



Peru – Chile Mining Investment Guide

2023-2024





Peru – Chile Mining Investing Guide is one of the publications prepared by KPMG in Peru and Chile to provide general information to investors who are considering investing or doing business in the Mining industry. However, it should be noted that this publication does not provide the broad and detailed information that would be necessary for business decision-making.

Furthermore, due to the constant changes in regulations in Peru, we recommend obtaining legal, tax, accounting or other professional advice prior to executing the investment in the country.

This document is part of a series of guides that KPMG publishes on topics related to investments in different countries.

This publication includes the most important legal provisions established up to July 2023.

The information contained herein is general in nature and is not intended to address the circumstances of any particular individual or entity. Although we try to provide correct and timely information, there can be no guarantee that such information is correct on the date received or that it will continue to be correct in the future. No one should take action based on such information without due professional advice after a detailed study of the particular situation.

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Peru is well positioned in the mining industry as the second-world producer of copper and other minerals (for example, zinc, lead, tin, gold, silver, molybdenum, etc.). Currently, the portfolio of mining projects is 47 with a total estimated investment of approximately US\$ 53 billion, which includes projects in pre-feasibility, detail engineering, feasibility, construction, etc.).

Energy transition plans of developed countries such United States and the countries of the European Union are passing regulations and carrying out projects that require copper and, also the so-called “critical minerals”. Nowadays, Peru is one of the sources of some of those critical minerals needed for such a transition to reduce global warming.

Like other countries in the region, Peru’s energy and natural resources industries are incorporating sustainable standards. On one side, the Peruvian government working on regulations with social content and new energies to reduce social gaps in connection with the Sustainable Development Goals 2030; and, on the other side, the private sector working on strategies to operate under ESG standards. The mining sector is currently leading ESG initiatives, including, among others, projects to reduce greenhouse emissions, energy efficiency and enhance corporate governance.

Automatization and digitalization of mining operations is another trend toward a sustainable industry. Indeed, the introduction of digital technologies in mining, such as artificial intelligence and automation, allows for greater efficiency and safety in operations. It means that not only the operating entities but also the supply chain is engaged in the sustainable development of the mining sector.

Peru is working on a comprehensive framework to attract investment in the mining sector. Therefore, this document includes a summary of relevant information usually needed by investors interested in the Peruvian market. The document includes general macroeconomic information as well as the legal, regulatory, and fiscal provisions that could impact an investment decision.

KPMG is well-engaged in the effort to create a positive investment environment with new opportunities for sustainable development in Peru.

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Chile continues to be vigorous in this industry, with a historic mining vocation, under a public and private investment and development model that has been well-established for decades. This country is the first copper producer at international level -with more than a quarter of the production, equivalent to 5.7 million tons per year- and the number one in iodine and rhenium, while it stands out year after year in the first or second positions in molybdenum, lithium, boron, and silver, among others.

In Chile, the mining project portfolio for the 2022-2031 period is estimated to reach over US\$73 billion, with the development of more than 50 initiatives, including prospective, greenfield, and expansion projects, focused on the north of the country.

A solid framework of game rules, which provides certainty to foreign and local investment, is part of Chile's mining tradition, which is why the main players in the sector have -for years and decades- a large part of their operations in the country. However, as in the rest of the world, the sector must continue to face major and growing challenges to ensure its sustainability, for instance, by ensuring the implementation of ESG policies and approaches. In environmental fields, the industry has been addressing and mitigating concerns about the impact of its operations, including how to further improve waste management, the proper, rational, and efficient use of water, and the reduction of greenhouse gas emissions.

In addition, large-scale mining often takes place in areas close to local communities, which naturally requires them to accompany its growth in permanent communication with these communities, addressing issues such as land and resource use, and concerns about the rights of indigenous communities.

Meanwhile, the adoption of advanced technologies in mining -where Chile, due to its experience, is also a world leader- is crucial to improve efficiency and productivity in the sector, as in recent years, which also represents a challenge in terms of investment and training of professionals and specialists.

At KPMG in Chile, we are delighted to present -in a joint effort with the KPMG Firm in Peru- this guide, which offers a complete and updated vision of our economies; the regulatory and legal frameworks of each country; their tax regimes, with special emphasis on those that apply to mining, as well as the institutions and decision-makers that are linked to the sector. All of this, to contribute to a better decision-making process for investors in this industry. At KPMG, it is part of our vocation to accompany our clients in the development of their investment projects - in the most varied industries - and this guide points precisely in that direction.

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Peru is a leading country in the global mining industry with great geological potential to be explored and exploited, which represents an opportunity for national and foreign investors. Our outstanding production of base and precious metals positions us as one of the main producers globally, ranking second in copper production and being among the four largest producers of silver, zinc, tin and molybdenum.

The mining sector has established itself as one of the pillars of our country's economic development, presenting the best macroeconomic indicators. Likewise, we find in the current situation the opportunity to approach the key actors in the development of mining projects, expanding strategic communications to achieve greater mining production, which will result in sustainable development under an approach of interrelation between the environment, the society, and the State.

During the last 30 years, we have experienced remarkable growth in the mining industry, attracting significant investments to the country and consolidating ourselves as one of the most attractive destinations for mining investments worldwide. Currently, we offer several opportunities in the sector, with a solid portfolio of mining investment projects that includes 47 projects for a total amount of US\$ 53,715 million, as well as an exploration portfolio that includes 74 projects with an investment of US\$ 596 million.

From the Ministry of Energy and Mines we are clear that the recovery of mining goes hand in hand with the growth of Peru and its return to the path of development traced since the beginning of the new millennium. Therefore, we guarantee the continuity of exploration, exploitation, beneficiation, storage, transportation, and activities of national interest, as well as encourage the continuity of mining investment projects with a schedule scheduled for 2023 and 2026.

We believe in socially and environmentally sustainable mining, so we promote the realization of projects through consensus, articulating efforts between the authorities, the population and the private sector, in order to improve the business climate and maintain great opportunities for investors.

The Peruvian Government will continue working hard to improve its institutions, optimize processes, and revise its regulations to modernize and streamline procedures to attract and encourage more and better investment, which adequately incorporates environmental aspects and works for social peace.

We are convinced that the Peru-Chile Mining Investment Guide will contribute significantly to the Government's objective of making the country an increasingly attractive place for mining investments, which in turn will bring significant benefits to the population.

Jaime Chávez-Riva Gálvez
Vice Minister of Mines
Peru





Mining is the main productive activity in Chile, which, in addition to its contribution to the country's economy, growth and employment, it is strongly committed and concerned on operating through international standards, with a continuous modernization of its practices to be more efficient and responsible with the environment.

In the past few years, the Chilean mining industry has faced a scenario of uncertainty outlined by the discussion of the mining royalty, which, at first, established an excessive tax burden, leaving Chile out of any competitiveness range.

Finally, and after taking into consideration expert opinions and international analysis, a more moderate royalty with a better structure was approved, but still with a high total effective burden. It is worth mentioning that the mining industry was always willing to collaborate with information and background, as well as to increase its tax contribution to the country, as long as the industry's competitiveness would not be seriously sacrificed.

In addition, the country went through a very heated constitutional process, which included deep changes in the mining regulations. Some of them, did not established a regime for private exploitation, and there was no concession regime considered, which left fundamental issues to a law dispute. In the September 4th, 2022, plebiscite, almost 62% of the population voted against the proposal.

Recent reports indicate a drop in the short-term investment, explained mainly by the political and regulatory factors mentioned before, and a greater complexity in the processes of environmental assessment and obtaining permits.

As for copper production, a stagnation trend has set in due to the aging of our deposits, with decreasing ore grades, which have not been replaced by new projects. The portfolio of mining projects in Chile has always been significant. Today it reaches US\$ 74 billion. The setback is that only 4% of the projects under execution are greenfield and the rest are extensions or expansions of existing projects (brownfield). In addition, an important cause influencing this production decline lies on the latest Codelco's performance (Chile's state-owned copper company).

It is expected that now that the mining royalty is solved, and once the new and moderate constitutional process stage is closed, and the Government fulfills its commitment to reduce the delay of mining projects approval, the investment will restart, driving up the production.

Chile has an historic opportunity to strengthen its leadership in the production of key critical minerals necessary to face the climate change crisis. To accomplish this, a new relationship between the State and the mining industry is imperative. It must go beyond tax contribution, and include an strategic perspective to encourage the building of bigger and better mining industry.

Joaquín Villarino
Executive President Mining Council
Chile





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Introduction



Peruvian overview

Over the last few years, the Peruvian economy has been in constant growth, even within the pandemic caused by the outbreak of COVID 19, Peru has maintained its economic stability, thus being an attractive country for investors from various industries.

The GDP in Peru in the last millennium has had an average annual growth of 4.4%, due to the measures adopted by the Government for economic recovery as a result of COVID 19, in addition, said growth is related to the fact that the Peruvian economy is sustained in the high price of raw materials (i.e., gold, copper and oil).

Likewise, in 2022 the process to enter in the OECD has begun.

Foreign investors and the companies in which they participate have the same rights and obligations as national investors; therefore the right to free enterprise is guaranteed.

Government

Politically Peru, as most Latin American countries, has been a succession of periods of democratic government and dictatorship.

Peru has a constitutional government based on the 1993 Constitution. This replaced the Constitution of 1979, under which democracy was restored after more than one decade of military government, characterized in its early years by state socialism, and later by a process of gradual restitution of freedom.

The Administration of Peruvian President, Dina Boluarte, provides with a legal framework in keeping with the demands of international competitiveness, thus resulting in a country with an attractive market for both national and foreign investments.

Political System

In conformity with the provisions of the Constitution of 1993, the Republic of Peru is democratic, social, independent and sovereign. The State is one and indivisible, and its government is unitary, representative, and decentralized.

- The President of Peru is the head of State and represents the nation.
- Congress, consisting of a single chamber with one hundred and thirty Congressmen, wields the Legislative.
- The Supreme Court of Justice governs and administers the Judiciary.

Currency

Peru's official currency is the Sol (S/), which, as of December 30th, 2022, was worth about US\$ 0.26 (US\$ 1 = 3.8127 Soles).

The government has decontrolled the exchange rate system. Debts in foreign currency are permitted under Peruvian law and the U.S. dollar is frequently used for civil and commercial liabilities and is also generally accepted for normal business operations.

Companies receiving foreign investment can request to keep their books in U.S. dollars.

Macroeconomic context

According to the Peruvian Central Bank (BCRP) inflation's report, Peru's economic activity in Q1 of 2023 contracted 0,4% year-over-year, mainly due to the impact of road blockades and paralysis of activities, resulting from social conflicts, and the excess rainfall, including the effect of Cyclone Yaku in March. The most affected activities were those in the non-primary sector, especially in the construction, manufacturing, and services sectors. The contraction in the construction sector was reflected in a drop in private and public investment.

The economy is expected to grow 2,2% in 2023, a slower pace than that observed in the previous year (2,7%). This projection incorporates the deceleration of non-primary activities, derived from the lower dynamism of private consumption and public investment, as well as the contraction of private investment. However, the primary sectors are expected to show an improvement over 2022 due to the entry into operation of Quellaveco and fewer days of mining stoppage. The Gross Domestic Product (GDP) is expected to grow 3,0% percent in 2024, as the increase in domestic demand will allow the non-primary sectors to recover at a rate of 3,1%.

GDP BY ECONOMIC SECTOR

(Real percentual variations)

	2022	2023*			2024*	
		I Trim.	IR Mar 23	IR Jun.23	RI Mar.23	RI Jun.23
Primary GDP	0,8	4,7	5,1	4,0	3,0	2,9
Agricultural	4,4	-0,2	2,2	0,4	2,7	2,7
Fishing	-13,7	22,4	5,0	-15,0	3,5	10,5
Metal mining	-0,1	3,2	7,0	8,3	3,1	2,4
Hydrocarbons	4,0	-1,1	4,7	4,7	4,9	4,9
Manufacture	-2,6	20,8	5,3	0,0	2,0	3,3
Non primary GDP	3,2	-1,7	1,9	1,7	3,1	3,1
Manufacture	2,1	-6,6	1,0	0,0	3,0	3,0
Electricity and water	3,9	4,6	4,6	4,3	3,9	3,9
Construction	3,0	-11,5	1,0	0,0	3,2	3,2
Trade	3,3	2,2	2,2	2,5	3,5	3,5
Services	3,4	-0,7	2,1	1,9	2,9	2,9
Gross domestic product	2,7	-0,4	2,6	2,2	3,0	3,0

IR: Inflation Report – June 2023

* Projection. Source: BCRP.

According to the BCRP perspectives, the metal mining activity projection for the sector in 2023 is revised from 7,0% to 8,3%, due to the earlier than anticipated start of molybdenum production by Quellaveco. In addition, the projection assumes an environment of socio-political stability that does not affect the production plans of the companies. By 2024, the sector is expected to grow 2,4%.

Foreign investment plays an important role in the national economy, designing an integrated system of regulations as a guarantee for foreign investors.

Investments are free to enter Peru in several economic sectors (i.e., telecommunications, electricity, retail, banking, among others).

Foreign Investment Registry

Foreign investments made in the country are automatically authorized, and must be registered with the Private Investment Promotion Agency of Peru (PROINVERSION), including technology license contracts, technical assistance, technical services, basic engineering and in detail.

Under Decision 291 of the Andean Community, all direct investment or investment from subregional investors (Bolivia, Colombia, Ecuador and Peru) must be registered with the competent body (PROINVERSION in Peru) in freely convertible currency.

Rights of Foreign Investors

The State guarantees the right of foreign investors to transfer abroad, in freely convertible currencies, prior payment of legal taxes, the full dividends or proven net profits from their investment; thus, as well as all of their capital invested in Peruvian companies, including the sale of shares, participations or rights, reduction of capital or partial or total liquidation of companies.

Foreign Investment Conditions

Pre-investment approval is not required. Technology transfer contracts, licenses, patents and trademarks are registered with the administrative authorities, without this registration implying a qualification of the content of its stipulations.

Prior Consultation

Under Law 29785, the execution of certain investment projects may be subject to prior consultation with the indigenous or native peoples of the place where said projects are located. The consultation does not imply a veto right over the project.

Property Acquisition

Regarding property rights, foreigners (individuals and companies) are in the same condition as Peruvians; however, 50 kilometers inside the border line, foreigners cannot acquire or possess mines, land, forests, water, fuel or energy sources, and may be exempted from this limitation with an authorization.

The transfer of property ownership occurs with the valid sales contract; and although the registration in the public records is not mandatory, according to the laws, it is always preferred to provide security to the transaction.

Competition Rules

There are regulations that enshrine the free market system in Peru and limit the activity of the State as a regulator of productive activities; they guarantee commercial identification and intellectual property rights, they design a general competition framework that makes Peru a particularly attractive country for private investment.

The Peruvian Competition Authority (INDECOPI) is the State body in charge of ensuring compliance with the legal regulations, in order to ensure the functioning of the free market in Peru. It is in charge of the protection of intellectual property and regulatory aspects of competition in the market, among others.

International Investment Agreements

The International Investment Agreement is an international treaty whose purpose is to establish a legal framework to attract, promote and protect investments through international standards that guarantee a transparent and predictable treatment applicable to investments.

The international investment agreements executed by Peru that are currently in force are with: Germany, Argentina, Australia, Bolivia, Canada, China, Colombia, Cuba, Denmark, Ecuador, El Salvador, Spain, Finlandia France, Italy, Japan, Malaysia, Norway, Netherlands, Paraguay, Portugal, United Kingdom, Czech Republic, Romania, Sweden, Switzerland, Thailand, Belgian – Luxembourg Economic Union, Venezuela.

Also there are some commercial agreements of a larger scale (such as free trade agreements) that include a chapter covering foreign investments

Trade Agreements

Peru participates in the Andean Community Integration Agreement, together with Bolivia, Colombia and Ecuador since 1969. The Andean Community of Nations encourages the progressive economic integration of its members with a view toward establishing a common market.

On January 16, 2009, the free trade agreement with the United States was signed which has been in effect since February 1, 2009.

The main international integration schemes in which Peru participates are:

- ALADI (Latin American Integration Association): Brazil, Argentina, Paraguay, Uruguay and Cuba.
- CAN (Andean Community of Nations): Bolivia, Colombia and Ecuador.
- Pacific Alliance: Mexico, Colombia, and Chile. Free Trade Agreements with: United States, Cuba, China, Chile, Mexico, Singapore, South Korea, Japan, Canada, EFTA, European Union, Thailand, Panama, Costa Rica, Venezuela and Honduras.
- Free Trade Agreements with: USA, Cuba, Chile, Mexico, Canada, Singapore, China, South Korea, Thailand, Japan, Panama, EFTA countries, European Union, Costa Rica, Venezuela, Hondura, United Kingdom, and Australia.

“Works for Taxes” mechanism

The Works for Taxes mechanism allows private sector companies to finance, execute, and propose various public investment projects declared viable and listed in www.invertir.pe system of the Ministry of Economy and Finance. Thus, private companies are allowed to develop projects in health, education, tourism, agriculture and irrigation, culture, environment, urban habilitation, social development, among others, being that in these sectors an efficient and sustainable use of electricity can be given for the benefit of the population. This is achieved through an investment agreement between the private company and the public entity that previously prioritized the project declared viable.

Once the execution or progress of the project is completed, the Public Treasury returns the amount invested to the Private Company by means of Certificates (CIPRL or CIPGN) that may be used for the payment of income tax.

The CIPRL may be used by private companies for their application against payments on account and regularization of the third category income tax payable by them, up to 80%* of such tax corresponding to the previous fiscal year. Likewise, the CIPRL can be used for the payment of any other tax, debt or other tax obligation that is income of the Public Treasury and that is administered by Peruvian Tax Administration (SUNAT).

* Regulatory change introduced by Law 31735. To date, the adaptation of the Regulation of the Works for Taxes Law to the aforementioned regulatory change is pending.

Legal stability agreements

Foreign investors can enter into Legal Stability Agreements with the State through the Private Investment Promotion Agency (PROINVERSION), which will guarantee stability in the tax regime in force at the time of subscription, among other benefits.

Under the stability of Legislative Decree 662, the following stability benefits are established for the investor:

- Fiscal stability for the investor: provided that the investor makes a contribution for an amount of not less than US\$ 10 million for mining sector investments and US\$ 5 million for any other sector, within a maximum period of two (2) years from the signing of the agreement.
- The contribution must enter through the National Financial System and registered before PROINVERSION.
- The regime protects the investor from variations in the taxable base or from the creation of new taxes that affect the taxable base of the company.
- If the profit or dividend for the investor decreases in percentage with respect to what would have been determined according to the stabilized regime, the dividend tax rate will be reduced so that the available profits are not affected.

Likewise, the recipient entity of the investment enjoys the following benefits, under Legislative Decree 757:

- To sign an agreement that grants fiscal stability to the recipient of investment, the investor must have its own stability agreement.
- The total amount of new investments received by the company must be greater than 50% of its capital and reserves and will be used to expand production capacity or technological improvement.
- Fiscal stability includes the Income Tax Regime (additions, deductions, rates) for 10 years and Export Regimes. Stabilized Income Tax rate is subject to a 2% additional premium.



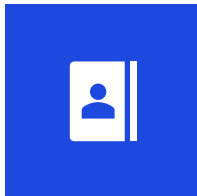
Global mining trends

Mining trends around the world are linked to the use of new technologies, increase of innovation, and improvement of environmental and social standards.



Automation and digitalization of mining operations

The introduction of digital technologies in mining, such as artificial intelligence and automation, allows for greater efficiency and safety in operations.



Responsible and ethical mining

The demand for ethical and responsible minerals, produced without the use of child or forced labor, is increasing and companies are taking steps to meet this demand.



Transition to sustainable mining

The mining industry is looking for ways to minimize its environmental and social impact, using cleaner and more sustainable technologies.



Growing demand for critical raw minerals and earth-rare

Critical minerals, such as lithium and cobalt, are increasingly important for the production of batteries and other electronics. The demand for these minerals is increasing and companies are looking for ways to meet this demand in a sustainable way.

ESG in the mining sector

The energy transition depends on metals and minerals, and faces the following risks

- Increased scrutiny by downstream industries, investors and the public on ESG issues; and
- Politicization of access to "strategic resources" for national security, given their necessity for broader economic development and technological innovation.

Low-carbon technologies, including those enabling renewable power generation networks, require greater mineral supplies compared to traditional fossil-fuel driven systems. There are a number of components to renewable systems that require a range of minerals inputs, including, for example:

- Energy capture: solar panels require indium.
- Energy storage: batteries require graphite, copper and lithium.
- Energy efficiency: various minerals and metals to manufacture electronic equipment (data centers, smart grids, smart buildings).

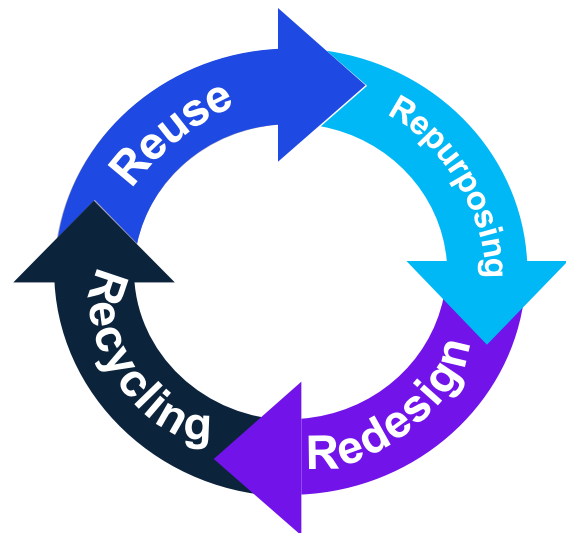
Renewable energy requires "renewable" inputs

Supply chain risks can be managed when geographic diversification of sources is limited and inputs cannot be substituted through the circular economy.

As more clean technologies are required to meet lower temperature targets, greater quantities of these minerals will be needed. Reducing the need to extract from terrestrial and ocean sites, and still grow available materials in the market, will require existing material to be utilized in new, circular ways.

The circular economy is a regenerative model that looks to retain the value of "circulating" resources, products, parts and material.

It seeks to design out waste and pollution, keep products and materials in use, increase production and regenerate natural systems.



A focus on ESG goals – KPMG Global Mining and Metals Outlook 2023

While mining and metals companies invest heavily in reducing their carbon footprint, they are also focusing on ESG goals.

According to the Global Mining and Metals Outlook 2023 report, mining firms are tackling many of the environmental impacts of their operations.

The International Council on Mining & Metals (ICMM) has been working with the UN and the Principles for Responsible Investment, guided by an independent expert panel, to develop a global standard for managing tailings safely.

The CEO of the ICMM stated that ICMM's goal is to engender greater trust in the mining industry in being responsible on sustainability, not just climate. Once the industry has gained the trust stakeholders.

Also said that the ultimate outcome is that the world gets the metals and minerals that it needs, and those materials are supplied in the most responsible way possible.

At the same time, the industry is focusing much attention on the letter "S" in the three-letter acronym.

Executives in the survey consider that the highest priority for tackling the social impact of mining and metals processing is to provide workers with healthcare, paid leave and retirement benefits.

The focus on people extends toward the communities that surround the mines and metals factories.

Water in a changing climate

According to Singapore International Water Week 2022, with scorching heatwaves and flash floods growing in severity and frequency, the runaway to achieving collective decarbonization is shrinking. Mitigation actions must be taken now, and more must be done to help developing countries vulnerable to compound climate change risks.

Decarbonization benefits water security by boosting freshwater resilience and wastewater reclamation for consumption.

Water security is not simply about increasing water supply. It requires a transition to smart and resilient interconnected water systems to safeguard the world's access to this precious resource.

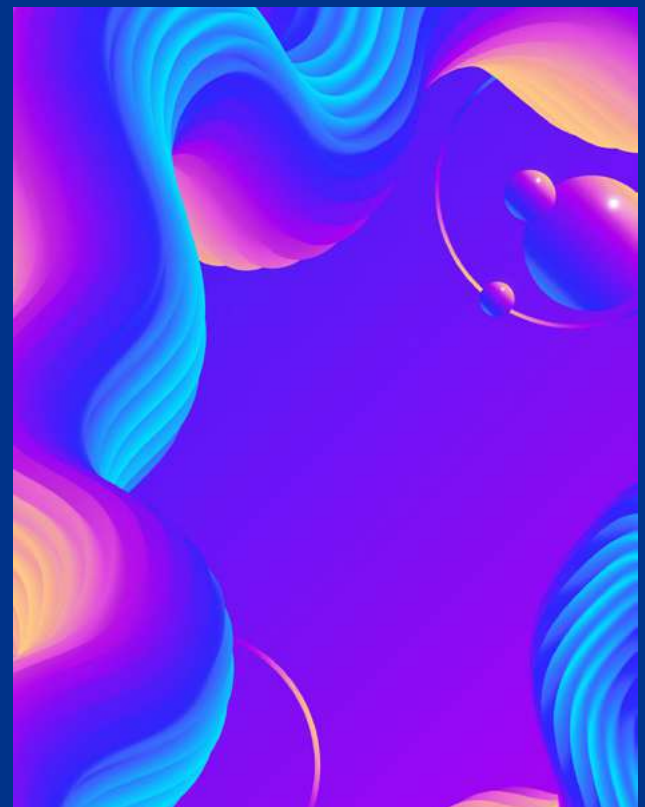
Three key themes are expected to drive this shift:

- Safe and reliable access to water through innovation and significant investments, including in cyber security;
- Scaling of technologies and infrastructure across the water cycle towards cost-efficient innovations; and
- Sustainability of water resources and processes, with particular focus on waste water treatment and private-public control of water systems.

Challenges for LATAM

Challenges in ESG for mining in LATAM:

- Sustainability of mining with environmental and social responsibility.
- High investment capital required.
- Revision of the regulatory framework (environmental and fiscal).
- Lack of infrastructure for mining exploration.



Regulatory changes and trends impacting LATAM

Inflation Reduction Act of 2022 - IRA

In December 2022, U.S. establishes new rules of origin for minerals used in the production of vehicle batteries.

President Biden signed into Law H.R. 5376 ("Inflation Reduction Act of 2022" - IRA) which includes legislative changes related to taxes, climate change, energy and health care.

Among other measures, it is approved that critical minerals needed in a battery must be (1) extracted in the USA or in a country with which it has an FTA, or (2) recycled in the USA.

Applicable percentages of critical minerals:

- 2023: 40%.
- 2024: 50%.
- 2025: 60%.
- 2026: 70%.
- 2027 onwards: 80%.

Action on new climate rule

SEC, the main U.S. stock market regulator, has announced that in April 2023 it will publish rules on disclosure of information related to climate change.

Public companies will be required to disclose their direct and indirect GHG emissions, as well as the emissions of their suppliers and customers.

Carbon Border Adjustment Mechanism - CBAM

CBAM is established to regulate the greenhouse gas emissions embodied in certain goods, upon import into the European Union (EU) customs territory, in order to prevent the risk of carbon leakage.

CBAM applies to goods originating in countries and territories outside the EU customs territory, with the exception of countries such as Iceland, Norway, Liechtenstein, Switzerland and smaller territories such as Büsingen, Heligoland, Livigno, Ceuta and Melilla.

The goods covered by the CBAM include in this first phase are cement, iron and steel, fertilizers, electricity, aluminum and hydrogen.

Intention that all goods covered by Emissions Trading Systems be included in the scope of the CBAM by 2030.

Atlantic Declaration - U.S. and U.K. Minerals Agreement

The Atlantic Declaration, signed the first week of June between the United States and the United Kingdom, establishes an action plan for economic development between the two countries. It includes provisions for negotiating an agreement on critical minerals.

