

Peru's Business and Investment Guide

2016 / 2017

September 2016



ProlInversión

Private Investment Promotion Agency - Peru



**Ministry of Foreign Affairs
Peru**



**Building a better
working world**

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Contacts

EY Peru

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

Advisory

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

Elder Cama
Phone: +51 1 411 6102
elder.cama@pe.ey.com

Giuliana Guerrero
Phone: +51 1 411 6111
giuliana.guerrero@pe.ey.com

Fabiola Juscamaíta
Phone: +51 1 411 6109
fabiola.juscamaíta@pe.ey.com

Víctor Menghi
Phone: +51 1 411 2121
victor.menghi@pe.ey.com

Geraldine Mouchard
Phone: +51 1 417 3507
geraldine.mouchard@pe.ey.com

Cecilia Ota
Phone: +51 1 411 7355
cecilia.ota@pe.ey.com

Renato Urdaneta
Phone: +51 1 411 4438
renato.urdaneta@pe.ey.com

Raúl Vásquez
Phone: +51 1 411 4415
raul.vasquez@pe.ey.com

Assurance

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

Tania Arana
Phone: +51 1 411 5050
tania.arana@pe.ey.com

Manuel Arribas
Phone: +51 1 411 4201
manuel.arribas@pe.ey.com

Antonio Benites
Phone: +51 1 411 4209
antonio.benites@pe.ey.com

Víctor Burga
Phone: +51 1 411 4419
victor.burga@pe.ey.com

Víctor Camarena
Phone: +51 1 411 4488
victor.camarena@pe.ey.com

Daniel Carpio
Phone: +51 1 411 4458
daniel.carpio@pe.ey.com

Gustavo Castro
Phone: +51 1 411 5062
gustavo.castro@pe.ey.com

Luis Felipe Chancafé
Phone: +51 44 608 830
luis-felipe.chancafe@pe.ey.com

Ricardo del Águila
Phone: +51 1 411 7236
ricardo.del-aguila@pe.ey.com

Raúl del Pozo
Phone: +51 1 411 4467
raul.del-pozo@pe.ey.com

Manuel Díaz
Phone: +51 1 411 4403
manuel.diaz@pe.ey.com

Cristian Emmerich
Phone: +51 1 411 4413
cristian.emmerich@pe.ey.com

Elizabeth Fontenla
Phone: +51 1 411 4436
elizabeth.fontenla@pe.ey.com

Iván Frías
Phone: +51 54 484 470
ivan.frias@pe.ey.com

Ariel García
Phone: +51 1 411 4454
ariel.garcia@pe.ey.com

Rafael Huamán
Fraud Investigation and
Dispute Services Leader
Phone: +51 1 411 4443
rafael.huaman@pe.ey.com

Sandra Luna-Victoria
Phone: +51 1 411 4207
sandra.luna.victoria@pe.ey.com

Moisés Marquina
Phone: +51 1 411 7237
moises.marquina@pe.ey.com

Oscar Mere
Phone: +51 1 411 5044
oscar.mere@pe.ey.com

Héctor Mori
Phone: +51 74 227 424
hector.mori@pe.ey.com

Fernando Núñez Pazos
Phone: +51 1 411 4473
fernando.nunez@pe.ey.com

Patricia Ramírez
Phone: +51 1 411 6411
patricia.ramirez@pe.ey.com

Wilfredo Rubiños
Phone: +51 1 411 4478
wilfredo.rubinos@pe.ey.com

Carlos Ruiz
Phone: +51 1 411 4402
carlos.ruiz@pe.ey.com

Antonio Sánchez
Phone: +51 1 411 4404
antonio.sanchez@pe.ey.com

Simona Settineri
Financial Accounting Advisory
Services Leader
Phone: +51 1 411 6113
simona.settineri@pe.ey.com

Mireille Silva
Phone: +51 1 411 4484
mireille.silva@pe.ey.com

Víctor Tanaka
Phone: +51 1 411 4408
victor.tanaka@pe.ey.com

Carlos Valdivia
Phone: +51 1 411 4409
carlos.valdivia@pe.ey.com

Katherine Villanueva
Phone: +51 1 411 4204
katherine.villanueva@pe.ey.com



Mayerling Zambrano
Phone: +51 1 411 2216
mayerling.zambrano@pe.ey.com

Financial Services Office

José Carlos Bellina
Financial Services
Office Leader
Phone: +51 1 411 2182
jose.bellina@pe.ey.com

Numa Arellano
Phone: +51 1 411 4428
numa.arellano@pe.ey.com

Alejandro Magdits
Phone: +51 1 411 4453
alejandro.magdits@pe.ey.com

Tax

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

Humberto Astete
Phone: +51 1 411 4477
humberto.astete@pe.ey.com

Percy Bardales
Phone: +51 1 411 4470
percy.bardales@pe.ey.com

José Barja
Phone: +51 1 411 2218
jose.barja@pe.ey.com

María Eugenia Caller
Phone: +51 1 411 4412
maria-eugenia.caller@pe.ey.com

José Ignacio Castro
Phone: +51 1 411 4476
jose-ignacio.castro@pe.ey.com

Gustavo Chau
Phone: +51 1 411 4451
gustavo.chau@pe.ey.com

Roberto Cores
Phone: +51 1 411 4468
roberto.cores@pe.ey.com

Beatriz de la Vega
Phone: +51 1 411 4482
beatriz.de-la-vega@pe.ey.com

Verónica Febres
Phone: +51 1 411 4442
veronica.febres@pe.ey.com

Marcial García
Phone: +51 1 411 4424
marcial.garcia@pe.ey.com

Guillermo Hidalgo
Phone: +51 1 411 4464
guillermo.hidalgo@pe.ey.com

Alicia Hurtado
Phone: +51 1 411 2213
alicia.hurtado@pe.ey.com

Ricardo Leiva
Phone: +51 1 411 7307
ricardo.leiva@pe.ey.com

María Elena Montoya
Phone: +51 1 411 2209
maria.montoya@pe.ey.com

Fernando Núñez Ciallella
Phone: +51 1 411 5047
fernando.j.nunez@pe.ey.com

Giancarlo Riva
Phone: +51 1 411 4448
giancarlo.riva@pe.ey.com

Elizabeth Rosado
Phone: +51 1 411 4457
elizabeth.rosado@pe.ey.com

Javi Rosas
Phone: +51 1 411 7308
javi.rosas@pe.ey.com

Nelson Santos
Phone: +51 1 411 2111
nelson.santos@pe.ey.com

Fernando Tori
Phone: +51 1 411 4479
fernando.tori@pe.ey.com

Mauro Ugaz
Phone: +51 1 411 7414
mauro.ugaz@pe.ey.com

Claudia Vega
Phone: +51 1 411 4483
claudia.vega@pe.ey.com

Transactions & Corporate Finance

Enrique Oliveros
Transactions and
Corporate Finance Leader
Phone: +51 1 411 4417
enrique.oliveros@pe.ey.com

Sergio Álvarez
Phone: +51 1 411 5005
sergio.alvarez@pe.ey.com

Pedro Arizmendi
Phone: +51 1 417 3506
pedro.arizmendi@pe.ey.com

Corporate Governance and Sustainability

Beatriz Boza
Phone: +51 1 411 2108
beatriz.boza@pe.ey.com

Lima
Av. Víctor Andrés Belaunde 171,
San Isidro - Lima 27, Peru
Phone: +51 1 411 4444
Fax: +51 1 411 4445
www.ey.com/PE

EY Arequipa
Av. Bolognesi 407,
Yanahuara - Arequipa
Phone: +51 54 484 470

EY Chiclayo
Calle Federico Villarreal
115 - Salón Cinto Chiclayo,
Lambayeque
Phone: +51 74 227 424
+51 74 227 421

EY Trujillo
Av. El Golf 591, Urb. del Golf
III Etapa, Víctor Larco Herrera
13009, Sala Puémape
Phone: +51 44 608 830



Foreword

Peru is one of the most important countries in Latin America. Its diverse characteristics include a variety of climates, a vast territorial expanse, significant natural resources, people with great skills and high academic standards, and a solid economic and industrial background. Today, Peru is considered one of the world's leading emerging markets, with a solid 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). Likewise, it is notable for its people, who are characterized by their productivity and entrepreneurship. These factors make Peru an excellent destination for foreign investment.

This Business and Investment Guide is a tool for foreign and national investors, providing key information on the country's current economic situation and the principal tax, legal, and labor issues, as well as on how to incorporate businesses in Peru, and general information on how to invest and do business in the country. It also contains a complete directory of Peruvian embassies and consulates abroad, as well as contacts of interest to investors.

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Words from the President of the Republic of Peru

Dear friends,

We begin this five-year government with the determined commitment to consolidate and expand Peru's growth and development, based on the principles of democracy and the rule of law, political and legal stability, the responsible management of macroeconomic policies, the promotion of formalization and the development of important infrastructure projects that will allow us to continue improving the quality of life of Peruvians.

In the sphere of the international economy, and as a country that operates within the world market and is a founding member of the Pacific Alliance, we maintain our firm hope of becoming a full member of the Organization for Economic Co-operation and Development (OECD); and complementing



Pedro Pablo Kuczynski
President of the Republic of Peru

this hope, we will develop an active role within the Asia-Pacific Economic Cooperation Forum (APEC) and will implement policies to achieve the objectives of sustainable development set out in the United Nations Agenda for 2030. Our objective is to consolidate Peru as a reliable partner and an attractive economy in the world.

I am convinced that the task that we are undertaking will make Peru a country full of opportunities. A country united in the search for a common development objective. We, therefore, invite you to invest and do business in Peru.

We look forward to welcoming you.

Peru: Challenges to achieve sustainable growth

From the beginning of the new millennium through July 2016, Peru has achieved an impressive cumulative growth of 124% of its Gross Domestic Product (GDP) accompanied by a cumulative inflation during the same period of just 56%, the best rates of their kind in all of Latin America. In monetary terms, poverty has been reduced by half in recent years, with more Peruvians living in better conditions, with a brighter future. Nowadays, Peru is a true economic miracle nearly 20 years after the end of its history of hyperinflation and terrorism, which have given way to the best possible conditions of stability, respect, and promotion of investment in the Region, becoming the sixth largest economy in South America - measured in purchasing power parity - after Brazil, Chile, Argentina, Colombia, Venezuela and Colombia. Together with this economic progress, national pride has experienced sustained growth, rooted in our knowledge that we will continue to conquer the world together as a result of our own effort. This pride also stems from the rich historical legacy that influences our flourishing awareness of Peruvian identity, manifested, for example, in our cuisine and tourist attractions. Effectively, our entrepreneurial nature, as well as the exploitation and processing of our resources are changing our cities markedly, along with our way of life, and articulating a new Peru.

This growth comes with the challenge of sustaining it, which in turn demands an increase in productivity based on improvements in educational quality,

infrastructure, domestic security, productive efficiency and modernity, the reduction of bureaucracy, and the implementation of much needed reforms. Indeed, with a Gross Domestic Product (GDP) per capita measured in Purchasing Power Parity (PPP) estimated at approximately US\$12,076 for 2015, Peru crosses a development threshold where it is forced to avoid falling into a group of nations inserted in the so-called "middle-income trap". This trap occurs when the growth of GDP per capita slows considerably after a period of rapid growth (generally, when the PPP reaches between US\$10,000 and US\$15,000) and could be attributed to a phenomenon of complacency with the relative success achieved, causing the continuous reforms so necessary for progress to stagnate. With all of this, Peru is just beginning its "demographic bonus" period, where 65% of its population between the ages of 15 and 64 reach their highest records of production, consumption, savings, and investment. This is why it cannot fail to take advantage of this historic moment of definitive consolidation as a country making the jump from a developing economy to a developed nation.

Some of the challenges and opportunities that our Peru has prioritized in order to maintain the economic stability it has achieved are as follows: the concrete challenges of eradicating poverty and extreme poverty; prioritizing investment in technological innovation; improving the quality of education; fostering private investment and



Paulo Pantigoso
Velloso da Silveira
Country Managing Partner
EY Peru
Editor



infrastructure investment and positioning itself in the Region as a bustling hub of international trade, thanks to the implementation of treaties strategically signed with the world's primary economies, which account for 92% of our exports; sustaining a powerful domestic demand; promoting productive diversification; consolidating itself as an international reference point in cuisine, agribusiness and tourism; improving the management of public health, domestic security, and the environment; redesigning decentralization and regionalization; implementing a revamped, efficient and committed public administration, which makes it possible to implement and execute projects and investments, and which, in turn, enables the timely development of said projects through appropriate, optimized and efficient proceedings; resolving social conflicts in a timely manner; fighting corruption; fostering social inclusion; fighting against drug trafficking and eliminating the remnants of terrorism.

The sustainable annual growth potential of Peru's GDP is above 4.5% and if, for example, over a period of ten continuous years it maintained an annual average growth rate of 6%, counted as from today, it would reach a Gross Domestic Product (GDP) per capita, measured in Purchasing Power Parity (PPP) of approximately US\$20,000 as at 2025.

Peru is growing rapidly and, consequently, this creates new and better business opportunities. By this Business and Investment Guide, we, as EY,

commit ourselves to support Peru's growth by helping companies to start, grow and succeed.

If you are a foreign investor interested in investing in Peru, you may also approach the nearest Peruvian Diplomatic or Consular Mission, the details of which are included at the end of this Guide.

Finally, we have provided readers with the most recent data on the country's outstanding economic performance, as well as important technical information on how to establish businesses in the country. We invite you to read through, and to contact us should you have any questions or comments.



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What to expect for Peru by 2025?

Below is a summary of some of the challenges we wish to highlight for the reader and the investor, based on a reading of this Business and Investment Guide, as well as other publications, so that your business investments in Peru help make it a better country. These are some of the goals that we as a country hope to achieve by the end of the next nine years.

Peru is a country with a solid macroeconomic framework, supported by consistent macroeconomic policy fundamentals, an efficient management of public finances, a diverse investment portfolio, and a healthy management of public debt and fiscal balance.



This leads to economic growth driven by five main factors:

1. The evolution of the mining industry.
2. The execution of infrastructure projects.
3. The growth of the middle class.
4. Solid macroeconomic fundamentals.
5. The development of cuisine, agribusiness and tourism.





PERU

Ministry
of Economy and Finance

One economy, progressing at the same speed for all peruvians

Peru is currently at one of the most critical points in its modern history. There is no denying that the international situation poses great challenges. Around the world, the economy will continue to grow at low rates over the coming years. China, which had been the driving force behind the growth of emerging economies, is now faced with a complex and volatile transition, while Europe and the United States maintain low growth expectations.

Under these circumstances, the Peruvian economy has continued to perform better than other economies in the region, but we aspire to more. We face the challenge of accelerating growth and recovering high expansion rates through the reactivation of internal drivers of growth: productivity and investment.

To achieve this, we are beginning a new wave of second-generation structural reforms. The first of these involves improving the public investment

system, in order to reverse the drop in government capital expenditures and improve their quality. We are likewise reforming the investment system in public-private partnerships in order to smooth out bottlenecks in infrastructure projects, streamline processes, decentralize these projects, and improve their quality. This will allow for greater infrastructure investment, in terms of both quantity and quality, with a two-fold effect: on private investment and on productivity.

Simultaneously to these measures, we are implementing reforms that directly bolster private-sector productivity and competitiveness. These measures are aimed at facilitating the emergence of formal undertakings, incentivizing their growth and improving the business climate.

We are commencing an ambitious tax and administrative simplification program that will foster business growth and allow millions of business

Alfredo Thorne Vetter
Economy and Finance Minister



owners and workers to join the formal economy, with all of the benefits this entails, such as greater opportunities to do business and the creation of a broader and more stable middle class.

We are convinced that the keys to lasting growth are a responsible macroeconomic policy, investment in high-quality infrastructure, and access to the benefits of a modern and dynamic economy for all citizens.

These reforms will make it possible to promote private investment and productivity, which will not only underpin our growth with sustainability, but they will also make it possible to generate development at all levels, with access to first-rate public services that close the gaps of inequality and provide the right incentives to continue investing in Peru.



**Ministry of Foreign Affairs
Peru**



Silvia Alfaro Espinosa
Director General of Economic Promotion
Ministry of Foreign Affairs

Dear readers:

The start of the new Government bodes well for investment and doing business in Peru, a country that has led economic growth in the region for the past several years and, given the macroeconomic policies that are to be implemented by the Executive Branch, there is no doubt that this growth will become even stronger. Also noteworthy is President Pedro Pablo Kuczynski's announcement that his Government has a particular interest in boosting all investment projects that will contribute to the growth of the Gross Domestic Product (GDP) and more job opportunities.

Peru is currently the focus of attention in the international community because it has successfully hosted important international meetings, including the Third Summit of South American-Arab Countries, ASPA, the 20th Conference of the Parties to the United Nations Framework Convention on Climate Change, COP20, the annual meeting of the Board of Governors of the International Monetary Fund - World Bank, and this year, the Asia Pacific Economic Cooperation Summit, APEC.

The fact that Peru is once again the host for the APEC Summit is proof of its positive performance in its Pacific Basin relations as well as its economic potential and attractiveness to foreign investors, who see Peru as an example of continuity and political and economic stability. Peru's economic progress is also evident in the investment grade ratings given by Standard & Poor's, Fitch and Moody's, all of which agree that Peru, together with Chile and Mexico, is leading the region in economic growth.

An added interest for investors and the business community is the fact that Peru has signed a number of important international agreements that facilitate investment and trade. These include 28

bilateral agreements for investment, 12 free trade agreements that include a chapter on investment, as well as 8 conventions to avoid double taxation.

Peru's Business and Investment Guide 2016/2017 is a useful tool for investors and business executives who are interested in Peru's strong growth, providing detailed information on the country's favorable investment climate and the contacts and opportunities provided to make their task easier. The Guide provides the reader with all the information necessary on the macroeconomic, legal, taxation, sector, labor and financial aspects of Peru.

The Peruvian Ministry of Foreign Affairs, through its General Office of Economic Promotion and more than 130 missions abroad, seeks to promote the opportunities for investment, trade and tourism that Peru has to offer. We offer our support to investors and the business community by providing the information and advice they may need to operate in the country.

Welcome to Peru.



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ProInversión

Private Investment Promotion Agency - Peru



Carlos Herrera Perret
Executive Director
ProInversión

The Peruvian economy is one of the economies with the largest growth in the last ten years, mainly due to its continuous stable policies that have enabled it to promote private investment and boost the growth of the domestic market, developing a clear policy of commercial integration at the same time. As a result of the good performance of the Peruvian economy, the risk rating agencies raised the credit rating of Peru in the past few years. For example, in July 2014, Moody's raised Peru's credit rating to A3, with a stable perspective.

In 2015, although the Peruvian economy grew at a rate of close to 3% - much below the average of 6% obtained in the previous decade - it shall recover and develop at rates of around 4% as of this year. For example, in its latest Inflation Report (September 2016) the Central Reserve Bank of Peru (BCRP) forecasts an upward trend of 4.0% for 2016 and 4.5% for 2017.

The bright perspective of the Peruvian economy is based on the start of the construction of concession infrastructural megaprojects over the past few years, the entry in production of large mining projects as well as the tax reforms in favor of investment and the investment facilitation measures implemented by the Government.

It must be emphasized that in Peru, foreign investment can freely develop alongside national investment in equal conditions and it is not subject to the fulfillment of performance requirements. Additionally, the Peruvian regulations contain special systems that guarantee the invariability of relevant aspects for the development of investments, such as, the free circulation of capitals, free competition and the guaranty of private property. This policy is based on the conviction that private investment must be the driving force of growth and to this effect

we require the concurrence of national and foreign capitals that will boost the development of the enormous opportunities that the country offers.

From ProInversión - Private Investment Promotion Agency, as a State agency in charge of promoting and facilitating private investment in Peru, we assist investors in the prospection, establishment and post-establishment stages. Similarly, with the aim of reducing the gap in infrastructure, ProInversión implements processes to promote private investment in infrastructure and public utilities projects, through Public-Private Partnerships. These projects may be generated by the direct identification of the different institutions of the National Government or Sub-National Governments, or respond to proposals made by the private sector, declared of interest by the competent government entity.

