

# 2015

## *Doing Business and Investing in Peru*











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## Foreword

Peru has achieved constant growth in its Gross Domestic Product (GDP) for more than 14 years. Although in 2014, this growth has been significantly less than expected due to a reduction in the activity of the key main sectors of the economy such as mining, construction and manufacturing, there are many expectations regarding the possibilities of achieving improved figures in the next two years. Thus, the Banco Central de Reserva del Perú (BCRP) and well known economic specialists, has forecast that GDP growth in 2015 and 2016 will achieve figures between 4% and 5%, respectively.

In terms of foreign trade, Peru is one of the most economically liberalized countries in the region. Additionally, it has a favorable climate for foreign investment. It is worth noting that 85% of exports are made under free trade agreements. Currently, similar agreements are being negotiated or studied with India, Indonesia and Turkey. If they are concluded, practically all of the country's trade will be within the framework of such agreements.

In the last decade, Peru's high economic growth was largely based on prices of raw materials, principally minerals like gold, copper, silver, zinc, among others, of which Peru is an important producer. In recognition of the fact that said cycle is coming to an end, the Peruvian State has implemented a series of measures so as to continue to be one of the most attractive countries for foreign investment. Undoubtedly, one of the most significant actions has been the decision to reduce the income tax rate from 30% to 28% for the year 2015, and progressively to 26% in 2019.

To these measures must also be added the provisions intended to simplify the long and bureaucratic process of prior approvals and revisions of operations of exploration and exploitation of natural resources, as well as infrastructure works. The objective is for said process to be more dynamic and for the phases prior to the start-up of these activities to be completed as quickly as possible. There is still some way to go in this aspect and the leading authorities are showing signs of their concern with facilitating the start-up of a good number of projects that have been delayed.

A final aspect to highlight among these efforts is the intention of Peru to form part of the Organization for Economic Cooperation and Development (OECD), a group of countries, mainly developed, which seek to promote public policies which generate wellbeing for their citizens. If these requirements are fulfilled, Peru would become a member of this select group of countries in the medium term.

This publication contains the most recent and reliable information on the major macroeconomic, tax, corporate, labor, financial and social matters. We are confident that the contents of this publication will be a very useful tool to help you in your decision-making process to begin doing business and investing in our country.

PwC has more than 90 years of uninterrupted presence in Peru and significant experience providing business advisory services through its multidisciplinary teams, which are always at your service to assist your organization to accomplish its business objectives.



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# 1

## Country overview



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# 1. Country overview

## 1.1. Geography and climate

Influenced by the Andes Mountains and two marine currents, the Peruvian or Humboldt and “El Niño”, Peru is one of the planet’s richest geographical environments. It is one of the 17 most bio diverse countries in the world, as a result of its varied ecosystems, climates, wildlife, genetic resources and living ancient cultures.

Peru is located in the central and western part of South America, its territory includes the 200 miles of territorial waters in the Pacific Ocean and it is the third largest country in South America after Brazil and Argentina.

Area	Continental: 1'285,215.6 km <sup>2</sup> .
Borders	North: Pacific Ocean (Sea of Ecuador), Republic of Ecuador and Republic of Colombia. East: Federative Republic of Brazil and Republic of Bolivia. South: Republic of Chile and Pacific Ocean (Sea of Chile). West: Pacific Ocean.
Political-administrative division	24 departments. 195 provinces, including the Constitutional Province of Callao. 1,848 districts.
Capital	Lima. The historical capital is the city of Cusco.
Natural regions	<b>Coast:</b> Comprises 11.7% of the total area. Consists of a variety of landscapes such as valleys, river deserts, the dry forest of the Northern coastal desert, the mangrove and hillside ecosystems.  <b>Highlands:</b> This consists of the Andes Mountain Range. It covers 28.4% of the national territory. The Andean landscape has a heterogeneous configuration with prominent peaks, deep gorges, narrow interandean valleys and ample plateaus.  <b>Jungle:</b> Covers 59.9% of the national territory and is divided into two areas, the High Forest or Mountain Fringe and the Lowland Forest or Amazonian Plain. The first is characterized by the presence of steep and wooded hills, and deep ravines; the second is covered with exuberant tropical vegetation and large river systems which form part of the Amazon River Basin.  <b>Territorial waters:</b> Correspond to the sea adjacent to the Coast, as well as the sea bed and soil up to a distance of 200 nautical miles.
Biodiversity	Peru is the fourth country in area of tropical forests, the first in the number of plant species of recognized properties and first in domesticated native species. It is also first in varieties of fish, third in amphibians and third in mammals.  It has 84 of the planet's 104 life zones, 18.5% of the world's bird species, 9.0% of the animal species, 7.8% of the cultivable plants and 10% of the planet's flora species. The following have been identified: 515 species of mammals, 1,816 species of birds, 418 species of reptiles, 449 species of amphibians, 1,300 species of continental fish and 1,070 species of marine fish; as well as 25,000 species of plants.
Climate	Peru has 28 of the 32 types of the world's climates.

Source: INEI, MINAM, CPP. Website of the Peruvian Government.



## 1.2. Political system

Peru is a Presidential Republic with democratic representation and a multi-party system. Its government is based on the separation of powers and it is organized on three levels. In this way, the structure of the State is composed of the Executive Power, the Legislative Power and the Judiciary, as well as seventeen constitutionally autonomous organisms, regional governments and local governments. Furthermore, the fundamental basis of the State legal order is the Political Constitution, which prevails over all legal norms.

Executive power	
President of the Republic	The President is the Head of State and of the government, his mandate is for 5 years and immediate reelection is not permitted.  Ollanta Humala Tasso is the Constitutional President of the Republic until July 28th, 2016.
Council of Ministers	This is composed of the President of the Council of Ministers and the ministers, appointed and removed by the President of the Republic. Currently Peru has 18 ministers.
Laws issued	Legislative Decrees, Emergency Decrees, Supreme Decrees, Supreme Resolutions, Ministerial Resolutions, Viceministerial Resolutions, Directorial Resolutions and Resolutions of Public Organisms.
Legislative power	
Congress	Represents the Legislative Power, is unicameral and has 130 congressmen, elected for a 5 year period. The mandate of the current Parliament expires in July 2016.
Laws issued	Laws and resolutions.
Judiciary	
Jurisdictional organs	They constitute the Judiciary and have the exclusive power to administer justice. These organs are the Supreme Court, the Superior Courts, Justices of the Peace and the Specialized Mixed Courts.
Organs of government and administration	These consist of the President of the Supreme Court, who is also President and most senior representative of the Judiciary, the Plenary Chamber of the Supreme Court, the Executive Council, General Management and the District Executive Council.
Constitutionally Autonomous Organisms	
They are public law entities with economic, functional, technical and financial autonomy; governed by their organic laws and carry out specialized functions of the State. They include, among others, the Superintendence of Banking, Insurance and Pension Fund Administrators (SBS); the Central Reserve Bank of Peru (BCRP); the Constitutional Tribunal (TC); National Election Administrative Body (JNE) and the National Comptroller's Office.	
Regional Governments	
Currently there are 26 Regional Governments, made up of the 24 departments, the Constitutional Province of Callao and the Metropolitan Municipality of Lima. Their representatives are elected by popular vote for four years.	
Local Governments	
They conduct the public administration in each of the provinces, districts and villages of Peru, through the municipalities. Their representatives are elected by popular vote for four years.	

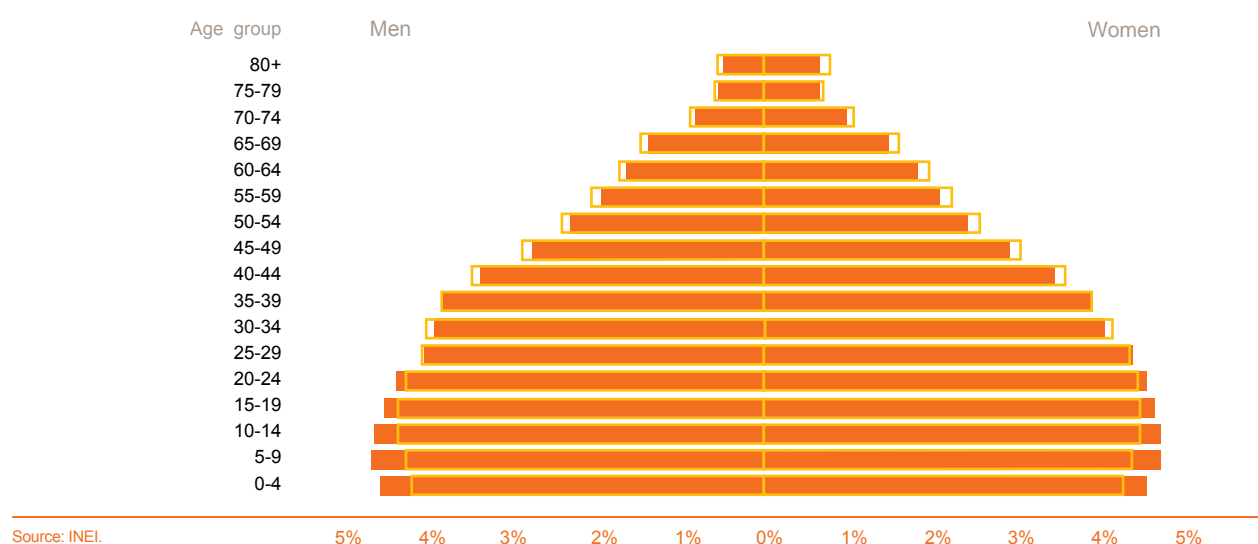
Source: CPP



### 1.3. Population

Peru has the fifth largest population in Latin America, after Brazil, Mexico, Colombia and Argentina. The population at June 30th, 2014, is estimated at 30,814,175 people, which signifies an average annual growth of 1.1%. Three quarters of the population lives in urban areas and one quarter in rural areas. By 2021, the Bicentennial Year of Independence, the population is projected to exceed 33 million and by 2050 it will reach 40,111,000 people.

#### Peru: Population Pyramid, 2014 – Forecast 2021

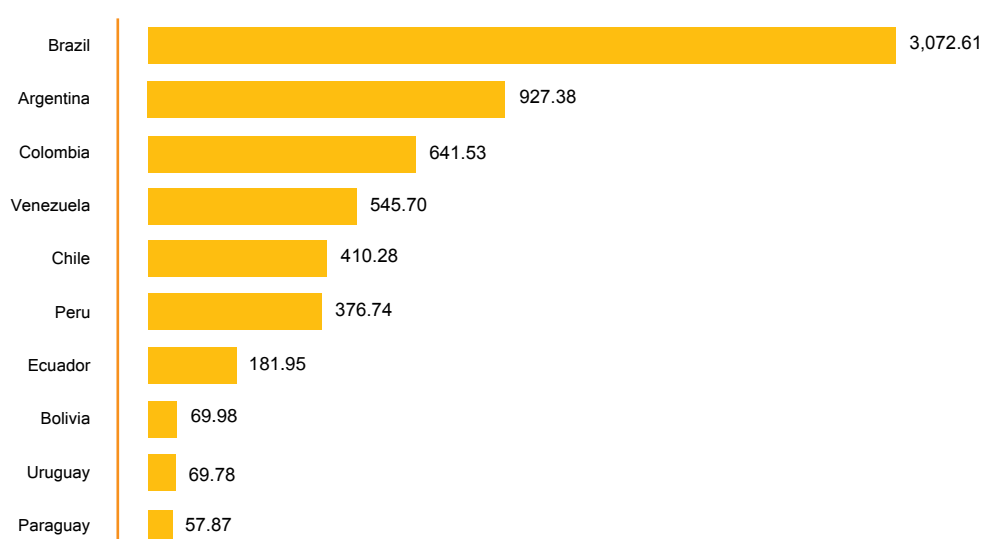




## 1.4. Economy

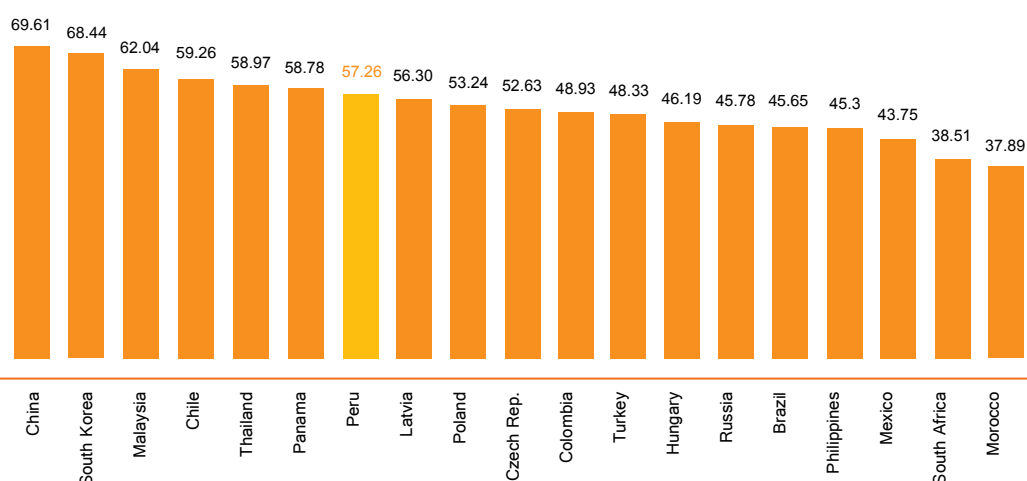
Peru has been growing impressively during the last decade, and is currently the sixth largest economy in South America, measured by its Gross Domestic Product (GDP) based on Purchasing-Power-Parity (PPP), according to the IMF; and it is also in seventh place of the 20 best countries and frontier markets of the world to invest in, according to Bloomberg Market's Magazine. This position responds to its solid macroeconomic performance and to its economic model adopted in the 1990s. This model is based on the market economy, the subsidiary role of the State, the free initiative of private investments, macroeconomic stability, trade liberalization, the promotion of local and foreign investment, the encouragement of free competition, legal stability and social inclusion. Foreign investment promotion policy is based on the principle of national treatment.

### South America: GDP 2014 based on Purchasing-Power-Parity (PPP) Current international dollar



Source: IMF World Economic Outlook  
October 2014 (Forecasts)

### Bloomberg Markets: The Top 20 Emerging Markets, 2014 (Score)

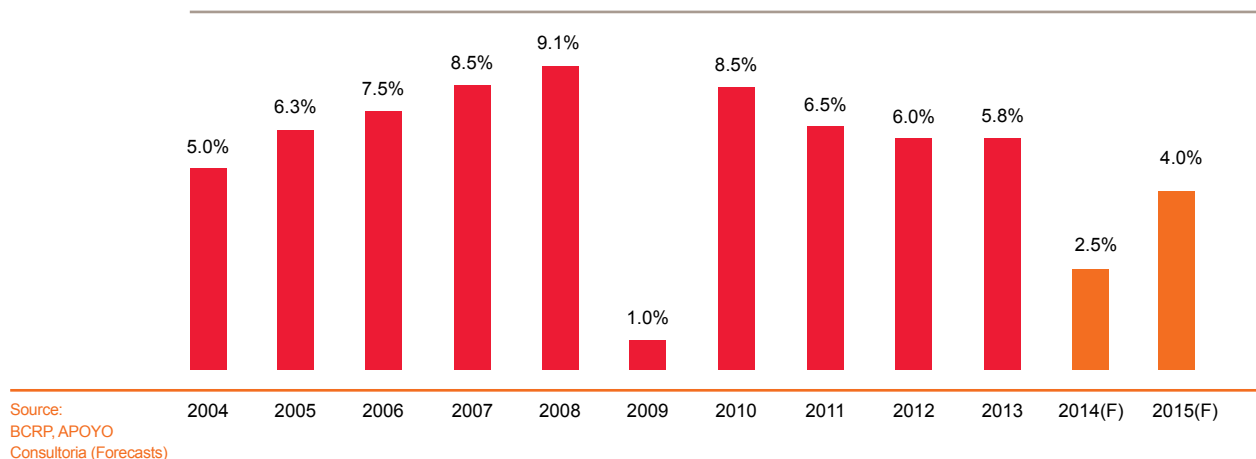


Source: Bloomberg



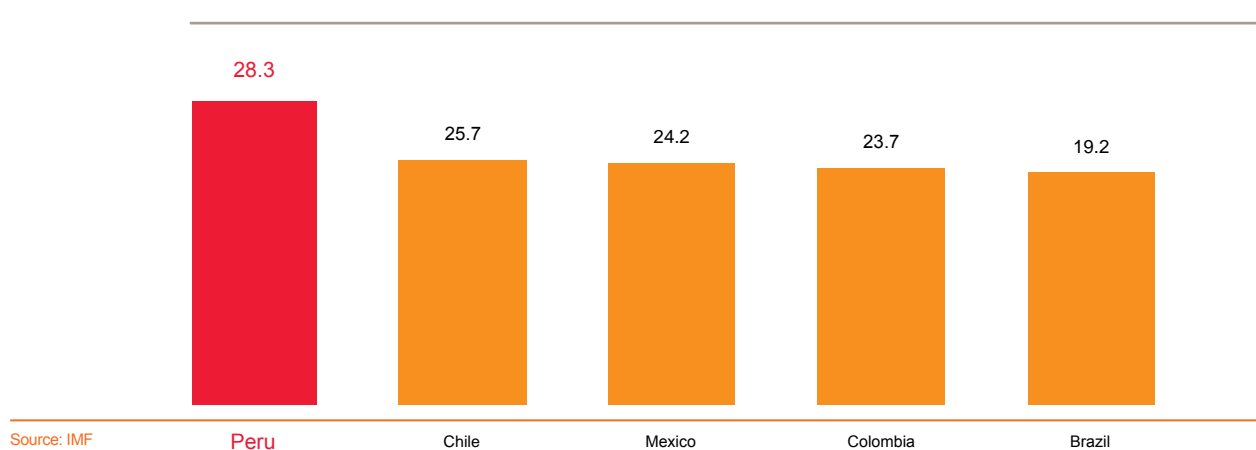
Although Peru has experienced deceleration in its GDP growth rates in 2014, the trend is expected to reverse in 2015. The Peruvian Government has issued several packages of measures to counter the decrease in growth rates, such as tax reductions and increased public investment in infrastructure projects. Additionally, factors such as the increase in private investment in infrastructure and lower oil prices will all have a positive impact on the Peruvian GDP.

