

in**PERÚ**

# Business & Investment Guide

2016 / 2017

Exporting Peru to the world

## Board of Directors

- ✎ Francis Stenning  
President  
Cavali (Central Securities Depository)
- ✎ Martín Pérez Monteverde  
Vice President  
CONFIEP (National Confederation of Private Bussines Association)
- ✎ Rafael Picasso  
Secretary  
Asociación de AFP (Pension Fund Association)
- ✎ Oscar Rivera Rivera  
Treasurer  
ASBANC (Banking Association)
- ✎ Alejandro Gómez Saba  
APEF (Peruvian Finance Association)
- ✎ Segundo Capristán Núñez  
APEF (Peruvian Finance Association)
- ✎ Álvaro Correa Malachowski  
APESEG (Insurance Association)
- ✎ Eduardo Morón  
APESEG (Insurance Association)
- ✎ Fernando Romero  
ASAB Peru (Stock Agents Association)
- ✎ Emiliano Cáceres  
ASAB Peru (Stock Agents Association)
- ✎ Adrián Revilla Vergara  
ASBANC (Banking Association)
- ✎ Jorge Ramos Raygada  
Asociación de AFP (Pension Fund Association)
- ✎ Christian Laub Benavides  
BVL (Lima Stock Exchange)
- ✎ Pedro Grados Smith  
BVL (Lima Stock Exchange)
- ✎ Víctor Sánchez Azañero  
Cavali (Central Securities Depository)
- ✎ Esteban Chong  
CONFIEP (National Confederation of Private Bussines Association)
- ✎ Gerardo Gonzales Arrieta  
Procapitales (Association of Capital Market Participants)
- ✎ Paulo Comitre  
Procapitales (Association of Capital Market Participants)
- ✎ José Antonio Blanco  
Past President - InPERU
- ✎ Roberto Hoyle Mc Callum  
Past President - InPERU

## Executive Team

- ✎ Ana María Soldevilla  
Executive Director

## Contact Us

- ✎ E-mail: [info@inperu.pe](mailto:info@inperu.pe)
- ✎ Phone: +51-1 619 3333 Ext.2169
- ✎ Web: [www.inperu.pe](http://www.inperu.pe)



inPERU is a non-profit Peruvian association founded by the main business organizations of the Peruvian market: APEF, APESEG, ASAB PERU, ASBANC, AAFP, BVL, CAVALI, CONFIEP and Procapitales.

# Our main objectives

- ▶ **Promote the growth of investment opportunities in Peru and the development of the Peruvian capital and financial markets** by providing, on a regular basis and structured format, the following information to foreign investors: (i) Most relevant political developments, (ii) Changes in fiscal and monetary policy, (iii) Market infrastructure and recent changes and (iv) Most important local projects / issuers.
- ▶ **Introduce foreign investors to Peruvian participants** (issuers / brokers / market authorities).

Founders:







# Words from the President of inPERU

Dear reader,

I am pleased to share with you the Business and Investment Guide 2016-2017 kindly prepared by EY for inPERU. Throughout this publication we would like to evidence the wide potential that Peru has in the business sector around the world; also, we bring you key information that will help you close successful trades in our country.

Nowadays, Peru is facing many challenges but it is also showing lots of opportunities. This year we are living a political transition and I can assure that this new government represents an opportunity of change and it is generating more hope and optimism among Peruvian people regarding social and economic development. With this guide, I want to extend you a possibility to know further about our markets. I invite you to share this information with your partners, colleagues or people interested to trade in Peru.

As Chairman of inPERU, an association founded in 2012 which aims to export Peru to the world, I show our associates' commitment to keep working in improving the appeal of Peru in order to promote more investments and strengthen trade agreements between Peru and relevant markets.

Yours sincerely,



**Francis Stenning**  
President  
inPERU





# Foreword

Peru is one of the most important countries in Latin America. Some of its diverse characteristics include a variety of climates, a large territorial extension, important natural resources, people with great skills and high academic standards and a solid economic and industrial background. Today, Peru is considered to be one of the world's leading emerging market, with an important, recent history of economic stability, based on an uninterrupted average annual growth over the past 16 years of 5.1% of its Gross Domestic Product (GDP), as well as a people who stand out for their productivity and entrepreneurship. These reasons make Peru an excellent destination for foreign investment.

This guide for business and investment is a tool for foreign investors, providing key information on the country's current economic situation and on the principal tax, legal and labor issues and on incorporating businesses in Peru, as well as general information on how to invest and do business in the country.







# Contents

<b>I. Background Information</b>	
1 Government	11
2 Geography	12
3 Currency	13
4 Economy	13
5 Country Risk and Investment Grade	27
6 Investment	29
7 Population and Human Development	32
8 Poverty and Employment	35
<b>II. Business Environment</b>	
1 Investment Promotion Conditions	39
2 Trade Agreements	44
3 Integrated Latin American Market - MILA	52
4 Mechanisms for the Promotion of Investment in Infrastructure and Public Services	52
<b>III. Sectorial analysis</b>	
1 Mining	59
2 Financial System, Securities Market and Pension System	68
3 Electricity	73
4 Energy	74
5 Hydrocarbons	75
6 Construction	77
7 Manufacture	78
8 Trade and Domestic Consumption	78
9 Agriculture and Livestock	79
10 Fisheries	80
11 Transport and Communications	82
12 Automotive	84
13 Food and Beverages	85
14 Tourism, Cuisine and Hospitality	87
<b>IV. Incorporating a company in Peru</b>	
1 Joint Stock Companies	91
2 Closely Held Corporations	91
3 Publicly Held Corporations	92
4 Limited Liability Companies	92
5 Branches	92

# Contents

---

## V. Taxes

1 Direct Taxes	96
2 Indirect Taxes	104
3 Municipal Taxes	105
4 Customs System	105
5 Legal Stability Agreements	109
6 Mining Law	110

---

## VI. Labor and Employment Law

1 Hiring System	115
2 Current Fringe Benefits	116
3 Taxes and Contributions Levied on Remunerations	117
4 Termination of the Employment Contract	118
5 Immigration	119
6 Supervisory Body	120

---

## VII. Accounting Standards

1 Accounting Standards	123
------------------------	-----

---

## Exhibits

▸ Principal regulatory and promotion entities in Peru	129
▸ Economic promotion institutions	
1 inPERU	133
2 Ministry of Foreign Affairs: Executive Office for Economic Promotion - DPE	133
3 Ministry of Foreign Trade and Tourism - MINCETUR and PromPer	135
4 Agency for the Promotion of Private Investment - ProInversion	136
5 Peruvian Foreign Trade Association - ComexPeru	137
6 National Confederation of Private Business Institutions - CONFIEP	137
7 Association of Capital Markets Business Promoters - Procapitales	138
8 Lima Chamber of Commerce - CCL	138
9 National Association of Industries - SNI	139
10 Peruvian Association of Exporters - ADEX	139
11 National Institute of Statistics and Information - INEI	140
12 Peruvian Automotive Association	140
13 Peruvian Private Pension Fund Management Companies Association - Asociación AFP	141
14 Peruvian Banking Association - ASBANC	141
15 Association for the Promotion of National Infrastructure - Asociación AFIN	141
16 Lima Stock Exchange - BVL	141
▸ Directory of principal Chambers of Commerce	145







# Background Information





# 1 | Government

Peru is a constitutional democratic republic with a multi-party system. Under the current Constitution of 1993, the President is the Head of State and Government, elected for a five-year period, without the possibility of running for immediate re-election. The President designates the Prime Minister and the rest of the Cabinet of Ministers. There is a 130-member unicameral Congress elected for a five-year term. Bills may be proposed either by the Executive or by the Legislative Branches, and they become law after being passed through Congress and enacted by the President. The Judiciary and the National Electoral Board are independent institutions.

The Peruvian government is directly elected and voting is compulsory for all citizens between the ages of 18 and 70. In the most recent democratic elections of 2016, Pedro Pablo Kuczynski Godard was elected President of the Republic of Peru. Peru has some of the best macroeconomic indicators in Latin America, with an expected Gross Domestic Product (GDP) growth rate well above the regional average.

## Country Overview

Type of Government	► Constitutional Republic.
Legal System	► Constitutional State of law based on laws and codes.
Executive Branch	<ul style="list-style-type: none"> <li>► President of the Republic: Head of State and Government.</li> <li>► Elections: Every five years by popular vote (consecutive re-election not permitted). Next elections: 2021.</li> <li>► Cabinet: The Cabinet of Ministers is appointed by the President.</li> </ul>
Legislative Branch	<ul style="list-style-type: none"> <li>► Unicameral Congress.</li> <li>► 130 seats.</li> <li>► Members are elected by popular vote for a period of five years.</li> <li>► Next elections: 2021.</li> </ul>
Judiciary Branch	► Judges are appointed by the National Judge Selection and Evaluation Board.
Main Autonomous Entities	<ul style="list-style-type: none"> <li>► Constitutional Court.</li> <li>► National Electoral Board.</li> <li>► Controller General's Office.</li> <li>► Central Reserve Bank of Peru (BCRP).</li> <li>► Superintendency of Banking and Insurance (SBS) and Private Pension Fund Management Companies (AFP).</li> </ul>
Regional Governments	<ul style="list-style-type: none"> <li>► 25 Regional Governments (including the Constitutional Province of Callao).</li> <li>► Metropolitan Municipality of Lima.</li> </ul>
Local Governments	<ul style="list-style-type: none"> <li>► 196 Provincial Municipalities.</li> <li>► 1,646 District Municipalities.</li> </ul>
International Relations	<ul style="list-style-type: none"> <li>► Peru has numerous economic cooperation and Free Trade Agreements (FTAs) with multiple countries (see Section II.2: Trade Agreements).</li> <li>► Member of the United Nations since 1945 and a member of the Security Council in 2006 and 2007.</li> <li>► Member of the World Trade Organization (WTO) since 1995.</li> <li>► Member of the Pacific Alliance since its foundation in 2011.</li> <li>► In 1998, it became a member of the Asia Pacific Economic Cooperation (APEC) hosting the APEC and EU-LAC summits in 2008 and the Arab-South American Summit (ASPA) in 2012. In 2013, it hosted the World Economic Forum on Latin America.</li> <li>► Peru was the site of the COP 20 (Climate Summit organized by the UN) in 2014 and, in 2015, of the World Bank (WB) and International Monetary Fund (IMF) Annual Assembly. Besides, it will be the site of the APEC Summit in 2016.</li> </ul>

Sources: Peruvian Constitution / CIA - The World Factbook / United Nations (UN) / Ministry of Foreign Affairs (MRE)

## 2 | Geography

Peru is located on the west central coast of South America. It is bordered by the Pacific Ocean to the west, by Chile to the south, by Bolivia and Brazil to the east, and by Colombia and Ecuador to the north. With a total land area of 1,285,215.60 km<sup>2</sup>, Peru is the third largest country in South America after Brazil and Argentina, and can be divided geographically into three natural regions:

- ▶ Although the Coast, a narrow strip along the ocean measuring approximately 3,080 km long, accounts for only 11.7% of Peru's territory, it is home to approximately 17.7 million inhabitants. Lima, the political and financial capital of the country, is located in this Region.
- ▶ The Highlands, or Sierra, is the site of the Andean Mountain Range, covering 27.9% of national territory and serving as home to approximately 9.3 million inhabitants. This Region contains the country's major mineral deposits.
- ▶ The Amazon Rainforest or Selva is the largest region and occupies 60.4% of the country's territory, rich in petroleum, gas and forestry resources. There are approximately 4.4 million inhabitants in this area.

### Peru



Population

31.4 million (estimated 2016)  
Urban: 76.6%  
Rural: 23.4%



Area

1,285,215.60 km<sup>2</sup>



\*Currency

Sol (S/)  
S/1 = US\$ 0.292  
US\$1 = S/3.413



Principal Languages

Spanish / Quechua / Aymara



Religion

Freedom of religion  
Principally Roman Catholic



Climate

Ranges from tropical in the Amazon Region to dry along the Coast. Temperate to very cold in the Highlands.



Time Zone

GMT-5 (five hours behind Greenwich Mean Time). There is no daylight savings time and there is only one time zone throughout the entire country.



Natural Resources

Gold, copper, silver, zinc, lead, hydrocarbons, fishing, phosphates, and agricultural products such as potato, coffee, rice, cotton, asparagus, cocoa, organic banana, artichoke, sugar, quinoa, blueberries and corn.

\*Interbank exchange rate as of December 31, 2015

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

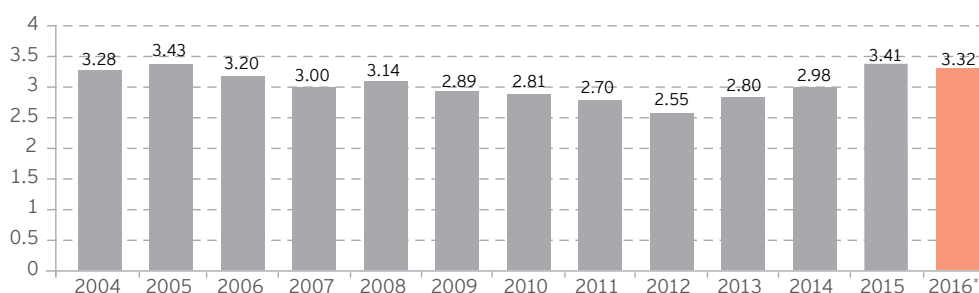


## 3 | Currency

The official currency of Peru is the Sol (S/). The country has a free-floating exchange rate regime, with the government occasionally intervening for purposes of stabilization. As of December 31, 2015, banks were buying U.S. Dollars at S/3.408 and selling them at S/3.413. The gray market has very similar exchange rates.

According to estimates as of the end of 2015, the Sol is one of the least volatile currencies in the world, exhibiting firmness in the face of international market and currency fluctuations. The Central Reserve Bank of Peru (BCRP) implements fiscal stimulus and liquidity control measures. There are no restrictions or limitations on the number of bank accounts in foreign currency or the remittance of funds abroad that an individual or legal entity may make.

### Exchange Rate Evolution: Soles per US\$1 (end of each year)



As of May 5, 2016

Source: Central Reserve Bank of Peru (BCRP)

## 4 | Economy

With a population of 31.4 million (the estimate for 2016) Peru also has rich deposits of copper, silver, gold, lead, zinc, natural gas, petroleum and urea. Owing to climate variations in its regions, as well as its natural and cultural resources, it is internationally classified as a mega-diverse country.

Peru's economy reflects its varied geography. The abundance of resources is found mainly in mineral deposits in the mountainous regions, while its extensive maritime territory has always traditionally yielded excellent fishing resources. Despite the fluctuations of the world economy, the administration has resisted pressures for fiscal spending and has used the savings generated by the high prices of commodities between 2006 and 2008, investing since 2011 in infrastructure, paying off part of the public debt and increasing assets.

Peru has achieved significant progress in its macroeconomic performance in recent years, with very dynamic GDP growth rates, stable currency exchange rates and low inflation. In fact, over the last fourteen years, the Peruvian economy has had the lowest annual average inflation rate in Latin America, at 2.5%, below that of Chile (2.9%), Colombia (4.6%) and Brazil (6.0%). There is also its impressive annual growth rate of 3.3% of its GDP achieved in 2015, which gives the country the privileged ranking of one of the fastest-growing economies in the Region, consistently achieving an accumulated annual average growth of approximately 5.1% over the past 15 years. This dynamism has been driven by the rise in world commodity prices, market policies beneficial to investors and aggressive free trade strategies. Over the past decade, Peru's GDP has tripled as a result of the country's economic growth, moving increasingly towards a middle and upper-middle income economy. Its rapid expansion has contributed to the reduction of the national poverty rate by almost 18% in the last seven years, to around 21.8% of its total population for 2015.

Gross Domestic Product (GDP)	► US\$191 billion (estimate for 2015)
GDP per Capita	► US\$6,136 (estimate for 2015)
GDP per Capita (Purchasing Power Parity / PPP)	► US\$12,195 (2015)
Net International Reserves	► US\$61,485 billion (as of December 31, 2015)
Foreign Debt	► US\$17.7 billion (2015)
Total Public Debt	► US\$37.27 billion or 23.3% of the GDP (2015)
Fixed Gross Investment	► 24.9% of the GDP (2015)
Unemployment Rate	► 6.9% (estimate for 2015)
Population Living Below the Poverty Line	► 21.8% (estimate for 2015)
Minimum Wage	► S/850 (approximately US\$249)
Principal Destinations of Peruvian Exports	► Germany, Brazil, Canada, Colombia, Chile, China, South Korea, Italy, Japan, Spain, Switzerland, United States and Venezuela
Principal Exports	► Gold, copper, silver, zinc, lead, crude oil and byproducts, coffee, potatoes, asparagus, paprika, organic bananas, mango, cacao, quinoa, grapes, berries, textiles, fishmeal and urea
Principal Countries of Origin of Imports to Peru	► Germany, Argentina, Brazil, Chile, China, Colombia, South Korea, Ecuador, United States and Mexico
Principal Imports	► Petroleum and byproducts, plastics, machinery, vehicles, iron and steel, wheat and paper

Sources: Central Reserve Bank of Peru (BCRP) / Apoyo / Ministry of Economy and Finance (MEF) / International Labor Organization (ILO) / National Institute of Statistics and Information (INEI) / International Monetary Fund (IMF) / EY

According to the International Monetary Fund (IMF), Peru is considered a rising star that is part of the new wave of leading emerging markets (2013) and today has solid fundamentals, a framework of sensible policies and a prudent macroeconomic approach, all of which enables it to enjoy sustained growth and reduced vulnerability. Additionally, in 2014, the IMF has declared that "Peru has experienced a decade of deep growth and (...) the macroeconomical policies applied (...) aloud to achieve an impulsive development and to bring economical stability to the country. It is strongly encouraged the implementation of policies and measures that have been taking place from a monetary, fiscal an infrastructural side".

The country's recent boost in economic growth has much to do with the monetary and fiscal policies applied over the past two decades, reducing the public debt level (from 32.3% of the GDP in 2006 to 23.3% in 2015). All of this has gone hand-in-hand with the liberalization of the goods and labor markets, opening up trade through multiple recent international trade agreements, direct foreign investment, and the maximization of the revenues resulting from its rich natural resources. Peru is also reaping the benefits of the increasing size of its market and domestic consumption and the development of its financial sector, which can be seen, for example, in the increase of private consumption by 3.4% in 2015 over the previous year (estimated at 3.5% and 3.8% for 2016 and 2017, respectively). Likewise, as of December 31, 2015, net international reserves stood at approximately 32% of the estimated GDP as of the same date.

The Peruvian economy for 2016 is expected to be the fastest growing in Latin America. This is driven principally by private consumption, domestic demand (estimated 3.5% and 2.5% for 2016, respectively) improved employment indicators and the recovery of total exports. At the same time, the growth of fixed private investment in 2016 is expected to be null (4.0% for 2017) while growth in public investment is estimated at 10.3% for 2016.

The following chart presents the GDP and GDP per capita (measured in Purchasing Power Parity) of the main economies of Latin America according to the IMF, as of 2015 and estimated for 2020.

## GDP and GDP per Capita (Purchasing Power Parity-PPP) of the Principal Economies of Latin America

Country	2015		2020	
	GDP in US\$ Billions (PPP)	GDP per Capita in US\$ (PPP)	GDP in US\$ Billions (PPP)	GDP per Capita in US\$ (PPP)
Brazil	3,192	15,615	3,515	16,576
Argentina	972	22,554	1,171	25,705
Colombia	667	13,847	864	16,942
Venezuela	516	16,673	474	14,178
Peru	389	12,195	508	14,749
Chile	422	23,460	521	27,449
Mexico	2,227	17,534	2,778	20,605

Source: International Monetary Fund (IMF)

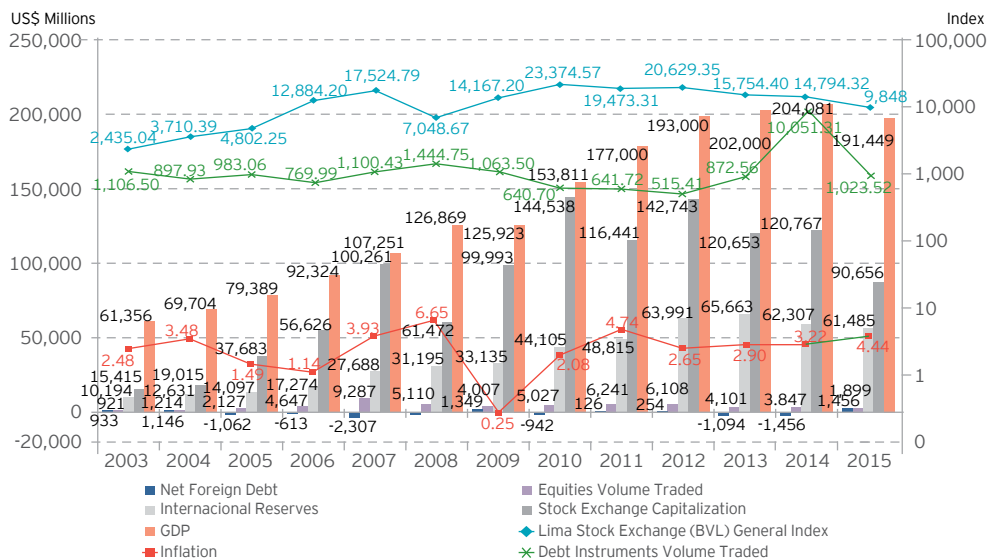
Peru has signed a number of Free Trade Agreements (FTAs) covering approximately 92.2% of its exports as of December 31, 2015. Free Trade Agreements (FTAs) have been entered into with the United States, China, Thailand, the European Union, the European Free Trade Association (EFTA), the Southern Common Market (MERCOSUR), South Korea, Canada, Costa Rica, Chile, Mexico, Venezuela, Panama, Japan, Singapore, Cuba, Pacific Alliance and the Andean Community. It also has 28 Bilateral Reciprocal Investment Promotion and Protection Agreements (BRIPPAs). Finally, Peru has culminated trade negotiations corresponding to the Trans-Pacific Partnership Agreement, which includes Chile, the United States, Singapore, Australia and New Zealand, among others (for more information, go to section II.2 Trade Agreements).

The Free Trade Agreement (FTA) with the United States entered into force on February 1, 2009, opening the way to greater trade and investment between both countries. Likewise, the Free Trade Agreement (FTA) with China became effective in 2010. More recently, the Free Trade Agreement (FTA) with Japan came into force on March 1, 2012. Additionally, Peru entered into the Framework Agreement for the Pacific Alliance in April 2011, a trading bloc that it forms part of together with Chile, Colombia and Mexico, aimed at encouraging regional integration and the greater growth, development and competitiveness of their economies, as well as achieving the free circulation of goods, services, capital, and people.

Peru's main exports are gold, copper, petroleum oil, natural gas, zinc, lead, iron, fishmeal and coffee; and its principal trading partners are the United States, China, Brazil, Colombia, Chile, Ecuador, Argentina, Venezuela, Switzerland, South Korea, Japan, Canada, Germany, Spain, Netherlands, England, Mexico and Italy.



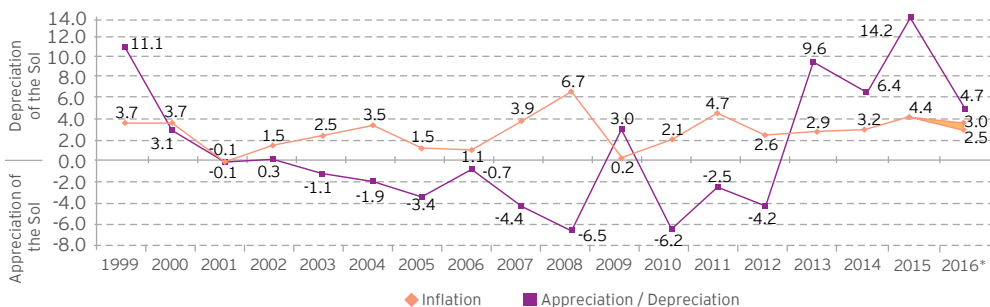
## Evolution of Financial Indicators



Sources: Central Reserve Bank of Peru (BCRP) / Prepared by EY

## Appreciation / Depreciation and Inflation

As of the end of 2015, the inflation rate in Peru was 4.4% (real rate of 3.2% in 2014). The annual depreciation rate of the Sol against the U.S. Dollar for 2015 was 14.2% (real depreciation rate of 6.4% in 2014).

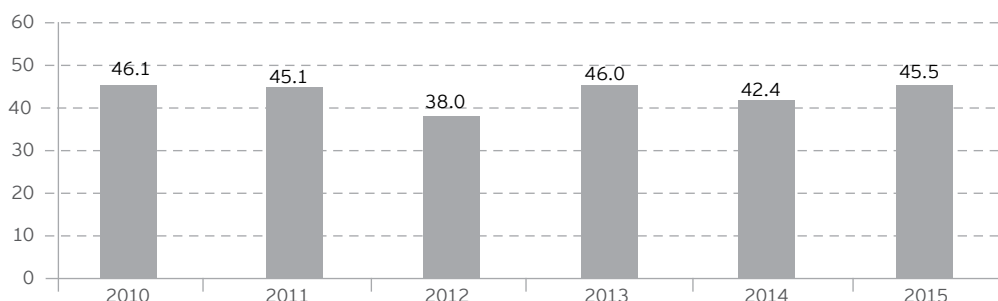


\*Estimated

Sources: Central Reserve Bank of Peru (BCRP) / Prepared by EY

By the end of 2016, inflation is expected to be within the target range set by the Central Reserve Bank of Peru (BCRP), which is between 1.0% and 3.0%. Meanwhile, as of March 9, 2016, the average interbank interest rate in local currency set by the BCRP was 4.4%, while the preferential corporate rate was 5.4%.

### Dollarization Rate of Bank Deposits (in percentage)



Source: Central Reserve Bank of Peru (BCRP)

### Peru's Principal Economic Activities

Peru's main economic activities include agriculture, fisheries, mining, the exploitation of petroleum and gas and the manufacturing of goods, most notably textiles.

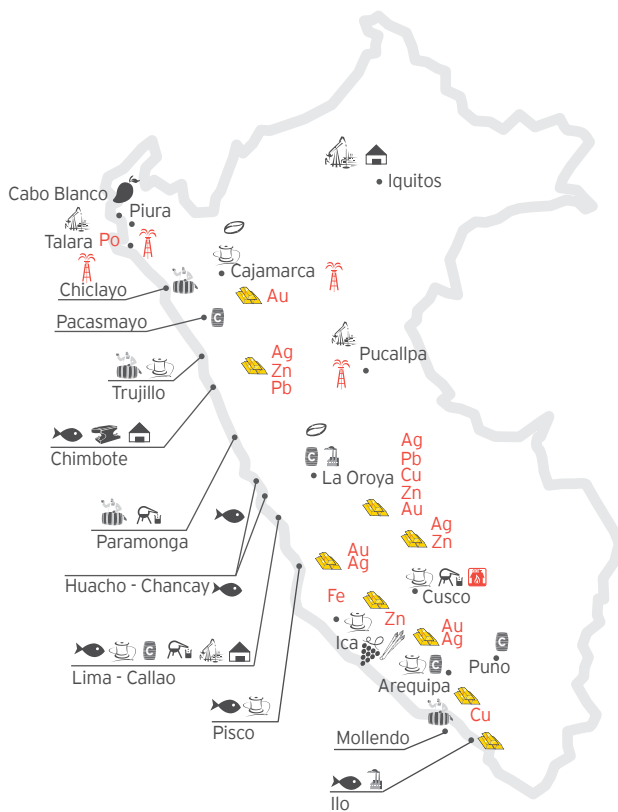
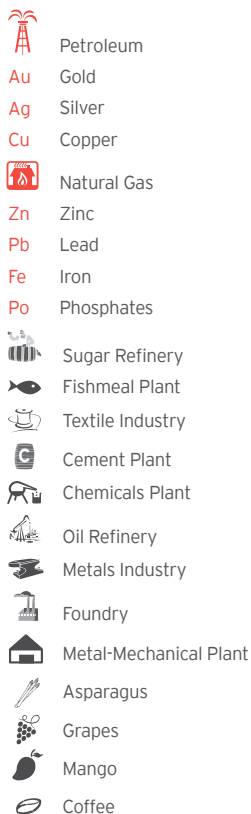
The sharply contrasting geographical areas of Peru make it a particularly diverse country, with a wide variety of ecosystems and thus, flora and fauna.

During 2015, the non-traditional product markets with the most exports were livestock (3.6%) and handicrafts (68.8%). The principal non-traditional products exported in 2015 were quinoa (US\$143 millions), mangoes (US\$194 millions), asparagus (US\$131 millions), organic banana (US\$145 millions), grapes (US\$690 millions), berries (US\$95 millions), refrigerated asparagus (US\$416 millions), avocado (US\$303 millions), cacao (US\$183 millions), artichokes (US\$87 millions), tangerine (US\$66 millions), paprika and capsicums (US\$52 millions), natural calcium phosphates; refined copper wire, stout bobtail squid, common squid and giant squid, whether frozen, dried, or in brine. In terms of traditional products, the most significant were gold, copper, lead, zinc, gas, petroleum oil, coffee and fishmeal.

In mining, according to the Mineral Commodity Summaries Publication authored by the U.S. State Department, in 2015 Peru ranked third in the world in the production of silver, copper and zinc, fourth in tin, lead, molybdenum and boron, fifth in mercury, sixth in gold, besides having large deposits of iron ore, phosphates and manganese, petroleum and gas.

One of the economic activities that is only recently being exploited and which shows great potential is that of forestry resources (cedar, oak and mahogany, mainly).

## Principal industries in the different regions of Peru

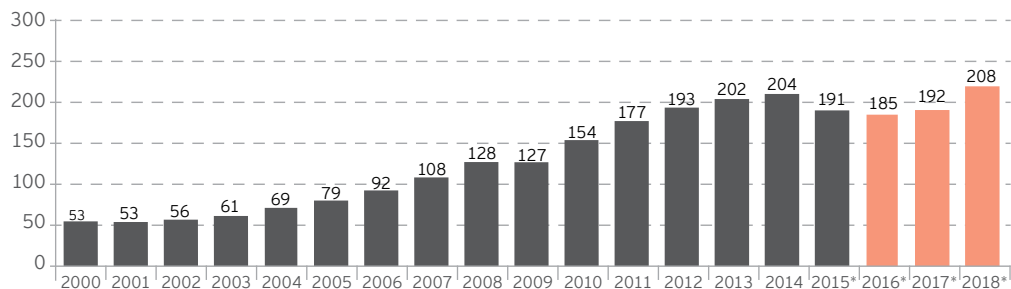


Source: EY

## Gross Domestic Product (GDP) / Trade Balance

The Gross Domestic Product (GDP) estimated for 2015 has been US\$191 billion. At the end of 2015, total FOB exports came to US\$34.2 billion, while imports totaled US\$37.4 billion. The principal exports came from the mining, hydrocarbons and agricultural and livestock industries.

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

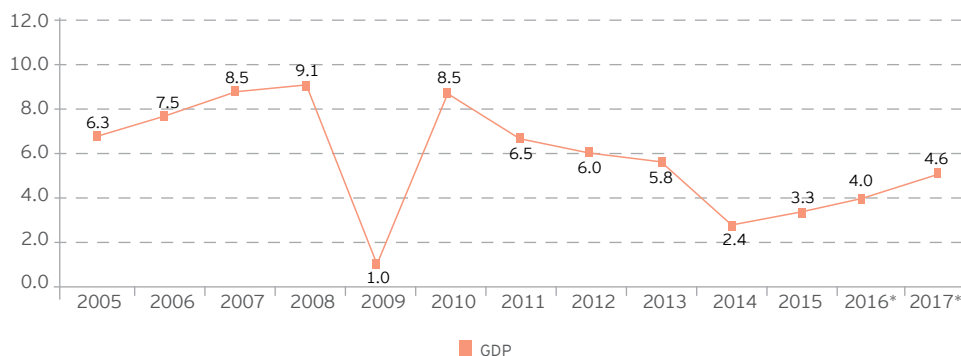


\*Estimated

Sources: Central Reserve Bank of Peru (BCRP) / International Monetary Fund (IMF) (2004-2014) / Apoyo (2015-2018)



### Gross Domestic Product (GDP) (Annual Percentage Change)



\*Estimated

Source: Central Reserve Bank of Peru (BCRP)

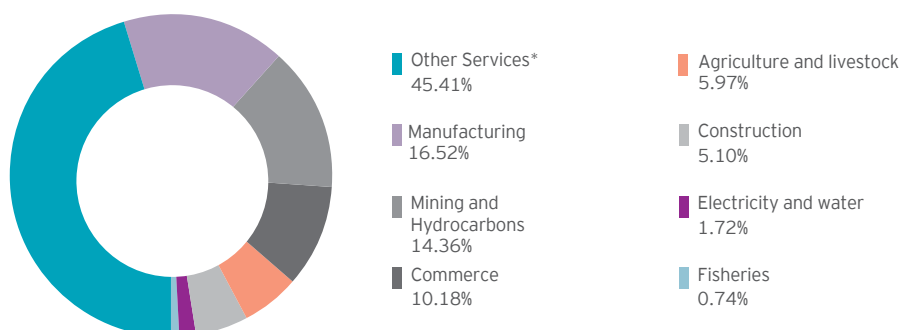
### Gross Domestic Product (GDP) by Industry - Annual % Change

	2008	2009	2010	2011	2012	2013	2014	2015	2016*	2017*
Agriculture and Livestock	8.0	1.3	4.3	4.1	5.9	1.0	1.4	2.8	2.3	3.9
Fisheries	3.0	-3.4	-19.6	52.9	-32.2	18.1	-27.9	15.9	-2.4	29.7
Mining	7.3	-1.4	-0.7	-1.1	2.2	4.3	-2.2	15.5	18.2	8.4
Hydrocarbons	10.3	16.1	28.4	19.7	2.3	7.2	3.9	-11.5	-4.1	8.5
Manufacturing	8.6	-6.7	10.8	8.6	1.5	5.1	-3.3	-1.7	-1.8	3.8
Electricity and Water	8.1	1.1	8.1	7.6	5.8	5.5	5.0	6.2	7.8	5.5
Construction	11.0	-0.5	12.5	8.9	7.2	8.9	1.7	-5.9	0.0	3.5
Commerce	16.8	6.8	17.8	3.6	15.8	5.9	4.4	3.9	3.2	3.8
Other Services	8.7	3.6	8.8	7.0	7.3	6.2	4.8	4.2	3.9	3.7
<b>GDP</b>	<b>9.1</b>	<b>1.0</b>	<b>8.5</b>	<b>6.5</b>	<b>6.0</b>	<b>5.8</b>	<b>2.4</b>	<b>3.3</b>	<b>4.0</b>	<b>4.6</b>

\*Estimated

Source: Central Reserve Bank of Peru (BCRP)

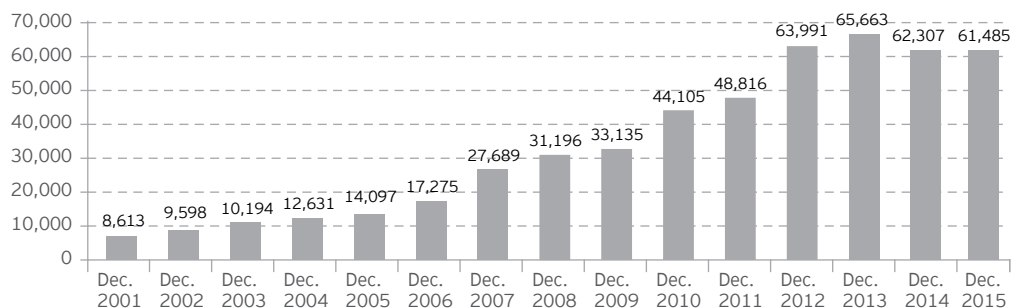
### Peru Gross Domestic Product (GDP) by economic sector in %, using the economic structure with a base estimate year of 2007



\*According to the BCRP this economic sector is a heterogeneous group of services or invisible trades with the rest of the world, which includes transactions related to the areas of transport, travels, communications, insurances and other services. Services transactions are registered when the service is provided or received.