The portfolio of ProInversión contains projects that will significantly contribute towards improving the connectivity and competitiveness of the country and, at the same time, it shall begin to attend to the requirements for social infrastructure, a gap that, when covered, will strengthen the foundations for a sustained growth even further.

We invite investors to explore the investment possibilities in Peru and to share the benefits of its promising development.





*Background
information*

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. 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 of the Republic of Peru. 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. 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	▶ President of the Republic: Head of State and Government. ▶ Elections: Every five years by popular vote (consecutive re-election not permitted) Next elections: 2021. ▶ Cabinet: The Cabinet of Ministers is appointed by the President.
Legislative Branch	▶ Unicameral Congress. ▶ 130 seats. ▶ Members are elected by popular vote for a period of five years. ▶ Next elections: 2021.
Judiciary Branch	▶ Judges are appointed by the National Judge Selection and Evaluation Board.
Main Autonomous Entities	▶ Constitutional Court. ▶ National Electoral Board. ▶ Controller General's Office. ▶ Central Reserve Bank of Peru (BCRP). ▶ Superintendency of Banking and Insurance (SBS) and Private Pension Fund Management Companies (AFP).
Regional Governments	▶ 25 Regional Governments (including the Constitutional Province of Callao).
Local Governments	▶ 196 Provincial Municipalities. ▶ 1,646 District Municipalities.

Country Overview (continuation)

International Relations	<ul style="list-style-type: none">▶ Peru has numerous economic cooperation and Free Trade Agreements (FTAs) with multiple countries (see Section II.2: Trade Agreements).▶ Member of the United Nations since 1945 and a member of the Security Council in 2006 and 2007.▶ Member of the World Trade Organization (WTO) since 1995.▶ Member of the Pacific Alliance since its creation in 2011.▶ 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.▶ Peru was the site of the COP 20 (climate summit organized by the UN) in 2014; and in 2015 hosted the World Bank (WB) and International Monetary Fund (IMF) Annual Assembly in 2015. It will host the Asia-Pacific Economic Cooperation (APEC) Summit in November 2016.
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Source: 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 Brazil and Bolivia to the east, and by Colombia and Ecuador to the north. With a total land area of 1,285,215.60 km², Peru is the third largest country in South America after Argentina and Brazil, and can be divided geographically into three natural regions:

- ▶ The Coast, a narrow strip measuring approximately 3,080 km long. Although it 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, is the site of the Andean Mountain Range, covering 27.9% of the national territory and serving as home to approximately 9.3 million inhabitants. This Region contains the country's major mineral deposits.
- ▶ The Amazon Rainforest is the largest region and occupies 60.4% of the country's territory, rich in petroleum and forest resources. There are approximately 4.4 million inhabitants in this area.

Peru



Population

31.4 million (estimate 2016)

Urban: 76.6%

Rural: 23.4%

Area

1,285,215.60 km²



Currency*

Sol (S/)

S/1 = US\$0.295

US\$1 = S/3.387



Main languages

Spanish / Quechua / Aymara



Religion

Freedom of Religion

Principal 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 (Greenwich Mean Time minus five hours). There is no daylight saving time, and there is only one time zone throughout the entire country



Natural Resources

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



*Interbank exchange rate as at September 30, 2016

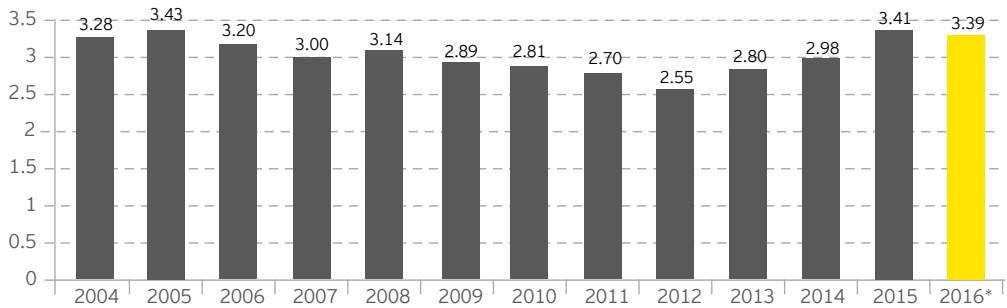
Sources: Central Reserve Bank of Peru (BCRP) / International Monetary Fund (IMF)

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 at September 30, 2016, banks were buying US Dollars at S/3.381 and selling them at S/3.387. The unofficial market has very similar exchange rates.

According to estimates as at September 2016, 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: Nuevos Soles per US\$1 (End of Each Year)



*As at September 30, 2016

Source: Central Reserve Bank of Peru (BCRP)

4 Economy

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 (estimate for 2015)
Net international reserves	▸ US\$61.5 billion (as at December 31, 2015)
Foreign debt	▸ US\$17.7 billion (estimate for 2015)
Total public debt	▸ US\$37.27 billion or 23.3% of the GDP
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\$251)
Principal destinations of peruvian exports	▸ Germany, Brazil, Canada, Colombia, Chile, China, South Korea, Italy, Japan, Spain, Switzerland, United States and Venezuela
Peruvian exports	▸ Gold, copper, silver, zinc, lead, crude oil and byproducts, coffee, potatoes, asparagus, paprika, organic bananas, quinoa, artichoke, berries, mango, cacao, 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, electronic items, plastics, machinery, vehicles, iron and steel, wheat and paper

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

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. Due 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 used the savings generated by the high prices of commodities between 2006-2008 and 2011-2012 to invest in infrastructure and in social aid programs, 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 Gross Domestic Product (GDP) growth rates, stable currency exchange rates, and low inflation. In fact, over the past 15 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 approximately 5.8% of its GDP achieved in 2013, of 2.4% in 2014, and of 3.3% 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% since the year 2000. This dynamism has been driven by the promotion and diversification of the exportable supply, 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 in almost 18% in the past seven years, representing around 21.8% of its total population for 2015.

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. Likewise, in 2014, the IMF declared that "Peru has a decade of wide growth and (...) the macroeconomic policies that it is putting into practice (...) allow it to achieve a fast development, thereby bringing economic stability to the country (...) are strongly encouraged for the implementation of policies and measures that have been implemented from a monetary, tax and infrastructural aspect". In 2015, the International Monetary Fund (IMF) highlighted the structural reforms that the country has put into motion, such as those in the education sector.

Peru is a member country of the Pacific Alliance, an entity that seeks to free up the commercial exchange of goods and services, the free circulation of people and capital, and promote cooperation mechanisms between the member countries, i.e. Peru, Chile, Mexico, and Colombia. Peru is also following a Country Program executed with the Organization for Economic Cooperation and Development (OECD) to strengthen its public policies.

The country's recent boost in economic development 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 at December 31, 2015, net international reserves stood at approximately 32% of the GDP.

The Peruvian economy for 2016 is expected to be the first fastest growing in Latin America, with an increase of 4.0% of its GDP. This is driven principally by private consumption, estimated to rise 3.5%, and domestic demand expansion estimated in 1.8%, improved employment indicators, and the recovery of total exports. At the same time, fixed private investment is expected to grow 5.0% as of 2017 while public investment would increase 10.3% for 2016.

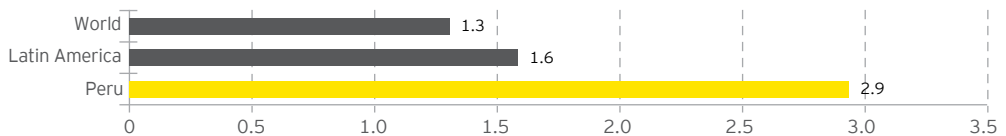
The total GDP and GDP per capita (measured in Purchasing Power Parity - PPP) of the major economies of Latin America, according to the International Monetary Fund (IMF) as at 2015 and projected to 2020, are given below:

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

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

Source: International Monetary Fund (IMF), World Economic Database, April 2016

GDP per Capita Average Growth 1990 - 2014 (Percentage Change)



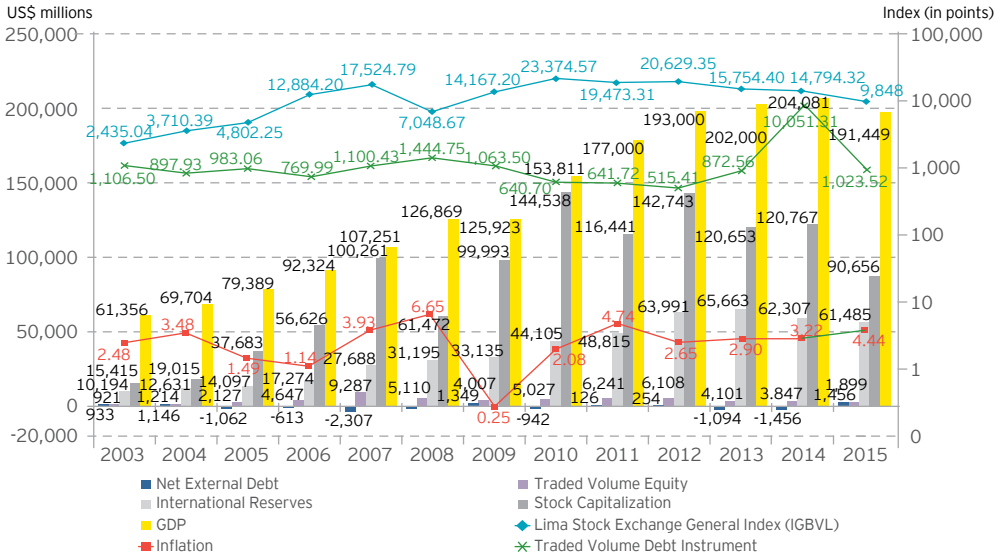
Source: Central Reserve Bank of Peru (BCRP)

Peru has signed a number of Free Trade Agreements (FTAs) covering approximately 92.2% of its exports as at 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, the Pacific Alliance and the Andean Community. It also has 28 Bilateral Reciprocal Investment Promotion and Protection Agreements (APPRI). Finally, Peru has concluded trade negotiations corresponding to the Trans-Pacific Partnership Agreement, which includes Chile, the United States, Singapore, Australia, and New Zealand, among others. (Also refer to Section II.2 Trade Agreements)

The Free Trade Agreement (FTA) with the United States entered into force on February 1, 2009, opened 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 has entered into the Framework Agreement for the Pacific Alliance in April 2011. Peru forms part of this trading bloc together with Chile, Colombia, and Mexico, which is 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. (Also refer to Section II.3 The Pacific Alliance).

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

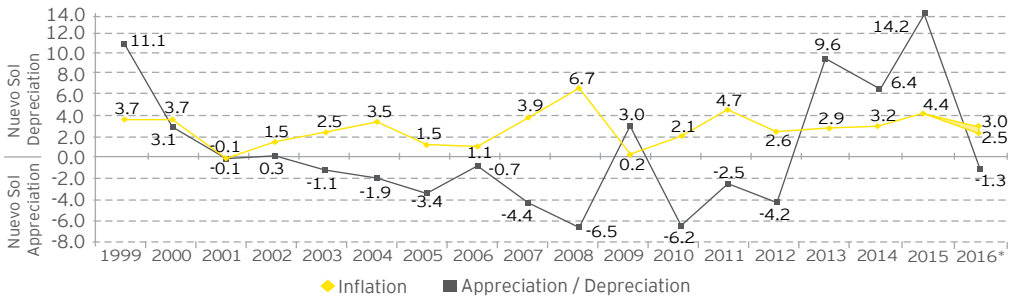
Evolution of Financial Indicators



Source: Central Reserve Bank of Peru (BCRP) / Lima Stock Exchange (BVL) / Apoyo

Appreciation / Depreciation and Inflation

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

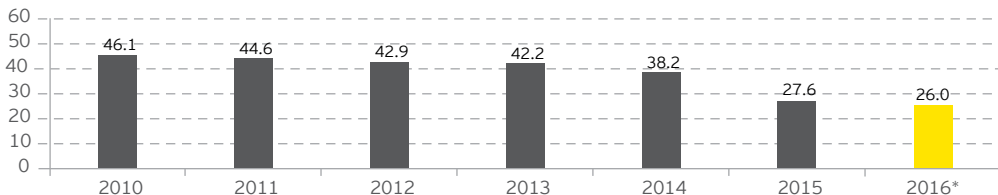


*Exchange rate estimated at 3.37 according to the Multiannual Macroeconomic Framework (MMM) of August 2016 / Inflation forecast according to the Inflation Report of September 2016

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

By the end of 2016, inflation is expected to be within the target range set by the Central Reserve Bank of Peru (BCRP) at 2.8%. Meanwhile, the average interbank interest rate in local currency was 4.2% in August.

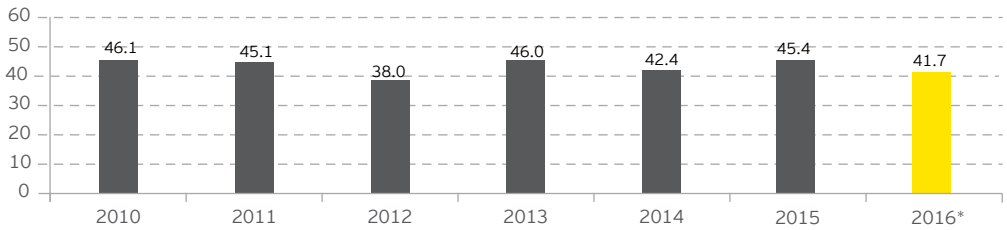
Dollarization Rate of Bank Loans



*As at July, 2016

Source: Central Reserve Bank of Peru (BCRP)

Dollarization Rate of Bank Deposits



*As at July, 2016

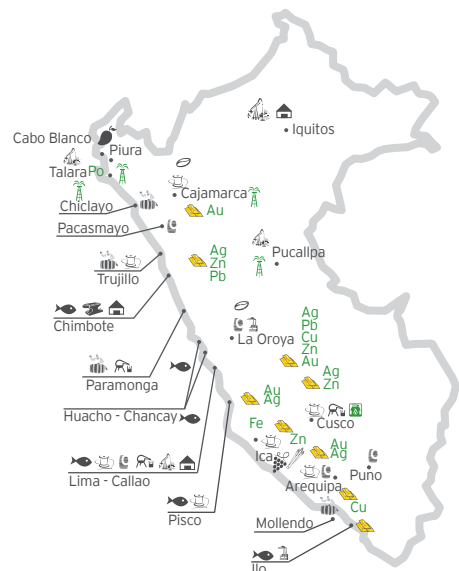
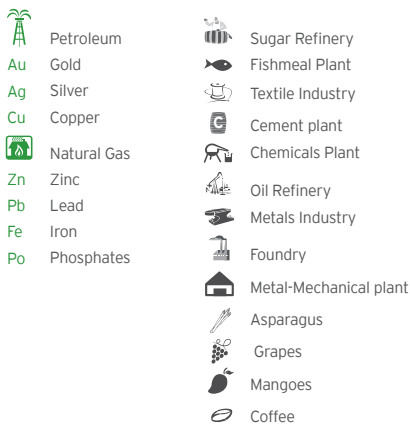
Source: Central Reserve Bank of Peru (BCRP)

Peru's Main Economic Activities

In 2015, the non-traditional productive markets that registered the highest exports were the agricultural (3.6%) and handcraft (68.8%) markets. The main non-traditional products exported in 2015 were quinoa (US\$143 million), mangoes (US\$194 million), asparagus (US\$131 million), organic bananas (US\$145 million), grapes (US\$690 million), berries (US\$95 million), refrigerated asparagus (US\$416 million), avocado (US\$303 million), cocoa (US\$183 million), artichokes (US\$87 million), tangerines (US\$66 million), paprika and capsicum (US\$52 million), natural calcium phosphates, refined copper wire, shortfin squid, squid, giant squid, either frozen, dried or in brine. With regard to the traditional products, the most important were gold, copper, silver, lead, zinc, gas, petroleum oil, coffee and fishmeal.

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

Main Economic Activities in the Regions of Peru

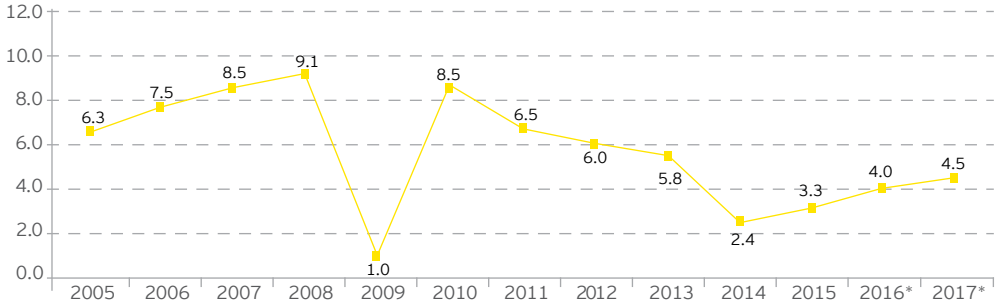


Source: EY

Gross Domestic Product (GDP) / Trade Balance

The Gross Domestic Product (GDP) estimate for 2015 is US\$191 billion. It is estimated that at the end of 2015, total FOB exports came to US\$34.2 billion, while imports totaled US\$37.4 billion. The main exports came from the mining, hydrocarbons, agricultural and livestock, and fisheries industries.