If the declaration is ratified, it could allow British exporters of cobalt, graphite, lithium, manganese and nickel to qualify for IRA funding for electric vehicle components, according to a report by S&P Global Market Intelligence.

Tax credits for the use of critical minerals

Applicable to U.S. producers of clean vehicles, batteries and critical minerals, provided that the latter are extracted, processed or recycled in the U.S. or come from any country with which it has a Free Trade Agreement in force.

Among the main critical minerals are chromium, cobalt, graphite, lithium, magnesium, manganese, nickel, platinum, tin, zinc.

- **Lithium as an opportunity for regional development and growth**

There is currently a growing participation of the countries of the South American region in the production of lithium, which reaches around 36% of a global total that, in 2022, reached 130,000 tons of the mineral.

Chile ranks as the main reference of this industry in the region, followed by Argentina and Brazil, and with great development potential in Bolivia.

As the world produces more batteries and electric vehicles, lithium demand forecasts grow substantially. It is estimated that demand could match supply in 2025 and exceed it by more than 600,000 tons in 2030.

With large deposits of the mineral and a special region where the most important reserves globally would be located, South America has an opportunity that should not be missed.





Chilean overview

Chile has become a leader in the region, thanks to its level of democratic stability and respect for civil liberties and rights - highlighted by organizations such as the Economist Intelligence Unit, Freedom House and IDEA International - which provides a safe environment for doing business.

Political System

Chile is a democratic republic, marked by a classic division of powers.

In addition, the Constitution delegates functions to other entities, such as the Constitutional Court and the Central Bank. These operate independently, which has ensured the stability and safeguarding of democracy.

The Executive Branch is headed by the President of the Republic. The President is elected by popular and direct suffrage by all eligible Chilean citizens. His term of office is 4 years, without the right to immediate reelection.

The Legislative Power is located in the National Congress. Its functions are framed in overseeing and co-legislating. Currently its composition is bicameral with a Senate and a Chamber of Deputies.

The Judicial Power is headed by the Supreme Court. This power is independent and autonomous and its primary function is the administration of justice in Chile.

Chilean Central Bank

The Chilean Central Bank is governed by Law 18,840 of 1989 and its subsequent amendments. Its purpose is to ensure that the Chilean Peso remains stable and that internal and external payments operate normally, and to promote the stability and efficiency of the financial system.

Chilean Central Bank regulation is based on the general principle of freedom of foreign exchange operations, which implies that any person may freely carry out international exchange transactions.

Their features and procedures are described in the Compendium of International Foreign Exchange Regulations (Compendio de Normas de Cambios Internacionales)

Financial Market Commission

The regulations governing the Financial Market Commission (Comisión para el Mercado Financiero or CMF) are established in Law 21,000 of 2017.

This institution is responsible for supervising and monitoring banks, branches of foreign banks, branches of local banks abroad, representatives of foreign banks, Banco Estado de Chile, securities markets entities, insurance entities, financial institutions and other entities established by law.

Currency

Chilean official currency is the Peso (CLP), which, as of June 30, 2023, was worth about 0.0012 US\$ (US\$ 1 = 803.35 CLP).

Companies can request to keep their books in foreign currencies.

Macroeconomic context

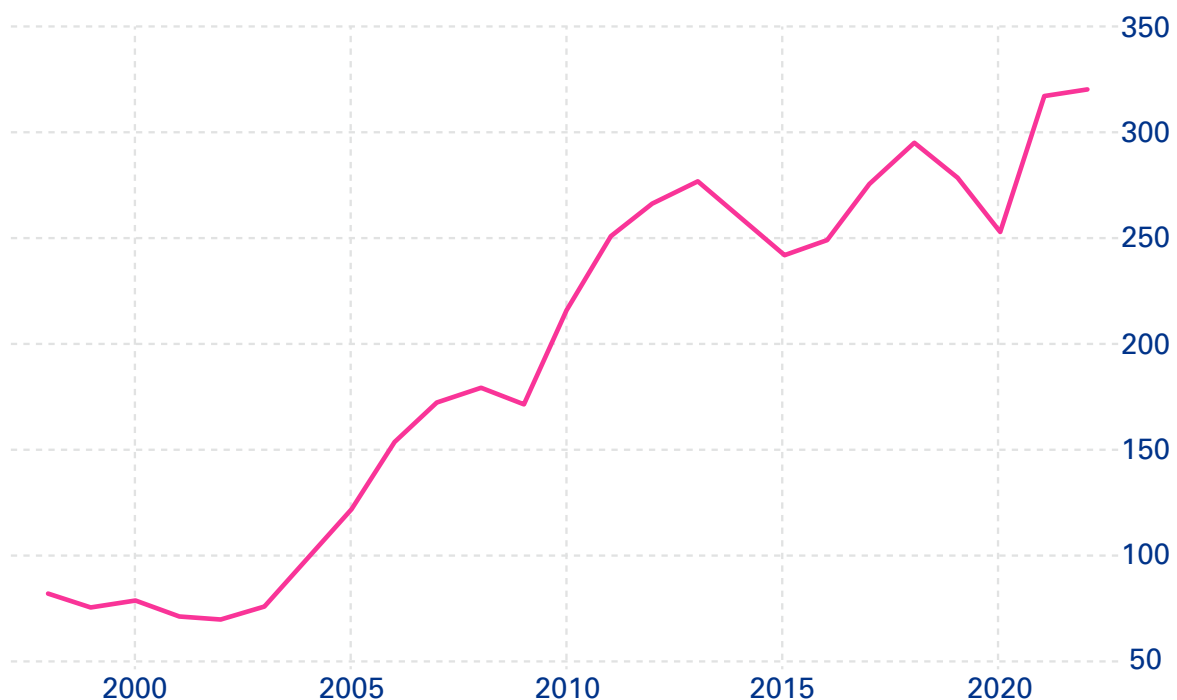
The Chilean economy is no exception to the global economic situation.

According to the Central Bank's March 2023 Monetary Policy Report, GDP growth is expected to be between -0.5% and 0.5% for 2023. The economy is estimated to start recovering gradually in the second half of 2023. For 2024 and 2025, variations between 1.25-2.25% and 2.0-3.0% are expected.

The monetary policy implemented by the Central Bank has produced a decline in inflation rates. In recent months, inflation has been decreasing from

levels above 12% per year to 8.7% last May. It is expected that overall inflation will fall to the 3% target in 2024 and remain at that level thereafter.

The mining industry has been crucial in the development of the Chilean economy throughout its history and its effects directly determine variables such as GDP and employment growth, the exchange rate, investment, tax revenues, exports, among many others. Mining activity is responsible for the direct generation of 14.6% of GDP, although if the multiplier effects it has on other industries are added, its contribution to national GDP would be around 20%.



GDP in US\$ billions, according to de World Bank database.

Chile foreign investment

Foreign investors play a very important role in the national economy, for this reason, the legal system as a whole is oriented to promote and protect them.

International Law

Foreign investors are protected by a network of international, bilateral and multilateral treaties, whose rules are mandatory and protect the rights of those who invest in Chile.

Chile has Free Trade Agreements (FTAs) with the United States, China, Australia, Canada, EFTA, Hong Kong, and many other countries, in addition of being an associated state to Mercosur and the Pacific Alliance trade protocol.

This network of international treaties provides foreign investors with international protection standards, such as:

- The right to fair and equitable treatment;
- The right to receive the same treatment as Chilean investors;
- The right to compensation in the event of expropriation,
- Including measures of indirect expropriation;
- The right to the free transfer of capital and the income it produces;
- The right to recourse to an international tribunal in the
- Case of a dispute with the state (Washington Convention of 1965).

National Law

Law 20,848 of 2015 issued by the Finance Ministry establishes the framework for Foreign Direct Investment. This regime applies to foreign individuals and legal entities who are neither resident nor domiciled in Chile, but who transfer capital to Chile. This law establishes the following founding principles:

- Economic freedom
- Non-discretionary procedures
- No arbitrary discrimination

In general, in Chile, there are no economic activities reserved for the Chilean State or for Chilean individuals or legal entities. As such, private parties can participate in all economic activities and up to 100% of a company's capital can be foreign.

Notwithstanding, there are some exceptional situations: Border zones, aquaculture and fisheries, nuclear energy, maritime cabotage, hydrocarbons, lithium and deposits under Chilean Waters (Liquid or gaseous hydrocarbons, lithium, deposits of any kind under maritime waters subject to Chilean jurisdiction, or any deposits located fully or partially in areas determined as important to national security with mining effects, are not susceptible to a mining concession.)

Rights Granted by Law 20,848

- Right to participate in the formal foreign exchange market to settle the foreign currencies that form its investment and to repatriate capital and profits, in accordance with the regulations issued by the Chilean Central Bank. The exchange rate for the settlement or for obtaining the foreign currency in the formal foreign exchange market will be freely agreed by the parties involved.
- Right to remit the capital it invested and the profits produced by its investments, after its tax obligations have been met, in accordance with Chilean legislation and the regulations issued by the Chilean Central Bank.
- Right to request exemption from value added tax (VAT) when importing capital goods, in accordance with the provisions of number 10, letter B of Article 12 of Decree Law 825 of 1974 issued by the Finance Ministry.
- Right to request a Foreign Investor's Certificate. This is a public instrument granted by the State of Chile through InvestChile, which recognizes the requester as a Foreign Investor and grants them legal benefits. This Certificate is voluntary and may be requested by those who meet specific conditions.



Investment Incentives

1. Remote Areas Act (Law 20,655, amended in 2013).

The purpose of this law is to accelerate the development of certain Chilean regions by establishing special incentives for these areas, extending the term of certain benefits and introducing improvements to existing benefits.

This benefit is a tax credit for a percentage of the amount invested in fixed physical assets in the region, such as buildings, machinery and equipment directly related to producing goods or providing services and other assets. The tax credit is deducted from corporate income tax payable by the company. This percentage is a tax credit that varies between 10% and 40%, depending on the specific location of the investment, its value and the corresponding business.

2. Investment Subsidy (D.F.L. 15 of 1981)

This is a bonus for productive investments by small and medium-size investors whose annual sales do not exceed UF 40,000 (Unidades de Fomento or UF), equivalent to 20% of the investment. The subsidy can be requested at offices of the Chilean Economic Development Agency (Corporación de Fomento de la Producción or CORFO) or at the corresponding provincial governor's office.

3. Free Trade Zones

Free trade zones are defined physical places located in the Arica y Parinacota, Tarapacá and Magallanes regions, where goods are exempt from customs duties and taxes. Accordingly, imports do not pay duties, and sales to other Free Trade Zones and abroad are exempt from Value Added Tax (VAT). Benefits similar to Free Trade Zone benefits also apply to businesses in the Tocopilla, Isla Navarino and Tierra del Fuego provinces.

4. Research and Development (R&D)

Law 20,241 of 2008 establishes a tax benefit for investment in research and development (R&D). Companies that directly invest in R&D, or with the support of third parties, or those contracting the services of a specialized center that is registered with the Chilean Economic Development Agency, will be entitled to a tax credit of 35% of the resources allocated to R&D, which can be deducted from their corporate income tax.



02

Opportunities for Foreign Investors



Timeline of the Mining Sector regulations

- 1981 ○ General Mining Law (Legislative Decree N° 109)
- 1991 ○ Law for the Promotion of Investments in the Mining Sector (Legislative Decree N° 708)
- 1992 ○ Ordered Text (TUO) of the General Mining Law (Supreme Decree N° 014-92)
- 2005 ○ Mine Closure Regulations (Supreme Decree N° 033-2005-EM)
General Environmental Law (Law N° 28611)
- 2006 ○ Law that regulates the Declaration of Environmental Emergency (Law N° 28804)
○ Law that establishes deadlines for the preparation and approval of environmental quality standards and maximum permissible limits of environmental contamination (Law N° 28817)
- 2007 ○ Law that transfers powers of supervision and control of mining activities to Osinerg (Law N° 28964)
- 2010 ○ Occupational Health and Safety Regulation and other complementary measures in mining (Supreme Decree N° 055-2010-EM)
○ Law that creates the National Environmental Assessment System (OEFA) (Supreme Decree N° 001-2010-Minam)
- 2011 ○ Regulation of the Procedure for the Application of the Right of Prior Consultation to indigenous Peoples for mining-energy activities (Supreme Decree N° 023-2011-EM)
○ Law on the Right to Prior Consultation of Indigenous or Native Peoples (Law N° 29785)
○ Law that establishes the legal framework of the Special Tax on Mining (Law N° 29790)
○ Law that creates the Special Tax on Mining (Law N° 29789)
○ Regulation of the law that establishes the Legal Framework of the Special Tax on Mining (Supreme Decree N° 173-2011-EF)
○ Regulation that creates the Special Tax on Mining (Supreme Decree N° 181-2011-EF)
○ Law on Safety and Health at Work that transfers the activities of supervision, control and sanction in matters of health at work in the subsectors of mining, hydrocarbons and electricity to the Ministry of Labor and Employment Promotion (Law N° 29783)
- 2012 ○ Law for the creation of the National Environmental Certification Service for Sustainable Investments (Senace) (Law N° 29968)
○ Law that specifies the powers of the Supervisory Agency for Investment in Energy and Mining (Law N° 29901)
○ Regulation of the Law that establishes the Legal Framework of the Special Tax on Mining (Supreme Decree N° 001-2012-MC)
- 2014 ○ Environmental Protection Regulations for Mining Exploitation, Beneficiation, General Work, Transport and Storage Activities (Supreme Decree N° 040-2014-EM)
○ Law that extends the validity of benefits and tax exemptions (Law N° 30404)
- 2016 ○ Law that formalizes the System of Mining Grids in Coordinates (Law N° 30428)
○ Regulation of Occupational Safety and Health in Mining (Supreme Decree N° 024-2016-EM)
○ Legislative Decree that declares the Formalization of Small-scale Mining and Artisanal Mining Activities to be of National Interest (Legislative Decree N° 293)
- 2017 ○ Legislative Decree that modifies the General Mining Law (Legislative Decree N° 1320)
○ Legislative Decree that establishes provisions for the formalization process of the integral mining company (Legislative Decree N° 1336)
○ Legislative Decree that creates the Social Advancement Fund (Legislative Decree N° 1334)

Source: https://www.osinergmin.gob.pe/seccion/centro_documental/Institucional/Estudios_Economicos/Libros/Osinergmin-Industria-Mineria-Peru-20anios.pdf

Mining Industry in Peru



Types of mining concessions

The right to exploit, extract, process and/or develop minerals in Peru is granted by the Peruvian government in the form of mining and processing concessions. According to the General Mining Law, the types of mining concessions are:

- **Mining Concession:** Grants its holder a real right consisting of the attributes legally granted. As well as a right to the exploration and exploitation of mineral resources granted within a solid of indefinite depth and vertices referred to Universal Transverse Mercator (UTM) coordinates.
- **Benefit Concession:** Grants its holder the right to extract or concentrate the valuable part of an aggregate of uprooted minerals and/or smelt, purify or refine materials, through a set of physical, chemical and/or physical-chemical processes.
- **Mining Transport Concession:** Grants its holder the right to provide auxiliary services, such as ventilation, drainage, lifting or extraction, to two or more mining concessions.
- **General Labor Concessions:** Confers on its holder the right to install and operate a system for the continuous mass transport of mineral products, by non-conventional methods (ex. Pipelines, conveyor belts, cable rails), between one or more mining centers and a port or processing plant, or a refinery or in one or more sections of these projects.
- **Mining assignment contract:** The concessionaire delivers its mining concession, of any kind, to a third person, in exchange for compensation. The assignee is replaced in all rights and obligations that the assignor has.
- **Mortgage contract:** A mortgage may be constituted on concessions registered in the Public Registry of Mining.
- **Risk-sharing contract:** The owner of the mining activity enters into joint venture contracts for the development and execution of any of the mining activities. Unless otherwise agreed, contributions in goods do not involve transfer of ownership but the usufruct thereof.
- **Mining pledge contract:** contract through which the mining concession, the movable property destined to the mining activity, and/or the minerals extracted and/or benefited from property of the liable party is delivered as a guarantee, so that it can be with displacement of the thing or without displacement of the thing.

Types of mining contracts

The General Mining Law also establishes various kinds on mining contracts depends on:

- **Transfer contract:** The holder of a concession transfers in perpetuity the entire right of concession or aliquots of that right, as well as its obligations. The consideration/modality can be of any modality/nature. There is no termination due to injury.
- **Option contract:** The holder of a concession unconditionally and irrevocably undertakes to enter into a definitive contract in the future, provided that the option player exercises his right to demand the conclusion of this contract, within the stipulated period. It must contain all the elements and conditions of the final contract.

Peruvian mining cluster

This initiative is focused on promoting an ecosystem that promotes collaboration and articulation between mining companies and suppliers.

The main benefits that the mining clusters would be the revitalization of the regional local economy and specifically that of the areas of influence of the mines; likewise, the exchange of information between the actors of the cluster in commercial terms and technological innovation, as well as the improvement of community relations mainly due to the increase in the employability of people in the area of influence in the mining industry.

Initiatives such as SAMMI Mining Cluster and Peru Mining Hub launch open innovation challenges to solve problems shared by several mining companies.



Background of the Peruvian Mining Sector

Peru is one of the world's leading mining countries and one of the largest metal producers.

The Mining Sector plays a transcendental role in the dynamism of the national economy due to its direct and indirect contribution to the through the Trade Balance, national and foreign investments.

According to the US Geological Survey, Peru is one of the best producers of gold, silver, zinc, among others, being the second largest copper producer worldwide.

WORLD PRODUCTION RANKING												
Mineral	Peru		Brazil		Chile		Mexico		Argentina		Colombia	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Copper	2	2	--	--	1	1	3	3	--	--	--	--
Silver	3	3	--	--	8	4	1	1	10	10	--	--
Zinc	2	2	--	--	--	--	5	6	--	--	--	--
Lead	5	5	--	--	--	--	4	4	--	--	--	--
Molybdenum	3	3	--	--	4	4	5	5	--	--	--	--
Tin	4	4	7	7	--	--	--	--	--	--	--	--
Gold	9	9	13	13	--	--	8	8	--	--	14	14
Graphite	--	--	2	2	--	--	13	13	--	--	--	--
Lithium	--	--	5	5	3	3	--	--	4	4	--	--

WORLD PRODUCTION RANKING												
Mineral	Peru		Brazil		Chile		Mexico		Argentina		Colombia	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Copper	2	2	--	--	1	1	3	3	--	--	--	--
Silver	2	2	--	--	4	4	1	1	5	5	--	--
Zinc	1	1	--	--	--	--	2	2	--	--	--	--
Lead	2	2	--	--	--	--	1	1	--	--	--	--
Molybdenum	2	2	--	--	1	1	3	3	--	--	--	--
Tin	1	1	2	2	--	--	--	--	--	--	--	--
Gold	2	2	3	3	--	--	1	1	--	--	4	4
Graphite	--	--	1	1	--	--	2	2	--	--	--	--
Lithium	--	--	3	3	1	1	--	--	2	2	--	--

Source: US\$G Mineral Commodity Summaries 2023

Situation of the Mining Sector

Investment in the Mining Sector

Peru has created a legal framework aimed at attracting investment, modernizing its institutions and integrating the local economy with the global economy through free trade agreements.

The Mining sector manifests its importance by influencing the main macroeconomic indicators associated with the growth and development of the country.

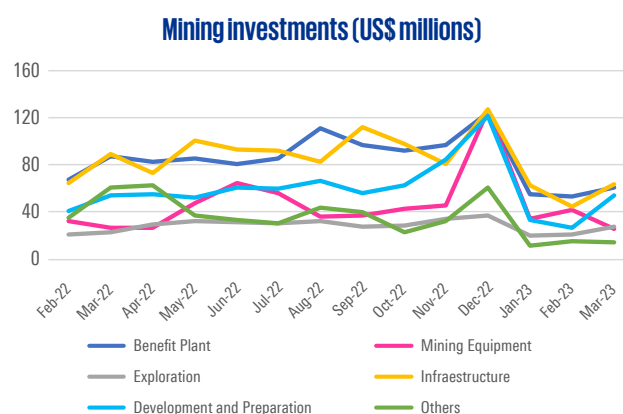
Portfolio of mining investment projects

The mining investment project portfolio comprises 47 projects with a total investment amount of US\$ 53,715 million. This portfolio is made up of projects aimed at the construction and development of new Greenfields, as well as the expansion of existing reserves and resources (brownfield).

By type of ore (updated as of May 2023)						
	Cooper (Au) 71.7%	Gold (Au) 13%	Iron (Fe) 10%	Zinc (Zn) 2.8%	Silver (Ag) 1.6%	Phosphates (P) 0.8%
Investment US\$ millions	38,521	6,993	5,384	1,497	871	460
Nº of projects	27	6	3	7	3	1

Source: Dirección de Promoción Minera - MINEM (May 2023).

According to the Ministry of Energy and Mines (MINEM), mining investments in May 2023 totaled US\$ 345 million, which represents a 3% growth compared to April 2023. This was the highest figure executed so far in 2023. However, the amount of investment does reflect a decrease of 21.7% with respect to the investment obtained in May 2022 (US\$ 440 million).



Portfolio of Mining Investment Projects

START OF CONSTRUCTION	START OF OPERATION	PROJECT	OPERATOR	REGION	MAIN PRODUCT	PROGRESS STAGE	GLOBAL INVESTMENT US\$ MILLION
2018	2024	Toromocho Expansion	Minera Chinalco Peru S.A.	Junin	Copper	CONSTRUCTION	1355
2019	2023	Santa Maria Expansion	Compañía Minera Poderosa S.A.	La Libertad	Gold	CONSTRUCTION	121
2021	2023	Shouxin Expansion	Minera Shouxin Peru S.A.	Ica	Iron	CONSTRUCTION	140
2022	2025	San Gabriel	Compañía de Minas Buenaventura S.A.A.	Moquegua	Gold	CONSTRUCTION	470
2023	2025	Romina	Compañía Minera Chungar S.A.C.	Lima	Zinc	FEASIBILITY	150
2023	2026	Corani	Bear Creek Mining S.A.C.	Puno	Silver	DETAIL ENGINEERING	700
2023	2026	Magistral	Nexa Resources Peru. S.A.A.	Ancash	Copper	FEASIBILITY	493
2023	2029**	Antamina Replenishment	Compañía Minera Antamina S.A.	Ancash	Copper	FEASIBILITY	1604
2024	2027	Yanacocha Sulfides	Minera Yanacocha S.R.L.	Cajamarca	Copper	DETAIL ENGINEERING	2500
2024	2028	Zafranal	Compañía Minera Zafranal S.A.C.	Arequipa	Copper	FEASIBILITY	1473
	2026	Ilo Expansion	Southern Peru Copper Corporation, Peru Branch Office	Moquegua	Copper	CONCEPTUAL	1300
	2027	Los Chancas	Southern Peru Copper Corporation, Peru Branch Office	Apurímac	Copper	PRE-FEASIBILITY	2600
	2028	Trapiche	El Molle Verde S.A.C.	Apurímac	Copper	PRE-FEASIBILITY	973
	2029	Michiquillay	Southern Peru Copper Corporation, Peru Branch Office	Cajamarca	Copper	CONCEPTUAL	2500
	TBD	Bayovar Expansion	Compañía Minera Miski Mayo S.R.L.	Piura	Phosphate	FEASIBILITY	450
	TBD	Cuajone Expansion	Southern Peru Copper Corporation, Peru Branch Office	Moquegua	Copper	CONCEPTUAL	850
	TBD	Pachapaqui Expansion	ICM Pachapaqui S.A.C.	Ancash	Zinc	FEASIBILITY	117
	TBD	Antilla	Panoro Apurímac S.A.	Apurímac	Copper	PRE-FEASIBILITY	250
	TBD	Ariana*	Ariana Operaciones Mineras S.A.C.	Junin	Copper	CONSTRUCTION	140
	TBD	Aywilca	Tinka Resources S.A.C.	Pasco	Zinc	CONCEPTUAL	264
	TBD	Cañariaco	Cañariaco Copper Peru S.A.	Lambayeque	Copper	PRE-FEASIBILITY	1043
	TBD	Cañon Florida	Nexa Resources Peru. S.A.A.	Amazonas	Zinc	CONCEPTUAL	214
	TBD	Chalcobamba Phase I	Minera Las Bambas S.A.	Apurímac	Copper	DETAIL ENGINEERING	130
	TBD	Conga	Minera Yanacocha S.R.L.	Cajamarca	Gold	FEASIBILITY	4800
	TBD	Cotabambas	Panoro Apurímac S.A.	Apurímac	Copper	PRE-FEASIBILITY	1486
	TBD	Don Javier	Junefield Group S.A.	Arequipa	Copper	CONCEPTUAL	600
	TBD	El Galeno	Lumina Copper S.A.C.	Cajamarca	Copper	PRE-FEASIBILITY	3500
	TBD	Haquira	Minera Antares Peru S.A.C.	Apurímac	Copper	PRE-FEASIBILITY	1860
	TBD	Hierro Apurímac	Apurímac Ferrum S.A.C.	Apurímac	Iron	PRE-FEASIBILITY	2900
	TBD	Hilarion	Nexa Resources Peru. S.A.A.	Ancash	Zinc	PRE-FEASIBILITY	585
	TBD	Integración Corocochuayco	Compañía Minera Antapaccay S.A.	Cusco	Copper	PRE-FEASIBILITY	590
	TBD	La Arena II	La Arena S.A.	La Libertad	Copper	CONCEPTUAL	1364
	TBD	La Granja	Rio Tinto Minera Peru Limitada S.A.C.	Cajamarca	Copper	CONCEPTUAL	5000
	TBD	Los Calatos	Minera Hampton Peru S.A.C	Moquegua	Copper	PRE-FEASIBILITY	655
	TBD	Ollachea	Minera Kuri Kullu S.A.	Puno	Gold	PRE-FEASIBILITY	89
	TBD	Pampa de Pongo	Jinzhao Mining Peru S.A.	Arequipa	Iron	PRE-FEASIBILITY	2344
	TBD	Rio Seco Copper Plant	Procesadora Industrial Rio Seco S.A.	Lima	Copper	FEASIBILITY	410
	TBD	Pukaqaqa	Nexa Resources Peru. S.A.A.	Huancavelica	Copper	PRE-FEASIBILITY	655
	TBD	Quechua	Compañía Minera Quechua S.A.	Cusco	Copper	PRE-FEASIBILITY	1290
	TBD	Inmaculada Replenishment	Compañía Minera Ares S.A.C	Ayacucho	Gold	FEASIBILITY	1319
	TBD	Raura Replenishment	Compañía Minera Raura S.A.	Huanuco	Zinc	FEASIBILITY	76
	TBD	Tantahuatay Replenishment	Compañía Minera Coimolache S.A.	Cajamarca	Gold	FEASIBILITY	194
	TBD	Rio Blanco	Rio Blanco Copper S.A.	Piura	Copper	FEASIBILITY	2500
	TBD	San Luis	Reliant Ventures S.A.C.	Ancash	Silver	FEASIBILITY	90
	TBD	Shalipayco	Nexa Resources Peru. S.A.A.	Junin	Zinc	PRE-FEASIBILITY	91
	TBD	Tia Maria	Southern Peru Copper Corporation, Peru Branch Office	Arequipa	Copper	DETAIL ENGINEERING	1400
	TBD	Yumpag	Compañía de Minas Buenaventura S.A.A.	Pasco	Silver	FEASIBILITY	81
TOTAL	47	PROJECTS					53,715

Start date TBD due to factors related to business decisions, social issues, among others.

TBD: To be defined

* The Ariana project owned by Ariana Operaciones Mineras S.A.C. is currently in a paralyzed construction stage [See sheet: Ariana].

** Year in which construction of all project components is completed

Developed by the Mining Promotion Department of the General Directorate of Mining Promotion and Sustainability.