Sources: National Institute of Statistics and Information (INEI) / Institute of Economics and Development of the Lima Chamber of Commerce (IED-CCL)

## Net International Reserves (in US\$ Millions)



Source: Central Reserve Bank of Peru (BCRP)

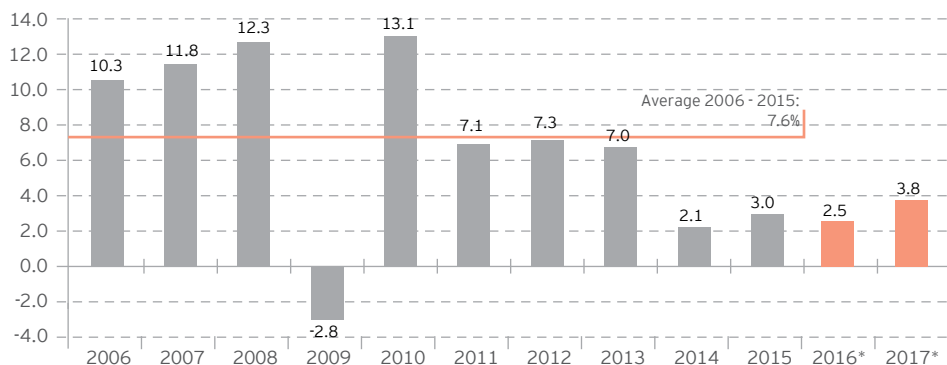
## Gross Domestic Product (GDP) by spending type (percent change)

Variables	2008	2009	2010	2011	2012	2013	2014	2015	2016*	2017*
Gross Domestic Product	9.1	1.0	8.5	6.5	6.0	5.8	2.4	3.3	4.0	4.6
Imports	26.2	-16.0	29.3	9.8	10.4	3.6	-1.4	2.4	0.3	3.5
Domestic Demand	12.3	-2.8	13.1	7.1	7.3	7.0	2.1	3.0	2.5	3.8
a. Private Consumption	8.7	2.4	6.3	6.4	5.8	5.3	4.1	3.4	3.5	3.8
b. Public Consumption	2.1	16.5	7.9	4.8	9.4	6.7	10.1	9.5	4.7	1.0
Private Investment	25.9	-15.1	22.1	11.4	13.5	6.4	-2.1	-4.3	0.0	4.0
Public Investment	33.6	21.2	26.7	-18.0	20.8	12.1	-2.0	-7.5	10.3	7.9
Exports	9.9	-2.9	4.8	8.8	5.4	-0.9	-0.8	3.3	6.4	6.4

\*Estimated

Source: Central Reserve Bank of Peru (BCRP)

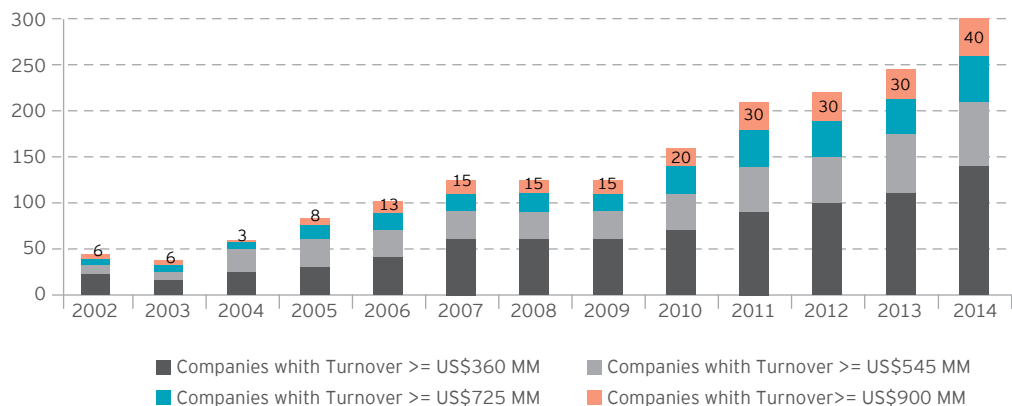
### Domestic demand (percent change)



\*Estimated

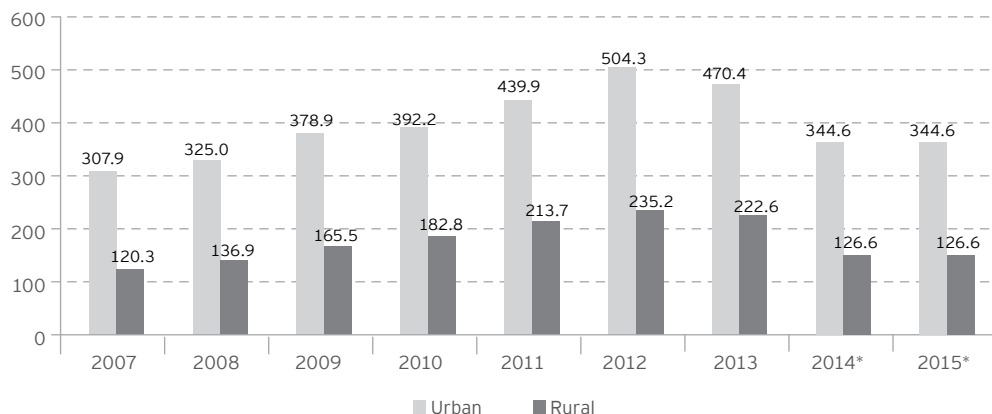
Source: Central Reserve Bank of Peru (BCRP)

### Number of companies with annual revenues greater than US\$360 million



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

### Real average income per capita by geographic areas (in US\$)

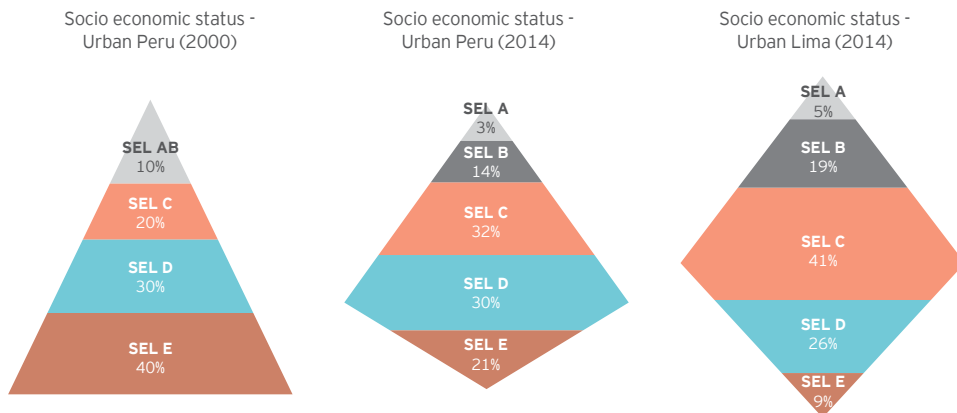


\*Decrease mainly explained by Peruvian Soles exchange rate depreciation

Source: National Institute of Statistics and Information (INEI) 2014

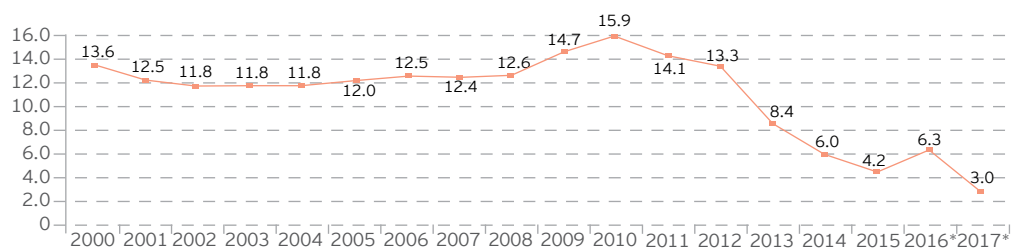


## Peruvian Social structure transformation by Social Economic Level (SEL) - urban



Sources: INEI / APEIM / Rolando Arellano

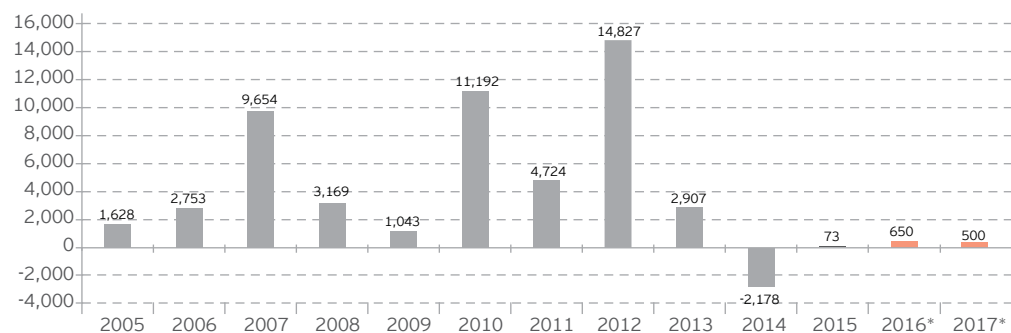
## Public spending (real percent change)



\*Estimated

Source: Central Reserve Bank of Peru (BCRP)

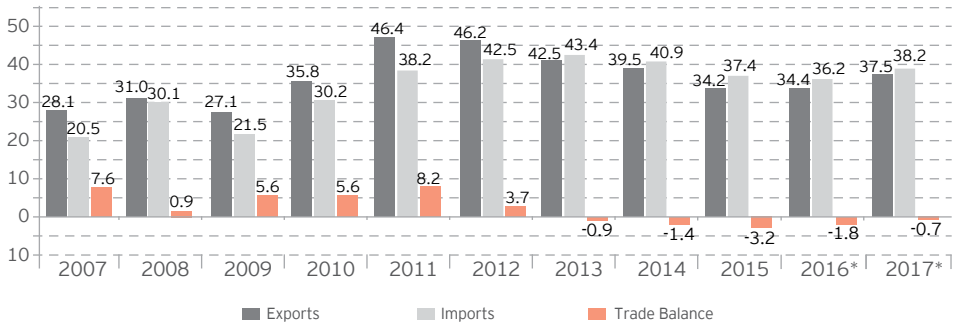
## Balance of payments (in US\$ Millions)



\*Estimated

Source: Central Reserve Bank of Peru (BCRP)

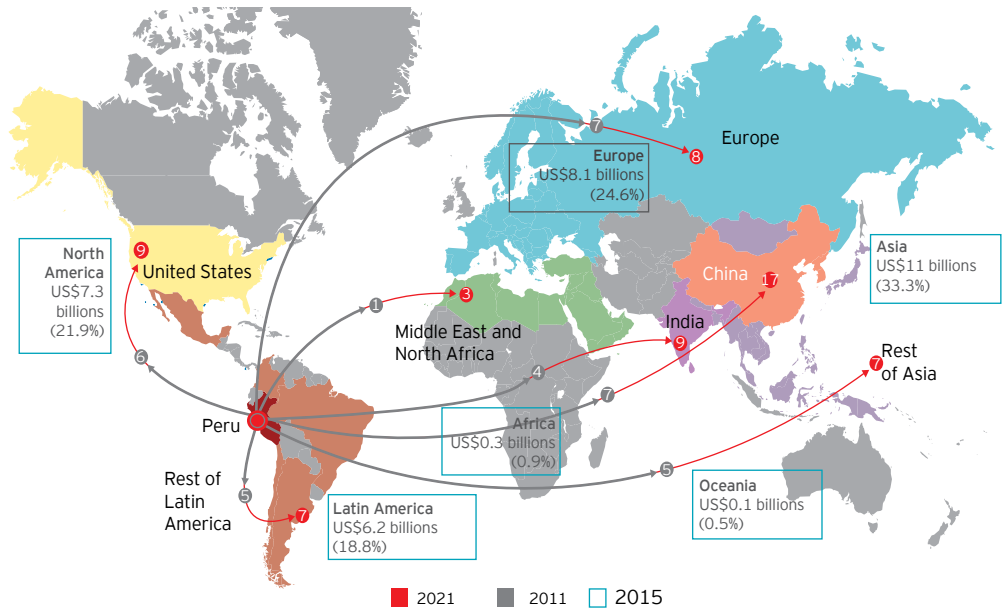
Trade Balance (in US\$ Billions)



\*Estimated

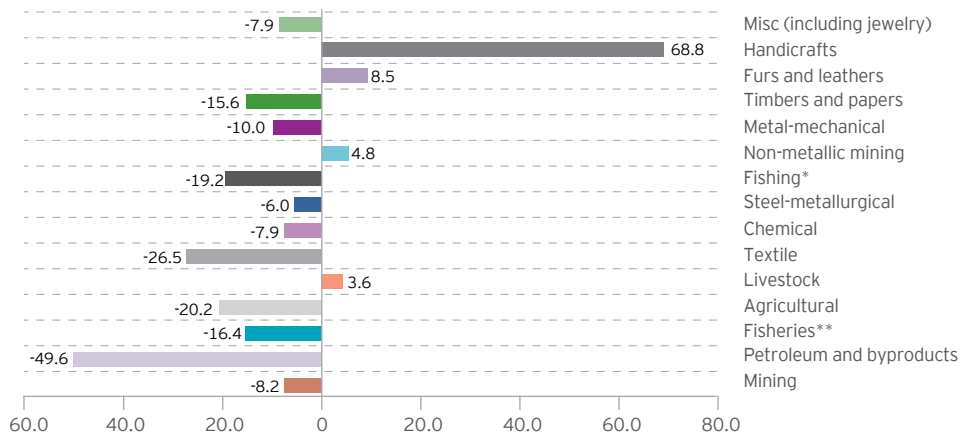
Sources: Central Reserve Bank of Peru (BCRP) / Peruvian Foreign Trade Association (ComexPerú)

Projection of regional exports of Peruvian goods 2011 vs. 2015 (in US\$ billions)



Sources: Oxford Economics / EY

### Annual change in exports by economic sector, in percentage (2015/2014)

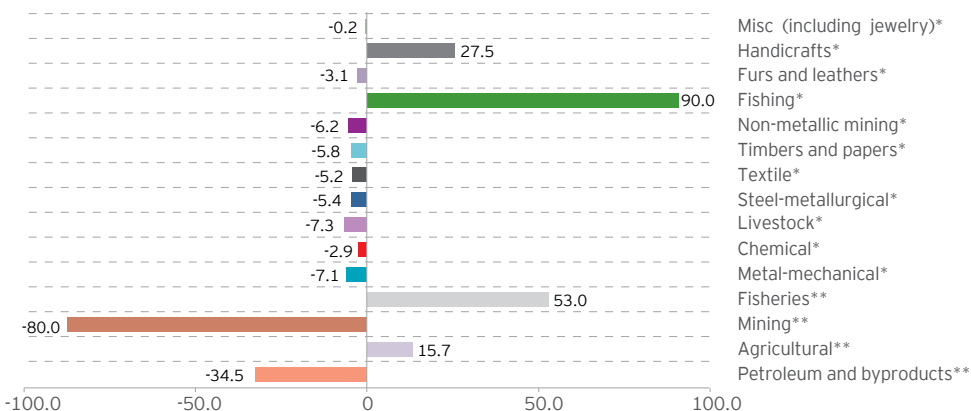


\*Non-traditional

\*\*Traditional

Source: Peruvian Foreign Trade Association (ComexPeru)

### Annual change in imports by economic sector, in percentage (2015/2014)

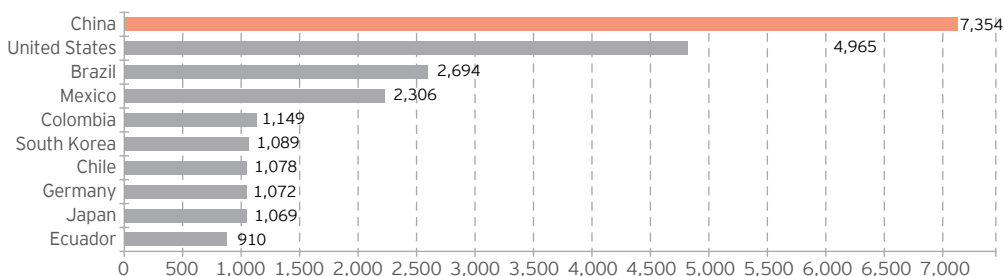


\*Non-traditional

\*\*Traditional

Source: Peruvian Foreign Trade Association (ComexPeru)

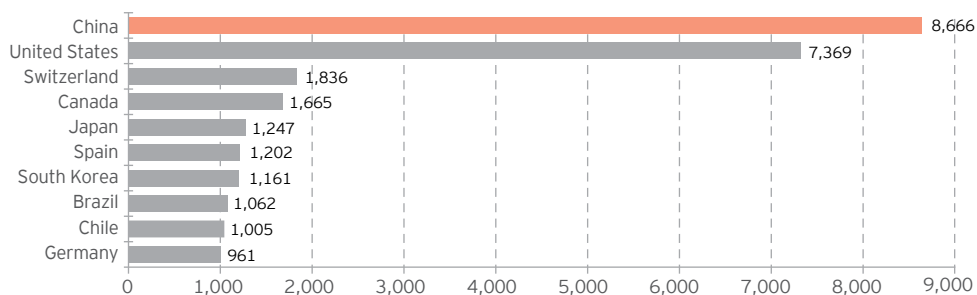
### Exports by trading partner in US\$ Millions - top ten partners (2015)



Source: Peruvian Foreign Trade Association (ComexPeru)

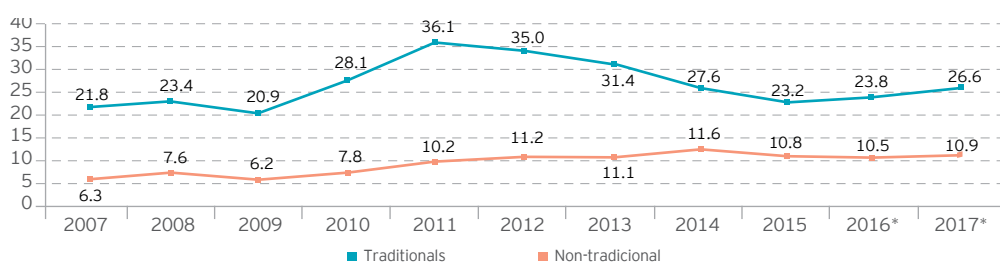


## Imports by trading partner in US\$ Millions - top ten partners (2015)



Source: Peruvian Foreign Trade Association (ComexPeru)

## Traditional and non-traditional exports in US\$ Billions



Sources: Central Reserve Bank of Peru (BCRP) / Peruvian Foreign Trade Association (ComexPeru)

## Economic results (fiscal surplus / deficit) of the non-financial public sector (in % of the GDP)



\*Estimated

Source: Central Reserve Bank of Peru (BCRP)

## Tax pressure (in % of the GDP)

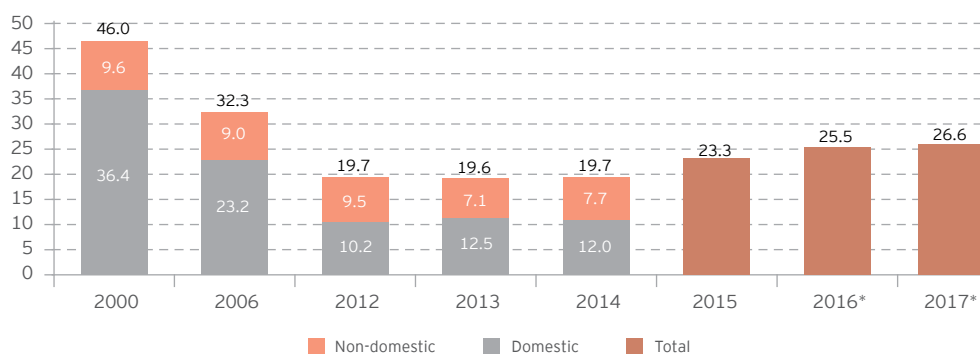


\* Estimated

Sources: Central Reserve Bank of Peru (BCRP) / National Superintendency of Tax Administration (SUNAT)

It is expected in 2016, according to the National Superintendency of Customs and Tax Administration (SUNAT), that the tax base increase 5.2%, due in large part to auditing, control and facilitation actions, which will help tax collection to exceed the national average rate in many regions of the country. In 2015, the tax revenues collected totaled S/90,262 millions.

## Public debt (% of the GDP)



\*Estimated

Source: Central Reserve Bank of Peru (BCRP)

## 5 | Country risk and investment grade

Peru has been given good forecasts by the best-known risk rating agencies, which have not only ratified the country's investment grade but have also raised the Peruvian sovereign credit rating. The factors that back this rating are the solid economic prospects reflected in a minimum growth estimate of 4% of the GDP for 2016, and an estimated 4.6% for 2017. These economic forecasts are backed by the rapid growth in investment and the significant drop in fiscal and external vulnerabilities, all within the context of several sources of growth, with low inflation and strong macroeconomic fundamentals.

Obtaining the investment grade has permitted Peru to attract a great deal of international attention. Recently, an increasing number of multinational corporations have been looking at Peru with greater interest. The subsequent increase in jobs and decrease in poverty will predictably help improve social wellbeing.

### Peru's investment grade ratings

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

As of April 1, 2016

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

S&P / Fitch	Moody's	Feature
AAA	Aaa	Risk Free
AA+, AA, AA-	Aa1, Aa2, Aa3	High Grade
A+, A, A-	A1, A2, A3	High Repayment Capacity
BBB+, BBB, BBB-	Baa1, Baa2, Baa3	Moderate Repayment Capacity
BB+, BB, BB-	Ba1, Ba2, Ba3	Some Repayment Capacity
B+, B, B-	B1, B2, B3	Highly Uncertain Repayment Capacity
CCC+, CCC, CCC-, CC	Caa1, Caa2, Caa3	Extremely Vulnerable to Default
SD/D	Ca	Default

Source: Bloomberg

### Evolution of the long-term debt rating in foreign currency

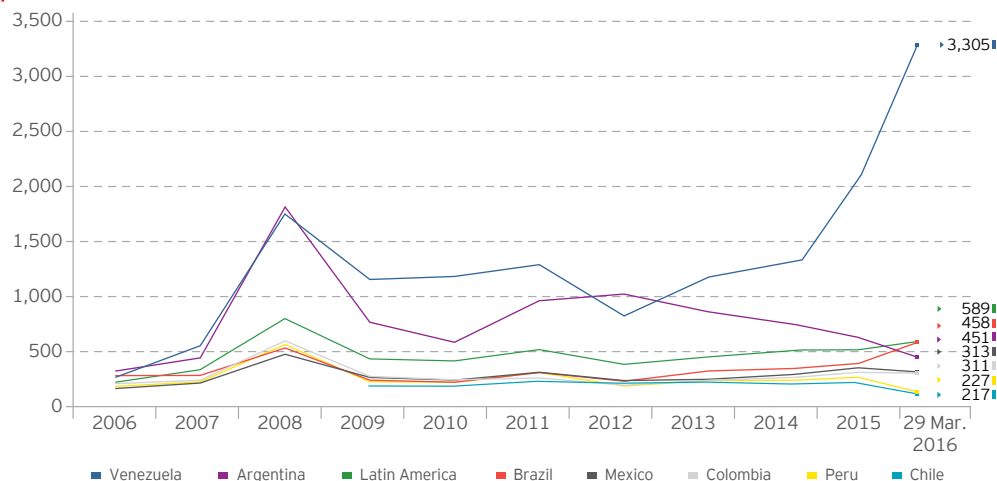
Agency	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fitch	BB-	BB-	BB	BB	BB+	BB+	BBB-	BBB-	BBB-	BBB*	BBB	BBB+	BBB+	BBB+
S&P	BB-	BB-	BB	BB	BB+	BB+	BBB-	BBB-	BBB-	BBB**	BBB	BBB+	BBB+	BBB+
Moody's	Ba3	Ba3	Ba3	Ba3	Ba3	Ba2	Ba1	Baa3	Baa3	Baa3	Baa2	Baa2	A3	A3

Source: EY

# Country Risk

As of December 31, 2015, Peru had a country risk of 200 base points, ranking second-lowest in Latin America. This score is less than half of the regional average (589 points).

## Country risk indicator (in based points)

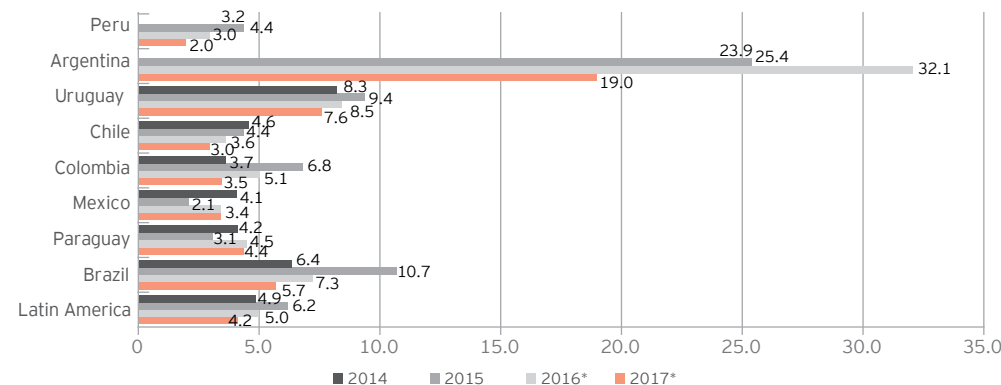


Source: Central Reserve Bank of Peru (BCRP)

Peru has recently achieved the position of the third most globalized country in Latin America, according to the Globalization Index established by EY. Five elements are considered within this index: openness to foreign trade, capital flows, exchange of technology and ideas, international movement of workers and cultural integration. Additionally, in January 2014 Bloomberg Markets positioned Peru as the seventh emerging market with the greatest international projection, based on the country's advantages, such as low share prices and their possible increase in the future.

As may be seen in the following charts, Peru's level of inflation is one of the lowest in Latin America, with a rate of 4.4% in 2015, and an estimated range of 1% to 3% for 2016. In addition, over the past decade, the Peruvian economy had the lowest average annual inflation rate in Latin America, at 2.5%, below that of Chile (2.9%) Colombia (4.6%) and Brazil (6.0%).

## Estimated inflation rates in Latin America

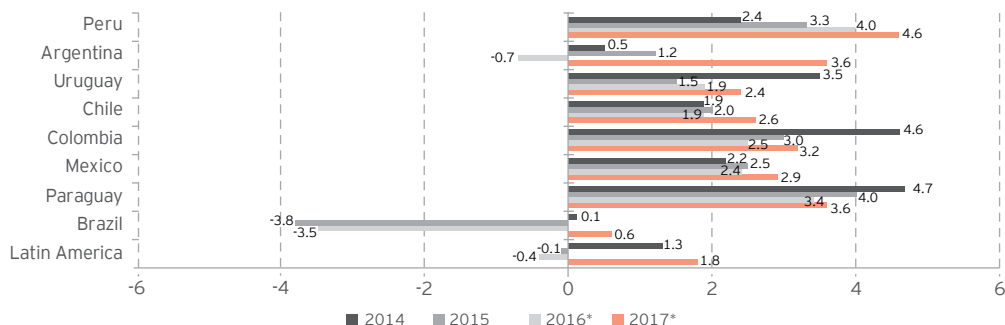


\*Estimated

Sources: Latin American Consensus Forecast (March, 2016) / Central Reserve Bank of Peru (BCRP)



## Estimated Gross Domestic Product (GDP) growth percentage rates in Latin America

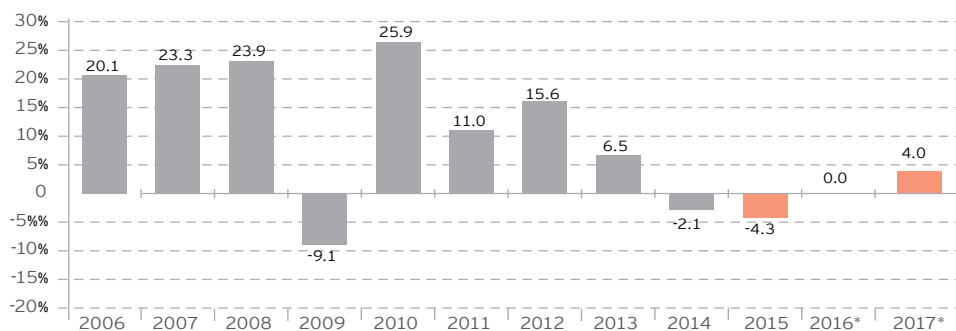


\*Estimated

Sources: Latin American Consensus Forecast (March, 2016) / Central Reserve Bank of Peru (BCRP)

## 6 Investment

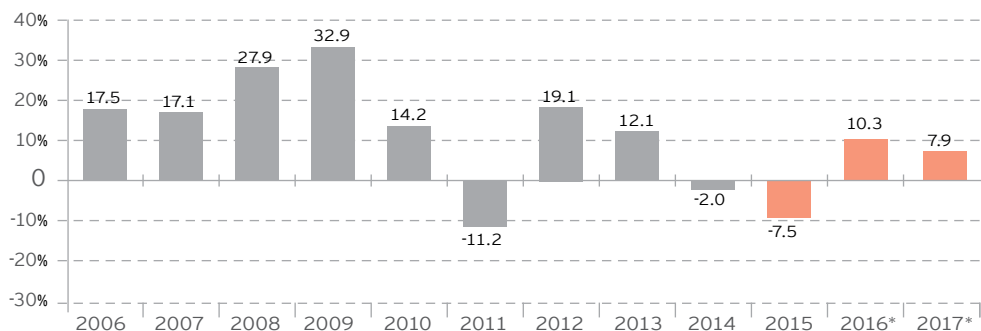
### Private investment (percent change)



\*Estimated

Source: Central Reserve Bank of Peru (BCRP)

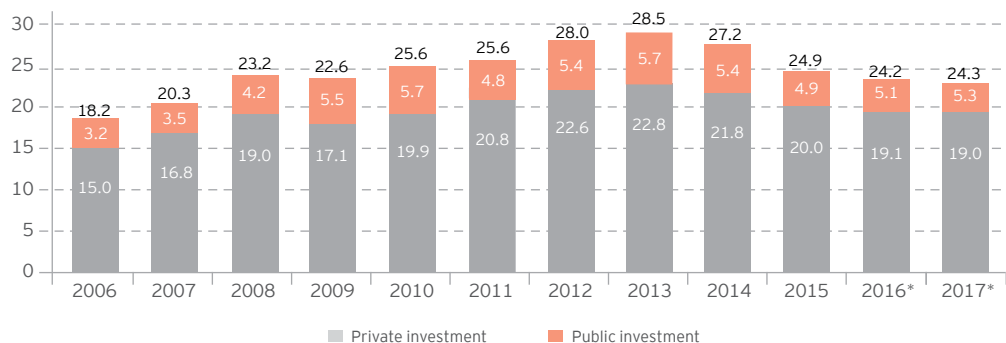
### Public investment (percent change)



\*Estimated

Source: Central Reserve Bank of Peru (BCRP)

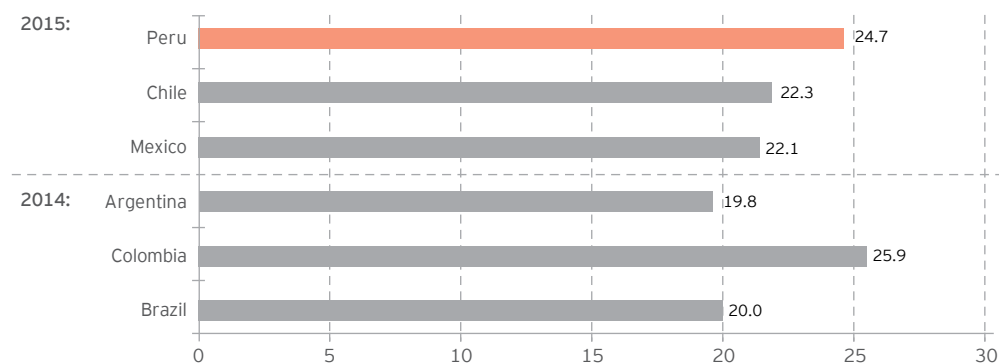
## Fixed gross investment in % of the Gross Domestic Product (GDP)



\*Estimated

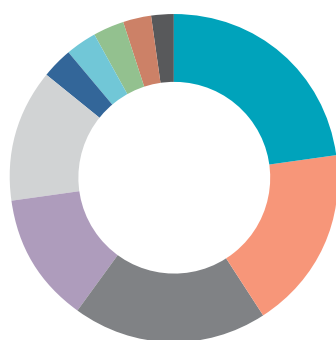
Source: Central Reserve Bank of Peru (BCRP)

## Total investment in Latin America in % of Gross Domestic Product (GDP) (2015 y 2014)



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

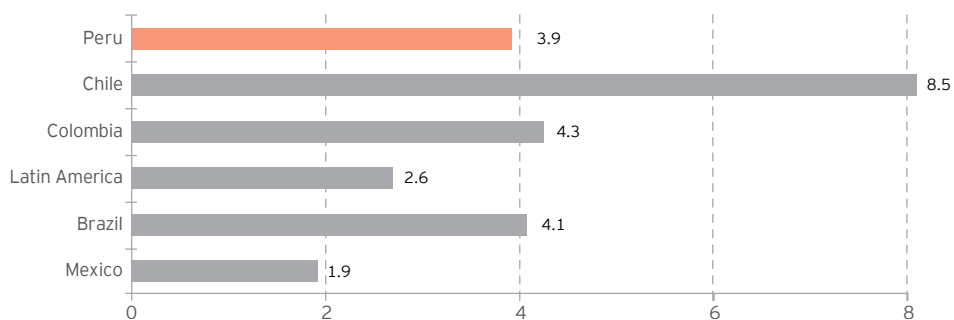
## Direct Foreign Investment stock by sector in % of Gross Domestic Product (GDP) (2015)



Sector	2015
Mining	5,638
Communications	4,569
Finance	4,298
Industry	3,262
Energy	3,218
Commerce	803
Petroleum	680
Services	674
Transport	364
Others	727
<b>Total US\$ (in millions)</b>	<b>24,233</b>

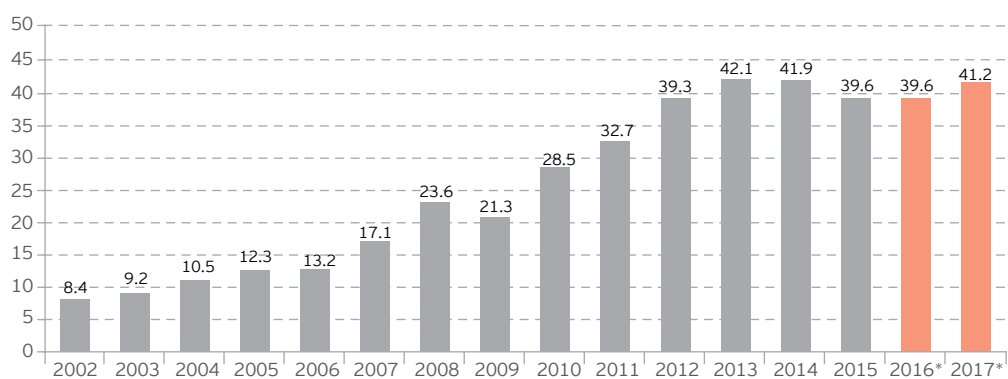
Source: Agency for the Promotion of Private Investment (ProInversion)

### Direct foreign investment in Latin America in % of Gross Domestic Product (GDP) (2015)



Source: Ministry of Economy and Finance (MEF)

### Private investment (US\$ Billions)



\*Estimated

Source: Central Reserve Bank of Peru (BCRP)

# 7 | Population and human development

The estimated population of Peru for 2016 is approximately 31.4 million (31.2 million in 2015) of which approximately 10.8 million (2015) reside in Lima (including the population of the Constitutional Province of Callao). The national workforce (total EAP) is estimated at around 16.4 million people.

The main religion is Roman Catholicism, and the principal official languages are Spanish and Quechua. The Aymara language is also spoken, mostly in the Southern Highland Region, along with various other native languages, particularly in the Amazon Jungle Region. As of 2015, the literacy rate was 94.3% of the population over age 15, and it is estimated that by 2016, 96.0% of Peruvians over the age of 15 will be able to read and write.

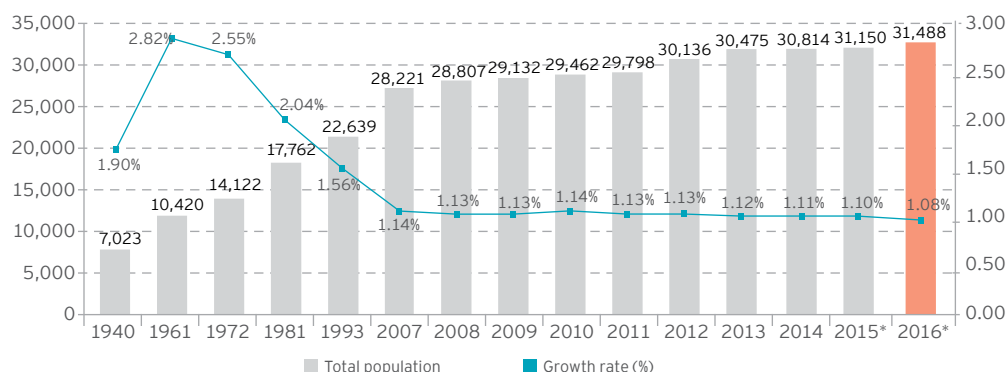
## Population Summary

Population	<ul style="list-style-type: none"> <li>▸ 31.4 million (estimated, 2016)</li> <li>▸ 76.7% live in urban areas (2015)</li> </ul>
Age range	<ul style="list-style-type: none"> <li>▸ 0 - 14 years old: 28.7%</li> <li>▸ 15 - 64 years old: 65.0%</li> <li>▸ 65 years or older: 6.3%</li> </ul>
Growth rate	▸ 1.1% (estimated, 2015)
Birth rate	▸ 20.4 births / 1,000 people
Mortality rate	▸ 5.6 deaths / 1,000 people
Gender ratio	▸ Births: 1.046 male / female
Life expectancy at birth	▸ 74.1 años (estimate for 2010-2015)

Sources: National Institute of Statistics and Information (INEI) / Economic Commission for Latin America and the Caribbean (CEPAL) / International Monetary Fund (IMF) (Population)

Over the last four years, the population has grown by an average of 1.13% annually (in 2015, it is estimated to have grown by 1.1%). As of 2015, it is estimated that the urban areas population will achieve 76.7% and the rural areas population will achieve 23.3% of the total national population.

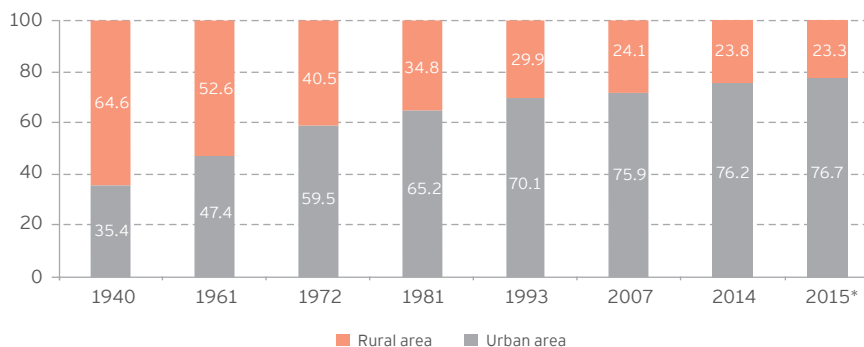
## Total population and average annual growth rate in %



\*Estimated

Sources: National Institute of Statistics and Information (INEI) (it differs from the IMF, that estimates 32.4 million habitants for 2016)

## Population census by area of residence in %

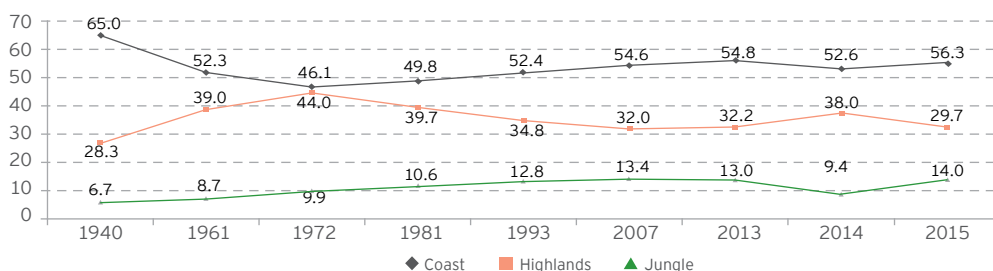


\*Estimated; information taken from National Censuses through 2007

Sources: National Institute of Statistics and Information (INEI)

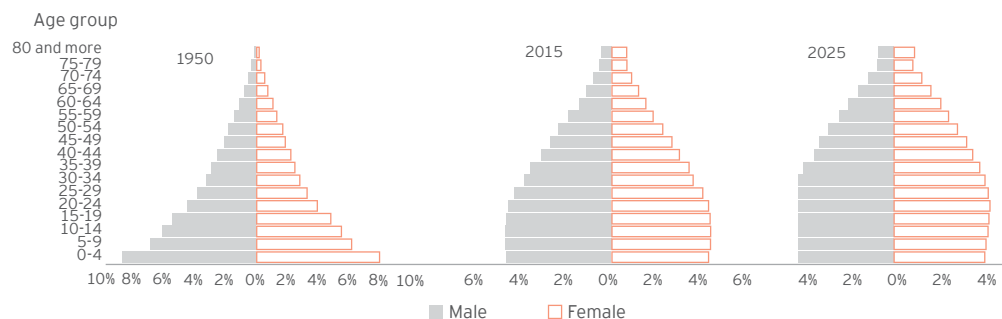
In 2015, the male population was greater than the female population by 0.1%. On the other hand, the population on the Coast accounted for 56.3% of the total population, while the population of the Highlands was 29.7%, and that of the Jungle was 14.0%.