### Peruvian Real GDP: Rates of Growth (%)



The growth of the Peruvian economy in the last decade has been possible due to the high and growing flow of investment and gain in productivity. Mining and hydrocarbon projects were the key to exploiting the favorable scenario of metal prices, reducing the cost of energy and the investment in infrastructure permitted improved electrical connectivity and coverage in the entire country. These large investments were accompanied by many others in agroindustry, services, etc.

### Latin American Countries: Investment as a % of GDP





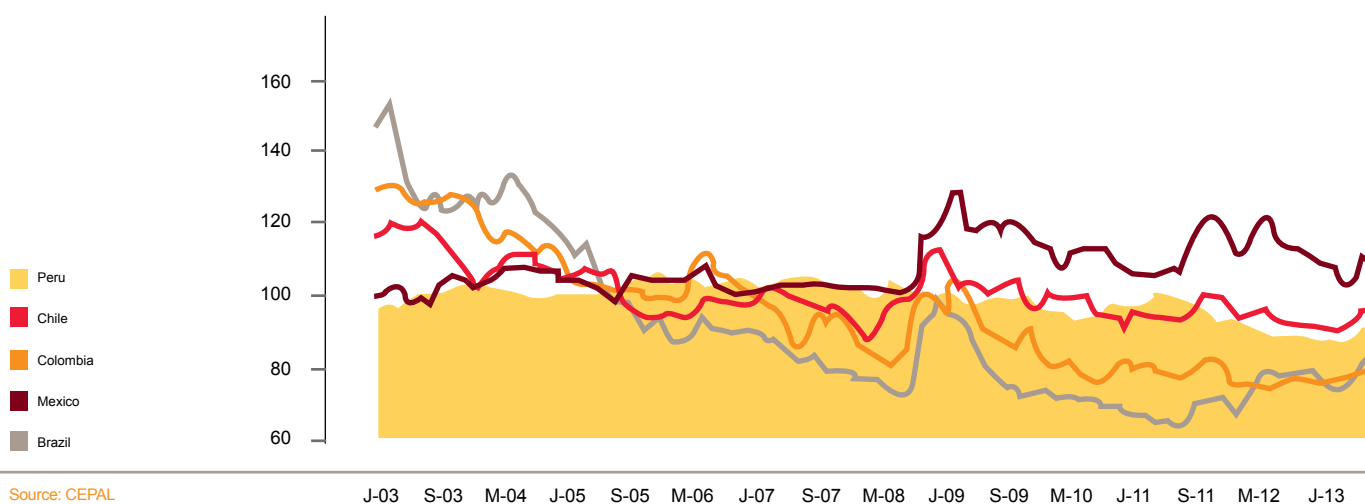


## 1.5. Currency

Peru's official currency is the Nuevo Sol (S/.). The country operates under a managed float regime, in which the Peruvian Central Bank (BCRP) only intervenes for stabilization purposes. As of January 30, 2015, the bank system's average exchange rate was S/ .3.000 whereas the informal market average exchange rate was S/ .3.007, showing almost no gap between the two (Source: BCRP).

It should be noted, however, that BCRP's intervention in the exchange market does not signify a commitment to a specific exchange rate, since it might not be consistent with the inflation target, reducing the credibility of monetary policy. This has enabled the Peruvian currency to record less volatility compared to other currencies in the region.

### Exchange rates in Latin America, 2003-13 (index; 2005 = 100)





## 1.6. Country risk and investment grade

Peru's responsible and sound economic policies have granted the country Investment Grade and the confidence of investors.

### Investment Grade Comparison – Latin America

Country	S&P	Fitch	Moddy's
Chile	AA-	A+	Aa3
<b>Peru</b>	<b>BBB+</b>	<b>BBB+</b>	<b>A3</b>
Mexico	BBB+	BBB+	A3
Brazil	BBB-	BBB	Baa2
Colombia	BBB	BBB	Baa3
Bolivia	B-	BB-	Ba3
Ecuador	B	B	Caa1
Venezuela	B-	B	Caa1
Argentina	CCC-	CC	Caa1

Source: Standard & Poor's, Fitch Ratings and Moody's. Updated on September 2014

### Best Countries to Do Business – Latin America

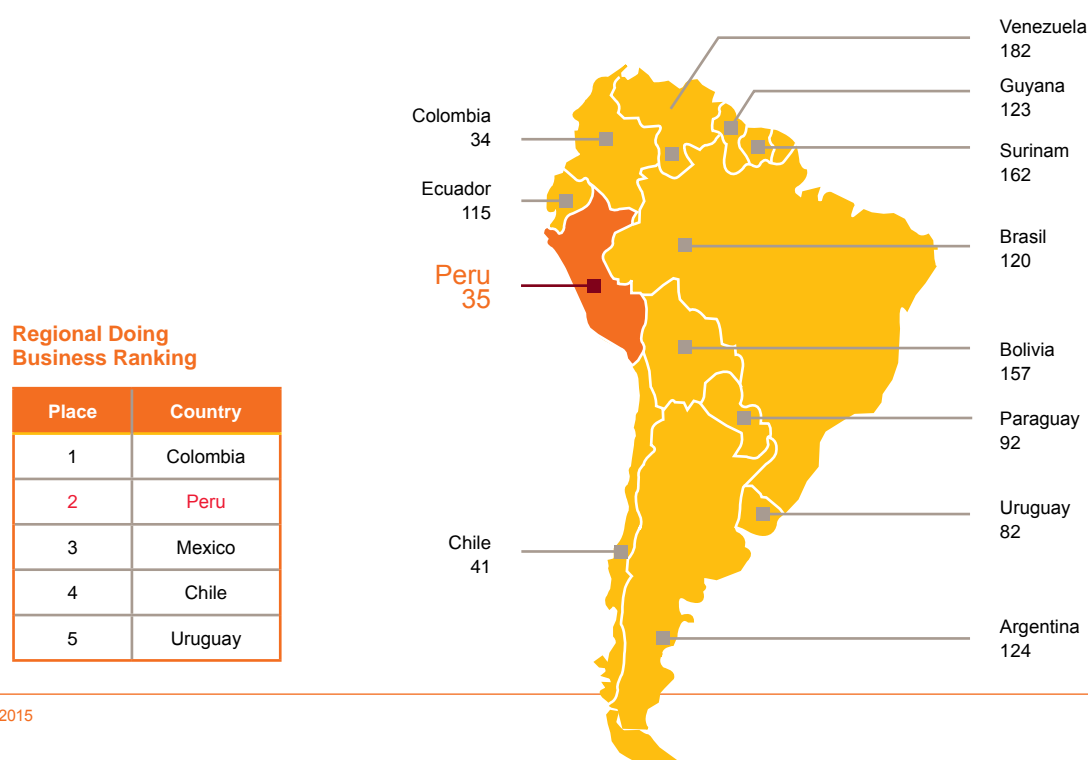
LAC Ranking	World Ranking	Country
1	22	Chile
2	52	Uruguay
<b>3</b>	<b>53</b>	<b>Peru</b>
4	55	Costa Rica
5	61	Panama
6	63	Mexico
7	66	Colombia

Source: Forbes (Dec. 2013)



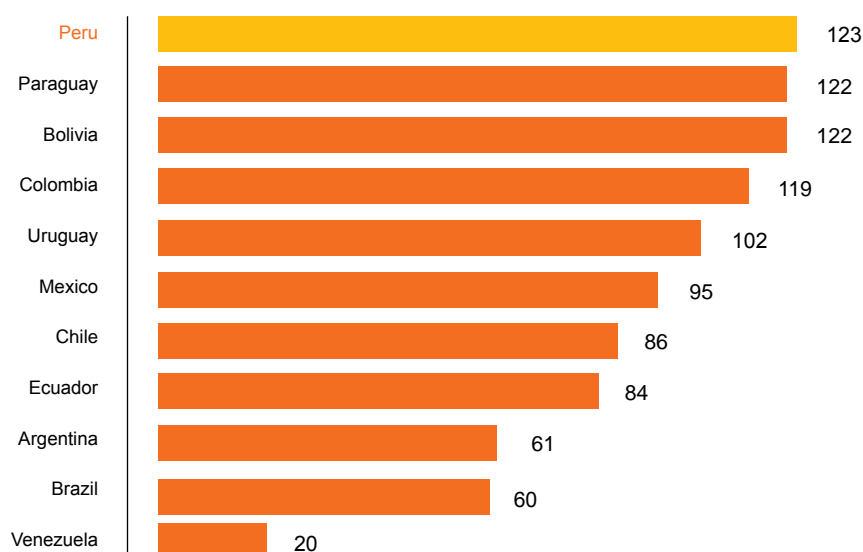


## World Bank Doing Business Ranking – Latin America, 2015



Source: Doing Business 2015

## Countries with the Best Economic Climate – Latin America



Source: Getulio Vargas Foundation (Jan. 2015)



## 1.7. Major industries

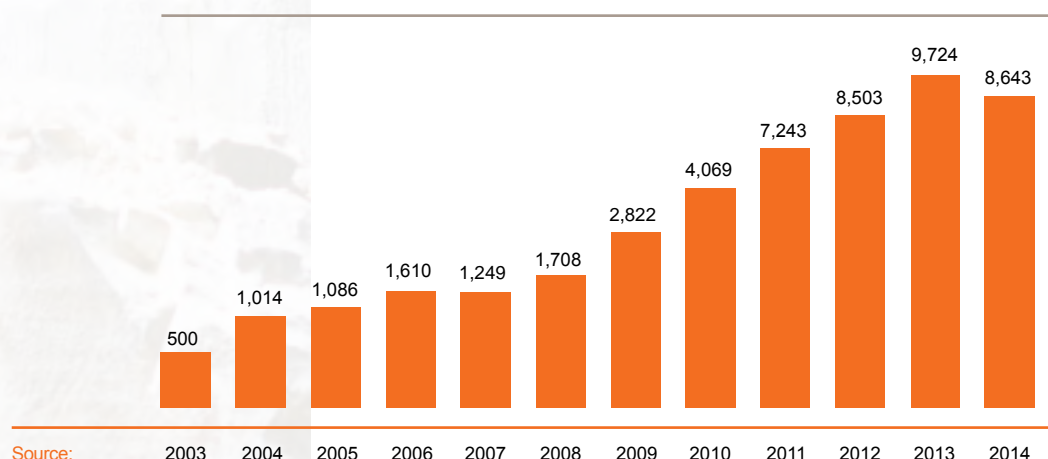
Peru's main industries have historically been centered on the production of commodities: agriculture, fishing, mining and hydrocarbons. However, from the 1990's onwards, the country has also seen an increase in its manufacturing activity, particularly in the textile sector and in the construction material industry (metallic structures, cement, plastics, among others). Furthermore, the Construction sector itself has become increasingly important in the Peruvian GDP during the last decade due to infrastructure construction and a housing boom.

### 1.7.1. Mining

Peru's mining sector has been one of the main drivers of the impressive growth the country has seen in the most recent years. It has generated, on average, 58% of total exports, 16% of fiscal revenues, and 14.4% of GDP, due to favorable commodity prices. Currently, Peru is the seventh largest mining producer in the world, ranking third worldwide in copper, silver, tin, and zinc production.

Although the industry has been experiencing a slowdown given the lower prices in the market, investment in the sector is still forecasted to be around US\$63.9 billions. This figure includes important projects such as Las Bambas (MMG), Constancia (Hudbay), Cerro Verde Expansion (Freeport), and Quellaveco (Freeport).

#### Investment in Mining (US\$ million)



Source:  
MINEM





### Main Mining Projects (US\$ million)

Phase	Project Name	Company	Investment
Expansion	Cerro Verde Expansion	Freeport	4,600
	Toromocho	Chinalco	3,500
	La Bambas	MMG	10,000
EFS Approved - Construction	Quellaveco	Anglo American	3,300
	Constancia	Hudbay	1,800
	Tía María	Southern Peru	1,400
Exploration	Apurimac Ferrum	Apurimac Ferrum	3,300
	Haquira	Minera Antares	2,800
	Cañariaco	Cañariaco Cooper	1,599

Source: MINEM

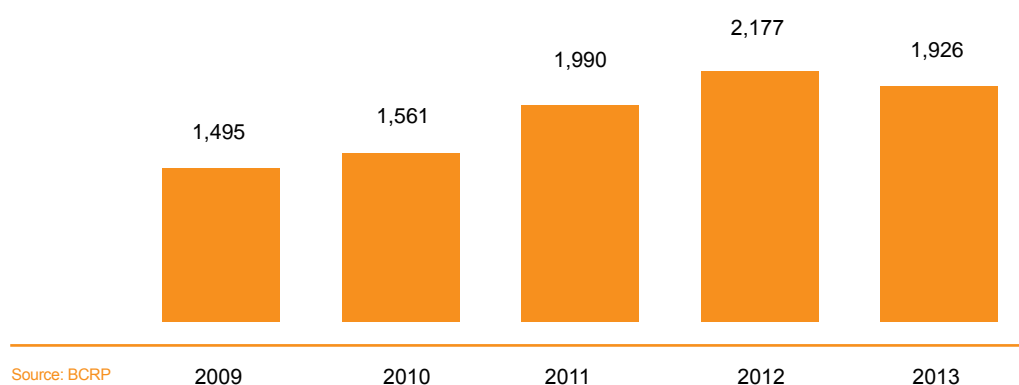


### 1.7.2. Manufacturing

Manufacturing represents 15% of total Peruvian GDP. Despite being affected as a whole by the global economy in 2014, Central Bank growth forecasts for the sector for 2015 and 2016 (3.7% and 4.7%) takes into account a recovery in both consumer goods and in intermediate capital goods, in line with an overall economic recovery and the increase in external demand for non-traditional manufactured goods.

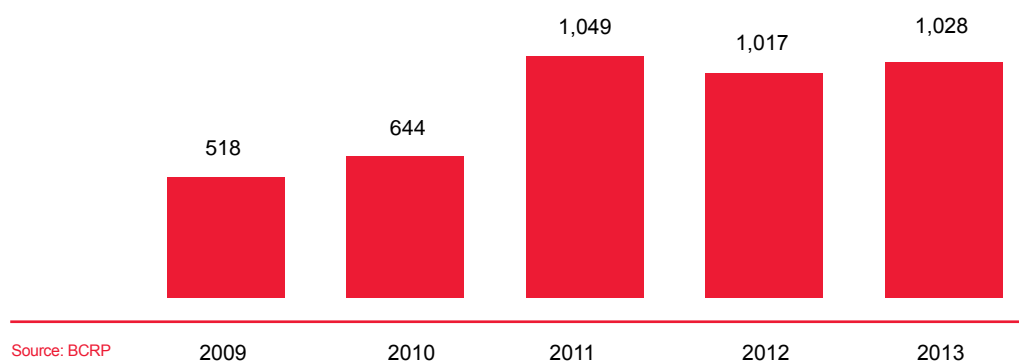
Peruvian industry is solid because it is less protected and has become more competitive for the benefit of consumers. Trade liberalization was of benefit to industry, making it reconvert and concentrate on those sectors in which it has comparative advantages. Thus, in the last 10 years, the manufacturing GDP grew at an average rate of 5.9% per annum and manufactured exports expanded at an average annual rate of 17.7%, due mainly to the commercial agreements signed by the country.