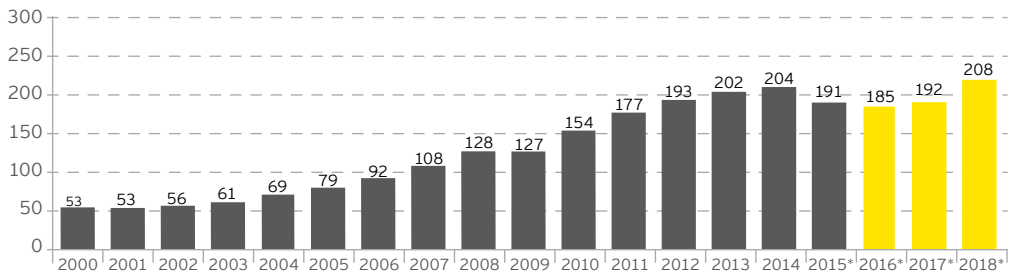
Gross Domestic Product (GDP) (Annual Percentage Change)



*Inflation Report - September 2016

Source: Central Reserve Bank of Peru (BCRP)

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



*Estimate

Source: Central Reserve Bank of Peru (BCRP) / World Economic Forum (2004 - 2014) / Apoyo (2015 - 2018)

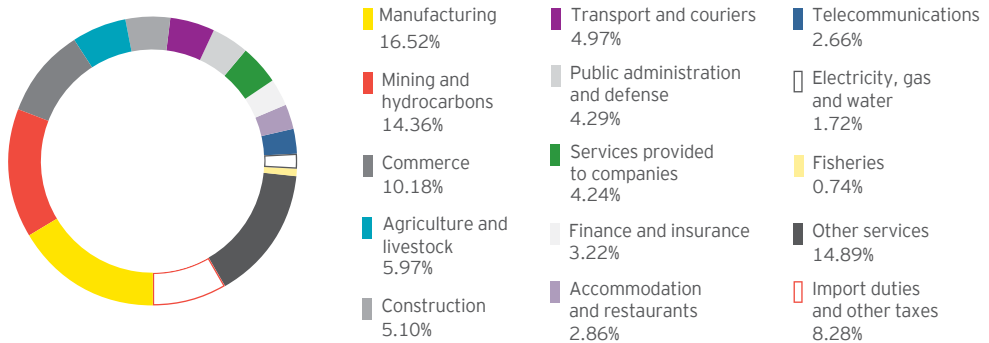
Gross Domestic Product (GDP) by Industry (Annual Percentage Change)

	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	1.4	3.8
Fisheries	3.0	-3.4	-19.6	52.9	-32.2	18.1	-27.9	15.9	-2.4	24.8
Mining	7.3	-1.4	-0.7	-1.1	2.2	4.3	-2.2	15.5	19.0	8.7
Hydrocarbons	10.3	16.1	28.4	19.7	2.3	7.2	3.9	-11.5	-4.6	5.9
Manufacturing	8.6	-6.7	10.8	8.6	1.5	5.1	-3.3	-1.7	-1.6	3.2
Electricity, Gas and Water	8.1	1.1	8.1	7.6	5.8	5.5	5.0	6.2	7.9	5.5
Construction	11.0	-0.5	12.5	8.9	7.2	8.9	1.7	-5.9	-0.8	4.0
Commerce	16.8	6.8	17.8	3.6	15.8	5.9	4.4	3.9	2.4	3.8
Other Services	8.7	3.6	8.8	7.0	7.3	6.2	4.8	4.2	3.9	3.9
GDP	9.1	1.0	8.5	6.5	6.0	5.8	2.4	3.3	4.0	4.5

*Inflation Report - September 2016

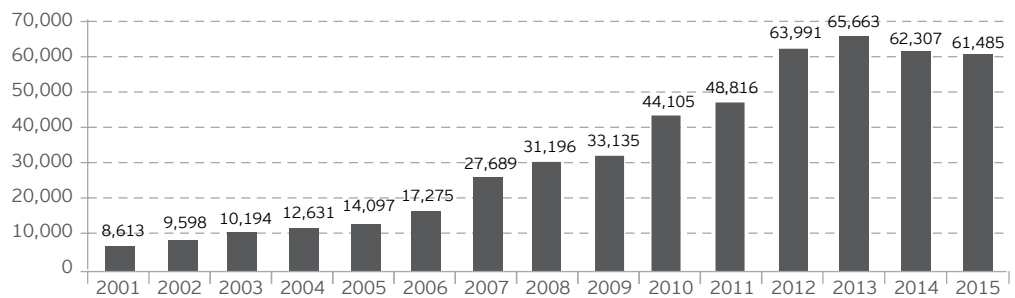
Source: Central Reserve Bank of Peru (BCRP) / National Institute of Statistics and Information (INEI) (2015)

Composition of Peru's Gross Domestic Product (GDP) by Economic Sector in %, using the Economic Structure with a Base Estimate Year of 2007



Source: National Institute of Statistics and Information (INEI)

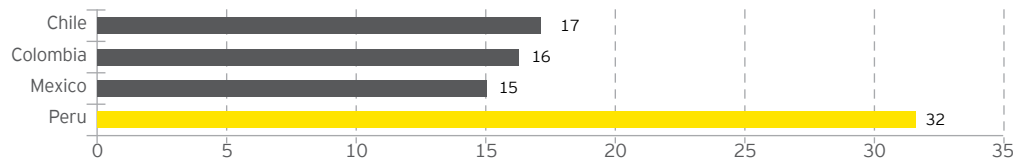
Net International Reserves (in US\$ Millions)



As at December 31

Source: Central Reserve Bank of Peru (BCRP)

Net International Reserves (as a Percentage of the GDP, 2015)



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

Gross Domestic Product (GDP) by Type of Expenditure (Percentage 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	4.5
Imports	26.2	-16.0	29.3	9.8	10.4	3.6	-1.4	2.4	-1.7	3.6
Domestic demand	12.3	-2.8	13.1	7.1	7.3	7.0	2.1	3.0	1.8	4.0
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	5.7	3.0
Private Investment	25.9	-15.1	22.1	11.4	13.5	6.4	-2.1	-4.5	-4.3	5.0
Public Investment	33.6	21.2	26.7	-18.0	20.8	12.1	-2.0	-7.5	10.3	4.5
Exports	9.9	-2.9	4.8	8.8	5.4	-0.9	-0.8	3.3	6.9	5.5

*Inflation Report - September 2016

Source: Central Reserve Bank of Peru (BCRP)

Domestic Demand (Percentage Change)



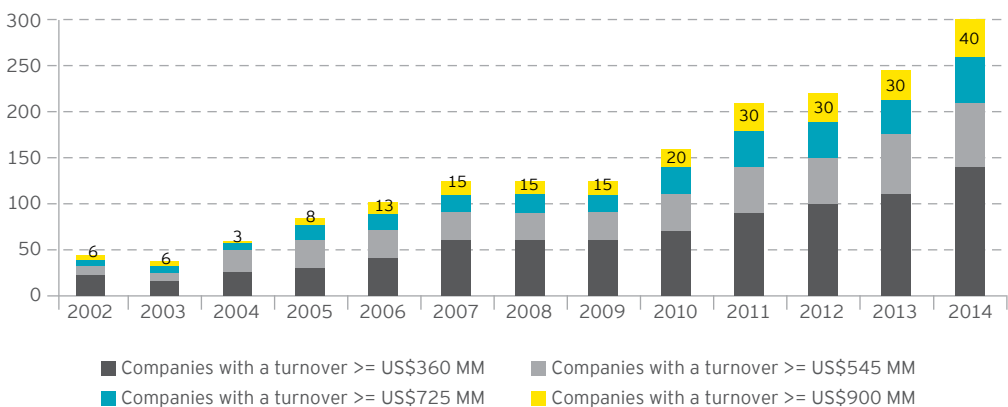
*Inflation Report - September 2016
Source: Central Reserve Bank of Peru (BCRP)

Leading Indicators of Consumption

	2004	2014	Increased by
Sale of Evaporated Milk (Thousands of TM)	308	470	1.5
Percentage of Families with a Gas Cooker	36	41	1.1
Sale of Packaged Pasta (Thousands of TM)	210	379	1.8
Sale of Vegetable Oil (Thousands of TM)	144	267	1.9
Consumption of Chicken per Capita (kg)	26	40	1.5
Number of Connections to Paying TV Service (Thousands)	510	1,427	2.8
Number of Malls	15	72	4.8
Percentage of Families with a Computer	6	31	5.2
Mobile Telephone Lines in Service (Millions)	3	32	10.7
Sale of New Vehicles (Thousands of units)	15	187	12.5

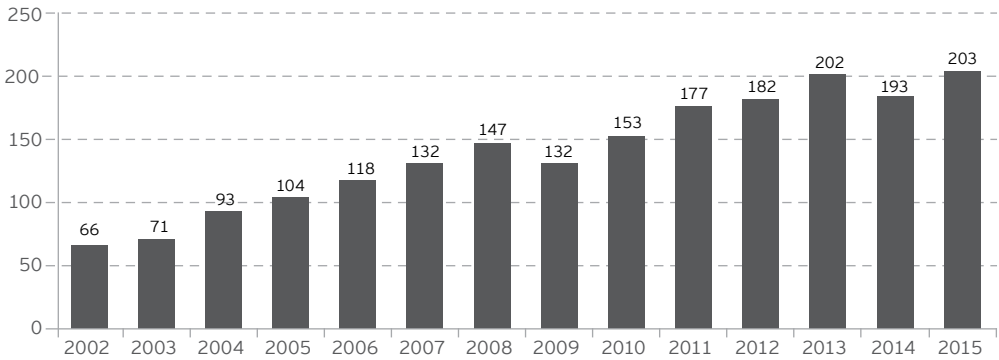
Source: National Institute of Statistics and Information (INEI)

Number of Companies with Annual Revenues of More than US\$360 Million (More than S/1 Billion)



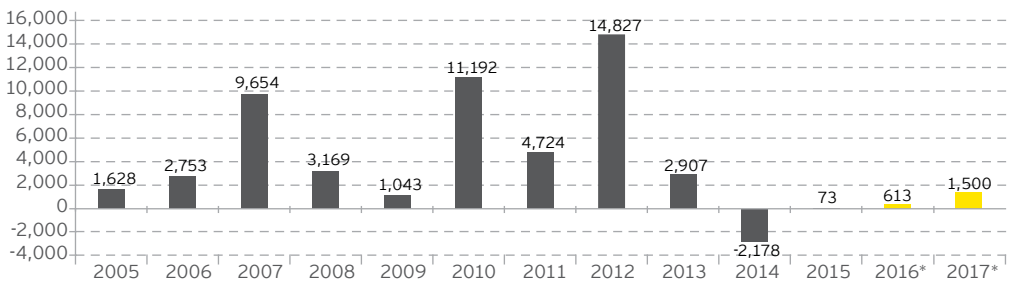
Sources: Top 10k - Peru Top Publications / Peruvian Business Directory - Dun & Bradstreet

Number of Companies in Peru with Exports of a Value of More than US\$20 Million



Source: National Superintendency of Tax Administration (SUNAT)

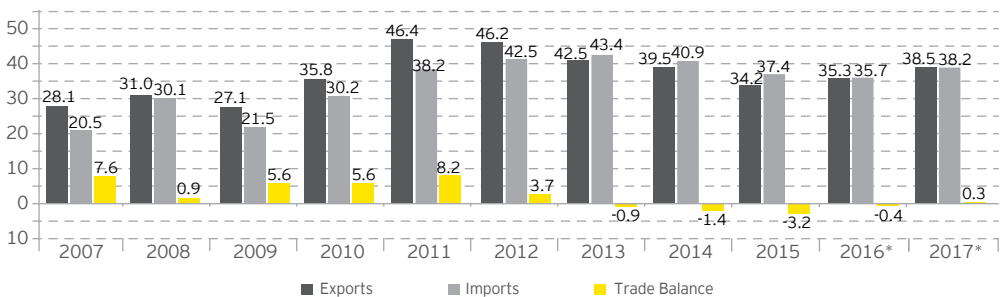
Balance of Payments (in US\$ Millions)



*Inflation Report - September 2016

Source: Central Reserve Bank of Peru (BCRP)

Trade Balance (in US\$ Billions)

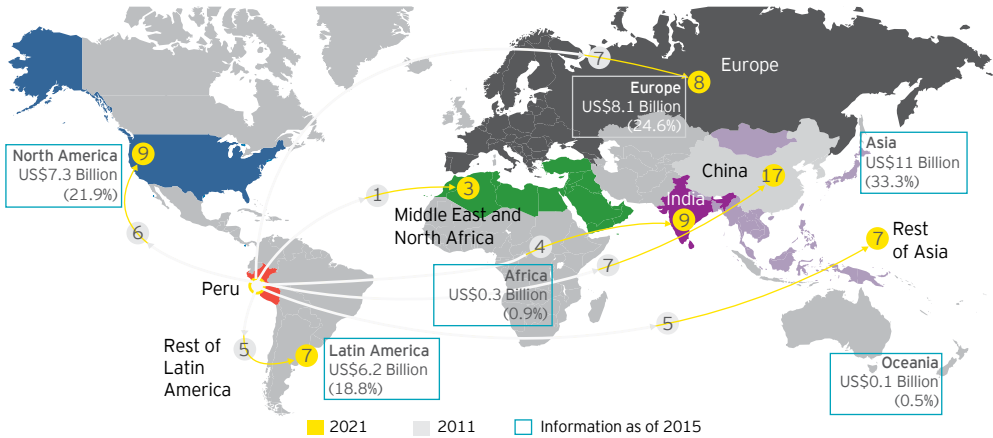


*Inflation Report - September 2016

Sources: Central Reserve Bank of Peru (BCRP) / ComexPeru

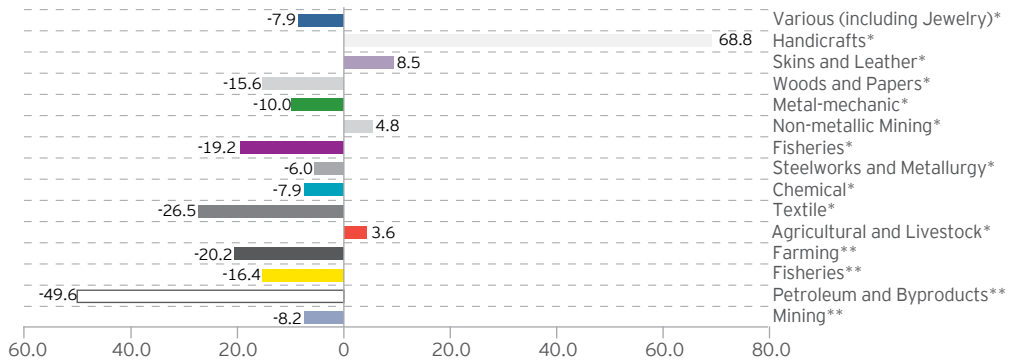
According to estimates, by 2016, Peruvian exports will total nearly US\$35.3 billion, while imports will come to approximately US\$35.7 billion. Likewise, the projection for the 2011-2021 period of the total in billions of US Dollars of Peruvian exports is as follows:

Projection of Regional Exports of Peruvian Goods 2011 - 2021 (in US\$ Billions)



Source: Oxford Economics

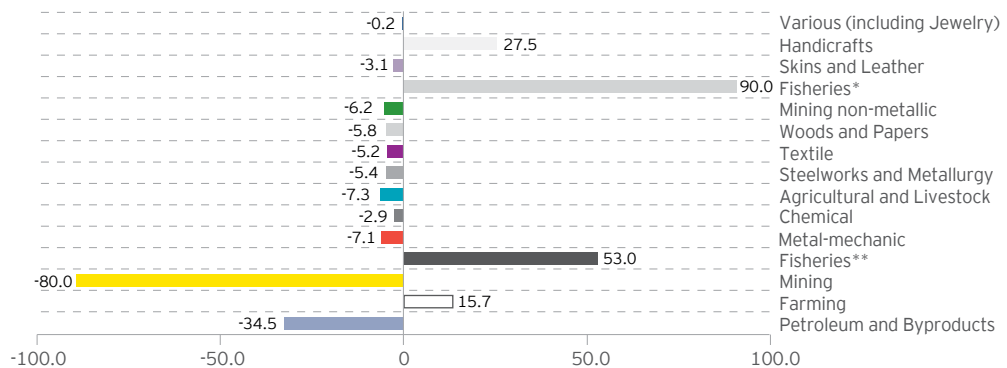
Annual Change in Exports by Economic Sector, in Percentage (2015/2014)



*Non-traditional / **Traditional

Source: ComexPeru

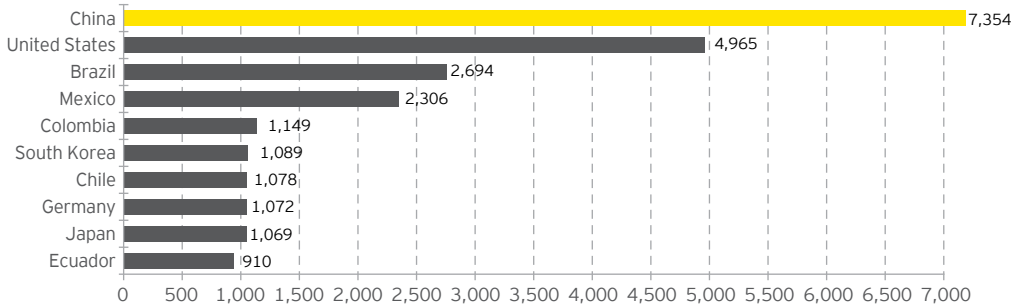
Annual Change in Imports by Economic Sector, in Percentage (2015/2014)



*Non-traditional / **Traditional

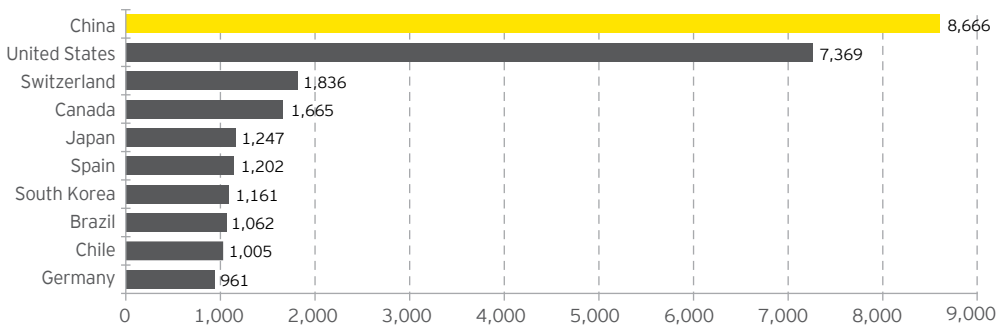
Source: ComexPeru

Exports by Trading Partner in US\$ Millions - Top Ten Partners (2015)



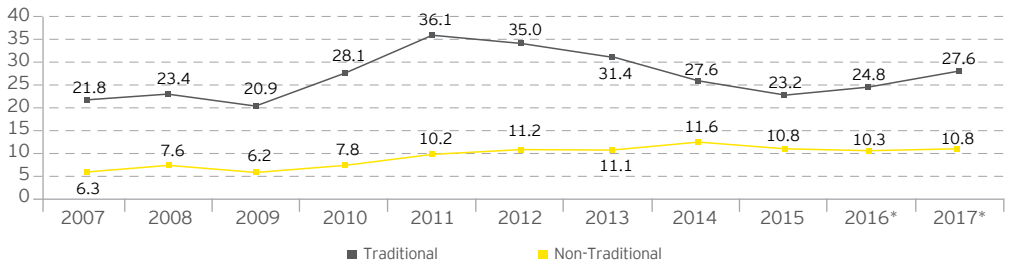
Source: National Superintendency of Tax Administration (SUNAT)

Imports by Trading Partner in US\$ Millions - Top Ten Partners (2015)



Source: National Superintendency of Tax Administration (SUNAT)

Traditional and Non-Traditional Exports (in US\$ Billions)



*Inflation Report - September 2016

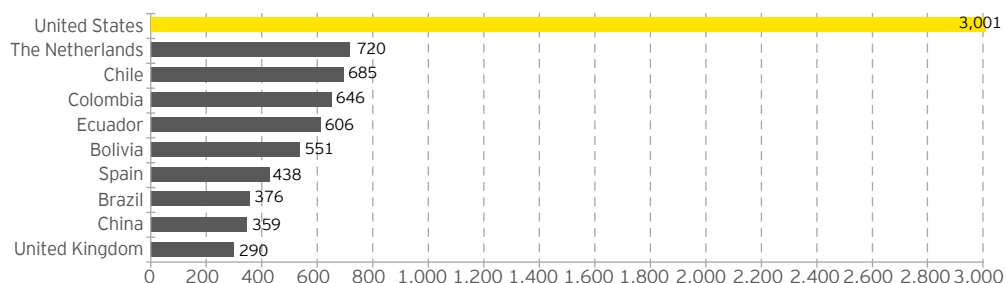
Sources: ComexPeru / Central Reserve Bank of Peru (BCRP)

Exports in the Agricultural and Livestock Sector in US\$ Millions FOB, First 30 Products

Product	2014	2015	% Change
Fresh grapes	642	700	9%
Coffee, unroasted or non-decaffeinated	747	588	-21%
Asparagus, fresh or refrigerated	384	418	9%
Avocados, fresh or dried	300	305	2%
Mangoes and mangosteens, fresh or dried	139	196	41%
Other fresh bananas, including "cavendish valery" type	119	145	22%
Quinoa	197	144	-27%
Other processed products used for animal feeding	141	133	-6%
Asparagus, processed or canned, not frozen	151	132	-13%
Evaporated milk, unsweetened	121	99	-18%
Cranberries, bilberries and other fruit of the vaccinium type, fresh	30	97	220%
Artichokes	94	88	-5%
Mango (mangifera indica l)	49	73	49%
Mandarins (including tangerines and satsumas) fresh or dried	60	66	10%
Other vegetables, fruit and other edible parts of plants, processed or canned	69	65	-6%
Onions and shallots, fresh or refrigerated	66	64	-3%
Sweet red pepper (capsicum annum)	41	42	1%
Passion fruit juice (passiflora edulis)	38	40	5%
Other food pastes uncooked, unfilled and unprocessed in any other way	40	39	-1%
Other fruit, uncooked or cooked with water or steamed, frozen	23	39	68%
Tara powder (caesalpinia spinosa)	33	31	-5%
Other clementines, wilkings and hybrids similar to citrus fruit, fresh or dried	28	28	-1%
Olives, processed or canned, not frozen	36	25	-31%
Cocoa butter with an acid indicator expressed in oleic acid higher than 1%	48	23	-51%
Crackers or aromatized cookies	20	19	-6%
Other algae	33	18	-46%
Other vegetables	14	15	8%
Other fruit of the genus capsicum or pepper, dried, neither crushed nor ground	9	12	29%
Palm oil, crude	48	10	-80%
Cocoa in grain, whole or split, roasted	152	9	-94%
Total first 30 products	3,873	3,663	-5%