## Evolution of the population by natural region in %



Source: National Institute of Statistics and Information (INEI)

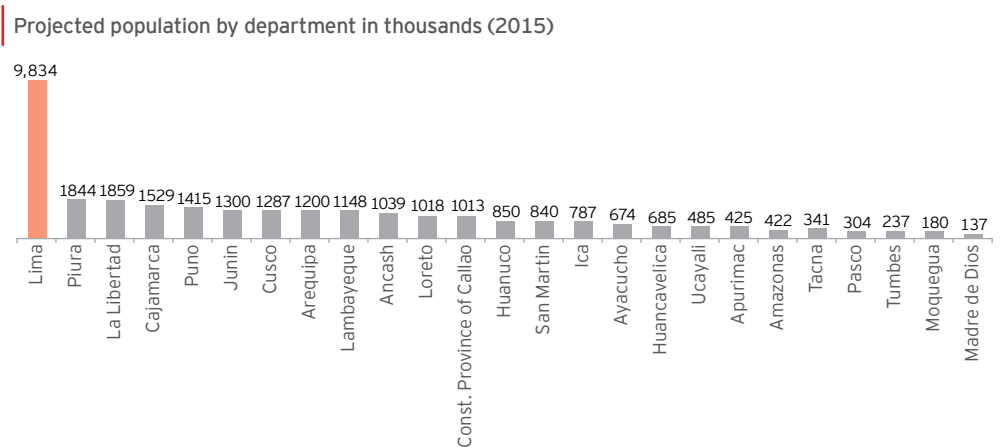
## Evolution of the population pyramid



Source: National Institute of Statistics and Information (INEI)



Of the total Peruvian population, 65.0% is between the ages of 15-64, while the Economically Active Population (EAP) as of 2015 was 71.4% of the total, giving Peru a “demographic bond” effect, which may be simply explained as the structural benefit of its population being of an age to produce and consume. It is estimated that this high percentage of workforce will extend its maximum registration period for up to three and a half more decades, and the power of this “demographic bond” is that of fostering greater production, consumption, savings and investment. Perhaps the most important aspect of this demographic overview is that Peru has the advantage of practically just having begun its “demographic bond” period, which will provide it with the conditions to make the necessary public and private investments in order to cover the demands and opportunities that arise from the consumption of its “demographic bond” period.



Source: National Institute of Statistics and Information (INEI)

Coinciding with the population percentages by Region, the three most populous departments of Peru belong to the Coast Region: Lima, Piura and La Libertad; followed by Cajamarca, Puno, Junin, Cusco and Arequipa.

The Human Development Index (HDI) is a compound index that measures the average advances in three basic dimensions of human development: a long and healthy life; knowledge level of dignified life, via the combination of indicators for life expectancy, educational achievements and income. The HDI defines a minimum and maximum value for each dimension (called “objectives”), and then shows the position of each country with regard to these objective values, expressed in the form of a value between 0 and 1. According to the 2014 Human Development Report issued by the United Nations Development Programme (UNDP), the ranking and evolution of the six principal countries in Latin America are as follows:

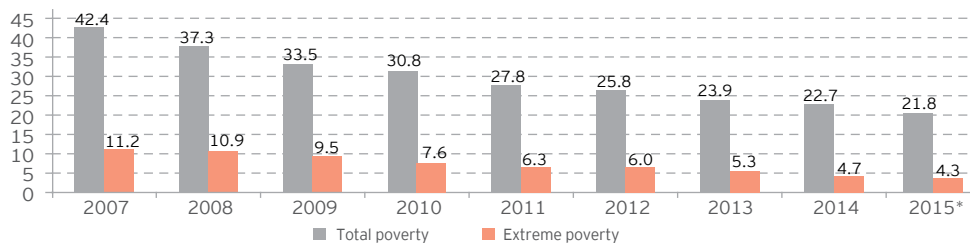
Ranking	Classification Country	1980	1990	2000	2005	2010	2011	2012	2013	2014	Growth Rate 2013 / 1980
	World Total	0.561	0.600	0.639	0.666	0.690	0.692	0.694	0.702	0.711	27%
	Latin America and the Caribbean	0.574	0.623	0.683	0.708	0.736	0.739	0.741	0.740	0.748	30%
Very High Human Development											
40	► Argentina	0.675	0.701	0.755	0.771	0.805	0.810	0.811	0.808	0.836	24%
42	► Chile	0.638	0.702	0.759	0.789	0.813	0.817	0.819	0.822	0.832	30%
High Human Development											
74	► Mexico	0.598	0.654	0.723	0.745	0.770	0.773	0.775	0.756	0.756	26%
75	► Brazil	0.522	0.590	0.669	0.699	0.726	0.728	0.730	0.744	0.755	45%
84	► Peru	0.580	0.619	0.679	0.699	0.733	0.738	0.741	0.737	0.734	27%
97	► Colombia	0.556	0.600	0.658	0.681	0.714	0.717	0.719	0.711	0.720	30%

Note: The ranking refers to each country's position in the world classification for 2014.  
Source: United Nations Development Programme (UNDP)

# 8 | Poverty and employment

Recently, the United Nations stated that Peru has all the conditions necessary to achieve its poverty reduction goal of 20% of the population by 2016.

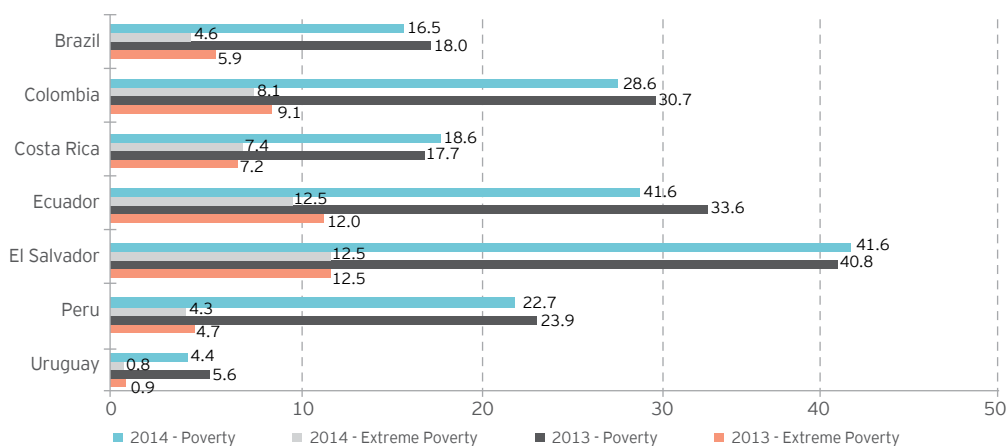
## Total incidence of poverty in %



\*Estimated

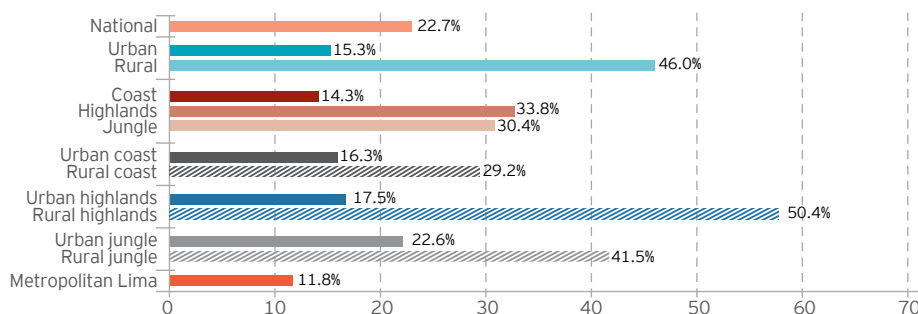
Source: National Institute of Statistics and Information (INEI)

## Poverty rate in Latin America (2013 and 2014)



Source: Economic Commission for Latin America and the Caribbean (CEPAL)

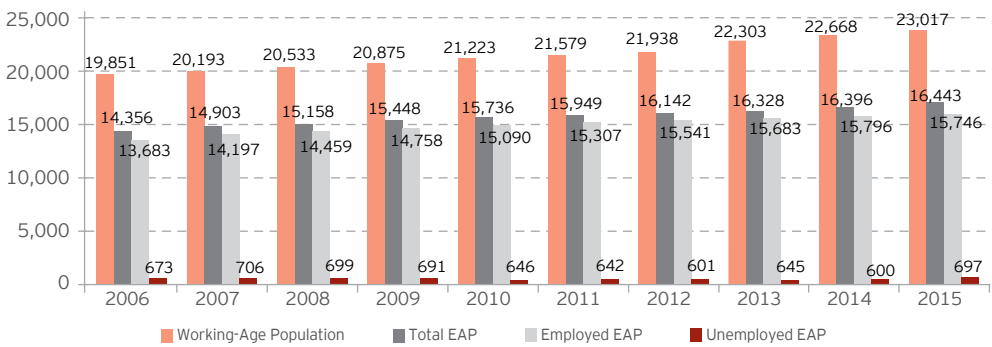
## Total incidence of poverty by geographic area (2014)



Source: National Institute of Statistics and Information (INEI)

In 2015, the country's Economically Active Population (EAP) included 71.4% of the total population (including employed and unemployed EAP) with 95.8% of the EAP employed. Of this percentage, 75.1% were located in urban areas, while the remaining 24.9% were located in rural areas.

Evolution of the economically active population (thousands of people)



Source: National Institute of Statistics and Information (INEI)

Evolution of formal unemployment (percent change)



\*Estimated

Source: National Institute of Statistics and Information (INEI)



# Business Environment





# 1 | Investment promotion conditions

## a. Legislation and Trends in Foreign Investment in Peru

Peru seeks to attract both domestic and foreign investment in all sectors of the economy. To achieve this, it has taken the necessary steps to establish a consistent investment policy that eliminates any barriers that foreign investors may face. As a result, Peru is considered a country with one of the most open investment systems in the world.

Peru has adopted a legal framework for investments that requires no previous authorization for foreign investment. Additionally, it establishes the necessary regulations to protect the economic stability of investors from arbitrary changes in legal terms or conditions applicable to their projects and reduces government interference in economic activities.

The Peruvian government guarantees legal stability to foreign investors with regard to the legislation governing income tax and distribution of dividends. Foreign investors with the right to obtain legal and tax stability are those willing to invest in Peru for a period of no less than two (2) years and for a minimum amount of US\$10 million in the Mining and/or Hydrocarbons sectors, or US\$5 million in any other economic activity.

Peru's laws, regulations and practices do not discriminate between domestic and foreign companies. Foreign investors receive equal treatment. There are no restrictions on repatriation of profits, international transfers of capital, or foreign exchange practices. The remittance of interest and royalties is also not restricted in any way. Foreign currency may be used to acquire goods or cover financial obligations, provided the operator complies with Peruvian tax laws.

## b. Beneficial legal framework for foreign investors

Peru offers a legal framework<sup>1</sup> that protects foreign investors' interests by offering them:

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

Additionally, Peruvian and foreign investors are provided with:

- Right to free competition
- Guarantee of private property (no expropriations or nationalizations)
- Freedom to acquire shares in Peruvian companies
- Freedom to access internal and external credit
- Freedom to transfer royalties and profits from their investment
- Simplicity for most operations, whether in local currency (Sol) or U.S. Dollars, without foreign exchange controls
- A wide network of investment agreements and membership in the Investment Committee of the Organization for Economic Cooperation and Development (OECD)

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

Foreign investors may remit abroad the net profits (without any restriction whatsoever) from their registered investments, as well as transferring their shares, ownership interests, or participatory rights, perform capital reductions and dissolve or wind-up their companies.

---

<sup>1</sup>Constitutional provisions; "Foreign Investment Act," Executive Order 662; "Framework Act for the Growth of Private Investment," Executive Order 757.

## Recognition of Favorable Investment Climate

According to the Global Competitiveness Index, Peru is among the top countries in Latin America in terms of macroeconomic environment, market size, financial market development, labor market efficiency and goods market efficiency.

	2013 - 2014		2014- 2015		2015-2016	
	Ranking	Score	Ranking	Score	Ranking	Score
Total Peru	61/148	4.25	65/148	4.20	69/140	4.24
SUB-INDEX:						
Basic Requirements	72	4.53	74	4.59	76	4.52
Institutions	109	3.36	118	3.40	116	3.26
Infrastructure	91	3.50	88	4.19	89	3.54
Macroeconomic Environment	20	5.91	21	5.04	23	5.89
Health and Primary Education	95	5.36	94	5.73	100	5.39
Efficiency Enhances	57	4.20	62	4.20	60	4.19
Higher Education	86	4.01	83	3.99	82	4.08
Goods Market Efficiency	52	4.37	53	4.19	60	4.47
Labor Market Efficiency	48	4.50	51	3.71	64	4.33
Financial Market Development	40	4.50	40	4.14	30	4.49
Technological Readiness	86	3.39	92	3.55	88	3.30
Market Size	43	4.46	43	5.61	48	4.47
Innovation and Sophistication Factors	97	3.35	99	3.73	106	3.34
Business Sophistication	74	3.95	72	4.14	81	3.39
Innovation	122	2.76	117	3.31	116	2.76

Source: World Economic Forum 2015-2016

## c. Ease of Doing Business in Peru

According to Doing Business 2016, Peru ranks 50<sup>th</sup> out of 189 countries in terms of ease of starting a company and doing business, and ranks third in Latin America. According to Forbes 2015, Peru ranks 55<sup>th</sup> in the ranking of Best Countries for Doing Business.

### Doing Business

Ranking for Latin America	
Position	Country
38	Mexico
48	Chile
50	Peru
54	Colombia
57	Puerto Rico (United States)
58	Costa Rica
69	Panama
81	Guatemala
92	Uruguay
93	Dominican Republic
100	Paraguay

Source: World Bank (WB) - Doing Business 2016

### Forbes

Best Countries for Doing Business	
Position	Country
30	Chile
51	Uruguay
52	Costa Rica
53	Mexico
55	Peru
56	Panama
65	Colombia
86	El Salvador
89	Guatemala
90	Brazil
109	Paraguay

Source: Forbes 2015

The following are the principal indicators for the investment climate:

Indicators	Peru	Latin America and the Caribbean
Starting a business		
▸ Number of procedures	6.0	8.3
▸ Time (days)	26.0	29.4
▸ Cost (% of per capita income)	9.8	31.0
▸ Registration of minimum capital paid up (% of per capita income)	0.0	2.8
Construction permits		
▸ Number of procedures	14.0	13.3
▸ Time (days)	174.0	178.3
▸ Cost (% of per capita income)	0.5	2.7
Property registration		
▸ Number of procedures	4.0	7.0
▸ Time (days)	6.5	63.0
▸ Cost (% of property value)	3.3	6.1
Getting electricity		
▸ Number of procedures	5.0	5.5
▸ Time (days)	67.0	64.6
▸ Cost (% of per capita income)	324.5	466.0
Access to credit		
▸ Strength of legal rights index (0-12)	8.0	5.3
▸ Depth of credit information index (0-8)	8.0	4.7
▸ Coverage of Public Records Offices (% of adults)	35.2	12.3
▸ Coverage of private entities (% of adults)	100.0	40.5
Protecting investors		
▸ Extent of transparency and access to public information index (0-10)	9.0	4.0
▸ Extent of director liability index (0-10)	6.0	5.2
▸ Ease of shareholder legal proceedings index (0-10)	6.0	6.4
▸ Strength of investor protection index (0-10)	6.0	4.9
Paying taxes		
▸ Number of payments per year	9.0	30.1
▸ Time (hours per year)	260.0	361.0
▸ Profit tax (%)	22.7	20.0
▸ Labor tax and contributions (%)	11.0	13.2
▸ Other taxes (%)	2.2	13.6
▸ Total tax rate (% of profit)	35.9	47.7
Trading across borders		
▸ Time to export (hours)	48.0	86.0
▸ Cost to export (US\$)	460.0	493.0
▸ Time to import (hours)	72.0	107.0
▸ Cost to import (US\$)	583.0	665.0
Enforcing contracts		
▸ Time (days)	426.0	736.9
▸ Cost (% of claim)	35.7	30.6
▸ Quality of judicial proceedings index (1-18)	8.5	8.4
Resolving bankruptcy		
▸ Time (years)	3.1	2.9
▸ Cost (% of estate)	7.0	16.6
▸ Recovery rate (cents on the dollar)	30.3	31.2

Source: World Bank (WB) - Doing Business 2016

## Index of Economic Freedom

According to the 2016 Index of Economic Freedom prepared by the Heritage Foundation, which includes an analysis of the environment and economic freedom of each country based on ten indicators covering issues such as compliance with the law, the level of government intervention, market openness and efficient State regulations, the overall results obtained confirm that promoting economic freedom in terms of the rule of law, limited government, regulatory efficiency and open markets; generates a broad economic dynamism. Thus, boosting these levels will prove significant in order to sustain the wealth of nations, as well as being the most effective way to eliminate poverty.

Below is a summary of this ranking:

Economy	Worldwide Ranking	Latin America Ranking	2016 Score
Hong Kong, China	1	-	88.6
Singapore	2	-	87.8
Australia	5	-	80.3
Canada	6	-	78.0
Chile	7	1	77.7
Colombia	33	3	70.8
Uruguay	41	6	68.8
Peru	49	9	67.4
Mexico	62	11	65.2
Paraguay	83	16	61.5
Brazil	122	21	56.5
Ecuador	159	25	48.6
Bolivia	160	26	47.4
Argentina	169	27	43.8
Venezuela	176	28	33.7

Source: The Heritage Foundation - 2016

## Emerging and Growth-Leading Economies ("EAGLE's")

The emerging and growth-leading economies (EAGLEs) are elected every year by BBVA Research, based on how their performance contributes to global growth. In order to do this, it is important to analyze their economic relevance and performance compared to the entire set of developed economies. Currently, there are fourteen economies qualified as EAGLEs such as: China, India, Indonesia, Brazil, Russia, Turkey, Mexico, Nigeria, Saudi Arabia, Philippines, Pakistan, Irak, Bangladesh and Thailand. In addition, within the group of key emerging economies complementing the above, there is a group known as "Nest" ("Nest" of EAGLE economies) which consists of 16 economies. It is expected that -together with the EAGLE economies- "Nest" economies will contribute 78% to global growth between 2014 and 2024. Peru is part of this group of "Nest" economies, with a growth over and above the forecast for this group of economies. Worth noting is the average annual growth projected for Peru up to 2024, which will be 2.4%.

## Contribution to global growth between 2014 and 2024

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

Source: BBVA Research Peru - 2016

Among the reasons why it is possible to predict such a favorable performance from these emerging economies, is the planning and implementation of prudent policies aimed at maintaining macroeconomic stability in the long term, as well as an awareness that their development is closely linked to a deep connection with the world in commercial and financial terms. However, a key factor in the good performance of emerging economies has been, especially in Peru, the role played by the middle class population, since their increase in purchasing power has led to the transition of the sector from poverty to an emerging situation. This means that consumption patterns of these countries will cause -if they have not already done so- a change that will work for a wider variety of industries.



## 2 | Trade agreements

Peru's development strategy is based on an economy open to the world and competitive in its export offer. It has been a successful strategy that has permitted the country to consolidate its foreign trade in goods and services as an instrument for economic development and the reduction of poverty.

International trade negotiations, which have benefited from rigorous macroeconomic management and its consequent stability, have allowed the Peruvian economy to gradually tackle and reduce its external vulnerability in times of crisis such as in the current international situation. In recent years, Peru has negotiated Free Trade Agreements (FTA) with large and medium-sized markets.

Nearly 92% of Peru's exports are covered by Free Trade Agreements (FTAs) currently in force. This enables Peruvian products to enter, subject to the rules of origin of each trade agreement, under preferential conditions to 54 countries, including the United States, China, Canada, Japan, South Korea, Thailand, Singapore, the member countries of the European Union, the member countries of MERCOSUR, among others.

This market openness and the trade agreements that Peru has signed have permitted an increase in the number of exported products and exporting companies, particularly in non-traditional exports. Despite the fact that exports of traditional products still represent 67% of the country's total exports, it is clear that the trade agreements have allowed the country to diversify its offer of non-traditional goods. For example, in 2015, and as a product of the FTA with the United States, 486 new tariff headings were registered for non-traditional exports shipped to the United States, while 119 new non-traditional export headings were observed at the end of the fourth year of the FTA with China.

Additionally, these trade agreements are a valuable instrument for attracting direct foreign investment and boosting increased productivity in companies, as well as the transfer of technology through the lower cost of imports of capital goods and quality inputs. Trade agreements provide an incentive to the processes of convergence of international standards, which has enabled more Peruvian companies to improve their management and logistics practices.

Peru has also negotiated Reciprocal Investment Promotion and Protection Agreements.

The principal rights protected in these agreements include:

- ▶ The right to fair and equal treatment.
- ▶ The right to receive the same treatment as domestic investors.
- ▶ The right to receive indemnity in case of expropriation.
- ▶ The right to the free transfer of profits.
- ▶ And the most favored nation clause, under which the better treatment given to Peru's partner in these matters also covers Peru's other partners in these types of investment agreements.

In an effort to strengthen and consolidate Peru's image as an attractive destination for investments, there are currently 40 agreements in force:

- ▶ 28 Bilateral Reciprocal Investment Promotion and Protection Agreements (BRIPPAs): Argentina, Australia, Canada, China, Colombia, Cuba, Czech Republic, Denmark, Ecuador, El Salvador, Spain, Finland, France, Germany, Italy, Japan, Malaysia, Norway, Netherlands, Paraguay, Portugal, United Kingdom, Romania, Sweden, Switzerland, Thailand, the Belgium-Luxembourg Economic Union and Venezuela.
- ▶ 11 Free Trade Agreements (FTAs) which include an investment chapter (Costa Rica, Panama, Mexico, United States, EFTA, Canada, Chile, China, South Korea, Singapore and the Additional Protocol to the Pacific Alliance Framework Agreement).

It should be noted that Peru has a signed agreement with the Overseas Private Investment Corporation (OPIC) and a Constitutive Agreement with the Multilateral Investment Guaranty Agency (MIGA). Peru has also signed the International Convention for Settlement of Investment Disputes (ICSID) as an alternative for resolving disputes that might arise between investors covered by the ICSID and the Peruvian State.

### **Free Trade Agreements (FTAs) Signed by Peru**

Good international relations are of vital importance to the sustainable development of a nation. The opening up of new international markets has allowed Peru to achieve a more dynamic economy, as reflected in the signing of Free Trade Agreements (FTAs) in turn resulting in market growth in exports.

To date, Peru and its exports have benefited from a variety of regional trade agreements, multilateral agreements and bilateral trade agreements. The following is a list of the agreements signed<sup>2</sup>.

#### **List of trade agreements in force:**

##### **►Multilateral Agreements:**

- World Trade Organization (WTO)

##### **► Regional Agreements:**

- Andean Community of Nations (CAN) - Bolivia, Colombia, Ecuador and Peru
- Additional Protocol to the Pacific Alliance Framework Agreement

##### **► Bilateral Agreements:**

- European Free Trade Association (EFTA) - Switzerland, Iceland, Liechtenstein and Norway
- Canada
- Chile
- China
- South Korea
- Costa Rica
- Cuba
- United States
- Japan
- Southern Common Market (MERCOSUR) - Argentina, Brazil, Paraguay, Uruguay and Venezuela
- Mexico
- Panama
- Singapore
- Thailand
- European Union
- Venezuela

##### **► Pending Entry into Force:**

- Guatemala
- Brazil
- Honduras
- Trans-Pacific Partnership (TPP) - Brunei Darussalam, Chile, New Zealand, Singapore, Australia, United States, Malaysia, Vietnam, Canada, Mexico, Japan and Peru.

##### **► Ongoing Negotiations:**

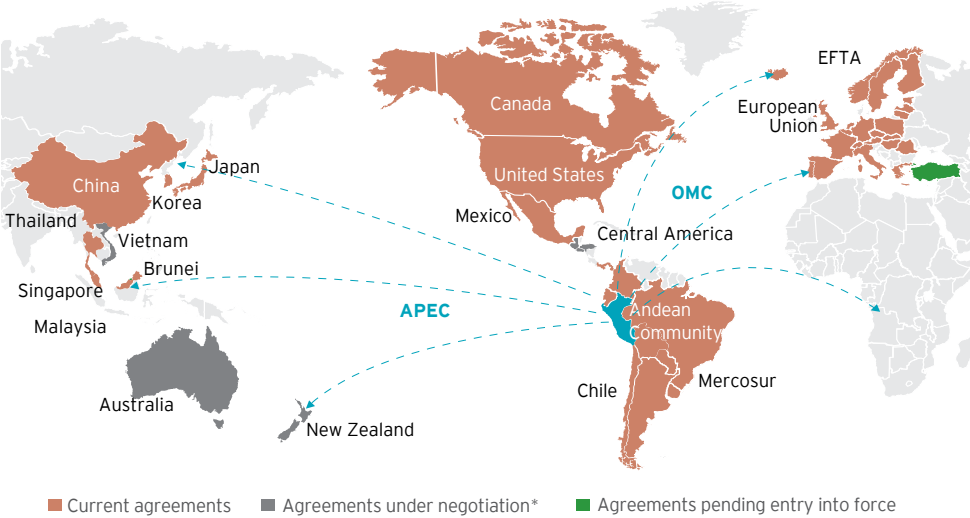
- El Salvador
- Turkey
- The DOHA Development Agenda
- Trade in Services Agreements (TISA)

---

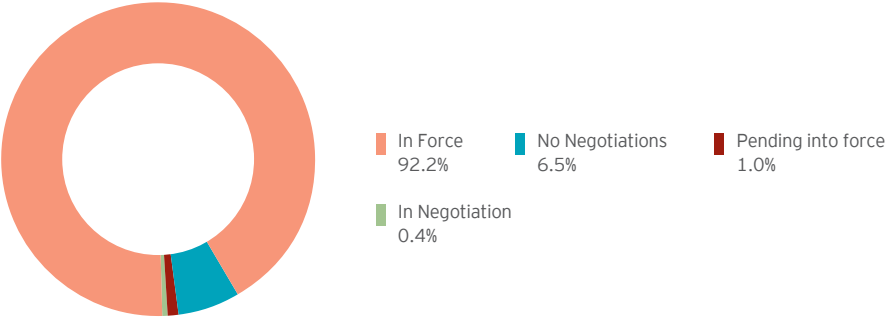
<sup>2</sup>Peruvian Ministry of Foreign Affairs and Agency for the Promotion of Private Investment (ProInversion)

Peru is an active member of the Asia Pacific Economic Cooperation (APEC) Forum, together with 20 other economies from that Region. It is also a member country of the Latin American Integration Association (ALADI) and MERCOSUR.

The following maps show the status of Peru’s agreements, exports under these agreements and a brief summary of the main instruments:



Peruvian exports distributed by markets under trade agreements



Source: Ministry of Foreign Trade and Tourism - Mincetur - 2015

## In Force

### 1. Peru – China Free Trade Agreement (FTA)

In economic terms, China has been the fastest growing economy worldwide over the past two decades (around 10% per year of sustained growth). The entry into force of this Agreement in March 2010 has opened up a market of 1.35 billion inhabitants, of which 350 million are consumers with high purchasing power.

Exports to China had grown at an approximate average annual rate of 7% during the 2010-2015 period. Peru exports to China mainly copper, fishmeal and iron ore, lead and zinc. However, the trade agreement also provides opportunities for other products in the Peruvian export offer as squid (giant squid), cuttlefish and squid, fresh grapes, avocados, mangoes, barley, paprika, tara powder, yarn fine hair, among others. Meanwhile, China sent to Peru machinery, mobile phones, laptops and high-tech products.

The trade agreement also establishes clear rules and a transparent and predictable framework through which it is expected not only to raise the bilateral trade but also to boost Chinese investment in Peruvian territory, mainly in sectors like mining, agriculture, electricity, wind, oil and gas, and fishing.

### 2. Peru - United States Trade Promotion Act

Peru had access to certain unilateral preferential customs duties with the United States starting in 1991, granted by the U.S. Congress to Andean Countries through the Andean Trade Preference Act (ATPA), which remained in force until 2001. These preferential duties were renewed in 2002 with the enactment of the Andean Trade Promotion and Drug Eradication Act (ATPDA) under which they remained in force until 2010.

In 2004, Peru initiated negotiations for a Free Trade Agreement (FTA) with the United States, and in 2009 the Peru - United States Trade Act entered into force. Just two years after entering into force, 418 new products were exported of which 96% were non-traditional products, most notably in the areas of metal-mechanical (32%), chemicals (20%) and textiles (11%).

The main products exported to the United States are minerals / metals, textiles, fish products, crude oil, coffee, cocoa, crafts, paprika, artichokes, grapes, mangos, tangerines, asparagus. In 2015, total exports reached US\$4.9 billion, of which gold accounted for 17 %, while the asparagus and fresh grapes 9.5%.

### 3. Peru - European Union (EU) Free Trade Agreement (FTA)

The trade agreement with the European Union (EU), which entered into force since March 2013, is part of the economic strategy to expand and develop the exportable supply in Peru. The EU is a market of great opportunities with more than 507.2 million population and per capita income levels among the highest in the world.

The EU is one of the main destinations for Peruvian exports with a share of 25% of total exports in 2015, and one of the main sources of foreign direct investment in the country with 50.1% of stock capital from Spain and the UK.

With the entry into force of this trade agreement, 99.3% tariffs were eliminated of Peru's exports, benefiting 95% of customs duty lines for agricultural products such as asparagus, avocados, coffee, fruits of the genus capsicum (for example: paprika and chili peppers), artichokes, among others.

The signing of the Agreement between the Republic of Peru and the European Union on visa waiver for short stays, signed on March 14, 2016 in the city of Brussels, was a major achievement that will facilitate business contacts and investments of Peruvian entrepreneurs in Europe.

Because of this Agreement, Peruvian citizens can enter without visas of short duration to thirty countries: Austria, Belgium, Denmark, Slovakia, Slovenia, Spain, Estonia, Finland, France, Sweden, Czech Republic, Hungary, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Greece, Iceland, Liechtenstein, Norway, Switzerland, Bulgaria, Croatia, Cyprus and Romania. This decision came as a result of increased economic relations with the European Union, the reduction of irregular migration and the opportunities offered by economic growth in Peru.

#### **4. Peru – Japan Free Trade Agreement (FTA)**

On May 31 2011, the Economic Partnership Agreement between Peru and Japan was signed. Since its entry into force in March 2012, this trade agreement has allowed the preferential entry to Japan of Peruvian products like coffee, asparagus, sacha inchi, squid, fish oil, copper, lead, zinc, purple corn, giant corn from Cusco, swordfish, among others.

In 2015, Japan was the fifth destination of Peruvian exports, totaling US\$1.1 billion, mainly minerals and agricultural products.

#### **5. Peru – South Korea Free Trade Agreement (FTA)**

The Free Trade Agreement (FTA) between Peru and South Korea was signed on March 21, 2011, in Seoul, Korea and it became effective on August 1, 2011. Through this Bilateral Agreement Peru reaches a 50.4 million people market with a per capita GDP of more than US\$28,739. For Peruvian exports, this represents a larger number of potential consumers and a greater chance of placing its products, thanks to the preferential access that many products enjoy under customs duty headings.

Peruvian non-traditional exports reap the most benefit from this Agreement, since, according to the Peruvian Ministry of Foreign Trade and Tourism (MINCETUR) the Korean market prefers high quality fresh products, such as agricultural and fisheries products from Peru.

South Korea was the seventh destination for Peruvian exports in 2015, with a total of US\$1.08 billion expressed in agricultural and fishery products mainly. South Korea is also the fifth country of origin of our imports, with a total of US\$1.12 billion in 2015, being the main products vehicles and telephones.

#### **6. Peru – Singapore and Peru – Thailand Free Trade Agreements (FTAs)**

Within the framework of policies to approach the Asian market, Peru signed in Lima on May 29, 2008, the Free Trade Agreement with Singapore. Singapore is a very important destination for non-traditional Peruvian exports, unlike Thailand, which mainly imported from Peru minerals, like most Asian countries. The main products exported to Singapore, which already are benefiting from this Agreement, since its entry into force on August 1, 2009, are cocoa, grapes, t-shirts, shirts, asparagus, shellfish and other marine products. Singapore is one of the main ports of entry to East Asia, so that the agreement allows Peruvian products to enter with better conditions to the entire region, increasing investment promotion and consolidating Peru's strategy to become the center of Asian operations in South America.

In the case of Thailand, the Protocol to Accelerate the Liberalization of Trade in Goods and Trade Facilitation was signed in the city of Busan, South Korea, on November 19, 2005, having entered into force on December 31, 2011. The main products exported to Thailand are zinc ores, copper ores, flours, meals and pellets of fish, cuttlefish and fresh grapes. The tariff liberalization with Thailand covers about 75% of the tariff subheadings of both countries.

#### **7. Peru – MERCOSUR Economic Complementarity Agreement (ECA)**

Economic Complementarity Agreement 58 (ECA 58) was signed between Peru and the MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay) on November 30, 2005 and entered into force on January 2006. Later, in 2006, the Protocol of Accession of Venezuela to MERCOSUR was signed.

The purpose of this Agreement was to establish a legal framework for integration, to facilitate business trade between member countries, through the elimination of tariff and non-tariff measures affecting trade in goods and services.

Therefore, since January 1, 2012, products exported to Argentina and Brazil enter these countries with a rate of 0% in customs duties.

The main products exported to MERCOSUR are articles of copper ores and minerals zinc, silver, olives, laces dyes, calcium phosphates, cotton shirts, tara and dyestuffs. It should be noted that in 2015, 86% of Peruvian exports were destined to Brazil, followed by Argentina with 11% market. The remaining 3 % went to Paraguay and Uruguay.

## **8. Peru - Mexico Trade Integration Agreement**

The Trade Integration Agreement between Peru and Mexico entered into force on February 1, 2012. This Agreement opened up a 122.3 million people market, allowing our exports preferential access to over 12,000 products, such as canned fish, cookies, timber, shrimp and other products.

On the other hand, imports from Mexico of consumer goods such as kitchen appliances and technology will allow Peruvian consumers have access to a greater variety and quality of products at the lowest price.

## **9. Andean Community of Nations (CAN)**

Peru, along with three other South American countries (Bolivia, Colombia and Ecuador), is a member of the CAN since 1997. The Agreement is related to lower duties for goods, sub-regional liberalization of service markets, community regulations regarding intellectual property, land, air and water transport, telecommunications, among others. An important part of Peruvian trade regulations are governed by the commitments made under this forum. However, in its policy of trade liberalization with other countries and blocs, Peru deepened the liberalization of trade and the opening of its market to much higher levels and with commitments that are broader in scope than those arising from the CAN.

## **10. Peru - Chile Free Trade Agreement (FTA)**

The Free Trade Agreement between Peru and Canada was signed in Lima on May 29, 2008; and entered into force on August 1, 2009. This Agreement incorporates chapters of National Treatment and Market Access, Trade Facilitation, Investment, Cross-Border Trade in Services, Telecommunications, Financial Services, Competition Policy, Government Procurement, Electronic Commerce, Labor, Environment, among others. It should be noted that among the main products exported to Canada are gold, silver, copper, lead, fish oil, fishmeal, handicrafts and textiles.

## **11. Asia Pacific Economic Cooperation (APEC) Forum**

This Agreement is effective as from March 1, 2009. It extends the Economic Complementation Agreement signed by Peru and Chile in 1998, together with its annexes, protocols and other tools.

According to the schedule of lower duties of this Agreement, this 2016 there will be a total exemption in the trading of goods between the two countries.

## **12. World Trade Organization (WTO)**

Asia Pacific Economic Cooperation (APEC) is a forum to promote economic cooperation, economic growth and the expansion of trade among its members. Unlike the World Trade Organization (WTO) and other multilateral forums, APEC does not comprise a trade treaty or agreement involving obligations.

Peru is active in the work of this forum and participates in the definition of the work lines and its organization. As it was in 2008, in 2016, Peru will be the host of the APEC forum, the ministerial meetings and the summit of leaders of the 21 economies making up the forum. APEC countries account for



approximately 60% of the global GDP, 50% of the world trade and around 50% of the world population.

### **13. World Trade Organization (WTO)**

It is the world largest trading forum, where the rules governing trade, legal framework governing world trade and some other aspects such as intellectual property, investment or the environment related to trade are discussed. It is also a dispute settlement mechanism on trade policy as well as the most important negotiating forum on trade worldwide. It is composed of 162 members (as of November 2015). Peru is part of the WTO since its establishment in 1995, and has ratified and incorporated into its domestic law all trade agreements in the WTO.

### **14. Pacific Alliance**

Pacific Alliance is a trade bloc consisting of four Latin American countries: Chile, Colombia, Mexico and Peru. This proposal was unveiled in Peru, on April 28, 2011, through the Declaration of Lima. The aim of this partnership is to encourage regional integration and further growth, development and competitiveness of its member countries, and to progressively move closer to the goal of achieving the free movement of goods, services, capital and people. Among these agreements to form part of the Pacific Alliance, an essential requirement set forth is that all new members of the alliance must have in place the rule of law, democracy and constitutional order in the country.

The countries members of the Pacific Alliance represent 38% of Latin America's GDP and 2.7% of the global GDP. Together, they would be the eighth largest economy in the world. Trade represents more than 50% of Latin America and the Caribbean. Additionally, by 2014, they were able to obtain US\$70 billion in Direct Foreign Investment (DFI).

The four member countries of the Pacific Alliance have agreed to the elimination of visas between them. Under this commitment, Mexico's Department of Foreign Affairs (SRE) announced, on November 9, 2012, the abolition of visas for Peruvian citizens. Furthermore, the Integrated Latin American Stock Market known as MILA is currently in operation. It consists of Colombia, Peru, Chile and Mexico joined stock markets operations.

The Pacific Alliance has 49 Observer States and has recently admitted 7 additional countries: Argentina, Ukraine, Egypt, Norway, Slovakia, Czech Republic and Romania.

### **15. Trans-Pacific Partnership Agreement (TPP)**

On February 4, 2016, the foreign trade ministers of 12 countries in the Asia-Pacific region signed the text of the Trans-Pacific Partnership (TPP) after seven years of negotiation that was restricted only to the APEC economies members who had expressed their willingness to be part of this Agreement.

In addition to Peru, Australia, Brunei Darussalam, Canada, Chile, United States, Japan, Malaysia, Mexico, New Zealand, Singapore and Vietnam signed the TPP. Altogether, constitute a market of 805 million people (about 12% of the world population) that account for 37% of the world GDP and has a GDP per capita of approximately US\$32,800. The TPP represents 25% of global exports and absorbs 27% of world imports.

The Agreement has entered the stage of internal improvement, which in many cases, expects the approval by the respective parliaments of each country that has signed.

