their business activities, through the following services:

- Tax consultancy
- Tax planning

b. Tax Compliance

We advise companies on the due compliance with their tax obligations and on the auditing processes conducted by the Tax Authority, identifying areas for risk reduction and improved control. We provide support to companies in the following aspects:

- Review of tax returns regarding income tax, Value Added Tax (VAT) and other applicable taxes
- Advisory on the evaluation, improvement and monitoring of tax-related processes.
- Tax information report.
- Analysis of tax implications related to IFRS implementation.
- Support in the auditing processes started by the Tax Administration.

c. Transfer Pricing

Our professionals assist companies in reviewing, documenting, managing and defending their transfer pricing processes and policies between related entities and aligning them with their business strategy. Our approach comprises three areas:

- Consulting and strategic planning
- Compliance
- Disputes

d. Customs, Foreign Trade and Special Procedures

We assist companies in the development and implementation of effective procedures related to operations with foreign countries. Our main services include:

- Customs advisory
- Compliance in customs matters, including support in audits started by the Administrative Authority
- Advisory on foreign trade matters, such as frequent importer, etc.
- Procedures related to indirect taxes (VAT) such as balances in favor of the exporter, early VAT recovery and final VAT recovery.

e. Individual Labor and Tax Advisory

We assist companies in the compliance with their labor and tax obligations, and in their alignment with regulatory changes, in order to effectively manage their human resources. Our services focus on four major areas of development:

- Labor, tax-labor and social security law. This includes matters such as hiring, occupational safety and health, relationships with labor unions, design of special compensation systems, etc.
- Compliance in individual labor and taxation matters, including support during the audits conducted by the relevant authority.
- Immigration procedures to and from foreign countries
- Taxation of individuals

f. Litigation

We have extensive experience in advising companies during the following procedures:

- Advisory on audits started by the Tax Administration
- Administrative claims and appeals proceedings
- Legal proceedings before the public powers
- Non-contentious proceedings

g. Taxes on Transactions

Our integrated approach helps companies mitigate the risks associated with the transactions they carry out, understanding and planning the tax implications. We offer the following services:

- Tax structuring in company acquisition, sale and/or reorganization processes
- Tax, customs and labor due diligence processes
- Evaluation of the tax aspects of economic models

h. International Taxes

We provide companies with tax advisory related to foreign investment in each member country of the Pacific Alliance:

- Advisory related to the incorporation of the most efficient legal vehicle, 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 belonging to the same group
- Application of double taxation avoidance agreements

i. Accounting Outsourcing

- Outsourcing of the general and tax accounting
- Outsourcing of payrolls

j. Review of contracts

Transactions Advisory Services (TAS)

We are able to advise you in the search for the proper strategy for your company in merger and acquisition processes, the identification of synergies, financial modeling support, and the estimation of the implications derived from the transactions, so that your business is more competitive, profitable and grows faster.

a. Commercial, Accounting, Tax, Labor and IT Due Diligence

We help our clients accomplish their strategic objectives, in both acquisition and disinvestment processes. The review may also include the assessment of procedures, information systems (Information Technologies or IT) and organization involved in the preparation of the financial information, in order to gain a better understanding, including any potential impact on the integration of the operations with the company participating in the transaction.

Our services include:

- Service for purchasers:
  - Buy-side accounting due diligence
  - Advisory on price adjustment mechanisms, SPA financial clauses (purchase-sales agreement) etc.
  - Commercial due diligence
  - Analysis of price adjustment calculations

- Services for sellers:
  - Sell-side accounting due diligence
  - Pre-sale diagnosis
  - Assistance during the sale process

- Other services:
  - Analysis of key suppliers/distributors
  - Assistance during transfer of ownership

b. Business Valuation and Modeling

We have the most-experienced valuation team in the market, helping our clients estimate the market value of companies, businesses and assets for transaction, management, accounting and tax purposes.

Our services include:

- Valuation of tangible and intangible assets
- Valuation of derivatives and compound assets
- Fairness opinion: Independent opinion on the fair value of companies and assets, particularly those originating from rules enacted by regulatory bodies within the framework of transactions between related parties and take-over bids.
- Business modeling: Design, structuring and review of valuation models
- Purchase Price Allocation (PPA): Valuation of individual assets and allocation of purchase prices within the framework of business combination transactions pursuant to the GAAP and the IFRS
- Valuation of fixed assets and real property

c. Mergers & Acquisitions

Mergers, acquisitions and/or disinvestments may occur on several occasions during the life of a company. When these transactions occur, there is a significant value at stake. At EY, we advise our clients in merger and acquisition matters upon making both a purchase or a sale. To this end, we offer an in-depth analysis of our clients' needs and assist them with the development of possible strategies and alternatives. Once the right path has been chosen, we use our resources to ensure that a transaction achieves the desired results. Having an independent advisor by your side helps protect your interests and preserve the value of the company and its shareholders. It also allows taking advantage of management time to explore multiple options and alternatives.

Our services include:

- Advisory on purchase and sale processes
- Advisory on the search for strategic partners and/or alliances
- Advisory on MBO (Management Buyout) processes
- Advisory on LBO (Leveraged Buyout) processes

d. Project Finance

Our multidisciplinary team offers professional and independent advisory to clients in both the private and public sectors in infrastructure matters. We assess the feasibility of the projects, analyze the risks, provide advisory on the mitigation alternatives, develop the financing strategy, and collaborate with the client in the search for and negotiation of financing.

Our services include:

- Advisory to sponsors
- Feasibility studies
- Risk analysis
- Definition of risk mitigation strategies
- Advisory on the legal and tax structure
- Search for strategic partners
- Advisory on the definition of the optimal financial structure
- Coordination between different participants
- Negotiation with potential financiers
- Management reports
- Auditing and taxes
- Review of financial covenants

e. Working Capital Advisory Services

We provide advisory solutions in working capital management designed to assist clients in the development of a strategy focused on achieving and maintaining over time efficient levels of the main trade working capital components (accounts payable, inventories and accounts receivable) in order to free up cash and increase the profitability of the business without affecting the business relationships with clients and suppliers. Our solutions are focused on optimizing key processes, policies and procedures, management tools and commercial terms related to the working capital components, aligning them with the best practices in the market.

Our services include:

- Diagnosis and prioritization: through the statistical analysis of transaction data and the review of processes, policies and procedures, we help identify, confirm and prioritize cash release and profitability improvement opportunities derived from the transactions
- Design of the action plan: we provide advice on the design of action plans that enable to materialize opportunities
- Assistance in the implementation: we provide assistance during the implementation of the proposed improvement opportunities, ensuring an adequate and fast execution of the changes and capture of opportunities

Notes

Notes

View of Mount Salkantay from the District of Curahuasi, Apurimac. Photo: Miguel Mejia | PromPeru

Acknowledgments

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Statement

EY | Assurance | Tax | Transactions | Advisory