Source: National Superintendency of Tax Administration (SUNAT)

Non-Traditional Exports by Trading Partner in US\$ Millions (2015)



Source: ComexPerú

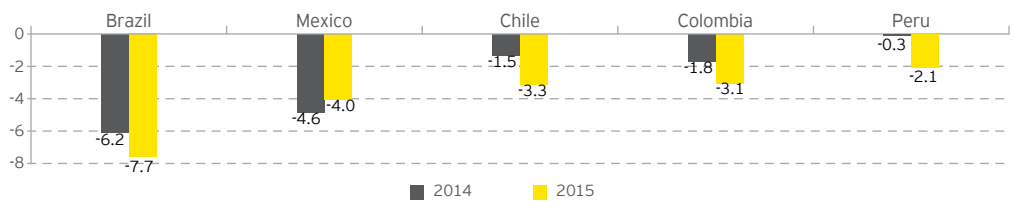
Economic Results (Fiscal Surplus / Deficit) of the Non-Financial Public Sector (as a Percentage of the Gross Domestic Product - GDP)



*Inflation Report - September 2016

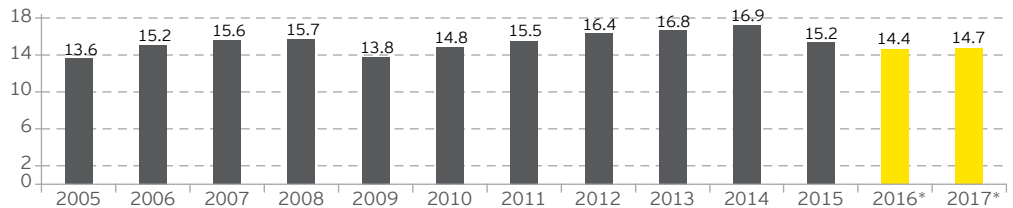
Source: Central Reserve Bank of Peru (BCRP)

Economic Result of the Public Sector in Latin America 2014 - 2015 (as a Percentage of the Gross Domestic Product - GDP)



Source: Central Reserve Bank of Peru (BCRP)

Tax Burden (as a Percentage of the Gross Domestic Product - GDP)

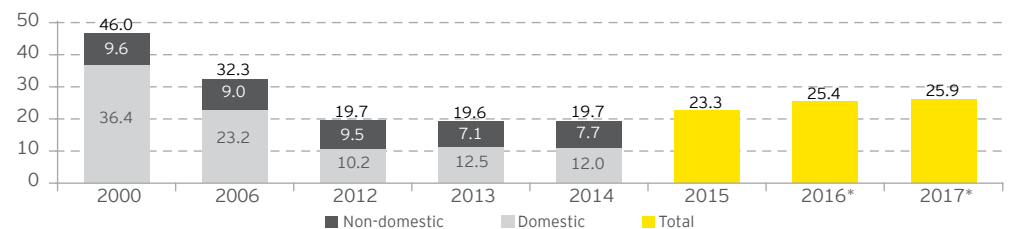


*Inflation Report - September 2016

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

According to the National Superintendency of Tax Administration (SUNAT) the goal is to achieve a tax collection of S/95 billion in 2016, thus representing an increase of 5.2% in comparison to 2015. This was due in large part to auditing, control, and facilitation actions, which have helped tax collection to exceed the national average rate in many regions of the country. In 2015, the tax revenues collected totaled S/90.3 billion. In 2014, the tax revenues collected totaled S/95.4 billion and the registered taxpayers increased by 6% in comparison to 2013.

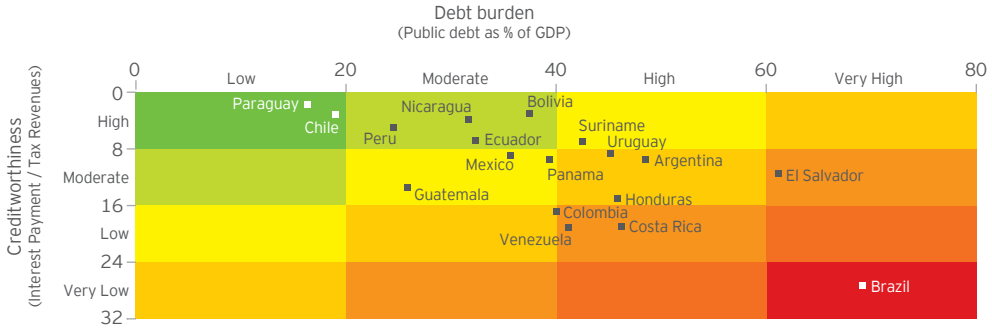
Public Debt (as a Percentage of the Gross Domestic Product - GDP)



*Inflation Report - September 2016

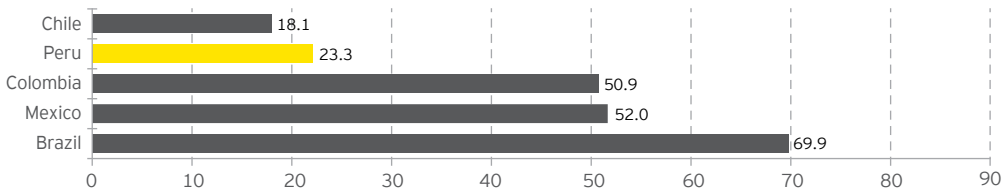
Source: Central Reserve Bank of Peru (BCRP)

Heat Map of the Fiscal Space 2015 - 2016



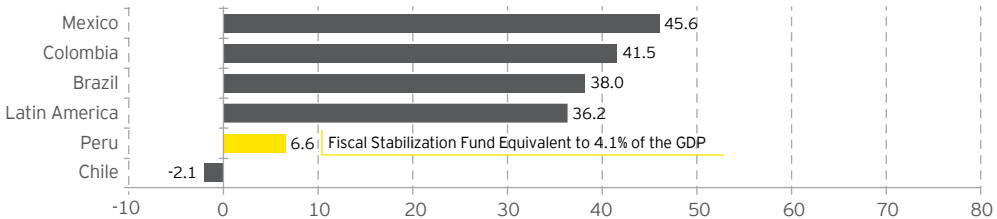
Source: Moody's

Total Public Debt in Latin America (as a Percentage of the Gross Domestic Product - GDP) - 2015



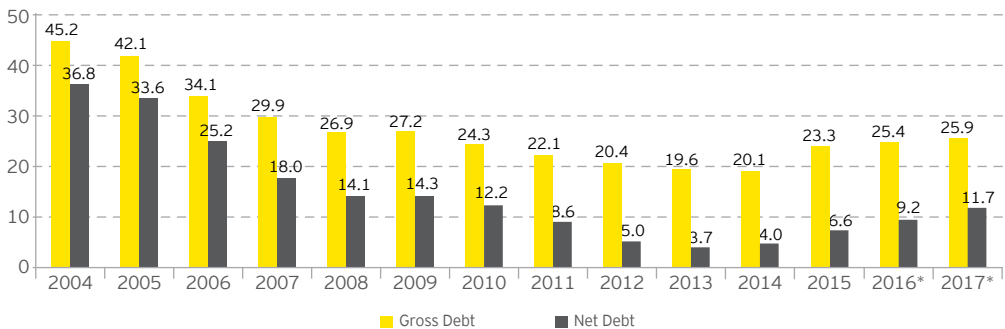
Source: Central Reserve Bank of Peru (BCRP)

Net Public Debt in Latin America (as a Percentage of the Gross Domestic Product - GDP) - 2015



Source: Central Reserve Bank of Peru (BCRP)

Debt of Non-Financial Public Sector (as a Percentage of the Gross Domestic Product - GDP)



*Inflation Report - September 2016

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 growth of 3.3% of the Gross Domestic Product (GDP) for 2015, and an estimated 4.0% for 2016 (as at September, 2016). 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 welfare.

The progress made in watching out for the tax results, the promotion of investment in important job creation sources (such as infrastructure, mining, hydrocarbons and telecommunications), the implementation of tenders as a specific "countercyclical" measure in response to the economic slowdown (i.e. infrastructural projects of the Southern Gas Pipeline, Line 2 of the Electric Train, the General San Martin Port Terminal - Pisco, among others) as well as the measures taken to modify the tax system included in Sections V and VI of this Guide (Taxes and Labor System, respectively) allow us to observe how Peru aims its development towards improving its level of investment.

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 at September, 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

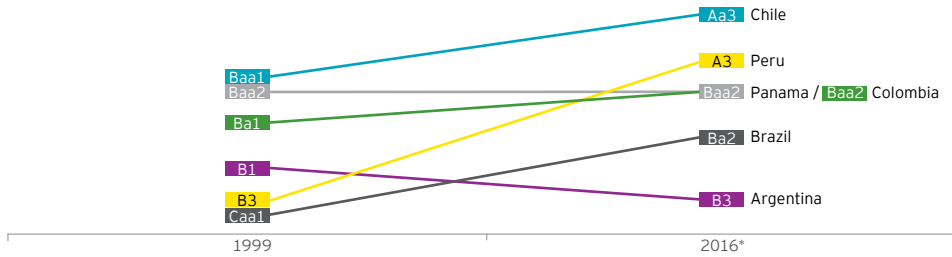
Source: Bloomberg

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

Risk Rating of the Region According to Moody's



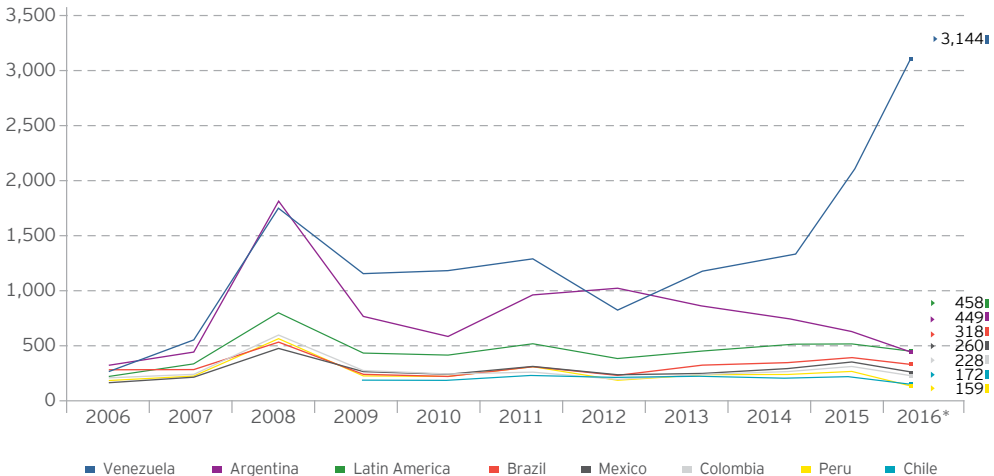
*As at September, 2016

Source: National Institute of Statistics and Information (INEI) / Financial Studies of Scotiabank / Bloomberg / Moody's

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 Base Points)



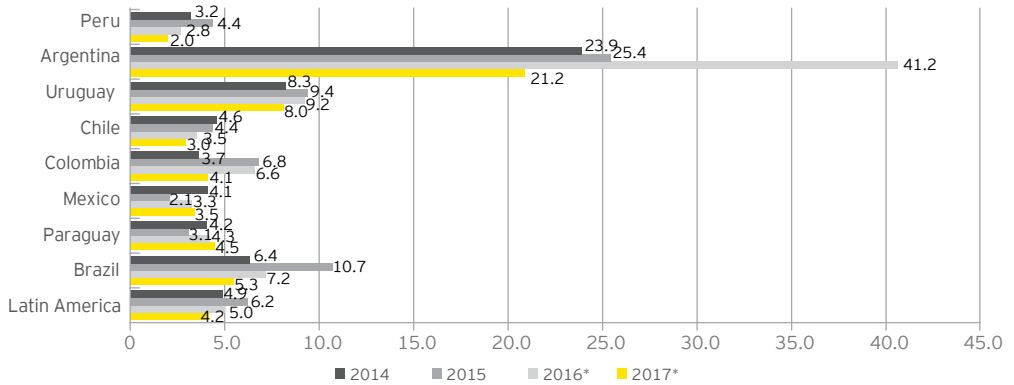
*As at September 13, 2016

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 Ernst & Young (EY). Five elements have been considered within this index: openness to foreign trade, capital flow, exchange of technology and ideas, international movement of workers, and cultural integration. Additionally, in early 2015, Bloomberg Markets positioned Peru as the eighth 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 1.0% and 3.0% 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%).

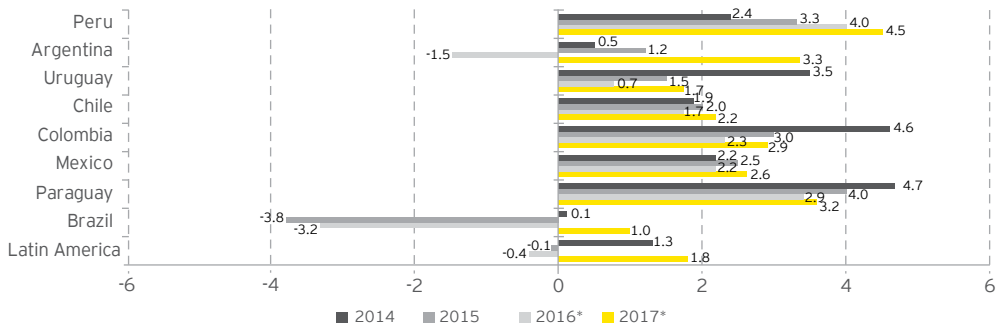
Estimated Inflation Rates in Latin America



*Estimate

Sources: Latin America Consensus Forecast (August 2016) / Central Reserve Bank of Peru (BCRP)

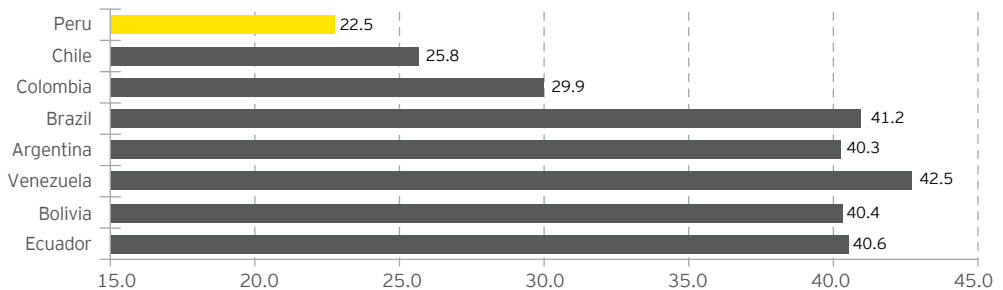
Estimated Gross Domestic Product (GDP) Growth Percentage Rates in Latin America



*Estimate

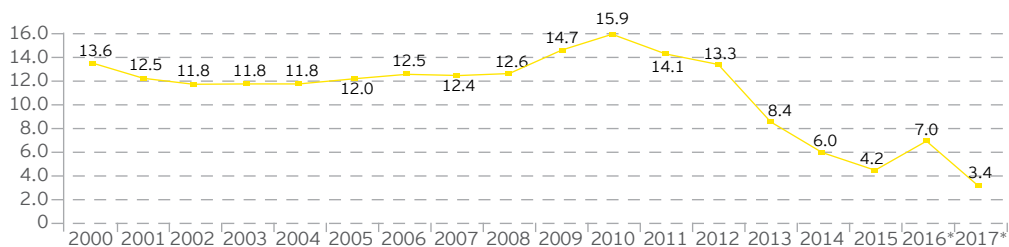
Sources: Latin America Consensus Forecast (August 2016) / Central Reserve Bank of Peru (BCRP)

Public Spending in Latin America as a Percentage of the Gross Domestic Product - GDP (2015)



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

Public Spending in Peru (Real Percentage Change)



*Inflation Report - September 2016

Source: Central Reserve Bank of Peru (BCRP)

Main Indicators of Some of the Country's Regions:

Indicators	Arequipa	Cusco	La Libertad	Lambayeque
Total Population (2015)	1,287,205	1,316,729	1,859,640	1,250,349
Urban Population (%)	90.0%	53.8%	78.2%	81.5%
Rural Population (%)	10.0%	46.2%	21.8%	18.5%
Economically Active Population (PEA %)	55.5%	58.5%	52.1%	52.2%
GDP with Constant Prices (S/ million) - 2015	23,656	20,966	20,107	10,829
GDP per Capita with Constant Prices (S/) - 2015	18,378	15,923	10,813	8,590
Main Activities	Agriculture, Livestock, Fisheries, Mining and Industry	Agriculture, Commerce and Mining	Agriculture, Fisheries, Mining, Manufacturing and Construction	Agriculture, Fisheries, Manufacturing
Principales productos	Onions, rice, wheat, beans	Potato, corn, onions, carrots	Asparagus, sugar cane, potato, cement	Sugar cane, beans, cotton, paprika
	Awarded contracts - Projects			
	1. Ica-Chilean Border Highway (US\$196 million) 2. Molloco Hydroelectric Power Plant (US\$600 million)	1. International Airport of Chinchero (US\$537 millions)	1. Chavimochic Phase III Irrigation project (US\$537.7 million)	1. Second stretch of the Longitudinal Sierra Highway (US\$ 552 million) 2. Integrated broadband connectivity (US\$178.5 million)
	In the Process of Evaluation			
Main Products	1. Monorail transport System 2. High performance school	1. Design, construction and exploitation of settlement roads to connect district capitals 2. High performance school	1. High performance school 2. Sanitation system for EPS Sedalib	1. High performance school
	Invitation to tender			
		1. Choquequirao Aerial Tramway (S/123 million) 2. Quillabamba Thermal Power Plant		

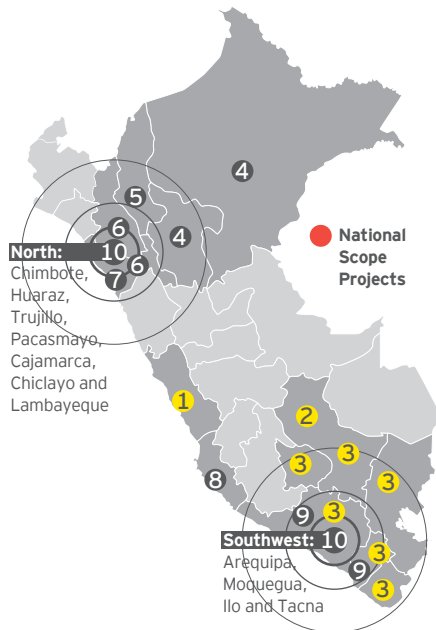
Sources: National Institute of Statistics and Information (INE) / Central Reserve Bank of Peru (BCRP)/ ProInversión

6

Investment

In the period 2011-2015, ProlInversión granted the concession of 30 projects, in the form of Public-Private Partnerships (PPP). A total of US\$14 billion shall be invested in these projects, a figure that will contribute towards the dynamism of the main economic sectors of the country.