Among the points negotiated, they include issues on regional integration, regulatory coherence, economic development, access to markets of SMEs, competitiveness and transparency, in addition to the commitments of liberalization of trade in goods and services of the Free Trade Agreements.

Peru has become one of the only three countries in Latin America to be part of the area, which is present in three continents (America, Asia and Oceania). This is the area with greater economic projection in the immediate future due to the growth of its middle class. For Peru, the TPP represents a great commercial platform to diversify export destinations in 11 countries by improving the conditions of free trade agreements in force with some of them. In addition, the TPP will allow Peru to enter five new markets (Australia, Brunei Darussalam, Malaysia, New Zealand and Vietnam) under a single uniform set of rules. In 2014, Peru exported to the countries in the TPP US\$12.90 billion, representing just 0.25% of total imports of the block. These figures expose the magnitude of space for growth of Peruvian exports. Significantly, the potential market generated in fruits and vegetables, andean grains, fish products and textile products of cotton and alpaca is valued at more than US\$2.50 billion. Thus, opportunities for growth of non-traditional exports within the block of TPP are also extended; they currently reach US\$4.21 billion, representing 36% of non-traditional Peruvian exports.

The TPP will help to turn Peru into a hub, attracting American investment to export with preferences to other countries in the TPP and investment in the Asia-Pacific for export to the rest of South America through trade agreements it has signed the Peru with the countries of the region.

## 16. Upcoming Trade Agreements

As part of the efforts to continue diversifying and strengthening markets for Peruvian products in the world, Peru and Turkey began, on January 20, 2014, negotiations for a Free Trade Agreement. An important fact is that it has decided to include from the start of trading, the liberalization of trade in services, which is something that Turkey had never traded in their previous agreements. Among the products that have a greater interest by Turkey are the mining, fishing, agriculture, hides and skins.

Central America and the Caribbean are other regions where it has identified significant potential for Peruvian companies. Peru is in the process of improving the internal trade agreements with Guatemala and Honduras. In addition, negotiations with El Salvador, Nicaragua and Cuba are expected to conclude in the short term.

In addition, Peru has taken the initiative to promote the start of trade negotiations with India and Indonesia, for which it is advancing in the respective feasibility studies. One of the interests in future negotiations with India is strengthening openness and trade preferences for Peru in a market that concentrates a sixth of the world population. In a first study by MINCETUR it has been identified 61 Peruvian products (52 non-traditional sector) in which Peru has significant comparative advantages and which India would have a relatively high purchasing power.

On the other hand, Peru is evaluating to propose a feasibility study to sign a trade agreement with the Russian Federation, which would open a market economy that accounts for 23% of world exports and 1.8% of world imports. In this regard, the MINCETUR has determined that a tariff liberalization between the two countries could generate an increase in bilateral exports of 36% for Peru, highlighting the possibility of exporting fresh grapes, color lakes, mandarins, capsicum, zinc oxide, mangos, among other products.

Peru has also signed on October 2, 2012, a Framework Agreement on Economic, Commercial, Technical and Investment with the member states of the Council of the Gulf Cooperation Council, which groups Saudi Arabia, Bahrain, Kuwait, Qatar, Oman and United Arab Emirates. The agreement is the first signed with a South American country.

It is not excluded the continuance of negotiations of trade agreements with Israel, South Africa, Morocco, among others.

## 3 | Integrated Latin American Market - MILA

The Lima Stock Exchange - BVL (Peru), the Santiago Stock Exchange - BCS (Chile), the Colombia Stock Exchange - BVC (Colombia) and the Mexican Stock Exchange - BMV (Mexico) along with the security depositories of each country, Cavali, DC, Deceval and INMEX RT, respectively, have built their equities (stock) market, with which they seek to diversify, expand and improve the attractiveness of trading in such assets in the three countries for both local as well as foreign investors.

This integration aims at the development of the capital market through their amalgamation in order to provide investors with a wider range of securities and issuers with greater sources of funding. It is expected that these countries' joint market will become the first one in the Region as far as number of issuers is concerned.

As of december 2015, the total volume traded on the MILA amounted to US\$186,881millions. Additionally, as of that date there are more than 740 issuers signed by the brokerage firms in Chile, Colombia and Peru.

For further information, please visit: [www.mercadomila.com](http://www.mercadomila.com)

## 4 | Mechanisms for the promotion of investment in infrastructure and public services<sup>3</sup>

The Peruvian Government facilitates access to private investment for a wide range of activities and projects. Mindful of the dynamic role of business, Peruvian law recognizes the following types of private involvement: (a) Private Initiative, (b) Public-Private Partnership and (c) Transfer of Public Works for the Payment of Taxes.

### a. Private Initiative

Through Private Initiative, the Peruvian Government affords the private sector the opportunity to submit a proposal for investment in assets, companies, projects, services or public works of government infrastructure. Private initiatives must be submitted in accordance with the requirements set forth, to the Agencies for the Promotion of Private Investment (in the case of the National Government, ProInversion; in case of the Regional and Local Governments, the designated authority) for respective evaluation and admission for processing. From the financing point of view, private initiatives can be self-sustaining or co-financed.

The main criteria that the Agency for the Promotion of Private Investment (ProInversion) takes into account for the evaluation include:

- ▶ Financial standing and technical capacity of the submitting party to develop the proposed projects of a similar magnitude.
- ▶ Economic and social profitability.
- ▶ Project's environmental impact.

To be admissible for processing, the private sector must have a total investment of more than 15,000 Tax Units - "UIT" and it must follow the process flow, as summarized below<sup>4</sup>:

---

<sup>3</sup>Source: Agency for the Promotion of Private Investment (ProInversion)

<sup>4</sup>Source: Agency for the Promotion of Private Investment (ProInversion) (simplified preparation by EY; to see the full flow chart, please visit [www.proyectosapp.pe](http://www.proyectosapp.pe))

1 Submission and admissibility	A simple bid must be filed with ProInversion.
2 Relevance and priority	ProInversion will forward the entire documentation to the sector, or pertinent Regional Government or Local Government, to render an opinion on the relevance and priority of the Private Initiative.
3 Declaration of feasibility	ProInversion will advise the bidder, so that it will proceed with the preparation of pre-investment studies. The feasibility of the Private Initiative will be subsequently assessed.
4 Cost-benefit analysis	ProInversion will perform a cost-benefit analysis of the Private Initiative.
5 Opinions rendered by the Ministry of Economy and Finance (MEF) and the regulatory agency	The Ministry of Economy and Finance (MEF) will render an opinion about the cost-benefit analysis, as well as on the soundness of the budget and government's fiscal responsibility.
6 Statement of interest	ProInversion will express an interest in the Private Initiative.
7 Bidding or direct awarding	The bidding or direct awarding of the bidder will be carried out.
8 Signing of agreement	The sector or the competent Regional Government or Local Government will sign the agreement, including its addenda.

## b. Public-Private Partnership

Public Private Partnerships (PPPs) are arrangements for participation in private investment, whereby experience, knowledge, equipment and technology are incorporated, while risks and resources are distributed, preferably of a private nature, in order to create, develop, improve, operate or maintain public infrastructure or to provide public services.

PPPs are executed under arrangements such as a concession, operation, management, joint venture, or by some other means, provided it matches the definition.

PPPs can be accessed either by state or private sector initiative, depending on whether the origin of the project occurs in the public sector or the private sector.

### Types of PPPs

► **Self-sustainable:** These are those financed through fees paid by users or prices, tolls or similar investment recovery mechanisms, not requiring the use of public funds for co-financing.

Also qualifying as self-sustainable PPPs are those requiring financial guarantees from Government, the probability of activation of these guarantees should be minimal or non-existent. Minimum guarantees are deemed to be those not exceeding 5% of the total investment cost, which does not include operating and maintenance costs.

Additionally qualifying as self-sustainable PPPs are those not requiring financial guarantees, having no or low probabilities of demanding the use of public funds in other words, that the probability of the use of public funds is not greater than 10% for each of the first five years of the project.

► **Co-financed:** These are those requiring co-financing, or providing or retaining financial guarantees or financial guarantees with a significant probability of demanding the use of public funds.

## Principles Governing the Application for PPP

- **Value for money:** A public service should be provided by a private entity which can offer a better quality for a given cost or the same quality results at a lower cost. The idea is to maximize user satisfaction and enhance the value of money originating from public funds.
- **Transparency:** A quantitative and qualitative information used in decision-making at the evaluation, development, implementation and accountability stages must be known by all citizens under the principle of disclosure of the provisions of the Law for Transparency and Access to Public Information.
- **Competition:** Competition is promoted to ensure efficiency and lower costs in the provision of infrastructure and public services, and to prevent any anti-competitive and/or collusive acts.
- **Adequate allocation of risks:** Assign risks to the party with the best capacity to manage them, at a lower cost, considering the public interest and the project's profile.
- **Budget responsibility:** Issues to be considered include the Government's payment capacity to acquire the financial, firm and contingent commitments, without compromising the sustainability of public finances and the regular provision of the services.

## Organizations Promoting Private Investment in PPP

### a. In the case of the National Government:

The Agency for the Promotion of Private Investment (ProInversión) works with projects meeting any of the following criteria:

- Total investment amount in excess of 15,000 Tax Units - "UIT"
- Multi-sectorial
- Geographical scope covering more than one region
- Application and approval of the ProInversión Board of Directors

The Ministries, through their Investment Committees, in those cases excluded from the above criteria.

### b. In the case of the Regional or Local Government:

The Regional or Local Government agency designated for that purpose.

## c. Transfer of Public Works for the Payment of Taxes - Act 29230

Act 29230, the Law on the Transfer of Public Works for the Payment of Taxes, was established as a mechanism to allow private companies to carry out the public investment projects of Regional and Local Governments and universities, to then deduct the total amount of investment from their Income Tax. The Government issues a Regional or Local Public Investment Certificate (CIPRL) for the sum of the investment made.

The main objective of the Law is to promote the implementation of public investment projects and help narrow the infrastructure gap existing in the country. To do this, it is necessary, through a process conducted by a special committee, to select the private company that will privately finance and implement the project. This process is described in the Regulations of the Law, approved by Executive Order 409-2015-EF.<sup>5</sup>

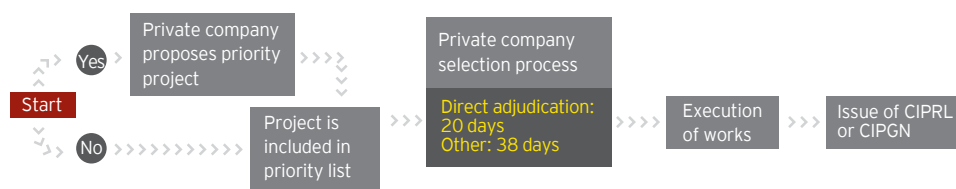
---

<sup>5</sup>Executive Order 409-2015-EF, approves the New Regulations of Law 29230. Published in the Official Gazette "El Peruano" on January 14, 2014.

## CIPRL Emission Limit<sup>6</sup>

Each year, the National Government establishes, for each Regional and Local Government of the country, a maximum amount for the issuance of the corresponding CIPRL, which is updated by the Ministry of Economy and Finance (MEF) in March of each year.

### Description of the Mechanism Transfer of Public Works for the Payment of Taxes



Source: Public AC

### Range of projects

One of the main changes set forth in the Regulations to Law 29230, is the possibility that the private sector may propose to the Regional or Local Government the formulation of pre-investment studies for projects meeting the requirements of the National Public Investment System (SNIP) to be incorporated in the list of priority projects. This must be approved by the Regional Council or Municipal Council.

The website Transfer of Public Works for the Payment of Taxes ([www.obrasporimpuestos.pe](http://www.obrasporimpuestos.pe)), provides a list of projects given priority by the Regional and Local Governments.

### Benefits of the law

Below are the main financial and social benefits provided by the Transfer of Public Works for the Payment of Taxes scheme:

Financial and Social Benefits		
For Regional and Local Governments	For Private Companies	For Society
Accelerate the implementation of quality works by reducing the infrastructure gaps.	Contributes to the country's development.	Wider coverage and higher service quality.
Frees human resources for the implementation of the projects.	Association of their image with high social impact works.	Creation of direct and indirect jobs in the local community.
Executes projects within its management and finances them without interests.	Improved relations with their stakeholders.	Improves the quality of life and welfare.

Source: Agency for the Promotion of Private Investment (ProInversion)

<sup>6</sup>CIPRL: Regional or Local Public Investment Certificates.

## Characteristics and use of the CIPRLs by private companies

Private companies choosing the execution of projects through this mechanism must take the following into account:

- The amount invested by companies in the execution of public projects is recognized through the CIPRLs, which will be issued by the Debt and Treasury Bureau (DGETP) on the request of the Regional Government or Local Government, once conformity has been granted as to the quality of works and reception thereof.
- The CIPRLs may be issued by stage of completion<sup>7</sup>.
- The CIPRLs are negotiable and are valid for ten (10) years as from their date of issue.
- The CIPRLs are used by private companies solely for their payments on account and payments for the regularization of Third Bracket Income Tax, including late payment fees.
- Private companies may use the CIPRLs in the current period to a maximum of 50% of Income Tax calculated in the Annual Tax Return for the previous fiscal year, being able to use the balance in the following fiscal years, adjusting a 2% revaluation on the unused balance.
- If the CIPRLs were not used by their expiry date, the Tax Administration (SUNAT)<sup>8</sup> will return to the company any amount due, via negotiable credit notes.

## New incentives for Transfer of Public Works for the Payment of Taxes

New incentives were established in the Executive Order 409-2015-EF:

- Direct awarding upon the simple expression of interest by the company.
- Expansion of any type of public investment projects, not only infrastructure related.
- The works maintenance and operation may be funded by the tax.
- Use of new funds other than canon and overriding fees.
- Public universities with a canon may also apply Transfer of Public Works for the Payment of Taxes.

---

<sup>7</sup>Partial (quarterly) CIPRL may be issued for projects which execution demands timeframes in excess of six (6) months.

<sup>8</sup>SUNAT: National Superintendency of Customs and Tax Administration.





# Sectorial analysis



Thanks to the sound economic growth and macroeconomic policies aimed at encouraging greater competitiveness, which have translated into increased employment and, therefore, increased domestic consumption, Peruvian industries are experiencing growth, as highlighted below:

# 1 | Mining

The Mining Sector has been and is of great importance to the Peruvian economy. The country's mining tradition has been around since pre-Inca times, positioning to this day as one of the main activities related to the development of Peru. Thus, over the years, mining has contributed approximately one half of the country's revenues, as a result of its exports.

In recent years, mining exports have grown two-fold, accounting for 55% of 2015 total exports. As of December 2015, mining exports were US\$18.83 billion.

## Ore production (fine content - in thousands)

Ore	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Copper (TMF)	1,048	1,190	1,268	1,276	1,247	1,235	1,299	1,376	1,380	1,701
Gold (Fine ounce)	202,826	170,236	179,870	183,995	164,084	166,187	161,545	151,486	139,960	145,031
Zinc (TMF)	1,203	1,444	1,603	1,513	1,470	1,256	1,281	1,351	1,319	1,422
Silver (Fine ounce)	3,471	3,501	3,686	3,923	3,640	3,419	3,481	3,674	3,778	4,102
Lead (TMF)	313	329	345	302	262	230	249	266	278	316
Iron (TMF)	4,861	5,185	5,243	4,489	6,043	7,011	6,685	6,687	7,193	7,321
Tin (TMF)	38	39	39	38	34	29	26	24	23	20
Molybdenum (TMF)	17	17	17	12	17	19	17	18	18	20

Source: Ministry of Energy and Mines (MINEM)

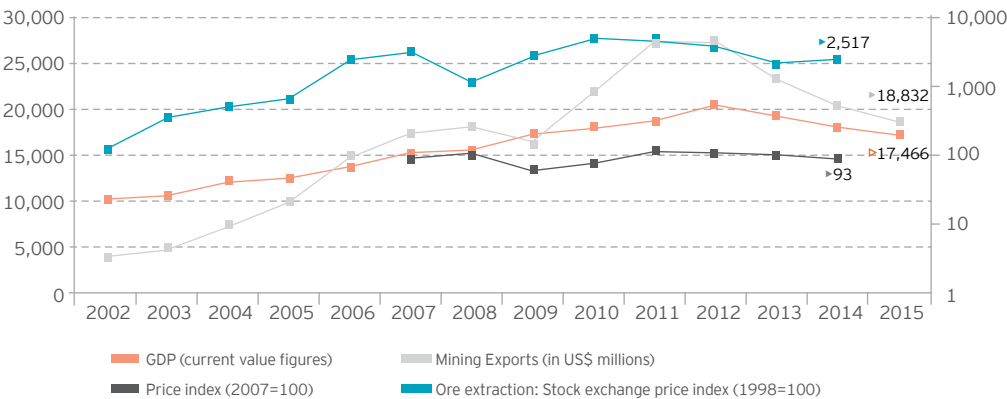
## Peru's ranking in world metals production (2015)

Product	Global Ranking	Latin American Ranking	Product	Global Ranking	Latin American Ranking
Silver	3	2	Molybdenum	4	2
Tin	4	1	Lead	4	1
Zinc	3	1	Gold	6	1
Copper	3	2	Selenium	9	2
Mercury	5	2	Cadmium	9	2

Source: Mineral Commodity Summaries 2016

Peru is one of the countries with the greatest variety of minerals in the world. It currently has some of the world's largest precious metal and base metal mines. Many of the most important mining companies around the world, such as Xstrata, Newmont, Glencore, Gold Fields, Freeport McMoRan, Rio Tinto, Anglo American, MMG, Barrick and Chinalco have operations in the country.

### Evolution of mining sector's macroeconomic indices (in US\$ Millions)



Sources: National Institute of Statistics and Information (INEI) / Lima Stock Exchange (BVL) / Central Reserve Bank of Peru (BCRP)

### Mining investments by production type (in US\$ Millions)

Production	2007	2008	2009	2010	2011	2012	2013	2014	2015
Smelting Plant Equipment	63.8	141.0	319.8	416.0	1,124.7	1,140.0	1,404.3	873.6	446.2
Mining Equipment	125.5	176.7	499.7	518.0	776.1	525.5	778.8	558.3	654.2
Exploration	136.6	167.8	393.5	615.3	865.4	905.4	774.0	622.3	441.6
Exploitation	338.0	440.2	531.4	737.7	869.7	1,005.4	1,071.9	941.7	792.9
Infrastructure	336.8	321.5	376.4	827.6	1,406.9	1,797.1	1,709.6	1,361.7	1,227.8
Other	197.9	328.8	504.7	443.4	1,411.6	2,491.9	3,629.2	3,988.7	3,586.9
Preparation	50.2	131.9	196.1	510.2	788.2	638.7	351.1	297.0	375.5
<b>Total</b>	<b>1,248.8</b>	<b>1,707.9</b>	<b>2,821.6</b>	<b>4,068.2</b>	<b>7,242.6</b>	<b>8,503.3</b>	<b>9,719.0</b>	<b>8,643.2</b>	<b>7,525.3</b>

Source: Ministry of Energy and Mines (MINEM)

This is how Peru finds itself among the six countries with the highest mineral wealth in the world. In 2015, Peru maintained its position as the second largest producer of silver in Latin America and third worldwide. It was also the third largest producer of copper and zinc. In turn, it was the fourth largest producer of molybdenum, tin and lead; fifth in mercury and the sixth gold largest producer.

The mining industry is a major source of taxes in Peru. It is expected that in the last ten years, the accumulated taxes from the mining industry will represent more than 30% of the annual tax collection of the Peruvian Government. Furthermore, the Mining Sector is important for its contribution to job creation. During 2015, it is estimated that about 195,705 people worked directly in mining activities and several million people in indirect activities.

Although Peru has large deposits of various mineral resources, only a small percentage of Peru's mineral reserves are being exploited; 13.6% of the territory is subject to mining concessions and only 1.34% of land is tapped for exploration and mining. According to recent statistics, Peruvian production ranges are minimal considering the country's mineral potential. However, using modern techniques and equipment, it is developing the commercial potential of various minerals from regions previously considered inaccessible.

Peru has many regions engaged in mining, a variety of world-class mineral deposits and a very dynamic mining community. It also boasts of an excellent geographical location in the center of South America, with easy access to the Asian and North American markets. Even within Latin America, Peru enjoys one of the largest potentials for mining exploration and production. Moreover, its clear and simple mining laws, and excellent geological potential, have contributed to Peru attracting one of the largest projects for mineral exploration and development in the world. Therefore, it is believed that Peru has the ability to double or triple production, especially in the area of basic metals.

The following table shows a list of estimated reserves of major minerals in the country. These mineral reserves include the "proven" and "probable" categories, excluding those classified as "possible".

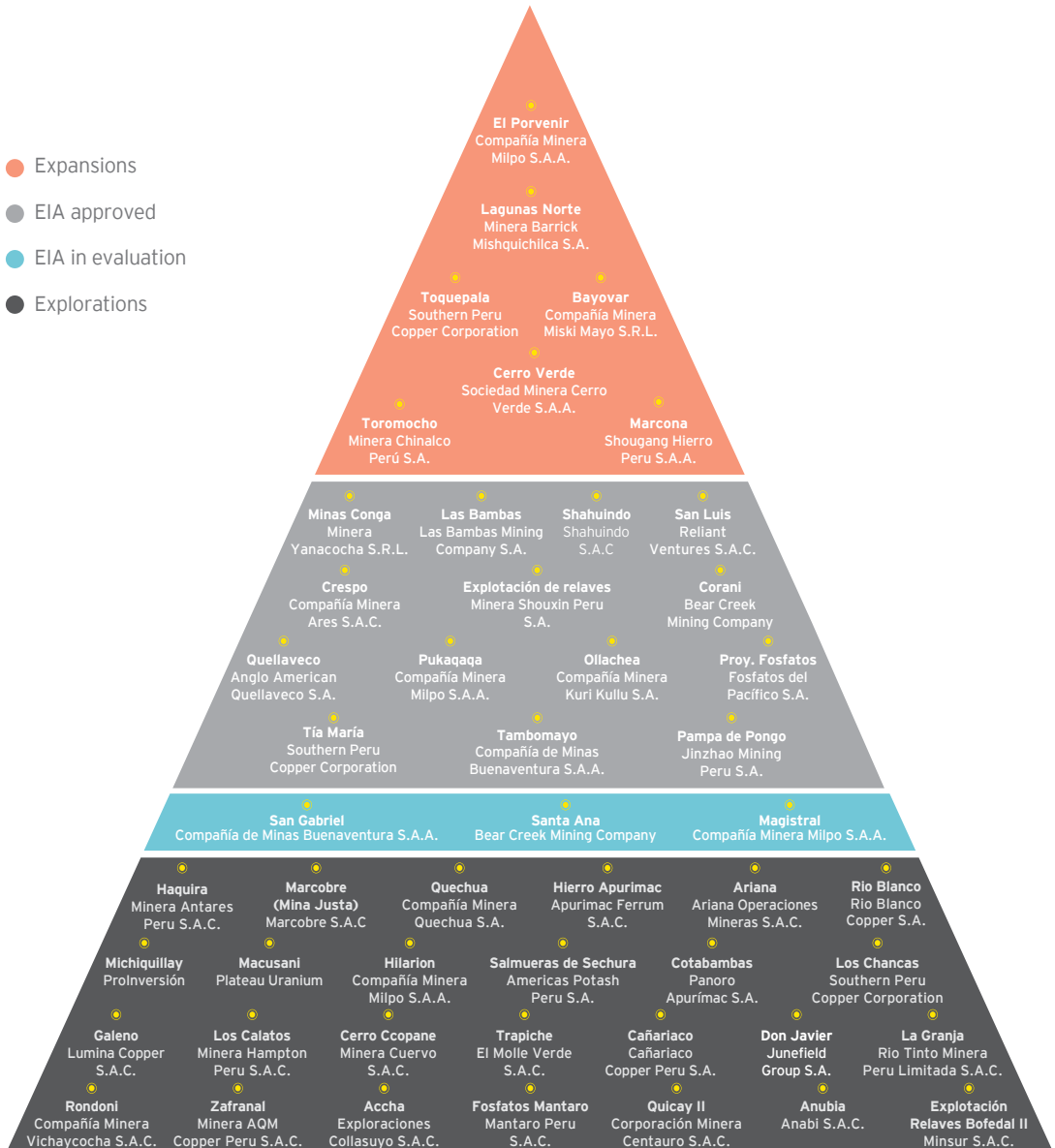
#### Reserves in millions (2015)

Metal	Measurement unit: tons
Copper	82,000
Gold	2,800
Zinc	25,000
Silver	120,000
Molybdenum	450
Tin	130,000

Source: US Geology Survey

## Mining projects pipeline

Mining and metals investment over the period 2016-2021 is estimated by Peru's Ministry of Energy and Mines to be around US\$58.35 billion. About 70.5% will be invested in copper projects, with gold and iron ore set for much of the rest. The following figure and chart show which are the projects involved, distinguishing between "expansions" of existing operations; projects under construction for which "investment is confirmed"; projects "for which feasibility studies have been carried out" and "exploration projects".



\*In commissioning mining phase / Projects have been sorted randomly / Ministry of Energy and Mines  
 EIA: Environmental Impact Assessment  
 Source: Ministry of Energy and Mines

## Geographic location of Peru's Main Mining Projects



EIA: Environmental Impact Assessment  
Source: Ministry of Energy and Mines



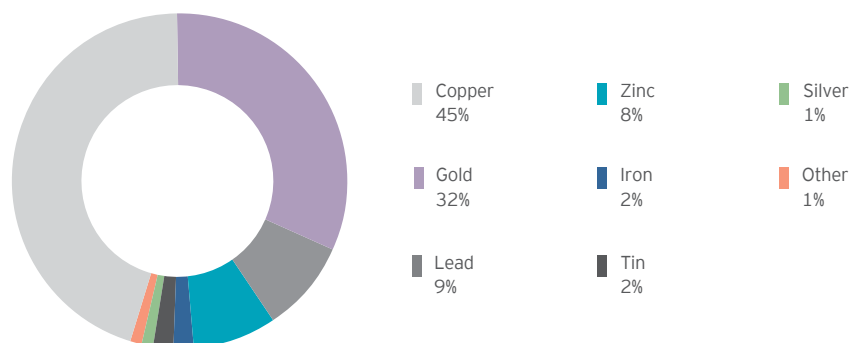
## Estimated portfolio of mining projects - Peru

Company	Project	Region	Province	District	Metal	Investment US\$MM
<b>Expansions</b>						
Southern Peru Copper Corporation	Toquepala	Tacna	Jorge Basadre	Ilabaya	Cu	1,200
Compañía Minera Miski Mayo S.R.L.	Bayovar	Piura	Sechura	Sechura	Fosfatos	520
Shougang Hierro Peru S.A.A.	Marcona	Ica	Nazca	Marcona	Fe	1,500
Sociedad Minera Cerro Verde S.A.A.	Cerro Verde	Arequipa	Arequipa	Yarabamba	Cu	4,600
Minera Chinalco Perú S.A.	Toromocho	Junín	Yauli	Morococha	Cu	1,350
Compañía Minera Milpo S.A.A.	El Provenir	Pasco	Pasco	Pasco	Polimetálico	45
Minera Barrick Misquichilca S.A.	Lagunas Norte	La Libertad	Santiago de Chuco	Quiruvilca	Au	640
<b>EIA approved / In process of Construction</b>						
Anglo American Quellaveco S.A.	Quellaveco	Moquegua	Mariscal Nieto	Torata	Cu	3,300
Minera Yanacocha S.R.L.	Minas Conga	Cajamarca	Cajamarca	Baños del Inca	Cu, Au	4,800
Las Bambas Mining Company S.A.	Las Bambas	Apurímac	Cotabambas	Chalhuanhuacho	Cu	10,000
Reliant Ventures S.A.C.	San Luis	Áncash	Yungay	Shupluy	Au, Ag	
Compañía Minera Ares S.A.C.	Crespo	Cusco	Chumbivilcas	Santo Tomás	Au, Ag	110
Minera Shouxin Peru S.A.	Explotación de relaves	Ica	Nazca	Marcona	Cu, Fe, Zn	239
Shahuindo S.A.C.	Shahuindo	Cajamarca	Cajamarca	Cachachi	Au	132
Bear Creek Mining Company	Corani	Puno	Carabaya	Corani	Ag	664
Compañía Minera Kuri Kullu S.A.	Ollachea	Puno	Carabaya	Ollachea	Au	180
Fosfatos del Pacífico S.A.	Proyecto Fosfatos	Piura	Sechura	Sechura	Fosfatos	500
Southern Peru Copper Corporation	Tía María	Arequipa	Islay	Cocachacra	Cu	1,400
Compañía de Minas Buenaventura S.A.A.	Tambomayo	Arequipa	Caylloma	Tapay	Au, Ag	340
Jinzhao Mining Peru S.A.	Pampa de Pongo	Arequipa	Caraveli	Bella Unión	Fe	1,500
Compañía Minera Milpo S.A.A.	Pukaqaqa	Huancavelica	Huancavelica	Huando	Cu, Mo	706

Company	Project	Region	Province	District	Metal	Investment US\$MM
<b>EIA submitted / In process of evaluation</b>						
Bear Creek Mining Company	Santa Ana	Puno	Chucuito	Huacullani	Ag	71
Compañía de Minas Buenaventura S.A.A.	San Gabriel	Moquegua	General Sánchez Cerro	Ichúna	Au	520
Compañía Minera Milpo S.A.A.	Magistral	Áncash	Pallasca	Conchucos	Cu	300
<b>Exploration</b>						
Marcobre S.A.C	Marcobre (Mina Justa)	Ica	Nazca	San Juan de Marcona	Cu	744
ProInversión	Michiquillay	Cajamarca	Cajamarca	La Encañada	Cu	1,000
Apurímac Ferrum S.A.C	Hierro Apurímac	Apurímac	Andahuaylas	Andahuaylas	Fe	2,300
Cañariaco Copper Peru S.A.	Cañariaco	Lambayeque	Ferreñafe	Cañaris	Cu	1,599
Panoro Apurímac	Cotabambas	Apurímac	Cotabambas	Cotabambas	Cu, Au, Ag	1,963
Compañía Minera Milpo S.A.A.	Hilarión	Áncash	Bolognesi	Huallanca	Zn	470
Compañía Minera Quechua S.A.	Quechua	Cusco	Espinar	Espinar	Cu	490
Junefield Group S.A.	Don Javier	Arequipa	Arequipa	Yarabamba	Cu	600
Lumina Copper S.A.C.	Galeno	Cajamarca	Celendín	Celendín	Cu, Mo, Au, Ag	2,500
Minera Antares Peru S.A.C.	Haqira	Apurímac	Cotabambas	Chalhuanhuacho	Cu, Mo	2,800
Minera Hampton Peru S.A.C.	Los Calatos	Moquegua	Mariscal Nieto	Moquegua	Cu, Mo	655
Minera Cuervo S.A.C.	Cerro Ccopane	Cusco	Paruro	Omacha	Fe	To be defined
El Molle Verde S.A.C.	Trapiche	Apurímac	Antabamba	Juan Espinoza Medrano	Cu, Mo, Ag	1,000
Río Blanco Copper S.A.	Río Blanco	Piura	Huancabamba	Carmen de la Frontera	Cu	1,500
Río Tinto Minera Peru Limitada S.A.C.	La Granja	Cajamarca	Chota	Quericoto	Cu	1,000
Southern Peru Copper Corporation	Los Chancas	Apurímac	Aymaraes	Pocohuanca	Cu	1,560
Americas Potash Peru S.A.	Salmueras de Sechura	Piura	Sechura	Sechura	Potasio	125
Compañía Minera Vichaycocha S.A.C.	Rondoni	Huánuco	Ambo	Cayma	Cu	350
Minera AQM Copper Peru S.A.C.	Zafranal	Arequipa	Castilla	Huancarqui	Cu, Au	1,122
Exploraciones Collasuyo S.A.C.	Accha	Cusco	Paruro	Accha	Zn, Pb	346
Mantaro Peru S.A.C.	Fosfatos Mantaro	Junín	Concepción	Aco	Fosfatos	850
Corporación Minera Centauro S.A.C.	Quicay II	Pasco	Pasco	Simón Bolívar	Au, Cu	To be defined
Anabi S.A.C.	Anubia	Apurímac	Abancay	Curahuasi	Cu	90
Minsur S.A.C.	Explotación de relaves Bofedal II	Puno	Melgar	Antauta	Sn	165
Ariana Operaciones Mineras S.A.C.	Ariana	Junín	Yauli	Marcapomacocha	Polimetálico	200
Plateau Uranium	Macusani	Puno	Carabaya	Macusani	Uranio	300
<b>Total US\$ Millions</b>						<b>58,346</b>

Source: Ministry of Energy and Mines.

## Mining exports by mining product type (2015)



Source: National Superintendency of Tax Administration (SUNAT)

The role of government with respect to mining is that of a regulator, promoter and observer. Currently, government has privatized much of its property and assets in the Mining Sector; thus, large mining operations are in the hands of private domestic and foreign mining companies. Mining companies are not obliged to satisfy the domestic market before exporting their products and they are not conditioned to sell on official terms or prices. In addition, Peru offers significant business advantages to the mining investors and abundant freedom to import the machinery and equipment needed to carry out their activities at a lower cost and with less bureaucratic requirements.

The measures introduced by Peru regarding the development of the Mining Sector are yielding favorable results. The major international mining companies perceive the country as an attractive area for investment. Thus, in 2013, Peru attracted a record level of investment in the Mining Sector and became the fifth favorite destination for global investment in mining exploration.

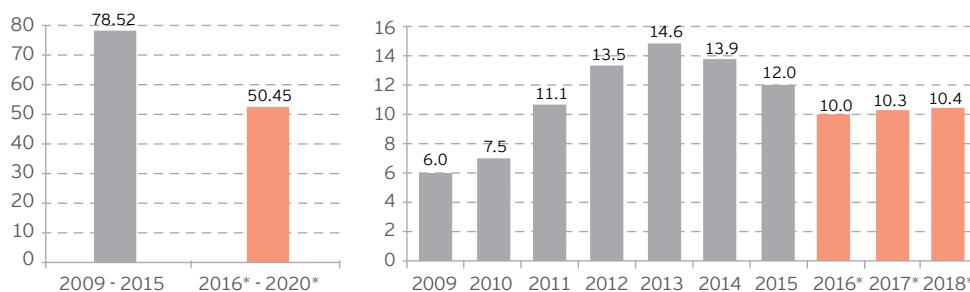
Investment in mining activities is expected that it has reached about 7.5 billion dollars during 2015. Also, investment mining in Peru had a remarkable increase in recent years; investment in 2015 is 6 times the investment achieved in 2007 with significant growth in the areas of processing plant equipment, mining equipment, exploration, exploitation, infrastructure and operation expansion preparation. Exports growth and global positioning are explained by a larger volume of production of major minerals.

## Origin of estimated mining projects portfolio, by country (in US\$ Millions)

Country	US\$MM	%
China	19,189	32.9%
United States	10,135	17.4%
Canada	9,877	16.9%
United Kingdom	4,300	7.4%
Mexico	4,160	7.1%
Peru	4,075	7.0%
Australia	3,135	5.4%
Brazil	2,041	3.5%
Japan	490	0.8%
Other	944	1.6%
<b>Total US\$ MM</b>	<b>58,346</b>	<b>100.0%</b>

Source: Ministry of Energy and Mines

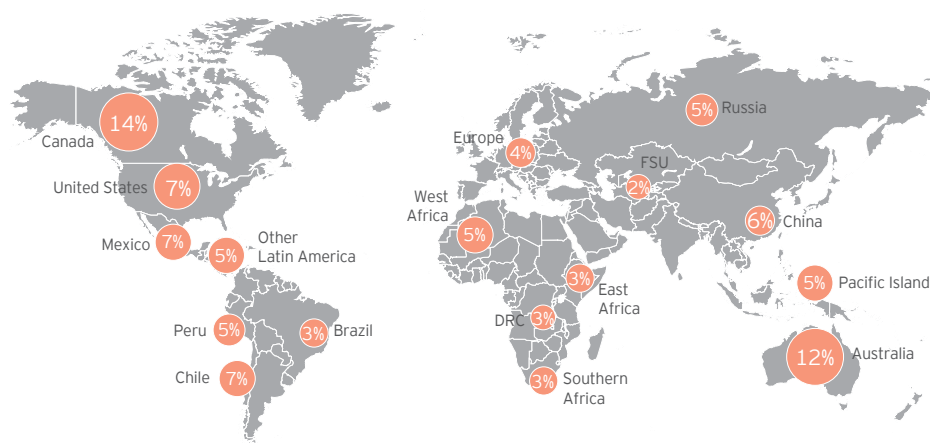
### Investment in mining, hydrocarbons, electricity and infrastructure (in US\$ Billions)



\*Estimated

Sources: Ministry of Energy and Mines (MINEM) / Supervisory Agency of Investments in Transport Infrastructure (OSITRAN) / Apoyo

### Main mining investment destinations in the world



Source: Metals Economic Group

### Peru: country for Extractive Industries Transparency Initiative (EITI)

The Extractive Industries Transparency Initiative (EITI) is a recognized alliance comprising government agencies, extractive companies, international organizations and civil society sectors to promote the use of standards of transparency in payments performed by the mining, oil and gas companies to each state; and how they channel such income to guarantee the sustainable development of their people.

Peru was the first country in the Americas to join this initiative, due to the great importance and impact of extractive industries on their national income. In February 2012, Peru received the rank of being in compliance with the EITI initiative, after satisfying the corresponding audit.

For further information, please visit: [www.eitiperu.org/peru](http://www.eitiperu.org/peru)

EY and the Ministry of Foreign Affairs feature a specialized Investment Guide to Mining.

Please download it from: [http://id.gd/rree\\_comience\\_a\\_invertir](http://id.gd/rree_comience_a_invertir), or [www.ey.com/Pe/EyPeruLibrary](http://www.ey.com/Pe/EyPeruLibrary)

## 2 | Financial system, securities market and pension system

### a) Financial System

As of December 31, 2015, the Peruvian Financial System consisted of a total of 63 companies, divided into six groups: Banks (17), Financial Institutions (11) Non-Banking Micro-Finance Institutions (31) Leasing Companies (2), Banco de la Nación (1) and Banco Agropecuario (1). In this structure, Banks had the highest share in terms of assets, with 84.6% of the total, followed by Non-Banking Micro-Finance Institutions, with 5.7%; and Financial Institutions, with 2.6%. The Financial Sector is characterized by the presence of 12 foreign banks, notable for their importance and support of their head offices. New foreign banks have announced their new presence in the Peruvian market.

In the past five years, the dynamism of the Peruvian economy has caused the Financial Sector to increase by 130% (December 2015 / December 2011) in outstanding loans. It is worth pointing out that the default rate of the Peruvian Financial Sector has remained at low levels in the past six years, at an average rate of 2.2% (2.5% as of December 2015). Furthermore, the Level of Access to Banking Services (measured as gross loans to Gross Domestic Product - GDP) increased from 22% in 2007 to 36.8% in December 2015. This is largely explained by the greater number of branches across the country, which has tripled in the last five years. However, the level of banking penetration is still below the average for the Region, representing an opportunity at the local level, especially in the Retail Sector as consumer, micro and small enterprises loans.