Source: Dirección de Promoción Minera - MINEM (May 2023)

Main mining units in production





Fraser Ranking Index - LATAM Rankings

According to the Survey of mining companies, the surveys were conducted taking into account, in the first place, the Investment Attractiveness Index, which takes into account:

- Mining Potential Index of best practices by which a ranking is made according to geological attractiveness.
- Policy Perception Index, which measures the effects of policy in the country and how this affects mining investments.

City/Country	Investment Attractiveness Index		Policy Perception		Best Practices Mineral Potential	
	Rankings					
	2022	2021	2022	2021	2022	2021
San Juan/Argentina	19	22	23	26	19	20
Brazil	25	51	29	68	21	40
Santa Cruz/Argentina	32	40	40	40	19	41
Peru	34	42	49	69	17	24
Chile	35	31	38	38	26	30
Colombia	36	29	50	51	16	18
Mexico	37	34	44	54	20	28
Jujuy/Argentina	39	44	39	44	27	49
Salta/Argentina	45	27	36	20	33	34
Catamarca/Argentina	49	48	35	42	38	54

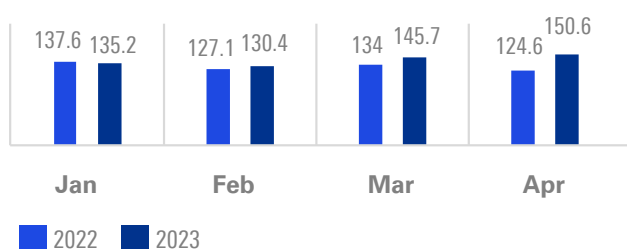
Source: Fraser Institute Annual Survey of Mining Companies 2022

According to the Fraser Institute surveys, Peru moved up in the Investment Attractiveness Index from 42nd place in 2021 to 34th place in 2022. However, respondents expressed concerns about the availability of skilled labor in Peru, the tax regime, uncertainty regarding land claims litigation and political stability.

Metallic mining GDP

In April 2023, the metallic mining GDP index reached 150.6 basis points, registering a significant increase of 26.0 basis points compared to April 2022 (124.6).

Evolution of metal mining GDP



Source: Banco Central de Reserva del Perú (BCRP)

As for the variation of the metallic mining GDP, in May 2023 the price of gold (7.6%) and silver (10.2%) presented positive year-on-year variations. However, there were year-on-year contractions in the prices of copper (-12.1%), zinc (-34.1%), lead (-2.7%) and iron (-21.3%).

Average price of main metals			
Metal	May 2023	Variation % compared to:	
		April 2023	may. 22
Copper (cu\$/lb)	373.50	-6.6 %	-12.1 %
Gold (US\$/ozt)	1,992.79	-0.3 %	7.6 %
Zinc (cUS\$/lb)	112.39	-10.6 %	-34.1 %
Silver (US\$/ozt)	24.15	-3.4 %	10.2 %
Lead (cUS\$/lb)	94.69	-2.9 %	-2.7 %
Iron (US\$/TM)	105.07	-9.5 %	-21.3 %

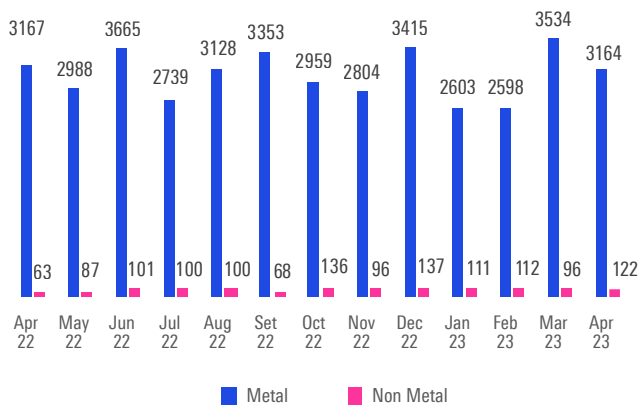
Source: LME, TSL London Fix.

Exports

In April 2023, the value of exports of metallic and non-metallic mining products amounted to USD 3,286 million, reflecting a slight contraction compared to the figures reported in April 2022.

Between January and April 2023, the cumulative amount of mining exports reached USD 12,340 million. This implied a reduction of 5.8% with respect to the same period last year (USD 13,095 million).

Value of metallic and non-metallic mining exports (2022 - 2023)
(FOB value in millions of US\$)



Source: Dirección de Promoción Minera - MINEM (April 2023).

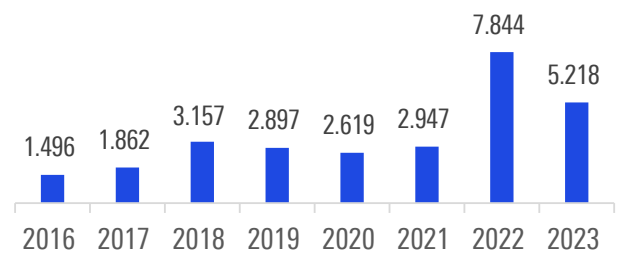
Mining Canon

Canon mining is the participation that Local and Regional Governments enjoy on the income and rents obtained by the State for the exploitation of mineral, metallic and non-metallic resources.

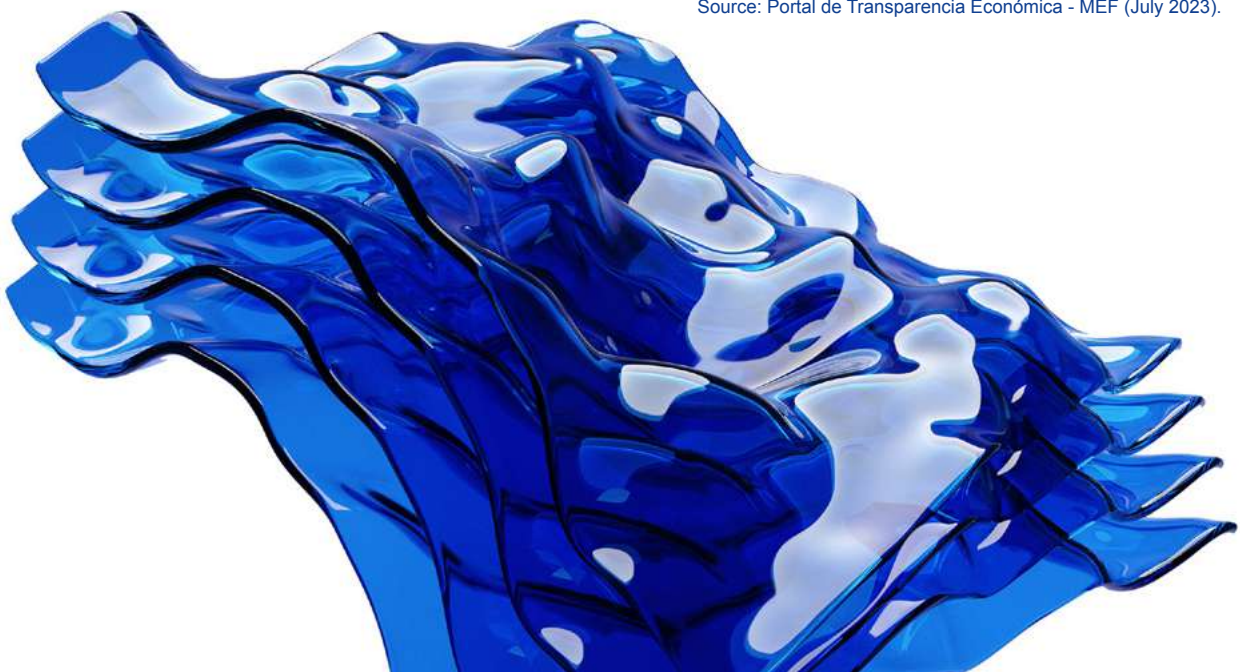
It is made up of 50% of the Income Tax obtained by the State and paid by the holders of the mining activity for the use of mineral, metallic and non-metallic resources.

Local and Regional Governments use the resources from the Mining Canon in the financing or co-financing of public investment projects that include interventions aimed at providing public services of universal access and that generate benefits to the community, which are framed within the competencies of their level of government and are compatible with the guidelines of sectorial policies.

In January 2023, an advance distribution of mining canon more than PES 2,349 million was made in order to be used for the execution of different projects and public works. In fact, so far this year, according to the Economic Transparency Portal of the Ministry of Economy and Finance (MEF), more than PES 5,218 million has been distributed.



Source: Portal de Transparencia Económica - MEF (July 2023).



KPMG LATAM Mining and Metals Outlook 2023

The mining and metals industry will play a crucial role in the global shift towards a carbon free economy.

To better understand how this sector intends to operate and deliver "greener inputs" to the world, KPMG International interviewed more than 400 executives, including 47 executives from South America. Among the Insights obtained, the following:

- **Entering a new phase**

Mining and metals industry appears confident that can meet the tremendous increases in the demand for minerals that will enable clean-energy technologies.

- **In search of green strategies**

Mining and metals executives are confident the industry can increase production without compromising its own objectives for a net-zero future and respond to environmental, social and governance (ESG) concerns. The ratio of optimists to pessimist in nearly 10 to one.

- **A big opportunity**

One reason why executives are confident about the future is that they regard decarbonization plans as growth opportunity and not merely a cost of doing business. The specific opportunity over the next five years is the transform the carbon footprint of their operations through technology investments.

- **Freedom from carbon**

The survey shows that improving energy consumption efficiency is the highest priority for tackling the environmental challenges from mining and metals processing.

- **A focus on ESG goals**

While mining and metals companies invest heavily in reducing their carbon footprint, they are also focusing on ESG goals.

Executives consider that the highest priority for tackling the social impact of mining and metals processing is to provide it's workforce with healthcare, paid leave and retirement benefits.

- **Leaders needed**

Leaders in the industry are aware that they must play a crucial role in this carbon transformation. The survey shows that the most effective measure to help companies meet their ESG objectives is to ensure that the CEO and the Board of Directors are committed to these goals.

- **The importance of technology**

A main driver of the changes that characterize this new phase of the mining and metals industry has been the introduction of new technologies and innovations.

- **Rising the bar**

Tougher government scrutiny of ESG and net-zero performance is regarded by executives as the biggest risk to operations in the next five years – almost 50 percent say so.

- **Geographical jigsaw**

The drive to decarbonize is redrawing the map of the mining and metals industry. Almost a quarter are planning to increase their geographical footprint significantly and a further 41 percent plan to do so by a small amount.

Emerging risks in mining operations

The mining industry faces a number of risks, such as commodity prices, permitting risks and access to reserves, which are key issues. However, it also faces risks arising from externalities, such as environmental regulations and geopolitical factors, which are really taking up executive thinking time.

Rank	2023	
1	Environmental risks, including new regulations	↑
2	Commodity price risk	–
3	Community relations and social license to operate	↑
4	Political instability/ nationalization	↑
5	Global trade conflict	↑
6	Ability to access and replace reserves	↑
7	Permitting risk	–
8	Supply chain risks	new
9	Talent crisis	new
10	Regulatory and compliance changes/ burden	–

↑ = emerging trends compared to 2022

Source: KPMG Global Mining and Metals Outlook 2023



Mining Industry in Chile

Regulatory authorities

- Mining Ministry. Its main function is to lead public policies related to mining, contributing to mining industry development in Chile. The Mining Ministry is represented by local Regional Ministerial Secretariats in every region of the country.
- Geology and Mining National Service (Servicio Nacional de Geología y Minería) (Sernageomin). Sernageomin is a technical authority which monitors mining activities, controls regulation enforcement and participates in the granting process of exploration and mining concession as a technical body.

Ownership

Under Chilean mining law, the State of Chile has exclusive ownership and control of all mineral deposits. However, any individual or legal entity (whether Chilean or foreign) can acquire the rights to explore or to mine these deposits if they comply with the relevant procedures.

- **Rights to explore are granted as exploration concessions** (concesiones de exploración), which have limited duration. Exploration concessions are issued for a limited period of time which consists of two different periods (Article 112, Mining Code). The first period is for two years since the day it was granted, and it can be renewed once for additional two years, which must be requested while abandoning 50% of the initial area.
- **Rights to mine are granted as exploitation concessions** (concesiones de explotación), which have indefinite duration as long the annual property tax payments are made.

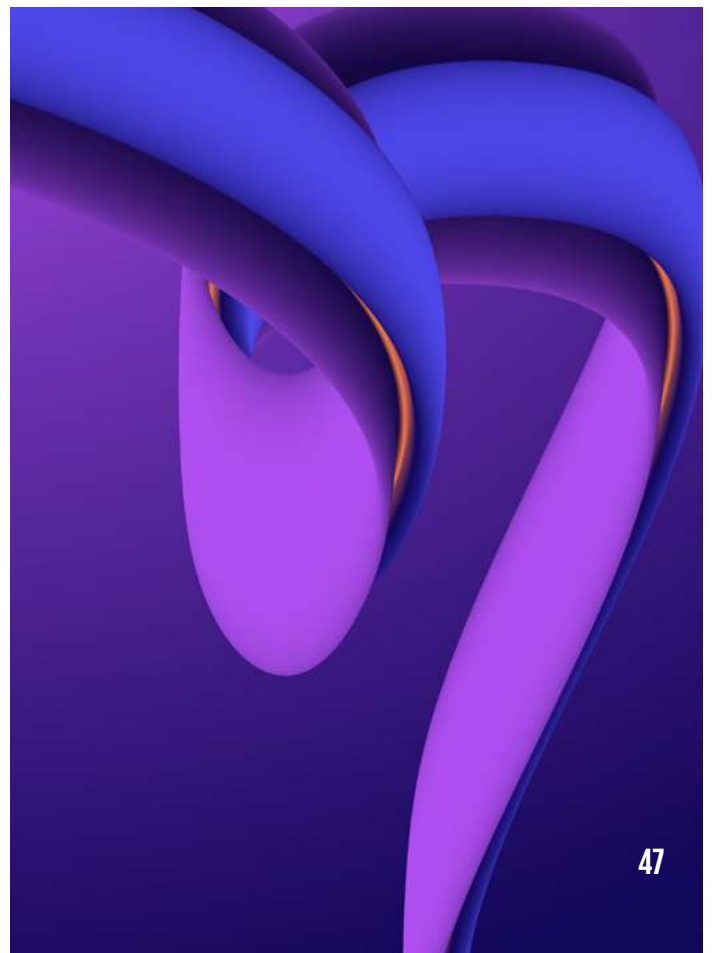
Mining concessions (both exploration and exploitation) are granted by a judicial resolution after meeting the relevant requirements.

Mining concessions extend to all types of minerals in the relevant area (except oil, gas, lithium, uranium and thorium, which are reserved for the State of Chile).

Limitations on the sale of minerals

There are generally no restrictions.

However, under Law No 16,319 (establishing the Chilean Nuclear Energy Commission (CCHEN)), radioactive minerals (such as uranium and thorium) and lithium can only be mined and otherwise dealt with only by the Chilean Nuclear Energy Commission - CCHEN or with prior authorization from CCHEN.



Chile's attributes for mining investment

We are a worldwide leader in mining. By setting up or expanding operations in the country, you will be part of a forward-looking, integrated and sustainable mining sector, operating inside a mature & stable ecosystem that includes all of the sector's global players.

Location

Chile has 22% of the world's copper reserves, 11% of the molybdenum reserves, 5% of the silver reserves, 7% of gold and 48% of the world's lithium reserves.

Experience

Chile has a highly technological mining sector that fosters specialized human capital, facilitating the development of a cluster of suppliers that meets world-class standards.

Chile is exporting technology mining services to 39 markets, estimating US\$ 94 million in 2017. Key Markets: Peru, USA and Mexico.

Chilean copper mines are 72 percent owned and operated by private mining companies. The remaining 28 percent are state-owned and operated by Codelco, Chilean state-owned company.

Mining Exploration

Our competitive edge and solid economic foundations makes us the 4th country globally in terms of company exploration budget (Cochilco/SNL Metals & Mining 2017).

Chile has a mining investment and project pipeline for the 2022-2029 period of US\$ 43 bn in declared projects and US\$31 in evaluation. (Mining Council Report 2022).

Mining companies here spend over US\$15 bn annually, on machinery, auxiliary services and technology to keep their operations running.

Production per year

In 2021, Chile reached a production of 5.62 million tons of fine copper. The 26% market share of global copper production and new greenfield and brownfield projects will allow Chile to maintain this historical position.

Copper	5.62	Million tons
Molybdenum	59.4	Thousand tons
Gold	34.2	Tons
Silver	1,382	Tons
Lithium carbonate	162.4	Thousand tons

Based on data published by Geology and Mining National Service (Servicio Nacional de Geología y Minería) (Sernageomin).



Investment Portfolio 2022 - 2031

The updated mining investment project pipeline for the 2022-2031 period considers 53 initiatives valued at US\$ 73,655 million.

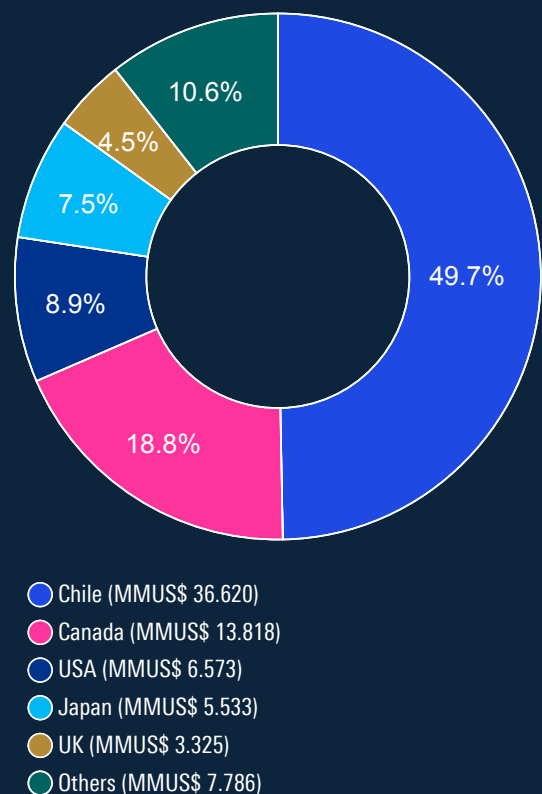
In terms of exploration, in 2022 the exploration budget in Chile reached US\$713.2 million and comprised a 5.48% share of the global budget. This represents an increase of 30% in relation to 2021, and once again positions Chile as the main exploration destination in Latin America, and the fourth country in terms of exploration budget allocation globally.

This increase is mainly due to the end of the sanitary restrictions associated with the pandemic outbreak of COVID 19, and the high prices of certain minerals registered in 2021 and 2022, such as Copper, Gold and Lithium.

There are 88 companies with exploration projects in Chile, of which 76 are juniors, 7 are medium-sized and 5 are state-owned or other. They come mainly from Canada and Australia, and their main source of financing is the issuance of shares in stock exchanges specialized in mining and exploration.

(Based on information from Cochilco, according to data published in the report “Inversión en la minería chilena - Cartera de proyectos 2022 -2031” and “Catastro de empresas exploradoras 2022”.)

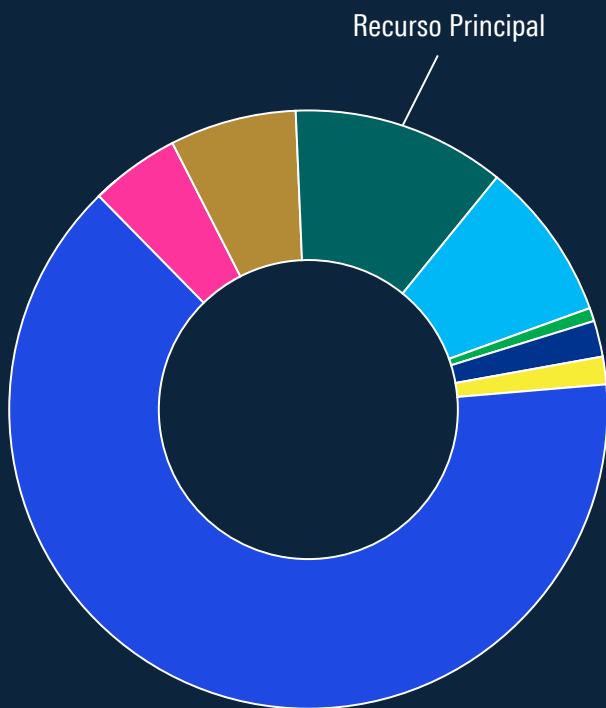
Actual investment portfolio by country of origin



SIGEX

Geological Information System for Exploration (SIGEX) is a web platform designed for the capture and validation of all types of geological background and data of exploration projects developed in Chile.

SIGEX materializes the legal obligation of companies and other participants in activities related to the search for mineral resources within the national territory, to deliver the general information obtained from their basic geological exploration work (Article 21 of the Mining Code), which will help to promote the development of the industry and the recognition of the country's natural resources.



- Cu 63.87 %
- Hidrocarburos 5,02 %
- Au/ Ag 6,76 %
- Recurso principal 8,9 %
- Cu (Au/Ag) 8,9 %
- Co/Li 0,41 %
- Min. Industriales 1,64 %
- Fe/Zn 1,43%



03

Incorporating a legal entity



Legal Vehicles to Invest in Peru

Foreign investors can set up companies or branches without restrictions and engage in all kinds of businesses, except for activities that take place within 50 km. of the international borders of the country, in which case they require authorization from the Government. There are specific limitations to invest in different types of regulated services, such as air transport, broadcasting, banking, among others.

Companies are governed by Peruvian General Companies Act - Law 26887 (hereinafter, "LGS"), which regulates different types of companies:

Corporation or Sociedad Anónima (S.A.)

The corporation (S.A.) is the main form of organization regulated by the LGS, and its capital is represented by shares and made up of contributions from the shareholders, who are not personally responsible for company debts.

A corporation used as a subsidiary of a foreign investor has its own legal status different from its shareholders and/or parent company.

The minimum number of shareholders is two (2) and they can be natural or legal persons, both national and foreign. The incorporation and registration of an S.A. is carried out approximately in two (2) to three (3) months.

There is no minimum capital amount required by the LGS for the establishment of a legal entity in Peru, except for banks, financial entities, pension funds administrators and certain other controlled companies.

Types of corporations

Corporations have three (3) types: (i) Corporation (Sociedad Anónima or S.A.), (ii) Public Corporation (Sociedad Anónima Abierta or S.A.A.); and, (iii) Closed Corporation (Sociedad Anónima Cerrada or S.A.C.)

Public Corporation or Sociedad Anónima Abierta (S.A.A.)

The public corporation (S.A.A.) is a special form of corporation, which meets the general requirements of the S.A., but has some own distinctive features.

For the incorporation of a publicly traded company, you must meet one of the following requirements:

- i. Primary public offering of shares or convertible bonds;
- ii. It has more than 750 shareholders;
- iii. Over 35% of its capital belongs to 175 or more shareholders, regardless within this number those shareholders whose individual equity trend did not reach two per thousand of the capital or exceed 5% of capital;
- iv. It is constituted as such; or,
- v. All shareholders voting unanimously approved the adjustment to the scheme.

The public company must register all its shares in the Public Registry of Securities Market. In addition, companies are under the control of the Peruvian Securities Market Superintendency (hereinafter, "SMV").

Closed Corporation or Sociedad Anónima Cerrada (S.A.C.)

The closed corporation (S.A.C.) is a special form of corporation, which meets the general requirements of the SA, but has some own distinctive features. The most important aspects of the closed corporation are:

- i. The maximum number of shareholders is 20. The share capital is divided into shares, registered shares of equal value, and when incorporating it must be paid at least in 25% of each share and deposited in bank or financial institution on behalf of society.
- ii. In the S.A.C., the board of directors is optional. Therefore, if you choose to ignore the board of directors its corporate bodies are: the general shareholders meeting and general manager,

The incorporation and registration of a S.A.C., is carried out approximately in ten (10) business days.

Limited Liability Company or Sociedad Comercial de Responsabilidad Limitada (S.R.L.)

The S.R.L. is similar to a S.A.C: with the same minimum and maximum number of shareholders, their liability being limited to their participation in the capital.

The difference lies in certain limitations or requirements for the transfer of the shareholder status, which in the case of the S.R.L. has more formalities.

In limited liability companies, the share capital is divided in equal, accumulative, and indivisible participations, which cannot be denominated shares nor represented by instruments or par value shares.

The incorporation and registration of an S.R.L. is carried out approximately in ten (10) business days.

Branch of a Foreign Company

According to the LGS, a branch is a permanent establishment by means of which a local or foreign company develops activities in a place different from its domicile.

The branch does not have legal independence or juridical personality different from its head office. Therefore, the branch will be regulated by the head office's by-laws and its activities must be within the head office's corporate purpose, being legally an extension of it in the Peruvian territory.

In the case of branches, capital is assigned by the head office but its liability is not limited to it. The head office remains unlimited liable for the obligations assumed by the branch. The assigned capital does not have a minimum amount and must be previously deposited or wire transferred in a Peruvian financial institution.



Corporate Reorganization

The second section of the LGS regulates various forms of corporate reorganization. They can reorganize the civil, commercial and limited liability companies, only if they are domiciled in Peru. Merging branches of foreign companies is permitted only if the merger of their parent companies is allowed. The three (3) more used types of reorganizations are:

- (i) **Transformation:** By transforming a company, it adopts, without dissolving, a different corporate form, among those provided by law, maintaining the same legal identity initiated at the time of registration in the Public Registry.
- (ii) **Merger:** By merging two or more companies, under an agreement including full block transfer of its assets to a new company or to one of

the participants, with the extinction of the transferors and the consequent issuance to the shareholders of the companies extinguished a percentage of shares in the new capital in proportion to their participation in the company in which they participated.

- (iii) **Spin-Off:** By splitting one or more companies transferred in block one or more segments of its assets to another and another, new or existing, companies with direct issuance or allocation of shares in the share capital to the transferor.

M&A Control Act

Scope of application

- Acts that produce effects in all or part of the Peruvian national territory, including acts of concentration that are carried out abroad and directly or indirectly involve economic agents that carry out economic activities in the country.
- Economic agents that offer or demand goods or services in the market and carry out acts of concentration that produce or may produce anticompetitive effects in all or part of the national territory.
- INDECOPI considers as “Business Control Operations” any act or operation involving a transfer or change of control of a company or part of it.

Prior Control Threshold

A business concentration is subject to the prior control procedure when, jointly, the following conditions are met:

- The total sum of the value of sales or annual gross income or value of assets in the country of the companies involved in the business concentration operation has reached a value equal to or greater than 118,000 UIT* (approx. PEN 584'100,000 or US\$ 155'100,000), during the prior fiscal year to that in which the operation is notified.
- The value of sales or annual gross income or value of assets in the country of at least two of the companies involved in the business concentration operation have reached a value equal to or greater than 18,000 UIT (approx. PEN 89'100,000 or US\$ 23'660,000) each, during the fiscal year prior to that in which the operation is notified.

Dissolution and Liquidation of Companies

The Peruvian General Companies Act establishes the grounds for dissolution of a company. If a company continues to operate under a condition like the cited in the LGS, it acquires an irregular condition, being its directors, managers and representatives unlimited, jointly and severally liable for the contracts and acts of the corporation after becoming an irregular company.

Once the company has been dissolved, it enters into a liquidation process, keeping its legal capacity until registration of the dissolution. If, during the liquidation process, the equity of the company is extinguished, then bankruptcy should be declared.

For a branch of a foreign company ceases to operate in Peru, must have, like to establish it, an agreement of the company that chooses to establish it, that decides to terminate operations and remove the branch of Peru.