Investment amounts (Including VAT, figures as of December 2015)



- 1 **US\$5.1 billion:** Line 2 of the Lima Train Station and Connecting Extension of Line 4 (Av. Faucett - Av. Gambetta)
 - Subway linking Ate Vitarte to Callao in just 45 minutes, linking 13 districts.
 - The first stretch will be operational in 2016 and the entire project will conclude in 2019.
 - It is designed to have up to 86 trains of 7 cars (77 for Line 2 and 9 for Line 4 Connecting Extension) and transport 1.2 million people daily.
- 2 **US\$537 million:** International Airport of Chinchero - Cusco
 - This new airport will have an area of three times the area of the current Cusco airport.
 - It will provide passengers with a high level of service with a potential to serve 5.7 million people a year.
 - It will offer direct international connections with the main cities of America.
- 3 **US\$3.6 billion:** South Peru Gas Pipeline (Cuzco, Apurímac, Arequipa, Puno, Moquegua and Tacna)
 - This megaproject, more than 1000 km long, will promote the industrial development of the south and will provide homes and the automotive sector with clean and economical energy.
 - It will provide natural gas to the new thermic generators in Mollendo and Ilo thereby de-concentrating the production of energy in the country.
 - According to the winning consortium, the project shall be operative by the end of 2017.
- 4 **US\$106.9 million:** 220 kV Moyobamba - Iquitos Transmission Line
 - With this 630 km line, Loreto will be integrated to the Interconnected Electrical System, thus having a permanent national electrical service.
- 5 **US\$17.6 million:** Kuelap Cablecar System (Amazonas)
 - With a cablecar, the commute time to the city of Kuelap, which currently takes one hour and a half, will be reduced to 20 minutes.
 - The number of tourists visiting the zone will increase by 100,000 people a year.
- 6 **US\$552 million:** Stretch 2 of the Longitudinal Sierra Highway
 - The Longitudinal Sierra Highway will be the Pan-American Highway of the Andes.
 - With the reconditioning of the second stretch, 875 km long, it will enable to travel from Cajamarca to Trujillo comfortably, passing through a number of localities within these two departments.
- 7 **US\$573.7 million:** Chavimochic Irrigation Project Phase III (La Libertad)
 - It will increase agricultural production.
 - It will improve the irrigation of 48,000 hectares of arable land and will extend the access of water to 63,000 new hectares.
- 8 **US\$128.8 million:** General San Martín - Pisco Port Terminal
 - The port will be modernized to receive large ships.
 - It will be equipped with forklifts and mobile cranes amongst other machinery in order to cater for a larger volume of export and import cargo.
- 9 **US\$700 million:** Southern Energy Node
 - Another additional core of the electrical generation already existing on central coast.
 - The Mollendo Plant will be operational from May 2016 and the Ilo Plant from March 2017.
- 10 **US\$205 million:** Mass Use of Natural Gas
 - This project will start its commercial operation in 2015 and will encourage the mass use of natural gas through residential gas connections.
- US\$275.9 million:** National Optical Fiber Network
 - This Optical Fiber Network spread over 13,400 km will connect 22 regional capitals and 180 provincial capitals, enabling a quicker and cheaper telephone, internet and cable television service.
- US\$4.1 million:** Technological Security Services in Prisons (Mobile Phone and Wi-Fi Blocks)
 - Mobile phone calls and Wi-Fi will be blocked in 33 prisons in the country which represents 90% of the inmate population.
- US\$1 billion:** Telecommunication Bands for 4G Mobile Internet
 - This will make the use of high technology mobile internet 4G LTE more popular.

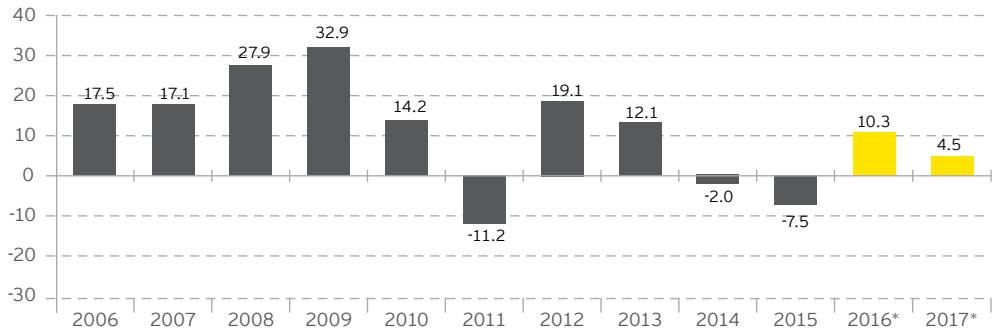
Source: ProlInversión

Private Investment (Percentage Change)



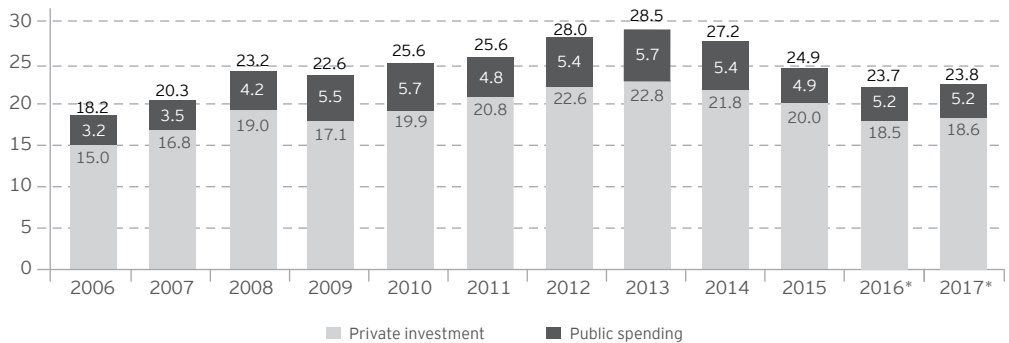
*Inflation Report - September 2016
Source: Central Reserve Bank of Peru (BCRP)

Public Investment (Percentage Change)



*Inflation Report - September 2016
Source: Central Reserve Bank of Peru (BCRP)

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



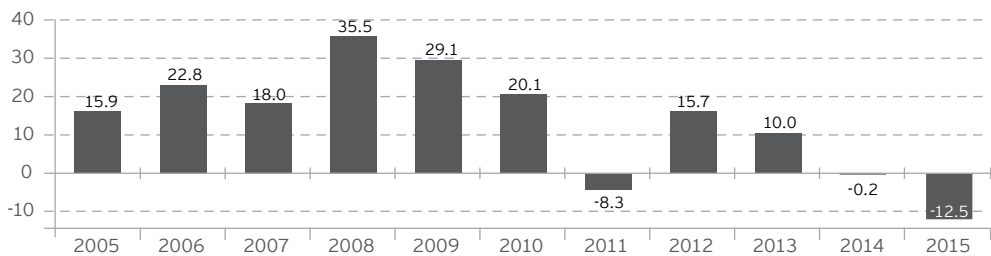
*Inflation Report - September 2016
Source: Central Reserve Bank of Peru (BCRP)

Medium and Long Term Infrastructure Gap (in US\$ Millions)

Industry	Medium-Term Gap 2016 -2020	Gap 2021 - 2025	Long-Term Gap 2016 - 2025
Water and Sanitation	6,970	5,282	12,252
▸ Drinking Water	1,624	1,004	2,629
▸ Sanitation	5,345	4,278	9,623
Telecommunications	12,603	14,432	27,036
▸ Mobile Telephony	2,522	4,362	6,884
▸ Broadband	10,081	10,070	20,151
Transport	21,253	36,246	57,499
▸ Railways	7,613	9,370	16,983
▸ Roads	11,184	20,667	31,850
▸ Airports	1,419	959	2,378
▸ Seaports	1,037	5,250	6,287
Energy	11,388	19,387	30,775
Health	9,472	9,472	18,944
Education	2,592	1,976	4,568
▸ Pre-school	1,037	585	1,621
▸ Primary	137	137	274
▸ Secondary	1,418	1,254	2,672
Hydraulic	4,537	3,940	8,477
Total	68,815	90,734	159,549

Source: National Infrastructure Plan 2016-2025 - Association for the Promotion of National Infrastructure (AFIN)

Gross Fixed Capital Formation (Real Percentage Change)



Source: Central Reserve Bank of Peru (BCRP)

Total Investment (as a Percentage of the Gross Domestic Product (GDP))



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

Direct Foreign Investment Stock by Sector (in US\$ Million)

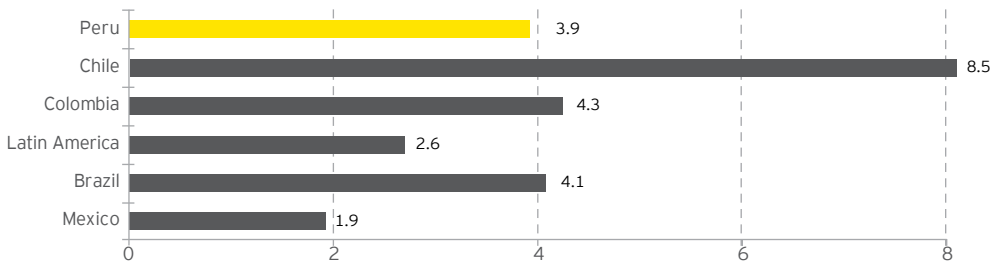


Mining	23%	Others	3%
Finance	18%	Commerce	3%
Communications	19%	Services	3%
Industry	13%	Oil	3%
Energy	13%	Transport	2%

Sector	2015
Mining	5,638
Communications	4,569
Finance	4,298
Industry	3,262
Energy	3,218
Commerce	803
Oil	680
Services	674
Transport	364
Others	727
Total US\$ Million	24,233

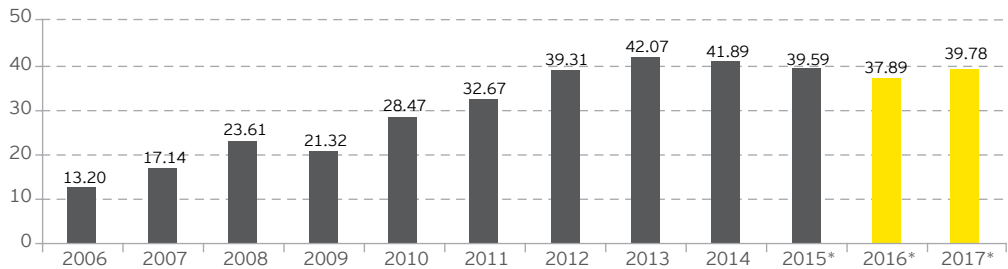
Source: ProInversión

Direct Foreign Investment in Latin America (as a Percentage of the Gross Domestic Product - GDP) (2015)



Source: Ministry of Economy and Finance (MEF)

Private Investment (in US\$ Billions)



*Inflation Report - September 2016

Source: Central Reserve Bank of Peru (BCRP)

Investment Projects Awarded in 2015 (US\$ Millions)

Sector	Nº of Projects	Estimated Investment (US\$ Millions)*
Telecommunications	5	428
Electricity	4	137
Penitentiaries	1	9
Total	10	574

*Information as at June 30, 2016

Source: Private Investment Promotion Agency (ProInversión)

Major Infrastructure Projects Begun in 2015

Project	Investment (US\$ millions)
Metro Line 2	6,783
Southern Gas Pipeline	5,794
Overhaul of the Talara Refinery	3,801
Chavimochic - Stage III	677
Longitudinal Sierra Highway - Stretch 2	651
Mantaro - Montalvo Transmission Line	328
National Backbone Network - Optical Fiber	326
Machu Picchu - Tintaya Transmission Line	135
Carhuaquero - Moyobamba Transmission Line	126

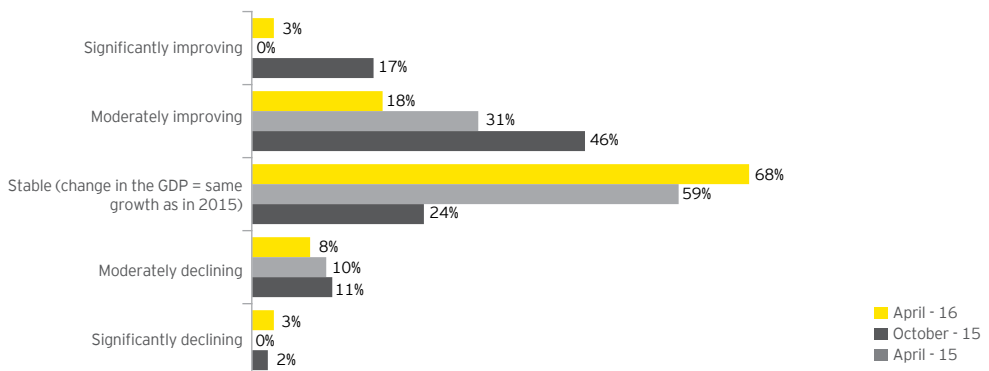
Source: Central Reserve Bank of Peru (BCRP)

During the period 2016-2018 there are plans to award contracts for an estimated amount of more than US\$6.8 billion. Additionally, between the years 2016 and 2018, an investment of more than US\$680 million in the sanitation sector is projected, in relation to projects led by private business groups.

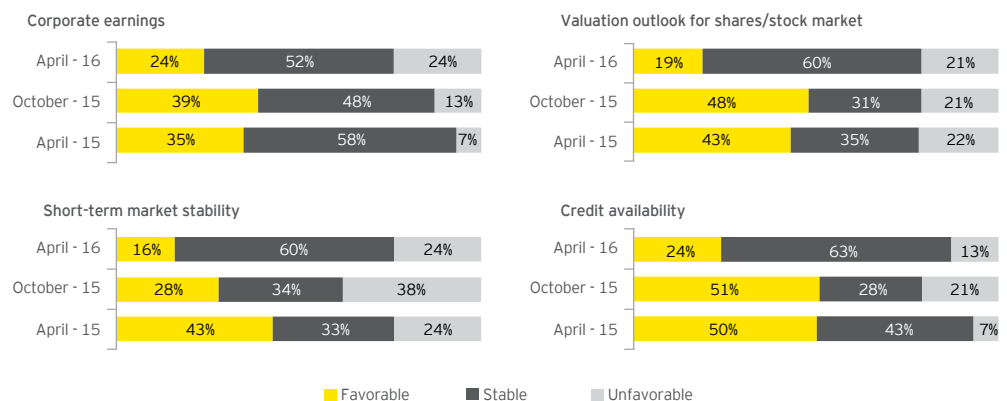
On a sixth month basis, EY prepares the "Confidence Barometer for Investment in Peru". For the Investor's interest, please find below the latest evolution of the barometer indicators:

14th Confidence Barometer for Investment - Ernst & Young (EY)

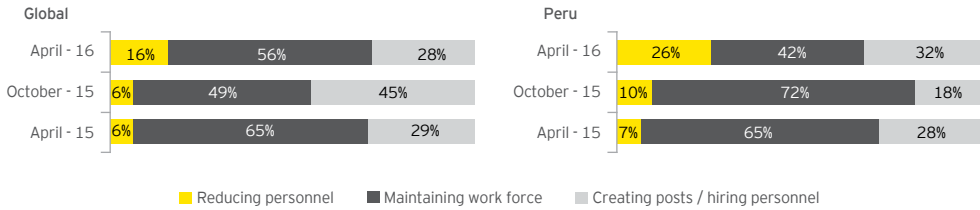
► What is your perspective on the state of the local economy today?



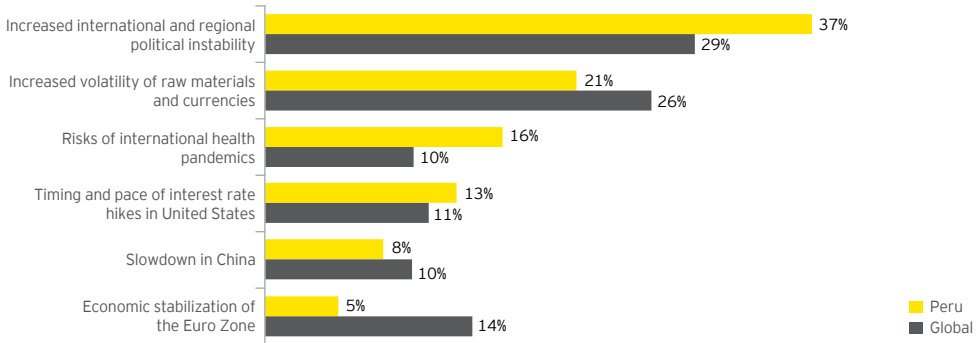
► Indicate your level of trust in the following points at the local level:



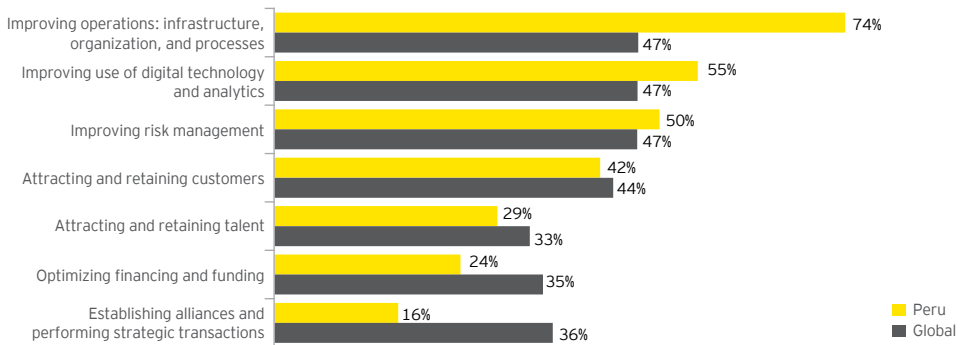
► Regarding employment, what does your organization hope to achieve in the next 12 months?



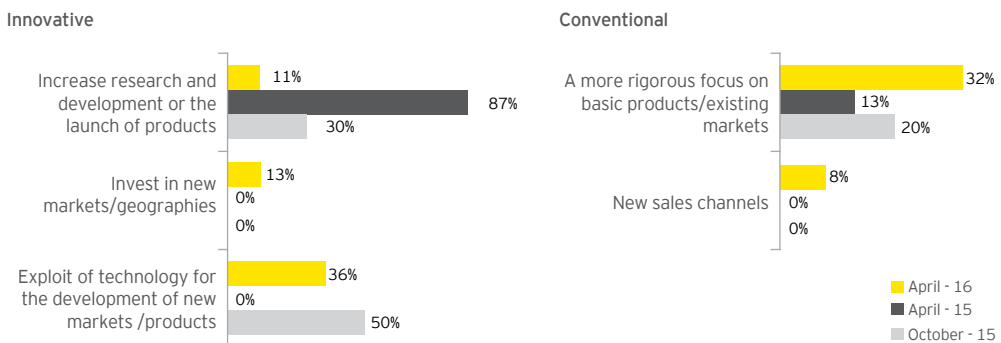
► What do you think will be the greatest economic risk to your business over the next 6 to 12 months?



► On which of the following points is your company primarily focusing in order to generate growth in the next 12 months?



► What is your company's primary focus for organizational growth in the next 12 months?



You can find the updated version of this Barometer at www.ey.com/pe/EYPeruLibrary

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. The national workforce (total Economically Active Population - PEA) is estimated at around 16.4 million people (2015).

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.

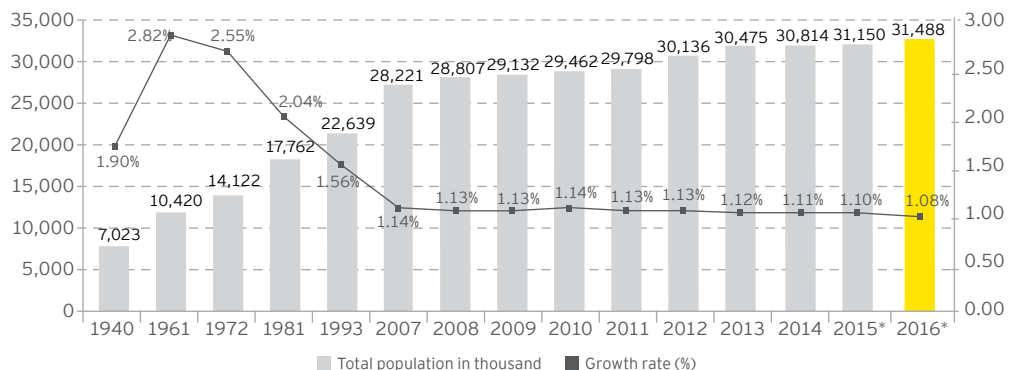
Population summary

Population	<ul style="list-style-type: none"> ▶ 31.4 million (estimate for 2016) ▶ 76.7% live in urban areas (2015)
Age Range	<ul style="list-style-type: none"> ▶ 0 - 14 years old: 28.7% ▶ 15 - 64 years old: 65.0% ▶ 65 years or older: 6.3%
Growth Rate	▶ 1.10% (estimated 2015)
Birth Rate	▶ 20.4 births / 1,000 people
Mortality Rate	▶ 5.6 deaths / 1,000 people
Gender Ratio	▶ 1.004 male / female
Life Expectancy at Birth	▶ 74.1 years (estimate for 2010-2015)

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

Over the past four years, the population has grown by an average of 1.13% annually (in 2015, it is estimated to have grown by 1.10%). For 2015, the population in urban areas will account for a total 76.7%, while in rural areas it will ascend to 23.3%.