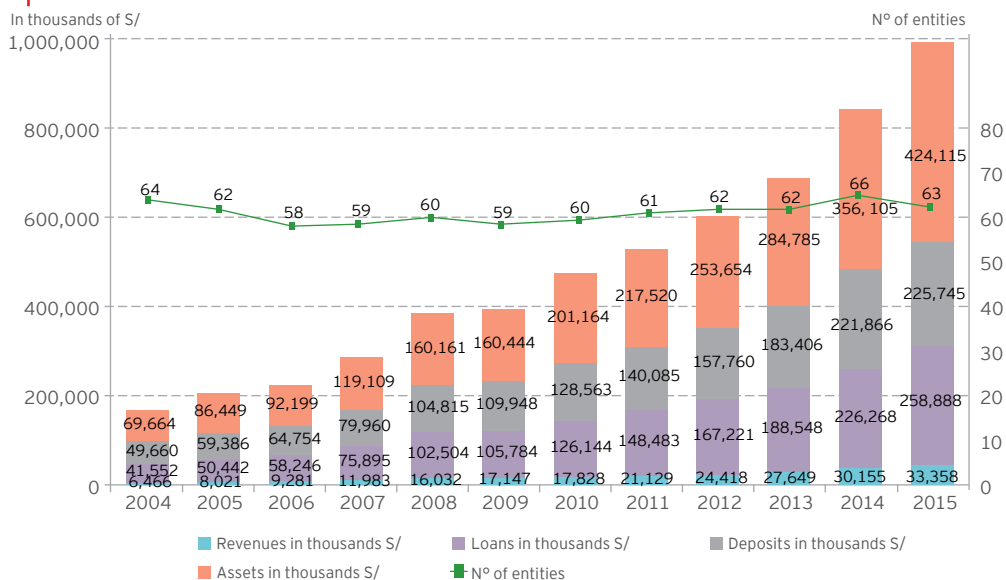
There is a Deposit Insurance Fund (FSD) which aims to protect depositors in the case that a financial institution member of FSD, where the depositors keep deposits, should become bankrupt. The Deposit Insurance Fund (FSD) for the period June 2016 to August 2016, amount to S/ 96,571 (equivalent to US\$28,913). It covers all registered and insured deposits that depositors hold in the financial institution.

#### Financial system structure

Structure of the Peruvian financial system	
Banking Institutions	17
Financial Institutions	11
Non-Banking Micro-Finance Institutions	31
▸ Municipal Thrifts (CM)	12
▸ Rural Savings and Loans Institutions (CRAC)	7
▸ SME Development Institutions (EDPYME)	12
Leasing Companies	2
Banco de la Nación	1
Banco Agropecuario	1
<b>Total</b>	<b>63</b>

Source: Superintendency of Banking and Insurance (SBS)

### Evolution of the financial system (in S/)



\*Estimate

Source: Superintendency of Banking and Insurance (SBS)

#### Evolution of total loans portfolio US\$ millions

2015	75,920.23
2014	75,776.45
2013	70,506.42
2012	66,868.04
2011	56,236.09
2010	45,953.20
2009	37,371.26
2008	33,291.52

Source: Superintendency of Banking and Insurance (SBS)

#### Level of Access to Banking Services (Bankarization)

2015	36.8%
2014	32.0%
2013	28.6%
2012	26.9%
2011	26.4%
2010	27.2%
2009	25.5%
2008	25.6%

Sources: Inter-American Development Bank (IDB) / Superintendency of Banking and Insurance (SBS)

#### Evolution of arrears %

2015	2.5%
2014	2.5%
2013	2.6%
2012	2.2%
2011	1.8%
2010	1.9%
2009	1.9%
2008	1.5%

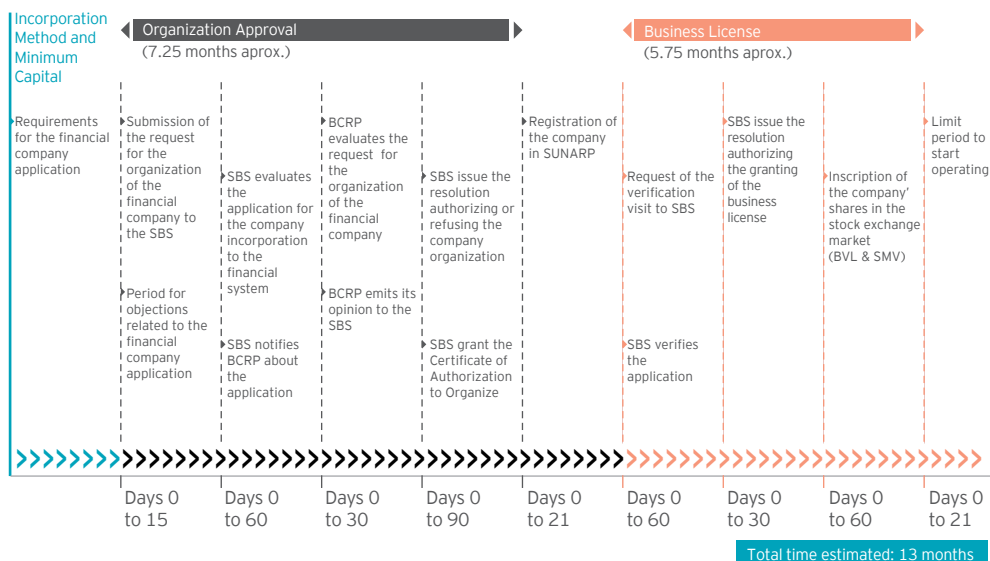
Source: Superintendency of Banking and Insurance (SBS)

#### Evolution of deposits in US\$ millions

2015	74,998.53
2014	74,451.58
2013	74,270.95
2012	69,373.11
2011	58,556.04
2010	51,629.88
2009	43,394.06
2008	37,913.85

Source: Superintendency of Banking and Insurance (SBS)

## Financial companies constitution



Sources: Peruvian Central Bank (BCRP) / Peruvian Banking, Insurance and Pension Fund Regulator (SBS) / Peruvian Public Registration Office (SUNARP) / Lima Stock Exchange (BVL) / Peruvian Securities Market Superintendency (SMV) / EY

## Microfinance sector

During 2015, The Economist Intelligence Unit presented the results of the 2015 Global Microscope on microfinance. Additionally, the Multilateral Investment Fund (IDB) and MIX determined the annual ranking of the Leading 100 Microfinance Institutions in Latin America and the Caribbean and the performance of the institutions was evaluated in three areas: scope, efficiency and transparency. Scope measures the success attained in the expansion of financial services; efficiency measures the extent to which microfinance reduces costs to its customers; transparency measures the public dissemination of performance results in a comparable and standard manner. Consequently, Peru has held for eight consecutive years the first place in microfinance in the world. Countries with a favorable environment for microfinance also tend to have favorable conditions for financial inclusion.

## Leading Microfinance Institutions in Latin America and Caribbean

Clasification	Country	Score /100
1	Peru	90
2	Colombia	86
3	Chile	62
4	Bolivia	60
5	Mexico	60
6	Uruguay	56
7	Brazil	53
8	Nicaragua	53
9	Paraguay	52
10	Dominican Republic	51
11	Ecuador	51

Clasification	Country	Score /100
12	El Salvador	49
13	Panama	46
14	Jamaica	45
15	Costa Rica	42
16	Honduras	42
17	Trinidad and Tobago	42
18	Argentina	39
19	Guatemala	39
20	Venezuela	31
21	Haiti	24

Source: The Economist - Intelligence Unit

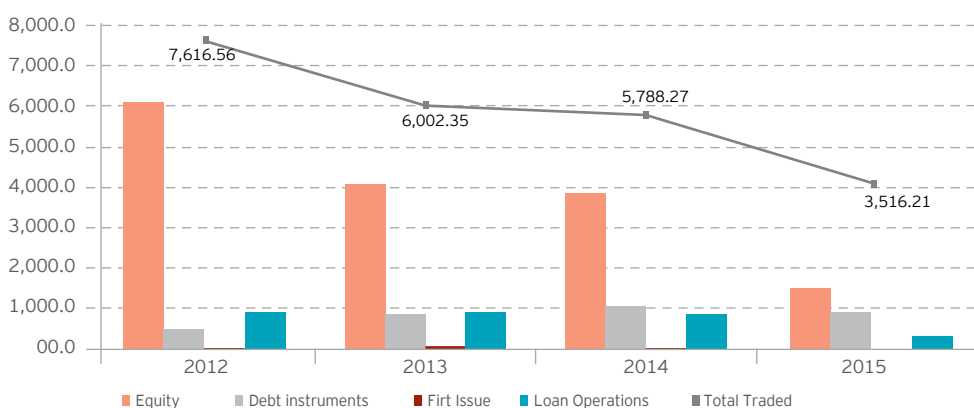


## b) Securities Market

The Peruvian Securities Market consists of the primary market, in which public and private institutions issue debt and equity instruments, and the secondary market, where financial intermediaries place such instruments in the securities market through trading mechanisms and platforms, such as the Lima Stock Exchange. The Lima Stock Exchange General Index (IGBVL) consists of the 33 most traded stocks in the market. Between January and December 2015, the average daily trading volume of the Lima Stock Exchange (BVL) was US\$14.18 million.

The BVL is a member of the Latin American Integrated Market (MILA), an entity responsible for integrating the multi-national stock exchange through the use of technological tools and standardization of regulations on the capital market trading. Regarding authorized stock market brokers, there are 26 brokerage firms (SAB) in the country, responsible for marketing, custody, management and advice with respect to securities trading.

**Main Stock Market Indicators 2012 - 2015 (in US\$ Million)**



Source: Lima Stock Exchange (BVL)

The Exchange Traded Fund (ETF) is an iShares stock that measures the stock exchange performance of a set of underlying securities of this fund. The ETF that measures the performance of securities of the economic performance of Peru (known as EPU) has shown the following pattern since January 2014:



Source: Bloomberg

## Average daily trading volume in BVL (in US\$ Millions)

Year	Volume
2015	14.18
2014	22.97
2013	23.82
2012	30.34
2011	31.02
2010	26.89
2009	22.93
2008	31.81
2007	49.61

Source: Lima Stock Exchange (BVL)

## c) Private Pension System

The Private Pension System consists of four financial institutions responsible for the management of pension funds in the form of Individual Capitalization Accounts (CIC). The role of the Private Pension Fund Management Companies (AFPs) is to receive input from their participants, investing in a manner permitted by law, to provide benefits relating to retirement, disability, survivorship and funeral expenses.

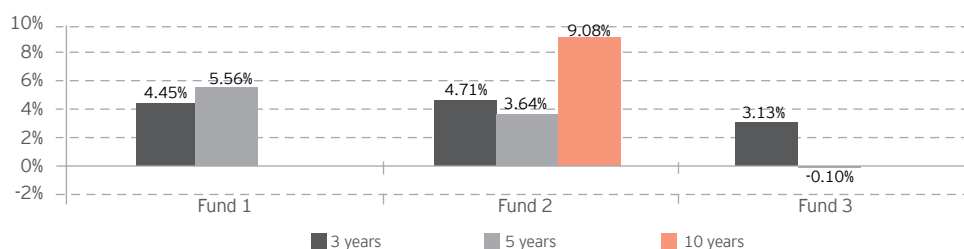
In mid-2012, the Superintendency of Banking and Insurance (SBS) and Private Pension Fund Management Companies (AFPs) passed Law 29903 - Reform of the Private Pension System (SPP) whereby it seeks to increase the coverage of pension security, encourage competition between Private Pension Fund Managers (AFPs) and increase net returns of pension funds commissions to improve participants' pensions.

## Pension System Statistics

N° of active AFP participants	5,963,069
Total Pension Fund	US\$36.04 billion

Source: Superintendency of Banking and Insurance (SBS, December 2015)

## Annual Profitability of Pension Funds (2015)

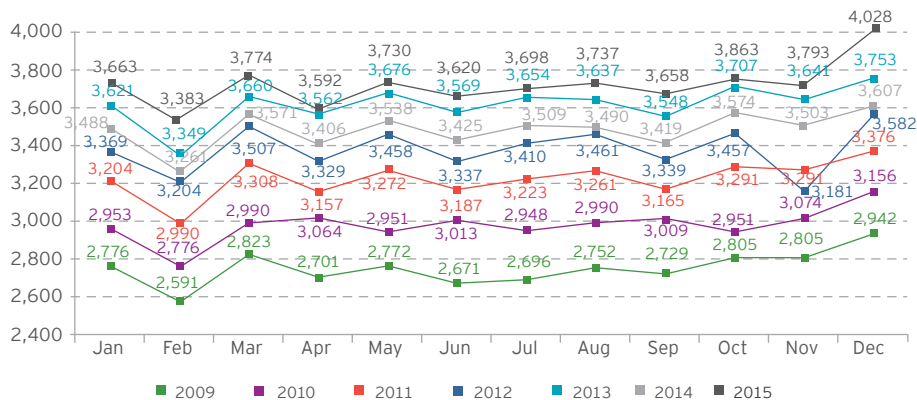


Sources: Superintendency of Banking and Insurance (SBS)

# 3 Electricity

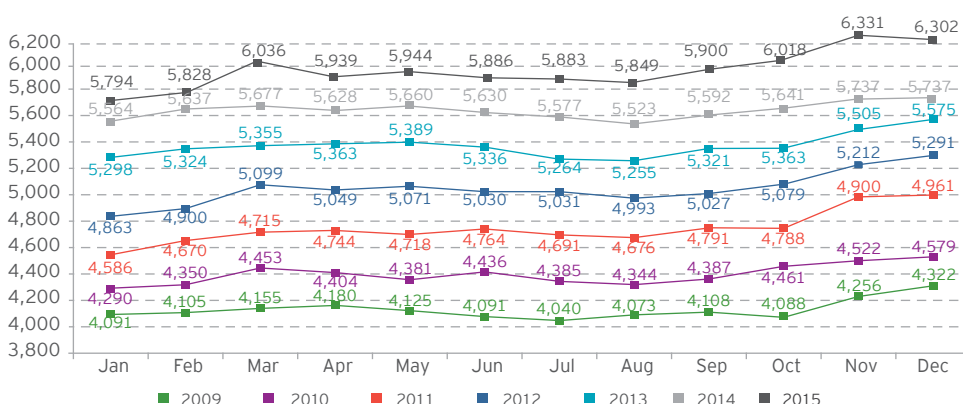
Electricity and Water Sectors have grown 6.2% in 2015, it is estimated that will increase 7.8% in 2016 and 5.0% in 2017.

## Electricity production at the national level (GWh)



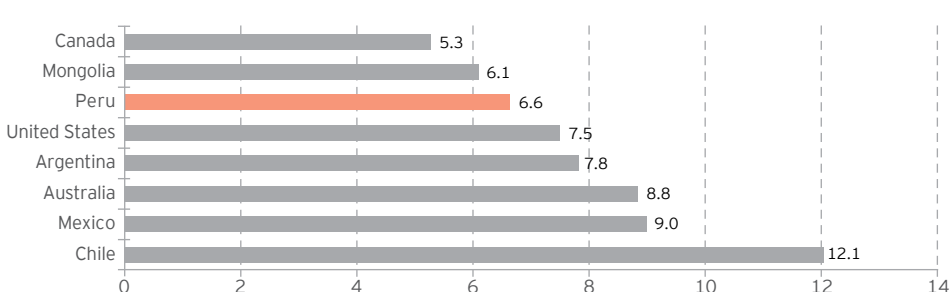
Source: Ministry of Energy and Mines (MINEM)

## Maximum domestic electricity demand (MWh)



Source: Economic Operation Committee for the National Interconnected System (COES)

## Cost of electricity by 2020 (US\$ cents/kWh)



Source: Ministry of Economy and Finance (MEF)

## Electricity and water sector indicators

Item	2009	2010	2011	2012	2013	2014
V.A.B. Electricity and water						
▸ Current (millions of S/)	6,964	7,241	7,986	8,703	9,470	10,499
▸ Constant (millions S/ of 1994)	6,013	6,501	6,994	7,401	7,811	8,193
Annual variation %	1.1	8.1	7.6	5.8	5.5	4.9
Electricity production (GWh)						
▸ Hydraulic	19,903.8	20,052.1	21,557.3	22,044.0	22,340.2	22,209.5
▸ Thermal	13,039.7	15,854.7	17,244.8	18,919.2	20,839.3	22,880.4
▸ Solar power	-	-	-	55.6	196.9	199.3
▸ Wind power	1.2	1.2	1.2	1.2	1.2	257.5
<b>Total</b>	<b>32 944.7</b>	<b>35 908.0</b>	<b>38 803.3</b>	<b>41 020.0</b>	<b>43 377.7</b>	<b>45 546.7</b>
National electrification ratio (%)	86.3	87.9	89.5	91.2	92.3	93.2
Nº of power supply customers (thousands)	4,888	5,166	5,497	5,828	6,146	6,358
Production of drinking water (thousands of m <sup>3</sup> )						
▸ National level	1,304,255	1,321,358	1,320,838	1,325,110	1,358,263	1,374,624
▸ Metropolitan Lima	671,604	680,819	683,246	682,449	679,940	682,963
Drinking water coverage (%)						
▸ National level	67.5	69.9	70.2	77.8	78.5	81.9
▸ Metropolitan Lima	90.6	92.1	93.2	93.1	93.4	94.4

Source: National Institute of Statistics and Information (INEI)

## 4 | Energy

According to the Ministry of Energy and Mines (MINEM) by 2019, mining investments will total US\$58,346 million, while oil investments (including gas) will add up to US\$28 billion. Meanwhile, it is estimated that investments in the Energy Sector will amount to US\$3,140 million for 2017. Until 2018, one of the most important energy investments is intended for the Gasoducto del Sur project, which would amount approximately US\$10 billion.

### Capacity for power generation with renewable energy to be exploited

As shown below, Peru is one of the countries in Latin America with one of the highest ratios of energy reserves measured as total power / capacity. This ensures relatively cheaper costs of power generation and sustainable reserves within the Region.

Energy Type	Total Power (MW)	Country's Installed Capacity (MW)	Total Power / Capacity (Times)
Hydraulic	69,000	3,850	18
Wind	22,000	146	151
Solar	Indefinite	96	-
Biomass	Indefinite	27.4	-
Geothermal	3,000	0	To be exploited

Sources: Ministry of Energy and Mines (MINEM) / Produced by EY

## Generation dispatch

The table below shows the estimated annual generation meant to cover the plans to deal with the system's demand, separating the plants' generation by source: hydraulic, natural gas, wind, solar, biomass, coal, residual and diesel:

Source Type	2015		2016		2017	
	GWh	%	GWh	%	GWh	%
Hydraulic	26,717	50.2%	31,210	52.3%	31,783	54.5%
Natural Gas	23,632	44.4%	25,709	43.1%	23,674	40.6%
Coal	628	1.2%	829	1.4%	1,084	1.9%
Biomass	42	0.1%	42	0.1%	143	0.2%
Wind	986	1.9%	988	1.7%	987	1.7%
Solar	256	0.5%	257	0.4%	-	-
Residual	270	0.5%	231	0.4%	427	0.7%
Diesel	692	1.3%	447	0.7%	184	0.3%
<b>Total</b>	<b>53,223</b>	<b>100%</b>	<b>59,713</b>	<b>100%</b>	<b>58,282</b>	<b>100%</b>

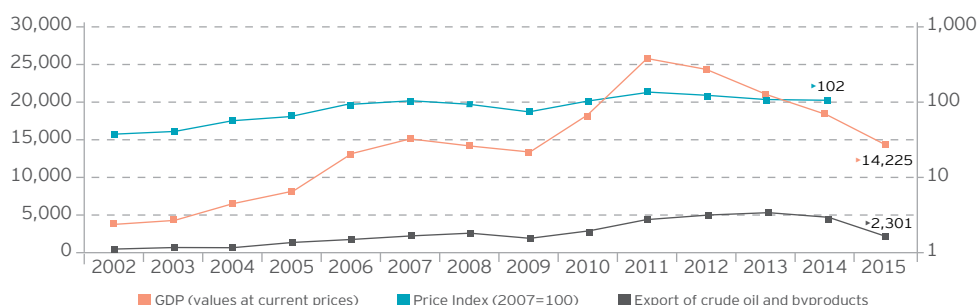
Sources: Report Economic Operation Committee for the National Interconnected System (COES) / DP - 01-2015 "Diagnostic Report of Operating Conditions of the SEIN 2017-2026" - COES

## 5 | Hydrocarbons

The Hydrocarbons Sector has become one of the industries with the largest amount of private investment initiatives in the country. To date, proven natural gas reserves are located in Blocks 56 (2.4 TCF) and 88 (8.7 TCF). In addition, reportedly, there are 4.6 TCF in probable reserves and 3.4 TCF in possible reserves. Block 76 may contain additional reserves of 20 TCF. The average growth experienced by this Sector in recent years is mainly due to the increased production of the mentioned important blocks and gas operations.

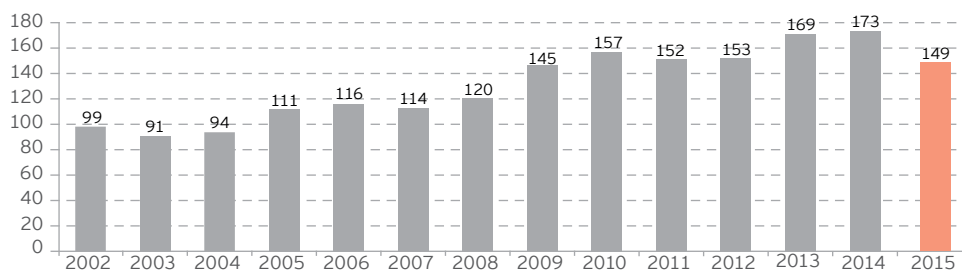
The Hydrocarbons Industry has decreased 11.5% in 2015. Additionally, it is estimated that will decrease 4.1% in 2016 and will grow 8.5% in 2017.

### Evolution of macroeconomic indices of the hydrocarbons industry (in US\$ Millions)



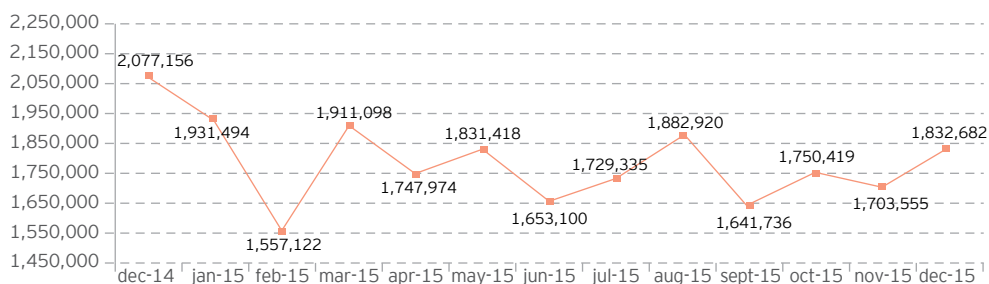
Sources: National Institute of Statistics and Information (INEI) / Lima Stock Exchange (BVL) / Central Reserve Bank of Peru (BCRP)

### Average production of hydrocarbons (thousands barrels per day)



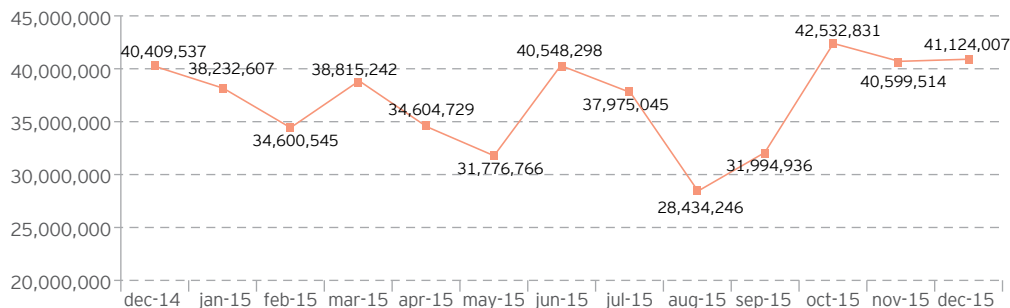
Source: Ministry of Energy and Mines (MINEM)

### Oil production (BLS)



Source: Ministry of Energy and Mines (MINEM)

### Natural gas production (MPC)

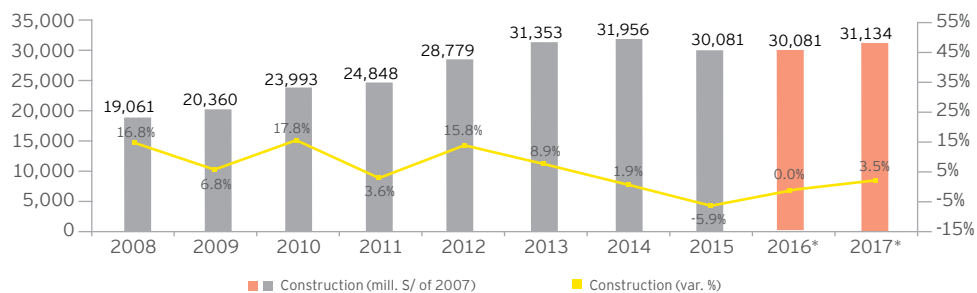


Source: Ministry of Energy and Mines (MINEM)

For further information, EY and the Ministry of Foreign Affairs feature a specialized Investment Guide to Oil & Gas. To request it, please download it from: [http://id.gd/rree\\_comience\\_a\\_invertir](http://id.gd/rree_comience_a_invertir) or [www.ey.com/Pe/EyPeruLibrary](http://www.ey.com/Pe/EyPeruLibrary)

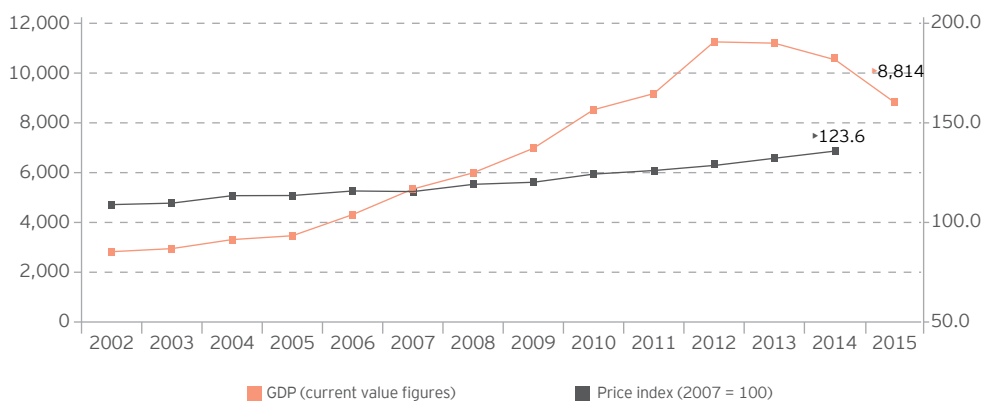
## 6 | Construction

Evolution of construction sector in S/ Millions and percentage change



Source: Central Reserve Bank of Peru (BCRP)

Evolution of macroeconomic indicators for the construction sector (in US\$ Millions)

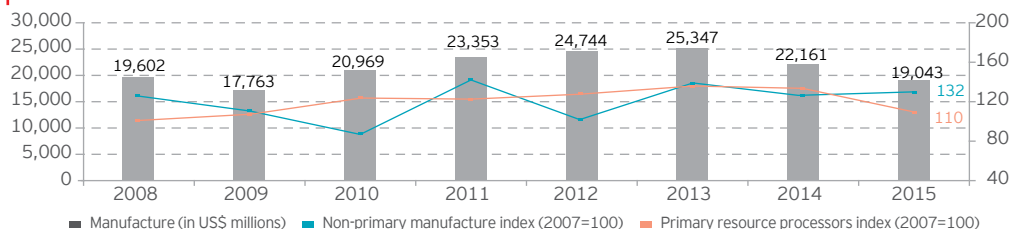


Sources: National Institute of Statistics and Information (INEI) / Central Reserve Bank of Peru (BCRP)

## 7 | Manufacture

Between 2008 and 2014, there has been an average annual growth of 9% in the Manufacturing Sector, in response to improved revenues from higher levels of employment and to the execution of real estate and road infrastructure projects. In 2015, the sector drop 1.7% and it is estimated to drop 1.8% in 2016, but it will recover to grow 3.8% in 2017.

### Evolution of manufacture sector indicators



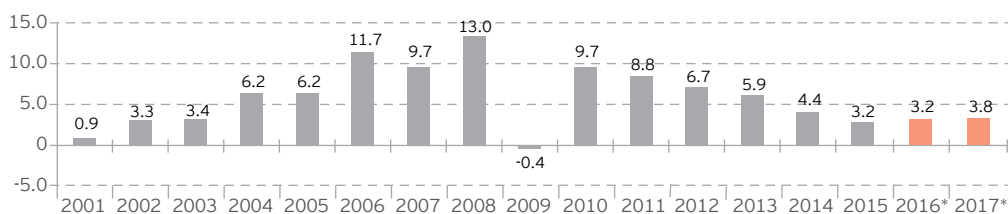
\*Estimated

Sources: Central Reserve Bank of Peru (BCRP) / Ministry of the Economy and Finance - MEF (Multiannual Macroeconomic Framework)

## 8 | Trade and domestic consumption

According to the Ministry of the Economy and Finance (MEF) in recent years, the country's economic growth has developed largely due to private spending, which is, in turn, broken down into private consumption and private investment.

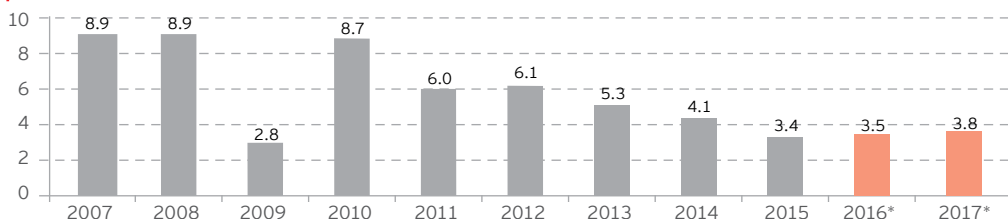
### Evolution of trade production (annual percentage change)



\*Estimated

Source: Ministry of Economy and Finance (MEF) (Multiannual Macroeconomic Framework)

### Evolution of private consumption (in %)



\*Estimated

Source: Central Reserve Bank of Peru (BCRP)



Regarding the modern retail channel, a sector which has experienced significant growth is shopping centers, which has quadruplicated sales in the 2000 - 2015 period. Growth is expected to continue, creating significant opportunities for different companies in the Textile, Food; and Service Sectors.

### Evolution of shopping centers in Peru



\*Estimated

Source: Latin Focus Consensus Forecast

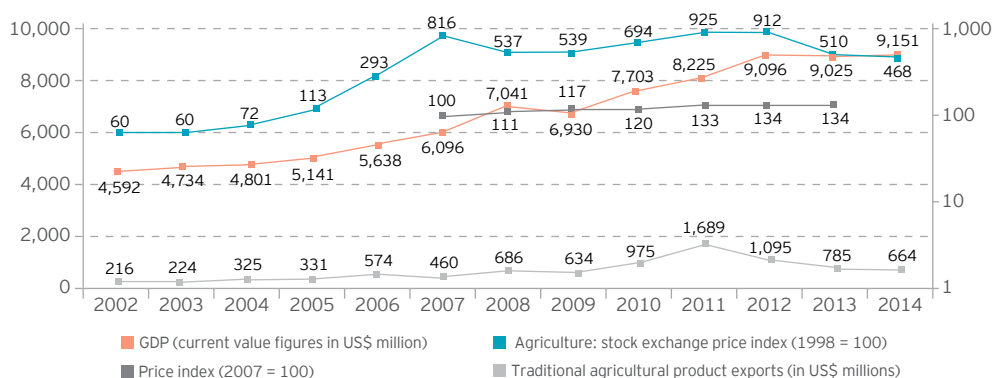
## 9 Agriculture and livestock

According to the Central Reserve Bank of Peru, agricultural and livestock production grew by 2.8% in 2015. It is expected to rise in 2.3% in 2016 and 3.9% by 2017.

Gross value of agricultural and livestock production January - December period (in S/ millions)			
Activity	2014	2015	Var. %
Agriculture	18,791	19,031	1.3%
Livestock	11,865	12,494	5.3%
<b>Agriculture and Livestock</b>	<b>30,656</b>	<b>31,525</b>	<b>2.8%</b>

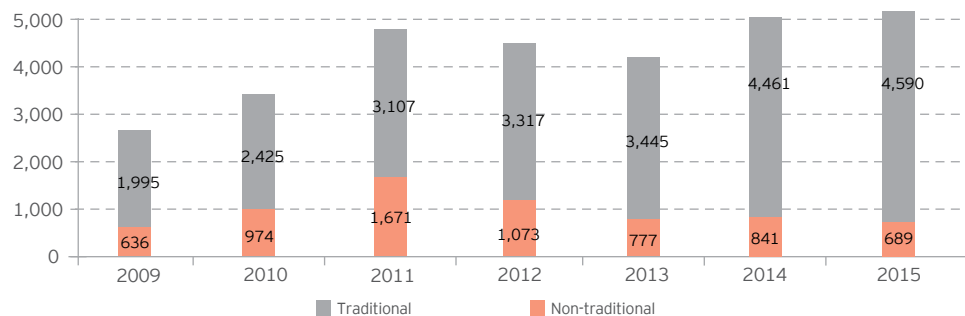
Source: Ministry of Agriculture and Irrigation

### Evolution of macroeconomic indicators of the agricultural sector



Sources: National Institute of Statistics and Information (INEI) / Lima Stock Exchange (BVL) / Central Reserve Bank of Peru (BCRP)

## Traditional and non-traditional agricultural exports in US\$ millions



Source: Ministry of Agriculture and Irrigation

## Leading Agro-exports 2014/2015 (January - December)

Product	FOB value (US\$ millions)		
	2014	2015	Var. %
Fresh grapes	632	690	9.2%
Unroasted coffee	727	576	-20.7%
Fresh asparagus	383	416	8.6%
Fresh avocados	307	304	-1.0%
Quinoa	196	143	-27.0%
Cacao	152	183	21%
Asparagus	149	131	-12.2%
Animal feeds	141	133	-5.8%
Fresh mangoes	137	194	41.6%
Evaporated milk	121	98	-18.5%
Others	1,530	1,472	3.8%

Source: Ministry of Agriculture and Irrigation

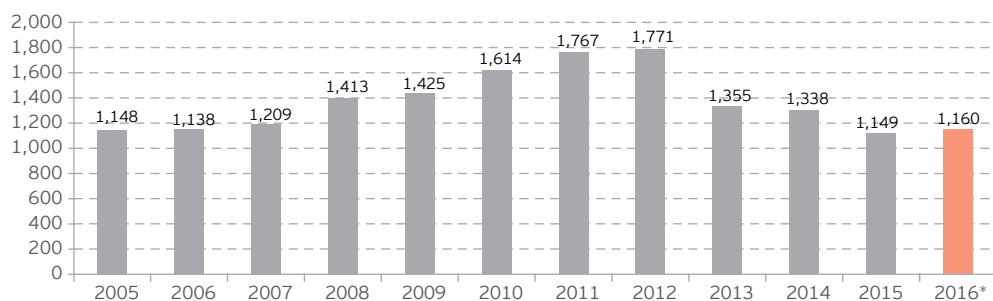
# 10 | Fisheries

## Processing of hydro-biological and maritime products by type of use (in thousands of metric tons)

Type of Use	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Direct Human Consumption	223	357	373	438	362	318	523	471	420	457	380
▸ Canned	56	107	84	105	89	78	127	71	67	51	50
▸ Frozen	146	228	270	313	256	224	379	384	329	389	310
▸ Cured	22	21	19	20	17	16	17	17	25	18	20
Indirect Human Consumption	2,221	1,622	1,709	1,708	1,636	962	1,975	1,050	1,289	621	940
▸ Fishmeal	1,931	1,342	1,399	1,415	1,348	787	1,638	854	1,119	525	840
▸ Fish oil	290	280	310	293	288	174	336	196	170	97	100
Total	2,444	1,979	2,082	2,146	1,998	1,279	2,496	1,521	1,708	1,079	1,320

Source: Ministry of Industry

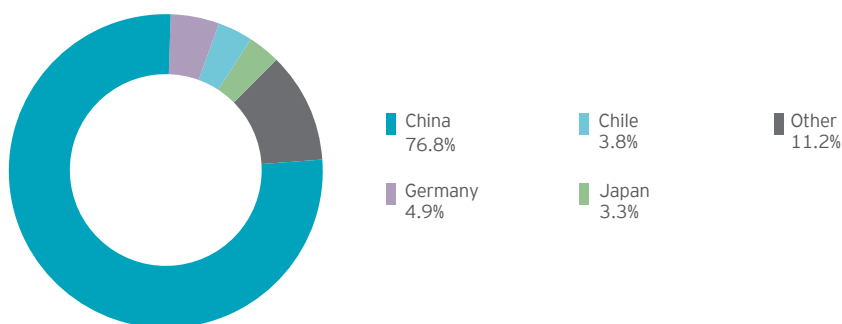
## Export value of fishmeal (in US\$ Millions)



\*Estimated

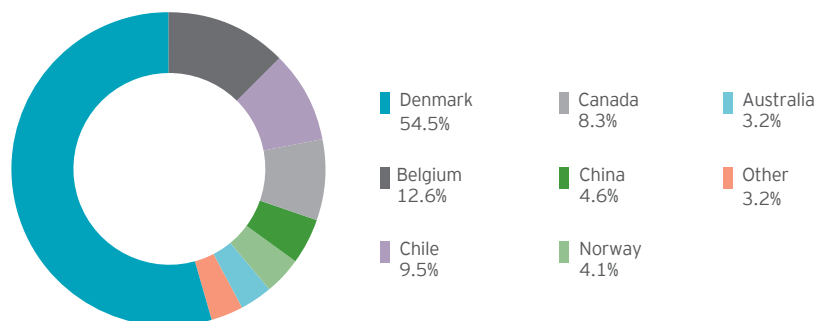
Source: ComexPeru

## Fishmeal exports by country of destination (January - December 2015)



Source: Ministry of Industry

## Fish oil export by destination country (January - December 2015)

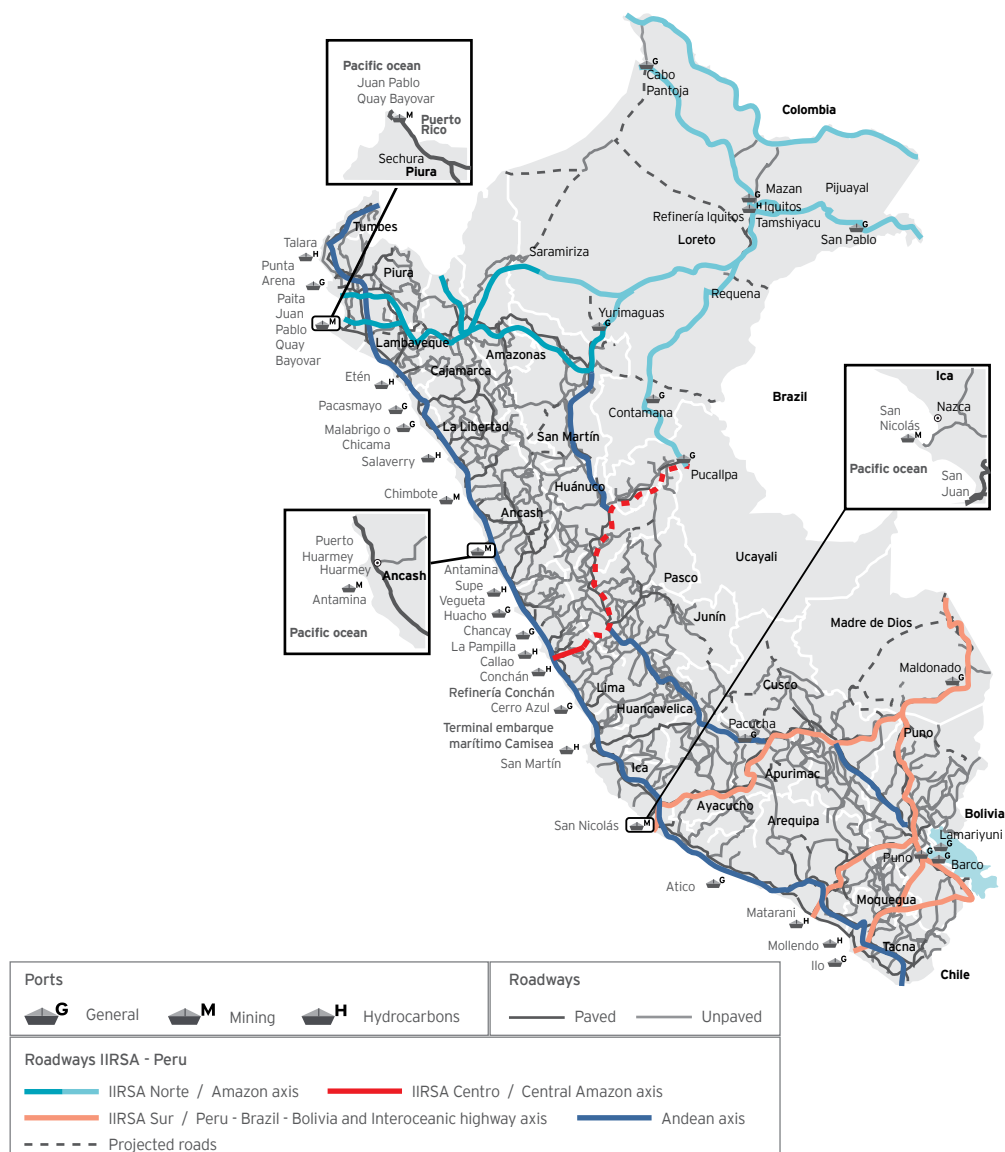


Source: Ministry of Industry

# 11 | Transport and communications

It is estimated that Peru's economic growth is closely linked to the progressive reduction of its shortcomings in terms of infrastructure. Peru has recently begun to take steps to improve this sector, focusing mainly on transport, electricity, water and communications infrastructure, with the intention of promoting new investments. Thereby, the development of transport and communications will impact positively and directly on the development of other sectors such as mining. In addition, investment in infrastructure reduces the effect of the distance between regions, resulting in the full integration of the domestic market, connecting at a lower cost with markets in other countries and regions.