Business Cooperation Agreements

The General Law of Business Associations establishes that a business cooperative agreement is an agreement that creates and governs participation and integration relationships in businesses or specific companies, which are of common interest to the parties involved.

This law regulates two types of business cooperation agreements: (i) association and (ii) joint venture.

According to the Peruvian Income Tax Law, business cooperative agreements shall keep bookkeeping independent from their contracting parties, except for agreements shorter than three years or, that due to the modality of the operations, an independent bookkeeping is not possible.

Under the VAT Law, business cooperative agreements keeping independent accounting are subject to these taxes.



Protection of Commercial and Industrial Rights

The members of the Andean Community, which brings together Peru, Bolivia, Colombia and Ecuador, undertake to standardize their trade laws and even adopt common rules, such as rules for the protection of trade-related rights. In order to achieve this, the member countries of the Andean Community adopted a Common Industrial Property Regime governed by de Andean Decision 486.



Tradenames

This distinguishes the merchant in the exercise of his activities, and is usually related to the name of the business. A company can have more than one tradename. It is protected without the need for registration: whoever adopts a name to distinguish their business activities and uses it effectively in commerce, acquires a right over that name, and in order to exercise it, they must prove priority in use (the oldest use).



Other Industrial Property Rights

The industrial property rights protected in Peru are various, such as patents, trademarks and trade names. In the field of inventions, Peruvian legislation protects the elements of industrial property.



Brands :

The protection of trademarks in Peru is obtained by registering them. Any sign or medium capable of distinguishing one product or service from another of the same nature in commerce can be registered as a trademark (for a term of 10 years, renewable indefinitely for similar periods). Peruvian law makes it possible to register forms, sounds and smells.



Patents:

Title that protects the creator of an invention with industrial application. The patent right is granted by the competent authority after analyzing whether the invention is truly a creation; whether it is “inventive” –a contribution to technology- and not the obvious or necessary result of a known procedure; and if it has industrial application.

The authority will decide whether or not the invention is detrimental to the public order, morals, health, or lives of individuals.

Peruvian Banking System

Financial activity is regulated by the General Law of the Financial System and the Insurance and Organic System of the Superintendence of Banking and Insurance - SBS, Law 26702, to which companies operating in the financial and insurance market and companies that carry out related or complementary activities must abide.

Financial legislation treats foreign investments in the same way as national capital, subject to international conventions applicable to it.

According to the operations they carry out, companies in the financial system are classified as:

- **Multiple Operations Companies:**

Banking Companies, Financial Companies, Municipal Savings and Credit Banks, Municipal Popular Credit Banks, Development Entities for Small and Micro Businesses, Savings and Credit Cooperatives (authorized to receive resources from the public), and Rural Savings and Credit Banks.

- **Specialized Companies :**

Real Estate Capitalization Companies, Financial Leasing Companies, Factoring Companies, Bonding and Guarantee Companies, Trust Services Companies, Investment Banks, and Insurance Companies.

Companies in the financial sector must be incorporated as open stock corporations. Its organization and operation is authorized by the Peruvian Superintendency of Banks, Insurance

and Pension Fund Administrators (hereinafter, "SBS"). Also, every company in the financial system authorized to receive deposits and/or capital from the public, belongs to the Deposit Insurance Fund (FSD).

Companies domiciled abroad can establish offices in Peru that operate with the public; for this, they must be subject to the conditions established by law for national companies and prove that the minimum capital required is domiciled in the country.



Lima Stock Exchange

Peru is part of the Latin American Integrated Market (MILA) with about 712 issuers, which allows its investors to carry out cash operations in capital investments registered in the Colombian Stock Exchange, Mexican Stock Exchange, Santiago Stock Exchange (Chile) and the Lima Stock Exchange (Peru).

The main purpose of the Lima Stock Exchange is to facilitate the negotiation of registered securities as well as to provide the services, systems and mechanisms for their intermediation. The placement and issuance of securities are authorized by the Peruvian Superintendence of the Stock Market (SMV).

In Peru, CAVALI S.A. is the company in charge of Securities Clearing and Settlement, being its main roles the following:

- Securities Clearing and Settlement Institution (ICLV)

Registration, transfer, custody, clearing and settlement of securities for operations carried out on the Lima Stock Exchange (variable income and corporate fixed income) and Datos Técnicos S.A. (public fixed income).

- Administrative Entity of the Securities Settlement System

Administration of the securities settlement systems in the country.

- Withholding Agent

Withholding agent for income tax on capital gains and interest from the sale of securities.

Corporate Sustainability Report

In December 2015, the SMV issued the Resolution SMV 033-2015-SMV/01 which forces regulated companies to issue a corporate sustainability report.

The Corporate Sustainability Report (“RSC”) was required by SMV for regulated companies since 2016 (as of year) and it is a basic appendix within several questions to be answered related to policies and methodologies, social & environmental impact and stakeholders’ relationship.

In 2020, through SMV Resolution 018-2020-SMV/02, the appendix was revised to incorporate other questions that are aligned with current ESG trends, and which will allow shareholders, investors and other interest groups to have relevant and accurate information on policies, standards and actions that issuers have been implementing to ensure their long-term sustainability.



Legal Vehicles to Invest in Chile

A foreign investor, may act and operate in Chile incorporating a local vehicle under Chilean law.

The main types of companies used by foreign investors to incorporate a local vehicle under Chilean law are:

- a) **Limited liability partnership (sociedad de responsabilidad limitada),**
- b) **Corporation – SA (sociedad anónima), and**
- c) **Stock company or company by shares – SpA (sociedad por acciones).**

Other vehicles consider silent partnerships (asociaciones o cuentas en participación), partnership (sociedades colectivas) and limited partnerships (sociedad en comandita).

Each type of vehicle is a legal entity that is different from its partners or shareholders (excluding the silent partnership).

Most foreign companies organize their local activities in Chile through a subsidiary incorporated as a local legal entity, such as a corporation, a limited liability company or a company by shares; and, to a lesser extent, through the establishment of a branch.

Procedural formalities to constitute a company in Chile

No government permission is necessary to incorporate a company (other than such approvals or registrations as are required under foreign investment or tax regulations).

The incorporation of a company starts with the execution of a public deed certified by and filed by a Notary Public, containing the articles of association and bylaws of the newly incorporated entity. An excerpt of such deed must then be recorded in the relevant Commercial Registry (depends on the domicile of the entity) and published once in the Chilean Official Gazette.

Likewise, it shall require the filing before the Chilean IRS for taxpayer identification number for the Chilean vehicle and start of business activities to fully start operating.

Common rules

The foreign investor (foreign head office, shareholder or partner) and the Chilean legal entity shall request to the Internal Revenue Service a tax identification number. Depending on the amount of the investment transferred to Chile, the investment in Chile shall be reported to the Central Bank of Chile.

There is no minimum capital requirement to incorporate or maintain the existence of a company (other than applicable capital requirements under foreign investment regulations or other requirements as is the case of a concessionaire company that is required to have a minimum equity capital under the Concession Agreement, Banks, Financial Institutions, etc.). The partner of an LLC and the shareholder of a corporation or SpA are, as a general rule, free to include in the articles of association and bylaws of their company such supplementary provisions as they may deem necessary, provided that they do not alter the essential nature of the chosen type of company. A company may not issue and publicly offer its debt or equity securities unless the company and its securities are both registered (or exempted) pursuant to the provisions of the Chilean Securities Laws and regulations, and subject to the regulations and supervision of the CMF and to continuous reporting and other applicable requirements. Any and all disputes that may arise among the partners or shareholders, or between them and their company must be subject to binding arbitration.

a) Limited Liability Company/Partnership (LLC):

This entity is defined as a contract whereby two or more partners agree to make a contribution in common with the purpose of dividing the proceeds arising therefrom.

Each partner's liability is limited to the amount of their contribution to the capital or greater if specified by the company's bylaws and are not personally liable for the obligations of the company in favor of third parties.

The partner of an LLC can be an individual or a legal entity, national or foreign, resident or non-resident. A LLC requires a minimum of 2 and may have a maximum of 50 partners. The LLC is automatically dissolved if and when anyone of its members consolidates 100% of the partnerships rights or quotas. The sale of partnership rights requires the unanimous agreement of the partners.

The corporate purpose may be broad except operating in the banking industry.

The bylaws of a LLC must specify a date certain for its duration. That is without prejudice of automatic renewal clauses or any other like arrangements that the parties may deem fit.

The management of a LLC is quite flexible. Partners or members are free to stipulate the structure that best suits their needs. Normally, less sophisticated LLCs grant to one or more of its own partners a general power of attorney with general authority to run its businesses. Larger concerns generally contemplate a board of directors for major decisions and officers or executives with rather specific powers. Additional protections for partners holding a minority interest can be negotiated and agreed upon in the articles of association and by-laws.

Any changes or amendments thereto require an amendment to the original public deed (as amended, in its case), which in turn requires the unanimous consent of all the members of the LLC.

A LLC may distribute any available cash regardless of the profit or loss situation of the entity at the time of the distribution.

b) Corporation (SA):

Article 1 of Law 18,046 defines a corporation as: "A legal entity formed by the pooling of a common fund provided by shareholders liable only for their respective contributions and administered by a board of directors composed of essentially revocable members".

There are two kinds of Chilean corporations: (i) public corporations ("Sociedades anónimas abiertas" or "SAA"); (ii) private corporations ("sociedades anónimas cerradas" or "SAC"); or (iii) Special SA a which are governed by special rules (i.e. insurance and reinsurance companies, mutual fund administrators, stock exchanges, etc.)

SAC requires a minimum of two and must not have more than 1999 shareholders, while above 2000 shareholders, a SAA must be incorporated, which is authorized to make public offering of their shares in accordance with the Securities Market Law. The latter entities are supervised by the CMF.

The bylaws of a SA may specify a date certain for its duration. Otherwise, the law deems that its duration will be indefinite.

At least 30% of the annual net income must be distributed in the form of a minimum mandatory dividend.

Shares are freely transferable and assignable, unless the shareholders enter into a separate shareholders agreement whereby they may agree upon restrictions or limitations to the free transferability of their shares (i.e., rights of first refusal, tag along, drag along, puts, calls, etc.), provided that such agreements are made known to the SA.

The administration of a SA is vested in a Board of Directors, a permanent collegiate body composed of at least 3 members, with general authority to represent and to act on behalf of the SA. Board members have confidentiality and fiduciary duties with respect to the S.A. and its shareholders generally. In general, the Board appoints and determines, by delegation, the nature and extent of the authority of company officers and executives such as the general manager.

Shareholders meet once a year in annual meetings for determined matters. In addition, shareholders meet in extraordinary shareholders meetings that take place whenever the needs of the S.A. or the matters contemplated in the by-laws so require.

c) Stock company or Company by shares (SpA):

A company by shares is a legal entity created by one or more persons through a perfected act of incorporation whose participation in the capital is represented by shares. The SpA are a type of capital company characterized by its flexibility, granting its shareholders the authority to freely regulate almost all aspects of the company.

SpAs may have only 1 (a single) shareholder

Shares can be fully subscribed and made payable within five years.

The administration of the SpA is flexible. The bylaws may provide for any type of arrangement as they see fit (i.e., a board of directors or no board and simply delegated administrators (officers), or any combination thereof).

No statutory imposed restrictions or limitations on the distribution of dividends, capital redemptions or other payments to shareholders. A SpA can earmark dividends to designated lines of business or assets of the company.

d) Special Mining Companies

Additionally, the Mining Code (MC) establishes two other types of companies.

Legal mining companies, which are created by operation of law and, by their nature, are regulated in detail in the MC. This type of company results from a factual event that is granted legal status by the law. Such events include two or more individuals filing a mining claim or registering shares in a mining concession previously held by a single individual.

Contractual mining companies (SCM), are capital companies, with a special mining purpose and whose capital is divided into shares. These require the registration of the public deed of incorporation in the respective registry of the Mining Registrar in both the principal place of business and the jurisdiction of the mining property.

	Corporation	Limited Liability Partnership	Company by Shares
Partners/Shareholders	At least 2 shareholders.	2 to 50 partners	At least 1 shareholder
Limited Liability of the foreign investor, partner or shareholder.	Yes	Yes	Yes
Formation	Fulfillment of legal requirements including: <ul style="list-style-type: none"> Public deed granted behalf a Notary Public in Chile. Publication in the Official Gazette and inscription in the Register of Commerce of an abstract of the public deed. Registration of the documents of the foreign investor in the register of a Notary Public in Chile. 	Fulfillment of legal requirements including: <ul style="list-style-type: none"> Public deed granted behalf a Notary Public in Chile. Publication in the Official Gazette and inscription in the Register of Commerce of an abstract of the public deed. Registration of the documents of the foreign investor in the register of a Notary Public in Chile. 	Fulfillment of legal requirements including: <ul style="list-style-type: none"> Public deed granted behalf a Notary Public or private document authorized by a Notary Public in Chile. Publication in the Official Gazette and inscription in the Register of Commerce of an abstract of the public deed. Registration of the documents of the foreign investor in the register of a Notary Public in Chile.
Management	Board of Directors (at least 3 or 5 directors depending on the type of corporation).	Management to be freely determined by partners	Management to be freely determined by shareholders.
Capital and payment of it.	No minimum capital required. Capital contributions may be in cash or other property. Shares may not be issued in exchange for personal services.	No minimum capital required. Capital contributions may consist of cash, property or services.	No minimum capital required. Capital contributions may consist of cash, property or services.

Corporate Reorganization

Although corporate reorganizations are specifically regulated in the case of corporations, it has been historically understood that these rules are applicable to all types of companies.

- **Transformation** is the change of the species or type of company to a different one, which is carried out by means of the reform of the bylaws.
- **Merger** is the reunion of two or more companies into one, a process that is carried out by means of absorption or incorporation, thus contributing the assets and liabilities of two or more companies to a new one that is constituted.
- **Spin off** is the distribution of the patrimony of a company between the company itself and one or more companies that will be constituted for that purpose, corresponding to the shareholders of the divided company the same proportion of the shares in the new company or companies in which it was divided.

Financial and Securities Market

The Chilean financial and securities market is highly regulated by the CMF.

Its main objectives is to safeguard the proper functioning, development and stability of the financial market, facilitating the participation of market agents and promoting the care of public faith; as well as safeguarding that supervised persons or entities (stock companies, insurance companies, banks and financial institutions, assets and fund managers,

among others), from their initiation until the conclusion of their winding-up, comply with Chilean legislation that regulate them.

The CMF supervises over 70% of the regulated financial assets in Chile pursuant to Law No. 21,000, safeguarding the stability and transparency of the financial market, protecting its users and facilitating the development of suitable services of the financial market. The entity contributes to the development of suitable legal framework and monitoring process, as well as having a sanctioning policy and faculties. The CMF is ruled by a Board composed of five members, named commissioners, among which one is appointed Chairman.

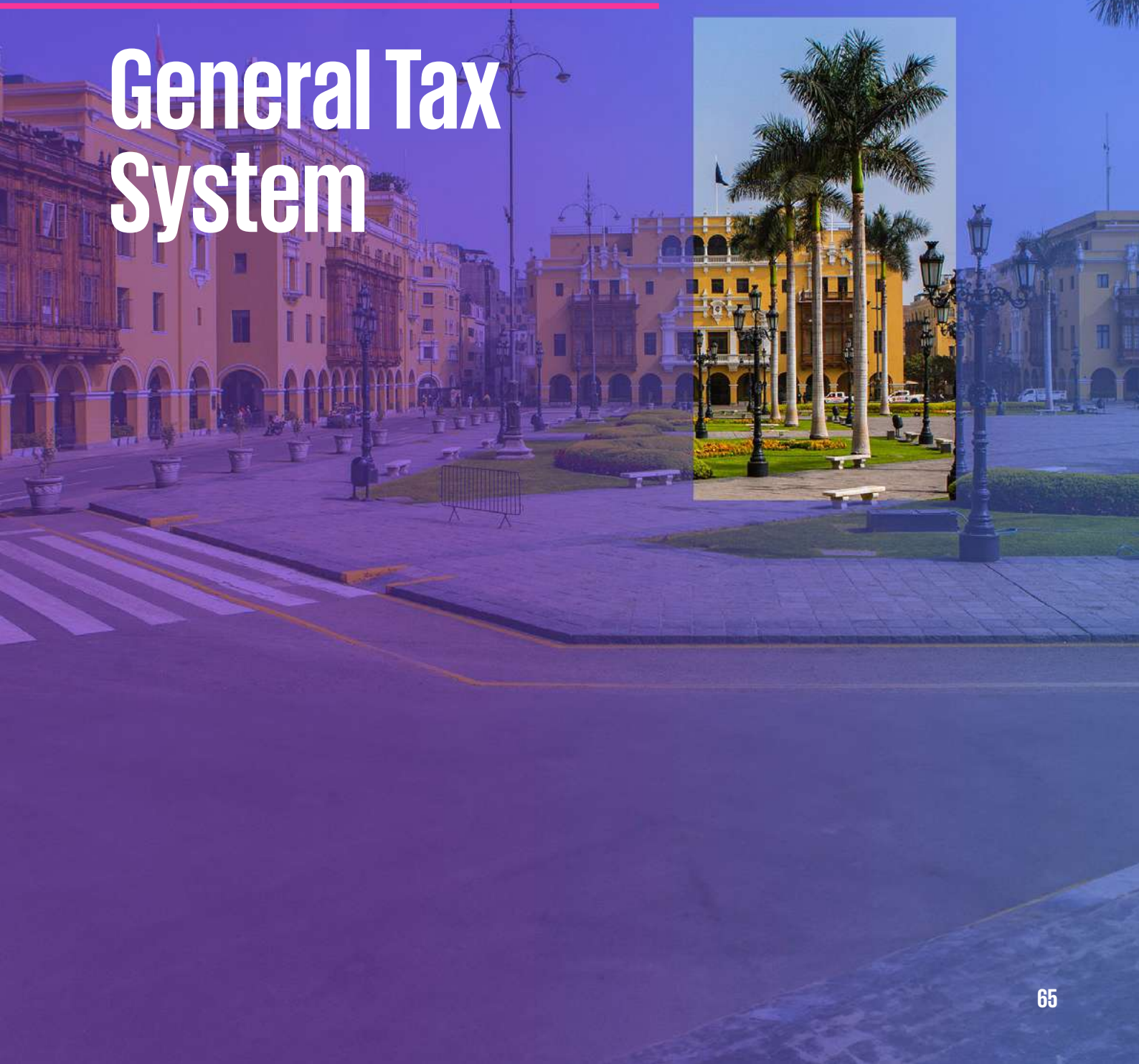
Given the increasingly globalized world we live in, the CMF cooperates with financial regulators from different jurisdictions and with international entities in order to set similar standards for the transactions carried out through financial markets.

Likewise, the bank system in Chile is highly developed, where banks have technical advances used in developed countries and are linked to international information and operation systems.

Bear in mind that foreign investors are allowed to buy and sell securities in Chilean stock exchange and hold shares of Chilean open corporation by incorporating foreign funds.

04

General Tax System



Peruvian Tax System

Bases of Taxation

Taxation in Peru is governed by the principles of reserve of the law, equality and respect for the fundamental rights of the person, as well as the non-confiscation of taxes.

The term tribute includes taxes, contributions and fees.

Tax Unit

The Tax Unit (UIT) is a reference value used to determine tax bases, deductions, limits, sanctions and other tax obligations. For the year 2023, the UIT has been established at 4,950 Soles (US\$ 1,302.63 approximately).

Taxpayer's Registry

Any individual or legal person or other collective entity that acquires the status of taxpayer must register in the Taxpayer's Registry (RUC).

General Antiavoidance Rule

On the other hand, in the tax system, Rule XVI of the Preliminary Title of the Tax Code, contemplates a General Anti-Avoidance Rule which goal is to determine if the contractual structure agreed by the taxpayers has been formulated for tax avoidance purposes.

Tax Returns

Taxpayers determine the amount of their taxes and file the tax returns electronically. The tax returns can be monthly, as in the case of the Value Added Tax and Income Tax Prepayments, or annual, as in the case of Income Tax.

Tax Administration

The administration and collection of taxes from the Central Government is the responsibility of the National Superintendence of Customs and Tax Administration (hereinafter, SUNAT), as well as taxes related to foreign trade.

The taxes that the law creates in favor of the municipalities that are empowered to create (municipal rates and contributions, are managed and collected by them.

The aforementioned entities are also competent to resolve administrative procedures related to the inspection of taxes (determination of the tax obligation).

Challenges

The determinations and sanctions established by the Tax Administration (SUNAT or other entities) can be claimed before it in the first instance and in a second instance before the Tax Court, being able to appeal later to the judicial headquarters.

Sanctions

Failure to pay taxes generates the application of default interest (TIM) with the current rate of 0.9% per month.

Information Exchange

Although the information that taxpayers provide to the tax authority for the purpose of filing their taxes is classified, the Tax Administration bodies may exchange such information among themselves.

Likewise, the tax reserve can be lifted at the motivated request of Congress, a judge or the Superintendent of Banking and Insurance, among others.

Prescription

The action of the Tax Administration to determine the tax debt, to demand its payment and apply the sanctions, prescribes after four (4) years as a general term, six (6) years when the tax returns ordered by law aren't filled, and ten (10) years in the case of withheld or received taxes that were not delivered.





Chilean Tax System

Principle of tax legality

Taxes in Chile must be established by law and, in general, are imposed at national level. Consequently, there are practically no taxes at the provincial, regional or municipal levels, with certain exceptions.

Registration and authorization obligations

Any person, whether individual or legal entity that incorporates or initiates commercial economic activities, must obtain a tax identification number ("RUT") and report the commencement of activities to the tax authority.

In addition, taxpayers must request authorization from the tax authority to issue tax documents, such as invoices or waybills, which are currently issued electronically.

Tax administration

The Internal Revenue Service (SII) is the public service responsible for the application and control of Chile's internal taxes. The director of the SII has, among his faculties, the power to interpret the tax legislation. Its interpretation criteria and instructions are contained in Rulings, Circular Letters and Resolutions.

Tax audit

The tax administration has broad powers to examine the taxpayer's returns, books, accounts, inventory registration, invoices and other supporting documents in order to verify compliance with tax obligations. They may also check books and documents of withholding agents.

Prescription (Statute of limitations)

The Chilean Tax Code establishes that the SII may assess a tax, review tax returns, and charge taxes within the term of three years beginning from the last day in which taxes must be paid (April 30th in the case of CIT) and the last 36 months in terms of the monthly taxes. These terms are extended to six years for CIT and 72 months for monthly taxes in cases in which no tax returns have been filed or the returns were determined to be maliciously false.

Adjustments and interest on late tax payments

Late paid taxes are adjusted for monthly inflation.

Taxes paid in arrears are also subject to interest at a rate of 1.5% per month or part thereof as calculated on the adjusted tax.



Penalties

Non payment of taxes or tax underpayments are generally subject to penalties (set in fixed amounts or as a percentage of taxes due). In those cases in which fines are calculated on the amount of taxes due, the taxes must be previously adjusted for inflation.

Fraud is generally subject to a fine between 50% and 300% of the taxes evaded and to imprisonment. A taxpayer obtaining tax refunds by means of fraudulent maneuvers is subject to punishment by imprisonment ranging from 3 years and 1 day to 15 years and a fine between 100% and 400% of the unlawful refund.

General Antiavoidance Rule (“GAAR”)

The Chilean GAAR introduces the principle of prevalence of substance over form in Chile.

In any case, the powers granted by the GAAR are: (i) of exceptional nature, (ii) intended to control or punish serious behaviors, and (iii) the SII has the burden of the proof.

The good faith of the taxpayers is recognized, and it is also recognized the free and reasonable adoption of legal acts and alternatives established in the tax law. Yet, there is no good faith when the legal or economic result or effects of the legal acts are not relevant compared with the tax effects.

Essentially, the GAAR applies to legal acts or series of legal acts when they involve: (i) the abuse of legal form, or (ii) the simulation of legal acts.

There is abuse of legal form by the taxpayers when the legal acts do not produce relevant economic or legal effects, and such acts are only intended to: (i) avoid the triggering of the taxable event, (ii) reduce the taxable base or the amount of the tax obligation, or (iii) differ the tax obligation.

There is legal simulation when the legal acts conceal or hide (i) the triggering of the tax event; or (ii) the nature of the elements of the tax obligation, or (iii) the amount or the date of birth of the tax obligation.



05

Taxation of business activity



Peru general rules for Corporate Income Tax

Resident entities in Peru are subject to Income Tax for their worldwide source income (this is, Peruvian and foreign income) at a tax rate of 29.5%. Branches of entities incorporated abroad are only taxed on their income that qualifies as Peruvian source income.

The distribution of profits to shareholders is taxed with an additional rate of 5%, which must be withheld and paid by the entity making the distribution, unless the shareholder is another legal entity resident in Peru, in which case it is not subject to tax the distribution of dividends (0%).

To determine the amount to which the tax rate is applicable (Net Income), the costs necessary to generate the taxable income and the expenses necessary to maintain the productive source must be deducted from the total income subject to the tax (Gross Income).

Income Tax Prepayments

Companies must make monthly Income Tax Prepayments (advances), at a rate of 1.5% of their monthly net income in the case of new taxpayers, which may be applied as credits in the annual regularization tax return.

Foreign Income Tax Credit

Companies can apply as a credit against their Income Tax. The tax paid abroad for income from a foreign source, within the limit established by law.

Pre-operating expenses

Pre-operating expenses and in general the necessary business expenses are deductible for net income determination. Expenses incurred abroad are deductible as long as they are duly supported.

Thin capitalization rules

The thin capitalization rule establishes that net interest that exceeds 30% of the taxable EBITDA of the previous year will not be deductible for Income Tax purposes.

EBITDA is net income after compensation for losses plus net interest, depreciation and amortization.

The net interest that could not have been deducted in the fiscal year due to exceeding the indicated limit, may be added to those corresponding to the four (4) immediate following fiscal years.

The limitation on the deduction of financial expenses (i.e., undercapitalization or percentage of EBITDA) will not apply, among others, to companies in the Financial and Insurance System and taxpayers whose net income in the taxable year is less than or equal to 2,500 UIT (US\$ 3,256,579).

Non-resident

Non-resident companies, branches, agencies or other permanent establishments, among other cases of non-resident taxpayers, must pay taxes on their gross income that qualify as Peruvian source income and must apply the following withholding rates:

Taxed Activity	Rate
Interest from external credits (subject to certain requirements).	4.99%
Interest paid abroad by companies with multiple operations established in Peru, such as banking companies and financial companies established in Peru.	4.99%
Interest from bonds and other debt instruments, deposits made in accordance with Law 26702, General Law of the Financial System.	4.99%
Other interests.	30%
Income derived from the rental of ships and aircraft.	10%
Royalties.	30%
Dividends and other forms of profit distribution.	5%
Technical Assistance (prior compliance with requirements) when it is used economically in the country.	15%
Digital services (automated services) used economically in the country.	30%
Income from the sale of securities carried out within the country.	5%
Income from the sale of securities carried out outside the country.	30%
Other income (sale of goods, rights or provision of services in the country)	30%

With the exception of the cases of presumed income mentioned below, for purposes of withholding Income Tax from non-residents, the following are considered net income:

1. The totality of the amounts paid or accredited corresponding to other income of the corporate income.
2. The amount that results from deducting the recovery of the capital invested in the cases of transfer of assets or rights, after submitting a request to the Tax Administration and obtaining the investment certification.