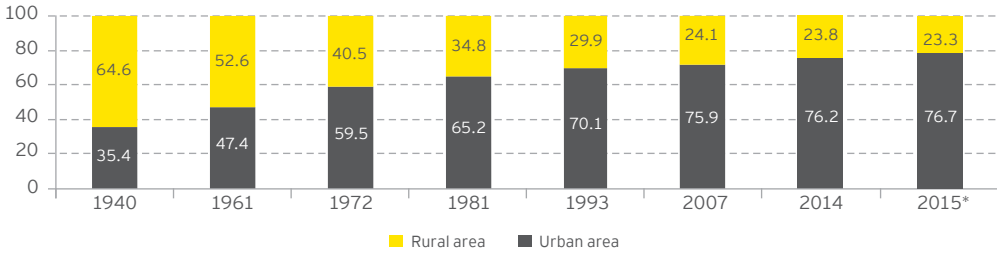
Total population and average annual growth rate (in %)



*Estimate

Source: National Institute of Statistics and Information (INEI) (differs from the IMF that estimates 32.4 million inhabitants in 2016)

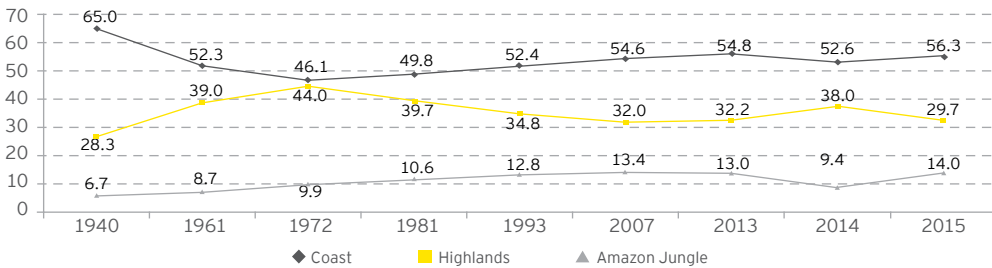
Population census by area of residence



*Estimate; information taken from National Censuses through 2007
Source: National Institute of Statistics and Information (INEI)

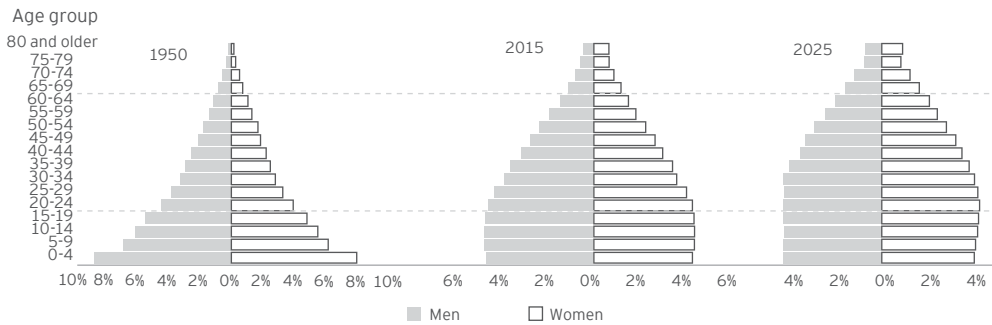
Furthermore, in 2015, the male population was greater than the female population by 0.1%. On the other hand, the population on the Coast accounted for 56.3% of the total population, while the population of the Highlands was 29.7%, and that of the Jungle was 14.0%.

Evolution of the census population by natural region in percentage



Source: National Institute of Statistics and Information (INEI)

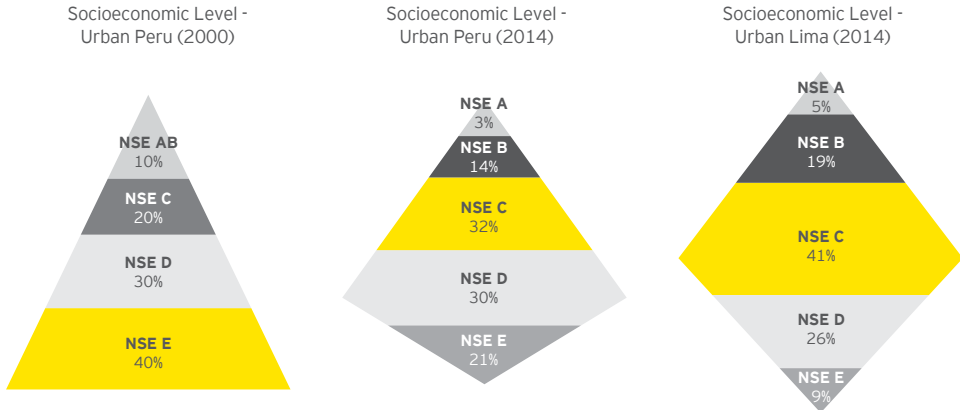
Evolution of the Population Pyramid



Source: National Institute of Statistics and Information (INEI)

Of the total Peruvian population, 65% 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 bonus” 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 bonus” 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 bonus” 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 bonus” period.

Transformation of the Social Structure in Peru

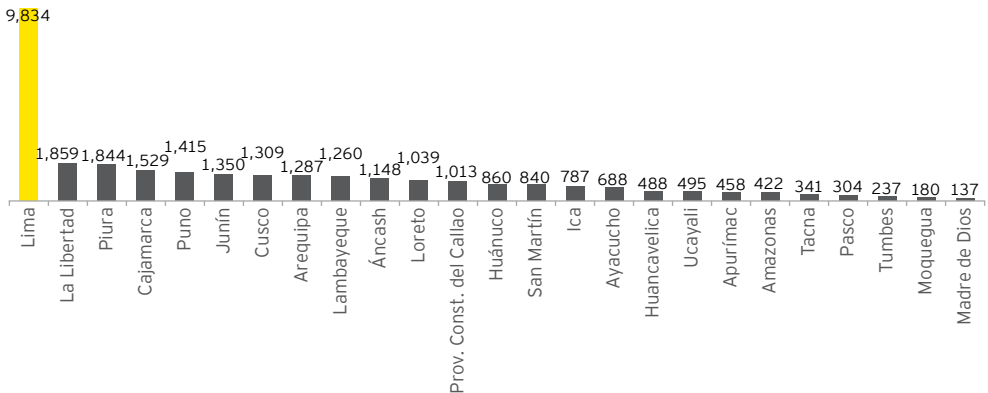


Source: National Institute of Statistics and Information (INEI) / Peruvian Association of Market Research Companies (APEIM)/ Rolando Arellano Cueva

According to the information provided by the National Institute of Statistics and Information (INEI) and the Peruvian Association of Market Research Companies (APEIM) the distribution by levels of social structure of urban Peru, which as a whole accounts for an estimated 77% of the national population, has suffered an important change if its trend over the past 15 years is considered. As observed in the following graph, in the year 2000 the socioeconomic distribution that included the Socioeconomic Levels (SEL) ABC represented 30% of the urban population, while the remaining 70% was comprised by the Socioeconomic Levels (SEL) DE.

As from that date and only up to 2015, the Gross Domestic Product (GDP) grew 116%, a fact that has significantly influenced the change in distribution of the profile of urban Peru and in the “geometry of the social structure” of the country. Thus, today, there has been a change from a distribution of the “triangular” type of social structure, to a “rhomboid” type of structure, in urban Peru and a “quasi-rhomboid” structure in urban Lima. This conclusion is based on the analysis of the almost equal distribution of the percentage of the SEL ABC with 49%, vs. the SEL DE with 51% at a national urban level, while this evolution has been further noticeable in urban Lima, where the distribution of the SEL ABC already accounts for 65% of the population vs. the percentage distribution of the SEL DE with the remaining 35%.

Projected population by department in thousands (2015)

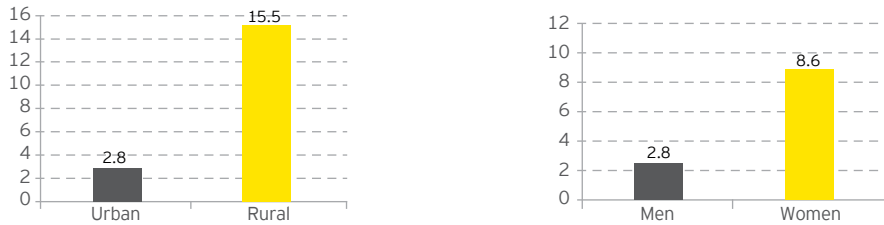


Source: National Institute of Statistics and Information (INEI)

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.

In 2015, the national illiteracy rate totaled 5.7% of the population aged 15 and over. Thus, considering the total national population aged 15 and over, the illiterate rural population represented 15.5%, while the percentage in urban areas came to 2.8%. Of the total male population over the age of 15, 2.8% were illiterate as of 2015, while 8.6% of women over the age of 15 did not know how to read or write. These percentages keep decreasing year by year.

Illiteracy rate of the population aged 15 and over, by sex and area of residence (2015)



Source: National Institute of Statistics and Information (INEI)

Human Development

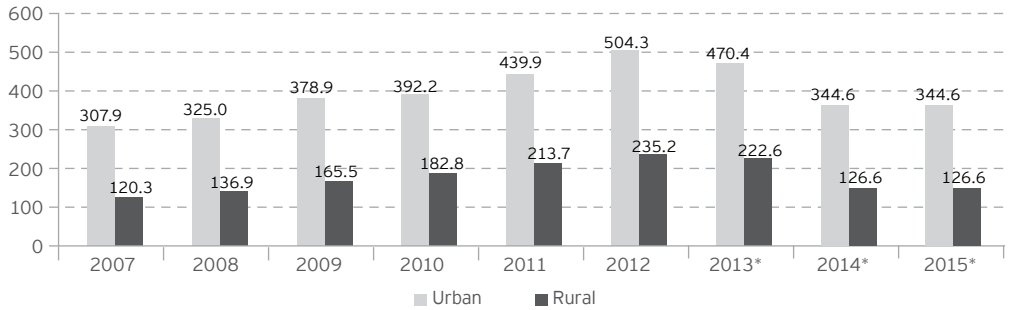
The Human Development Index (HDI) is a compound index that measures the average advances in three basic dimensions of human development: a long and healthy life; knowledge; decent standard of living, via the combination of indicators for life expectancy, educational achievements, and income. The HDI 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 2014/ 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)

Real monthly income per capita according to geographic regions (in US\$)

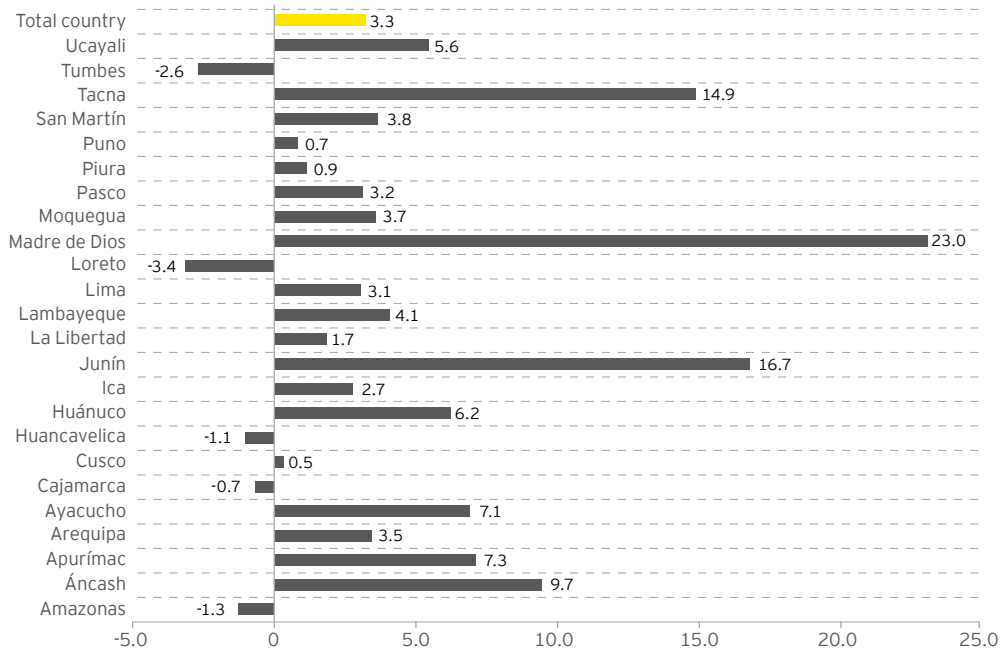


Note: In May 2016, the minimum wage increased to S/850 (approximately US\$251).

*Decrease explained mainly through the devaluation of the Sol against the US Dollar

Source: National Institute of Statistics and Information (INEI)

Annual Change of the GDP per Region in Percent, Tax-Free Constant Values (2015)



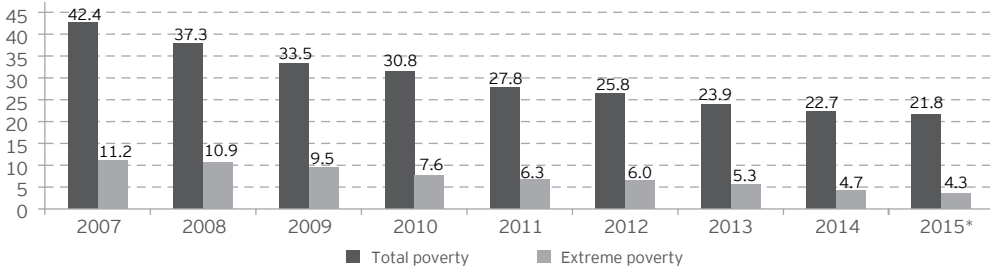
Source: National Institute of Statistics and Information (INEI)

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.

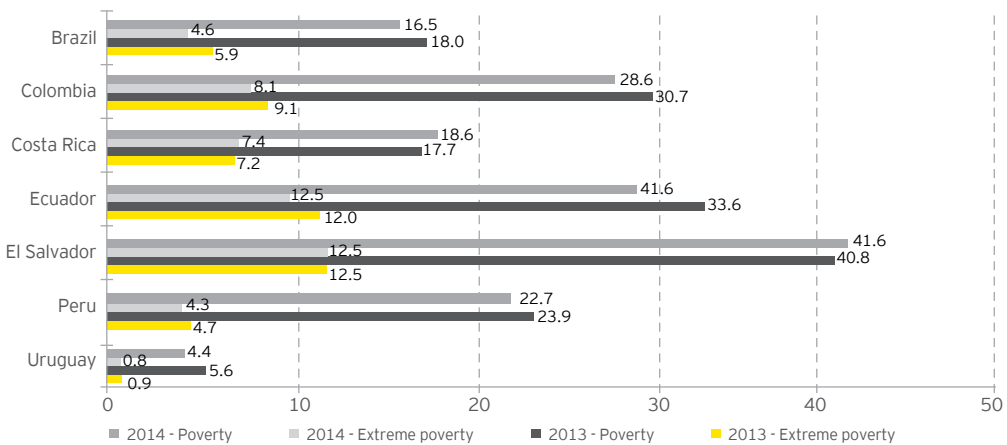
Total Incidence of Poverty (in Percentage)



*Estimate

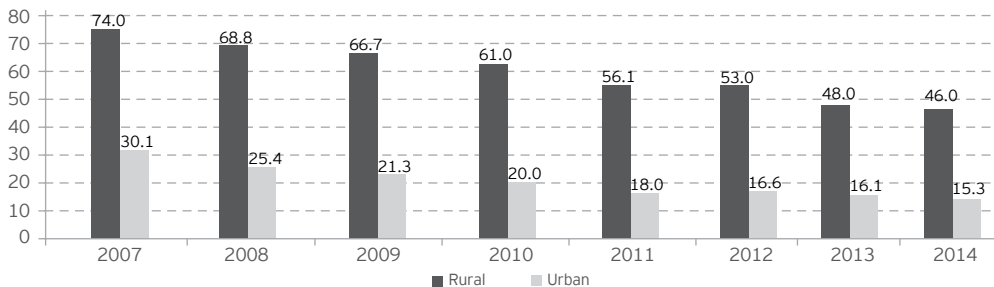
Source: National Institute of Statistics and Information (INEI) / Apoyo

Poverty rate in Latin America



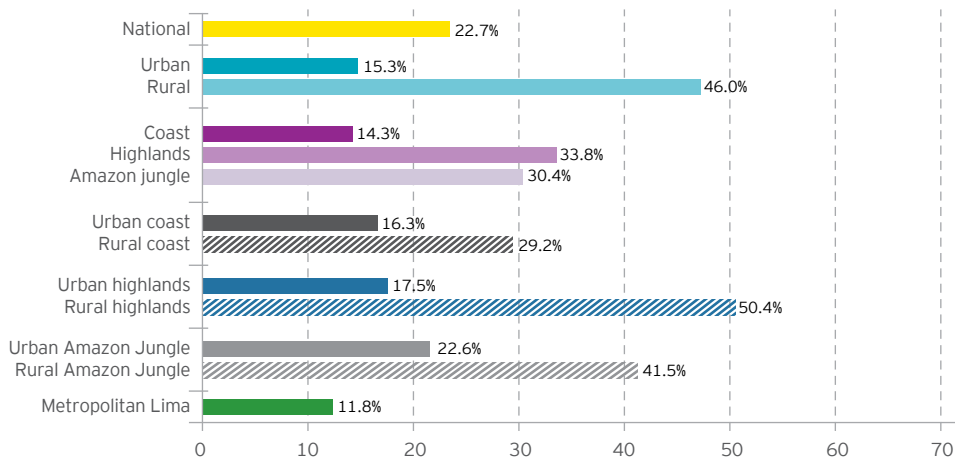
Source: Economic Commission for Latin America and the Caribbean (CEPAL)

Poverty rate by area of residence (in Percentage)



Source: National Institute of Statistics and Information (INEI)

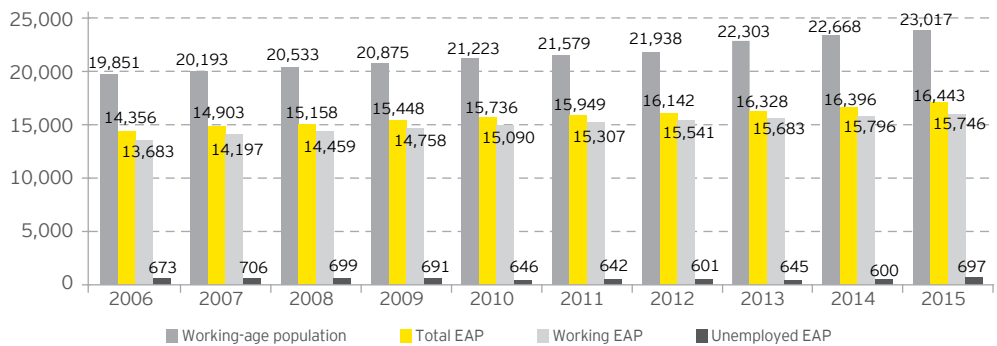
Total incidence of poverty by geographic area (2014)



Source: National Institute of Statistics and Information (INEI)

In 2015, the Economically Active Population (EAP) of the country 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)

Working-age population by activity conditions

Activity Conditions	2007	2008	2009	2010	2011	2012	2013	2014	2015
Working -Age Population (WAP)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
In thousand	20,193.3	20,533.2	20,875.0	21,223.5	21,579.4	21,938.0	23,303.4	22,668.6	23,017.7
Economically Active Population (EAP)	73.8	73.8	74.0	74.1	73.9	72.8	73.2	72.3	71.4
Employed EAP (%)	95.3	95.4	95.5	95.9	96.0	96.3	96.0	96.3	95.8
Unemployed EAP (%)	4.7	4.6	4.5	4.1	4.0	3.7	4.0	3.7	4.2
Economically Inactive Population (EIP)	26.2	26.2	26.0	25.9	26.1	27.2	26.8	27.7	28.6

Source: National Institute of Statistics and Information (INEI)

Employment and Unemployment Rate by Departments, in Percentage (2015)

Department	Employment Rate	Unemployment Rate
Amazonas	98.6	1.4
Ancash	97.3	2.7
Apurímac	98.8	1.2
Arequipa	96.1	3.9
Ayacucho	97.2	2.8
Cajamarca	97.4	2.6
Callao*	95.2	4.8
Cusco	98.3	1.7
Huancavelica	99.5	0.5
Huánuco	97.8	2.2
Ica	97.2	2.8
Junín	97.0	3.0
La Libertad	96.4	3.6

Department	Employment Rate	Unemployment Rate
Lambayeque	96.8	3.2
Lima	95.0	5.0
Loreto	97.6	2.4
Madre de Dios	98.1	1.9
Moquegua	96.2	3.8
Pasco	95.2	4.8
Piura	97.2	2.8
Puno	96.7	3.3
San Martín	98.2	1.8
Tacna	96.1	3.9
Tumbes	96.5	3.5
Ucayali	97.7	2.3
Total	96.5	3.5

*Constitutional Province

Source: National Institute of Statistics and Information (INEI) expressed in percentages

Among the activities that generate the highest monthly incomes from employment are Mining, Public Administration, Services, Construction, Fisheries and Agriculture.