Details of the projects to be undertaken in the coming years, both through public works as well as via Public - Private Partnerships (PPPs) can be found at: [www.proinversion.gob.pe](http://www.proinversion.gob.pe)



Source: Ministry of Transportation and Communications (MTC)

## a. Transport Sector

Item	U.M	2010	2011	2012	2013	2014	Variation % (2014/2013)
Infrastructure							
- Road network	Km.	125,044	129,162	140,672	156,792	165,467	5.5%
- Railway network	Km.	1,907	1,928	1,928	1,928	1,940	0.6%
- Airports	Unit	281	283	323	316	363	8.6%
- Ports	Unit	30	30	30	47	47	0.0%
Vehicle Fleet							
- Automotive	Unit	2,183,278	2,616,637	2,999,223	3,279,552	3,279,552	0.0%
- Locomotives	Unit	92	91	92	95	89	-6.3%
- Aircraft	Unit	281	283	323	316	363	8.6%
- Ships	Unit	899	1,222	899	1,222	980	6.4%

Source: INEI

Peru has given priority to the development of transport infrastructure (road, railway, port and airport) to increase competitiveness and set a logistics hub that will integrate Latin America with the Asia-Pacific Economic Region. These investments aim to modernize the country's infrastructure, reducing logistics costs and enhancing the use of Free Trade Agreements (FTAs) signed by the country to increase Peru's integration with world markets. By 2016, it is estimated that US\$20.93 billions worth of projects will be carried out, representing significant investment opportunities for contractors and logistics operators.

#### New investments in transport infrastructure scheduled for 2016 (US\$ Millions)

Infrastructure	US\$ Million
Road	12,791
Railway	7,308
Port	708
Airport	128
<b>Total</b>	<b>20,935</b>

Sources: Agency for the Promotion of Private Investment (Proinversion) / Ministry of Transportation and Communications (MTC)

The current government is promoting the use of the Transfer of Public Works for the Payment of Taxes mechanism as a means to leverage private investment. Its appeal lies in the tax advantages and direct social license or reputational capital. In that sense, this is a form of investment that is of particular interest to industry stakeholders. In December 2015, 41.9% of investments executed and/or committed through the Transfer of Public Works for the Payment of Taxes program was accounted for projects of the Transport Sector. Details of projects registered through this mechanism can be found at: [www.obrasporimpuestos.pe](http://www.obrasporimpuestos.pe).

## b. Communications Sector

In recent years, through the investments performed, the density of fixed telephone and mobile telephone lines have increased significantly:

Año	Fixed Telephone		Mobile Telephone	
	Lines in operations	Density (lines x 100 inhabitants)	Lines in operations	Density (lines x 100 inhabitants)
2006	2,400,603	8.7	8,772,479	31.9
2007	2,677,847	9.7	15,417,368	55.6
2008	2,875,385	10.3	20,951,834	74.9
2009	2,965,283	10.5	24,702,060	87.5
2010	2,949,990	10.3	29,002,791	101.7
2011	2,951,144	10.2	32,305,455	112.1
2012	3,085,793	10.6	29,370,402	116.1
2013	3,084,040	10.5	29,953,848	112.8
2014	3,034,771	10.2	31,876,989	-
2015	2,965,579	9.9	34,235,810	-

Source: Supervisory Agency of Private Investment in Telecommunications (OSIPTEL)

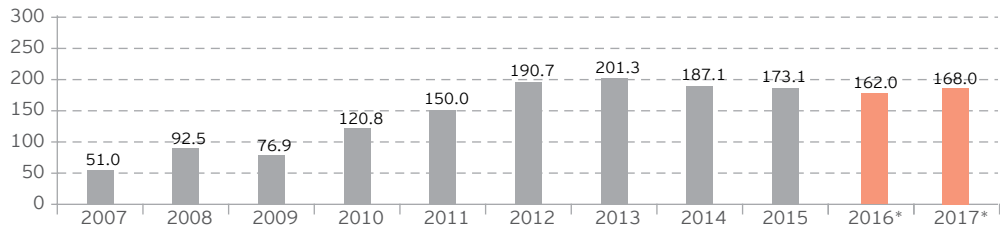
Through the Telecommunications Investment Fund (FITEL) actions are being developed aimed at bridging the digital gap in essential public telecommunications services in rural communities and preferential places of social interest.

July 2012 saw the enactment of Law 29904 - Act for the Promoting of Broadband and Construction of High-Speed Optical Fiber Backbone. The National High-Speed Optical Fiber Backbone includes the installation, operation and maintenance of approximately 13,400 km of optical fiber, to connect 180 provincial capitals in the country, at an estimated investment of US\$273.7 million.

It is expected that the implementation of the optical fiber backbone and 4G technology can gradually increase the annual investment to equal US\$1.6 billion by 2016.

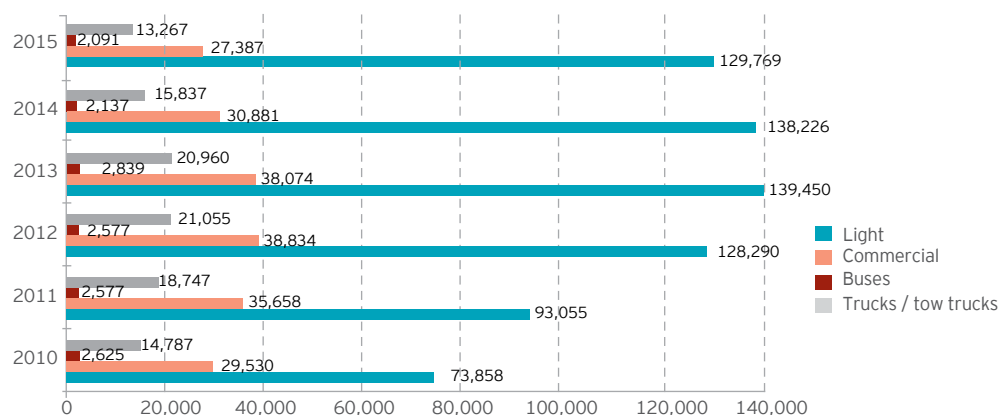
# 12 | Automotive

Total vehicle sales (thousands of units)



\*Estimated  
Sources: Apoyo / Araper

### Projection of vehicle sales by category (in thousands of units)



\*Estimated

Sources: Araper / Apoyo

In early 2011, customs duties fell from 9% to 6% for light vehicles, as a result of the tariff reduction package enacted by the Ministry of Economy and Finance (MEF). At the end of the tariff reduction period (five years), this implied a decline in the import price of cars of approximately 8%. Heavy vehicles, linked to investment, already enjoy duty-free entry from any origin.

## 13 | Food and beverages

### Percentage change in the Consumer Price Index

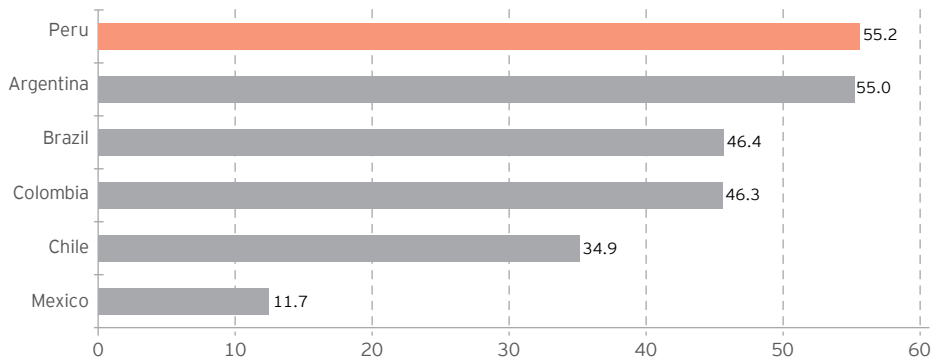
CCIF Level	Description	Variation %	
		2014	2015
1.1.1	Bread and cereals	2.49	1.54
1.1.2	Meat	6.51	3.25
1.1.3	Fish	0.98	1.06
1.1.4	Milk, cheese and eggs	4.17	0.71
1.1.5	Oil and fat	-0.09	0.32
1.1.6	Fruits	11.08	-4.7
1.1.7	Legumes - vegetables	4.46	12.18
1.1.8	Sugar and sweetmeats	2.1	19-25
1.1.9	Unspecified (N.E.P.) food products	4.24	55.79
1.2.1	Coffee, tea and cocoa	1.85	3.17
1.2.2	Beverages	2.11	3.84
11.1.1	Prepared foods consumed at home	4.78	5.08

Source: National Institute of Statistics and Information (INEI)

The food industry in Peru has been primarily driven by the increased purchasing power of the population, influenced by job growth and consumer credit provided by the financial system. The household consumption grew 6.3% in the fourth quarter of 2015, supported by the higher income. The increase in family income is reflected in the higher nominal spending in foods and beverages such as fish (13.5%), prepared foods consumed within the household (6.9%) and vegetables (11.8%).

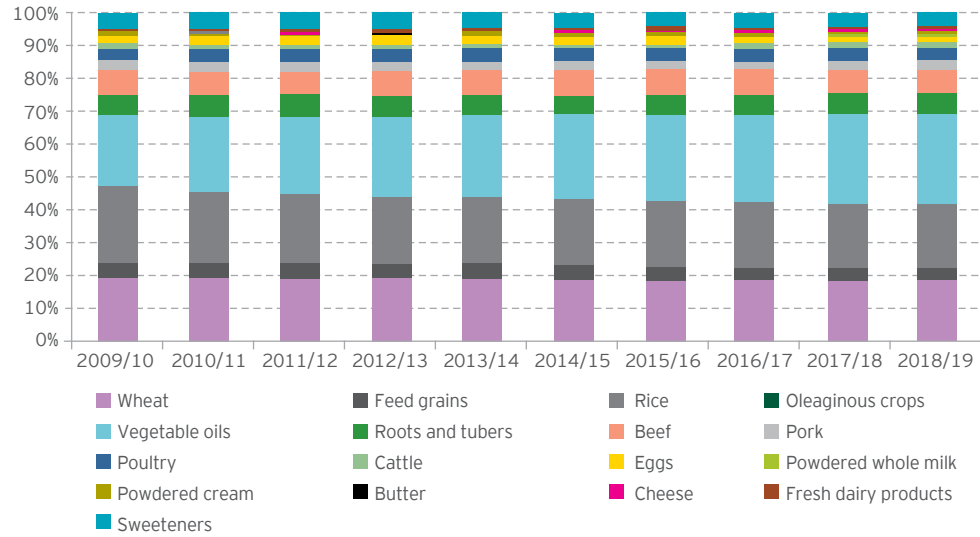
It is expected that for the 2012 - 2016 period, per capita food consumption in Peru will increase by 55.2%, one of the highest rates in Latin America. On the other hand, it is expected that during the years 2016 and 2017, the most consumed food consisted of vegetable oil, rice and wheat.

Per capita food consumption 2012-2016 (percentage change)



Source: Business Monitor International

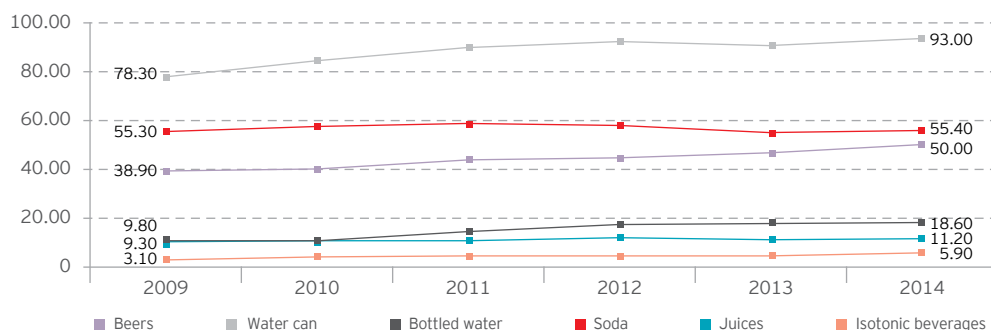
Food consumption profile



Source: Bioenergy and Food Security (BEFS) - Technical Compendium, Volume 1



### Evolution of beverages consumption per capita in liters (2009-2014)



Sources: Ministry of Industry / Produced by ITG Research

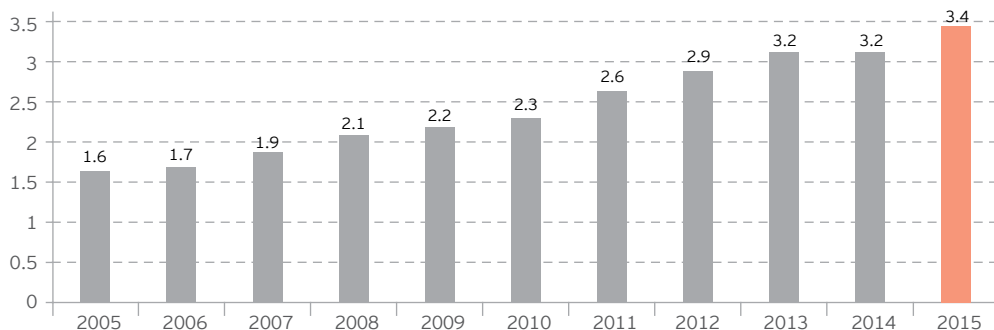
## 14 | Tourism, cuisine and hospitality

### Tourism

Peru is a privileged tourist destination worldwide, ranking within the top ten world places preferred for their authenticity, art and culture, history and natural beauty, in addition to the famous tourist places of Machu Picchu and the Amazon, declared World Heritage Sites.

According to the Immigration and Naturalization Service (DIGEMIN), the arrival of tourists in 2015 was 3.5 million, which represented an increase of 7.5% compared with the same period of last year. As of July 2015, the foreign currency generated by tourism reached US\$1.98 billions.

The annual increase of tourist flow was as follows (in millions):



Source: National Tourism Chamber (CANATUR)

## Cuisine

Peruvian cuisine is considered one of the most praised fares worldwide. Over the years, it has become a flagship product for quality and increasing international competitiveness, in addition to being a cuisine which is rich in tradition and history. Peru is currently experiencing a gastronomic boom and 42% of tourists visiting Peru say that food is one of the aspects that influence their choosing Peru as a tourist destination. The expansion of Peruvian cuisine reflects on the possibility of doing business, whether exporting the supplies, know-how and skills in its preparation, or representing Peruvian food franchises in a growing number of countries. It is estimated that Peru will get US\$1 billion for culinary tourism in 2016.

## Hotels

### Collective accommodations establishments by category (2015)

Category	Nº of establishments	Nº of rooms	Nº of bed-places
Classified and categorized establishments	2,287	60,690	109,791
▸ Classified and categorized			
- 1-star Hotel	335	5,856	9,832
- 2-star Hotel	1,152	24,284	42,300
- 3-star Hotel	648	19,104	36,076
- 4-star Hotel	69	5,350	9,942
- 5-star Hotel	43	5,372	9,987
▸ Classified			
- Youth Hostel	35	604	1,384
- Ecolodge	5	115	262
Non-categorized establishments	14,985	172,829	295,683
<b>Total</b>	<b>17,272</b>	<b>233,519</b>	<b>405,474</b>

Source: Ministry of Foreign Trade and Tourism (MINCETUR)



# IV

---

## Incorporating a company in Peru



There are different types of legal entities which investors can use in order to incorporate businesses in Peru. The following are those most commonly used by foreign investors:

## 1 | Joint stock companies

A minimum of two shareholders is required. Non-domiciled shareholders must appoint an attorney-in-fact to sign off on the by-laws on their behalf. Funds in local or foreign currency for the initial capital contribution must be deposited in a local bank. There is no minimum amount required by law, but financial institutions generally require a minimum initial deposit of S/1,000 (approximately US\$293).

### ► Features:

- **Denomination:** must include the indication "Sociedad Anónima" or the abbreviation "S.A."
- **Limited liability:** shareholders' liability is limited to the par value of the shares they hold.
- **Centralized management:** Shareholders' Meetings, Board of Directors and Chief Executive Officer (General Manager).
- **Stock transfer:** the transfer of shares is free. However, in the case of closely held corporations, existing shareholders have the right of first refusal in the event that shares are proposed for transfer to a third party.
- **Continuity:** death, illness, bankruptcy and/or retirement or resignation of any shareholder does not cause the dissolution of the corporation.

## 2 | Closely held corporations

Closely held corporations resemble limited liability companies and must have a minimum of 2 and a maximum of 20 shareholders. Shares cannot be registered in the Public Registry listed on the Stock Exchange.

### ► Features:

- **Denomination:** must include the indication "Sociedad Anonima Cerrada" or the abbreviation "S.A.C."
- **Limited liability:** shareholders' liability is limited to the par value of the shares they hold.
- **Management:** Shareholders' Meeting (which may be held without the physical presence of the shareholders) and the Chief Executive Officer (General Manager). A Board of Directors is optional.
- **Stock transfer:** existing shareholders have the right of first refusal in the event that shares are proposed for transfer to a third party. This right may be eliminated in the by-laws.

## 3 | Publicly held corporations

Publicly held corporations are intended basically for companies with a large number of shareholders (more than 750) or for which an Initial Public Offering has been made, or which have debts that can be converted into shares, or in which more than 35% of the capital stock belong to 175 or more shareholders. They must be registered in the Public Registry listed on the Stock Exchange.

### ► Features:

- **Denomination:** must include the indication "Sociedad Anonima Abierta" or the abbreviation "S.A.A."
- **Limited liability:** shareholders' liability is limited to the par value of the shares they hold.
- **Centralized management:** Shareholders' Meetings, Board of Directors and Chief Executive Officer (General Manager).
- **Supervision:** publicly held corporations are subject to the supervision of the Stock Exchange Superintendency (SMV).
- **Stock transfer:** transfer of shares is completely free. No restrictions or limitations are permitted.

## 4 | Limited liability companies

Limited liability companies may be established with a minimum of 2 and a maximum of 20 partners. This type of company does not issue shares. The incorporation procedures are the same as those for all other corporations. Its capital is divided into ownership interests, which are accumulative and indivisible.

### ► Features:

- **Limited liability:** partners are not personally liable for corporate obligations.
- **Centralized management:** Partners' Meeting and Management).
- **Stock transfer:** transfer of ownership interests to third parties is subject to approval by the existing partners (right of first refusal is mandatory) and must be registered in the Public Records Office.
- **Continuity:** death, illness, bankruptcy and/or retirement or resignation of any partner does not cause the dissolution of the legal entity.

## 5 | Branches

A parent company agreement is required to incorporate a branch in Peru and must be certified by the Peruvian Consulate in the country of the home office and authenticated by the Peruvian Ministry of Foreign Affairs (MRE) where applicable, or otherwise have it stamped with the Apostille (Convention of The Hague) in the country of origin before it is put into the form of a notarially recorded instrument and registered in the Public Records Office of this country. A Certificate of Good Standing from the parent company is also required. In accordance with the Business Corporation Act (LGS), branches of foreign companies may be legally incorporated in Peru as any type of legal business entity provided for in said law.





V

Taxes





The Tax System in Peru is governed by the principles of legal confidentiality and those of equality and respect for the basic rights of the person. The Constitution establishes the principle of the non-confiscatory nature of taxes, as well as guaranteeing the right to tax confidentiality.

In Peru, the main taxes are levied on income, production and consumption, the circulation of money and equity. There are also other contributions to the Public Healthcare Service and the National Pension System.

The management and collection of taxes is the responsibility of the National Superintendency of Tax Administration (SUNAT) and, in some cases, the Municipalities.

The Tax Administration has the power to use all the methods of interpretation permitted by law, as well as to object to the economic purpose of taxpayers' acts, prioritizing content over the form of the acts. Analogy in tax matters is prohibited.

Starting on July 19, 2012, anti-evasion rules were introduced into the Tax Code regarding the faculties of the Tax Administration in situations considered to be tax evasion or simulated transactions.

In effect, in case of situations of tax evasion, the Tax Administration shall have the faculty to request the enforced payment of the tax debt, reduction of tax credits, tax losses, or the elimination of tax benefits (including the restitution of taxes unduly refunded). In order to implement this power, the Tax Administration shall prove that the taxpayer meets the following conditions:

- a) The taxpayer-whether individually or jointly and severally with other taxpayers-has engaged in illegal or deceptive acts to obtain a specific tax result; and
- b) The use of said deceptive or illegal act causes legal or economic effects other than tax savings or advantages equal or similar to those that would have been obtained through usual or legal acts.

The following table shows the list of taxes according to their nature (direct, indirect and municipal). Each one of these taxes is summarized below.

Direct Taxes	Indirect Taxes	Municipal Taxes
Income Tax (IR)	Value Added Tax (VAT)	Property Tax
Temporary Net Assets Tax (ITAN)	Selective Consumption Tax (ISC)	Property Transfer Tax
Tax on Financial Transactions (ITF)		Vehicle Property Tax

# 1 | Direct taxes

## a. Income Tax (IR)

Income tax is levied on income and is determined annually. The tax year begins on January 1 of each year and ends on December 31, with no exceptions. Tax returns for corporations, branches and individuals must generally be filed by March 31 of the following year.

### Legal Entities

Corporations incorporated in Peru are subject to third-bracket income tax on a worldwide income basis. Non-domiciled corporations, branches and permanent establishments of foreign companies that are located in Peru are only taxed on Peruvian-source income.

The corporate income tax rate for domiciled companies is 30% for 2014, 28% for 2015 and 2016, 27% for 2017 and 2018, and 26% for 2019 and onwards, and is applied over the net income, which is determined after the deduction of expenses incurred in the generation of income or maintenance of the source.

Dividends received from other domiciled legal entities are not taxed. Dividends received from non-domiciled legal entities are subject to specific tax rates further explained here.

In general, subject to certain requisites and conditions, the deduction of interest, insurance, non-recurring losses, collection, depreciation, and pre-operating expenses, authorized reserves, write-offs and loan loss provision, provision for social benefits, retirement pensions, and employee bonuses, etc., is permitted. Expenses incurred abroad are deductible provided they are necessary and have been accredited with the respective payment vouchers issued abroad.

Expenses that are not accepted as deductions include, among others, personal expenses, assumed income tax (except in the case of interest), tax and administrative fines, donations and reserves, or allowances not permitted by law, etc.

Taxpayers can select between the following two systems to carry forward their losses:

- Losses can be carried forward for four consecutive years, beginning with the first subsequent year in which the losses arise; or
- Losses can be carried forward indefinitely, but with an annual limit equivalent to 50% of the taxpayer's taxable income for each subsequent year.

Neither loss carrybacks nor the deduction of net losses abroad is permitted.

It should be noted that domiciled companies are obligated to make prepayments on income tax, for an amount determined by comparing the monthly installments resulting from the application of one of the following methods, whichever is highest:

- Percentage method: Apply 1.5% to the total net income for the month.
- Method of undetermined coefficients: Divide the tax calculated for the previous fiscal year by the total net income for the same fiscal year and apply the resulting coefficient to the net income for the month. For the months of January and February, use the coefficient determined using the taxable base calculated and net income for the fiscal year preceding the prior fiscal year. For 2015, such coefficient must be multiplied by 0.9333.

Notwithstanding the foregoing, it is possible to request the suspension of the obligation to make the aforementioned prepayments, under certain circumstances.

In case the prepayments exceed the tax determined on said occasion, the excess may be carried forward as credit against subsequent advance and regularization tax payments, or may be refunded to the taxpayer.

### Domiciled Individuals

Under the Peruvian tax system, Peruvian citizens domiciled in Peru are subject to taxation on their worldwide income, regardless of the country from which it derives, from which payments are made, or the currency in which income is received. By contrast, non-domiciled individuals are only taxed in Peru on their Peruvian-source income.

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

Until 2014	
Scale	Cumulative Progressive Rate
Up to 27 Tax Units - UITs <sup>9</sup>	15%
From 27 UITs to 54 UITs	21%
More than 54 UITs	30%

Beginning on 2015 tax period (January 2015 and onwards)	
Scale	Cumulative Progressive Rate
Up to 5 UIT	8%
From 5 to 20 UIT	14%
From 20 to 35 UIT	17%
From 35 to 45 UIT	20%
More than 45 UITs	30%

For salaries, wages and any other type of remuneration received for dependent or independent work (fourth- and fifth-bracket income) a non-taxable minimum of 7 Tax Units - UITs (S/27,650 or approximately US\$8,109) applies. Additionally, there is a deduction of 20% on income received for independent work, as well as the deduction of donations and Tax on Financial Transactions (ITF). The deduction of further expenses is not permitted.

Income obtained by domiciled individuals from the lease, sublease, or assignment of assets (first-bracket income) as well as all other capital incomes (second-bracket income) are subject to an effective rate of 5% of gross income.

Dividends distributed by companies incorporated or established in Peru and received by individuals are subject to a schedular rate of 4.1% for 2014, 6.8% for 2015 and 2016, 8% for 2017 and 2018, and 9.3% for 2019; and onwards.

### Non-Domiciled Individuals

Individuals not domiciled in Peru must pay taxes only on Peruvian-source income.

In general, Peruvian-source income is considered to include:

- Income received for properties and the rights related thereto, including that coming from their disposal, when the properties are located within Peruvian territory.

<sup>9</sup>For 2016, one Tax Unit (UIT) equals S/3,850 or US\$1,129.

- ▶ Income received for assets or rights, including that coming from their disposal, when such assets are physically located or the rights are economically used in the country.
- ▶ Royalties when the assets or rights are economically used in the country, or when they are paid by a taxpayer domiciled in the country.
- ▶ Interest, when the capital is placed or economically used in the country; or when the payer is a taxpayer domiciled in the country.
- ▶ Dividends distributed by entities domiciled in the country.
- ▶ Civil, commercial, business and personal work activities conducted in the country.
- ▶ The disposal or surrender of marketable/negotiable securities (shares, ownership interests, bonds, etc.), when they have been issued by entities incorporated or established in Peru.
- ▶ Technical assistance and digital services economically used in Peru.
- ▶ The results obtained by non-domiciled taxpayers from derivative financial instruments entered into with domiciled taxpayers whose underlying asset involves the exchange rate of Peruvian currency compared to a foreign currency, provided that the effective term thereof is less than sixty (60) calendar days.
- ▶ Income obtained from the indirect disposal of shares or ownership interests in the capital stock of legal entities domiciled in the country, provided that it meets certain requisites.

For non-domiciled individuals, the income tax on the dependent labor income is 30%, with no deductions.

Income received for independent work is subject to an effective tax rate of 24%.

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

- ▶ Acts executed before making any kind of foreign investments or doing business of any kind.
- ▶ Acts intended to supervise or control the investment or business (data or information collection, interviews with people from the public or private sectors, among others).
- ▶ Acts related to the hiring of local personnel.
- ▶ Acts related to the execution of similar contracts or documents.

For foreigners coming from countries with which Peru currently maintains agreements to avoid double taxation, such as Chile, Canada, Brazil, Portugal, South Korea, Mexico and Switzerland; or from countries that are part of the Andean Community of Nations (Ecuador, Colombia and Bolivia), other tax provisions may apply.

## Non-Domiciled Entities

Income obtained by non-domiciled entities is subject to income tax withholding, depending on the type of income, as follows:

### Withholding Tax Rate on Income of Non-Domiciled Companies

Income	Rate
Dividends and other forms of profit distribution, as well as the remittance of profits from the branch	6.80% <sup>(1)</sup>
Interest paid to non-domiciled companies, provided certain requirements are met	4.99%
Interest paid to related companies abroad	30.00%
Technical assistance services economically used in Peru	15.00%
Digital services economically used in Peru	30.00%
Royalties	30.00%
Capital gains deriving from the disposal of marketable/negotiable securities through the Lima Stock Exchange (BVL) including:	
▸ Disposal, redemption, or surrender of shares, bonds, or other securities issued by corporations incorporated in Peru	5.00%
▸ Indirect disposal of shares in Peruvian companies	
Capital gains deriving from the disposal of marketable/negotiable securities outside the Lima Stock Exchange (BVL), including:	
▸ Disposal, redemption, or surrender of shares, bonds, or other securities issued by corporations incorporated in Peru	30.00%
▸ Indirect disposal of shares in Peruvian companies	
Other income deriving from business activities conducted in Peruvian territory	30.00%

<sup>(1)</sup> 6.80% for 2015 and 2016, 8% for 2017 and 2018; and 9.6% for 2019 and onwards.

Income from activities performed partially in Peru and partially abroad by non-domiciled companies, including that obtained by their branches or permanent establishments are subject to the following effective tax rates:

Activities	Effective Income Tax Rate (%)
Air transport	0.3
Maritime transport	0.6
Vessel lease	8.0 <sup>10</sup>
Aircraft lease	6.0 <sup>11</sup>
Supply of transport containers	4.5
Demurrage of containers	24.0
Insurance	2.1
International news agencies	3.0
Motion picture distribution	6.0
Television broadcasting rights assignment	6.0
Telecommunication services	1.5

<sup>10/11</sup> The withholding rate for these activities is 10%

## Thin Capitalization Rules

Interest paid by domiciled taxpayers to related or associated companies is not income tax deductible in the portion that exceeds the result of applying a coefficient (debt/equity ratio) of "3/1", at the close of the immediately preceding fiscal year.

## Double-Taxation Treaties

Peru has currently signed and ratified treaties to avoid double taxation with the following countries: Brazil, Chile, Canada, South Korea, Mexico, Switzerland and Portugal, with whom it has established credit as a method for avoiding double taxation. Peru is also part of the Andean Community, along with Colombia, Ecuador and Bolivia. As such, Decision 578 for the avoidance of double taxation between the countries referred to above applies. Unlike the OECD Model, Decision 578 prioritizes taxation at the source, using the exemption method.

Likewise, negotiations are underway with Japan, Qatar, the United Arab Emirates, the Netherlands, Italy, France, Sweden and the United Kingdom.

## Transfer Pricing

Transfer pricing rules are based on the arm's length principle, as interpreted by the Organization for Economic Co-operation and Development (OECD), and should be considered solely for income tax purposes.

In Peru, these rules not only apply to transactions between related parties, but also to transactions with companies domiciled in tax havens. Note, however, that the value agreed to by the parties must only be adjusted when they are detrimental to the tax results.

The prices of the transactions subject to transfer pricing rules shall be determined in accordance with any of the internationally accepted methods, for which purpose the one found to best reflect the economic reality of the operation shall be taken into account.

Taxpayers involved in international transactions involving two or more jurisdictions may enter into Advance Transfer Pricing Agreements (APAs) with the Tax Administration, which may be unilateral or bilateral. Bilateral agreements may only be entered into with regard to operations with residents in countries with which Peru has entered into double taxation agreements. APAs may also be entered into with regard to transactions carried out between related companies domiciled in Peru.

Starting on January 1, 2013, certain specific parameters were incorporated, to be taken into account for the determination of the fair value in the specific case of import and export operations for given goods involving an international intermediary who is not the effective recipient of the goods in question, or in those performed from, to, or through tax havens.

## International Tax Transparency System

Starting on January 1, 2013, the "International Tax Transparency System" was incorporated, applicable to taxpayers domiciled in Peru who are owners of controlled non-domiciled entities (CNDEs) with regard to the passive income of the CNDEs, provided that they are subject to income tax in Peru for foreign-source income.

According to this system, the passive income obtained through subsidiaries incorporated in other jurisdictions must be included in the taxable income of individuals and companies domiciled in Peru, even when the effective distribution of the dividends associated with such passive income has not occurred.

The Law provides the requisites that foreign companies must meet in order to be considered a CNDE. For such purpose, it shall be understood that the CNDE is the property of a domiciled taxpayer when:

- ▶ It has a legal status apart from that of its partners, associates, shareholders, or, in general, the people who integrate it.
- ▶ It is incorporated, established, domiciled in or is a resident of (i) a tax haven; or (ii) a country or territory where its passive income is not subject to income tax or such tax is at least 75% less than the income tax that would have been levied in Peru.
- ▶ It is the property of a taxpayer domiciled in Peru. For such purpose, this shall be understood to be the case when, at the close of the fiscal year, the domiciled taxpayer has on its own or jointly with its related parties domiciled in the country a direct or indirect share in over 50% of the capital stock, or the results, or voting rights of said entity. Likewise, the presumption of a share in a CNDE is established when there is a direct or indirect purchase option in said entity.

For the application of the system, an exhaustive list of concepts that qualify as passive income (e.g., dividends, interest, royalties, capital gains deriving from the disposal of real property and marketable/negotiable securities, etc.) and a list of excluded concepts have been drawn up.

It has also been established that if the income qualifying as passive is equal to or greater than 80% of the total income of the CNDE, the total income thereof shall be considered passive income.

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

### Corporate Reorganization System

With regard to income tax, there are three systems from which the taxpayer may choose:

- ▶ **Voluntary revaluation with tax effects:** The difference between the revaluated value and the historical cost is subject to income tax. The tax basis of the assets transferred shall be the revaluated value.

Starting on January 1, 2013, the difference subject to income tax may not be offset with the tax loss of the taxpayer performing the revaluation.

- ▶ **Voluntary revaluation without tax effects:** The difference between the revaluated value and the historical cost shall not be subject to income tax provided that the earnings are not distributed. In this case, the revaluated value of the assets transferred is not a tax basis.

Starting on January 1, 2013, it is presumed, without permitting evidence to the contrary, that earnings have been distributed:

- i) In the case of a spin-off, if the newly-issued shares are transferred or cancelled by a subsequent reorganization, provided that the shares represent over 50% of the capital stock or voting rights and the transfer or cancellation occurs before the close of the fiscal year following that in which the spin-off entered into force.
  - ii) When the distribution of dividends is agreed to within the four (4) fiscal years following the fiscal year in which the reorganization is performed.
- ▶ **Transfer at cost value:** The assets transferred shall have the same tax basis for the acquirer as they would have had for the transferor.

Starting on January 1, 2013, under certain circumstances, it shall be assumed, without allowing evidence to the contrary, that capital gains exist (difference between the market value and the tax basis of the assets transferred). In the case of spin-off or corporate reorganization, this will occur when the newly-issued shares or assets are transferred or cancelled due to a subsequent reorganization, provided that the shares represent over 50% of the capital stock or voting rights and the transfer or cancellation occurs before the close of the fiscal year following that in which the spin-off or reorganization entered into force.

### **Indirect Stock Transfer**

Starting on February 16, 2011, the Income Tax Act considers capital gains obtained from the indirect transfer of shares or ownership interests of capital stock in legal entities domiciled in Peru to be Peruvian-source income subject to tax.

In this regard, the indirect transfer of shares shall be considered to have taken place when shares or ownership interests in the capital stock of a company not domiciled in the country which is in turn the owner—whether directly or through another company or companies—of shares or ownership interests in the capital stock of legal entities domiciled in the country are disposed of, provided that:

- i) In any of the twelve (12) months preceding the disposal, the market value of said shares or ownership interests is equivalent to 50% or more of the market value of the non-domiciled corporation.
- ii) In any twelve (12) month period, shares or ownership interests are disposed of that represent 10% or more of the capital stock of the non-domiciled legal entity.

Likewise, specific cases of tax evasion have been regulated with regard to the indirect disposal of shares, such as the presumed indirect disposal through the dilution of shareholders of non-domiciled companies and distribution of dividends by non-domiciled companies.

Capital gains deriving from the indirect transfer of shares shall be subject to a tax rate of 5% or 30%, depending on whether the transfer is made through the Lima Stock Exchange (BVL).