#### Textile Products Exports (FOB US\$ million)



Source: BCRP

#### Manufactured Fishing Products Exports (FOB US\$ million)



Source: BCRP

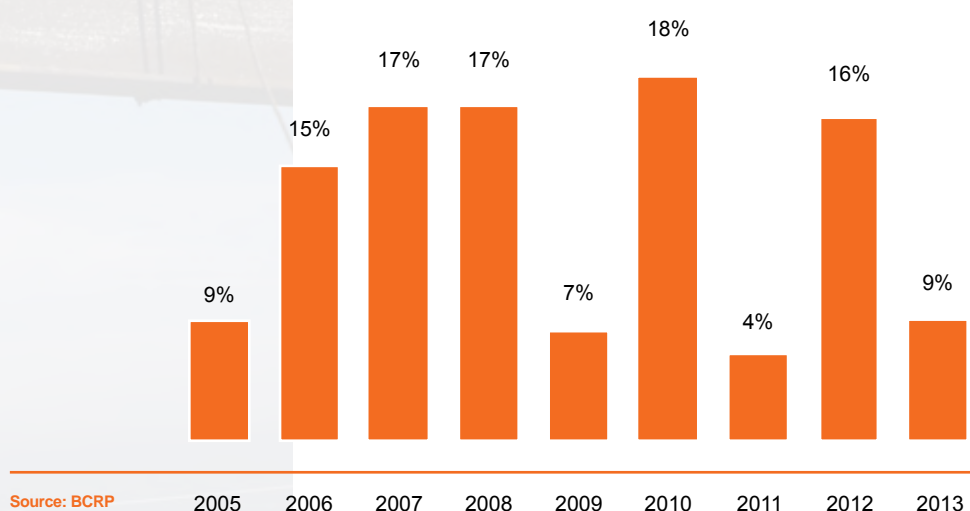


### 1.7.3. Construction

The construction sector is one of the most dynamic activities of the Peruvian economy. In the last 10 years, with an annual growth rate of 11.1%, it has constantly exceeded the rhythm of growth of overall GDP. This result is based on the progress in the construction of new works, investment projects, and buildings, as well as other construction executed by the public and private sectors.

The country's intention to close the infrastructure gap has also driven the growth of this sector in a considerable way. This is a priority given the need to reduce logistic costs and improve the integration of the country to world markets in better competitive conditions. The Ministry of Transport and Communication has forecasted total investment in transport infrastructure projects up to 2016 to be US\$17,700 million (public works and APP), which provide several important investment opportunities for both contractors and operators.

#### Construction GDP Growth (%)



#### Investment in Transport Infrastructure Programmed to 2016

Infraestructure	US\$ million
Roads	11,421.00
Rail	5,300.00
Airports	420.00
Ports	548.00
River	87.00
Total	17,776.00

Source: Ministry of Transport and Communication/ Proinversión



## 1.8. Potential growth areas

### 1.8.1. Electricity

- Major energy potential: wide availability of water resources and natural gas made it possible to meet electricity demand nationwide.
- Most of the power generated in 2013 comes from water-resources (53%) as well as natural gas (46%). The remaining 1% is derived from renewable resources.
- Resources to be discovered and explored: there are other abundant renewable energy resources to explore such as solar, wind, biomass, and geothermal.
- The energy production has increased at an average rate of 6.62% over the last ten years. Similar growth in demand is expected until 2020.

### 1.8.2. Agribusiness

- Natural greenhouse.
- Higher agricultural performance: sugar cane (2nd), asparagus, olives (3rd), artichokes (4th), grapes (6th), and avocado (11th).
- Seasonal activity in the most important markets.
- It is expected that the current 100,000 hectares devoted to agricultural exports double as a result of large irrigation projects and agricultural expansion.
- More than US\$4,000 million in the export of fresh and processed products sold to more than 145 countries.
- Organic and natural products with a high export potential.

### 1.8.3. Petrochemicals

- In 2013, natural gas production increased up to 430,559 million cubic feet, due to power plants growing demand and the increased domestic and commercial consumption of natural gas vehicle (NGV).
- Peru is the only sustainable source of natural gas in South American Pacific.
- Peru has approximately 29.97 million hectares of oil basins that have not been explored, which can turn Peru into a potential petrochemical hub.
- The petrochemical industry integrates with the upstream process in the production of natural gas and other liquid hydrocarbons, creating significant added value.
- Among the main products produced by the petrochemical industry are fertilizers, plastics and detergents.
- Potential investments of US\$8,650 million related to the construction of three ammonium plants, two ammonium nitrate plants, two urea plants, and one ethylene plant.







## 1.9. Economic indicators

Currency	Nuevo Sol (S/.)
Gross Domestic Product (GDP) 2014	US\$ 271 billion
GDP per capita 2014	US\$ 6,895
GDP based PPP 2014	US\$ 368 billion
GDP per capita based PPP 2014	US\$ 11,735
GDP Annual Growth Rate 2014	5.50%
Minimum Wage	S/. 750 (US\$ 242 at exchange rate of S/. 3.095)
Private Consumption (as a percentage of GDP) 2014	63.02%
Public Consumption (as a percentage of GDP) 2014	11.80%
Gross Fixed Investment (as a percentage of GDP) 2014	25.80%
Public Debt (as a percentage of GDP) 2014	17.40%
Unemployment Rate 2014	6.0%
Population below poverty line 2013	23.90%
Lima Price Index December 2014	3.22%
Net International Reserves (NIR)	US\$ 64,107 million
Foreign Direct Investment (FDI) 2014	US\$ 9.3 billion (forecast)
Exports 2014	US\$ 39,326 million
Imports 2014	US\$ 40,807 million
NIR/M3 2014 3Q	0.9%
NIR/debt short-term 2014	9.11
NIR/GDP 2014	23.7%
Gross Public Debt / GDP 2014	16.7%
Net Public Debt / GDP 2014	0.5%
Gross Public Debt / GDP 2014 3Q	18.5
Net Public Debt / GDP 2014 3Q	1.9





2.

*Business  
environment*



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## 2. Business environment

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### 2.1. Investment incentives

Peru offers an attractive and favorable business environment for foreign investment. That is corroborated by the various business climate indicators in which Peru stands out in leading positions and in its auspicious legal framework for investments.

The standards of treatment of foreign investment in Peru are based on the principle of “national treatment”, that is, in Peru foreign investors have the same rights over their investments as a local investor. No authority, regardless of government level, has the power to apply a differentiated treatment on the basis of nationality, sectors or types of economic activity or geographic location where the investment is made, nor with regard to exchange aspects, prices, tariffs or non-customs duties, kind of business formation, legal status as an individual or corporate entity; and, no other cause with equivalent effects.

There is no prior authorization requirement for foreign investments. Foreign investments are permitted without restrictions in the vast majority of economic activities and the acquisition of shares belonging to local investors is completely permitted, both through the stock market as well as over-the-counter operations. Investors have the right to organize and carry out their activities in any of the business forms envisaged by law.

Respect for foreign investment is guaranteed in the Political Constitution and in other complementary legislation. Thus, the laws of Peru establish:

- Non-discriminatory treatment of the foreign investor. Unrestricted access to most economic sectors<sup>1</sup>.
- Free transfer of capital. Free competition.
- Protection of private property.
- Freedom to buy shares from Peruvian nationals. Free access to local and overseas credit.
- Free remittance of royalties.
- Free access to foreign exchange and complete freedom to maintain deposits overseas. Access to international mechanisms for the resolution of disputes.

Additionally, Peru participates in the Investment Committee of the Organization for Economic Cooperation and Development (OECD) – Promotes the implementation of OECD Guidelines for Multinational Companies.

Furthermore, the legal framework for investment promotion provides special regimes, among which the following figures prevail:

#### A. The Legal Stability Agreement by which the State guarantees to the investor:

- Stability in the regulations related to non-discriminatory treatment.
- Stability in the Income Tax regime (dividends).
- Stability in the right to use the most favorable market exchange rate.
- Stability in the regime of freely available foreign exchange and right of free remittance of profits, dividends and royalties.

<sup>1</sup> Investments which require authorization: Those located within 50 Km of Peru's frontier line and those involving arms, ammunition and explosives. Furthermore, a local majority shareholder is required for investments in coastal shipping transport, as well as air transport companies





### B. The agreement for Early Recovery of V.A.T. in which the State authorizes the benefit of:

- Reimbursement of Value Added Tax during the entire pre-operation stage (minimum duration of 2 years). Applicable to all sectors of economic activity.
- The minimum investment is US\$ 5 million, except in agricultural activity where there is no such requirement.
- The Project can be divided into stages, segments or similar.

In Peru, the authority responsible for promoting private investment is the Private Investment Promotion Agency (Proinversión). Among the Agency's principal activities are the proposal and execution of the national policy to promote private investment; the promotion of private investment in infrastructure and public services, investor's guidance in the stages of pre-establishment, establishment and post-establishment; subscription of Legal Stability Agreements and Investment Agreements (for the early recovery of VAT), and foreign investment registration.

**For their part, regional governments also promote private investment projects in their territorial jurisdictions and within the framework of their functions and competencies.**

## 2.2. Trade Agreements

Since the stabilization of the economy in the 1990s, Peru has sought to maintain an open trade policy that was sustainable in time. Therefore, in order to consolidate the entry of Peruvian products to the main markets of the world, the country decided to negotiate trade agreements with the countries (or group of countries) that were its main export destinations. These agreements sought to consolidate Peru's export benefits and make them permanent.

### List of Trade Agreements

Currently in force	World Trade Organization
	Andean Community
	Mercosur
	APEC
	EFTA
	European Union
	U.S.
	China
	Canada
	Japan
	Singapore
	South Korea
	Thailand
	Chile
	Mexico
	Costa Rica
	Panama
	Cuba
	Venezuela



To enter into effect	Guatemala
	Pacific Alliance
Pending negotiations	Doha round for development
	Transpacific Alliance
	Honduras
	El Salvador
	Turkey
	Trade In Services Agreement - TISA
	India
	Indonesia

### 2.3. Integrated Latin American Market – MILA

The Latin American Integrated Market (MILA) is the result of an agreement signed by the Santiago Stock Exchange, the Colombia Stock Exchange and the Lima Stock Exchange, along with the CSDs Deceval, DCV and Cavali, which in 2009 started the process of setting up a regional market to trade equities from the three countries. After several months of working together, in which the main actors from all three markets and government authorities of each country played an important role, MILA began operating on May 30th, 2011; thereby opening up a world of opportunities for investors and brokers from Chile, Colombia and Peru, who can now purchase and sell shares from the three stock markets through a local broker.

MILA is the first cross border initiative to integrate equities markets, without any sort of merger or global corporate integration, using only technological tools along with the adaptation and standardization of the regulations on trading in capital markets and the custody of securities in the three countries. Thus, the examination of securities from each country was made possible along with the free trading of shares by order routing through the brokers of Chile, Colombia and Peru to the original markets. One of the most important characteristics of MILA is the fact that one market sacrifices their independence or their regulatory autonomy; however they have, as a premise, the growth of the joint market, since they complement each other. Likewise, all MILA transactions are performed in the respective local currency without the need to leave the country, and with book-entry through the local broker; thereby providing easier international transactions with this tool. Currently, MILA is number one in Latin America for the number of listed companies, number two in terms of market capitalization and number three in terms of traded volumes.

The main benefits of the MILA for the investors include greater alternatives of financial instruments for diversification and the possibility of creating new portfolios. For intermediaries, it promotes more attractive and competitive stock markets, increases the type and number of products to distribute to its clients, and makes possible the creation of new investment vehicles and new portfolios. For issuers, it reduces the costs of capital, provides access to a wider market than their local ones and expands the demand for their financing. Finally, for the country, it supports the integration process of the economies that comprise the MILA, providing greater stability in the rules of the game and making the region much more competitive.



## 2.4. Pacific Alliance


The Pacific Alliance is a regional integration initiative created on April 28th, 2011 by Chile, Colombia, Mexico and Peru. Its objectives are:

1. To build, in a participatory and consensual manner, an area of deep economic integration and to move gradually toward the free circulation of goods, services, capital and persons.
2. To promote the larger growth, development and competitiveness of the Parties' economies, aiming at achieving greater welfare, overcoming socio-economic inequality and achieving greater social inclusion of their inhabitants.
3. To become a platform for political articulation, and economic and trade integration, and project these strengths to the rest of the world, with a special emphasis on the Asia-Pacific region.

Its main strengths are the following:

- As a whole, the Pacific Alliance constitutes the eighth largest economy and represents the seventh largest exporting entity worldwide.
- In Latin America and the Caribbean, the block represents 36% of GDP, concentrates 50% of total trade and attracts 41% of the direct foreign investment that flows to the region.
- The four countries total population of 212 million people with an average GDP per capita of 10 thousand dollars.
- A population, mostly young, provides a skilled labor force, in addition to an attractive market with purchasing power in constant growth.





3.

*Labor  
legislation*



# 3. Labor legislation

## 3.1. Labor relations

### Labor and management relations

Peruvian labor legislation is characterized for being atomized into many laws and regulations. However, the creation of a single General Labor Law is foreseen, which will comprise the entire labor legislation.

With regard to the labor relationship, it should be noted that once this is initiated, employees undergo a trial period of three months, during which they can be dismissed for any cause without indemnity. The trial period can be extended to six months or one year for skilled employees, or those appointed for management positions and positions of trust.

Unlimited term agreements are those entered into for an unlimited (i.e. open-ended) period of time (permanent employees). In the event of unjustified dismissal, employees are entitled to an indemnity that equals 1.5 times their monthly remuneration per each year of service, up to a limit of 12 monthly remunerations. This type of agreement does not require compliance of any special formality.

Fixed term agreements are those signed for a limited period of time. Employees hired under this type of work contract, are entitled to an indemnity that equals 1.5 times their monthly remuneration per each month pending up to the end of the contract, with a maximum of 12 remunerations, in the event of work termination due to unjustified dismissal. These types of agreements are exceptional, and are only acceptable for temporary positions and certain specific jobs. If they do not correspond to the nature of the tasks performed, they could be considered by the Labor Authority as unlimited term agreements, which would imply the obligation of providing all the legal rights originated by this type of contract. According to law, fixed term agreements must be formalized in writing and the purpose of each one of them must be duly detailed in the contract.

### Payroll

Peruvian employers are obliged to use the Electronic Payroll System to register employees and to comply with their monthly payments.

This system is formed by T- Registro, which contains information of the employees, professional services agreements, trainees, outsourced personnel, among others; and PLAME, which contains the monthly payments.

Both registries are carried out electronically, and have to be submitted monthly to the Tax Administration.





### Indirect hired employees

Currently, Peruvian labor legislation establishes two kinds of agreements in order to hire employees indirectly: intermediation and outsourcing agreements.

Intermediation agreements consist of the rendering of temporary, complementary and highly specialized services. Through this type of agreement, the intermediary entity assigns employees to a company in order to perform services under instructions of the latter, while their labor relationship continues to be with the intermediary entity. It is important to highlight that intermediary entities assume the labor costs involved in the employees' assignment. Moreover, they need to be registered before the Labor Authority, and must post a guarantee letter to cover any possible unpaid social benefit while rendering services.

On the other hand, an outsourcing company is an entity that is hired to render specialized service or work, as long as it assumes the services to be rendered under its own risk, with its own financial, technical and material resources, assumes responsibility for the result of its activities and its employees are its exclusive subordinates. Some characteristic elements of an outsourcing company are, among others, evidence of having more than one client, its own equipment, capital investment and that the service fee must not be determined per employee but for a comprehensive service.

Companies that hire employees through intermediation agencies or outsourcing services are jointly responsible with the employer for the fulfillment of labor and social security obligations accrued during the employees' assignment term.

### Unions

Employees in construction, transportation and industrial companies commonly form the strongest unions, the most important being the Confederación General de Trabajadores del Peru (C.G.T.P.) and the Central de Trabajadores del Perú (C.T.P.).

In order to form a union, a minimum of 20 workers is required in case of a company union and 50 in other kinds (activities, professions, specialties). Unions or workers' representatives usually negotiate salary increases, fringe benefits and other special conditions through collective bargaining with employers.

Agreements reached with unions that comprise more than one-half of a company's employees are applicable for all employees, even though they are not members of the union.





### Fringe benefits

Voluntary and statutory fringe benefits usually granted to personnel, are deemed by the employers as an additional cost of employment. In this regard, fringe benefits established are those related to medical care, vacations, recreational expenses, bonuses, among others.

Legal bonuses paid in July and December were not subject to any social contribution and only to income tax, until December 31st 2014.

### 3.2 Employer's payroll costs in Peru

#### Salaries

Compensation is commonly paid in the form of wages and salaries or by way of commissions, and may be paid in either Peruvian or foreign currency. Compensations are subject to statutory social contributions and employee's taxes.

Supreme Decree 007-2012-TR dated May 17th, 2012 increased the minimum wage to seven hundred and fifty (750) Nuevos Soles from June 1st 2012.

The employer may also agree with employees whose monthly compensation is not less than two tax units (equivalent to S/. 7,700 or approximately US\$ 2,516.34, at an exchange rate of 3.06) that their compensation be paid as an annual package calculated on an annual basis, including all legal and conventional benefits with the exception of profit sharing.

#### Profit sharing

There is a general system of participation in the company's profits. Employees of companies which perform activities generating corporate income are entitled to participate in the profits of the company, provided the company has more than 20 employees, and they are subject to the labor regime for private company employees.

Employees share the profits of the company through the distribution of a percentage of the company's net income before taxes. This percentage varies according to the employer's business:

Fishing	10%
Telecommunications	10%
Industry	10%
Mining	8%
Wholesale, retail and restaurants	8%
Other activities	5%



### Legal bonuses

According to Law No. 27735, employers must pay on July and December a bonus equal to one monthly salary.