Average monthly labor remuneration by department in US\$ (2015)

Department	Income US\$
Moquegua	524.7
Lima	513.5
Madre de Dios	484.9
Callao*	447.7
Arequipa	426.7
Tacna	387.6
Ica	374.4
Ucayali	341.5
Tumbes	341.3
Junín	333.8
La Libertad	330.7
Loreto	324.5
San Martín	321.9

Department	Income US\$
Cusco	300.4
Ancash	297.1
Lambayeque	292.9
Amazonas	275.1
Piura	273.9
Apurímac	271.1
Huánuco	270.5
Ayacucho	264.9
Pasco	261.4
Cajamarca	242.6
Puno	234.2
Huancavelica	210.9

S/.3.41 per US\$1 as of December 31, 2015

*Constitutional Province

Source: National Institute of Statistics and Information (INEI)

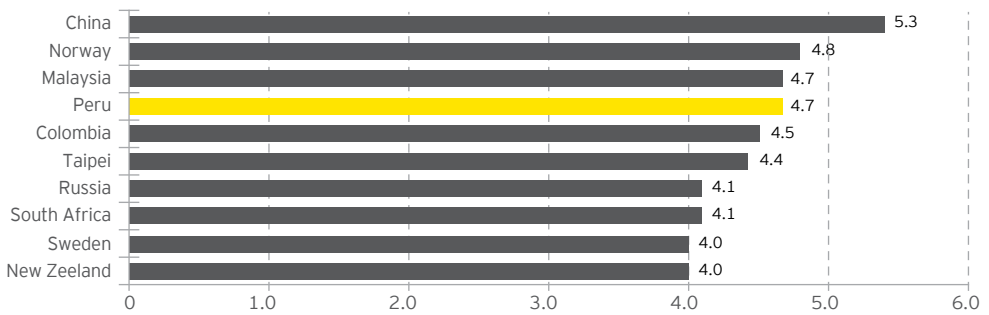
Gini Index

The Gini Index measures the income inequalities. This indicator is a number between zero and one, where zero implies perfect equality in the distribution of the income and one implies perfect inequality (in other words, as if only one person or home that concentrates all the income exists). The referred coefficient is calculated to 2013 for several countries of Latin America as follows:

Latin America / Gini Index			
Country	Country		
Argentina (2013)	0.423	Honduras (2013)	0.537
Bolivia (2013)	0.481	Mexico (2012)	0.481
Brazil (2013)	0.529	Nicaragua (2009)	0.457
Chile (2013)	0.505	Panama (2013)	0.517
Colombia (2013)	0.535	Paraguay (2013)	0.483
Costa Rica (2013)	0.492	Peru (2015)	0.447
Ecuador (2013)	0.473	Dominican Republic (2013)	0.471
El Salvador (2013)	0.435	Uruguay (2013)	0.419
Guatemala (2011)	0.524	Venezuela (2006)	0.469

Source: World Bank / National Institute of Statistics and Information (INEI) - Peru

Real Wealth Growth Annual Rate 2000 - 2015 (in Percentage)



Source: Central Reserve Bank of Peru (BCRP)





*Business
environment*





Business environment

1

Investment promotion conditions

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. In this regard, foreign investments are allowed without restrictions in the large majority of economic activities. The activities with restrictions are very specific, such as air transportation, sea transportation, private safety and surveillance and the manufacture of war weaponry.

Additionally, Peru has a legal framework to protect the economic stability of investors and to reduce government interference in economic activities. The Peruvian government guarantees legal stability to national and foreign investors with regard to the legislation governing income tax and specifically, 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 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 legal provisions, regulations, and practices do not discriminate between domestic and foreign corporations. 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 allocated to acquire goods abroad or cover financial obligations, provided the operator complies with Peruvian tax laws.

Favorable Legal Framework for Foreign Investors

Peru offers a legal framework¹ 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

¹Constitutional provisions; "Foreign Investment Act," Congressional Order (Decreto Legislativo) 662; "Framework Law for the Growth of Private Investment," Congressional Order (Decreto Legislativo) 757.

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 corporations
- ▶ 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 country with a vast network of investment agreements and membership in the Investment Committee of the Organization for Economic Co-operation and Development (OECD)

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

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.

Recognition of Favorable Investment Climate

According to this ranking, 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
Peru Total	61/148	4.25	65/148	4.20	69/140	4.24
SUB-INDEXES:						
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 Enhancers	57	4.20	62	4.20	60	4.19
Tertiary 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	3.93
Innovation	122	2.76	117	3.31	116	2.76

Source: World Economic Forum 2015 - 2016

Ease of Doing Business in Peru

According to Doing Business 2016, Peru ranks 50th 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 55th among the best countries for doing business, and ranks fifth in Latin America.

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 - 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 paid up capital (% 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
Electricity service		
▶ 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 index(0-10)	9.0	4.0
▶ Extent of directors' liability index (0-10)	6.0	5.2
▶ Ease of shareholders legal proceedings index (0-10)	6.0	6.4
▶ Strength of investors protection index (0-10)	6.0	4.9
Paying taxes		
▶ Number of tax 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: compliance with border regulations (hours)	48.0	86.0
▶ Export costs: compliance with border regulations (US\$)	460.0	493.0
▶ Time to import: compliance with border regulations (hours)	72.0	107.0
▶ Import costs: compliance with border regulations (hours)	583.0	665.0
Enforcing contracts		
▶ Time (days)	426.0	736.9
▶ Cost (% of amounts claimed)	35.7	30.8
▶ Legal proceedings quality index (0-18)	8.5	8.4
Resolving bankruptcy		
▶ Time (years)	3.1	2.9
▶ Cost (% of assets)	7.0	16.6
▶ Recovery rate (cents per US\$)	30.3	31.2

Source: World Bank - Doing Business 2016

Sustainable Competitiveness Model

Indicators	Past		Current	
	Ranking	Score	Ranking	Score
Welfare				
2014 - 2015 Prosperity Index	78/142		82/142	
Institutions				
2014 - 2015 Index of Economic Freedom	44/177	68,20	47/178	67,70
2014 Business Environment Index			49/82	6,40
2014 - 2015 Internationalization of Prosperity Right Index	62/97	5,00	79/129	4,6
2013 Resource Management Index			11/58	72,80
2013 - 2014 E-government Index	82/190	0,5230	72/193	0,5435
Open Government Index			47/102	0,55
2013 - 2015 Open Budget Survey	30/100	57,0	10/102	75,0
2014 - 2015 Peace Index	119/162	2304	92/162	2029
2014 - 2015 Fragile States Index	97/178	72,9	98/178	71,9
2013 - 2014 Corruption Perception Index	83/177	3,8	85/174	3,8
Infrastructure				
2014 - 2015 Public-Private Partnerships Index for Latin America and the Caribbean	3/19	69,6	3/19	70,5
2013 - 2014 Energy Architecture Performance Index	18/124	0,65	31/125	0,68
Macroeconomic Environment				
2014 - 2015 Country Risk	53/140	71,0	51/140	71,5
Sovereign Risk June 2015 - September 2015	21/50		23/50	
Efficiency of goods market				
2014 - 2015 Entrepreneurship Rate	10/67	23,4	5/73	28,8
Countries for Mining Investment 2014 - 2015	7/25		6/25	
Attractive Areas for Mining Investment 2014 - 2015	37/112	63,1	30/112	69,6
2014 - 2015 Retail Development Index	13/30	50,6	16/30	50,8
2012 - 2014 Connectivity Index	67/140	46	72/140	44
2015 Global Connectivity Index			34/50	40
2012 - 2014 Foreign Trade Facilitation Index	53/132	4,31	51/138	4,30
2012 - 2014 Logistics Performance Index	60/155	2,94	71/160	2,84
Financial Market Development				
2011 - 2012 Financial Development Index	40/60	3,16	41/62	3,28
2013 - 2014 Microfinance Business Environment	1/55	82,5	1/55	87,0
Technology Performance				
2014 - 2015 Technology Performance Index	90/148	3,73	90/143	3,70
2014 - 2015 ICT Development Index	105/166	4,00	104/167	4,26
2014 - 2015 Internet Download Speed Index	135/189	4,09	127/198	6,69
Market Size				
Travel and Tourism Competitiveness Index 2013 - 2015	73/140	4,00	58/141	3,88
2012 - 2014 Country Brand Index	40/118		49/75	
Innovation				
Research Centers Ranking 2014 - 2015	45/184	32	43/197	32
2013 - 2014 Talent Competitiveness Index	65/103	41,6	63/93	39,5
2014 - 2015 Talent Attraction Index	57/60	19,0	59/61	7,8
Innovation Index	73/143	34,73	71/141	34,87
Social Sustainability				
2014 - 2015 Social Progress Index	55/132	66,29	55/133	67,23
Environmental Sustainability				
2012 - 2014 Environmental Performance Index	81/132	96,00	110/178	45,1

Source: Lima Chamber of Commerce

Global Competitiveness Ranking 2016 (Latin America)

Country	2015	2016
Chile	35	36
Mexico	39	45
Colombia	51	51
Peru	54	54
Argentina	59	55
Brazil	56	57
Venezuela	61	61

Raking by factors for Peru	2015	2016
Financial Performance	50	50
Government Efficiency	37	41
Business Efficiency	50	50
Infrastructure	60	59

Source: Institute for Management Development (IMD), Centrum Católica

Financial Climate Index of Latin America

Financial Climate Index is the result of the Latin American Financial Survey, carried out by the IFO Institute of Germany and the Getúlio Vargas Foundation of Brazil. This survey is prepared every three months and serves for the monitoring and anticipation of the financial tendencies of the countries and financial blocs.

In July 2016, Peru reached 134 points, ranking first in Latin America.

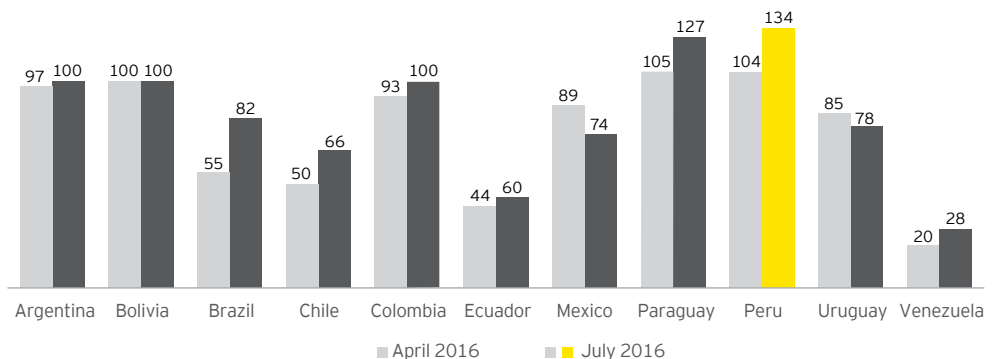
Business Climate Index (BCI) in Latin America (July 2016)

Position	Country	BCI
1	Peru	134
2	Paraguay	127
3	Argentina	100
4	Bolivia	100
5	Colombia	100
6	Brazil	82

Position	Country	BCI
7	Uruguay	78
8	Mexico	74
9	Chile	66
10	Ecuador	60
11	Venezuela	28

Source: Latin American Business Survey - IFO Institute, Getúlio Vargas Foundation

Business Climate Index in Latin America



Source: Latin American Business Survey - IFO Institute, Getúlio Vargas Foundation

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 economy 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, government, regulations, 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 eradicate poverty.

Below is a summary of this ranking:

Economy	Worldwide Ranking	Latin American 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

On the other hand, Peru ranks first in the area of Sound Money (9.4 points out of 10) in Latin America, according to the latest Economic Freedom of the World report published by the Fraser Institute. Thus, Peru stands out because it has followed policies that lead to low and stable rates of inflation and avoid regulations that limit the ability to use alternative currencies.

Emerging and Growth-Leading Economies (EAGLEs)

The emerging and growth-leading economies (EAGLEs) are elected every year by the 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, and it is expected that - together with the EAGLE economies - they 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 is 2.4%.

Contribution to Global Growth Between 2014 and 2024

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

Source: BBVA Research - Peru 2015

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 economies will cause - if they have not already done so - a change that will work for a wider variety of industries.

Entrepreneurship

The Global Entrepreneurship Monitor (GEM) is the largest study worldwide aimed at investigating the attitudes, activities and characteristics of the individuals who participate in entrepreneurial activities, as well as the impact of entrepreneurship in the economic development of the countries. This study divides the countries into three blocs: resource-based economies, efficiency-based economies and innovation-based economies. Each one of these blocs shows the country's performance in terms of its economic development; in other words, the countries with low income that base their economy on the extraction of natural resources are located in the first bloc. The developed countries are situated between the innovation-based economies and medium income countries, such as Peru, within the efficiency-based economies.

The Global Entrepreneurship Monitor (GEM) defines the Entrepreneurial Activity Rate (EAR) as the number of entrepreneurial ventures among the economically Active Population (EAP). In addition, it shows other results such as the perception of opportunities, of capacities, the fear of failure and entrepreneurial intentions, obtained from the surveys carried out on entrepreneurs of each country.

Worldwide Rate of Entrepreneurial Activity - 2015

Countries	Rate of Entrepreneurial Activity	Entrepreneurial Intentions (%)
1. Senegal	38.6	66.6
2. Ecuador	33.6	46.3
3. Botswana	33.2	61.9
4. Lebanon	30.1	44.0
5. Burkina Faso	29.8	45.9
6. Chile	25.9	50.0
7. Cameroon	25.4	33.1
8. Colombia	22.7	48.2
9. Peru	22.2	38.6
10. Brazil	21.0	24.4

Source: Global Entrepreneurship Monitor (GEM)

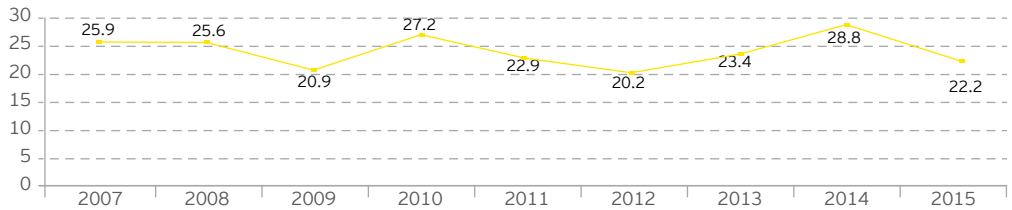
Entrepreneurial Attitudes and Perceptions According to the Global Entrepreneurship Monitor (GEM) - 2015 (Percentage of the population between 18 and 64 Years)

Country	Perception of opportunities (%)	Perception of capacities (%)	Fear of failure (%)	Entrepreneurial intentions (%)
Argentina	45.9	61.6	25.8	29.1
Barbados	55.0	75.0	14.7	21.6
Brazil	42.4	58.3	44.7	24.4
Chile	57.4	65.7	28.1	50.0
Colombia	58.3	59.5	33.2	48.2
Ecuador	52.7	72.2	28.6	46.3
Guatemala	47.9	60.0	31.0	36.9
Mexico	44.7	45.8	36.4	13.7
Panama	46.5	49.4	23.1	13.9
Peru	51.4	65.3	25.5	38.6
Puerto Rico	25.0	50.4	17.7	11.1
Uruguay	39.2	61.0	24.4	25.4
Average	47.2	60.4	27.8	30.0

Source: Global Entrepreneurship Monitor (GEM)

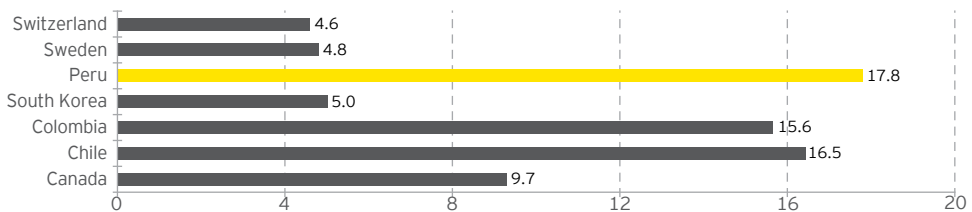
In 2015, Peru obtained an Entrepreneurial Activity Rate (EAR) of 22.2%, thereby situating it among the top five entrepreneurial countries of the world. According to the Index of the Global Entrepreneurship Monitor (GEM) 22 out of every 100 Peruvians carry out an entrepreneurial activity mainly in microenterprises and the perception of opportunities and entrepreneurial intentions (51.4% and 38.6%, respectively) is very much above the regional average (47.2% and 30.0%, respectively).

Evolution of the Rate of Entrepreneurial Activity According to Global Entrepreneurship Monitor (GEM) in Peru



Source: Global Entrepreneurship Monitor (GEM)

New Entrepreneurs (2015): percentage of the population aged between 18 and 64 years who are currently the owners of a new enterprise which has not been in operation for more than 42 months or less than 3 months



Source: Global Entrepreneurship Monitor (GEM)

2

Trade agreements

Peru's development strategy is based on an economy opened 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 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.

In 2015, 92.2% of Peru's exports were 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 over 54 countries, including the United States, China, Canada, Japan, South Korea, Thailand, Singapore and the member countries of the European Union, 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, as a result 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 Bilateral Investment Agreements.

The principal rights protected 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
- ▶ The Most Favored Nation Clause, under which the best terms and conditions given to foreign partners is made available to any other third country partner
- ▶ The possibility of accessing international courts specialized in investment issues, should a dispute arise as a result of the wrongful enforcement of the agreements, or their breach.

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 Investment Agreements: Germany, Argentina, Australia, Canada, China, Colombia, Cuba, Denmark, Ecuador, El Salvador, Spain, Finland, France, Italy, Japan, Malaysia, Norway, The Netherlands, Paraguay, Portugal, United Kingdom, Czech Republic, 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, European Free Trade Association (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) of the World Bank (WB) as an alternative for resolving disputes that might arise between investors covered by the International Centre for Settlement of Investment Disputes (ICSID) and the Peruvian State.

Additionally, 8 agreements have been signed to avoid double taxation with Chile, Canada, the Andean Community of Nations (CAN), Brazil, Mexico, South Korea, Switzerland and Portugal.

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 (Colombia, Chile, Mexico and Peru).