Under certain circumstances, the Peruvian issuer shall be jointly and severally responsible.

### **Tax Havens**

Companies domiciled in the country cannot deduct, for effects of determining their income tax, the expenses derived from operations performed with individuals or entities residing in countries or territories with low or no taxes, nor shall they have the right to offset losses generated by these operations with foreign-source income, except in the case of operations involving (i) loans; (ii) insurance and reinsurance; (iii) assignment for use of vessels or aircraft; (iv) transport performed from Peru abroad and from abroad to Peru; (v) fee for transit through the Panama Canal.

Likewise, those operations performed from, to, or through tax havens shall comply with transfer pricing rules.

On the other hand, interest paid by domiciled companies to a non-domiciled individual for credit operations from, to, or through tax havens is subject to a withholding tax of 30%. Finally, derivative financial instruments entered into with taxpayers domiciled in tax havens shall be considered speculative, in which case losses may only be offset with profits of the same kind.

### **Tax Credit**

Taxes effectively paid abroad may be offset against Peruvian income tax, even if there is no double taxation treaty, provided that the amount resulting from the application of the average taxpayer rate for income obtained abroad is not exceeded.



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

### Other Specific Anti-Evasion Rules

#### ► Non-deductible capital losses for the disposal of securities:

Capital losses originated from the disposal of securities shall not be deductible when:

- a) At the time of the disposal or thereafter, within a term of no more than thirty (30) calendar days, the acquisition of marketable/negotiable securities of the same type as those disposed of or purchase options thereon occurs.
- b) Prior to the disposal, within a term of no more than thirty (30) calendar days, the acquisition of marketable/negotiable securities of the same type as those disposed of or purchase options thereon occurs.
- c) The tax basis of the marketable/negotiable securities whose acquisition would have given rise to the non-deductibility of the capital losses in question shall be increased by the amount of the non-deductible capital loss.

#### ► Non-deductible expenses for assignment of credits:

Expenses incurred for the difference between the nominal value of a credit originated between related parties and its transfer value to third parties that assume the debtor's credit risk shall not be deductible. In case said credit transfers generate accounts receivable in favor of the transferor, the allowances and/or write-offs for bad debt with regard to said accounts receivable do not constitute a deductible expense for said transferor. The foregoing is not applicable to the companies of the financial system.

### b. Temporary Net Assets Tax (ITAN)

The Temporary Net Assets Tax (ITAN) is equivalent to 0.4% of the total value of net assets in excess of S/1 million determined as at December 31 of the previous year. Companies in the pre-operational stage are excluded. The ITAN payments can be used as a tax credit. A refund may be requested for any balance not used in the current year.

To avoid double taxation issues, subsidiaries and branches of foreign companies may elect to reverse the order of the tax credit so the Peruvian income tax is creditable against the ITAN and not vice versa. As such, taxpayers might be able to claim the income tax paid in Peru as foreign tax credit in their country of origin, and not the ITAN.

### c. Tax on Financial Transactions (ITF) and Means of Payment

A 0.005% tax is generally imposed on deposits and withdrawals in Peruvian bank accounts.

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

Not using these methods of payment would mean that the corresponding cost or expense of the payment cannot be recognized for income tax purposes. In addition, any Value Added Tax (VAT) related to the acquisition of goods and services cannot be used as tax credit.

## 2 | Indirect taxes

### a. Value Added Tax (VAT)

#### Taxable Base and Application

Value Added Tax (VAT) is levied on the consumption of goods and services in Peru with an 18% tax rate (includes 2% for Municipal Promotion Tax).

The Value Added Tax (VAT) Act uses the debit/credit system, under which the VAT paid on sales is offset against the VAT paid on purchases. Any VAT that is not used as credit in a particular month may be applied in the following months until it is used up. This credit is not subject to expiration or the running of statutes.

Corporate reorganizations are not subject to this tax.

#### Early VAT Recovery System

Individuals or legal entities developing projects currently in the pre-operational stage (which shall be longer than or equal to two (2) years) may request the early recovery of the VAT before starting operations and obtaining a Ministerial Ruling from the sector corresponding to the project to be carried out. For such purpose, the company must sign an investment agreement with the Peruvian government, requesting the recovery through ProInversión. The investment must be made during the pre-operational stage and may not be less than US\$5 million, except for investments to be made in the agricultural sector, which is exempt from this requirement.

#### Final VAT Refund

Final VAT refunds apply to: (i) individuals and legal entities who are the holders of mining concessions; and (ii) investors who have entered into license agreements or service contracts according to the Organic Law of Hydrocarbons. In both cases, the beneficiary must be in the exploration stage. In the case of holders of mining concessions, an exploration investment agreement must also be entered into.

#### Export of Goods

The VAT Act defines the export of goods as the sale of real property performed by a taxpayer domiciled in the country to a non-domiciled party, regardless of whether the transfer occurs abroad or in Peru, provided that said goods are subject to a customs process for definitive export.

#### Export of Services

Operations considered to be export of services include those contained in Appendix V of the VAT Act, so long as that they are provided for valuable consideration, the exporter is domiciled, the user is non-domiciled, and the use or exploitation of the services by the non-domiciled party occurs abroad.

These services include, among others, consulting and technical assistance, lease of real property, advertising services, data processing services, application of computer programs and the like, staff outsourcing and supply services, credit placement commission services, financing operations, insurance and reinsurance, certain telecommunications services, tourism services, and business support services. Also included are accounting, treasury, technological, IT, or logistical support services, call centers, laboratories and the like.

## b. Selective Consumption or Luxury Tax (ISC)

This tax applies to the consumption of specific goods, such as fuels, cigarettes, beers, liquors, soft drinks, etc. It is applied under three systems: (i) specific, which involves a fixed amount in Soles per unit of measurement; (ii) at value, based on a percentage of the sale price; and (iii) sale price, a percentage of the suggested retail price.

# 3 | Municipal taxes

## a. Property Tax

Property Tax is an annual municipal tax that is levied over the value of urban or rustic premises. For such purpose, premises are considered to include land, buildings and fixed and permanent facilities.

The tax rate is a progressive cumulative scale varying between 0.2%, 0.6% and 1.0%, depending on the value of the property.

## b. Property Transfer Tax

Property Transfer Tax is levied on the transfer of urban or rural property, with or without valuable consideration, in any form or manner, including sales in which the ownership rights are not transferred to the buyer until the total price is paid.

The taxable base is the sale price of the property. The tax rate is 3%, to be paid by the buyer. The first 10 Tax Units (UITs) (S/39,500 or approximately US\$11,584) are tax-free.

## c. Vehicle Property Tax

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

The taxable base is determined by the original value of acquisition, importation, or entry into ownership. The applicable tax rate is 1%.

# 4 | Customs system

## a. Customs Taxes

Imported goods are subject to import tariffs with currently ad valorem rates of 0%, 6% and 11%<sup>12</sup>.

Likewise, the Value Added Tax (VAT) of 18% is applied to imported goods.

Additionally, and depending on the type of goods, imports may be taxed with the Selective Consumption or Luxury Tax (ISC) Antidumping Duties, Compensation Duties, or others.

Provisional corrective ad valorem duties are charged on the import of lards from Colombia and Venezuela, as corrective measures applied by Peru within the framework of the Andean Community (CAN).

<sup>12</sup>In the case of Expedited Shipments (goods with an FOB value equivalent to US\$200 or up to a maximum of US\$2,000 per shipment, an ad valorem rate of 4% is charged.

There are also specific duties to be applied as additional variable duties on imported agricultural products such as yellow corn, rice, milk and sugar.

Some imported goods can also be charged with anti-dumping or compensation duties. The former is applied to some imported goods when the price discrimination could harm or threaten to harm a branch of national production. Compensation duties are applied to imported goods that are subsidized in their country of origin and can harm or threaten to harm national production via the importation thereof.

The customs taxes and duties applied are summarized as follows:

Tax	Rate	Taxable Base
Customs Tariffs <sup>(a)</sup>	0%, 6% and 11% <sup>13</sup>	CIF Value
Value Added Tax (VAT) <sup>(b) (c)</sup>	18%	CIF + Customs Duties

<sup>(a)</sup> The customs tariff rates depend on the type of goods being imported

<sup>(b)</sup> The Value Added Tax (VAT) can be used as tax credit by the importer

<sup>(c)</sup> Certain goods are additionally subject to the Selective Consumption or Luxury Tax (ISC)

When importing consumer goods worth more than US\$1,000, the services of a customs agent authorized by Peruvian Customs will be necessary, to undertake the documentary procedures for the imports. It is worth noting that the importer will be required to have the necessary documents that support the entry of goods, such as the commercial invoice, shipping documents, etc.

In addition to the formalities of customs clearance procedures, there are local regulations that establish additional requirements for the entry of goods that are considered restricted or prohibited. Further details are provided herein below.

## b. Restricted or Prohibited Goods

Some goods that are imported into the country may be considered by legal mandate to be restricted or prohibited, for reasons of national security or public health, among other reasons.

Restricted goods are those that require special authorizations, licenses, permits, etc., from the pertinent institutions, depending on the goods to be imported. These goods must have the required documentation at the time of importation. Prohibited goods, on the other hand, cannot enter or leave the country.

In order for restricted goods to enter the country, the requirements to be met are established by the control units of the competent sector. Some of the entities and types of restricted goods are as follows:

- **National Superintendency of Customs and Tax Administration (SUNAT)** through the National Intendancy of Chemical Supplies and Supervised Goods for controlled chemical inputs.
- **Ministry of Health**, through the Medicines, Supplies and Drug Administration (DIGEMID), with respect to medicines; and through the General Bureau of Environmental Health (DIGESA) with regard to food and beverages, etc.
- **Ministry of Energy and Mines (MINEM)** in the case of goods (products, machinery and equipment) that use radioactive sources.
- **Ministry of Internal Affairs**, through the National Superintendency for the Control of Security Services, Arms, Ammunition and Explosives for Civil Use (SUCAMEC) for goods such as fire arms, explosives, etc.
- **Ministry of Agriculture**, through the National Agricultural Sanitation Service (SENASA) as the institution in charge of protecting agricultural health, etc.

<sup>13</sup>For Expedited Shipments, a rate of 4% ad valorem is charged.

- **Ministry of Transportation and Communications (MTC)** for radio-electric transmitters in general and/or communications equipment.
- **Ministry of Foreign Affairs (MRE)** for texts and/or publications that include geographical-cartographical and historical material.

### c. Anti-Dumping Measures and Compensation Duties

When an importation is performed, anti-dumping and/or compensation duties may be applied for the customs clearance of certain goods in order to prevent or to correct distortions due to dumping or subsidies, as set forth by the Commission for Control of Dumping and Subsidies (CFD) of the National Institute for the Defense of Free Competition and the Protection of Intellectual Property (INDECOPI). Likewise, it is possible that during or after customs clearance, INDECOPI may bring proceedings to establish anti-dumping or compensation duties, in those cases in which the declared prices may cause a threat or harm to a branch of national production.

It should be noted that the measures established by INDECOPI Commission for Control of Dumping and Subsidies (CFD) may be temporary or permanent.

Currently, anti-dumping duties are charged on biodiesel originating from the United States and shoes and denim fabrics from China, among other products.

### d. Trademarks and Patents

For purposes of protecting copyrights and the like, as well as trademarks, country border measures have been established so that a request may be initiated ex parte by the State or the interested party, or ex officio, through the Customs Administration.

This mechanism permits companies that own a protected right to register with the Customs Authority in order to request that an importation process be suspended (authorization for removal from bonded warehouses) in the case of goods that are presumed to bear fake or confusingly similar trademarks, or pirated goods that violate copyrights. Such requests are filed so that INDECOPI may conduct an inspection of the goods to be imported into the country.

### e. Customs Systems

The following are some of the customs systems established in the General Customs Act:

#### **Drawback**

The simplified system of returning customs duties, or drawback, allows producer-exporters to recover all or part of the customs duties paid on importing raw materials, inputs, intermediate goods and parts and pieces incorporated or used in the production of goods to be exported, provided the CIF import value is not more than 50% of the FOB value of the exported product and all the requisites established in order to be eligible for this benefit are met. The drawback rate applicable is equivalent to 5% of the FOB value of the exported product.

#### **Duty-Free Replacement of Goods**

This customs system allows for importation with automatic exemption from customs duties and other taxes levied on imports, goods equivalent to those which - after having been cleared through customs - have been processed, elaborated, or materially incorporated into products that are permanently exported. The beneficiaries of this system are those individuals or legal entities that have exported-directly or through third parties-products which use imported goods.

## Temporary Admission for Re-Exportation in the Same State

This customs system allows for the reception of certain goods in national territory, with the suspension of customs duties and other taxes levied on the importation thereof (for a maximum period of eighteen -18- months) duly guaranteed, destined for a specific purpose in a specific place and which will be re-exported within the established term without having undergone any modification whatsoever, with the exception of the depreciation as a consequence of normal wear and tear.

## Bonded Warehouses

This system allows for goods entering national territory to be stored in a bonded warehouse for such purpose, for a given period (maximum term of twelve -12- months) under the control of a customs agency, without paying customs duties and other taxes applicable to importation for consumption, provided that no specific customs system has been requested for them and they are not in a situation of abandonment.

## e. Free Trade Zones

### ► Tacna Free Trade Zone

The Tacna Free Trade Zone was created in 2002 in order to promote investment in the south of the country through the incorporation of companies engaged in a series of industrial activities, agribusiness, in-bond processing and assembly, and storage, distribution, unpacking, and packaging services, etc. A tax exemption system was granted, which includes Income Tax, Value Added Tax (VAT), Selective Consumption or Luxury Tax (ISC) Municipal Promotion Tax, as well as any other tax, whether existing or to be created, provided the activities are developed within that Zone.

Products shipped from abroad that enter the Zone are not subject to import duties, since the Tacna Free Trade Zone has been granted the status of a special customs treatment area. In the case of goods transferred to the Tacna Commercial Area, only a special tariff is paid. However, if those goods are destined for the rest of the country, then they are subject to payment of the duties charged on imported goods.

The benefits system of tax exemptions is in effect until 2041.

### ► Puno Special Economic Zone

Like the Tacna Free Trade Zone, the Puno Special Economic Zone is an area which enjoys the status of falling outside customs territory, where a special tax system is applied that not only exempts goods entering the area from import duties, but also provides an exemption to Income Tax, the Value Added Tax (VAT), Selective Consumption or Luxury Tax (ISC), Municipal Promotion Tax, as well as any other federal, regional or municipal tax currently in force or to be created, including those that require express exemption, provided that users carry out authorized activities such as industry, agribusiness, in-bond processing and assembly, and storage, distribution, unpacking, packaging services, etc., within the Zone.

The exemptions are valid through 2027, with the exception of Income Tax, which concludes December 31, 2028.

## f. Other Special Treatment Zones

### Ceticos

In addition to the special customs areas mentioned above, there are also Centers for Export, Processing, Industry, Commercialization, and Services (CETICOS) in Ilo, Matarani, Paita, Tumbes and Loreto.

CETICOS are limited geographical areas that are considered primary customs zones subject to special treatment, where repair, reconditioning of goods, modifications, mixtures, packaging, in-bond processing, processing, passive finalization, distribution and storage services may be provided, among others. Under this system, goods that enter these zones are exempt from import duties. However, goods from CETICOS that are then shipped to other parts of the country are subject to the payment of customs duties and other taxes applicable to imported goods.

With regard to all other duties and taxes, the development of activities in the country's CETICOS is exempt until December 31, 2022 from Income Tax, Value Added Tax (VAT), Selective Consumption or Luxury Tax (ISC), Municipal Promotion Tax, as well as all taxes in force or created in the future-including those that require express exemption by law-with the exception of contributions to EsSalud and rates. Likewise, transfers of goods and provisions of services between users established in CETICOS are exempt from Income Tax, Value Added Tax (VAT), Selective Consumption or Luxury Tax (ISC) and any other tax in force or to be created, including those that require express exemption.

In the case of the Loreto CETICOS, it is important to note that the term for incorporating companies in that Zone, as well as their exemptions, is 50 years, as from May 22, 1998.

#### **Amending Protocol to the Peruvian - Colombian Customs Cooperation Agreement of 1938**

This Protocol grants preferential duties for the importation of certain goods detailed in the Common External Duty Schedule that forms part of the Protocol.

This preferential treatment applies solely to those goods imported to Loreto, San Martín and Ucayali.

#### **Act for the Promotion of Investment in the Peruvian Amazon - Law 27037**

This Law enables importers to bring certain goods to Peru without paying Value Added Tax (VAT), provided that such goods are listed in the Common External Duty Schedule of 1938 and/or the list contained in the Appendix of Executive Order 21503.

The preferential treatment applies only for those goods imported to Loreto, Madre de Dios, and Ucayali, as well as certain provinces of the Departments of Ayacucho, Cajamarca, Cuzco, Huánuco, Junín, Pasco, Puno, Huancavelica, La Libertad and Piura.

## **5 | Legal stability agreements**

The Agency for the Promotion of Private Investment (ProInversión) as representative of the Government of Peru, can enter into legal stability agreements guaranteeing foreign investors that they will enjoy the stability of the legal and tax system applicable to the investors and companies receiving these investments. For such purpose, it is necessary to make capital contributions to a company currently established or to be incorporated in Peru for an amount of no less than US\$10 million in the mining and hydrocarbons sector, and US\$5 million in any other economic sector. This investment may be made within a period of no more than two years. The term of the agreement is ten years, except for those investors who have entered into a concession agreement. Investors in concessionaires or the concessionaires themselves, who have won the contract in concession processes, as established in Supreme Executive Order 059-96-PCM, may enter into these agreements, in which case their term shall last for the duration of the concession.

# 6 | Mining law

## ► Law 29789 - Special Mining Tax (IEM) / Supreme Executive Order 181-2011-EF- Regulations on the IEM

The Special Mining Tax (IEM) in force since October 1, 2011, is levied on the operating profits of holders of mining concessions and assignees that undertake the exploitation of mineral resources, applicable to the sale of metallic mineral resources as well as resources for personal use or unjustified withdrawals of such assets.

The IEM is determined and paid quarterly based on a progressive cumulative scale of operating margins, with marginal rates ranging from 2.00% to 8.40%. Technically the IEM is based on the sum of each increase in the operating margin, multiplied by the rate of the progressive tax as per the following table and definitions:

Special Mining Tax (IEM)			
Scale N°	Scale of Operating Margin		Marginal Rate
	Lower Limit	Upper Limit	
1	0%	10%	2.00%
2	10%	15%	2.40%
3	15%	20%	2.80%
4	20%	25%	3.20%
5	25%	30%	3.60%
6	30%	35%	4.00%
7	35%	40%	4.40%
8	40%	45%	4.80%
9	45%	50%	5.20%
10	50%	55%	5.60%
11	55%	60%	6.00%
12	60%	65%	6.40%
13	65%	70%	6.80%
14	70%	75%	7.20%
15	75%	80%	7.60%
16	80%	85%	8.00%
17	Over 85%		8.40%

$$\text{Operating Margin} = \frac{\text{Operating Profit}}{\text{Sales Income}} \times 100$$

Where:

► **Operating Profit:** income generated through the sale of mineral resources for each quarter, less: (i) the cost of goods sold; and (ii) operating expenses, including cost of sales and administrative expenses. Exploration expenses shall be distributed proportionally over the useful life of the mine. Costs and expenses incurred in on-site consumption or unjustified withdrawals of mineral resources are not deductible, nor are interest charges, regardless of whether they have been capitalized as part of the cost of sales or treated as operating expenses.

► **Sales Revenue:** income generated by sales of metallic mineral resources, with certain adjustments such as adjustments due to final determination of amounts due, discounts, return of goods and other concepts of a similar nature that are common practice.

The amount effectively paid for IEM is considered a deductible expense for effects of determining income tax for the fiscal year in which it was paid.



Furthermore, those in the mining industry must file a statement and pay the IEM every quarter, within twelve (12) business days of the second month after it was generated, under the terms and conditions established by the Tax Administration (SUNAT).

► **Law 29790 - Special Mining Encumbrance (GEM) / Supreme Executive Order 173-2011-EF - Regulations on the GEM**

The Special Mining Encumbrance (GEM, in spanish), in force as of October 1, 2011, is a “voluntary” payment, applicable to holders of mining concessions and concessionaires engaged in the exploitation of metallic mineral resources with projects subject to Contracts for Guarantees and Promotional Measures for Investment established in the General Mining Act, which cannot be affected by changes in the legislation regarding the IEM and mining royalties. For such purpose, an agreement is entered into for the payment of the GEM.

In accordance with the foregoing, the GEM does not qualify as a tax insofar as it cannot be forcefully collected according to law and have originating status.

As in the case of the IEM, the GEM is determined and paid every quarter for each contract, according to a progressive cumulative scale of operating margins, with marginal rates ranging from 4.00% to 13.12%, as follows:

Special Mining Encumbrance (GEM)			
Scale N°	Scale of Operating Margin		Marginal Rate
	Lower Limit	Upper Limit	
1	0%	10%	4.00%
2	10%	15%	4.57%
3	15%	20%	5.14%
4	20%	25%	5.71%
5	25%	30%	6.28%
6	30%	35%	6.85%
7	35%	40%	7.42%
8	40%	45%	7.99%
9	45%	50%	8.56%
10	50%	55%	9.13%
11	55%	60%	9.70%
12	60%	65%	10.27%
13	65%	70%	10.84%
14	70%	75%	11.41%
15	75%	80%	11.98%
16	80%	85%	12.55%
17	Over 85%		13.12%

Supreme Executive Order 173-2011-EF has specified that the operating costs to be considered in determining the GEM shall not include royalties, the IEM, the GEM, or the profit sharing of employees. It further establishes that the adjustments made in the final determination of amounts due, discounts, returns and other similar concepts shall affect the calculation base in the calendar quarter in which they are granted or made, such that those that are not completely absorbed in any particular quarter shall not affect the calculation base for subsequent quarters.

Unlike the IEM, the mining royalties established by Law 28258 and the contractual royalties that expire after the signing of the respective agreement may be discounted when determining the GEM. If these concepts exceed the amount of the encumbrance, they may be carried forward to subsequent quarters until they are used up. Additionally, the effective amount paid on the GEM shall be considered a deductible expense when determining income tax for the fiscal year in which it is paid.

It has been established that the return filed and the payment of this tax must be made in local currency, and those in the mining industry who are authorized to keep their books in foreign currency shall convert each of the components to be considered in the statement into local currency at the rate of exchange published by the Superintendency of Banking and Insurance (SBS) and Private Pension Fund Management Companies (AFP) on the date the tax is due or paid, whichever occurs first.

Lastly, this Supreme Executive Order approves the model agreement to be applied for the GEM to be entered into by and between those in the mining industry and the Peruvian State, in order to bring the tax into effect. Article Eleven of said model establishes that the signing of the agreement does not constitute any amendment or waiver, in whole or in part, of the guarantee and investment promotion measures agreement signed by the holders of mining concessions and concessionaires engaged in the exploitation of metallic mining resources.

Supreme Executive Order 173-2011-EF was published on September 29, 2011.

#### ► Law 29788 - Amendment to the Mining Royalties Act (Law 28258)

Law 29788, which entered into force as of October 1, 2011, amended Sections 2, 3, 4, 6 and 11 of Law 28258, according to which the mining royalty to be paid by mining concessionaires was calculated based on the application of a cumulative progressive rate of between 1% and 3% on the value of sales.

The mining royalty is applicable to holders of mining concessions and concessionaires that undertake the exploitation of metallic and non-metallic mineral resources.

Pursuant to the amendment introduced, the mining royalty must be calculated on a quarterly basis according to the cumulative progressive scale on operating margins, with marginal rates between 1.0% and 12.0%. Thus, the amount to be paid on the mining royalty shall be the established by comparing the result of the application of the marginal rate to the operating profits, and 1.0% of sales revenues for that quarter, whichever is higher.

The base of the mining royalty and the form in which it is calculated are the same as those established for the determination of the IEM and the GEM:

Mining Royalties			
Scale N°	Scale of Operating Margin		Marginal Rate
	Lower Limit	Upper Limit	
1	0%	10%	1.00%
2	10%	15%	1.75%
3	15%	20%	2.50%
4	20%	25%	3.25%
5	25%	30%	4.00%
6	30%	35%	4.75%
7	35%	40%	5.50%
8	40%	45%	6.25%
9	45%	50%	7.00%
10	50%	55%	7.75%
11	55%	60%	8.50%
12	60%	65%	9.25%
13	65%	70%	10.00%
14	70%	75%	10.75%
15	75%	80%	11.50%
16	Over 80%		12.00%

The background of the slide is a photograph of a large, ancient stone wall made of yellowish-brown rectangular blocks. The wall is partially covered with green moss and small plants. To the left, there is a dark opening in the wall. The wall sits on a grassy hill. The sky above is blue with white clouds.

# VI

---

## Labor and Employment Law





# 1 | Hiring system

## a. For Peruvian Workers

Indefinite-term contracts are the general rule for hiring in Peru, although fixed-term and part-time contracts may also be signed as an exception. The principal features of each one of these contracts is detailed below:

- ▶ **Indefinite term contracts:** Have no expressly defined duration. This form of employment contract grants workers all labor rights and benefits in force under Peruvian law, as detailed in Section 2.
- ▶ **Fixed term contracts:** Provide all the rights and benefits granted to workers hired for an indefinite term. For this form of contract, the legislation requires proof of an objective cause or motive that warrants temporary hiring (for example, the start-up of a new business, specific projects or services, substitution, etc.) and the validity thereof is subject to compliance with the requisites provided by law.
- ▶ **Part-time contracts:** These contracts govern labor relations that cover work schedules with a weekly average of less than four (4) hours per day. Part-time workers are eligible for all benefits under the law, except for: i) arbitrary dismissal indemnity; ii) severance pay (CTS); and iii) vacation time of thirty (30) days (they only have the right to six (6) business days' vacation per year).

All of these contracts allow for a trial period, during which the workers have no right to indemnity in the event of arbitrary dismissal. The trial period is counted from the start of the labor relationship and may have a maximum term of: i) three (3) months for all workers in general; ii) six (6) months for qualified workers or those in positions of trust; and iii) twelve (12) months for management staff.

## b. For Foreign Workers

The labor relations governing foreign citizens entering Peru to render services for a domiciled company are governed by employment contracts for foreign personnel. These workers have the right to the same benefits provided to all workers in the private business workforce, and are subject to the same taxes and contributions.

As a general rule, foreign workers must not exceed 20% of all personnel. Additionally, the total remuneration received by foreign workers must not exceed 30% of the total payroll. Exceptions to these limits may be made in the case of professionals and specialized technical staff, or for management staff for a new business activity or corporate restructuring or reorganization, etc.

None of the limits on number of personnel and salary amounts are applicable to foreign workers who render services in Peru on an immigrant visa, who are married to Peruvian citizens, or who have children of Peruvian nationality, parents or siblings, and foreign investors with a permanent investment in Peru of at least five (5) Tax Units - UITs, or foreign workers who render services in the country by virtue of bilateral or multilateral conventions, among other exceptions.

## 2 | Current fringe benefits

Workers have the right to the following fringe benefits, the cost of which is borne by the employer:

Benefit	Amount / Applicable Rate
Vacation Time	Equivalent to thirty (30) calendar days of rest, with one (1) month of paid remuneration
Legal Bonuses	Two (2) months' remuneration per year
Severance Pay (CTS)	1.1666 monthly remunerations per year
Profit Sharing	Between 5% and 10% of income before taxes
Family Allowance	S/85 per month (10% of minimum wage)

- **Vacation Time:** The right to thirty (30) calendar days of paid vacation per complete year of service, provided workers meet the vacation record, which is a minimum of days effectively worked as required by law. The vacation period must be taken within the calendar year following the year of services rendered and the related record. In the event that the worker does not take vacation time when due, the employer shall pay one additional month of remuneration as vacation indemnity
- **Legal Bonuses:** Two bonuses per year, the first in July (Independence Day holidays) and the second in December (Christmas). Workers who leave their job before the months of July or December are entitled to receive the proportional payment of this benefit for the full months completed on the job, provided they have worked at least one full month (incomplete bonus)
- **Severance Pay (CTS):** This is a fringe benefit to cover contingencies arising from termination of employment and promotion of the workers and their families. The payment is deposited in the workers' bank account in the months of May and November
- **Profit Sharing:** Companies with more than twenty (20) workers that engage in activities that generate business income are required to distribute a percentage of their annual income before taxes among their workers. The percentage of the share is fixed by law and depends on the company's principal activity, as follows:

Type of Company	Percentage
Fisheries, telecommunications and industrial companies	10%
Mining companies, wholesale and retail businesses and restaurants	8%
Companies engaged in other activities	5%

- **Family Allowance:** Workers who have one or more dependent children under the age of 18, or children over 18 enrolled in vocational or university education, have the right to this benefit. The amount is equivalent to 10% of the Minimum Wage.
- **Comprehensive Annual Remuneration:** With workers who receive a monthly salary of at least 2 UITs, the employer can negotiate a comprehensive annual remuneration (RIA) to which all the benefits detailed above are added, with the exception of profit sharing, to be paid as provided by law and which may be paid directly to the worker in monthly installments.

### 3 | Taxes and contributions levied on remunerations

The employer shall assume the payment of the following taxes and contributions:

Taxes / Contributions	Applicable Rate
Public Health Insurance (EsSalud)	9%
Mandatory Life Insurance	Depends on the type of policy
Occupational Life and Disability Insurance	Depends on the type of policy
Pension System	13% for the Public System or 13.97% for the Private System (approximately)

- ▶ **Income Tax:** The employer is responsible for withholding and paying income tax on earnings. A projection of the worker's annual earnings is made, to which the rates established in Section V.1 of this Guide are applied on individual taxes. The approximate monthly retention shall be one-twelfth (1/12th) of the determined annual tax amount, which may be established by following the procedures provided by law.
- ▶ **Public Health Insurance (EsSalud):** This contribution is paid by the employer and is designed to finance the public health system (EsSalud) so that the system may provide healthcare services to workers and financial assistance in case of disability, through the payment of subsidies. The collection of this amount is undertaken by the Tax Administration (SUNAT) to which employers make this payment. The amount contributed is equivalent to 9% of the worker's monthly remuneration. If the company provides health coverage to its workers using its own resources or through a Healthcare Service Provider Company (EPS) it may request a credit of up to 25% of the EsSalud contribution, provided it complies with the limits established by law.
- ▶ **Mandatory Life Insurance:** This is a collective insurance provided to workers with more than four (4) years of service for the same employer. However, the employer may optionally grant it after the third month of service. The premium depends on the number of insured workers, the work they carry out and, in general, the terms agreed to with the insurance company.
- ▶ **Pension System:** The workers may join the National Pension System (SNP) or the Private Pension System (SPP) which are mutually exclusive. This contribution is to be assumed fully by the worker, with the employer being responsible solely for its collection.
- ▶ **Other Contributions:** Other contributions depend on the activity performed by the companies, for example:
  - a) **Occupational Life and Disability Insurance:** A mandatory insurance to be paid by companies whose activities involve a high level of risk, and which grants additional coverage for health and pensions. The contract for health services may be made with EsSalud or with a Healthcare Service Provider Company (EPS); while pension-related services may be contracted with the Government Agency for Pension Fund Management (ONP) or with a private insurance company. The rates depend on the type of activity and/or the terms agreed on with the specific entity.
  - b) **Supplementary Retirement Fund for Miners:** Mining, metallurgical and iron and steel companies must contribute 0.5% of their annual net earnings before taxes to this fund, as well as withholding 0.5% of the gross monthly remuneration of each mining, metallurgical and iron and steel worker.
  - c) **Contribution to the National Industrial Vocational Training Service (SENATI):** Companies engaged in industrial activities included in Category D of the Uniform International Industrial Classification (UIC) are under the obligation to make a contribution to the National Service for Training in Industrial Work (SENATI). The contribution amounts to 0.75% of the worker's remuneration, according to the conditions provided by law.

d) **Contribution to the Administrative Committee of the Fund for the Construction of Housing and Recreational Centers (CONAFOVICER):** This is a contribution to be assumed in full by those workers who perform civil construction activities for a company engaged in construction. The amount of the contribution is equivalent to 2% of the worker's basic daily remuneration.

e) **Contribution to the National Training Service for the Construction Industry (SENCICO):** This is a contribution to be paid by companies engaged in construction activities. The contribution amounts to 0.2% of the total company income for labor, general expenses, technical direction, profits, and any other concept billed to the client, regardless of the employment contract executed.

## 4 | Termination of the employment contract

The employment contract is terminated under the following circumstances:

- Cumplimiento de la condición resolutoria o vencimiento del plazo en los contratos a plazo fijo.
- By agreement between the workers and the employer, which should be put into writing.
- Resignation of the workers, who must provide thirty (30) days' prior notice.
- Due to permanent absolute disability or death of the workers.
- Retirement of the workers.
- Justified dismissal, in which the cause must be related to the skill or conduct of the workers, according to conditions established under national legislation.
- In cases established for collective dismissal, pursuant to Peruvian law.

The dismissal shall be subject to the verification of an objective cause that justifies the action, pursuant to law. If the cause is found not to exist, the employer shall be penalized via the payment of indemnity. However, the Constitutional Court has established certain cases in which the workers may also request their reincorporation into their job position, as per the following chart:

Type of Dismissal	Description	Consequences
Unfounded dismissal	When the employer does not give a legal cause or motive	Reincorporation / indemnity at the discretion of the worker
Fraudulent dismissal	When the employer falsely charges the worker of committing gross negligence	Reincorporation / indemnity at the discretion of the worker
Void dismissal	When the measure violates the fundamental rights of the worker	Reincorporation
Dismissal with reasonable charge of gross negligence	When the gross negligence is not proven during the process, although due process was followed as required by law	Indemnity
Indirect dismissal	When the worker is subject to acts of hostility comparable to dismissal	Indemnity

Indemnity shall only proceed once the trial period has been completed (first three -3- months of a contract) and is limited to twelve (12) monthly remunerations.



In the case of workers who are hired for an indefinite term, the amount to be paid is one and a half months' remuneration for each year of completed service. On the other hand, in the case of workers hired on a fixed-term contract, indemnity is one and a half months' remuneration for each month not worked up until the termination of the contract. In both cases, indemnity is paid in fractions of twelfths (12<sup>ths</sup>) and thirteenthths (13<sup>ths</sup>) per year.

Management staff or workers in positions of trust who are hired as such may not request reincorporation and are only entitled to receive an indemnity for dismissal, unless they have previously held an ordinary position, in which case they may also be entitled to reincorporation into such ordinary position.

## 5 | Immigration

Foreigners may apply for one of the visas listed below, depending on the activity they wish to undertake in Peru:

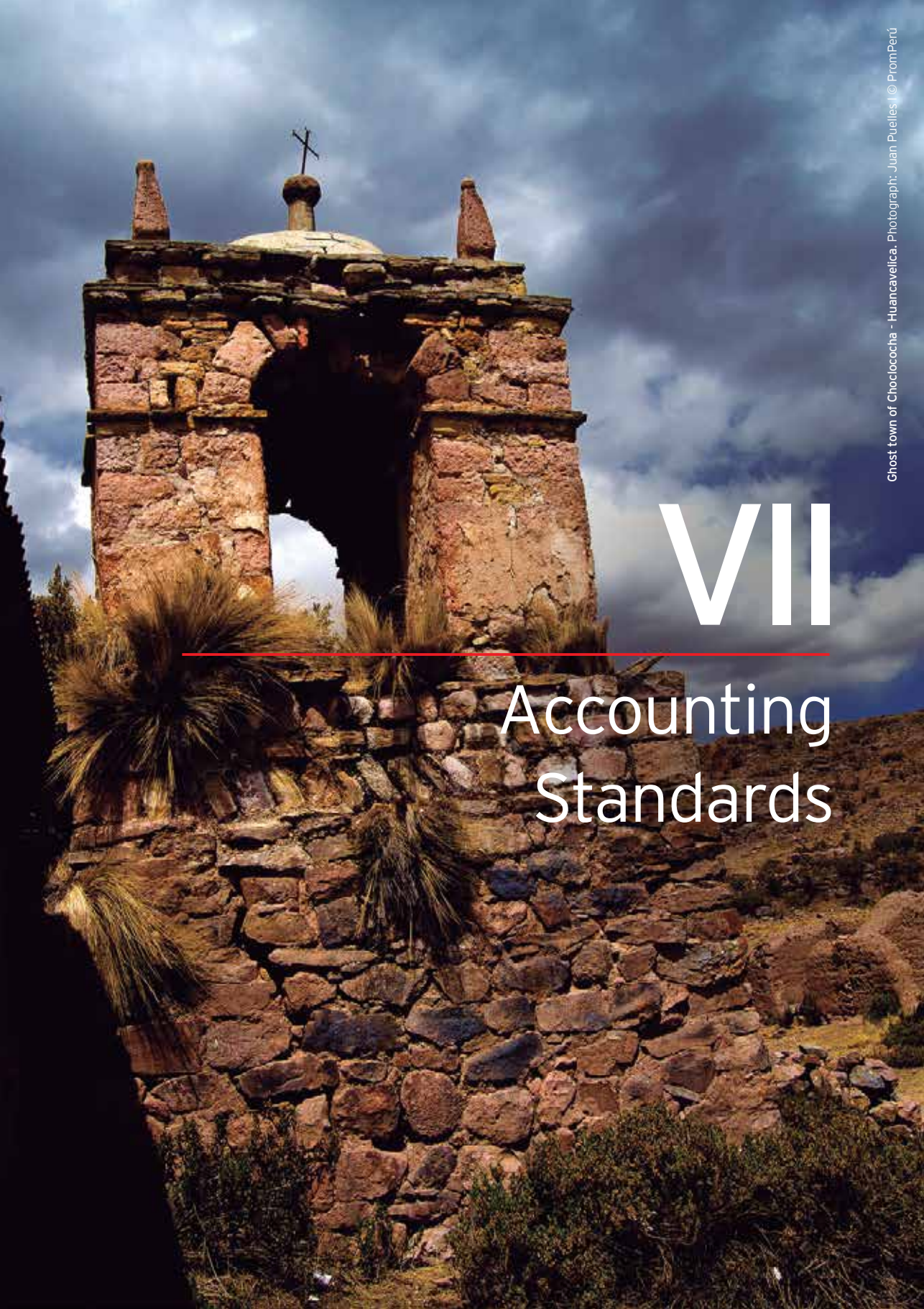
Visa	Type of Visa	Activities Permitted
Tourist Visa	Temporary	Limited to tourist visits, recreation, or similar activities. Paid or lucrative activities are not permitted.
Business Visa	Temporary	The individuals may take part in business, legal, or similar negotiations. They may sign contracts or perform transactions. The individuals cannot perform activities that are paid or lucrative or generate income from a Peruvian source, except in the case of director's fees for companies domiciled in Peru or as a speaker or international consultancy fees as part of a service contract that does not exceed thirty (30) calendar days, whether consecutive or cumulative, within any period of twelve (12) months.
Work Visa	Temporary / Resident	This visa allows them to work in Peru on a contract previously approved by the Ministry of Labor.
Investor Visa	Temporary / Resident	Foreigners must make investments in a company incorporated or to be incorporated totaling no less than the equivalent in Soles to US\$30,000 and submit a feasibility project or business plan, as applicable, which include the creation of five (5) job positions within a term of no more than one (1) year.
Designated Work Visa	Temporary	Foreigners may perform labor activities when they are sent by their foreign employer for a limited and defined term to engage in a specific task or duty or a work that requires professional, commercial, technical, or highly-skilled knowledge of another kind. They may also sign contracts and perform transactions.
Freelance Work Visa	Temporary / Resident	They may exercise their profession independently.
Immigrant	Resident	Provided they enter the country to take up residence, they can develop their activities on a permanent basis.
Student Visa	Temporary / Resident	Those entering the country for the purpose of studying at educational centers accredited by the State cannot receive Peruvian-source income, with the exception of that received for professional internships or work during vacations, prior authorization from the competent authority.