Presumption of Net Income of Non-Residents from international activities

The Income Tax Law presumes, among other assumptions, that non-resident companies that carry out part of their operations in the country, obtain income from Peruvian sources equivalent to the following percentages of their gross income:

Taxed Activity	Rate
Insurance activity	7%
Aircraft rental	60%
Ship rental	80%
Telecommunications services	5%
Air Transport	1%
Chartering or maritime transport	2%
Provision of news or informative material	10%
Distribution of films or the like	20%
Container supply	15%
Demurrage of containers for transport	80%

Treaties to avoid double taxation

Peru has signed 8 treaties to avoid double taxation on income and wealth with the following countries:



Canada



Chile



Brazil



Mexico



Portugal



South Korea



Swiss



Japan

Said agreements follow the guidelines of the OECD model, so, in principle, the country where the profits will be taxed is the country of residence of the company (residence criteria), except for different express provisions.

Recently, Peru has signed a double tax treaty with Japan that took effect as of January 1, 2022.

Likewise, Peru, by being part of the Andean Community, is part of the agreement (Decision 578) to avoid double taxation with the following andean countries:



Ecuador



Bolivia



Colombia



Peru

Decision 578, as a general rule, states that the benefits resulting from business activities are only taxed in the country where they were carried out (source criteria), that is, in the country of source, with the exception of technical services, technical advice.



Countries with low or no taxation

Peruvian legislation has provided for the regulation of tax havens under the name of countries or territories of low or null taxation, when they do not have a Tax Information Exchange Agreement or a Double Tax Treaty (DTT) in force with Peru that includes an information exchange clause or lack of transparency at the level: legal, regulatory or administrative.

Likewise, it will be considered as such when the applicable rate of Corporate Income Tax is 0% or less than 60% of that which would correspond in Peru.

The aforementioned criteria will not apply in the case of a country that is a member of the OECD.

On the other hand, the regime of a country will be considered under the category of “preferential tax regime”, when it is under any of the criteria provided for countries with low zero taxation or when the regime excludes the residents of the country from said regime or that the benefited subjects are prevented from operating in the market. The classification of pernicious or potentially pernicious regimes, carried out by the OECD, will also be considered.

The Ministry of Economy and Finance will publish the list of countries or territories that have complied or not with the exchange of information, according to the information sent by SUNAT.

Controlled Foreign Corporation Rules (CFC Rules)

In application of the International Fiscal Transparency Regime (“CFC Rules”), passive income from individual or legal entities resident in Peru through foreign controlled entities can be attributed to taxpayer’s residency in the year in which they are generated.

The Income Tax paid by foreign controlled entities for their passive income may be offset by the resident taxpayer as a credit against the tax in Peru with respect to the passive income attributed. The subsequent distribution of dividends by controlled entities not resident in favor of the resident taxpayer (for the aforementioned passive income) will not be subject to Income Tax in Peru.

Rise of BEPS 2.0

By the end of 2021, more than 135 countries, including Peru, have committed to a two-pillar tax reform, driven by the OECD:

Pillar 1: Reallocation of income to countries where the markets are located.

Pillar 2: Global minimum tax.

To date, several countries have begun implementation, with the expectation that by the second half of 2023, a global minimum tax will be in place.

Implementation will take place through one or more of the following four mechanisms:

- Subject to tax rule: in development.
- Domestic minimum tax: minimum tax in the subsidiary's country under GloBE rules.
- Income inclusion rule: the parent country taxes the foreign subsidiaries at a rate of <15%.
- Under tax Payment Rule: Denial of deductions if the country of origin does not levy the additional tax.



Temporary Tax on Net Assets (ITAN)

Tax applied to the value of net assets recorded in the balance sheet as of December 31st of the previous taxable year, applying a rate of 0.4% to the excess of S/ 1,000,000 (approximately US\$ 263,157).

Ultimate Beneficial Owner (UBO)

Legal entities resident in Peru, those that have a branch, agency or permanent establishment in the country, as well as legal entities (autonomous estates without legal personality and associative contracts), are obliged to provide information about those individuals who are benefited with the business activities carried out, whether they are beneficiaries by exercising ownership and/or control of the legal entity.



Transfer Pricing rules in Peru

Transfer Pricing in Peru, an OECD based Regime

Peru was one of the first countries in the region to adopt Transfer Pricing Rules, which are in place since 2002.

The Peruvian Transfer Pricing regime is based on OECD Guidelines and relies on the arm's length principle as its fundamental pillar.

All intercompany transactions, either local or international, and all tax haven transactions must be priced at "arm's length" for tax purposes.

The methodologies to carry out transfer pricing analyses are similar to the ones proposed by the OECD, including 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.

The Tax Authorities can adjust the valuation for Income Tax purposes when they consider the rules have not been applied correctly and this has generated a lower income tax in Peru.

Transfer Pricing Formal Obligations

Peru has a 3 Level documentation:

- **Local File (Due every June):** Applicable for companies with revenues higher than US\$ 3 MM (aprox.) and an aggregated value of intercompany and tax haven transactions higher than US\$ 530 k (aprox.)
- **Master File (Due every October):** Applicable for companies with revenues higher than US\$ 26 MM (aprox.)
- **CbC Report (Due every October):** Applicable for companies that belong to a Multinational Group with consolidated revenues higher than US\$ 750 MM.

Intragroup Services Rules

The country has specific intragroup services rules in place, which require to comply with the following conditions, among others, for the service costs or expenses to be considered deductible for tax purposes:

- Pass a Benefit Test
- Have detailed documentation on the costs and expenses incurred by the service provider.
- Have detailed documentation to prove the reality of the service (including deliverables, emails, communications, contracts, invoices, etc.)
- Low Value added services are subject to a deduction cap of costs +5%.

Commodity exports / imports rules – "Sixth Method"

There are special rules in place for the export and import of commodities, which include the need to file a separate TP Informative Return for each import / export contemporaneously with each transaction. In case this return is incomplete or not filed, the commodity price must be re evaluated for tax purposes using the international quotation of the commodity at the date of departure (exports) or arrival (imports) of the merchandise.

Other peculiarities

While the regime is OECD based, it has several peculiarities, including the following:

- Local Transactions and Tax haven transactions with non related parties must be documented.
- Even small transactions must be documented (< US\$ 3 k per transaction)
- Use of interquartile range is mandatory.
- Comparable companies can only use 1 year of financial information.

Special regulatory fiscal rules for mining activities

Mining companies are subject to the general fiscal regimes, however, the General Mining Law determines a special fiscal framework to attract and promote mining activities in Peru.

Stabilized Income Tax rate

Mining entities are subject to the general Income Tax Regime, however, when entering into a tax stabilization agreement, in the framework of the General Mining Law, a 2% premium must be added to the Income Corporate Tax rate (29.5%).

Exploration, development and preparation expenses

The General Mining Law establishes that exploration expenses incurred once the concession is at the stage of mandatory minimum production, may:

1. be deducted in full in the fiscal year; or,
2. be amortized from that year onwards, at an annual percentage in accordance with the probable life of the mine established at the close of such years.

The development and preparation expenses that allow the exploitation of the deposit for more than one fiscal year, may be:

1. be deducted in full in the year in which they are incurred or,
2. be amortized in that year and in the following years up to a maximum of two additional years.

For this purpose, in each case, one of the deduction systems must be chosen at the close of the year in which the expenses were incurred.

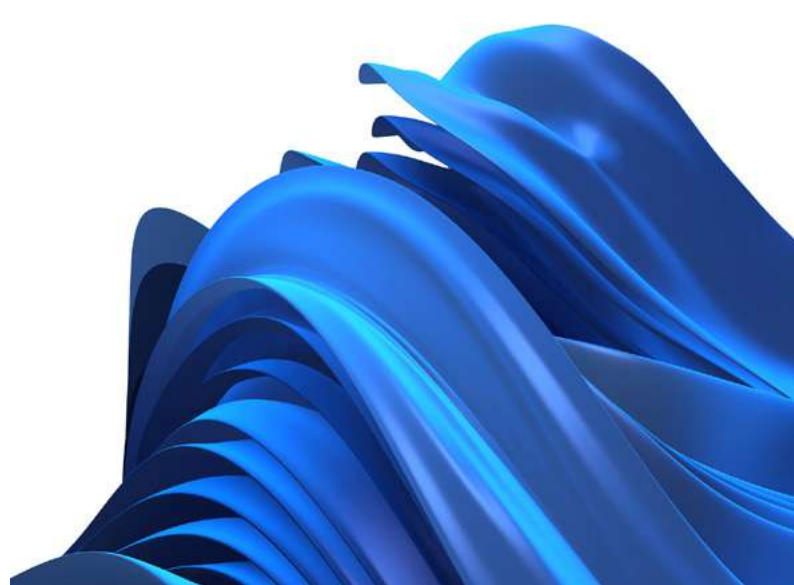
The annual election is irrevocable.

Deduction of the investment when it is for public use

Investments in road works, ports, airports, environmental sanitation, energy, among other, are deductible without having to prove causality, but only for the proportion destined to provide public service and previous procedure before the MINEM that requires approval of the corresponding sector (Sanitation, Regional or Local Governments, Provias Nacional, etc.).

Tax Depreciation of fixed assets

Without prejudice to the depreciation rates applicable to other assets, a depreciation rate of 20% is applicable to machinery and equipment for mining activities.



Stability regime under General Mining Law

Mining concession holders can enjoy a stability regime that will be guaranteed through an agreement signed with the State, for a term of 10, 12 and 15 years depending on investment size and mine production capacity:

- **10 year:** the investment must equal at least US\$ 20 million and be allocated to start up an operation with a production capacity of 350 to 5,000 metric tons per days.
- **12 year:** the investment must no less of US\$ 100 million for start up an operation, or US\$ 250 million to capitalize an existing operation, with a production capacity at least 5,000 metric tons per days.
- **15 year:** the investment program must no less of US\$ 500 millions with an initial capacity of no less than 15,000 metric tons per days or capacity expansion plans to achieve capacity of no less than 20,000 metric tons per days.

These stability agreements cover the following guaranteed benefits:

- Tax regime in force at the date of approval of the investment program, and any taxes created thereafter will not be applicable to them. In addition, any changes that may be introduced in the regime of determination and payment of the applicable taxes will not be applicable to them.
- Free disposal of the foreign currency generated by its exports, in the country or abroad.
- Non-discrimination with regard to the exchange rate, on the basis of which the FOB value of exports and/or local sales.
- Free commercialization of mineral products.

- Stability of special regimes, when they are granted, for tax refunds, temporary admission, and others similar.
- No unilateral modification of the guarantees included in the agreement.

Unlike the general regime of stability agreements, the stability regime under General Mining Law cover tax rates and methods to calculate tax based of all major government taxes, duties, royalties and other similar payments

In order to enjoy the guaranteed benefits, the owners of the mining activity shall submit a technical-economic feasibility study and must be approved by the General Directorate of Mining within a maximum term of 90 calendar days. Once this period has elapsed and if there is no pronouncement by the Directorate, it will be automatically approved on this last day, which will be the one in force for the purposes of fixing the date of stability of the tax regime and of the guarantees.

Benefits under stability agreements are limited to the investment defined in the feasibility study. However, in the case of 15-year stability agreement, the benefits may be extended to additional activities after the execution of the investment program provided that, among others, the amount of the additional investment is not less than US\$ 25 millions and are pre-approved by the Ministry of Energy and Mines.

The 12 and 15-year stability agreement allows a taxpayer to increase the annual rate of depreciation of machinery, industrial equipment and other fixed assets up to the maximum limit of 20% per year as a global rate, with the exception of buildings and constructions whose maximum limit shall be 5% per year.

The 12 and 15 years agreements also carry the right to keep accounts for tax purposes in U.S. dollars.

Tax benefits for R&D&I projects

Law 30309 granted a tax benefit of additional deduction for expenses incurred in Technological Innovation projects (hereinafter, R&D&I), which establishes that taxpayers who incur in such expenses, whether or not related to the company's line of business and who comply with the requirements established in said law, may access the following deductions:

- a. If their net income does not exceed two thousand three hundred Tax Units (2300 UIT):
 - i. 240%: If the project is carried out directly by the taxpayer or through R&D&I centers domiciled in the country.
 - ii. 190%: If the project is carried out through R&D&I centers not domiciled in the country.
- b. Those whose net income exceeds 2300 UIT:
 - i. 190%: If the project is carried out directly by the taxpayer or through R&D&I centers domiciled in the country.
 - ii. 160%: If the project is carried out through R&D&I centers not domiciled in the country.

In this respect, paragraph a) of article 3 of the aforementioned law establishes as one of the requirements for the aforementioned deduction that the projects in question must be qualified as such by the National Council of Science, Technology and Technological Innovation - CONCYTEC; specifying that, for such purposes, the definitions of scientific research, technological development and technological innovation projects provided in paragraph a.3 of article 37 of the Law of the Taxpayer shall be considered.) of Article 37 of the Income Tax Law (hereinafter, the Income Tax Law); and the aforementioned qualification shall be made within 45 working days, as established in the regulations. Likewise, CONCYTEC's authorization is valid for 4 years.

Pursuant to article 37 of the Income Tax Law, in order to establish the third category net income, the expenses necessary to produce it and maintain its source, as well as those related to the generation of capital gains, will be deducted from the gross income, as long as the deduction is not expressly prohibited by this law.

In turn, as established in paragraph a.3) of article 37 of the Income Tax Law, for purposes of determining Corporate Income Tax, expenses on scientific research projects ("R&D&I"), whether or not related to the company's line of business, are deductible.

Regarding technological innovation projects, paragraph iii) of subsection a.3) of article 37 of the Corporate Income Tax Law develops the concept of technological innovation as follows:

Technological innovation: It is the interaction between market opportunities and the knowledge base of the company and its capabilities, involving the creation, development, use and dissemination of a new product, process or service and significant technological changes thereof. Products or processes whose characteristics or applications, from a technological point of view, differ substantially from those existing previously, will be considered new. Both product and process innovation are considered.

The deduction will be made as from the year in which the R&D&I project qualifies, as expenses are incurred.

However, expenses incurred prior to the qualification of the project will be deducted in the year in which the qualification is obtained.

Expenses are incurred in the year in which they are accrued, unless they form part of the cost of a project involving the recognition of an intangible asset, in which case it is understood that they are incurred in the year in which they are disbursed.

Mining taxes, special contributions and royalties

Mining Royalty

The parties involved in mining activities must pay a royalty to the Peruvian State for the exploitation of metallic and non-metallic mineral resources.

The royalty is calculated on the quarterly operating profit of the subjects of the mining activity. Likewise, the royalty rate ranges from 1% to 12%; therefore, the rate will be higher if the operating margin for the quarter is higher.

Special Mining Tax

The holders of mining concessions and concessionaires that carry out activities of exploitation of metallic mineral resources, according with General Mining Law, are obliged to pay the special mining tax (STM).

The obligation to pay the tax arises at the end of each quarter. The applicable rate is established based on the operating margin of each quarter.

The amount paid for the STM will be considered as an expense for income tax purposes in the year in which it was paid.

Special Mining Levy

The levy is a public resource originating from the exploitation of non-renewable natural resources that

is applicable to the subjects of the mining activity in merit and from the subscription of agreements with the State, with respect to projects for which Stabilization Agreements according with the General Mining Law has been entered.

The amount effectively paid for these concepts is deductible as an expense for income tax purposes in the year in which it is paid.

Filling and payment of these concepts is due within the 12 business days of the second following month of the quarter.

Taxes or special levies	Mining Royalty	1.00% - 12.00% of quarterly operating profit (minimum 1% of sales)
	Special Mining Tax	2.00% - 8.40% of the quarterly operating profit
	Special Mining Levy	4.00% - 13.12% of quarterly operating profit



Chilean income tax

Income tax is mainly based on two factors: the place of residence of the taxpayer and the source of income.

Taking into consideration the criterion of the taxpayer's residence, all persons with domicile or residence in Chile, whether they are individuals or legal entities, will be subject to tax on the total income of any origin, regardless of the source of such income (worldwide source income), except in the case of foreign individuals, who for the first 3 years of residence in the country, will pay tax only on Chilean source income.

On the other hand, taking into consideration the criterion of the source generating the income, as a general rule, all income from assets located or activities carried out in the country is taxed in Chile, regardless of the domicile or residence of the taxpayer.

In this regard, it is necessary to bear in mind that income generated by the holding of shares or rights in Chilean companies is considered Chilean source income.

For tax purposes, companies and branches are treated as separate entities from their shareholders, partners, or head office abroad. Exceptionally, for VAT purposes, services between a branch and its head office are disregarded.

Business entities and branches are generally required to keep full tax accounting records for determining their effective net income subject to tax. Such taxpayers are generally subject to corporate tax under the general regime.

All Chilean legal entities are treated as separate entities for tax purposes and no transparent entities exist under Chilean tax legislation. Certain types of collective investment vehicles (e.g. regulated investment funds) do not have a separate corporate existence but are not strictly transparent from a Chilean tax perspective.

Only small companies with final taxpayers as

shareholders may apply a transparency regime however its application is limited to companies with sales lower than US\$ 1,800,000.

Levels of taxation

Under the current tax system in Chile, incomes are taxed at two levels:

- Income is taxed at the company level, through the so-called First Category Tax (hereinafter "Corporate Income Tax" or "CIT").
- At the time of withdrawal, distribution or remittance of the profits generated by the company, these are taxed at the level of the partners with final taxes (Global Complementary Tax, for taxpayers with domicile or residence in Chile or Withholding Tax (hereinafter "WHT"), for taxpayers without domicile or residence in Chile, at a rate of 35%).

CIT attributable to individual taxes

Chile has a semi-integrated taxation system. 65% of the CIT paid can be used as a credit against final taxes.

• Foreign shareholders:

(1) In those cases that the shareholder is resident of a **country with which Chile has a DTT in force**, the CIT will constitute an imputable credit against the WHT overall 35% tax (no cit restitution).

(2) In those cases in which the shareholder **is not a resident of a country with which Chile has a DTT in force**, the shareholder can only use 65% of the CIT credit against the WHT, which translates into an effective taxation of 44.45%.

Corporate Income Tax

CIT Taxable income is determined on the basis of the profit or loss reported in the financial statements prepared as of December 31 of each year, to which a series of adjustments are made in order to determine the taxable income of the CIT.

CIT base determination scheme	
Gross Income	+
(Direct Costs)	-
(Deductible Expenses)	-
Monetary Correction	+/-
Legal Adjustments	+/-
Taxable Base	=

On the taxable base the CIT rate of 27% will be applied. (Exceptionally, for small and medium companies, in FY 2023, a 12,5% rate applies).

As a general rule, the CIT is applied on an accrual basis, i.e., regarding that income on which there is a title or right, regardless of its current enforceability. However, it is also applied on a received basis, i.e., when the income has materially entered the company's assets, provided that this event occurs prior to its accrual.

An important consideration is that dividends received by a company from another company domiciled in Chile of which it is a shareholder are exempt from CITL (Article 39 of the CITL), and therefore do not form part of the CIT taxable income affected by the CIT.

CIT declaration and payment

The CIT must be paid annually through the corresponding tax return (Form 22) in the month of April of each year, in relation to the income obtained in

the previous calendar/commercial year. The tax year included in the taxable base of this tax comprises the period between January 1 and December 31 of the same year.

Monthly advanced payments

Taxpayers must make advances on account of the CIT that must be paid later through the Monthly Provisional Payments ("PPM"), which are imputed to the CIT paid in April of the following year.

Expense Deductibility

Article 31 of CITL, establishes the possibility of deducting as an expense, the disbursements that meet certain requirements.

- Must be necessary to produce the taxpayer's taxable income. (Meaning that they must have the aptitude or potential to generate income, whether in the same or in future exercises, as they relate to the interest, development or maintenance of the company's line of business.)
- Should not have been deducted as part of the entity's direct cost of goods or services.
- Must be effectively incurred in the relevant taxable period, whether paid or accrued.
- Must be adequately supported with appropriate documentation.

In addition to the aforementioned requirements, when expenses are generated in cross-border operations with related parties, in order to be deductible, these expenses must be paid and the respective WHT must have been declared and paid, unless the taxpayer is exempted by application of a DTT.

Specific expenses

Among others, Chilean Income Tax Law allows to deduct as a tax expense: Interests; Certain taxes; Salaries; Depreciation; Losses; Donations.

- Organization and start-up expenses

Organization and start-up expenses (including concession and exploration expenses) are tax deductible and amortizable during up to 6 consecutive fiscal years from when those expenses were incurred or from the year in which the company begins to earn income from its main activity.

- Tax losses

Losses incurred by a business or enterprise during the tax year are deductible. Losses are computed under the same rules used for the computation of taxable income.

The deduction is made in the tax year in which the loss was suffered. If profits of that year are not sufficient for this purpose, the loss can be carried forward indefinitely until completely used.

Losses can only be deducted by the taxpayer that suffered the loss and therefore cannot be transferred.

The carry forward of tax losses may be limited in case of a change of ownership.

- Environmental expenses

The tax reform added the deduction as an expense of disbursements incurred due to environmental requirements, measures or conditions imposed for the execution of a Project.

- Tax depreciation

As a rule, fixed assets are depreciated on a straight-line basis, with the possibility to accelerate the depreciation expense up to one third regarding new fixed assets acquired locally, or new or used fixed assets that are imported. The useful life is provided by the Chilean tax authorities.

Tax Registers

For the purpose of keeping an adequate control of the income or amounts generated or obtained by companies and in order to keep a detail of the amounts that are exempt from taxation at the time of their withdrawal, remittance or distribution, as well as to determine when such withdrawals, remittances or distributions are affected with final taxes, as well as the credits for CIT or taxes paid abroad, companies are required to prepare and keep at the end of each fiscal year specific records (RAI, DDAN, REX, SAC).

Capital Gains Taxation (CGT)

Generally, capital gains are subject to tax as ordinary income. Nonetheless, the Chilean legislation establishes exemptions and/or reductions for capital gains from the disposition of certain assets (publicly traded shares, real estate, within others).

CGT in share disposals

The higher value obtained after the sale of shares is subject to general taxation, i.e. 27% at the company level and final taxes as applicable).

The higher value arises from the difference between the price or value of disposal or transfer and the tax cost of the shares, adjusted for tax purposes.

In addition, Article 107 of the CITL establishes a special rule for the case of the higher value obtained in the disposal of shares of open corporations incorporated in Chile and having a stock exchange presence, which also meet certain requirements established therein. In these cases, the higher value is subject to a sole tax of 10%.

Treaties to avoid double taxation

DDTs

Chile has 36 double taxation agreements. Among them:

- | | | |
|---|---|---|
|  |  |  |
| Australia | Austria | Brazil |
|  |  |  |
| Belgium | Canada | Colombia |
|  |  |  |
| China | Korea | Croatia |
|  |  |  |
| Denmark | Ecuador | Spain |
|  |  |  |
| France | Ireland | India |
|  |  |  |
| Malaysia | Mexico | Norway |
|  |  |  |
| New Zealand | Peru | Poland |
|  |  |  |
| United Kingdom | Portugal | Sweden |
|  |  | etc. |
| Switzerland | Uruguay | |

The DTT with the USA, signed but not yet in force, was recently approved by the U.S. Senate and is expected to enter into force shortly.



Withholding Tax on payments abroad

As a general rule, payments made from Chile to a non-resident are subject to WHT. The general rate applicable to these payments is 35% without any deduction, with reduced rates or exemptions available for specific types of services.

DTTs signed by Chile also contemplate reduced WHT on certain payments.

- **WHT on licenses and royalties**

Royalties and licenses for the use or right to use intellectual property in general are subject to a 30% WHT. The WHT is imposed at a 15% on royalties paid for certain type of technology and on software (0% rate for standard software) payments made to a non-resident in a low tax jurisdiction.

- **WHT on service fees**

In general, service fees are subject to a 35% WHT.

Payments for technical assistance or technical services, as well as payment for engineering and professional services whether rendered in Chile or abroad, are subject to a 15% WHT. A 20% WHT applies if the payment is made to a person resident in a low tax jurisdiction.

Some specific services provided abroad are exempt from WHT (commercial commissions services, freight, sampling and product analysis, etc.).

Under a DTT, service fees are generally treated as business profits and not subject to tax in Chile to the extent the service provider does not have a permanent establishment here to which the income shall be attributed.

- **WHT on Interest Payments**

Interest paid to a non-resident lender is subject to a 35% WHT as general rule.

Interests paid to a foreign or international bank or financial institution (FFI), foreign insurance companies and certain pension funds on loans or credit facilities are subject to a 4% withholding tax.

Law provides a definition of FFI, stating that consist of an entity domiciled, resident or incorporated abroad, whose main purpose is the granting of credit, financing or other operations for such purposes, provided that its income comes mainly from its financing operations carried out on a regular basis, and that such financial entity has a paid-in capital and reserves equal to or higher than half of the minimum required for the incorporation of foreign banks in Chile (approximately US\$ 15M).

The 35% tax on interest payments is generally reduced to 15% (or 10% in some cases) when paid to a beneficiary that is resident in a DTT country. The beneficiary must provide:

A tax residence certificate issued by respective Tax Administration, and a sworn declaration stating that it does not have a Chilean permanent establishment in Chile to which the interest income shall be attributed and it is the beneficial owner of the interest income.

Repayment of the principal amount of a loan or debt is not subject to tax in Chile.

Thin capitalization rules

Broadly speaking, thin capitalization rules must be observed when financing is granted by related parties and subject to a reduced WHT rate.

These rules apply a 35% penalty tax to the Chilean debtor, when it is determined that the Chilean debtor is in excessive indebtedness position. From a tax point of view, in order for a company to be considered over-indebted in a particular year, its Annual Total Indebtedness must be greater than 3 times its equity at the end of the respective year (3:1 ratio).

This ratio is computed considering the total amount of debt of the borrower (i.e., including both external and domestic debt, intercompany and third's party debt, and related and unrelated parties' debt) and is assessed every year-end, being applicable with respect to related party interest payments made to non-resident lenders during that year.

Those credits or liabilities contracted with unrelated parties and whose term is equal to or less than 90 days, including their extensions or renewals, are excluded from the ratio.

Withholding obligations

Taxpayers who remit abroad amounts subject to WHT must withhold the tax at the applicable rate and remit it to the government within the first 12 days of the month immediately following the one in which the payment is made.

Transfer Pricing Rules

Article 41 E of the ITL contains Chilean Transfer Pricing Rules which, following the guidelines issued by the OECD, embrace the Arm's Length Principle as the guiding principle to compare transfer pricing, whereby amounts paid, payable or receivable between related parties should be similar to the price that would have been agreed upon by unrelated parties conducting comparable transactions under the same or similar conditions or circumstances.

If the taxpayer is unable to demonstrate that its related party transactions were agreed at normal market values or returns (arm's-length principle) the SII will reasonably determine values and returns to calculate the tax due or adjustments.

Differences determined when exercising the power to challenge established in Article 41 E of the CIT Law will be subject to tax under the amended subparagraph one of article 21 of the Chilean ITL (40% tax in lieu of any other tax).

New Mining Royalty

Recently, the Chilean Congress approved the Mining Royalty Bill, and now the text is ready to become law in Chile, just waiting for its enactment and publication in the Official Gazette.

Entry in force: 01/01/2024

The new Mining Royalty replaces the current tax system and the Mining Specific Tax applicable on the mining income, creating a new regulatory tax framework for the mining industry that includes a hybrid tax of two components: (i) an Ad-Valorem Tax applicable on annual sales of large copper Mining Exploiters (whose annual sales exceed 5.000 metric tons of fine copper or "MTFC"), and (ii) a tax applicable on the Mining Margin.

Components of the new Mining Royalty

• (i) Ad-Valorem Tax

The Ad-Valorem Tax is set as a sole and flat rate of 1% applicable on annual sales of copper Mining Exploiters whose annual sales exceed 50.000 MTFC.

If the annual Taxable Adjusted Mining Operational Income ("TAMOI") ends to be negative, the Ad-Valorem Tax payable will be the positive difference between the Ad-Valorem Tax less the annual negative TAMOI.