In response to the economic and financial crisis of 2009, the government published Laws No. 29351 and 29714 that established that legal bonuses would not be subject to social benefits and contributions, and instead this amount would be given to employees as an extraordinary bonus. This benefit ended on December 31st 2014, therefore, from January 1st 2015 onwards, legal bonuses are once again subject to social benefits and contributions.

### Overtime

Overtime, including work on statutory holidays, is payable at a premium agreed on between the parties, which may not be lower than 25% of the ordinary hourly rate for the first two hours, and 35% for the following hours.

The employer and employee may agree instead, to compensate overtime with rest periods. Normal working hours should not exceed 8 hours per day or 48 hours per week. This 48 hour work per week period, applies to all employees with the exception of those appointed to management positions and positions of trust and those whose activities are not performed under the employer's supervision.

### Night shift additional payment

Employers with employees who work between 10:00 p.m. and 6:00 a.m. are obliged to make an additional payment of 35% of the ordinary work hour wage if the employees earn the minimum salary (S/. 750).

### Vacations

Employees are entitled to paid annual vacations of one month upon completion of each year of service, with a minimum attendance of 260 days if the work week is six days long and 210 days if the work week is five days long.

The employer and the employee may agree to allow up to two year's vacation to accumulate. However, at the end of the first year the employee should take a seven-day vacation period. If the employer does not grant vacations to the employee, a payment equivalent to two monthly compensations must be made (one corresponding to the work performed and the other as indemnity for not having taken vacations).

### Severance indemnity (CTS)

Employees are entitled to a tax-free severance indemnity to be received upon death, retirement, resignation, or dismissal. This indemnity is equivalent to one month's salary plus one-sixth of a salary for each year of service.



Employers are obliged to deposit the CTS on a semiannual basis in banking or financial institutions and in the currency (national or foreign) chosen by the employee. These deposits must be made within the first fifteen (15) days of May and November of each year, on the basis of the same number of twelfth parts (1/12) of the computable remuneration earned by the employee during the months of April and October respectively, as the number of complete months worked by said employee in the respective semester.

While in 2009 the CTS deposited in banking or financial institutions was entirely available (100%), from May 2011 until termination of employment, employees may only dispose of 70% of the deposited amount exceeding six gross salaries.

### Termination of employment

The employer may not dismiss an employee for reasons of behavior or qualification without granting the employee a reasonable term of not less than six calendar days to defend him/herself in writing against such charges, unless a serious misdemeanor is involved, or a term of thirty calendar days to prove his/her qualification or correct the behavior.

Should the employee be terminated and no fair cause exists (dismissal without grounds), the employee will have the right to receive a severance payment equal to 1.5 monthly salaries for each year of service, up to a maximum of 12 salaries for indefinite term labor contracts and 1.5 salaries for each month left in the contract terms for fixed term contracts.

### Social security administration for health services (EsSalud)

There is a general state system of social security for health services, which is administered by EsSalud, providing health coverage as established by law. In general, all dependent employees registered on the payroll are covered by EsSalud, the labor relationship being the only requirement for obtaining coverage, regardless of the term of employment or the number of hours worked per day, week or month.

Employers must contribute for all their employees, including foreign employees registered on the payroll, based on the total monthly compensation, including compensation in kind, with certain exceptions such as profit sharing payments and extraordinary bonuses. The rate of this contribution is 9% of his/her compensation.

### National pension fund system

The National Pension Fund System, managed by the Oficina de Normalización Previsional - ONP -, provides pensions to retired employees who have reached the age of 65, provided they have fulfilled their contribution for a minimum of 20 years. This contribution amounts to 13% of the employee's compensation.







### private pension system

Private pension fund administrators, locally known as AFP (Administradora de Fondos de Pensiones), manage an alternative pension system. AFPs guarantee pensions for retirement, handicap and survivorship pensions and burial expenses.

For these purposes, employees must contribute 10% of their monthly compensation, plus commissions for the AFP and insurance premiums for handicap and burial coverage.

In accordance with the reform of the Private Pension System Law, until May 31st, 2013, current Private Pension System affiliates were able to exercise their right to choose where the commission will be discounted from: (i) from the salary, discounted from their monthly remuneration or, (ii) from the fund.

Under the latter commission system, for the following ten (10) years, one percentage of the commission will be discounted from the salary and the other from the affiliate's fund. After this period, it will be discounted solely from the affiliate's fund. This new scheme was applicable from June 2013 onwards. New private pension system affiliates will automatically be included in this last scheme and enrolled in AFP Habitat until 2017.

### Life insurance

Legislative Decree No. 688 states that employees who have worked for the same employer for 4 years (consecutive or not), are entitled to a mandatory life insurance provided by the employer.

In addition, the life insurance contract must be registered before the Labor Authority.

### Industrial work training national service (SENATI)

According to Law 26272, individuals or legal entities that develop industrial activities included in Category D of the "International Standard Industrial Classification of all Economic Activities (CIIU)" are obliged to make contributions to SENATI (Servicio Nacional de Adiestramiento en Trabajo Industrial), paying a percentage of 0.75% over all remunerations paid to their workers.



### Safety and health regulations at work

The Employer is in charge of the Occupational Safety and Health Management System and its implementation in each of its workplaces.

Among the employer's main obligations, are:

- Companies with twenty (20) or more employees must prepare an Occupational Safety and Health at Work Manual.
- Companies with twenty (20) or more employees must establish an Occupational Safety and Health Committee, with participation of employees and company's representatives. In workplaces with less than twenty (20) employees, a Supervisor must be designated.
- To be able to identify the Supervisor and the members of the Committee, the employer must provide an identification card or visible insignia to each of the members.
- Companies must implement registries (for accidents, diseases, trainings, medical examinations, statistics, safety and health equipment, etc.) and documentation of the Occupational Safety and Health Management System, through magnetic or physical means. These documents must be kept updated and available to employees and to the Labor Authority.
- Companies must ensure the presence of a doctor in the workplace in accordance with the following rules:
  - Workplace with more than 500 employees, the doctor must remain for at least 6 hours a day 5 days a week;
  - Workplace with less than 500 employees, health supervision is in charge of a doctor, without the requirement of a minimum of hours, which will be verified with the following information:
    - Occupational Annual Health Plan
    - Employee's Health Supervision Program

Compliance with the above-mentioned documents is the employer's responsibility.

### People with disabilities

The General Law of Disabled People, Law N° 29973, states that people with disabilities have the right to work in equal conditions to other employees.

Hence, private employers with more than fifty (50) workers are obliged to hire people with disabilities at a rate not lower than 3% of their payroll.

Notwithstanding the fact that this provision is mandatory from December 25th, 2014 onwards, approval of guides to implement this duty by the Labor Authority is pending.



### Labor audit system

The labor authority is in charge of watching and ensuring that employers fulfill labor and social security provisions. Also, this entity is in charge of providing technical assistance to employers as well as employees, protecting their corresponding rights.

The labor authority is entitled to impose fines on employers which infringe the labor law.

On January 2013, the National Superintendence of Labor Inspection (SUNAFIL) was created. This is a technical and specialized organism attached to the Labor Ministry, which will be in charge of the Labor Audit System. Maximum fines (if infringement affects more than 141 workers) have been increased as detailed in the following chart.

Infringement	Fine
Slight infringement (50 UIT)	S/. 192,500
Serious infringement (100 UIT)	S/. 385,000
Very Serious infringement (200 UIT)	S/. 770,000
Infringement accumulation	S/. 1'155,000 per year
Other activities	5%

By Law 30222, fines imposed by SUNAFIL were capped up to 35% of the original amount, after evaluation of each particular case, considering principles of reasonableness and proportionality. This benefit will be applicable until July 12th 2017 but will not apply to very serious infringements that affect unionization, no discrimination rules, prohibition of child labor, forced labor, infringements regarding rules on safety and health at work that will lead to employees' death or permanent disability, labor inspection obstruction, and repeated infringements, understood as the commission of the same offense within a six month period after the previous resolution that punished a prior infringement was confirmed.





4



# *Tax issues*





# 4. Tax issues

## 4.1. Corporate income tax

### Overview

Companies incorporated in Peru are considered domiciled for Income Tax purposes and, therefore, subject to Income Tax at a 28% rate (2015-2016), 27% rate (2017-2018) and 26% rate (as from 2019), on net income determined on a worldwide basis. Branches, agencies and permanent establishments of non-domiciled companies or entities are subject to Income Tax at the same rates on their Peruvian source income only.

In order to fulfil their annual Income Tax obligation, the aforementioned entities must comply in advance with monthly estimated tax payments by choosing the higher amount of: i) the quota obtained by applying to the net income a coefficient that results from dividing the tax determined in the prior fiscal year (or in the preceding year, in the case of January and February) and the total net income of said fiscal year, or ii) the one obtained by applying 1.5% to the month's net income.

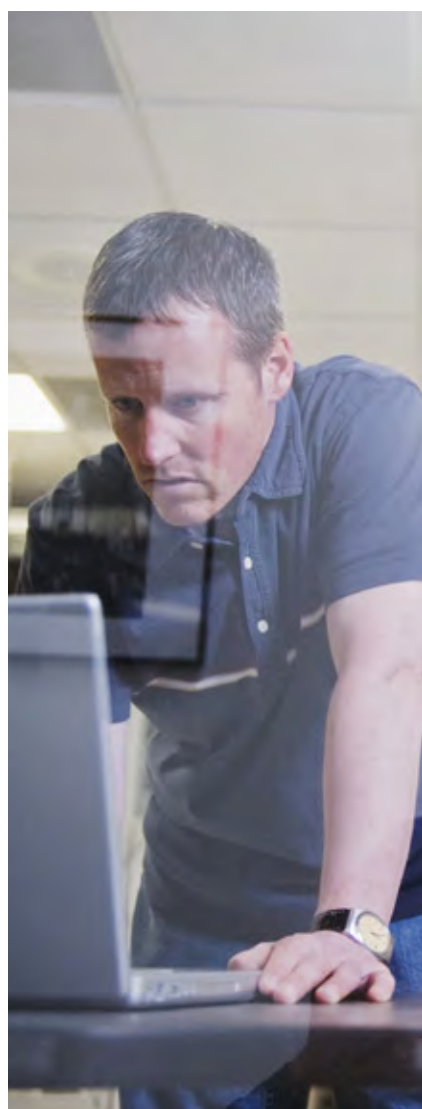
If no tax is calculated in the prior fiscal year (or in the preceding year) the advance payments shall be determined by applying 1.5% to the month's net income. Any unpaid balance or excess payment is paid or credited, respectively, upon the filing of the annual Income tax return. The income tax must be filed and paid within the first 3 months of the fiscal year following the one in which the tax obligation arises (e.g. 2014 annual Income Tax return must be filed no later than March 2015). The fiscal year is the calendar year.

For the purposes of determining their taxable income, entities are allowed to deduct business expenses, to the extent that they are necessary to produce taxable income or to maintain its source. Requirements, limits and/or caps may be applicable for the deduction of certain expenses, such as finance expenses (thin capitalization rules apply), bad debt provisions, salaries, travel expenses, gifts, among others.

However, certain expenses are disallowed, such as those derived from transactions with: (i) entities domiciled in tax havens included in the list attached to the Income Tax Law, (ii) permanent establishments located in tax havens, or (iii) entities that obtain revenues or income through tax havens. Notwithstanding this, expenses derived from the following transactions are excluded from the above mentioned limitation: (i) interest on loans, (ii) insurance premiums, (iii) lease of aircraft and ships, (iv) maritime freight, and (v) toll for transit through the Panama Canal.

Depreciation allowance of assets is available using the straight line method. The depreciation allowance is limited to the one recorded for accounting purposes (financial depreciation); however, the depreciation allowance is limited to the following maximum rates:

Buildings	5% or 20% (*)
Cattle (both labour and reproduction), and fishing nets	25%
Vehicles (except railroads) and any kind of ovens	20%
Machinery and equipment used for mining, petroleum and construction activities, except furniture, household and office equipment	20%
Equipment for data processing	25%
Machines and equipment acquired as from January 1, 1991	10%
Other fixed assets	10%



(\*) Buildings are subject to a flat 5% depreciation rate (regardless of financial depreciation) and a flat 20% depreciation rate, in case the construction of the building started as from January 1, 2014 and, until December 31, 2016, the construction reached 80% of the works.



## 4.2. Withholding taxes

(\*) Dividends paid out of undistributed profits as of December 31, 2014 will be subject to a 4.1% withholding tax.

(\*\*) The user of the technical assistance has to have a report issued by an audit firm stating that the technical assistance was effectively rendered, if the consideration for the services exceeds 140 Tax Units (S/. 539,000).

Income paid to non-domiciled entities is subject to the following withholding tax rates:

Interest paid on loans with non-related parties, provided certain requirements are met	4.99%
Interest paid on loans with related parties	30%
Interest paid by Peruvian financial entities or banks to foreign beneficiaries, for credit lines used in Peru	4.99%
Capital gains derived from the sale of stock	30% or 5%
Royalties	30%
Dividends or profit distributions paid by Peruvian entities (*)	6.8% (2015-2016), 8% (2017-2018) and 9.3% (from 2019)
Technical assistance (**)	15%
Other income	30%

Note that domiciled taxpayers cannot deduct the withholding tax paid on behalf of a third party, except in the case of loans provided by non-domiciled creditors, to the extent that the domiciled debtor has expressed its agreement to bear the withholding tax.

Capital gains derived from the sale of securities through the stock exchange received by non-domiciled entities or individuals are subject to Income Tax at a rate of 5%. If the security is not traded in the stock exchange, a 30% Income Tax rate will be applicable.

In the case of the following services in which activities are performed both within Peru and abroad, non-domiciled entities generate Peruvian source income at the following percentages:

Taxable transaction	Peruvian source income	Effective tax rate
Insurance	7%	2.1%
Lease of vessels	80%	8%
Lease of aircrafts	60%	6%
Air transport	1%	0.3%
Maritime transport	1%	0.6%
Telecom services	5%	1.5%
International news services	10%	3%
Distribution of movies, records and similar products	20%	6%
Supply of containers	15%	4.5%
Right for broadcasting within Peru live foreign TV shows	20%	6%



#### 4.3. Indirect sale of shares

Income obtained from the indirect sale of shares issued by entities incorporated in Peru is deemed as Peru sourced. A taxable indirect transfer of Peruvian shares is deemed to occur when shares of a foreign entity which in turn owns, directly or indirectly through other entities, shares of a Peruvian entity, are transferred and both of the following conditions are met:

- During the 12 months prior to the transfer, the market value of the shares of the Peruvian entity owned by the foreign entity equals 50% or more of the market value of the shares of the foreign entity; and,
- During any given 12-month period, shares representing 10% or more of the foreign entity's share capital are transferred.

#### 4.4. Market value and transfer pricing rules

For tax purposes, the value assigned to any transaction must meet market value standards (arm's length). If the value assigned to a transaction differs from market value, either by overvaluation or sub-valuation, the Tax Administration may adjust it for both the purchaser and the seller. In the case of transactions between related parties or transactions with tax havens, the value of the goods and services must be determined in accordance with transfer pricing rules, subject to the mandatory requirement to support such value with a transfer pricing study when accrued income exceeds S/. 6'000,000 and the amount of the transactions exceeds S/. 1'000,000 (when transactions exceed S/. 200,000 per year, only an annual informative statement is needed.); otherwise penalties may be imposed.





#### 4.5. Stability agreements

Investors may enter into stability agreements with the Government, either under the general regime or specific regimes (i.e. mining and oil & gas).

Under the general regime, investors may enter into stability agreements that guarantee them, for a 10-year period, the following:

- Stability of the Income Tax regime with respect to dividends and profits distribution in force at the time the agreement is entered into.
- Stability of the monetary policy of the Peruvian Government, according to which there is a total absence of exchange controls, foreign currency can be freely acquired or sold at whatever exchange rate the market offers and funds can be remitted abroad without any prior authorizations.
- Right of non-discrimination in relation to local investors.

On the other hand, under the General Mining Law, local mining companies may enter into stability agreements of guarantees and investment promotion measures that grant them, for 10, 12 or 15 years, among others, the following:

- Stability of the overall tax regime.
- Stability of the overall administrative regime.
- Free availability of funds (foreign currency) arising from export operations.
- No exchange rate discrimination.
- Free trade of products.
- Stability of special regimes in relation to tax refunds, temporary import and similar regimes.
- Oil & gas companies may enter into stability agreements that guarantee, for the term of the contract, among others, the following:
  - Stability of the overall tax regime.
  - Free availability of funds (foreign currency) arising from export operations.
  - Free convertibility of its funds.
  - Free trade of products

#### 4.6. Income tax on individuals

Individuals are taxable in Peru by reason of their domicile rather than by residence criteria.

Foreign individuals are deemed to be domiciled in Peru for tax purposes, if they are physically present in Peru for more than 183 calendar days within a 12 month period. Temporary absences up to 183 days within a 12 month period do not interrupt the continuity of their presence.

The tax status of the individual (domiciled or non-domiciled) is determined at the beginning of each fiscal year. Changes regarding such condition that may occur during the fiscal year shall enter in force as of the next fiscal year. This means that non-domiciled individuals will be considered domiciled in Peru the next year they meet the conditions mentioned above.