It should be noted that the tourist and business visa is the responsibility of the Ministry of Foreign Affairs, while the rest of visas depend on the National Migration Superintendency.

Foreigners coming from MERCOSUR countries (Brazil, Argentina, Chile, Uruguay, Paraguay and Bolivia); from CAN countries (Bolivia, Colombia and Ecuador, besides Peru); or from countries with specific migration agreements (Argentina and Ecuador, among others) may be subject to other immigration provisions and/or facilities.

## 6 | Supervisory body

The National Superintendency for Labor Audits (SUNAFIL) is a specialized technical entity attached to the Ministry of Labor and Job Promotion. The SUNAFIL is responsible for promoting, supervising, and auditing the compliance with labor laws and laws on occupational health and safety. It designs and conducts nationwide all duties and competencies established in Law 28806-the General Labor Inspection Act, and acts as the central authority and guiding entity of the Labor Inspection System, in accordance with national and sector plans, as well as the institutional policies and technical guidelines of the Ministry of Labor and Job Promotion.



# VII

---

## Accounting Standards



# 1 | Accounting standards

The Peruvian Business Corporation Act (LGS) establishes that the financial statements of companies incorporated in Peru must follow the general accounting principles accepted in Peru and other applicable legal provisions. The Peruvian Accounting Standards Board (CNC) has established that the general accounting principles are basically the standards issued by the International Financial Reporting Standards Board (IFRSB) including the IFRS, IFRIC and IAS; and the specific provisions approved for particular businesses (banks, insurance companies, etc.). Likewise, on a supplementary basis, the U.S. Generally Accepted Accounting Principles (GAAPs) shall apply.

The Peruvian Accounting Standards Board (CNC) is responsible for issuing the General Chart of Accounts for companies and methodologies that apply to both private business and government entities.

The CNC adheres to the standards approved by the IFRS, which are explicitly approved by the CNC and published in the Official Gazette *El Peruano*, indicating their date of approval, which may differ from the internationally approved date.

Companies that issue debt or shares in the capital market are subject to regulation by the Stock Exchange Superintendency (SMV). Companies supervised by this institution must issue their financial statements in accordance with the IFRS, as issued by the International Accounting Standards Board (IASB) and are as effective in Peru as they are worldwide.

The annual financial information given by companies supervised by the SMV must be audited and include the previous year for comparative purposes. Quarterly reports do not need to be audited. The audit must be conducted according to regulations of the International Auditing and Assurance Board issued by the International Federation of Accountants (IFAC).

On April 4, 2016, the Constitutional Court declared unconstitutional the obligation to submit audited financial statements for the companies not listed in the Public Registry of the Stock Exchange Superintendency, an obligation which was in force from June 2011.







---

# Exhibits









# Principal regulatory and promotion entities in Peru



Principal regulatory and promotion entities	Description
<b>Central Reserve Bank of Peru - BCRP</b> <b>(Banco Central de Reserva del Perú - BCRP)</b>  Tel: +51 1 613 2000 www.bcrp.gob.pe	The Central Reserve Bank of Peru (BCRP) is an autonomous constitutional institution of the Peruvian State. According to the Constitution, the faculties of the BCRP are to regulate the currency and the credit in the financial system, manage international reserves under its care and other functions indicated in the law that created the institution. Likewise, the Constitution orders the BCRP to issue coins and paper money and to accurately inform the country from time to time on the state of national finances. It also has the responsibility of maintaining monetary stability, avoiding the pressures of inflation and depreciation on the economy.
<b>Prime Minister's Office - PCM</b> <b>(Presidencia del Consejo de Ministros - PCM)</b>  Tel: +51 1 219 7000 www.pcm.gob.pe	The Prime Minister's Office is the technical-administrative institution of the Executive Branch, whose maximum authority is the President of the Republic of Peru. It coordinates and follows up on multi-sector policies and programs of the Executive Branch. It also carries out coordinated actions with the Congress and different constitutional entities.
<b>Ministry of the Economy and Finance - MEF</b> <b>(Ministerio de Economía y Finanzas - MEF)</b>  Tel: +51 1 311 5930 www.mef.gob.pe	The Ministry of the Economy and Finance is an entity of the Executive Branch responsible for planning, directing, and controlling matters related to the budget, treasury, debt, accounting, fiscal policy, public spending, and economic and social policies. It also designs, establishes, performs, and supervises national and sector policies under its competence, assuming a guiding role therein.
<b>Ministry of Labor and Job Promotion - MTPE</b> <b>(Ministerio de Trabajo y Promoción del Empleo - MTPE)</b>  Tel: +51 1 630 6000 www.mintra.gob.pe	The Ministry of Labor and Job Promotion is the State institution responsible for designing, coordinating, and performing the policies and programs aimed at creating and improving dignified and productive work through the promotion of job market insertion opportunities and skills, as well as fostering a democratic system of labor relations through labor coordination, surveillance of compliance with laws, conflict prevention and resolution, and the improvement of working conditions.
<b>National Institute for the Defense of Free Competition and the Protection of Intellectual Property - INDECOPI</b> <b>(Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual - INDECOPI)</b>  Tel: +51 1 224 7777 www.indecopi.gob.pe	INDECOPI promotes a culture of fair competition and protects all forms of intellectual property (trademarks, copyrights, patents and biotechnology).
<b>Organismo Supervisor de la Inversión en Energía y Minería - OSINERGMIN</b>  Tel: +51 1 219 3400 / +51 1 219 3410 +51 1 427 4935 www.osinerg.gob.pe	OSINERGMIN is responsible for supervising and controlling compliance with legal and technical provisions of activities developed by companies in the electricity and hydrocarbons subsectors, as well as compliance with legal and technical regulations related to the conservation and environmental protection. It is also in charge of quality and quantity control of fuels and higher prerogatives as part of its power to impose sanctions.
<b>Supervisory Board for Private Investment in Telecommunications - OSIPTEL</b> <b>(Organismo Supervisor de Inversión Privada en Telecomunicaciones - OSIPTEL)</b>  Tel: +51 1 225 1313 www.osiptel.gob.pe	OSIPTEL is in charge of regulating and supervising the public telecommunication services market, independently of the operating companies.
<b>Supervisory Board for Investment in Public Transportation Infrastructure - OSITRAN</b> <b>(Organismo Supervisor de la Inversión en Infraestructura de Transporte de Uso Público - OSITRAN)</b>  Tel: +51 1 440 5115 www.ositran.gob.pe	The general purpose of OSITRAN is to regulate, govern, supervise and audit the behavior of the markets under its competence, with regard to the actions of service providers, as well as the compliance with concession agreements, impartially and objectively holding harmless the interests of the State, investors and users.

Principal regulatory and promotion entities	Description
<b>National Superintendency of Labor Auditing - SUNAFIL</b> (Superintendencia Nacional de Fiscalización Laboral - SUNAFIL)	SUNAFIL is a specialized technical entity that forms part of the Ministry of Labor and Job Promotion and is responsible for promoting, supervising and auditing the compliance with labor laws and those related to occupational health and safety.
For more information, visit: <a href="http://www.mintra.gob.pe">www.mintra.gob.pe</a>	
<b>Superintendency of Banking and Insurance (SBS) and Private Pension Fund Management Companies (AFP)</b> (Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones - AFP - SBS)	SBS - AFP is in charge of regulating and supervising the financial, insurance, and private pension fund systems. Its main objective is to protect the interests of depositors, the insured and pension fund affiliates.
Tel: +51 1 630 9000 <a href="http://www.sbs.gob.pe">www.sbs.gob.pe</a>	
<b>National Superintendency of Public Records Offices - SUNARP</b> (Superintendencia Nacional de los Registros Públicos - SUNARP)	The mission of the SUNARP is to provide legal security and certainty on ownership of different rights registered with it, backed by modernization, simplification, integration and the specialization of registration nationwide.
Tel: +51 1 208 3100 <a href="http://www.sunarp.gob.pe">www.sunarp.gob.pe</a>	
<b>National Superintendency of Sanitation Services - SUNASS</b> (Superintendencia Nacional de Servicios de Saneamiento - SUNASS)	The SUNASS is a decentralized public institution that rules, regulates, supervises and controls water and sewage services provided, impartially and objectively protecting the interests of the State, investors and users.
Tel: +51 1 614 3180 <a href="http://www.sunass.gob.pe">www.sunass.gob.pe</a>	
<b>Stock Exchange Superintendency - SMV</b> (Superintendencia del Mercado de Valores - SMV)	The SMV is a specialized technical institution attached to the Ministry of Economy and Finance (MEF) designed to oversee the protection of investors, the efficiency and transparency of the markets under its supervision, the correct setting of prices, and the dissemination of all information necessary to achieve these goals. It has legal status to act in national administrative or constitutional law and has complete functional, administrative, economic, technical and budgetary autonomy.
Tel: +51 1 610 6300 <a href="http://www.smv.gob.pe">www.smv.gob.pe</a>	
<b>National Superintendency of Tax Administration - SUNAT</b> (Superintendencia Nacional de Administración Tributaria - SUNAT)	The SUNAT also includes the National Customs Superintendency. It is in charge of managing, supervising, and collecting domestic taxes, with the exception of municipal taxes. It also manages and controls the international trafficking of goods within customs territory and collects the duties applicable by law, as well as facilitating foreign trade, inspecting the international traffic of persons and the means of transportation, and conducting the actions necessary to prevent and punish customs crimes.
Tel: +51 1 315 0730 / +51 1 0 801 12 100 <a href="http://www.sunat.gob.pe">www.sunat.gob.pe</a>	
<b>General Bureau of Environmental Health DIGESA)</b> (Dirección General de Salud Ambiental - DIGESA)	DIGESA is the technical regulator on issues related to basic health, occupational health, food hygiene, zoonosis, and protection of the environment.
Tel: +51 1 442 8353 / +51 1 631 4430 <a href="http://www.digesa.minsa.gob.pe">www.digesa.minsa.gob.pe</a>	
<b>Environmental Assessment and Supervisory Board - OEFA</b> (Organismo de Evaluación y Fiscalización Ambiental - OEFA)	The OEFA is the guiding entity of the National Environmental Assessment and Supervisory System (SINEFA) and is responsible as such for the evaluation, supervision, and auditing of the compliance with environmental laws nationwide, integrating the efforts of the State and society in a coordinated and transparent manner to ensure the effective management and protection of the environment.
Tel: +51 1 717 6079 <a href="http://www.oefa.gob.pe">www.oefa.gob.pe</a>	
<b>Private Investment Promotion Agency - ProInversión</b> (Agencia de Promoción de la Inversión Privada)	ProInversión promotes investment not dependent on a Peruvian Government by agents under private regime, in order to boost competitiveness and sustainable development, to improve the welfare of the population
Tel: +51 1 200 1200 <a href="http://www.proinversion.gob.pe">www.proinversion.gob.pe</a>	





# Economic promotion institutions and relevant associations



# 1 | inPERU

inPERU was established on January 11, 2012 as a non-profit corporation to promote investment towards Peru in the principal international financial markets, seeking an exchange of better practices and, in general, providing information on Peru as a destination of multiple investment opportunities. The incorporations of inPERU consist of the following private institutions: Lima Stock Exchange (BVL), Cavali, Private Pension Fund Management Association (AAFP), Banking Association of Peru (ASBANC), Procapitales, Peruvian Finance Association (APEF), National Confederation of Private Business Institutions (CONFIEP) and the Peruvian Association of Insurance Companies (APESEG).

It also has the support of the Peruvian State through the Ministry of Economy and Finance (MEF), the Ministry of Foreign Trade and Tourism (MINCETUR), the Ministry of Foreign Relations (MRE), the Central Reserve Bank of Peru (BCRP), the Superintendency of Banking, Insurance and Pension Fund Management Companies (SBS), the Superintendency of the Stock Market (SMV), Prolnversion and PromPeru.

During 2016, inPERU plans to undertake a presentation to promote investment in Peru on October 11<sup>th</sup> and 12<sup>th</sup> in London.

## ► Contact:

► Francis Stenning De Laval  
President  
Tel. +51 1 619 3333 Ext. 2169  
Website: [www.inperu.pe](http://www.inperu.pe)

## 2 | Ministry of Foreign Affairs: Executive Office for Economic Promotion - DPE

The Executive Office for Economic Promotion (DPE) is the institution of the Ministry of Foreign Affairs (MRE) responsible for coordinating with Peruvian missions abroad in an effort to promote Peru as a country capable of providing goods and services in international markets, as well as positioning it as a world-renowned tourist destination, and a country with interesting business and investment opportunities in different economic sectors.

It should be noted that the DPE has a Quality Management System certified with ISO 9001:2008 International Standards, governed under the values of equality, social commitment, honesty, transparency, and teamwork, thus ensuring that the needs of its national and international users are met.

The DPE reaffirms its commitment to provide services with high standards of quality, excellence and continuous improvement in the development of the certified processes, such as:

- Support for exporters, investments and travel agents.
- Support for trade, investment and tourism missions.
- Attention to requests.
- Training.
- Dissemination of opportunities.
- Organization of events.
- Resolution of trade problems and impasses.

## Services Offered by the DPE

### Trade Promotion Bureau - PCO (Dirección de Promoción del Comercio - PCO)

- Diffusion of business opportunities
- Diffusion of the export offer
- Support in the solution of trade problems between companies
- Identification of business opportunities
- Support to trade missions and their participation in fairs abroad
- Support to exporters in the resolution of trade impasses
- Organization of trade events

### Investment Promotion Bureau - PIN (Dirección de Promoción de las Inversiones - PIN)

- Participation in the negotiation of Foreign Investment Promotion Agreements
- Diffusion of investment opportunities (federal, regional, and municipal governments)
- Coordination of international events for investment promotion (road shows, videoconferences, fairs and seminars)
- Preparation and coordination of an agenda for foreign business missions
- Diffusion of specialized information on foreign investment
- Support in the identification of investment possibilities and strategic alliances
- Diffusion of tenders and international bidding processes called by public and private Peruvian entities

### Tourism Promotion Bureau - PTU (Dirección de Promoción del Turismo - PTU)

- Diffusion of tourism offer
- Support for culinary events
- Diffusion of tourism materials
- Support for tourism promotion fairs abroad
- Support for agendas involved in the promotion of tourism
- Promotion and negotiation of tourism agreements
- Diffusion of tourism information obtained by our missions

## ► Contacts:

1) Silvia Alfaro Espinosa  
Ambassador  
Executive Director of Economic Promotion  
Tel: +51 1 204 3360 / +51 1 204 3361  
Fax: +51 1 204 3362  
E-mail: dpe@rree.gob.pe

2) Augusto Freyre Layzequilla  
Ambassador  
Director of Tourism Promotion  
Bureau of Economic Promotion  
Tel: +51 1 204 3391 / +51 1 204 3392  
E-mail: afreyre@rree.gob.pe

3) Javier Augusto Prado Miranda  
Minister  
Director of Investment Promotion  
Bureau of Economic Promotion  
Tel: +51 1 204 3368 / +51 1 204 3369  
E-mail: jprado@rree.gob.pe

4) Jaime Ricardo Sparks De Las Casas  
Minister  
Director of Trade Promotion  
Bureau of Economic Promotion  
Tel: +51 1 204 3368 / +51 1 204 3369  
E-mail: jsparks@rree.gob.pe

- Address: Jr. Lampa 545, Piso 10 - Lima 1
- Tel: +51 1 204 3361 / +51 1 204 3365 (DPE)  
+51 1 204 3369 (PCO) / +51 1 204 3385 (PIN) +51 1 204 3392 (PTU)

- Fax: +51 1 204 3362
- E-mail: dpe@rree.gob.pe
- Website: [www.rree.gob.pe](http://www.rree.gob.pe)  
(This website contains the list of Decentralized Offices in Tumbes, Piura, Iquitos, Arequipa, Cusco, Puno and Tacna)



### 3 | Ministry of Foreign Trade and Tourism - MINCETUR and PromPeru

The Ministry of Foreign Trade and Tourism (MINCETUR) defines, directs, carries out, coordinates and supervises foreign trade and tourism policies. In coordination with the Ministry of Foreign Affairs (MRE) and the Ministry of Economy and Finance (MEF) and the other Government sectors in their related areas, it is responsible for the promotion of exports and international trade negotiations. The Minister leads international trade negotiations on behalf of the State and may sign related agreements. With regard to tourism, the Ministry promotes, orients and regulates tourism activities in order to encourage the sustainable development thereof, including the promotion, orientation and regulations of handicrafts.

#### ► Contacts:

- Eduardo Ferreyros  
Minister  
Address: Calle Uno Oeste 050 Urb. Córpac, San Isidro  
Tel: +51 1 513 6100  
Web: [www.mincetur.gob.pe](http://www.mincetur.gob.pe)

#### PromPeru

PromPeru is the agency of the Ministry of Foreign Trade and Tourism (MINCETUR) that is in charge of developing strategies to produce an integrated and attractive image of Peru. This image will help develop domestic tourism and promote the country to the world as a privileged destination for inbound tourism and investment. It is also in charge of promoting Peruvian exports.

#### ► Contacts:

- Address:
  - Office for Exports and General Secretariat: Av. República de Panamá 3647, San Isidro - Lima, Perú
  - Tourism Office: Calle Uno Oeste 50, Edificio Mincetur, Pisos 13 y 14, San Isidro - Lima, Perú
- Tel: +51 1 616 7400 (Office for Exports and General Secretariat)  
+51 1 616 7300 (Tourism Office)  
+51 1 616 7300 / +51 1 616 7400
- E-mail: [webmaster@promperu.gob.pe](mailto:webmaster@promperu.gob.pe)
- Website: [www.promperu.gob.pe](http://www.promperu.gob.pe)

## 4 | Agency for the Promotion of Private Investment - ProInversion

ProInversion is a public entity attached to the Ministry of Economy and Finance (MEF) and is in charge of executing the national policy for promoting private investment.

Its mission is to promote investment via agents in the private sector, in order to boost Peru's competitiveness and sustainable development and thus improve the wellbeing of the population.

In turn, its vision is to be recognized by investors and the population as an "efficient and strategic ally in the development of investment in Peru".

ProInversion provides information to potential investors regarding the incorporation of a business in Peru, identifying investment opportunities by sectors, learning about the processes of public-private partnerships, among others.

ProInversion offers its services for investments in Peru free of charge, in three stages:

Pre-Incorporation	Incorporation	Post-Incorporation
<ul style="list-style-type: none"><li>▸ General information service: macroeconomic data, legal framework, tax system, etc.</li><li>▸ Specific information service, at the request of the potential investor.</li><li>▸ Preparation of agendas with: potential partners, suppliers, clients, authorities, associations, unions, etc.</li></ul>	<ul style="list-style-type: none"><li>▸ Guidance on obtaining municipal permits and licenses for the establishment of an industrial or commercial business.</li><li>▸ Contact and accompaniment to the regions and potential production zones.</li><li>▸ Advisory on migratory processes for entry and residence of business people.</li></ul>	<ul style="list-style-type: none"><li>▸ Establishment of a network of contacts with public and private companies.</li><li>▸ Guidance for the expansion of the business.</li><li>▸ Identification of administrative barriers.</li></ul>

### ▸ Contacts:

#### ▸ Main Office (Lima):

- Av. Enrique Canaval Moreyra N° 150, piso 9, San Isidro - Lima 27  
Tel: +51 1 200 1200  
Fax: +51 1 221 2941  
E-mail: [contact@proinversion.gob.pe](mailto:contact@proinversion.gob.pe)  
Website: [www.proinversion.gob.pe](http://www.proinversion.gob.pe)

#### ▸ Decentralized Offices:

- Arequipa: Pasaje Belén N° 113 - Vallecito, Arequipa  
Tel: +51 54 608 114  
Fax: +51 54 608 115

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

## 5 | Peruvian Foreign Trade Association - ComexPeru

ComexPeru is the private association that groups the leading companies involved in foreign trade in Peru. Its main purpose is to contribute to the improvement of competitive conditions within a free market environment that will make Peru an attractive destination for private investment.

### ► Objectives and Guidelines:

- Promote the development of foreign trade.
- Defend free market policies.
- Encourage private investment.

### ► Contacts:

► Jessica Luna Cárdenas  
General Manager  
Address: Calle Bartolomé Herrera 254, Miraflores, Lima 18  
Tel: +51 1 625 7700  
Fax: +51 1 625 7701  
Website: [www.comexperu.org.pe](http://www.comexperu.org.pe)

## 6 | National Confederation of Private Business Institutions - CONFIEP

The National Confederation of Private Business Institutions (CONFIEP) brings together and represents private business activities within Peru and abroad. Its principal objective is to contribute to the process of sustained economic growth, based on investment and job creation through individual effort and initiative, the promotion of entrepreneurship and private property.

### ► Objectives and Guidelines:

- Business unity: Strengthen the union between Peruvian business entrepreneurs to build an order in which free enterprise and a market economy are the distinguishing features.
- Representation: Act as the principal spokesperson for entrepreneurs nationwide before the State, and in public and private forums.
- Services: Promote greater communication and coordination between business sectors, and support, back, and provide advice to the business community.

### ► Contacts:

► Martín Pérez Monteverde  
President  
Address: Av. Víctor Andrés Belaúnde 147, Edificio Real Tres, Of. 401 San Isidro, Lima - Perú  
Tel: +51 1 415 2555  
Fax: +51 1 415 2566  
Website: [www.confiep.org.pe](http://www.confiep.org.pe)

## 7 | Association of Capital Markets Business Promoters - Procapitales

The Association of Capital Markets Business Promoters (Procapitales) brings together the principal actors in the market, channeling their concerns and proposals. It acts as a business guild to focus fundamentally on promoting investment and capital markets. It speaks on behalf of its associates to the public sectors with proposals to reduce legal costs and bureaucratic barriers that hinder easy market access. The institution's principal objective is to encourage an efficient legal framework and appropriate corporate governance practices.

### ► Objectives and Guidelines:

- Promote the development of new investment instruments.
- Encourage access by new issuers of fixed-income and equity securities .
- Promote the mobilization of institutional investor resources through new intermediary vehicles.
- Actively promote improvements in legislation and the regulation of the capital market.
- Publicize and encourage the implementation of good corporate governance practices.
- Create a permanent, proactive, and organized space for dialogue and interaction between agents in the market, including the regulatory and supervisory institutions.
- Contribute to the institutional strengthening of agents participating in the capital market.

### ► Contacts:

- Paulo Comitre Berny  
President  
Address: Las Camelias 820 Of. 601 San Isidro, Lima 27  
Tel: +51 1 440 1080  
Fax: +51 1 440 1080 Ext. 110  
Website: [www.procapitales.org](http://www.procapitales.org)

## 8 | Lima Chamber of Commerce - CCL

For the last 128 years, the Lima Chamber of Commerce (CCL) has represented and defended the interests of the business class before the country's authorities, as well as national and foreign entities. As part of its activities, it promotes free market policies and free competition with a sense of social responsibility, as well as fair and honest competition within a framework of values and ethical principles, fostering domestic and foreign trade and promoting good commercial practices.

The Lima Chamber of Commerce (CCL) is a strategic partner of the State, cooperating to ensure that the laws and other provisions foster national social and economic prosperity, taking the initiative in offering proposals and assuming responsibility in the activities entrusted to it by the State. It attempts to maintain close relations among all organizations representing business activities and cooperation for development, both Peruvian and international, especially supporting the decentralization of production. As a complementary activity, it conciliates interests and manages arbitration proceedings in an affordable and democratic manner between companies or business people, trying to ensure quick and friendly agreements.

The Lima Chamber of Commerce (CCL) groups together over 14,000 member companies, including the Chamber of Commerce, Production, and Services (Perucamaras) which, in turn, groups together the country's 63 chambers and associations.

► **Contacts:**

► Mario Mongilardi Fuchs  
President

► José Rosas Bernedo  
General Manager

Address: Av. Giuseppe Garibaldi 396 Jesús María, Lima  
Tel: +51 1 463 3434  
Fax: +51 1 463 3434 Anx. 674  
Website: [www.camaralima.org.pe](http://www.camaralima.org.pe)

## 9 | National Association of Industries - SNI

The National Association of Industries (SNI) is the institution that groups together Peru's private industrial companies. It is a private-law, non-profit legal entity.

The members of the SNI currently include over 1,000 of the most representative companies of the country's industrial sector, accounting for 90% of the gross value of national production. It should be noted that 16% of Peru's Gross Domestic Product (GDP) is contributed by the industrial sector.

► **Contacts:**

► Andreas Von Wedemeyer  
President

► Rosa Asca Cordano  
General Manager  
Address: Los Laureles 365 San Isidro, Lima  
Tel: +51 1 616 4444  
Website: [www.sni.org.pe](http://www.sni.org.pe)

## 10 | Peruvian Association of Exporters - ADEX

The Peruvian Association of Exporters (ADEX) is a business institution founded in 1973 to represent and provide services to its members: exporters, importers, and trade service providers. It is an association made up of large, medium, and small enterprises whose common denominator is their vision of achieving ambitious business objectives.

► **Contact:**

► Juan Varillas Velásquez  
President  
Address: Av. Javier Prado Este 2875 San Borja, Lima  
Tel: +51 1 618 3333  
Website: [www.adexperu.org.pe](http://www.adexperu.org.pe)

## 11 | National Institute of Statistics and Information - INEI

The INEI is the entity responsible for producing and disseminating the official statistical information that the country needs with the quality, timeliness, and coverage required, in order to contribute to the design, monitoring, and evaluation of public policies and the decision-making process of socioeconomic agents, the public sector, and the community in general.

Its main duties include:

- Formulating and evaluating the National Statistics Policy and Plan, as well as coordinating and orienting the formulation and evaluation of sectoral, regional, local, and institutional plans.
- Coordinating and/or carrying out the production of basic statistics through censuses, sample-based surveys, and administrative records on the public sector, as well as keeping census maps up-to-date.
- Entering into agreements on technical assistance, specialized training, and the provision of statistic-related services.
- Regulating, orienting, and evaluating the organization of the Statistic Offices of the National Statistics System, as well as promoting the creation of Statistic Offices.
- Coordinating, providing opinions, and supporting national and international projects for the provision of financial technical assistance required in matters of statistics by the entities of the National Statistics System at all levels.
- Safeguarding the confidentiality of the information produced by the entities of the system.

### ► Contacts:

► Víctor Aníbal Sánchez Aguilar  
INEI Head  
Address: Av. Gral. Garzón 654 - 658, Jesús María, Lima - Perú  
Tel: +51 1 652 0000  
Website: [www.inei.gob.pe](http://www.inei.gob.pe)

## 12 | Peruvian Automotive Association

### Contacts:

► Edwin Derteano Dyer  
President  
  
Address: Av. Javier Prado Oeste 278, San Isidro, Lima 27, Perú  
Tel: +51 1 640 3636  
E-mail: [aap@aap.org.pe](mailto:aap@aap.org.pe)  
Web: [www.aap.org.pe](http://www.aap.org.pe)

## 13 | Peruvian Private Pension Fund Management Companies Association - Asociación AFP

### Contacts:

- Luis Valdivieso Montano  
President

Address: Calle Antequera 580, San Isidro, Lima 27, Perú  
Tel: +51 1 440 6589  
Web: [www.asociacionafp.com.pe](http://www.asociacionafp.com.pe)

## 14 | Peruvian Banking Association - ASBANC

### Contacts:

- Oscar Rivera Rivera  
President

Address: Calle 41 No. 975, Urb. Córpac, San Isidro, Lima 27, Perú  
Tel: +51 1 612 3333  
Fax: +51 1 612 3316  
Web: [www.asbanc.com.pe](http://www.asbanc.com.pe)

## 15 | Association for the Promotion of National Infrastructure - Asociación AFIN

### Contacts:

- Gonzalo Prialé  
President

Address: Av. Jorge Basadre 310 Oficina 601-D, San Isidro, Lima 27, Perú  
Tel: +51 1 441 1000  
Fax: +51 1 422 7611  
E-mail: [comunicaciones@afin.org.pe](mailto:comunicaciones@afin.org.pe)  
Web: [www.afin.org.pe](http://www.afin.org.pe)

## 16 | Lima Stock Exchange - BVL

### Contacts:

- Christian Laub Benavides  
Presidente

Address: Pasaje Acuña 106, Lima 100, Perú  
Telf: +51 1 619 3333  
Web: [www.bvl.com.pe](http://www.bvl.com.pe)







# Directory of principal Chambers of Commerce



**Peruvian - American Chamber of Commerce - AmCham**

Address: Av. Víctor Andrés Belaúnde 177, San Isidro, Lima 27  
 Tel: +51 1 705 8000  
 Fax: +51 1 705 8026  
 E-mail: amcham@amcham.org.pe  
 Website: www.amcham.org.pe

**Aldo Defilippi**  
 Executive Director

**Peruvian - Brazilian Binational Chamber of Commerce and Integration - Capebras**

Address: Calle El Rosario 359 "A", Miraflores, Lima 18  
 Tel: +51 1 447 3797  
 Website: www.capebras.org

**Miguel Vega Alvear**  
 President

**Spanish Chamber of Commerce in Peru**

Address: Av. República de Panamá 3581, Of. 301, San Isidro, Lima 27  
 Tel: +51 1 399 4730  
 E-mail: cocep@cocep.org.pe  
 Website: www.cocep.org.pe

**Luis Velasco**  
 President

**Peruvian - Chilean Chamber of Commerce**

Address: Calle Monterrey 281, Of. 214, Urb. Chacarilla, Santiago de Surco, Lima 33  
 Tel: +51 1 372 2553 / +51 1 372 4858  
 Website: www.camaraperuchile.org

**Juan Carlos Fisher**  
 President

**Canadian - Peruvian Chamber of Commerce**

Address: Calle Santander 186, Of. 201, Miraflores, Lima 18  
 Tel: +51 1 440 6699  
 E-mail: gerente@canadaperu.org  
 Website: www.canadaperu.org.pe

**José Tudela**  
 President

**Peruvian - Ecuadorian Chamber of Commerce and Integration - Capecua**

Address: Av. Salaverry 2415, Of. 305, II block, San Isidro, Lima 27  
 Tel: +51 1 222 1772  
 E-mail: capecua@capecua.org.pe  
 Website: www.capecua.org

**Juan Carlos Durand**  
 President

Peruvian - German Chamber of Commerce and Industry

Address: Av. Camino Real 348, Of.1502, San Isidro  
Tel: +51 1 441 8616 / +51 1 442 6014  
Website: [www.camara-alemana.org.pe](http://www.camara-alemana.org.pe)

**Peter Anders**  
President

Peruvian - French Chamber of Commerce and Industry

Address: Los Nogales 326, San Isidro  
Tel: +51 1 421 4050 / +51 1 421 9093  
Website: [www.cci pf.com](http://www.cci pf.com)

**Emmanuel Bonnet**  
President

Italian Chamber of Commerce in Peru

Address: Calle Almirante Lord Cochrane 107, Of. 13, San Isidro  
Tel: +51 1 221 2598  
E-mail: [camerit@cameritpe.com](mailto:camerit@cameritpe.com)  
Website: [www.cameritpe.com](http://www.cameritpe.com)

**Marco Tecchia**  
President

Peruvian - Argentine Chamber of Commerce

Address: Av. Camino Real 479, Of. 301B, San Isidro, Lima 27  
Tel: +51 1 441 4001  
Fax: +51 1 440 1093  
E-mail: [gerencia@camaraperuano-argentina.org](mailto:gerencia@camaraperuano-argentina.org)  
Website: [www.camaraperuano-argentina.org](http://www.camaraperuano-argentina.org)

**Oscar Scarpari**  
President

Peruvian - British Chamber of Commerce

Address: Av. José Larco 1301, piso 22, Torre Parque Mar, Miraflores, Lima 18  
Tel: +51 1 617 3090  
Fax: +51 1 617 3095  
E-mail: [bpcc@bpcc.org.pe](mailto:bpcc@bpcc.org.pe)  
Web: [www.bpcc.org.pe](http://www.bpcc.org.pe)

**Enrique Anderson**  
President

Peruvian - Mexican Chamber of Commerce A.C.

Address: Montebello 170, Urb. Chacarilla, Santiago de Surco, Lima 33  
Tel: +51 1 627 5568  
Fax: +51 1 628 8650  
Website: [www.camaraperu-mexico.org.pe](http://www.camaraperu-mexico.org.pe)

**Gerardo Solís Macedo**  
President

**Swiss Chamber of Commerce in Peru**

Address: Av. Salaverry 3240, piso 4, San Isidro, Lima 27  
 Tel: +51 1 264 3516  
 Fax: +51 1 264 3526  
 E-mail: [info@swisschamperu.com](mailto:info@swisschamperu.com)  
 Website: [www.swisschamperu.org](http://www.swisschamperu.org)

**Felipe Antonio Custer**  
 President

**Peruvian - Chinese Chamber of Commerce**

Address: Calle Francisco Masías 544, piso 6, San Isidro, Lima 27  
 Tel: +51 1 422 8152  
 Fax: +51 1 422 8358  
 E-mail: [info@capechi.org.pe](mailto:info@capechi.org.pe)  
 Website: [www.capechi.org.pe](http://www.capechi.org.pe)

**José Tam**  
 President

**Commercial Council of the Embassy of Colombia**

Address: Av. Alfredo Benavides 1555, Of. 506, Miraflores, Lima 18  
 Tel: +51 1 242 7207  
 Fax: +51 1 222 2074  
 E-mail: [administracionlima@proexport.co](mailto:administracionlima@proexport.co)  
 Website: [www.proexport.com](http://www.proexport.com)

**Alberto Lora**  
 Commercial Attaché

**Peruvian - Japanese Chamber of Commerce and Industry**

Address: Av. Gregorio Escobedo 803, piso 7, Jesús María, Lima 11  
 Tel: +51 1 261 0484  
 Fax: +51 1 261 3992  
 Website: [www.apj.org.pe](http://www.apj.org.pe)

**Norihide Tsutsumi**  
 President

**Peruvian - Nordic Chamber of Commerce**

Address: Av. La Encalada 1010, Of. 204, Santiago de Surco, Lima 33  
 Tel: +51 1 437 6393  
 E-mail: [ccpn@camaranordica.org.pe](mailto:ccpn@camaranordica.org.pe)  
           [smorales@camaranordica.org.pe](mailto:smorales@camaranordica.org.pe)  
 Website: [www.camaranordica.org.pe](http://www.camaranordica.org.pe)

**Raúl Alta Torre**  
 President

**Macarena Cisneros Llona**  
 General Manager

#### Peruvian - Irish Chamber of Commerce

Address: Av. Paseo de la República 5757-B, Urb. San Antonio, Miraflores  
Tel: +51 1 242 9516  
E-mail: gerencia@ccpi.org.pe  
Website: www.ccpi.org.pe

**Eimear Hayes**  
President

#### Peruvian - Arab Chamber of Commerce

Address: Av. Manuel Olguín 211, Of. 1301, Edificio Omega, piso 13, Surco, Lima 33  
Tel: +51 1 340 2303  
Fax: +51 1 340 2424  
E-mail: info@camaraarabeperu.org

**Hamed Abou Zahr**  
President

#### Indian Chamber of Commerce in Peru

Address: Jr. Amazonas 675, Magdalena del Mar  
Tel: + 51 952 869 932  
E-mail: gerencia@incham.pe  
Website: www.incham.pe

**Ravi Krishna**  
President

#### Peruvian - Romanian Chamber of Commerce

Address: Av. Emilio Cavenecia 264, Dpto. 701, Int. 8, San Isidro, Lima 27  
Tel: + 51 1 725 5888  
E-mail: info@camaraperuromania.com  
Website: www.camaraperuromania.pe

**Eduardo Samaniego Soto**  
President

#### Peruvian - Colombo Chamber of Commerce and Integration

Address: Calle Alcanfores 1140, Miraflores, Lima 18  
Tel: + 51 1 242 4530  
E-mail: info@colperu.com  
Website: www.colperu.com

**Hernando Otero García**  
President

#### Peruvian - Israeli Chamber of Commerce

Address: Av. Dos de Mayo 1815, San Isidro, Lima 27  
Telefax: + 51 1 222 8850

**Mizrahi Yossef Haim**  
President

This Business and Investment Guide was prepared by EY



## Contacts EY Peru

Paulo Pantigoso  
Country Managing Partner  
Tel: +51 1 411 4418  
paulo.pantigoso@pe.ey.com

### ► Advisory

Jorge Acosta  
Advisory Leader  
Tel: +51 1 411 4437  
jorge.acosta@pe.ey.com

### ► Assurance

Juan Paredes  
Assurance Leader  
Tel: +51 1 411 4410  
juan.paredes@pe.ey.com

### ► Tax

David de la Torre  
Tax Leader  
Tel: +51 1 411 4471  
david.de.la.torre@pe.ey.com

### ► Transactions and Corporate Finance - TAS

Enrique Oliveros  
TAS Leader  
Tel: +51 1 411 4417  
enrique.oliveros@pe.ey.com

### ► Corporate Governance and Sustainability

Beatriz Boza  
Corporate Governance and Sustainability Leader  
Tel: +51 1 411 2108  
beatriz.boza@pe.ey.com

### ► Financial Services Organization - FSO

José Carlos Bellina  
FSO Leader  
Tel: +51 1 411 6117  
jose.bellina@pe.ey.com

---

## Lima - Peru

Av. Victor Andrés Belaunde 171,  
San Isidro - Lima 27, Perú  
Tel: +51 1 411 4444  
Fax: +51 1 411 4445  
ey.com/pe

Download this publication on [www.inperu.pe](http://www.inperu.pe)

## Statement

This publication contains summarized information and is therefore intended solely as a general reference guide for facilitating potential business. It is not intended, under any circumstances, to be used as a substitute for detailed research or the exercise of professional criteria and judgment. Additionally, the constant changes in the markets and their resulting information may result in the need to update the information included in this document. EY accepts no responsibility for the economic results that any person, company, or business may attempt to attribute to any material in this publication. For all specific business or investment matters, advice should always be sought from a qualified advisor.