• (ii) Tax on the Mining Margin

The Tax on the Mining Margin is applied on the TAMOI of the Mining Exploiter.

The TAMOI is determined as an adjustment to the net taxable income determined for CIT purposes, in a similar fashion than the current MST, meaning that, among other rules, Mining Exploiters will be allowed to deduct an annual quota on capitalized assets following the straight-line depreciation

method (using the official useful lives provided by the Chilean IRS) and 1/6 of annual amortization of start-up expenses (annual quota of 1/6). However, in the new TAMOI Mining Exploiters will have to add-back the Tax on the Mining Margin.

a. Mining Exploiters whose (i) annual sales come from 50% or more of copper, and (ii) their sales exceed the equivalent value of 50.000 MTFC:

The specific rate between 8% and 26% applicable on the TAMOI will be calculated based on the Operational Mining Margin ("OMM"), setting a maximum effective rate for the intermediate tranches. This tax will not be applicable when the TAMOI is negative.

b. Mining Exploiters whose (i) annual sales do not come from 50% or more of copper, or (ii) their sales do not exceed the equivalent value of 50.000 MTFC:

- If annual sales do not exceed the equivalent of 12.000 MTFC, the taxpayer will be exempted from the Tax on Mining Margin.
- If annual sales exceed the equivalent of 12.000 MTFC but do not exceed the equivalent of 50.000 MTFC, the TAMOI will be subject to a rate equivalent to the average per ton resulting from applying rates ranging from 0.4% to 4.4%, based on the annual MTFC sold.
- If annual sales exceed the equivalent of 50.000 MTFC, rates from 5% to 34,5% will be applied on the TAMOI, and such rates will be determined following specific tranches between < 35% up to 85% taxpayer's OMM.

Additional considerations

Mining investment incentives

To incentivize the expansion in mining projects, Mining Exploiters will be allowed to freeze their tax rates or taxation for 6 years based on the average sales of the last 6 years (or less if the mining exploiter has not yet 6 years of sales).

Audited financial statements

All taxpayers of the new Mining Royalty must report quarterly financial statements audited by an external auditing firm.

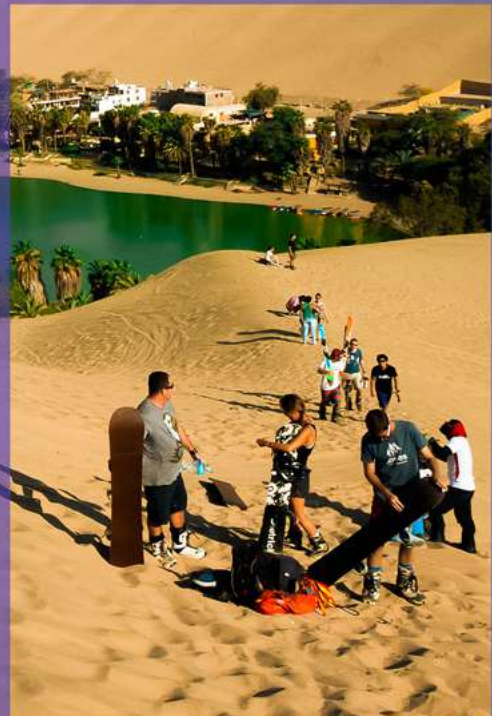
Limit or total potential tax burden for mining activity

The new provisions set a limit or total potential tax burden for mining activity, according to which the total effective taxation on the mining industry, which includes the Corporate Income Tax, Final Taxes, and Mining Royalty, cannot exceed of 46.5% of the TAMOI. In the case of Mining Exploiters of less than 80,000 MTFC per year, the cap would be 45.5%.



06

Taxation of individuals



Domicile Status

An individual is domicile if they remain in Peru for more than 183 calendar days during any 12-month period. The change in the condition will become effective as of January 1 of the following year and it affects the Income Tax for your worldwide source income.

Rates

Capital Income

The 6.25% rate is applied to your net 1st income category: those produced by the lease, sublease and assignment of assets; and those of 2nd. Category: interest, royalties and capital gains (disposal of assets and/or rights deducting their computable cost duly accredited).

In the case of dividends and any other form of profit distribution, they will be subject to an IR rate of 5%.

Work Income

Income derived from self-employment (4th category) and dependent work (5th category) of people domiciled in the country, as well as those obtained from income from a foreign source, are taxed by Income Tax, applying the following rates progressively:

Sum of Net Work Income and Foreign Source Income	Rate
Up to 5 Tax Units (approximately US\$ 5,882)	8%
More than 5 UIT up to 20 UIT (approximately US\$ 23,529)	14%
More than 20 UIT up to 35 UIT (approximately US\$ 41,176)	17%
More than 35 UIT up to 45 UIT (approximately US\$ 52,941)	20%
More than 45 Tax Units (approximately US\$ 52,941)	30%

In the case of non-resident natural persons who receive income from independent and/or dependent work, a fixed rate of 30% will be applied.

In all cases, the domiciled employer will have the obligation to withhold and pay the employee's tax to the Tax Administration (SUNAT).

Deductions

Domiciled natural persons may make the following deductions

Concept to deduce	Amount to deduct
Of the total gross income of the 1st and 2nd category.	20%
Of the total gross income of the 4th category with a limit of 24 UIT (approximately US\$ 28,235). It does not apply in the case of income received by the functions of company director, trustee, agent, business manager and other similar.	20%
Of the total fourth category income	7 Tax Units per year (US\$ 8,235 approx.)
Rental expenses for real estate located in the country, services of doctors, dentists and independent professional services and contributions to the Social Security of Health (Essalud) made by domestic workers, among others.	Up to 3 Tax Units per year (approximately US\$ 3,529)

For the withholding of Income Tax of non-resident subjects, net income is considered, without admitting evidence to the contrary.

Concepts	Net rent (%)
The amounts paid for income of 1st, 2nd and 5th category.	100%
The amounts paid for 4th category income.	80%

resident natural persons may apply against their tax the Income Tax paid abroad for income from a foreign source, taking into account the limits established by Law for said effect.

Unaffected

The indemnities provided by current labor provisions, as well as life annuities and pensions originating from personal work, are unaffected from Income Tax.



Capital gain

Income that comes from the sale of capital goods are those that are not intended to be marketed within the scope of a business or company.

To determine the income obtained from the capital gain, the computable cost corresponding to the alienated asset must be deducted.

Disposal, redemption or redemption of Transferable Securities

- **Obtained by Non-Residents:**

Capital gains from the transfer of shares are taxed with Income Tax at a rate of 5% if the operation is carried out "within the country", shares registered in the Public Registry of Shares of the Stock Exchange and the transfer it is carried out by some centralized negotiation mechanism in Peru and with 30% if it is carried out "outside the country".

- **Obtained by Residents:**

Capital gains obtained by individuals are subject to Income Tax at a rate of 6.25% on the amount resulting from deducting 20% of gross income.

The capital loss originated by the alienation of shares by natural persons can only be offset against the capital gain obtained by carrying out the same type of operations.

Disposal of real property

- **Not Domiciled:**

Net capital gains obtained by non-residents are subject to Income Tax at a rate of 5%.

- **Domiciled:**

Capital gains obtained by a natural person are subject to Income Tax at a rate of 6.5% on the amount resulting from deducting 20% of gross income.





Domicile Status

Residence in Chile for tax purposes is established solely on the basis of physical presence in the country. Thus, an individual is considered a resident whenever they remain in Chile uninterrupted or not for a period or periods that in total exceeds 183 days, within any 12-month period

Taxable period

For individual income tax, the calendar year is also the tax year. The tax is assessed, reported and paid in April following of the tax year.

Employment income tax (second category tax)

Employment income derived by residents or domiciled individuals is subject to the employment income tax. This tax is levied at a progressive rate (up to 40%).

Employment income includes all items of income from dependent personal services and there are no deductions for costs directly related to employment income.

Employment income is subject to monthly withholding by the employer.

Individual income tax (impuesto global complementario)

Income from independent professional activities or any other personal activities carried on by residents is subject to individual income tax on net income (progressive rate up to 40%).

Expenses deemed necessary to generate the income and voluntary pension contributions are generally deductible. Alternatively, taxpayers may choose to deduct 30% of gross income as notional expenses.

Investment income (dividends) derived by resident or domiciled individuals is subject to individual income tax and Under the semi-integrated regime, the taxpayer can use 65% of the CIT he would have borne, in relation to his percentage of ownership of the company distributing the dividends. Total tax burden cannot exceed 44,45%.

Capital gains

Capital gains are generally considered ordinary income and are thus subject to individual income tax but they may also be subject to special taxation.

For example, capital gains arising from the alienation of immovable property located in Chile and acquired after 1 January 2004, obtained by individuals not subject to business income tax on actual income are not considered income for income tax purposes up to US\$ 360K (threshold determined per each individual during his entire life)

Non-resident

Non-resident withholding tax (impuesto adicional) is levied on Chilean-source income derived by persons (individuals and companies) who are non-residents and are not domiciled in Chile, generally when the income is remitted abroad.



07

Indirect Taxes



Value Added Tax

They are taxed with the Value Added Tax (VAT), the sale of goods and the provision of services in the country.

The VAT rate is generally 18%, compounded with a rate of 16% on the value of the sale or of the service provided, and the rate of 2% of the Municipal Promotion Tax (IPM).

In addition to the sale of goods and the provision of services, the use of services in the country provided by non-residents, construction contracts, the first sale of real estate made by their builders and imports of goods are taxed with VAT.

Until December 31, 2023, the goods and services indicated in Appendices I and II contained in the VAT Law, such as fresh fish, vegetables, legumes, seeds, fruits, books, among others, are exonerated. On the other hand, among the exempted services are public passenger transport within the country, international cargo transport, among others.

Tax benefits

• Amazon

The sale of goods, the provision of services and construction contracts carried out in the Amazon, by taxpayers who carry out certain activities and who also meet certain requirements, such as having their tax domicile, administration and production, are exempt from VAT.

• Early Recovery Regime

The early recovery VAT regime allows obtaining an early recovery of the VAT paid on the import or acquisition of goods, services, and construction contracts incurred during the pre-operative stage that are destined to the execution of the project investment commitment and that are destined to operations levied with VAT or exportation.

This benefit is applied to all those activities with investments complying the following requirements:

- i. a minimum investment commitment of US\$ 2 million for Companies that have not started their productive activity and that apply to this regime until December 31, 2024. After this period the minimum investment will be US\$ 5 million.
- ii. projects with a pre-operational stage of at least 2 years.

• Definitive recovery Regime for mining activities

Under this regime, can be requested in recovery the VAT paid on the import or acquisition of goods, provision or use of services and construction contracts related to mining exploration activities.

The Regime will be applicable to holders of mining concessions that have not started productive operations, but carry out exploration activities of mineral resources in the country and sign an Exploration Investment Contract with the State.

This regime will be in force until December 31st, 2027.

• Exports

The export of goods, services and construction contracts executed abroad are not taxed with the VAT. Exports are considered: sales to establishments located in Duty Free and sales made in them, swap operations carried out by mining producers, as well as the provision of lodging services to non-residents.

In the case of services, in order to consider that an export has been made, the provider must previously be registered in the Registry of Service Exporters in charge of the Peruvian Tax Authority (SUNAT).

- **Balance in favor of the Exporter**

The Balance in favor of the Benefit Exporter (SFMB) is a mechanism to compensate and/or return to the exporter the VAT tax credit, generated by its export operations, being constituted by the amount of VAT (VAT and IPM) that occurred been consigned in the payment vouchers corresponding to the acquisition of goods, services, construction contracts and import policies.

- **Concepts not taxed**

The credit services provided by banks and financial and credit institutions, the transfer due to company reorganization (merger or spin-off), the transfer of sole proprietorships and irregular companies, as well as the transfer of land and the second transfer are not taxed with VAT, real estate, among other cases.

- **Excise Tax (ISC)**

It is taxed with the ISC, the sale in the country at the producer level and the importation of the fuels specified in Appendix 3 of the VAT and ISC Law (see following table).

This tax seeks to tax polluting fuels in order to generate a disincentive for their consumption and encourage their substitution towards less polluting fuels and even the transition towards more sustainable technologies, such as electric and hybrid vehicles.



VAT

The VAT Law (“VATL”) establishes a 19% tax on sales and services.

As of January 1st, 2023, all services rendered or used in Chile are taxed with VAT, unless they have a particular exemption that frees them from the payment of this tax.

In addition, there are some special taxable events in the VATL, such as imports, leasing of furnished real estate, etc.

Calculation

The input VAT gives the VAT taxpayer the right to a tax credit (“Crédito Fiscal”) equivalent to the tax surcharged on the invoices evidencing purchases of goods, use of services or, as the case may be, the tax paid on imports, to the extent that the taxpayer carries out VAT taxable transactions.

When such taxpayer makes a sale or renders a service subject to VAT, the VAT that in turn recharges to its customers, constitutes for it a tax debit (“Tax Debit”), which may be offset with the Tax Credit that it maintains in each tax period.

When the amount of the Tax Debit exceeds the amount of the Tax Credit in the corresponding period, the difference constitutes the tax that the taxpayer must declare and pay in such period.

On the other hand, when the amount of the Tax Credit exceeds the amount of the Tax Debit in the corresponding period, the excess credit is considered as a remainder that can be imputed in the following or subsequent monthly periods until its total utilization, without time limits.

Exemptions

Articles 12 and 13 of the VATL establish a series of exemptions to the payment of VAT for certain sales and services, among which the following stand out: exports, payments subject to WHT, services used abroad that the National Customs Service qualifies as exports, etc.

Taxpayer

Generally, the seller or service provider is obliged to declare the tax, however there are certain exceptions, such as the case of digital services, when the service is provided from abroad to Chile, in which case, the beneficiary of the service (if it is a VAT taxpayer) must declare and pay the tax. In the event that the beneficiary of the service is not a VAT taxpayer, the foreign supplier must register in a special declaration and payment regime (“Regimen Simplificado”) that is more flexible than the general one, which is regulated in paragraph 7 bis of the VATL.

Tax declaration and payment

VAT taxpayers must declare and pay this tax through Form 29, until the 12th day of the month following the period being declared.



VAT Recovery

As a general rule, companies may recover VAT credit by offsetting it to VAT debit, however, there are two mechanism that allow a VAT credit recovery if taxpayers are not in the position to offset VAT credits against VAT debits:

a. VAT Credit recovery for exporters

Since exports are VAT exempt, article 36 of the Chilean VAT Law, establishes a procedure by means of which exporters are entitled to recover in cash VAT charged at the time of purchasing goods or services intended for its export activity.

Exporters may apply for an anticipated VAT recovery in cash, by means of a special request to be filed with the Ministry of Economy. In general terms, exporters who apply for the anticipated VAT recovery may obtain the refund of the VAT charged on the purchase of goods or services destined to future exports.

b. VAT Recovery under article 27 bis of VAT Law

Article 27 bis of VAT Law benefits VAT taxpayers which have accumulated VAT credit for a at least two consecutive periods, originated from the acquisition of movable tangible assets or real estate which are part of its fixed assets or services that are integrated in the cost of its fixed assets.

These VAT taxpayers can either offset the accumulated VAT credit, duly inflation adjusted, against any type of tax payable, including withholding taxes, and taxes or tariffs paid through customs or instead choose to obtain cash reimbursement from the Chilean General Treasury Department.



08

Other Taxes



Municipal taxes

The General Mining Law establishes that the owners of mining activities are subject to municipal taxes applicable only in urban areas.

• Property Transfer Tax (Alcabala)

The alcabala tax is levied on transfers of urban or rural real estate for consideration or free of charge, including sales with reservation of title, its tax base is the transfer value (from which the value of 10 UIT is deducted, approximately US\$ 11,765) applying a fee of 3%, being paid by the buyer.

• Property tax

It is an annual tax that is levied on the value of urban and rural properties, charged to the owner as of January 1 of the year to which the tax obligation corresponds.

The tax base is constituted by the value of the property and the following cumulative progressive scale is applied:

- Up to 15 Tax Units (US\$ 17,647 approx.): 0.2%
- More than 15 and up to 60 UIT (US\$ 17,647 approx.): 0.6%
- More than 60 Tax Units (more than US\$ 70,588 approx.): 1.0%

• Vehicle Property Tax

The tax is levied on the ownership of automobiles, trucks, etc., manufactured in the country or imported, less than three years old from the first registration in the vehicle ownership registry. The tax base is made up of the original value (with an adjustment for the age of the vehicle) and a rate of 1% applied to the value of the asset.

• Establishment Opening License

Rates that every taxpayer must pay one time to operate an industrial, commercial or service establishment. The amount must respond to the cost of the administrative service provided, which may not exceed 1 UIT (approximately US\$ 1,176).

- **Financial Transaction Tax (FTT)**

0.005% tax on transactions made in the accounts of the Peruvian banking system (credit or debit), regardless of the amount of the operation.

The ITF paid is deductible as an expense for annual Income Tax purposes.

- **Bancarization regime**

Under Peruvian law, any payment that exceeds US\$ 500 or S/. 2000 Soles must be made through the Peruvian Banking System, using "the following" payment methods: checks, bank deposits, transfers, credit or debit cards, among others. In the case of money mutuals, means of payment must be used for any amount.

Payments made without using "Means of Payment" will not give the right to deduct expenses, costs or credits.

- **Contribution to SENATI**

Companies that carry out industrial activities and have more than 20 workers on average in the previous year are obliged to pay a contribution to the National Industrial Work Training Service (SENATI).

The contribution rate is 0.75% applicable to the remuneration received by workers engaged in industrial activity.





Municipal License

Chilean entity performing industrial or commercial activities (i.e., secondary and tertiary activities) must pay an annual municipal tax to the municipality in which the entity is domiciled.

The municipal tax rate ranges between 0.0025% and 0.005% of the entity's tax equity, with a minimum annual tax of 1 Chilean Monthly Tax Unit ("UTM") (approximately US\$ 85, considering an exchange rate of US\$ 813) and with a maximum annual tax of 8,000 UTM (approximately US\$ 680k).

In general terms, for the determination of the tax equity subject to municipal tax license, taxpayers are allowed to deduct from their corresponding tax equity those amounts that are invested in other entities also subject to Municipal License.

• Real Estate Property Tax

Urban or rural real estate is subject to a property tax ("Impuesto territorial") payable by the owner(s). The tax is levied on the tax appraisal of the property, which only considers the value of the surface land and constructions and does not include the value of the mineral resources in the ground.

The cadastral value for real estate property tax is usually lower than the commercial value of a property. The value of the property must be revised every 5 years. The new values for urban or rural

properties apply simultaneously throughout the country. The cadastral value is also adjusted for inflation every 6 months.

Urban property is taxed at 1.2% and 1.4% in excess of a certain amount. Rural land is taxed at a 1% rate.

Law No. 21,210 introduced a Real Estate Property Surtax, which applies to individuals, legal entities and unincorporated entities, which at the end of the previous business year are owners of real estate registered in the respective Real Estate Registry, whose tax appraisals exceed a total of 670 Annual Tax Units ("UTA" approx. US\$ 625k). In turn, Law No. 21,420 introduced a modification, establishing that real estate subject to the application of Article 27 of Law No. 17,235 (concessions of fiscal real estate, municipal or national real estate for public use) is not subject to surtax, municipal or national real estate for public use).

• Stamp tax

Loans are subject to Stamp tax as long as these are contained in a documentary support (any kind of documentation that contains a loan or credit transaction for money borrowed is subject to the Stamp Tax).

Stamp tax applies to foreign loans even in the absence of a loan document to the extent the loan proceeds are transferred into Chile or accounted for in Chile.

Stamp tax applies at a rate of 0.066% per month or fraction of a month until maturity with a 0.8% cap for loans with maturities of more than 12 months. Loans with no set maturity or payable on demand are subject to the tax at a 0.332% rate.

In case of foreign loans, the local borrower would be responsible for paying the stamp tax, which accrues as soon as the loan agreement "enters" into Chile or is registered before a Public Notary or is recorded in the debtor's account records. If no formal agreement has been granted, then the stamp tax is fully accrued when the loan is recorded in the debtor's account records.

Stamp tax is generally payable upfront when the loan is issued. For credit facilities however, the tax is paid on each drawdown when made.

Stamp tax is deductible for CIT purposes, to the extent the loan is related with the Chilean taxpayer line of business.

• Sole tax on the ownership of certain goods

Law 21.420 ("the Law") establishes in its article 9°, an annual sole tax of 2% on the price of airplanes, helicopters, yachts and high value automobiles. In order to be subject to the tax, these goods must comply with certain characteristics.

This tax is not levied on assets owned by a company that carries out activities taxed with CIT, provided that the respective assets are effectively destined and indispensable for the development of such activities.

09

Foreign Trade



Foreign Trade

Import

The Customs Tariff of Peru is based on the Common Tariff Nomenclature of the Member Countries of the Andean Community - NANDINA, structured according to the Harmonized System of Designation and Coding of Merchandise (HS Code).

In order to determine the tax base for customs duties and taxes levied on imports into Peruvian territory, the WTO Customs Valuation Agreement is applicable. This Agreement provides for six valuation methods to be applicable successively.

Restricted or prohibited products

Restricted goods are those that require a special authorization, license, permit, etc.; from the relevant authority, depending on the type of imported good.

On the other hand, goods considered prohibited (used clothing, used footwear, archaeological remains and objects, among others) are prevented from entering as well as leaving the national territory.

Temporary import regime

Temporary import will be applicable to the extent that the goods are identifiable and intended to fulfill a specific purpose in a specific place, and to be re-exported within a specified period of time without having undergone modifications, except for the normal depreciation derived from their use.

Customs warehouse

Regime that allows goods arriving in the customs territory to be stored in a customs warehouse for this purpose, for a determined period (12 months) and under customs control, without payment of customs duties and other taxes applicable to importation for consumption, provided that they have not been requested from any customs regime nor are they in a situation of abandonment.

Main Ports in Peru

- Port of Callao;
- Port of Matarani, department of Arequipa.
- Port of Paíta, in the department of Piura.
- Port of Salaverry, department of La Libertad.

Export

Exports are duty free. In addition, the Drawback refund regime allows exporting companies of manufacturing, textiles, agriculture and other productive activities, the total or partial recovery of customs duties that affected the importation of raw materials and spare parts, provided that their CIF value does not exceed 50% of the FOB value of exports.

Free Trade Zones

The goods that enter these zones are exempt from taxes such as Income Tax, VAT, among others. To date, the Ilo, Paita and Matarani Zones are in operation, as well as the Tacna zone.

Likewise, the e-commerce of goods that is carried out in the Tacna Commercial Zone to the rest of the country, is not subject to VAT or other taxes (with the exception of Income Tax).





Foreign Trade

Imports

In general, any good may be imported into Chile, except for those that are expressly prohibited by law.

Restricted or prohibited products

Used private vehicles, used motorcycles, used and retreaded tires, asbestos in any form, toxic industrial waste, illicit trafficking of narcotic drugs and psychotropic substances., pharmaceutical products without a health registration, goods that are dangerous to animals, agriculture or human health, which are prohibited by decrees issued by the Health Ministry, the Agriculture Ministry and other government agencies.

Importers that introduce ozone-depleting substances must be registered, as they need to be controlled according to the Montreal Protocol.

Import Taxes

Imports into Chile are subject to a general flat rate of 6% on its CIF value (cost of goods + insurance premium + freight value) and 19% VAT on its CIF value plus the tariff. Notwithstanding the fact that FTAs may be applied that exempt from the payment of customs duty.

Customs warehouse

In general terms, from a customs perspective, goods brought into the national territory must be moved and delivered in an authorized place, with the exception of those on board ships or aircraft that transit the national territory.

Goods presented to Customs may remain stored in the following bonded warehouses:

- Extra-port enclosures enabled directly or under concession.
- Intra-port bonded warehouses in charge of the port companies or given in concession.

Entry Declaration

In order to be cleared of customs, goods entering the national territory must file an Entry Declaration (DIN) with the Customs Service, or the respective destination declaration, (temporary admission, private storage, re-entry, deposit, transit, among others).

Customs Agent

The assistance of a customs agent is particularly relevant and necessary for most customs formalities, given the large number of administrative procedures that must be carried out for these purposes.

Exports

Exports are duty free.

10

Labor and Immigration



Labor contracting modalities

• Indeterminate employment contracts

Peruvian labor law has established, as a general rule, the hiring of workers for an indefinite term. So that, in principle, all paid and subordinate services are presumed to be for an indefinite term.

These employment contracts may be entered into orally or in writing.

The employment relationship begins the day on which the effective provision of services exists, being the first three (3) months of the employment relationship considered as a trial period, as a general rule (except in cases of personnel in positions of trust, in which the parties may agree on longer periods). If they are not qualified to provide the service, the employment relationship may be terminated without the need to invoke a just cause for dismissal.

• Fixed-term employment contracts

They are exceptional, must be recorded in writing, and provided that the employer can prove an objective cause (real and verifiable) for temporary hiring. Otherwise the contract could be distorted and imply an employment relationship for an indefinite period of time.

• Part-time work contracts

It can be held for an indefinite or fixed term, its essential characteristic being that it has a working day of less than four (4) hours a day on average during the week and must be registered with the Administrative Labor Authority (hereinafter AAT).

Workers hired under this contractual modality, because they do not comply with the provision of a minimum number of hours, have reduced the labor benefits. In that regard, they are not entitled to Compensation for Service Time (CTS), they do not have job stability (the employer can terminate the contract unilaterally without invoking just cause), and they only have six business days of vacation for each year of service, bonuses for national holidays and Christmas, and profit sharing.

The following table details all the modalities of temporary employment contract subject to the private labor regime:

Temporary		
Start or increase of activity	Needs From the market	Reconversion business
To meet temporary needs arising from a new business activity. <u>Maximum duration 3 years old</u>	To meet temporary increases in production due to substantial variations in demand. <u>Duration maximum of 5 years.</u>	By substitution, extension or modification of the activities carried out in the company. <u>Maximum duration of 2 years.</u>
Accidental		
Occasional	Substitution	Of emergency
To meet transitory needs other than the usual activity of the workplace. <u>Duration maximum of 6 months a year.</u>	To temporarily replace a stable worker whose relationship is legally suspended. Its duration is subject to the timely reinstatement of the holder to his job.	To cover needs produced by a fortuitous event or force majeure. The term will coincide with the duration of the emergency.
By work or service		
Work or service	Intermittent	Seasonal
It has a previously established object: a work, material or intellectual, or a determined service. The term will be the one that is necessary.	To cover the needs of company activities that by their nature are permanent but discontinuous. It does not have a specific duration period.	Address the needs of the business that occur at times of the year, subject to repetition in equivalent periods in each cycle, according to the nature of the activity.

Remote Work

Currently there is one legal frame for teleworking in Peru, since remote work law expired on December 31st, 2022. Indeed, the current Teleworking Law establishes the following:

Affair	Telecommuting
Implementation	Agreement between the parties
Formality	Written agreement
Mandatory application	Force majeure or unforeseen event
Location to provide the service	Outside the workplace, any place proposed by the employee, even overseas.
Work tools	Provided by the employer and if provided by the worker, they must be compensated by the former; unless otherwise agreed by both parties.
maximum working day	Applicable for personnel subject to immediate control
OSH	Obligation of the employer to inform and verify the measures, conditions and recommendations of SST.
Right to digital disconnection	Workers not subject to a maximum working day: Minimum 12 continuous hours in a 24-hour period
Return to face-to-face	Changes in the work modality must be agreed by both parties, exceptionally the employer can do it unilaterally when it responds to Business needs. Asking a remote teleworker to assist to the workplace requires a notification in advance with the timeframe agreed by both parties.
Validity	Permanent

• Outsourcing of services

The contracting of the provision of services by other companies is regulated through the figure of outsourcing of services, which supposes only a contractual relationship between companies, but not a labor relationship between the main company (company that commissions the development of specialized activities or works that are part of its main activity to another) and the personnel of the company that provides the service.