Domiciled individuals are subject to Income Tax on their worldwide income, whereas non-domiciled individuals are only taxed on their Peru source income. In such case, however, individuals are entitled to a foreign tax credit for the taxes paid on foreign income taxable in Peru determined by their average Peruvian tax rate applied on their foreign income, with a limit of the tax paid abroad.

Income tax rate is based on a progressive rate schedule on salaries, retribution for services and foreign source income, as shown below:

(\*) For fiscal year 2015,  
1 Tax Unit is equal to  
S/ . 3,850.

Bracket	Reference in tax units	Tax rate
1st	Up to 7 Tax Units (*)	0%
2nd	From 7 to 12 Tax Units	8%
3rd	From 12 to 27 Tax Units	14%
4th	From 27 to 42 Tax Units	17%
5th	From 42 to 52 Tax Units	20%
6th	Above 52 Tax Units	30%

- Rental income is subject to an effective 5% rate.
- Capital losses are allowed only as an offset to capital gains which arose in the same fiscal year.
- They cannot be carried forward.
- Income Tax must be paid upon the filing of the annual Income Tax return, unless it is withheld by a withholding agent.
- No deductions or credits are allowed for non-domiciled individuals.

Income Tax on non-domiciled individuals is imposed at the following rates on their Peruvian source income:

Dividends or profit distributions paid by Peruvian entities	6.8% (2015-2016), 8% (2017-2018) and 9.3% (from 2019)
Income derived from the sale of real estate	30%
Interest paid on loans with non-related parties, provided certain requirements are met	4.99%
Capital gains derived from the sale of stock	30% or 5%
Business income	30%
Work income	30%
Royalties	30%
Income of artists and performers for live shows, made in the country	15%
Other income	30%

Capital gains derived from the sale of stock are levied with a 5% rate, provided that:

- The shares are listed in the Stock Public Registry; and,
- The shares are traded through the Lima Stock Exchange.
- Otherwise, a 30% rate is applicable.



### Withholding obligation:

Non-domiciled individuals are subject to withholding taxes as a mechanism to collect the final Income Tax by the Tax Authority. Said obligation is not applicable when the sale of stock is conducted through the Lima Stock Exchange. In this case, the Peruvian Clearing House (CAVALI) has the obligation to withhold the corresponding Income Tax.

### 4.7. Income tax on individuals: tax exemptions

Capital gains made by the direct or indirect sale of securities underlying an Exchange Traded Fund (ETF) when such sale or conveyance is performed for the constitution of the ETF, the sale of the ETF unit or the management of its investment portfolio.

Capital gains derived from the sale of treasury bonds.  
Interest from bank deposits when the beneficiary is an individual will be tax exempt.

### 4.8. Controlled foreign corporations (CFC) rules

In Peru, CFC rules are applicable in order to avoid the deferral of Peruvian income tax liabilities derived from passive income received by determined foreign entities controlled by domiciled taxpayers. Concepts, such as dividends, interest, royalties and capital gains, are considered passive income.

Pursuant to the CFC rules, when a domiciled taxpayer owns (directly or indirectly) more than 50% interest in a foreign entity located in a tax haven or jurisdiction with reduced tax rates (i.e. where the applicable tax rate on similar income is less than 75% of the rate which would apply in Peru), the passive income obtained by the foreign entity would be attributed to said domiciled taxpayer. Therefore, the shareholder will pay the Income Tax on foreign passive income obtained by the foreign entity in the fiscal year when said entity actually receives it, and not when a dividend is distributed to the shareholder.

### 4.9. Tax treaties in force

Peru has entered into treaties with Canada, Chile, Brazil, Mexico, Switzerland, South Korea and Portugal regarding double taxation on income tax under the Organisation for Economic Cooperation and Development (OECD) Model. Treaties with Spain and Thailand are not in force, as ratification by the Peruvian Congress is still pending. In addition, Peru, as a member of the Andean Community, which also includes Bolivia, Colombia and Ecuador, is subject to a double taxation standard (based on source income and not on the OECD Model).



## 4.10. Payroll taxes

### Payroll taxes: health contribution (EsSalud)

Employers shall make mandatory monthly payments equal to 9% of the compensation paid to employees.

Employees shall be affiliated either to the National Health System (EsSalud) or the Private Health System (EPS). If the EPS is chosen, of that 9%; 6.75% is distributed to EsSalud and 2.25% goes to the EPS, this last amount may be used as credit by the employer against health contribution.

### Payroll taxes: complementary insurance for risky work

Employees who perform high risk activities established in Law No.26790, such as mineral extraction, iron and steel smelting, among others, must have a complementary insurance for risky work, coverage of which includes healthcare, temporary or permanent disability pensions and burial expenses, as a consequence of a work accident or professional disease suffered by employees. This insurance is compulsory and must be paid by the employer.

Employees hired through workers' cooperatives; special, temporary or complementary services companies; contractors and subcontractors; as well as any other intervening institution that assigns personnel to a company where risky activities are performed, are obliged to contract the complementary insurance for risky work.

Employers that hire work services or labour through the abovementioned companies are obliged to verify that all the employees assigned to their offices have been duly insured according to the corresponding legal provisions. Otherwise, they will have to contract the insurance (for their own account), in order to guarantee the coverage of the referred employees, under penalty of being jointly liable with said companies to those employees and the National Health System, for the obligations established by law.

### Payroll taxes: pension fund contributions

Employers shall apply monthly withholdings for pension fund contributions equal to 13% of the compensation received by the employee, in case he/she is affiliated to the National Pension System, or 12.4%, approximately, in case he/she is affiliated to the Private Pension System (in this case, 10% corresponds to the personal pension account and almost 2.4% to the insurance and commissions for managing the fund).

Should the labour contract of the foreign individual ends and he/she leaves Peru, the pension funds deposited in the Private Pension System may be transferred to an account of the employee in a foreign bank (the aforementioned 10%).

We set forth below a summary of the payroll contributions:

Payroll tax	Employer	Employee	Rate
Health Contributions	X		9%
Complementary Insurance for Risky Work	X		0.53 % approx.
National Pension Fund		X	13%
Private Pension Fund		X	12.4 % approx.



#### 4.11. Financial transactions tax (FTT)

FTT is applied at a rate of 0.005% on credits and/or debits on bank accounts held by the taxpayers.

However, operations made between accounts of same holder, credits to bank accounts for payment of salaries, among others, are exempted from the FTT.

Payments of FTT are deductible as an expense for Income Tax purposes.

#### 4.12. Temporary net assets tax (TNAT)

Companies subject to Income Tax are obligated to pay TNAT, except for companies that are in preoperative stages or that commenced business on January 1 of the fiscal year in which TNAT must be paid.

The taxable basis is the value of the net assets set forth in the taxpayer's balance sheet as of December 31 of the year prior to that of the tax payment, adjusted for deductions and amortisations accepted by the Peruvian law. The amount of TNAT is determined by applying the following rates on the taxable basis:

Rates	Net Assets
0%	Up to S/.1'000,000
0.4%	In excess of S/.1'000,000

#### 4.13. Value added tax (VAT)

The rate of VAT is 18% and is applicable to the following operations:

- Sale of movable goods within Peru
- Rendering or first use of services within Peru
- Import of goods
- Construction agreements
- The first sale of real estate performed by constructors

The VAT Law follows a debit/credit system and input VAT may be offset by output VAT. Any VAT credit that is not offset in a certain month can be carried forward to be offset with any future output VAT. VAT credit cash refunds are only available for exporters and some entities at pre-operative stages, provided certain conditions are met.





#### 4.14. Mandatory tax payment system (SPOT)

The SPOT is applicable to the sale of certain goods and the rendering of services subject to Peruvian VAT. The main purpose of the SPOT is to generate funds to enable the payment of tax obligations by the VAT payer.

According to the SPOT, all sales of goods and rendering of services listed in the appendices of Resolution No.183-2004/SUNAT that are levied with VAT, will be subject to withholding, applying the rates established for each kind of good and service. Regarding services, Appendix 3 of the Resolution establishes that the services subject to the SPOT are:

- Labor intermediation (12%).
- Lease of goods (12%).
- Maintenance and repair of movable goods (12%).
- Cargo movement (12%).
- Other entrepreneurial services (10%).
- Business commission (12%).
- Fabrication of goods by order (12%).
- People transport services (12%).
- Construction agreements (4%).
- All services subject to VAT (there are some exceptions) which have not been mentioned above (10%).

The purchaser or service recipient must withhold a percentage of the transaction price and deposit said amount within the seller's or service provider's State Bank account ("Banco de la Nacion"). It is important to note that the right of the purchaser or user of the service to offset input VAT related to such goods and services may be exercised only after the deposit with the State Bank has been executed.

The amount deposited is applied towards the payment of the seller's or service provider's Peruvian tax obligations (not just VAT). If after four consecutive months said amount is not utilised, the seller or service provider may apply for a refund or use the amount to pay withholding applicable to purchasers or service recipients.

#### 4.15. Early recovery of VAT

Companies in a pre-operative stage with large projects that require at least two years for maturity may apply for the early recovery of VAT, which allows for a VAT credit refund prior to commencing operations. An investment agreement with the Government is required and a minimum investment of USD 5'000,000 must be met. Minimum amount mentioned does not apply to agriculture projects.



#### 4.16. Recovery of VAT on exploration activities for mining and oil & gas

Holders of mining concessions have the right to recover the VAT paid in connection with their activities during the exploration stage. In order to access this regime, mining companies must comply with certain conditions, such as being entirely at a pre-operative stage and performing exploration activities of minerals within the country, and entering into an exploration investment contract with the Government, for a minimum investment of an amount in national currency equivalent to USD 500,000.

Likewise, entities that enter into oil & gas agreements with the Government (PERUPETRO) have the right to recover the VAT paid in connection with their activities during the exploration stage.

#### 4.17. Exporter's positive VAT balance

Export of goods as well as some services performed for foreign entities, are taxable at 0% rate. VAT paid upon the acquisition of goods, services, construction agreements and import of goods related to the exported goods or services, grants exporter a positive balance which may be refunded by the Tax Administration.

The positive balance may be offset with: (i) output VAT, (ii) Income Tax, (iii) any other outstanding tax debt in favour of the Central Government. In case the positive balance is not completely offset, because the amount of the aforementioned tax obligations does not fully absorb the balance, the taxpayer may apply for a refund.

#### 4.18. Excise tax

The sale of specific goods, including fuel, vehicles, among others, is subject to Excise Tax.

Tax rates, and the manner in which the tax is applied, depend on the type of goods or services. For example, in the case of fuel, the taxpayer is obliged to pay a determined amount per gallon sold locally or imported (between S/. 0.38 and S/. 2.30 per gallon, depending on the type of fuel); in the case of vehicles, the tax rate is 0%, 10% or 30%, depending on the type of vehicle.

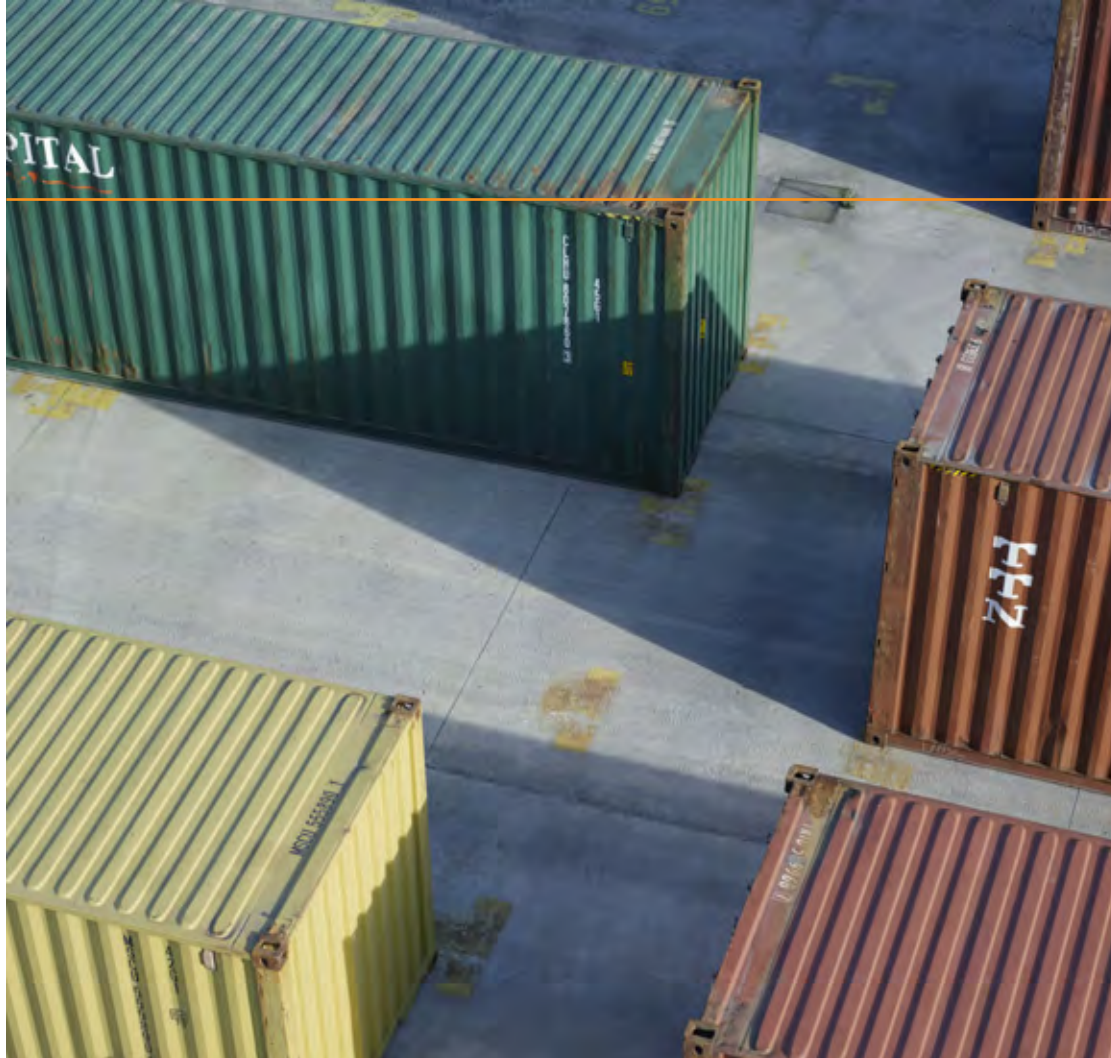
#### 4.19. Customs duties

Customs duties are imposed on the CIF value of imported goods, at rates of 0%, 6%, 11%. There are no restrictions on imports and exports, although there is a limited list of products which cannot be imported or exported. Exports are not subject to any tax. The import of most capital goods is subject to a 0% rate.

Peru is a member of the World Trade Organization (WTO) and various bilateral agreements based on most favoured nation treatment on a reciprocal basis. Peru is also a member of the Andean Community and the Latin American Integration Association - LAIA (formerly the Latin American Free Trade Association).

The Government is empowered to grant duty exemptions under certain circumstances and also to suspend temporarily the assessment of duties on certain products. Customs duties are imposed on an Ad-Valorem basis (the CIF value of the imported goods). Goods are classified for customs duty purposes under the Harmonized System.





#### 4.20. Customs duties: drawback regime

Pursuant to the drawback regime, an exporter may apply for a refund of the customs duties that it paid upon: (i) the importation of goods contained in the exported goods, or (ii) the importation of goods that are consumed during the production of the exported goods.

The refund rate is currently 5% of the FOB value of the exported good, provided such amount does not exceed 50% of the good's production cost. The refund will be applicable for each type of good exported by the exporter and for the first USD 20'000,000 worth of goods exported per year (the excess will not be subject to refund).

For said purpose, the beneficiaries of the drawback regime are the manufacturer/exporter companies whose cost of production has been increased by the customs duties paid upon the importation of: (i) raw material, (ii) intermediate products, or (iii) pieces incorporated or consumed in the production of the exported good. Note that fuel or any other energy source used to generate heat or energy for the purposes of obtaining the exported good, is not considered as raw material.





5

Corporate  
issues



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# 5. Corporate issues

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## 5.1. Incorporating a legal entity in Peru

### Choice of entity

A Corporation (Sociedad Anónima) is the legal vehicle most commonly used by foreign and domestic investors. However, foreign investors may also set up a Partnership, limited liability entities or establish a Branch, which is taxed like a corporation, with the difference that Branches are only subject to income tax on Peruvian source income.

### Capital requirements

There are no specific rules establishing percentages for foreign or domestic investment participation. However, the Peruvian Companies Law requires every Corporation or Partnership to have at least two shareholders/partners. This requirement does not apply for Branches.

There is no minimum capital requirement, except for banks, financial entities and certain other controlled companies. However, all companies must deposit their capital in a Peruvian financial entity, and there are minimum amount requirements for opening a bank account, which may vary according to each financial entity.

### Shareholders' requirements

The minimum number of shareholders required is two. There is no requirement for shareholders to be Peruvian.

There is no general requirement stating directors or managers must be Peruvian residents or nationals. However, Peruvian residence of at least one of the legal representatives is recommended for practical reasons.

### Repatriation of funds

Repatriation of funds is totally unrestricted.