According to new regulation issued in 2022, the outsourcing of activities that are part of the core of the business is not allowed. This regulation is currently suspended due to challenges at administrative and judicial instances. The Supreme Court will decide if this prohibition remains or will be declared illegal.

Outsourcing with the displacement of personnel to the company premises requires from the outsourcing company:

- 1 Assume the services provided at your own risk and expense;
- 2 Have their own financial, technical or material resources, must have capital to support their operations and have 2 or more clients, with exceptions;
- 3 Be responsible for the results of your activities; and
- 4 Your workers must be under your exclusive subordination: your staff must be directed, supervised and sanctioned by the outsourcing company and not by the contracting company.

However, the Indecopi has declared that the following measures constitute illegal bureaucratic barriers:

- The prohibition of outsourcing activities that form part of the core of a company's business.
- The requirement to consider as denaturalization of outsourcing when the displacement of workers by the outsourcing company is carried out for the development of activities that are part of the core business.

Consequently, both the MTPE and the National Superintendence of Labor Inspection (SUNAFIL) will not be able to question or sanction companies that outsource core business activities, under penalty of a fine. This until a judicial decision is issued questioning the illegality declared by Indecopi.



Job intermediation

It allows the secondment of personnel and its use is restricted. It is oriented to cover temporary, complementary and/or specialized activities of the user company, with the following requirements:

Activities	Definition
Temporary	They are occasional or replacement services. The number of workers of service companies or cooperatives that can provide services in user companies may not exceed 20% of the total number of workers of the user company.
Complementary (permanent)	Auxiliary activity, not linked to the main one. His absence does not interrupt operations. Examples: surveillance, security, repairs, external messaging, cleaning and others of a similar nature.
Specialized (permanent)	Auxiliary, secondary or activity not linked to the main activity that requires a high level of technical, scientific or particularly qualified knowledge. Examples: specialized maintenance and sanitation.

• Working day

The ordinary working day is (8) eight hours a day or (48) forty-eight hours a week, as a maximum. A higher or lower limit can be set than the regular one, as long as the ordinary working day does not exceed 48 hours a week.

Those hours actually worked that exceed the daily or weekly workday will be paid with a surcharge of not less than 25% of the ordinary hour value for the first two hours; and, after the third hour, with a minimum surcharge of 35%, unless a higher amount is agreed.

• Night shift

It is the time worked between 10pm and 6am. Night shifts must be rotating for workers and those who are assigned to said shifts who receive a remuneration equivalent to the minimum vital remuneration (RMV) in force on the date of payment (S/ 1,025 Currently, approximately US\$ 262 they must receive a surtax of 35%.

• Working condition

It is any allowance - in cash or in kind - that is granted to the worker for the full performance of his work or during the exercise of his functions, such as mobility, travel expenses, representation expenses, clothing and in general everything that reasonably complies with such object and does not constitute a benefit or patrimonial advantage for the worker.

Working conditions are not affected by the contributions that are levied on remuneration, nor are they considered as the basis for calculating social benefits and the contribution to social health security.



Laboral benefits

The labor benefits established by law that workers receive are the following:

Concept	Detail	Amount
Remuneration	Amount that remunerates the effective hour of work, is the calculation basis for social benefits.	If the working day is ordinary (4 hours a day or more) it cannot be less than the RMV, which currently amounts to S/. 1,025.00 (approximately US\$ 262).
Household allowance	Amount granted to the worker who certifies having children under 18 years of age or who, being older, have been pursuing higher education.	It is equivalent to 10% of the RMV. Currently amounts to S/. 102.50 (US\$ 26 approximately).
Legal gratuities	Amounts granted to workers for National Holidays (paid in July) and Christmas (paid in December) of each year.	They are each equivalent to an ordinary monthly remuneration, made up of the basic salary plus other remuneration items that are regularly paid to the worker (eg family allowance, housing allowance, etc.).
Compensation for Time of Services (CTS)	Annual amount paid by the employer to the worker in order to generate a protection fund in the event of termination of the employment relationship. 50% is deposited every six months (May and November of each year) in the bank chosen by the worker.	It is equivalent to the ordinary monthly remuneration received by the worker in the months of April and October of each year, plus one sixth of the amount paid for legal gratuity.
Life insurance	The employer must pay for life insurance from the beginning of the employment relationship. It is a group or collective insurance and benefits the direct family members of the worker (spouse/partner and children).	The insurable remunerations for the payment of the capital or policy are constituted by those that appear in the books of payrolls and payment slips, habitually received by the worker.
Vacation	It consists of 30 calendar days of paid physical rest for each full year of services, provided that it also complies with the service record required by law.	The amount is equivalent to an ordinary monthly remuneration that would have corresponded to him if he continued working.

Concept	Detail	Amount
Participation in company profits	<p>The company that has more than 20 workers (on average 20.5 per year) and that generates profits (net income before taxes, not accounting profit), is obliged to distribute to its workers a share in the profits according to the percentage that corresponds according to the activity carried out:</p> <p>Fishing Companies: 10% Telecommunications companies: 10% Industrial business: 10% Mining Companies: 8% Wholesale and retail trade companies and restaurants: 8% Companies that carry out other activities: 5%</p>	<p>For example, if a mining company has generated net profit before taxes of S/ 1,000, and meets all the requirements required by law for profit sharing, it must carry out the following exercise: Net profit before taxes: S/ 1,000 Percentage to distribute: 8% So: $S/ 1000 \times 8\% = S/ 80$ (total to distribute) Thus, the company will distribute S/ 80 among all its workers according to the following detail:</p> <ul style="list-style-type: none"> • 50% of the amount calculated based on the days actually worked during the year. • 50% of the remaining sum based on the remuneration received at the time of payment.
Social Health Insurance (ESSALUD)	The employer must pay a contribution to the EsSalud Insurance for each of its workers.	<p>It is equivalent to 9% of the monthly ordinary remuneration and includes the family allowance and other concepts of a remunerative nature. It does not tax the CTS.</p> <p>As of March 2015, legal bonuses are not taxed with the aforementioned concept, instead, the employer must pay the equivalent of the contribution (9%) directly to the worker as an "extraordinary bonus" in accordance with the provisions of Law 29351.</p>
Complementary Insurance for Hazardous Work (SCTR)	The employer must pay monthly in favor of its workers the coverage of additional insurance to that provided by the Social Security of Health (ESSALUD) for carry out activities classified as risky.	The percentage to be paid will vary depending on the greater or lesser degree of risk of the activity, and varies between 0.63% to 1.84% of the ordinary monthly remuneration and includes the family allowance and legal bonuses. It does not tax the CTS.
Compensation for arbitrary dismissal	If the employer fires a worker without just cause, it is obliged to pay compensation.	<p>In the case of workers with indefinite-term contracts, it is equivalent to one and a half (1.5) regular monthly remuneration for each year of the worker's services; however, the ceiling of said compensation is 12 remunerations.</p> <p>In the case of workers with fixed-term contracts, it is equivalent to one and a half (1.5) regular monthly remuneration for each month remaining to complete the contract with a maximum of 12 remunerations.</p>

Immigration regime – Types of migratory qualities

Permits are granted by the National Migration Superintendence, in accordance with the following:

Temporary:

Allows the entry and permanence of a foreigner in Peruvian territory, without the intention of residence, in general for 183 days, cumulative within a period of 365 days. Some temporary migratory qualities are:



- **Business**

It allows the foreigner without residence intention to carry out activities of a business, legal, contractual, specialized technical assistance or similar nature, the period of stay is extendable.



- **Temporary Worker/Designee**

Applicable to foreigners who wish to carry out the same activities referred to in the migratory qualities resident worker and designated resident, but without the intention of residence. It allows multiple entries, with the term of stay being extendable.



- **Tourist**

It does not allow work or carry out paid or lucrative activities, it allows multiple entries and the term of stay is not extendable.

Residence:

Authorizes entry and/or residence in the territory of the Republic, they are extendable and allow multiple entries. Some migratory qualities of residence are the following:



- **Designated**

It allows you to carry out work activities that consist of performing a specific task or function or a job that requires specialized professional, commercial or technical knowledge sent by a foreign employer. It allows multiple entries and the term of permanence is 365 days.



- **Investor**

It allows establishing, developing or managing legal investments within the framework of Peruvian legislation. The term of permanence is 365 days.



- **Worker**

It allows lucrative activities to be carried out subordinately or independently, through a work contract approved by the Ministry of Labor and Employment Promotion, including employees of a transnational company or international corporation that travels to Peru to work in a company of the same economic group or holding, to perform as senior management or trust personnel or as a specialist or specialist.

- **Relative of resident**

Permits residence to a foreigner who is a member of the family immigration unit of a Peruvian or resident foreigner. It allows lucrative activities to be carried out in a subordinate or independent way.

- **Permanent**

Allows foreigners to reside indefinitely after three (3) years as a legal resident, with an indefinite period of stay.

- **International agreement**

Allows residence to nationals of countries with which the Peruvian State has international treaties and agreements in force and that establish the possibility of residence. Includes the statutes for Political Asylums and Refugees.

The term of permanence and conditions are in accordance with the provisions of the applicable international treaties and conventions.

- **Resident Special**

It is granted by MIGRATION to foreigners who, having entered the country, need to regularize their immigration status, it allows the foreigner to enter the country multiple times and carry out lucrative activities in a subordinate or independent manner in the public and/or private sectors.

The term of permanence is up to 365 days, extendable, unless expressly provided in the approved regularization standard.

- **Work permit**

Any foreign citizen who has been assigned to start work in Peru must apply for a work permit. Employers, whether foreign or national, are authorized to hire personnel from other countries, with the condition that they do not exceed 20% of the total number of employees hired, and that their salaries must not exceed 30% of the costs registered in the payroll.

The hiring of foreign employees is subject to the labor regime of the private sector and to the limits established in the law that regulates it. Currently, work contracts with foreign personnel, as well as extensions and modifications, are automatically approved, that is, with the mere presentation, leaving their subsequent review at the discretion of the Administrative Authority.

Additionally, workers may apply for the exception of the aforementioned limit percentages if they are specialists, managers or executive personnel of a new company, employees of public companies or private companies that have signed agreements with public bodies, among other cases.





Employment Contracts

Type of Employment Contracts



Individual employment contract:

Written agreement subscribed between an employer and an employee whereby they are bound, the employee to render personal services under subordination and dependency to the employer and this latter to pay a remuneration for those services.

The labor relationship exists even though there is no written employment contract, whenever an individual provides personal services under subordination and dependency, in exchange of an agreed remuneration.

Local Labor legislation also provides special contracts, such as for farm employees, dock employees, navy employees, among others, that have special requirements and clauses provided by law.

The legal minimum working age in Chile is 18 years of age. However, minors under 18 years and above 15, may enter an employment relationship to carry out light work that does not harm their health and development, provided they have the express authorization of the person in charge of their care and prove that they have finished their secondary education or are currently studying primary or secondary education. In these situations, the work provided for in the contract should not hinder their regular attendance at school and their participation in educational programs.



Collective Agreements:

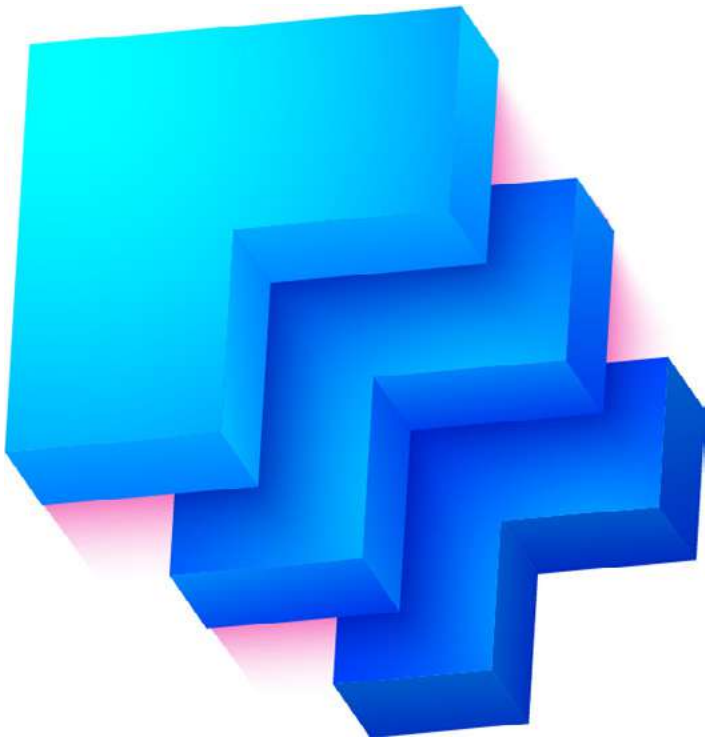
The convention celebrated between employers and unions with the purpose of establishing common labor conditions, remunerations and/or other benefits in kind, for a fixed period. The law stipulates the minimum clauses to be included in these instruments and the bargaining negotiation process.

Employment Contracts

Minimum Clauses

Among the minimum clauses that every employment contract must have, are the individualization of both parties, providing their name, ID number, date of birth, email and address, nature of the services, the place where they will be provided, the amount, form and period of payment of the agreed remuneration, the duration and distribution of the work schedule and the duration of the agreement. Additional benefits that the employer may provide, such as housing, room, electricity, fuel, food or other benefits, must also be recorded.

The contract must be in writing and signed in two counterparts by both parties, one in the possession of each party. Any modification must also be made in writing and signed by the parties.



Duration of the Employment Contract

The parties may agree on an indefinite contract or limit the duration of the contract to the completion of a particular job to be performed by the employee, or else agree on a fixed period.

In this last case, the duration of the contract cannot be agreed for periods exceeding one year, or two years in the case of managers, professionals and technicians.

At the expiry of the original fixed period or its extension, the contract terminates ipso facto but, if the employee continues rendering services, it will be understood that it is transformed into an indefinite contract.

The employer must execute the contract and provide the employee with a copy of the same within 15 days after the employment relationship begins, as if otherwise, the employment clauses claimed by the employee shall prevail.

Employees' Nationality

The Labor Code states that companies with more than 25 employees must employ a staff that includes at least 85% of Chilean employees. This rule excludes:

a) Specialized foreign technicians

b) Foreign employees that:

- (i) have been resident in Chile for five years or more,
- (ii) are married to Chilean nationals or the widows or widowers thereof, or
- (iii) have Chilean. Children will be considered as Chilean for the calculation of this proportion.

Workday schedule

- Ordinary: the ordinary working day is classified according to the working hours established in the contract. Weekly working hours legal limit is 45 hour that must be distributed in minimum 5 and maximum 6 days.
- Recently, a law was passed to reduce the workweek to 40 hours per week. The implementation of this law is designed to be gradual over a maximum period of 5 years. For 2024, the work schedule should be reduced in 1 hour.
- Working hour limits do not apply to managers or administrators or to employees who work without immediate superior supervision.
- The workday must be divided into two periods, leaving between them, at least, a half-hour break for lunch, which must not be considered for the purposes of determining the workday.
- Sundays and days legally established as holidays shall be nonworking days, except for activities authorized by law to be performed on those days.
- Partial work schedule: the partial work schedule would consider employee that work 30 hours or less per week.
- Overtime: the labor law describes overtime as the extra hours agreed between employer and employee to perform a service exceeding the maximum legally agreed hours. Overtime is permitted but limited to a maximum of two hours per day and subject to a 50% surcharge per hour.



Remunerations

In Chile, remuneration includes all cash and kind valuable in cash compensation the employee receives from the employer in virtue of employment.

The remuneration is agreed by the employee and employer, but it cannot be less than the minimum monthly wage (MMW) that is established annually by Law and applicable to all employees over 18 years and under 65 years of age, except those employees working partial work schedule.

Currently, the MMW is CLP 440.000 and will rise to CLP 460.000 in September 2023. By July 2024, the MMW will be CLP 500.000. The MMW is the calculation base of some benefits granted to employees, such as family allowance.

The remuneration includes base salary, overtime payment, commissions, profit sharing and bonuses. The law further indicates that certain payments or allowances do not constitute remuneration, such as meal and transportation allowance, per diems, tools' wear and tear, among others.

The remuneration must be paid in the agreed period that cannot exceed one month. However, regarding variable remunerations the payment can be agreed considering broader periods.

Profit Sharing

All profitable companies are liable for distributing among its employees, at least a 30% of the net profits accrued in the commercial exercise.

Notwithstanding the above, the employer can be exempted from this obligation by paying each employee the 25% of the employee's monthly remuneration accrued on a yearly basis, capped in 4,75 minimum monthly wages.

Vacations

Employees with more than one year of employment have the right of 15 working days of paid vacation. Those who are employed in the regions of Magallanes and Aysén and in the province of Palena have the right to 20 days of paid vacation per year.

Vacations are preferably granted in spring or summer, considering the needs of the business, and must be continuous.

Vacation in excess of 10 working days can be split by mutual agreement between the employee and the employer. Vacation cannot be compensated in cash, except in the event of employment termination.





Telework and remote working

The Chilean legislation allows the parties of an employment contract to establish the modality of remote work or telework for the provision of their services.

By telework, the Chilean Law refers to services provided by technological, computer or telecommunication means, or services reported through these means.

By remote working, the Law defines the services rendered, totally or partially, from the employee's home or another place or places different from the establishments, facilities or premises of the company, even from places freely chosen by the employee.

The parties must sign a contract or an addendum establishing the modality of teleworking and remote work, which in no case may imply an impairment of the rights of the employees including the minimum requirements provided by Law such as the disconnection period.

Internal Hygiene and Safety Ruling

Companies with 10 or more employees must draft an Internal Ruling of Order, Hygiene and Safety regarding the workplace providing the minimum clauses established by Law.

Any company that employs 25 or more employees must form one or more Safety and Hygiene Committees, which are constituted by 3 representatives of the employees and 3 of the employers. One of the employees would be subject to Labor privilege.

Inclusion Law

Companies with 100 or more employees must hire or maintain in their headcount, at least, 1% of the personnel with disabilities or beneficiaries of a disability pension,

If the employee, for various well-founded reasons, cannot comply with the above, must apply on of the alternative fulfillment methods provided by Law.

Maternity Leave

Female employees, when pregnant, are entitled to a maternity leave of 6 weeks before birth and 12 weeks after. During all this time, the employment contract would be legally suspended, thus the employee is prevented from rendering services and the employer from paying the agreed remuneration, as the employee is entitled to receive a fiscal subsidy.

After the expiration of the 12 first weeks of leave, the female employee would be entitled to an additional parental permit, exercisable in two modalities:

- a) Fully extending the maternity leave for 12 additional weeks; or
- b) Working on a part time basis for 18 additional weeks (until the child is 30 weeks old) being entitled to the 50% of the fiscal subsidy and, at least, 50% of her agreed remuneration and fixed benefits agreed upon in her employment contract, payable by the employer, along with any other variable remuneration that she may be entitled to.

The female employee can transfer a portion of the parental leave to the father of the child, within the last month of leave.

Male parent employees are entitled to 5 paid days of paternity leave within the month following the birth of the child.

Termination of Employment

As a rule, to terminate the employment contract in Chile, the employer must invoke one of the following legal causes provided on the Chilean Labor Code

Objective Causes	i.Mutual Consent of the parties, Resignation of the employee iii.Death of the employee, iv.Expiration of the term agreed in the employment contract.
Unilateral decision of the employer	i.Company's Needs ii.Written Dismissal
Imputable to the Employee	Employee's negligent behaviour or a serious breach of the obligations provided in the employment contract.

The following severance payments will be triggered when the employment contract terminates by a unilateral decision of the employer, this is when the employer invokes the cause (i) Dismissal due to company's need or (ii) Dismissal without a cause.

Years of Service	Equivalent to the last monthly remuneration (LMR) per each year of service and fraction over 6 months rendered to the employer. The last monthly remuneration is capped in UF 90 and 11 years of services.
In Lieu of Notice	Equivalent to the last monthly remuneration and triggered if the employer fails to provide the employee at least a 30 day prior notice. As above, the LMR will be capped in UF 90.

Regardless the employment termination cause invoked by the employer, the employee will always be entitled to the pending and proportional holidays accrued and accumulated upon termination date.

Social Security Contributions:

Borne by the employee

In accordance with local social security rules, all dependent employees are liable for monthly contributing to pension, health and unemployment, as indicated below:

- a. 10% of their monthly remuneration, up to a maximum of UF 81,6 to a personal retirement account managed by a Pension Fund Administrator.
- b. 7% of their monthly remuneration (capped in UF 81.6) for health care.
- c. 0.6% of the employee's monthly remuneration capped in UF 122,6 for unemployment insurance.

Borne by the employer

On the other hand, employers are liable for the following mandatory contributions:

- a. A basic contribution of 0.90% of each employee's remuneration for Work Accidents Insurance . Additionally, depending on the risk of the corresponding activity the employer must contribute up to 3.4%
- b. 1.61% of the employee's monthly remuneration (capped in at UF 81.6 UF) for death and disability coverage.
- c. 2.4% of the employee's compensation for unemployment insurance capped in UF 122,6 for unemployment insurance.Labor Statute of Limitations

The Chilean Labor Code establishes a 2- year statute of limitations period to claim rights arisen from employment whilst employment is in effect. Once employment is terminated, the employee has 60 days to file a Labor claim, extended in additional 30 days if a claim was filed before the Labor Authority (Dirección del Trabajo).

*Considering an exchange rate of US\$ 813,44, 1 UF consists of approximately US\$ 44.



Outsourcing

Chilean labor legislation regulates outsourcing, which is defined as work carried out by virtue of an employment contract by an employee for an employer, called a contractor or subcontractor, who on the basis of a contractual agreement, executes works or services at its own risk and with employees under its dependence, for a third person, natural or legal, project owner, company or task, called the main company, in which they carry out the contracted services or works, as long as they are not sporadic nor discontinuous.

In relation to outsourcing, it is important to keep in mind that:

- The general rule is that the main company is jointly and severally liable for the labor and social security obligations of the contractor's employees. Such liability will be limited to the time during which the employees' provided services under subcontracting regime to the main company. In the same terms, the contractor will be jointly and severally liable for the labor obligations of the subcontractor's employees.
- The main company has the right to be informed by the contractor of the amount and compliance of labor and social security obligations (right of information or control and payment). Therefore, if the contractor or subcontractor does not timely prove full compliance of labor and social security obligations with respect to its employees, the main company may withhold the amount from its obligations with the contractor (right of withholding).
- If the main company chooses to exercise these rights, it will be able to access a regime of subsidiary liability, in which it will only have to respond to the employee for the labor and/or social security obligations breached by the contractor and that have been legally claimed by the employee.



Immigration regime

Regulatory regime.

- Law No. 21,325, related to Migration and Foreigners, published on April 20th, 2021.
- Decree No. 296, which approves the Regulation of Law No. 21,325 on Migration and Foreigners, published on February 12th, 2022.
- Decree No. 23, which establishes subcategories of transitory permanence, published on January 28th, 2022.
- Decree No. 177, which establishes subcategories of temporary residence, published on May 14th, 2022.
- Law No. 21,325 (hereinafter also referred to as the "Law") is the main regulatory body on migration. The scope of application of this law and its regulations "[...] is to regulate the entry, stay, residence and departure of foreigners from the country, and the exercise of rights and duties [...]"

Entry categories.

The Law contemplates various entry categories.

Article 26 of the Law specifies what the entry categories are, which will be defined later:

- The transitory permanency (tourists).
- Official residence.
- Temporary residence.
- Permanent residence.

Qualities of migration categories.

Regarding migration categories, they can be doctrinally divided into two qualities:

- Non-resident qualities.

These do not intend to stay in the country but only to visit it for a limited time (v.g. the tourist or temporary stay permit).

- Resident Quality.

These express their intention to reside in the national territory temporarily or permanently (temporary or permanent resident permits).

Thus, for the first group, a temporary stay permit is required, while for the second, a temporary or permanent residence permit is required, as the case may be.

The transitory permanency (tourists).

The transitory permanency is the permit granted by the National Migration Service to foreigners who enter the country without the intention of settling there, authorizing them to stay in the national territory for a limited period (Article 47 of the Law). This permit is requested before the National Migration Service, which may delegate this power to the Investigations Police to deliver it at the designated checkpoints.

Regarding the length of stay, "holders of temporary stay permits may stay in the country for up to ninety days" (Article 48 of the Law). The same article states that a request for an extension of up to ninety more days may be allowed, which is presented directly to the National Migration Service. Likewise, a second extension is allowed in cases of force majeure.

Regarding remunerated activities, Article 50 of the Law states that "holders of temporary stay permits may not engage in remunerated activities. Exceptionally, those who require specific and sporadic activities and who directly receive compensation or economic benefits in Chile or abroad as a direct result of these activities may request authorization from the Service to carry out such activities [...]" (Article 50 of the Law). Therefore, to engage in remunerated activities in Chile under this permit, a work permit must be obtained.



Official Residence.

Official residence is the residence permit granted to foreigners who are on an official mission recognized by Chile, and to their dependents.

Likewise, the same norm establishes that the granting and rejection of this residence permit will be the responsibility of the Ministry of Foreign Affairs.

The Temporary Residence Permit

This is defined as "the residence permit granted by the Service to foreigners who intend to settle in Chile for a limited time" (Article 68 of the Law).

It should be noted that the validity of the temporary residence permit is two years (Article 72 of the Law). Likewise, about renewals of this type of permit, they must be requested before the National Migration Service no more than 90 days and no less than 10 days before the expiration of the residence permit.

Regarding entry deadlines, the following must be distinguished:

- - If it is a temporary residence permit obtained outside of Chile, holders must enter the country within 90 consecutive days from the time the migration category is incorporated into their passport (Article 72, paragraph 2 of the Law). The validity of these permits will be calculated from the date of entry into the country.

- - If it is a permit issued within the national territory, it will take effect when the passport is stamped or registered (Article 72 of the Law). It should be noted that this type of acquisition is the exception and applies, for example, in humanitarian cases, permit renewals, among other situations.

As for remunerated activities, temporary residents may engage in them (Article 73 of the Law).

Decree No. 177 establishes the subcategories of temporary residence. Among the various subcategories, some of them are:

- Permit for foreigners who engage in legal remunerated activities.
- Permit for seasonal workers.
- Job opportunities permit.
- Permit for investors and related personnel.
- Multiple-entry business permit.

Permanent Residence:

This is "the permit to settle indefinitely in Chile, which authorizes the development of any lawful activity, without other limitations than those established by legal and regulatory provisions" (Article 78 of the Law).

11

Other relevant issues



Protection of Commercial and Industrial Rights

The members of the Andean Community, which brings together Peru, Bolivia, Colombia and Ecuador, undertake to standardize their trade laws and even adopt common rules, such as rules for the protection of trade-related rights.



Tradenames

This distinguishes the merchant in the exercise of his activities, and is usually related to the name of the business. It is protected without the need for registration: whoever adopts a name to distinguish their business activities and uses it effectively in commerce, acquires a right over that name, and in order to exercise it, they must prove priority in use (the oldest use).



Brands:

The protection of trademarks in Peru is obtained by registering them. Any sign or medium capable of distinguishing one product or service from another of the same nature in commerce can be registered as a trademark (for a term of 10 years, renewable indefinitely for similar periods). Peruvian law makes it possible to register forms, sounds and smells.



Other Industrial Property Rights

The industrial property rights protected in Peru are various, such as patents, trademarks and trade names. In the field of inventions, Peruvian legislation protects the elements of industrial property.



Patents:

Title that protects the creator of an invention with industrial application. The patent right is granted by the competent authority after analyzing whether the invention is truly a creation; whether it is “inventive” –a contribution to technology- and not the obvious or necessary result of a known procedure; and if it has industrial application.