### Tax considerations

Capital gains, as defined by the income tax law, are taxed as ordinary corporate income.







### Forms of business enterprise

The Peruvian Companies Law (Ley General de Sociedades – LGS) and a number of other laws, decrees and regulations govern financial, commercial and industrial activities. The Companies Law regulates the incorporation and conduct of business entities in general. Special laws may affect the conduct of industrial, mining, telecommunications, banking and insurance activities to varying degrees, as well as companies operating under special conditions.

The main legal vehicles regulated under the Peruvian Companies Law are the following:

#### **Sociedad Anónima (S.A) - Corporation:**

- **Private Corporation (Sociedad Anónima - S.A.):** The corporation is the most commonly used business entity, and constitutes the basis for the other forms of S.A. (below). Contributions to capital are represented by shares. Liability is limited to the amount of the contribution. It must have a Board of Directors and General Manager.
- **Private Closed Corporation (Sociedad Anónima Cerrada- S.A.C.):** No more than twenty shareholders are allowed, its shares are not listed on the stock exchange, and the transfer of shares is subject to restrictions. The Board of Directors is optional, but the Corporation must have a General Manager.
- **Public Corporation (Sociedad Anónima Abierta- S.A.A.):** *One or more of the following requirements must be met:* An initial public offering of shares or convertible bonds has been carried out; it must have more than 750 shareholders; and/or over 35 percent of the share capital has to be distributed among 175 or more shareholders.

All its shares must be registered with the Stock Exchange, and the Corporation is subject to the supervision of the Stock Market Superintendence (Superintendencia del Mercado de Valores – SMV). The Board of Directors and General Manager are both mandatory.

#### **Sociedad Comercial de responsabilidad limitada (S.R.L.) – Limited liability company:**

No more than twenty partners are allowed. All partners have limited liability, and the capital is divided into participations, for which no documents or titles are issued. The partners and participations are registered in the Peruvian Public Registry, as well as every participations transfer.

#### **Sucursal – Branch**

It is a permanent establishment of a local or foreign company outside its legal domicile, dedicated to one or some of the activities which constitute the corporate purpose of its head office. A Branch does not have legal independence or a different legal status from its head office. However, it is considered as an independent company for tax purposes. A Branch must have a Permanent Legal Representative, who acts as General Manager.



## Government supervision

On a general basis, the Peruvian Government supervises certain industry activities, such as:

- Insurance, financial and banking operations, as well as the companies under the control of the Superintendencia de Banca y Seguros y AFPs (SBS) and SMV.
- Mining and energy.
- Drug and chemical use.
- Education.
- Public Infrastructure.
- Transport and telecommunications.
- Water and sewage services, among others.

## 5.2. Corporation – Sociedad Anónima

### Incorporation process

The incorporation of a local company is a straight forward process. The company should be incorporated by two or more persons or legal entities (acting on their own or by means of duly accredited legal representatives), by means of a Public Deed of Incorporation issued by a Notary Public and registered at the Public Registry.

The Incorporation Public Deed must contain the following:

- The Articles of Association and Bylaws of the Company;
- The share capital amount and the number of shares into which it is divided;
- The form of payment of the share capital by each shareholder, which may be means of a monetary or in-kind contribution; and,
- The appointment of the first Board of Directors of the Company and its General Manager, if applicable.

The main topics that must be included in the Bylaws are:

- The name, purpose and address of the Company.
- The amount of the share capital and the number of shares into which it is divided, as well as their respective value and the amount paid-in for each share.
- The Shareholders' Meeting and management regime (Board of Directors and General Manager).
- The requirements for increasing or reducing the share capital, modifying the corporation's Bylaws and the dissolution and liquidation process.
- Rules for the distribution of profits.

A copy of the Public Deed must be delivered by the Notary Public in order to be registered before the Public Registry.

Registration formalities normally take about 20 days. Notary Public's fees depend on the extension and complexity of the Public Deed, as well as the amount of the capital stock.



### Capital structure

Except for banks, financial entities, insurance companies and pension fund administrators, and labor service intermediation entities, there is no legally required minimum authorized capital. However, all companies must deposit its capital in a Peruvian financial entity, and there are minimum amount requirements for opening a bank account, which may vary according to each financial entity

Shares are nominative and different classes are allowed (bearer shares are prohibited). The issuance of shares with and without voting rights is permitted.

Shares can be issued once they have been fully subscribed and paid-up at least 25 percent.

Bylaws may establish limitations on the transfer of shares but may not prohibit transfers.

The corporation may not grant loans or guarantees with the guarantee of its own shares, not even for the acquisition of the latter, under responsibility of the Board of Directors or the General Manager, in case there is no Board of Directors.

### 5.3. Relationships of shareholders, directors and officers

#### Management of the company

The shareholders exercise the control of a company through the General Shareholders Meeting. The management of the company is normally delegated to a Board of Directors and to the managers, one of whom must be the General Manager. In the event that the Company does not have a Board of Directors, the management will be delegated to the General Manager.

Powers of each body are defined in the Companies Law and in the Bylaws of the corporation.

Directors and Managers are not required to hold shares. Minutes of all shareholders' and directors' meetings must be kept in legalized minute books or on loose-leaf pages. Every corporation must keep a legalized share registry book in which the creation, issuance, rights, transfer, liens and guarantees granted in respect of the company's shares must be registered. At the official year-end, the directors must prepare and submit to the shareholders the corporate financial statements, together with their report on the corporation's activities.

#### General Shareholders Meetings

An annual general meeting of shareholders must be held within three months of the year-end. At this meeting, shareholders approve, among other matters, the management, the financial statements of the past year, the dividend distribution (if any), and the renewal of the Board of Directors. Other meetings are held when required by the company, for which a fixed agenda and meeting date should be set.





### Capital increase and decrease, and Bylaws amendment

Increase or decrease of capital stock and Bylaws amendment should be decided by an absolute majority of shareholders at a general Shareholders' Meeting. Shareholders representing not less than two-thirds of the subscribed shares with voting rights must be present or represented by proxy in a first citation, and representing no less than three-fifths in a second citation, in order to meet the required quorum. No agreed resolution will be valid if the required representation of shareholders is not present at either of these two meetings.

### Voting rights

Voting rights for the different classes of shares are normally established in the Bylaws, each share being entitled to one vote. Proxies for shareholders' meetings may be granted by letter, fax and other similar methods, if provided in the Bylaws.

Non-voting-right shares are allowed by Peruvian law. These shares are not taken into account in determining the quorum of the general shareholders' meeting. However, they grant preferential rights for profit distribution.

### Dividends

Unless otherwise stated in the Bylaws, the shareholders at the annual general meeting decide the distribution of dividends. The rules for dividend distribution are as follows:

- Dividends are only to be paid based on profits obtained or on free reserves, and provided the company's net worth is not lower than the paid-up share capital.
- Unless otherwise stated in the Bylaws or agreed on by the general shareholders' meeting, all shares of the corporation (even if not fully paid-in) have the same right to dividends, no matter when they have been issued or paid.
- Distribution of dividends in advance is valid, except for those corporations that have an express legal prohibition.

In the event that the general shareholders' meeting approves the distribution of a dividend in advance, with no favorable report from the Board of Directors, the shareholders who vote in favor of such a distribution shall be jointly, severally and exclusively responsible for the payment.

Directors may be empowered to decide on the distribution of dividends in advance.



## Dissolution and liquidation

Dissolution must be agreed by the General Shareholders' Meeting. Such resolution must be published on three consecutive occasions within ten days following the agreement. The registration of the dissolution at the Public Registry must be performed within ten days following the last publication.

A company must enter into a liquidation process if it incurs losses in excess of two-thirds of its paid-in capital. A company that continues to operate after accumulating losses in excess of more than two-thirds of its paid-in capital is deemed to be an "irregular" company and, as such, loses its limited liability status, whereupon the shareholders, directors and managers assume unlimited responsibility for all obligations incurred.

Liquidators designated by the shareholders conduct the liquidation proceedings. Liquidators are empowered to sell the company's assets, pay the liabilities and distribute any remaining balance of equity among the shareholders.

General Law of the Bankruptcy System is also applicable, when creditors request the beginning of a bankruptcy procedure.

## Books, records and publications

All companies must have corporate books for recording resolutions that have been taken. The corporate books are used for:

- Shareholders' minutes
- Board of Directors resolutions (if applicable)
- Share entries

Banks, insurance and other supervised companies are required to publish their balance sheets and profit and loss statements in "El Peruano", the official gazette, and another daily newspaper.

A standard form for presentation is requested, but the information required is minimal.

## Statutory audit

Annual audits by independent public accountants are mandatory in the following circumstances:

- For banks, insurance and, in general, companies listed on the Lima Stock Exchange Market.
- When established by the company's Bylaws.
- When specifically requested by shareholders representing not less than 10 percent of the company's subscribed shares with voting rights.
- In a closed corporation, when it is requested by shareholders representing at least 50 percent of subscribed shares with voting rights.
- When the company qualifies as an open corporation.
- If the entity has either assets or revenue equal to or in excess of 3,000 Peruvian Tax Units (UIT), in a given year.



#### 5.4. Limited Liability Company (S.R.L.)

In Limited liability companies (S.R.L.), the capital is divided into equal participations, accumulative and non-divisible, which should not be denominated shares. No title or document is issued to the holder. There cannot be more than 20 partners, and they do not have personal liability for the company's obligations.

Limited liability companies are incorporated by Public Deed, which must contain the following:

- The contribution of each partner indicating the manner in which it is carried out, along with a valuation report for in-kind contributions.
- Ancillary services to which the partners have committed, indicating their form, the remuneration to be received by those who will perform said services, and reference to the possibility that they may be transferred with the sole consent of the managers of the company.
- Procedures and timing for calling meetings, which are to be carried out by the manager via fax, e-mail or any other means that allows a record of receipt to be kept. Communications shall be addressed to the domicile designated by the partner for that purpose.
- Requirements and other formalities for the modification of the Articles of Association and the Bylaws, for the extension of the company's duration and for its transformation, merger, spin-off, dissolution, liquidation and extinction.
- Formalities to be followed for the increase and reduction of the capital, indicating the eventual preemptive right of the partners and the conditions under which capital not assumed by the partners may be offered to third persons.
- Preparation and approval of the financial statements, quorum and voting procedures and the right to the distribution of profits in relation to the participation of each partner in the capital, unless otherwise provided for in the Bylaws.
- Other rules and procedures deemed convenient for the organization of the company, as well as any other lawful agreements that do not contradict the principles of the S.R.L.

The deed of incorporation may impose restrictions and conditions for the transfer of quotas but may not prohibit transfers altogether.

Management of the company is entrusted to one or more managers, who may or may not be partners, and who represent the company in each and every matter related to its corporate purpose. As a consequence of their appointment, managers hold general and special representation powers.



### 5.5. Branch of a foreign company

Under Peruvian legislation, a Branch is any secondary establishment by means of which a company performs certain activities included in its corporate purpose in a different location from its legal domicile.

To register a Branch of a foreign corporation, the legal representative of the corporation in Peru must execute an appropriate Public Deed at a Notary Public. The following documents must be attached to the deed:

- Board of Directors or competent body's resolution to establish the branch in Peru. This resolution should specify:
  - Declaration that the activities to be performed by the branch are within the corporation's purpose;
  - Domicile of the branch;
  - Name of the person designated as permanent legal representative and other representatives in Peru, powers vested in them and the express assumption of the Peruvian legislation for those obligations of the branch.
- Affidavit or certification confirming that the Directors or legal representatives of the Company that signed the resolution were entitled to decide upon the establishment of a Branch in accordance to the company's law.
- Copy of the Bylaws (memorandum and Articles of Association) of the foreign company.
- Certification of the corporation's existence issued by the competent authority.

The above-mentioned documents require certification by a Notary Public or appropriate government officials in the country of incorporation of the company, and to be duly apostilled or certified by the Peruvian Consulate in the country of the company.

A Peruvian official translator must translate any document that is not in Spanish, in order to file it before the Public Registry for its registration.

The business of the branch is directed by a permanent legal representative, appointed by the parent company, whose powers of attorney are duly registered before the Public Registry. Such power may be revoked only by the parent company or by the holder of an overriding power of attorney in Peru. The scope of the representative's power of attorney may vary according to the parent company's policy but should be sufficiently extensive to allow adequate representation in Peru.

There is no regulation requiring filing of the financial statements of the parent company in Peru.

It is important to note that the Peruvian Government has adopted the Hague Convention of October 5th, 1961, which abolishes the requirement of legalization for foreign public documents to be used only in signatory countries.

The referred convention entered in force in Peru on October 1st, 2010.



#### 5.6. Participation account agreement

Two or more parties can enter into an agreement to carry out a particular business activity under this type of agreement. Pursuant to this agreement, one of the associates is the managing (active) partner who agrees to share in the results or profits of one of its businesses with another individual or legal entity who is the silent partner (or partners), in consideration of the contribution of goods or services to the business.

The managing (active) partner operates the business and is responsible towards third parties. This agreement does not give rise to an entity different from the managing (active) partner.

#### 5.7. Consortium or joint venture agreement

Under this form of collaboration agreement, two or more parties associate to actively and directly participate in a certain business for the purpose of obtaining an economic profit. However, each party maintains its independence. Each party is individually liable to third parties for the activities of the agreement. When the Consortium or Joint Venture enters into agreements with third parties, there is joint liability for the partners if it is stated in the agreement or when determined by law. The agreement sets the extent of participation in the results; otherwise it is deemed to be equal for all the parties. For tax purposes, it is considered a separate taxable entity when independent accounting records are kept (in certain circumstances one party can keep the accounting of its shares in the agreement).





6.

# *Financial accounting and reporting*



# 6. Financial accounting and reporting

## 6.1. Application of International Financial Reporting Standards (IFRS) in Peru

In order to determine which companies are required to apply IFRS (mandatorily or voluntarily) it is necessary to distinguish between the following groups illustrated as follows:

Group	Features	Requirement for IFRS
Group 1	Listed companies (oversight of local regulator)	IFRS mandatory since 2011
Group 2	Private companies with assets or revenues above 30,000 UITs (approximately US\$38 million)	IFRS mandatory since 2013
Group 3	Private companies with assets or revenues above 15,000 UITs (approximately US\$19 million)	IFRS mandatory since 2014
Group 4	Private companies with assets or revenues above 10,000 UITs (approximately US\$13 million)	IFRS mandatory since 2015
Group 5	Private companies with assets or revenues above 5,000 UITs (approximately US\$6.4 million)	IFRS mandatory since 2016
Group 6	Private companies with assets or revenues above 3,000 UITs (approximately US\$3.8 million)	IFRS mandatory since 2017
Group 7	Private companies with assets or revenues below 3,000 UITs (approximately US\$3.8 million)	They continue to apply Peruvian GAAP

It is important to emphasize that Peruvian companies are required to adopt IFRS in the consolidated financial statements as well as in the separate or individual financial statements. That means there is no freedom of choice in adopting IFRS in the individual financial statements as is possible, for example, in some European countries.

According to the previous chart, Group 1 consists of companies with equity shares or debt instruments traded in the local markets or operating in specific business areas (broker dealers, mutual funds and investment funds). These entities are overseen by the local regulator of entities and securities (Superintendencia del Mercado de Valores, SMV), and they were required to fully adopt IFRS for the preparation of their financial statements of 2011; except for broker dealers, mutual funds and, investment funds, which have been required to prepare their first IFRS financial statements for the year ended December 31, 2012.

Groups 2 to Group 6 inclusive consist of private companies (not overseen by SMV) with assets or revenues greater than a specific level measured on the basis of UIT which, despite not being public companies are required to file their financial information with the local regulator, SMV. This means that the SMV has enhanced its functions in order to act as an agent compiling information presented by private entities and has the ability to impose fines on entities that fail to comply with this requirement for an amount up to 25 UIT (approximately US\$32 thousand). The minimum information required



to be filed with SMV consists of a set of basic financial statements (without notes), which will be made public to any party making a formal request. The entities included in these groups have due dates for filing their information based on a schedule informed by SMV which establishes maturities in June of the year following the date of the information that is being presented.

Group 7 consists of private companies (not overseen by the SMV), with assets or revenues below 3,000 UITs (US\$3.8 million), which should apply generally accepted accounting principles in Peru (Peruvian GAAP). Nevertheless, these companies apply IFRS voluntarily; in this regard it should be mentioned that the Peruvian standard-setter (Consejo Normativo de Contabilidad (CNC) made official in November 2010 the IFRS for Small and Medium Sized entities issued by the IASB.

In summary it should be emphasized that to date most Peruvian companies have adopted, or are in the process of adopting, IFRS.

## 6.2. Major differences between IFRS and Peruvian GAAP

Peruvian GAAP is based on the IFRS made official through resolutions issued by the Peruvian standard-setter, the Consejo Normativo de Contabilidad (CNC) and certain specific local accounting rules. Currently, considering the most recent approvals of certain standards and pronouncements by the CNC, the major differences between IFRS and Peruvian GAAP are as follows:

Under Peruvian GAAP effective as of December 31, 2004, the financial statements were required to be adjusted to reflect the effects of inflation, based on a methodology approved by the CNC. The balances restated for inflation were considered to be the historical opening balances to prepare the financial statements for 2005.

Under IFRS, Peru did not qualify as a hyperinflationary country after 1994; therefore, the financial statements for years beginning on or after that date are not required to be restated for inflation, in accordance with IAS 29 - Financial Reporting in Hyperinflationary Economies.

For Peruvian GAAP purposes, it is permitted to apply the equity method to account for investments in subsidiaries in separate financial statements. Under IFRS, IAS 27 - Separate Financial Statements, investments in subsidiaries, presented in separate financial statements, are permitted to be accounted for at cost or applying rules of IAS 39. It should be mentioned that the IASB in August 2014 published narrow-scope amendments to IAS 27 "Separate Financial Statements". The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. An entity which has decided to change to the equity method shall apply the amendments for annual periods beginning on or after 1 January 2016 in accordance with IAS 8. Earlier application is permitted. It could be reasonably expected that many companies will decide to apply the equity method in order to reduce compliance costs.



In addition to the previous GAAP differences, although Peruvian GAAP includes most of the IFRS, in practice it shows certain departures from a strict application of IFRS, for example, most companies follow tax criteria to depreciate fixed assets, or do not apply concepts such as componentization, or residual values or do not identify embedded leases or embedded derivatives.

For entities required to apply full IFRS, it is necessary that their management assesses the impact of IFRS on their financial reporting framework. The transition to the IFRS framework may be much more complex than the technical accounting challenge arising when adopting new accounting standards. This process implies focusing on complex issues inherent to the financial information collection and formulation process as well as the business processes and systems; in addition, but equally important, this conversion process requires making sure awareness is raised company-wide of the implications of adopting this new accounting framework. Careful planning and monitoring of the activities underlying this conversion initiative will contribute to a smooth transition for the company and will mitigate any potential additional pressure that this initiative may place on the day-to-day activities of the company's personnel.





A photograph of a modern office building's interior, showing multiple levels with glass railings and white walls. The space is bright and open, with people visible on the lower levels. A large orange number '7' is overlaid on the left side of the image.

# 7



## *Environmental and social aspects*



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# 7. Environmental and social aspects

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## 7.1. Planning

The Peruvian Government directs its environmental and social efforts through two ministries: the Ministry of the Environment (MINAM)<sup>1</sup>, in charge of the National System of Environmental Management; and the Ministry of Development and Social Inclusion (MIDIS)<sup>2</sup>.

### Environmental aspects

Every two years, a National Environmental Action Agenda is developed to define a road map of actions. These actions are aligned with several documents of country commitments: Rio + 20, Millennium Objectives, Bicentenary Plan, National Environmental Action Plan 2011-2021 (PLANAA) and the Strategic Areas of Environmental Management.

### *Summary of expected results - National Environmental Action Agenda 2015-2016*<sup>3</sup>

#### Biological diversity :

1. Increase the availability and improve the efficiency of water resource management in hydrographic basins and aquifers, to achieve sustainable harvesting and promote its economic, social and environmental value. Develop plans for integrated and sustainable management of water resources and implement Water Resource Councils in 10 basins. Implement Law of Remuneration Mechanisms for Ecosystem Services
2. Preserve and utilize ecosystems and biodiversity in a sustainable way, promoting equitable distribution of benefits, including indigenous and rural communities.
  - Reduce annual deforestation rate by 20% compared to 2013-2014.
  - Map 100% of Amazonian degraded forests.
  - Strengthen marine management.
  - Perform ship inspections: 90% of inspections of industrial vessels and 80% of inspections artisanal vessels comply with the code of responsible fishing.
  - Increase the number of rights granted in Protected Areas: by 10% for sustainable use of natural resources and 20% for landscape use.

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<sup>1</sup> MINAM was created in May 2008 by Legislative Decree N° 1013

<sup>2</sup> MIDIS was created in October 2011 by Law N° 29792.

<sup>3</sup> At Jan 2015 the Agenda was under public review.



### Climate change

1. Incorporate climate change in strategies, programs and development plans.
2. Design and promote mechanisms for prevention and remediation of land degradation.
3. Regional governments implement the National Strategy and regional action plans to combat desertification and drought.
4. Manage greenhouse gas emissions (GHG). At least 3 sectors should have arranged conceptual designs of nationally appropriate mitigation actions and instruments for GHG management.
5. Ensure compliance with the commitments on climate change and desertification and drought stemming from international treaties.

### Environmental Quality

1. Reduce the levels of water pollution.  
Treat 80% of urban wastewater and reuse 20%.
2. Reduce air pollution levels.  
Improve air quality in 31 cities by complying with Air Environmental Quality Standards.  
Have national quantitative information on releases and transfers of pollutants from industrial sources.
3. Prevent and reduce soil pollution  
Implement a comprehensive management system of contaminated sites nationwide.  
Recover degraded and polluted areas by illegal mining and informal small-scale and artisanal mining areas (2 regions).
4. Improve the integrated management of solid waste  
  
Implement solid waste management instruments in 3 sectors, 10 regional governments and 287 local governments.
5. Promote the implementation of eco-efficiency measures and sustainable public procurement



### Environmental Governance

1. Strengthen the National, Regional and Local Systems of Environmental Management.
2. Strengthen the National System of Environmental Impact Assessment - EIA to assure sustainability of public, private or mixed capital investments.
3. Strengthen the environmental audit function.
4. Articulate and promote the National Environmental Information System and processes of environmental research in the country.
5. Manage the territory in an integral way.
6. Strengthen citizenship and environmental education.
7. Improve dialogue and coordination in preventive environmental management.

### Social aspects

Peru has a population of 30'814,175.

25.8% of the total population is considered to be living in poverty and 6.3% in extreme poverty.

For 2016, the Peruvian Government expects to:

1. Reduce its population in extreme poverty from 6.3% to 5%.
2. Decrease chronic undernourishment from 23.2% to 10%.
3. Increase coverage of basic services (water, sanitation, electricity and telephone) in homes from 59.4% to 70%.

Social aspects are regulated and led by the Ministry of Development and Social Inclusion. The Ministry's efforts are guided by the National Strategy of Development and Social inclusion "Incluir para Crecer" (Include to Grow) and their objectives are reached through five principal National Programs.

### *National Strategy of Development and Social main areas and objectives*

#### Infant Nutrition

- Reduce the incidence of low weight at birth.
- Reduce morbidity from acute respiratory infections and acute diarrheal infections in children under 36 months.
- Improve the quality of nutrients for children under 36 months.





### Early Childhood Development

- Improve the quality of the environment in which children develop.
- Improve child health status.
- Improve access to quality educational services for early childhood.

### Comprehensive development of children and adolescents

- Improve quality, equity and educational opportunities.
- Reduce risk behaviors.
- Reduce child labor.

### Economic Inclusion

- Increasing access to infrastructure and family productive assets.
- Increase capabilities and resources to increase family productivity.

### Protection of the Elderly

- Provide economic security.
- Improve quality of services for the elderly.
- Strengthen local social support networks.

The Ministry's efforts are based on five principal National Programs:

"CUNA MAS"	Improves child growth from 0-3 years in areas of poverty and extreme poverty.
"JUNTOS"	Gives monetary support to the poorest population in order to break up the inter-generational transmission of extreme poverty.
"FONCODES"	Promotes economic opportunities of the rural population. "Qali Warma": directed to feeding students during their first years.
"Qali Warma"	Directed to feeding students during their first years.
"PENSION 65"	Assists a vulnerable population over 65 years old which does not have the basic conditions for subsistence.

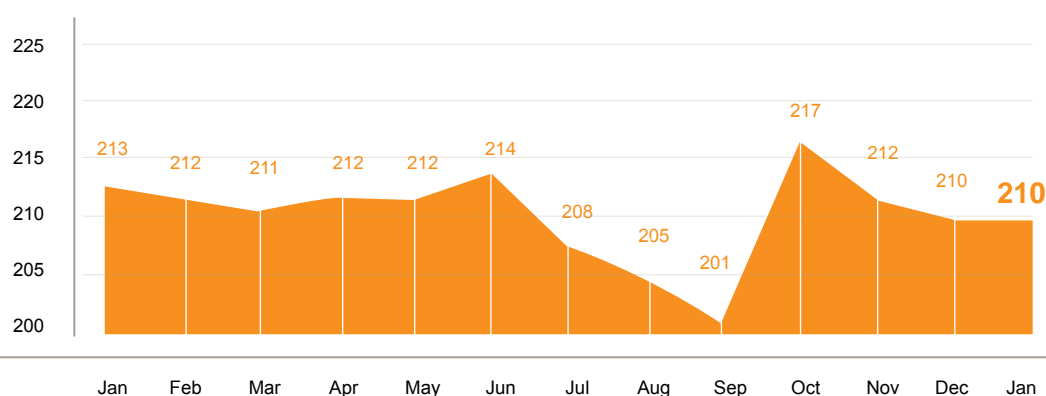


## 7.2. Social conflicts in 2014

The Public Defender of Peru (Peru's Ombudsman) and its organization was created in 1993 to protect the constitutional right and freedom of the individual and the community; monitor the performance of the duties of the state administration and the provision of public services to the population.

67% of the conflicts in Peru have an environmental origin and 45.7% specifically relate to mining activities. Every month, a report on social conflicts is published and is available online.

### Social conflicts registered by month in Peru (January 2014-2015)



Source:  
Public Defender of Peru.- SIMCO

### Peru: Social conflicts, by origin - January 2015

Type of conflict	Total Number	%
<b>Socio-environmental</b>	140	67%
Mining	96	45.7%
Oil and Gas	21	10.0%
Energy	9	4.3%
Forestry	4	1.9%
Residues	5	2.4%
Others	3	1.4%
Agro-industrial	2	1.0%
<b>Local government issues</b>	23	11%
Territorial demarcation	15	7%
Communal	10	5%
National government issues	8	4%
Other issues	6	3%
Labor	4	2%
Regional government issues	4	2%
Illegal coca growing	0	0%
Electoral	0	0%

Source: Report of social conflicts  
N°131 – January 2015.  
Public Defender of Peru.



### 7.3. Legal framework 2012- 2013

#### Environmental field:

- Supreme Decree N°002-2013-MINAM (25/03/2013); Approved Environmental Quality Standards for land.
- Ministerial Resolution N°027-2013-MINAM (28/01/2013); Approved the National Agenda for Environmental Action 2013-2014.
- Ministerial Resolution N° 334-2012-MINAM (27/12/2012); Approved the Strategic Plan 2013-2016 (PESEM-2013-2016) for the Environmental Sector.
- Supreme Decree N° 010-2012-MINAM (19/12/2012); Approved Protocol for Joint Intervention in Mining
- Environmental Supervision and Control Actions.
- Ministerial Resolution N°225-2012-MINAM (30/08/2012); Approved Environmental Quality Standards (ECA) and Maximum Permissible Limits (LMP) for Period 2012-2013.

#### Social field:

- Ministerial Resolution N°058-2012-MIDIS (25/04/2013); approved terms of reference for the creation of the Internal Control Committee for the Development and Social Inclusion Ministry.
- Law N° 29792 approved the creation of the Development and Social Inclusion Ministry of Peru.
- Ministerial Resolution N° 087-2013- MIDIS (02/05/2013); approved the Operational Funds Handbook for Economic Inclusion in Rural Zones (FONIE for its acronym in Spanish)
- Supreme Decree N° 008-2013-MIDIS (26/04/2013); approved the National Strategy for Development and Social Inclusion “Incluir para crecer”.
- Emergency Decree N° 001-2013 (25/04/2013); established extraordinary actions to attend to the population in a vulnerable situation.

### 7.4. Key facts and figures

1. Peru is one of the 17 countries with the greatest biological diversity in the world.
2. It is the fourth country in area of tropical forests, the first in the number of plant species of recognized properties and the first in domesticated native species.
3. It also has 7.8% of the world's cultivable plants and 10% of the planet's flora species (25,000 plant species of which 30 % are endemic).
4. This country is the first in varieties of fish, second in bird species, third in amphibians and third in mammals. It has 515 species of mammals, 1,816 species of birds, 418 species of reptiles, 449 species of amphibians, 855 marine species, 1,300 species of continental fish, 1,070 species of marine fish.
5. Peru has eleven eco-regions, 28 of the 32 weather types and 84 of the 104 life areas of the world.
6. Up to 2012, the population growth rate is approximately 1.13%.
7. Peru is a multi-cultural country with more than 14 ethno-linguistic families and 72 ethnic groups. The indigenous cultures are important centers of traditional knowledge and are part of the science and technology resources of the country and the world.





8.

*Regulatory  
bodies*



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## 8. Regulatory bodies

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### Central Reserve Bank of Peru (BCRP)

[www.bcrp.gob.pe](http://www.bcrp.gob.pe)

The BCRP is a public legal entity, which is autonomous within the framework of its Organic Law and its purpose is to preserve monetary stability. Its functions are to regulate the currency and the credit of the financial system, administer the international reserves under its responsibility among other functions. The bank must exactly and periodically inform the country of the state of the national finances (Article 84 of the Political Constitution of Peru). Additionally, the bank is prohibited from granting financing to the public treasury, except for the purchase in the secondary market of securities issued by the Public Treasury within the limits stated by its Organic Law (Article 77). The Political Constitution of 1993, like that of 1979, enshrines the fundamental principles of the monetary system of the Republic and the regime of the BCRP. The issue of bills and coins is an exclusive faculty of the State, which it exercises through the BCRP (Article 83).

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### Presidency of the Council of Ministers (PCM)

[www.pcm.gob.pe](http://www.pcm.gob.pe)

The Presidency of the Council of Ministers is the institution responsible for the coordination of the national and sectorial policies of the Executive Power. It coordinates relations with the other Powers of the State, constitutional organisms, regional and local governments and the civil society. The President of the Council of Ministers is the head of the Presidency of the Council of Ministers. Its organization and functions are regulated by supreme decrees with the approving vote of the Council of Ministers.

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### Ministry of Economy and Finance

[www.mef.gob.pe](http://www.mef.gob.pe)

The Ministry of Economy and Finance is an organism of the Executive Power, the organization, competence and functioning of which is governed by Legislative Decree N° 183 and its amendments. It is responsible for planning, directing and controlling matters related to the budget, treasury, indebtedness, accounting, fiscal policy, public investment and economic and social policy. Furthermore, it designs, establishes, executes and supervises the national and sectorial policy of its area of competence, assuming the leadership thereof.

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### Ministry of Labor and Promotion of Employment (MTPE)

[www.mintra.gob.pe](http://www.mintra.gob.pe)

The leading entity with regard to the development and evaluation of the socio-labor policies of work and promotion of employability and job placement, self-employment and decent employment on a national level, guaranteeing the compliance of current labor legislation, the prevention and solution of conflicts, the improvement in working conditions and respect for the fundamental rights of the worker the prevention y solution of conflicts, for the progress of organizations, for the benefit of the country's socio-economic development in a framework of democracy and social dialogue.



### **Ministry of Energy and Mines (MINEM)**

[www.minem.gob.pe](http://www.minem.gob.pe)

This is the central institution of the energy and mining sector, and forms part of the Executive Power. Its purpose is to formulate and evaluate policies on a national level with regard to the sustainable development of mining and energy activities. Furthermore, it is the competent authority in environmental matters corresponding to the activities of these industries. It promotes the overall development of these sectors, regulating, controlling and/or supervising, as applicable, their compliance; safeguarding the rational use of national resources in harmony with the environment.

### **Superintendence of Banking, Insurance and Private Pension Fund Administrators (SBS)**

[www.sbs.gob.pe](http://www.sbs.gob.pe)

The SBS is the entity in charge of the regulation and supervision of the Financial and Insurance Systems as well as the Private Pension System (SPP in Spanish), and the prevention and detection of laundering of assets and financing of terrorism. Its principal objective is to preserve the interests of the depositors, of the insured and of the affiliates of the SPP. The SBS is a public institution whose functional autonomy is recognized by the Political Constitution of Peru. Its objectives, functions and attributions are established in the General Law of the Financial System and of the Insurance and Organic System of the Superintendencia de Banca, Seguros y AFP (Ley 26702).

### **Superintendence of the Stock Market (SMV)**

[www.smv.gob.pe](http://www.smv.gob.pe)

The SMV is a specialized technical entity attached to the Ministry of Economy and Finance that has the purpose of ensuring the protection of investors, the efficiency and transparency of the markets under its supervision, the correct formation of prices and the dissemination of all the necessary information for such purposes. It has legal status in accordance with internal public law and enjoys functional, administrative, economic, technical and budgetary autonomy. Its main functions include: Establishing the legal norms that regulate aspects of the securities market, product market and collective fund system; supervising the compliance of the legislation by the individuals and legal entities that participate in those markets and its promotion. It also supervises the compliance of the international auditing standards by the auditing firms authorized by the association of public accountants of Peru.

### **Supervising Body of Private Investment in Telecommunications (OSIPTEL)**

[www.osiptel.gob.pe](http://www.osiptel.gob.pe)

OSIPTEL is a decentralized public entity in charge of regulating and supervising the market of public telecommunication services, independent of the operating companies, attached to the Presidency of the Council of Ministers. It was created in July 11th, 1991 by Legislative Decree N° 702, and began its activities with the installation of its first Advisory Board on January 26th, 1994.