International deals

In addition to the Andean community regulations, in application of the Paris Convention for the Protection of Industrial Property and the Berne Convention for the Protection of Literary Works and Artistic, Peru undertakes to grant protection to the rights of the nationals of any of the member countries of both treaties under the same conditions as its own nationals.

The authority will decide whether or not the invention is detrimental to the public order, morals, health, or lives of individuals.

Accounting and Audit

“International Financial Reporting Standards - IFRS and International Auditing Standards-ISAs, are main frameworks for financial information”

Accounting

The generally accepted accounting principles in Peru are, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Likewise, there are accounting standards or requirements issued by Peruvian Regulators: SMV, SBS and Superintendency of Healthcare Providers..

Legal entities subject to control and supervision are required to prepare their annual financial information in compliance with the Financial Information Regulations and the Manual for the Preparation of Financial Information. They must also present their audited annual financial information.

Those companies not supervised or regulated by the SMV with annual income equal to or greater than 3,000 UIT (UIT for 2023 is S/ 4,950.00 or US\$ 1,269.00, approximately) must prepare and present their financial statements under IFRS audited by auditing companies authorized by a College of Public Accountants in Peru.

Audit

Similar to IFRS, Peru has adopted the Generally Accepted Auditing Standards (NAGAS) and the International Auditing Standards (ISA) approved for application in Peru by the Board of Deans of the College of Public Accountants of Peru.

The general framework of auditing standards (International Auditing Standards) is given by the general standards (referring to the qualities of the auditor), standards related to the execution of the work (audit planning, supervision and evaluation of internal control) and the standards related to the auditor's report (about the content of the opinion).



12

Environment and Energy transition



Environmental Regulations

Environmental obligations

Under the Environmental Impact Assessment System (SEIA) regulations, any investment project that involves activities, constructions, works, and other commercial and service activities, funded by public, private, or mixed capital, which could result in significant negative environmental impacts, must obtain environmental certification before being carried out. It is mandatory for these projects to have an environmental certification beforehand, and no national, regional, or local authority can approve, authorize, allow, grant or enable them without it. The scope of this regulation includes activities related to hydrocarbons projects.

There are some specific rules for the mining's activities such as the Supreme Decree 042-2017-EM. Its purpose is to ensure compliance with environmental legislation on prevention, minimization, mitigation, rehabilitation, remediation and - if it is applicable - compensation of the negative environmental impacts derived from mining exploration activities, as well as from the corresponding closure and post-closure activities.

Certificate of Non-existence of Archaeological Remains (CIRAS)

In addition, it is mandatory for all public and private investment projects to obtain the Certificate of Non-existence of Archaeological Remains on Surface (CIRAS), which is issued by the Ministry of Culture, before starting work.

Mine Closure Plan

The Mine Closure Plan is an environmental management instrument that describes the technical and legal activities for the closure and rehabilitation of a mining unit so that it reaches the characteristics of an ecosystem compatible with a healthy and adequate environment for the development of life.

The submission of the Mine Closure Plan is an obligation required of all mining activity owners, whether in operation during the mining development or production phase, who start mining operations or restart them after having suspended or stopped them.

Statement on Social Commitments

The Ministry of Energy and Mines (MINEM) approved the unified format for the declaration of compliance with voluntary social commitments of mining, hydrocarbon and electricity operations.

The purpose of the unified format is to have a document that allows holders to declare the activities they carry out in their areas of influence and the percentage progress in compliance with the commitments undertaken.



Environmental Regulations

Prior consultation

Before commencing an investment project that involves utilizing natural resources, the investor needs to assess whether the project area is located between or near lands of indigenous communities. This is because special regulations are in place in our country to safeguard the rights of these communities.

Through the Convention 169 of the International Labor Organization and the Law of the Indigenous and Native Peoples Right to Prior Consultation and its Regulations, Peru recognized the indigenous communities as a vulnerable group and established a special right to consultation in their favor.

Indigenous people have the right to be consulted about any legislative or administrative measures that may affect their living conditions concerning the use of their land.

This process aims to safeguard the rights of indigenous communities and to avert potential social conflicts that may arise from investment projects that could impact them.

The timeline for conducting the prior consultation process by the competent authority is before the issuance of the Supreme Decree that approves the subscription of contracts for exploration and exploitation.

The prior consultation process consists of seven stages, which include: (1) Identifying the legislative or administrative matter that requires consultation;

(2) Identifying the indigenous people and their representative organizations; (3) Publicizing the legislative or administrative matter that requires consultation; (4) Providing information; (5) Conducting an internal evaluation by the indigenous people; (6) Facilitating dialogue between the Government and indigenous people; and (7) Making a decision.

The decision-making process must consider the following aspects:

- It must be within the competences of the promoting entity.
- It must comply with the constitutional and legal framework.
- It must adhere to the environmental legislation.
- It must preserve the survival of the indigenous people and their collective rights.
- It must guarantee the communal property and land rights of the indigenous people.

It should be noted that in the event of a lack of consensus in the final stage of the process, the entities promoting the project will make every effort to modify the legislative or administrative measures to ensure the protection of the rights and improvement of the living conditions of the indigenous people. Therefore, the absence of consensus does not give the latter a right of veto.



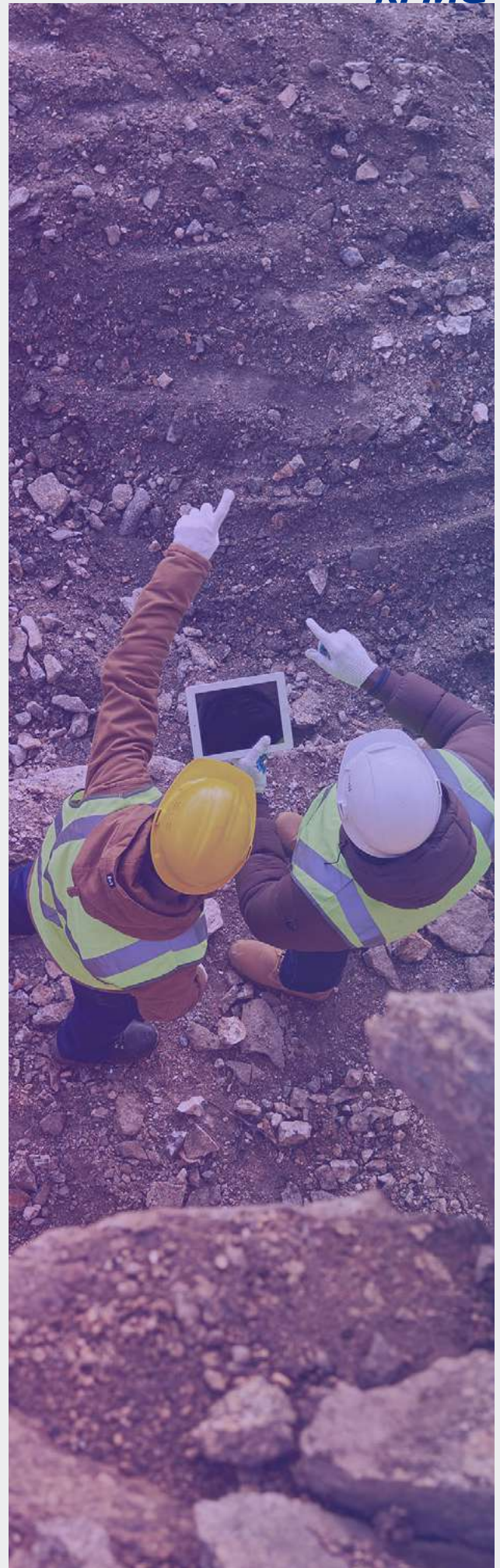
Environmental Regulations

Citizen Participation

It involves all communications that can be established between government authorities, investors and communities located in the area of interest –direct and indirect- of the projects.

Citizen participation will be ruled by special laws since the level of sensitivity and social trust reaches different level in this industry.

In this sense, regarding hydrocarbon activities, in May 2008, the MINEM published the new Regulation on Citizen Participation for the Mining Subsector (Supreme Decree 028-2008-EM) with the aim to regulate the responsible participation of any person, individually or collectively, in the processes of definition, application of measures, actions or decision-making of the competent authority, related to the sustainable use of mineral resources in the national territory.



Citizen Participation Procedure

Currently, the citizen participation on mining procedure could be dividend in 2 stages:

CITIZEN PARTICIPATION AFTER THE GRANTING OF THE MINING CONCESSION

MINEM shall promote the holding of various informative events, such as forums, conferences, workshops, etc., periodically at the regional or provincial level, in coordination with the respective regional or local authorities and the mining concession holders.

CITIZEN PARTICIPATION IN EXPLORATION PROJECTS:

At the time of submitting for evaluation the environmental studies that correspond to mining exploration projects, the mining titleholders must prove the prior execution of the citizen participation mechanism "Participatory Workshops".

CITIZEN PARTICIPATION IN EXPLOITATION AND PROFIT PROJECTS:

Before and during the stage of elaboration of the EIA and EIAsd required for the exploitation and beneficiation projects, the mining titleholder must coordinate with the competent authority of the region where the mining project will be developed, the realization of at least one participatory workshop and any other of the citizen participation mechanisms.

CITIZEN PARTICIPATION DURING THE EXECUTION OF THE MINING PROJECT

The mining owner must propose any of the authorized citizen participation mechanisms as part of his Citizen Participation Plan, preferably opting for the Permanent Information Office or Participatory Environmental Monitoring.

CITIZEN PARTICIPATION IN EXPLOITATION AND PROFIT PROJECTS:

Notwithstanding the participation mechanisms provided in the special environmental regulations for mine closure activities, the following mechanisms may be taken into account: publicity of notices; public access to executive summaries and the content of the mine closure plan; dissemination of information through a team of facilitators; presentation of contributions, comments or observations before the authority; others that are deemed appropriate.

Environmental Impact Assessments

Depending on the magnitude of the impact that the hydrocarbons activity could produce there are different types of EIA:

Environmental Impact Statement (EIS):

When the negative environmental impact is determined as not significant, its approval is almost immediate. An EIS must be evaluated within 30 days.

Semi Detailed Environmental Impact Assessment (EIA-sd):

When the negative environmental impact is determined as moderate and susceptible to be eliminated or minimized by adopting easy measures. The investor should present a study that will be on a period of evaluation by the competent authority. An EIA-sd must be evaluated within 90 days.

Detailed Environmental Impact Assessment (EIA-d)

When the negative environmental impact is determined as significant because of its magnitude, characteristics or location. It will be necessary to present an in-depth analysis to study the impact and propose the risk management. An EIA-d must be evaluated in a maximum of 120 days.

The competent authorities to evaluate the EIA are the MINEM, and for complex studies, the Environmental Certification National Service for Sustainable Investment (SENACE).



Energy Transition, miscellaneous matters

Green Hydrogen

The private initiative project seeks to promote the development of Green Hydrogen in its different applications, through tax and financial incentives.

Among the tax incentives included in this project, it is proposed to introduce income tax deductions, exclusion from the scope of application of VAT, early recovery of VAT, accelerated depreciation and tariff exceptions.

Carbon bonds

In 2018, Law 30754 – The Framework Law on Climate Change established general provisions to coordinate, articulate, design, execute, report, monitor, evaluate and disseminate public policies for the integral, participatory, and transparent management of adaptation and mitigation to climate change in order to reduce the country's vulnerability to climate change, take advantage of the opportunities of low-carbon growth and comply with the international commitments assumed by the State in the United Nations Framework Convention on Climate Change.

The Law establishes that the State designs and implements programs, projects and activities aimed at reducing greenhouse gas emissions, carbon sequestration, and the increase of sinks, prioritizing, among others, sustainable transportation.

In 2020, the government approved Supreme Decree 013-2019-MINAM (Regulation of the Law), which creates the National Registry of Mitigation Measures. This Registry allows access to information on mitigation measures developed in the country, including carbon credits generated.

Likewise, the Regulation establishes that REDD+ is the mechanism for reducing emissions from deforestation and forest degradation. It seeks to offset carbon emissions through the issuance of bonds. It is led by Ministry of Environment - MINAM and is financed by international organizations (Moore Foundation and German Bank KFW).

To date, there 645k protected area carbon bonds for sale. The 30% are old carbon bonds (prior to 2012, whose price was between US\$ 3 and 5 per bond). But from 2013 to 2017, the price of carbon bonds was up to US\$ 7, and from 2018 to 2020, was between US\$ 8 and 9. From 2021 to 2022, the price of carbon bonds was up to US\$ 9+.

Peru is the second largest carbon bond issuer in LATAM: 14M in 1Q of 2021. The Carbon bonds come only from REDD+ projects: Madre de Dios project (9M), Alto Mayo project (+8.4M) and Cordillera Azul (25M).

How to buy carbon bonds from Protected Areas in Peru?

- 1) Contact NGO allied to National Service for Natural Areas under State Protection – SERNARP (NGO CIMA, AIDER or Conservation International).
- 2) Submit a request for the purchase of carbon credits (deadline: 15 days).

The funds collected are destined to biomass conservation and financing of community productive projects.

Electromobility

As part of international commitments and national policy objectives, Peru has committed to undertake actions to reduce greenhouse gas emissions by 40% by 2030. In this sense, within the framework of its constitutional powers and in order to comply with its adaptation and mitigation NDCs, the Peruvian government has approved several guidelines in its policies, oriented to sustainable development, as well as concrete actions aimed at reducing its polluting emissions.

Although some tax benefits have been approved that represent progress on the road to electromobility, to date Peru does not have a comprehensive regulatory framework that encourages the transition from the use of polluting vehicles to more efficient vehicles.

Notwithstanding the foregoing, to date, Congress is reviewing bills that promotes the use eco-friendly vehicles.

Some of the proposals for the use of this type of vehicle are the temporary reduction of taxes that have an impact on the acquisition of these vehicles (i.e., ad-valorem, VAT, Municipal Promotion Tax, Vehicle Wealth Tax, reduction of the current income tax rate, early recovery of VAT), among others of a regulatory nature.

Carbon Tax

Peru does not have national carbon pricing policies. However, it has established a social cost of US\$ 9+ per ton for its evaluations of public investment projects. Also, there is a private initiative project that proposes to introduce a tax on liquid fuels derived from hydrocarbons and automotive fuels due to CO₂ emissions, called "Green Tax", with the purpose of providing a bonus for energy efficiency according to emission levels.





Environmental issues

Environmental institutions

- The Environmental Assessment Service (Servicio de Evaluación Ambiental or SEA) is a public institution which administers the environmental management tool called the “Environmental Impact Assessment System” (Sistema de Evaluación de Impacto Ambiental or SEIA).
- The Superintendency of the Environment (Superintendencia de Medio Ambiente or SMA) oversees compliance with the rules, conditions and measures established in the Environmental Qualification Resolutions (Resoluciones de Calificación Ambiental or RCA) and has the exclusive power to apply sanctions for non-compliance with these rules, which range from written reprimand to revocation of the Environmental Qualification Resolution, including fines.
- Environmental Courts: Their function is to resolve environmental disputes.
- Environment Ministry: It is the public body which is responsible for the creation of public policies, regulations and good practices with regards to the environment.



Environmental Impact Assessment System

The Environmental Impact Assessment System is a preventative management tool, which allows the authority to determine, before a project is executed, that it:

- Complies with current environmental legislation.
- Takes responsibility for any potential significant impact to the environment.

The procedure for entering the Environmental Impact Assessment System is initiated at the request of the interested party.

Environmental Qualification Resolution

The Environmental Qualification Resolution is the authorization issued by the Environmental Assessment Service once the Environmental Impact Study or Environmental Impact Statement assessment process has been completed.

Although the procedures for processing Environmental Impact Studies or Environmental Impact Statements are different, both conclude with the issuance of an Environmental Qualification Resolution, which can be favorable or unfavorable for the project. It could also conditionally approve the project, but, in any case, the decision must be reasonably justified.

Public Participation

The participation of the community or the general public is fundamental within the environmental assessment. It allows people to learn about a project or proposed activity and gives them the chance to voice their opinion in a responsible manner. It also provides the opportunity to give well-founded responses to their observations.

Chile has worked in a multisectoral manner, coordinating the visions and efforts of the different actors involved. As a signatory of the Paris Agreement, in 2021 the State of Chile presented the Long-Term Climate Strategy, which defines the general guidelines that the country will follow in a cross-cutting and integrated manner, considering a 30-year horizon to address the challenges posed by climate change.

Transition in the mining sector

The mining industry has joined the decarbonization process and has begun to sign energy contracts (PPAs) that are exclusively for renewable energies, which would reduce its emissions. By 2022, renewable energy PPAs represent about 40% of mining electricity consumption, and it is expected that by 2025 the value will reach 64%. Minerals such as copper, lithium, cobalt, and graphite are projected to increase in demand as power generation technologies demand as renewable generation technologies, batteries and electric cars, among others, require more of them in their manufacture. The supply of these minerals becomes strategic, not only for those states and corporations that produce the transition technologies, but also for raw material producers.

Carbon Tax

Article 8°. Law 20.780 - Establishes an annual tax levied on emissions into the air of particulate matter (PM), nitrogen oxides (NOx), sulfur dioxide (SO₂) and carbon dioxide (CO₂), produced by establishments whose fixed sources, made up of boilers or turbines, individually or as a whole, add up to a thermal power greater than or equal to 50 MWt (thermal megawatts).

In the case of PM, NO_x and SO₂ emissions into the air, the tax will be equivalent to 0.1 per each emitted ton. With respect to these same pollutants, if the establishment is located within a saturated zone an additional factor will be applied.

In the case of CO₂ emissions, the tax will be equivalent to US\$5 for each ton of CO₂ emitted. However, the tax on CO₂ emissions will not apply to emitting sources that operate on the basis of non-conventional renewable means of generation whose primary energy source is biomass energy.

- Carbon offsets

Emissions can be offset through the implementation of reduction projects developed at the national level under the standards and participation modalities established by the Ministry of the Environment. Emission compensation mechanisms for taxed pollutants allow reducing the tax burden of each establishment, through the incentive to develop reduction projects on these pollutants.

Green bonds

Chile was the first country in the Americas to issue Green Bonds. Green bonds are a tool to channel investments into green assets, contribute to further financial development and promote domestic financial innovation that supports the country's sustainable development path. The Ministry of Finance reports annually the results of the issuance of green bonds.

National green hydrogen strategy

In 2019 the Government of Chile presented the National Green Hydrogen Strategy, which seeks to position Chile as one of the main producers and exporters of this fuel by 2050. This Strategy was ratified in 2022 maintaining the established goals and focusing on the creation of labor for the development of a local industry.

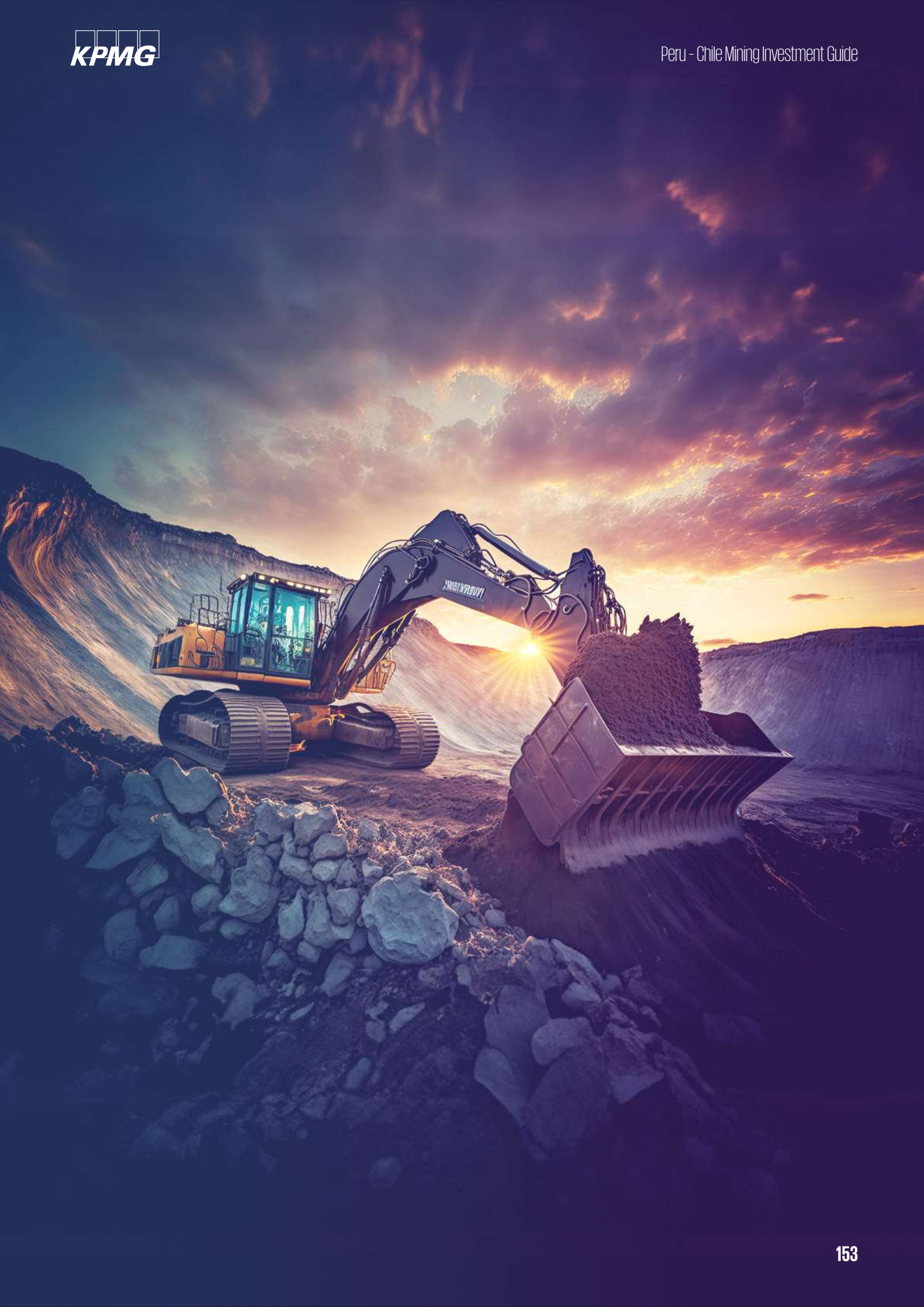
It considers three stages for the development of the national green hydrogen industry: i) The first wave will be large-scale domestic consumption with established demand), ii) Stage II, access to international markets (2025-2030) and iii) Stage III, consolidation and scale of green hydrogen production to supply the domestic market (2025-2030) and iii) Stage III, consolidation and scale of green hydrogen production to supply the domestic market production of green hydrogen to supply international markets with liquid green hydrogen, ammonia, and synthetic fuels.

Chile is emerging as one of the competitive countries to produce green hydrogen on a large scale for export, mainly due to its low costs of electricity generation based on renewables, and a projected decrease in the costs of electrolyzers.

Thus, in the north of the country the levelized cost of electricity based on solar photovoltaic is approximately US\$ 25 per MWh, while in the south the cost of production based on wind power is approximately US\$ 22 per MWh, and it is expected that these costs will continue to fall until the end of the decade.

(This information was compiled from the following Public Policy and Studies Department reports: (1) Decarbonization and Green Hydrogen in Chilean mining: state of the art and main challenges; (2) Projection of electric energy consumption in copper mining 2022-2033. Both can be found in the following links: <https://www.cochilco.cl/Listado%20Temtico/Estudio%20de%20Hidrogeno%20y%20Descarbonizacion%20Sector%20Minero%202022%20vF.pdf>

<https://www.cochilco.cl/Mercado%20de%20Metales/Proyecci%C3%B3n%20Consumo%20EE%202022-2033%20Final%20con%20rpi.pdf>



F. Our Professional Staff

Our professionals have experience in accounting (all our Partners and Directors have ACCA certification in IFRS Financial Reporting), tax and legal in local and foreign companies in the sector, with specific requirements in IFRS Adoption and treatments in USGAAP, PCAOB-SOX, Public Offering of shares, among others.



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KPMG in the World

Global network of the world's leading professional services firms, providing innovative business solutions and audit, tax (tax and legal) services, and consulting to a large number of large and prestigious organizations. We operate in 144 countries and have more than 236,000 people working in member firms around the world.

KPMG announced its intention to become a zero-carbon business by 2030 , as part of its continued focus on generating growth in a sustainable manner.

Our environmental, social and governance (ESG) commitments included in our KPMG Impact Plan, present our actions that have now gained even more traction, in four categories: Planet, People, Prosperity and Governance.

<p>We operate in</p> <p>144 </p> <p>countries</p>	<p>236,000 </p> <p>People working in member firms around the world</p>	<p>Our growth rate Global FY22 was</p> <p>+14% </p> <p>Source: 2022 KPMG Global Corporate Reporting</p> <p>Global Income FY22</p> <p>\$35 billion of dollars</p>
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Our values

We have values by which we live. They guide our everyday decisions and actions, define what we stand for, and create a shared sense of identity globally.

- 

Integrity
we do the right thing
- 

Excellence
We never stop learning and improving.
- 

Courage
We think and act boldly.
- 

Together
We respect each other and turn our differences into strengths.
- 

For Better
We do what really matters.

KPMG in Peru

We value diversity and attract the best talent to build exceptional experience together.

<p>+500 professionals multidisciplinary _</p> <hr/> <p>+ 80 trainees preparing to assume new positions</p>	<p>100% of our team enjoy our flexible work model</p> <hr/> <p>61% of our professionals are Millennials , which provides a new perspective on innovation. <small>*Age range less than 30 years</small></p>	<p>56% of our team is made up of women.</p> <hr/> <p>47% of our leaders are women.</p>
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We develop our people

We encourage self-development and continuous learning by providing resources to our professionals that allow them to carry out quality work and promote their growth.

<p>+10,000 <small>Training hours</small> Training platforms available to our professionals</p>	<p>+15 educational agreements with the best institutions in the country</p>	<p>Benefits Program _ Our people are extraordinary</p>
<p>3.4%</p> <p>of our professionals were promoted last year.</p>	<p>Promoter of the Association of Good Employers.</p> <p>ABE since 2007, for our good practices in administration and people management.</p>	<p>Enjoy Program : We have a benefit plan aimed at our people, providing them with an experience focused on diversity, flexibility and support.</p> <hr/> <p>5 Security Training and Health at work and against sexual harassment.</p>

KPMG in Chile

We are moved by our mission: inspire confidence and empower change.

<p>+960 professionals multidisciplinary</p> <hr/> <p>+ 60% decrease in our carbon footprint compared to 2019 emissions</p>	<p>100% of our team enjoy our flexible work model</p> <hr/> <p>40 % of our professionals were promoted last year</p>	<p>85% collaboration perception, according to our Global People Survey.</p> <hr/> <p>44,6% of our leaders are women.</p>
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We develop our people

We encourage self-development and continuous learning by providing resources to our professionals that allow them to carry out quality work and promote their growth.

<p>+3,000 Training platforms available to our professionals</p>	<p>+52,600 Training hours in FY2022</p>	<p>¿Qué nos hace decir con alegría que #SOMOS KPMG ?</p>
<p>40% of our professionals were promoted last year.</p>	<p>Global Opportunities Programme, focused on promoting professional exchange and relocation through KPMG affiliate network</p>	<p>#SomosKPMG: We have a benefit plan aimed at our people, providing them with an experience focused on become the Best Firm to Work.</p> <hr/> <p>0% Accident rate during FY2022</p>

The logo features the letters 'KPMG' in a bold, italicized, white sans-serif font. Above the letters, there are four white-outlined rectangular boxes of equal size, arranged horizontally and slightly overlapping the top of the letters.

KPMG