**Supervising Body of Investment in Energy and Mines (OSINERGMIN)**
[www.osinergmin.gob.pe](http://www.osinergmin.gob.pe)

Public institution in charge of regulating and supervising that the companies of the electricity, hydrocarbon and mining sector comply with the legal provisions of the activities that they carry out. OSINERGMIN is an internal public legal entity and enjoys functional, technical, administrative, economic and financial autonomy. The regulation and supervision tasks of this institution are regulated by technical criteria, in this manner it contributes to the energy development of the country and the protection of the interests of the population.

**National Superintendence of Sanitation Services (SUNASS)**
[www.sunass.gob.pe](http://www.sunass.gob.pe)

SUNASS is a decentralized public entity, created by Decree Law N° 25965, attached to the Presidency of the Council of Ministers, with public law status and with administrative, functional, technical, economic and financial autonomy, whose function is to set standards for, regulate, supervise and control the provision of sanitation services, impartially and objectively protecting the interests of the State, investors and users.

**Supervising Body of Investment in Transport Infrastructure of Public Use (OSITRAN)**
[www.ositran.gob.pe](http://www.ositran.gob.pe)

OSITRAN was created in January of 1998. It is a public organism, decentralized, attached to the Presidency of the Council of Ministers, with administrative, functional, technical, economic and financial autonomy. It has the general objective of regulating, setting standards for, supervising and controlling, within the scope of its competence, the behavior of the markets in which the Service Providing Entities act, as well as compliance of the concession contracts, impartially and objectively protecting the interests of the State, investors and users.

**National Institute of Defense of Competition and of the Protection of Intellectual Property (INDECOPI)**
[www.indecopi.gob.pe](http://www.indecopi.gob.pe)

INDECOPI was created in November of 1992, through Decree Law N° 25868. It has the functions of promotion of the market and the protection of the rights of the consumers. Additionally, it promotes, within the Peruvian economy, a culture of fair and honest competition, safeguarding all forms of intellectual property: from distinctive signs and copyright to patents and biotechnology. INDECOPI is a Specialized Public Entity attached to the Presidency of the Ministry Council, with legal status under internal public law. As a result, it enjoys functional, technical, economic, budget and administrative autonomy (Legislative Decree No 1033).

**National Superintendence of Public Registries (SUNARP)**
[www.sunarp.gob.pe](http://www.sunarp.gob.pe)

SUNARP is an autonomous decentralized organism of the Justice Sector and governing body of the National System of Public Registries, and has among its main functions and attributions the establishment of the technical – registration policies and norms of the public registries that form the National System, plan and organize, set standards for, direct, coordinate and supervise the inscription and publication of minutes and contracts in the Registries that make up the system.



### **National Superintendence Labor Inspection (SUNAFIL)**

[www.sunafil.gob.pe](http://www.sunafil.gob.pe)

Specialized technical organism, attached to the Ministry of Labor and Promotion of Employment, responsible for promoting, supervising and controlling compliance of the socio-labor legislation and that of safety and health in the workplace, as well as providing technical advice, carrying out research and proposing the issue of regulations in the above areas.

### **National Superintendence of Tax Administration (SUNAT)**

[www.sunat.gob.pe](http://www.sunat.gob.pe)

The National Superintendence of Customs and Tax Administration – SUNAT, is a specialized, technical organism, attached to the Ministry of Economy and Finance, is a public law entity, with its own assets and enjoys functional, technical, economic, financial, budgetary and administrative autonomy. It also has the functions, powers and attributions that correspond by law to the National Superintendence of Customs.

### **General Directorate of Environmental Health (DIGESA)**

[www.digesa.minsa.gob.pe](http://www.digesa.minsa.gob.pe)

The General Directorate of Environmental Health is the technical-regulatory organ in aspects related to basic sanitation, occupational health, food hygiene, zoonoses and environmental protection. It is responsible for formulating policies, regulating and inspecting interventions in environmental health through the oversight, prevention and control of the environmental risk factors, which affect the health and welfare of the population, contributing to the improvement of citizens' individual and collective health.

### **Organism of Environmental Evaluation and Control (OEFA)**

[www.oefa.gob.pe](http://www.oefa.gob.pe)

The Organism of Environmental Evaluation and Control (OEFA) guarantees that economic activities in Peru are carried out in harmony with the right of the individual to enjoy a healthy environment. For that purpose, it is responsible for the evaluation, supervision, control and sanctioning of environmental matters, as well as the application of incentives in the mining, energy, fishing and industrial sectors. It was created in 2008 as a technical-specialized organism attached to the Ministry of the Environment.



A photograph of a modern office building with a glass and concrete facade. The building has multiple floors with large windows. In the foreground, there is a paved area with a few people walking. The image is partially covered by a red vertical bar on the left and a red horizontal bar at the bottom.

9



*Business  
associations*



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## 9. Business associations

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### **National Confederation of Private Business Institutions (CONFIEP)**

[www.confiep.org.pe](http://www.confiep.org.pe)

CONFIEP is the institution which brings together and represents Peruvian private business activity, at local and international level. It assembles a total of 25 business associations, including the Federations of Chambers of Commerce from the North, Centre, South and Amazon Regions of Peru, which unite the main Chambers of Commerce and Production on a national level. Its main objective is to contribute to the process of sustained economic growth based on investment and the promotion of employment. Furthermore, CONFIEP promotes intersectorial coordination, supporting and advising businessmen.

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### **National Society of Industries (SNI)**

[www.sni.org.pe](http://www.sni.org.pe)

The National Society of Industries is the institution that assembles the private industrial companies of Peru. It promotes the market economy, guaranteeing the liberty and responsibility that business activity requires for the development of its functions. Its more than 100 years of experience guarantee access to a privileged network of businesses and services to enable its associates to face current and future challenges.

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### **Lima Chamber of Commerce (CCL)**

[www.camaralima.org.pe](http://www.camaralima.org.pe)

The Lima Chamber of Commerce is a non-profit civil association with national and international representation. It brings together individuals and legal entities dedicated to trade, production and services. Its main objectives are to exercise the representation and the defense of the interests of businessmen before the authorities of the country and national and foreign entities, promote the market and free enterprise with social responsibility, and fair and honest competition within a group of ethical values and principles. With more than 13,000 member companies, it is the oldest business association in the country.

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### **Foreign Trade Society of Peru (COMEXPERU)**

[www.comexperu.org.pe](http://www.comexperu.org.pe)

This is the private guild that groups the main companies related to Foreign Trade in Peru. It has the objective of contributing to the improvement of competitive conditions, in a free market environment, that will convert Peru into an attractive destination for private investment.

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### **Association of exporters of Peru (ADEX)**

[www.adexperu.org.pe](http://www.adexperu.org.pe)

ADEX is a business institution that represents and provides services to its associates: exporters, importers and suppliers of trade services. It also provides services of associative action, business advice, commercial information, updating and training, commercial promotion, union management, business services and certification center.



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**American Chamber of Commerce of Peru (AmCham Peru)**

[www.amcham.org.pe](http://www.amcham.org.pe)

The American Chamber of Commerce of Peru is an independent and non-profit organization, which represents Peruvian, North American and foreign companies. It has approximately 3,000 members who represent more than 580 member companies. All of the members of Amcham Peru form part of the Association of American Chambers of Commerce in Latin America (AACCLA), which has 23 chambers of commerce in 21 countries of Latin America and the Caribbean.

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**Association of Companies Promoting the Capital Market (Procapitales)**

[www.procapitales.org](http://www.procapitales.org)

This entity is a union institution representing the private sector oriented towards the promotion of investment in general, with emphasis on the promotion of the capital market. Throughout its development it has contributed to promote and support a series of initiatives aimed at creating better conditions for private investment, strengthen good corporate governance practices, and promote financing through the capital market and investment funds.

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**Association of Automobile Representatives of Peru (ARAPER)**

[www.araper.pe](http://www.araper.pe)

This is the civil non-profit association, which brings together the authorized representatives of new motor vehicles. Its main functions are to represent its associates, provide information and specialized advisory services in aspects of the automobile sector, organize activities that enable the community to be presented with the commercial offering and technical contributions of the industry; and support the authorities and civil organizations in the solution of problems that affect the sector.

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**Peruvian Construction Chamber (CAPECO)**

[www.capeco.org](http://www.capeco.org)

CAPECO is a non-profit civil association, with the characteristics of a union. It groups and represents the companies that operate in the construction activity in Peru. It has the mission of providing services to its associates, promoting national development and improving the quality of life of the citizens through construction.

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**Association of Banks of Peru (ASBANC)**

[www.asbanc.com.pe](http://www.asbanc.com.pe)

The Association of Banks of Peru is a union institution that brings together the private banks and financial institutions of the country. Its main objective is to promote the strengthening of the private financial system, providing its associates with information, advisory and consulting services in matters of general interest.



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**Peruvian Association of Insurance Companies (APESEG)**

[www.apeseg.org.pe](http://www.apeseg.org.pe)

The Peruvian Association of Insurance Companies is a non-profit institution that groups and represents all the Insurance and Reinsurance Companies established in the country. It represents the associates before the public and private sectors, in matters of general interest for the country's insurance activity.

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**Association of Private Pension Fund Administrators (Asociación AFP)**

[www.asociacionafp.com.pe](http://www.asociacionafp.com.pe)

This is a private union organization, which assembles the four Private Pension Fund Administrators (AFP) that operate in Peru. Its objective is to improve the quality of life of the affiliates and pensioners of the Private Pension System, as well as publicize the benefits and services offered by the AFP.

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**National Society of Mining, Petroleum and Energy (SNMPE)**

[www.snmpe.org.pe](http://www.snmpe.org.pe)

The National Society of Mining, Petroleum and Energy is a business organization constituted as a non-profit Civil Association, which assembles legal entities related to mining, hydrocarbon and electricity activity.

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**National Fisheries Society (SNP)**

[www.snp.org.pe](http://www.snp.org.pe)

The National Fisheries Society groups and integrates the Peruvian companies that care for and make responsible use of hydro biological resources. These companies are provided, through advanced professional management, with union support services in their planning, execution and control activities, helping them to achieve common objectives with regard to the wellbeing of their workers, the nutritional and environmental improvement of the communities of their areas of influence, as well as the growing contribution of foreign exchange to the state, and to the expansion and recognition of its commercial activities.

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**Chambers of Peru (Perucamaras)**

[www.perucam.com](http://www.perucam.com)

Perucamaras groups the chambers of commerce of the entire country and it is made up of federations, associations and legal entities representative of all the sectors of economic activity. It has the objectives of contributing to the strengthening of the country's chambers of commerce, supporting the development of small and micro provincial companies, transmitting to the national government the problems and proposals of its members from the different economic sectors, regions and institutions and formulating and presenting technical studies, which permit it to take care of companies' problems on a national level.



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**Association of Unions of Agricultural Producers of Peru (AGAP)**

[www.agapperu.org](http://www.agapperu.org)

This is a non-profit civil association. It is an institution that represents the Agro Exporting sector before the Peruvian Government and foreign entities. It promotes the development of the national agricultural sector, seeking to improve its competitiveness.

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**Automobile Association of Peru (AAP)**

[www.aap.org.pe](http://www.aap.org.pe)

The AAP is a non-profit private business union of the automobile sector that is at the service of its associates in the entire country. It brings together individuals and legal entities related to the automobile sector, to protect their interests, progress and to represent them before the different authorities.

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**National Association of Pharmaceutical Laboratories (ALAFARPE)**

[www.alafarpe.org.pe](http://www.alafarpe.org.pe)

This is a union entity of the pharmaceutical industry of products for human use, which associates laboratories of national and foreign capital; it is a non-profit organization and exercises the official representation of its associates.

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**Peruvian Association of Poultry Farming (APA)**

[www.apa.org.pe](http://www.apa.org.pe)

The Peruvian Association of Poultry Farming is a business guild with common objectives for the development of the country through national poultry farming. Its objectives include propitiating the development and profitability of the sector, besides coordinating with the government the development of the agricultural sector.

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**National Radio and Television Society (SNRTV)**

[www.snrtv.org.pe](http://www.snrtv.org.pe)

The National Radio and Television Society is the union body in charge of promoting the growth and consolidation of the commercial radio broadcasting services and television and radio production in all of Peru; defending the basic principles of private radio broadcasting, with special attention to the defense of the principles of free and fair competition.

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**Peruvian Association of Port Operators (ASPPOR)**

[www.asppor.org.pe](http://www.asppor.org.pe)

The Peruvian Association of Port Operators groups the sector companies that provide port, maritime, logistic and storage services. It has the mission of obtaining maximum value for its associates through the strategic promotion and development of the maritime and port operations of Peru in the region, promoting permanent training, encouraging relationships with related associations and representing the interests of the union with public or private entities.



A man in a dark suit and a woman in a black dress are standing in a modern office lobby, smiling at each other. The lobby has large glass windows and a polished floor. Outside the windows, there are trees and a parking lot with cars.

# 10 • *PwC Peru professional services*



# 10. PwC Peru professional services

## *Assurance*

### **Audit**

- Financial Statements Audit
- Financial accounting diagnosis
- Limited reviews / previously agreed procedures
- Voluntary mining contribution
- Assistance in international listings
- Technical assistance
- Anti - money laundering
- Sustainability reporting
- Forensic audit / disputes analysis
- Advice on capital markets

### **Systems and Process Assurance (SPA)**

- Project implementation assurance
- Business process risks & controls assurance
- Data quality assurance
- ITGC consulting
- IT compliance & frameworks
- Third party assurance (SAS70)
- Training

### **Capital Markets and Accounting Advisory Services (CMAAS)**

- Advice on the application of IFRS for complex issues
- Financial accounting diagnosis
- Assistance in business combinations and purchase price allocation (PPA)
- Evaluation of derivative instruments
- Advice regard the issue of securities in different international markets





# Tax & Legal Services

## **Tax Consulting**

- Permanent tax consulting
- Advice on tax processes (audits, tax refunds, claims and appeals before tax authorities)
- Tax planning
- International taxation
- Advice on customs foreign trade regimes
- Reviews of customs compliance and assessments

## **Tax Audit**

- Evaluation of tax issues
- Compliance of tax obligations
- Controls and procedures evaluation
- Revisions of sworn tax declarations
- Support with audits and tax defense

## **Transfer Pricing**

- Transfer pricing studies and supporting documentation
- Informative Sworn Statements
- Prospective reports of transfer pricing
- Support with audits and tax defense
- Corporate restructuring derived from transfer pricing studies

## **Litigation**

- Advice on audit procedures
- Advice on claim and appeal procedures
- Advice on contentious-administrative demand processes
- Audit of litigation procedures in progress

## **Legal Consulting**

- Advice on civil and contractual matters
- Advice on corporate matters
- Company reorganization (mergers and acquisitions)
- Legal and labor due diligence
- Stock market: advice on good governance
- Intellectual property, competition and free market
- Insolvency and bankruptcy systems
- Foreign investment
- Migration aspects
- Labor advice

## **Outsourcing**

- Outsourcing of accounting
- Outsourcing of payroll and remuneration
- Administrative functions
- Special work of account analysis and accounting reconstruction



# Advisory

## Strategy

- Markets and growth strategy
- Strategic planning
- Employee branding / corporate reputation

## Deals

- Mergers and acquisitions
- Evaluation of companies and assets
- Restructuring of businesses
- Due Diligence (financial, tax, labor, commercial)
- Advice on capital and infrastructure projects
- Raising and structuring financing
- Disputes, analysis and investigations (forensics)
- Financial planning advice

## Risk Management / Corporate Governance

- Corporate Governance
- Comprehensive enterprise risk management (COSO - ERM)
- Consulting in internal control (COSO 2013, COBIT)
- Outsourcing and co-sourcing of internal audit
- Transformation of internal audit
- Risks and controls of information technology & ERPs
- Regulatory compliance
- Licensing and implementation of TeamMate

## Operational Efficiency

- Comprehensive back office diagnosis and design
- Advice on the professional structuring of family companies
- Operational efficiency and cost reduction
- Design of shared services center
- Strategic sourcing
- Definition of information systems functions
- Costing and optimization systems
- Benchmarking studies
- Post - deals integration
- Digital transformation





### **Human Capital Management**

- Organizational evaluation and design
- Change management
- Organizational climate
- Performance evaluation systems
- Benchmarking of compensation and benefits of the Peruvian market
- Studies of remunerative structure
- Cost of living in Peru study
- Clasification of positions and design of salary bands
- Comprehensive compensation strategies

### **Technology and Computing**

- Formulation of strategic information technology plans (Technology and Security)
- Information technology management diagnostics
- Information systems diagnostics
- Evaluation and selection of software (ERPs) - (Selection of business applications)
- Quality Assurance of ERP implementations
- Redesign of roles and profiles
- Implementation of the SAP solutions suite- (design of roles and profiles in SAP)
- Project Management of technological solutions
- Implementation of business continuity management systems
- Implementation of information security management systems
- Implementation of ISO 27001 and ISO 22301
- Strategies in the transformation of systems architecture and infrastructure
- Security strategies
- New technologies: Mobile, Cloud, Big data



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