▶ 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:**

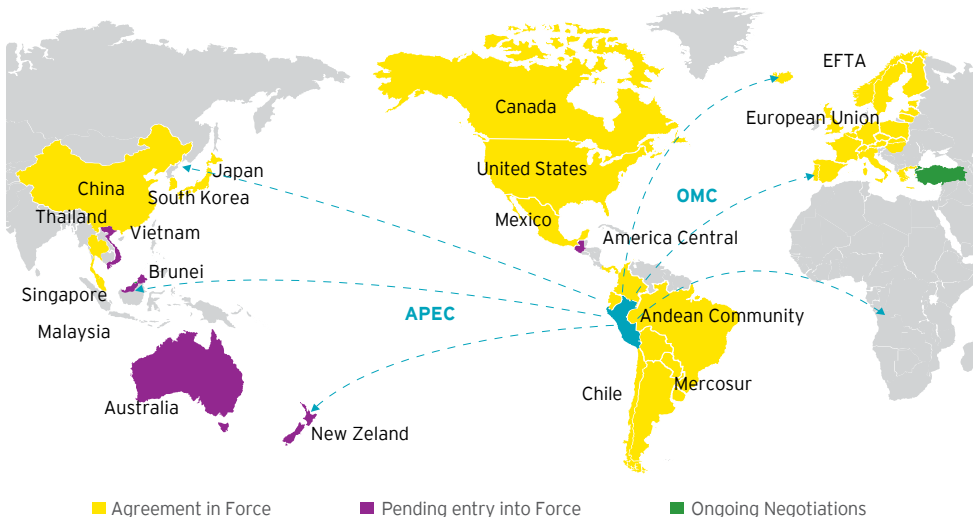
- Guatemala
- Trans-Pacific Partnership (TPP) - Brunei, Chile, New Zealand, Singapore, Australia, United States, Malaysia, Vietnam, Canada, Mexico, Japan, and Peru
- Brazil
- Honduras

► **Ongoing Negotiations:**

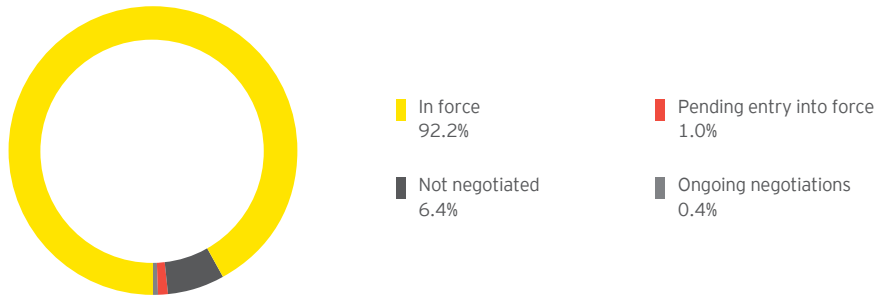
- El Salvador
- Turkey
- DOHA Development Round
- Trade in Services Agreement (TISA)

It must be pointed out that 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 a State Member of the Southern Common Market (MERCOSUR). Recently and through the Country Program, Peru will be allowed to participate in the committees of the Organization for Economic Cooperation and Development (OECD). This represents a key tool for Peru for the success of the strategy and the process aimed at succeeding with the entry of Peru in said organization.

The following map shows the status of Peru's agreements, exports under these agreements, and a brief summary of the main instruments:



Exports from Peru According to Markets with 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 1.4 billion inhabitants, of which 350 million are consumers with high purchasing power.

Exports to China had grown at an approximate average rate of 7% per year during the 2010-2015 period. Peru's principal exports to China are copper, fishmeal, and iron ore, lead and zinc. Among the main Peruvian products benefitting from the trade agreement are giant squid, cuttlefish and squid, fresh grapes, avocado, mango, barley, paprika, tara powder, and fine wool yarn, etc. In exchange, China ships machinery, mobile telephones, and high technology products to Peru.

The FTA establishes clear rules of the game, within a transparent and predictable framework through which it will not only contribute to increasing bilateral trade, but also boost Chinese investment in Peru, principally in the industries of mining, agriculture, electricity, wind power, oil and gas, and fisheries.

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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 (ATPDEA) 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 Free 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, handcrafts, paprika, artichokes, grapes, mangoes, tangerines and asparagus. In 2015, exports reached US\$4.9 billion, of which golden exports accounted for 17%, while asparagus and fresh grapes 9.5%.

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

The Trade Agreement with the European Union (EU) is part of a business strategy to expand and develop the export supply of Peru. It became effective on March 1, 2013. The European Union constitutes a market of great opportunities with over 507.2 million inhabitants and per capita income levels which are among the highest in the world.

The EU is one of the main destinations for Peruvian exports, with a share of 25% of the total exports in 2015. Furthermore, this Region registered a direct foreign investment in Peru with a share of 50.1% of the capital stock from Spain and the United Kingdom.

With the entry into force of the Peru - European Union (EU) FTA, custom duties were removed in 99.3% of Peru's exports, benefiting 95% of custom 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 execution of the agreement between the Republic of Peru and the European Union on visa exemptions for short-term stays, signed on March 14, 2016 in the city of Brussels, in the Kingdom of Belgium, was a major achievement that will facilitate business investment contacts by Peruvian businesspeople in Europe. Under this agreement, Peruvian citizens can enter the following 30 countries without a short-term visa: Germany, Austria, Belgium, Denmark, Slovakia, Slovenia, Spain, Estonia, Finland, France, Sweden, Czech Republic, Hungary, Italy, Latvia, Lithuania, Luxemburg, Malta, The Netherlands, Poland, Portugal, Greece, Iceland, Liechtenstein, Norway, Switzerland, Bulgaria, Croatia, Cyprus, and Romania. This decision came about as a result of increased economic relations with the European Union, a decline in irregular migration flows, and the opportunities offered by the economic growth registered in Peru.

4. Peru - Japan Free Trade Agreement (FTA)

The Economic Partnership Agreement between Peru and Japan was entered into on May 31, 2012. Under this Agreement, Peruvian products such as coffee, asparagus, sacha inchi, giant squid, fish oil, copper, lead, zinc, purple corn, giant corn from Cusco, swordfish, among others, enter the Japanese market with preferential access.

In 2015, Japan was the fifth top destination for Peruvian exports, for a total value of US\$ 1.1 billion, consisting mainly of 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, South Korea, and it became effective on August 1, 2011. With this trade agreement, Peru gains access to a market of 50.4 million inhabitants, with a GDP per capita of US\$ 28,739. For Peruvian exports, this represents a significant number of potential consumers and a major opportunity for Peru's export supply.

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 has a preference for high quality fresh products, such as agricultural and fisheries products from Peru.

South Korea was the seventh destination of Peruvian exports during 2015, with a total of US\$ 1.1 billion, the bulk of which is represented by fisheries and agricultural products. In turn, it is the fifth country of origin of our imports, with a total of US\$ 1.1 billion in the same year. The main products imported from South Korea are vehicles and telephones.

6. Peru - Singapore and Peru - Thailand Free Trade Agreements (FTAs) in Order to Accelerate the Liberalization of the Commerce of Merchandise and the Facilitation of Commerce

In the context of the policy of rapprochement with the Asian market, Peru executed the Peru - Singapore Free Trade Agreement (FTA) on May 29, 2008. Unlike Thailand and the case of most Asian countries, which import mainly minerals from Peru, Singapore is a very important non-traditional Peruvian exports destination.

The main products exported to Singapore, which are already benefiting from this Agreement, which entered 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 into East Asia; thus, the Agreement will enable Peruvian products to be admitted under better conditions throughout the Region, boost greater investments and consolidate the Peruvian strategy of becoming the center of Asian operations in South America.

In the case of Thailand, the Protocol to Accelerate the Liberalization of the Trade of Goods and Facilitation of Trade was signed in the city of Busan, South Korea, on November 19, 2005, and entered into force on December 31, 2011. The main products exported to Thailand include zinc and copper; fishmeal, fish powder, and fish pellets; cuttlefish; and fresh grapes. The tariff liberalization agreed to with Thailand encompasses approximately 75% of both countries' tariff subheadings. The subheadings corresponding to Basket A were immediately liberalized; while those corresponding to Basket B were scheduled for liberalization five years after the entry into force of the Protocol.

7. Peru - MERCOSUR Economic Complementation Agreement (ACE)

Economic Complementation Agreement 58 (ACE 58) was signed between Peru and the MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay) on November 30, 2005 and became effective on January 2006. Subsequently, in 2006 the Protocol for Venezuela's Accession to the MERCOSUR was signed, and there has been a trade agreement with this country since 2012.

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 minerals and copper products, zinc ores, silver, olives, varnishes, calcium phosphates, cotton shirts, tara and dyes. It must be noted that in 2015, 86% of Peruvian exports are exported to Brazil, followed by the Argentine market with 11% and the remaining 3% to Paraguay and Uruguay.

8. Peru - Mexico Trade Integration Agreement

The Trade Integration Agreement was entered into by and between Peru and Mexico on April 6, 2011, and became effective 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, paprika, timber, shrimp, and other products. On the other hand, the importation from Mexico of consumer goods and household appliances and technological products will allow Peruvian consumers access to a wider variety and quality of products, at lower prices. Additionally, rules are being consolidated to promote the already strong Mexican investment existing in Peru, as well as the Peruvian investments in said country.

9. Andean Community of Nations (CAN)

Peru, together with other South American countries (Bolivia, Colombia and Ecuador) is a member of the Andean Community of Nations (CAN) since 1997. Within this framework, there are agreements related to lower customs duties for goods, sub-regional liberalization of service markets, community regulations regarding intellectual property, land, air and water transport, telecommunications, etc. 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 - Canada Free Trade Agreement (FTAs)

The Free Trade Agreement between Peru and Canada was signed in Lima on May 29, 2008 and entered into full force and effect on August 1, 2009. This agreement is a major commercial treaty that incorporates chapters on the National Treatment and Access to Markets, the Facilitation of Trade, Investment, Trans border Trading of Services, Telecommunications, Financial Services, Competition Policies, Public Contracting, E-Commerce, Labor and Environmental issues, among others. It must be noted that the main products exported to Canada are gold, silver, copper, lead, fish oil, fishmeal, handicrafts and textiles.

11. Peru - Chile Free Trade Agreement (FTAs)

This Agreement is effective as from March 1, 2009. It extends the Economic Complementation Agreement (ACE No. 38) signed by Peru and Chile in 1998, together with its annexes, protocols and other regulatory tools.

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

12. Asia-Pacific Economic Cooperation (APEC) Forum

Asia-Pacific Economic Cooperation (APEC) is an informal consultation 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 binding obligations. On the contrary, it is based on non-binding individual action plans on trade and investment liberalization and facilitation; a collective action plan to closely coordinate the adoption of modern and efficient processes aimed at simplifying requirements and procedures for the various productive transactions; and the economic and technical cooperation among its members. Peru is active in the work of this forum, and it participates in the definition of the lines of action 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 economies account for approximately 60% of the global Gross Domestic Product (GDP), 50% of world trade, and around 50% of the world population.

13. World Trade Organization (WTO)

The WTO is the world's largest forum on the administration of the multilateral legal framework that regulates world trade and certain other aspects, such as intellectual property, investment measures, or the environment in those areas related to trade. It is also a dispute resolution mechanism for differences on trade policies, as well as the most important negotiation forum in matters of world trade. It is made up of 162 members (as at November 2015). Peru has been a member of the WTO since its creation in 1995, and all commercial agreements reached at the WTO have been ratified by its domestic law.

14. Pacific Alliance

The 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' economies, 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 Gross Domestic Product (GDP) and 2.7% of the global GDP. Together, they would be the eighth largest economy in the world. Trade

represents 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. This initiative aims at achieving the stock market integration of Colombia, Peru, Chile and Mexico, which were formally incorporated in June 2014. Furthermore, the average inflation in 2014 was 3.9%, below the average of Latin America. In addition, in February of 2014, Chile, Colombia, Mexico, and Peru signed an agreement that immediately liberalized 92% of trade from the payment of custom duty tariffs and a uniform customs system has been established, which entered into force on May 1, 2016. Finally, the standardization of the technical and health provisions, as well as the elimination of health barriers on exports shall be carried out after the entry into effect of the Agreement.

The Pacific Alliance has 49 Observer Members, and it has recently admitted seven additional countries: Argentina, Ukraine, Egypt, Norway, Slovakia, Check Republic and Romania.

Also see the following Section II.3 on the Pacific Alliance.

The Ministry of Foreign Affairs and Ernst & Young (EY) have a Guide of the Pacific Alliance. You may download it free of charge through the following web addresses:

http://is.gd/rree_comience_a_invertir o www.ey.com/Pe/EyPeruLibrary

15. Trans-Pacific Partnership (TPP)

On February 4, 2016, the ministers of foreign trade of 12 countries from the Asia-Pacific region signed the text of the Trans-Pacific Partnership (TPP) following seven years of negotiations, restricted solely to the member economies of APEC that expressed their intent to form part of this agreement.

In addition to Peru, the TPP was signed by Australia, Brunei Darussalam, Canada, Chile, the United States, Japan, Malaysia, Mexico, New Zealand, Singapore, and Vietnam. Together, these countries constitute a market of 805 million people (nearly 12% of the world's population) which account for 37% of the world's GDP, with an average GDP per capita per of US\$ 32,800. The TPP represents 25% of worldwide exports (US\$ 4.3 trillion) and absorbs 27% of the world's imports (US\$ 5.2 trillion).

The Partnership has entered the internal signing stage, which in many cases means the prior approval of the respective parliaments of each country that has entered into the Agreement.

The points negotiated include issues tied to regional integration, regulatory consistency, economic development, access of SMEs to the markets, competitiveness and transparency, as well as commitments to trade liberation for goods and services typical of the latest generation of free trade agreements.

Peru has become one of the three Latin American nations to form part of the largest free trade zone in the world, which includes countries on four continents (North and South America, Asia, and Oceania). This is the zone with the greatest economic prospects in the immediate future, due to the growth of its middle class. For Peru, the TPP represents a major commercial platform to diversify the destinations of its exports in eleven countries, improving the conditions of the free trade agreements currently in force with some of them. The TPP will also allow Peru to enter five new markets (Australia, Brunei Darussalam, Malaysia, New Zealand, and Vietnam) under a single set of rules. In 2014, Peru exported US\$ 12.9 billion to the TPP countries, which accounts for just 0.25% of the bloc's total imports. These figures show the huge space that Peruvian exports have for growth. It should be noted that the potential market for fruits and vegetables, Andean grains, fishery products, and cotton and alpaca textile products is estimated at over US\$ 2.5 billion. Growth opportunities for non-traditional exports will also increase within the TPP bloc. These exports currently total US\$ 4.2 billion, accounting for 36% of Peruvian non-traditional exports.

The TPP will help make Peru a hub, attracting South American investments seeking to export with preferences to other countries of the TPP, and investments from the Asia-Pacific to export to the rest of South America through the trade agreements that Peru has signed with the countries of the region.

16. Peru's Upcoming Trade Agreements

As part of efforts deployed to expand and strengthen the market for Peruvian products worldwide, Peru and Turkey begun negotiations for a Free Trade Agreement (FTA) between the two countries on January 20, 2014. An important fact is that it has been decided for the negotiations to include liberalization of trade in services, which is something that Turkey had never negotiated in earlier agreements from the start. The products enjoying a greater interest on the part of Turkey include mining, fisheries, livestock, leather, and fur.

Central America and the Caribbean are other regions where a significant business and investment potential for Peruvian companies has been identified. Final arrangements are being made to materialize the trade with Guatemala and Honduras. Likewise, negotiations have been initiated with El Salvador, Nicaragua and Cuba, which are expected to be concluded in a short period.

Peru is also taking the initiative to promote the start of trade negotiations with India and the Indonesia. For that purpose, the corresponding feasibility studies have already been undertaken. One of the interests in future negotiations with India is to strengthen openness and trade preferences for Peru in a market that concentrates one sixth (1/6th) of the world's population. In an initial MINCETUR study, 61 Peruvian products have been identified (52 belonging to the Non-traditional Sector) in which Peru has significant comparative advantages and where India would have a relatively high purchasing power.

In addition, Peru is evaluating the possibility of proposing a feasibility study to enter into a trade agreement with the Russian Federation, which would open up, for Peru, a market in an economy which represents 23% of world's exports and 1.8% of the world's imports. In this regard, MINCETUR has determined that custom duty tariff liberalization between the two countries could generate an increase in bilateral exports of 36% for Peru, emphasizing, for the Peruvian side, the ability to export fresh grapes, colorants, tangerines, capsicum, zinc oxide, fresh mangoes, and other products.

On October 2, 2012, Peru also signed a Framework Agreement for Economic, Commercial, and Technical Cooperation and Investments, with Member States of the Gulf Cooperation Council, made up of Saudi Arabia, Bahrain, Kuwait, Qatar, Oman, and the United Arab Emirates. The Agreement is the first one signed with a South American country.

The possibility to continue negotiating trade agreements with Israel, South Africa or Morocco is not ruled out.

Peru's Entry to the Schengen Area

Since March 2016, Peruvians no longer require a Schengen visa, thanks to notable improvements in the economic, social, and political spheres, setting the stage for the elimination of restrictions and leading to a more profound integration between Peru and its European trading partners. Peruvian may now travel to the 26 countries of the European Union, as well as Iceland, Liechtenstein, Norway, and Switzerland, without a visa for a period of up to 90 days out of every 180-day period for purposes of tourism.

This situation is the result of a process whereby Peru has worked, through its foreign policy, to achieve a greater integration within the international community, using instruments such as trade agreements and cooperation agreements, both bilateral and multilateral. Similarly, the progress made by the country in terms of security, irregular immigration and human rights, as well as the economic benefits for the European bloc of having Peru as one of its principal economic partners due to the current conditions of its economic growth, have been crucial for this development.

With regard to the integration between the European continent and Peru, it must be noted that this approach has been operated at three levels: an initial macro level based on the cooperation and integration actions

taken between the EU and the Community of American and Caribbean States (CELAC) an intermediate level within the context of the agreement between the EU and the Andean Community of Nations (CAN) and a third level that includes the bilateral relations between Peru and Europe.

Thanks to the progressive reduction of the barriers to enter the Schengen area, Peru will have the capacity to consolidate trade and investment alternatives with 30 European countries.

For further information on Peruvian trade agreements, visit:
www.acuerdoscomerciales.gob.pe

3 Pacific Alliance

The Pacific Alliance, comprised by Chile, Colombia, Mexico and Peru, is one of the most relevant regional integration efforts of the last few decades. Its objectives are aimed at facilitating the liberalization of the commercial exchange of goods and services, the free circulation of persons and capitals, as well as at boosting cooperation among the member countries.

Considered as an economic unit, the Pacific Alliance is the eighth economy of the world, contributing more than 38% of the Gross Domestic Product (GDP) of Latin America and the Caribbean. It has a collective population of more than 216 million persons and it is expected to become, as a bloc, the fourth contributor to the growth of the world over the next five years. The Pacific Alliance offers relevant competitive advantages and a wide network of trade agreements involving the most developed economies of the world, clearly aimed at the Asia-Pacific region.

The common denominator of the member countries of the Pacific Alliance is their openness to foreign investment, as well as the enforcement of macroeconomic policies that promote private initiative and free trade. They also share a recent history of economic stability and in fact occupy the first four positions in the ranking of the investment level rating by country, in Latin America, besides growing an average of double per year than the average Latin American country. The average Gross Domestic Product (GDP) per capita of the Pacific Alliance is close to US\$15,000, measured in "Purchasing Power Parity" or "PPP" and its population is largely young, thereby comprising a market with a constantly growing purchasing power and that has a majority "demographic bonus" in its joint population structure that provides power in terms of production and productivity, consumption, savings and investment capacity.

The Pacific Alliance is an initiative for regional integration, adopted by the Presidents of Chile, Colombia, Mexico and Peru on April 28, 2011. It constitutes the commitment to achieve in-depth integration, by the member countries with the aim of moving towards the free circulation of goods, services, capitals and persons, by facilitating trade and customs cooperation, with a view to promoting further growth, creating jobs, development and competitiveness of the economies of the parties, designed to boost greater wellbeing, overcome socioeconomic inequality and promote the social inclusion of their inhabitants.

With a real accumulated Gross Domestic Product (GDP) of US\$2.1 billion and US\$3.6 billion measured in "Purchasing Power Parity" or "PPP" (and which is equivalent to more than 38% of the GDP of Latin America and the Caribbean) and with an expected average growth in its GDP of 4.4% for the year 2014, higher than the average of 1.3% forecast for Latin America, the Pacific Alliance is a body of major importance, given its economic relevance and commercial openness, in addition to being the commercial complement of the large world economies, particularly of the Asia-Pacific hub, thereby making it even more attractive.

In 2014, the Pacific Alliance received more than 44% of the direct foreign investment destined to Latin America, equivalent to almost US\$70 billion. Additionally, in the Pacific Alliance the estimated average inflation and unemployment rates for 2014 of 3.9% and 6.6% respectively, lower than the regional average and the sustained reduction of its poverty rates over the past decade, are the most important highlights.

Individually, the four member countries have obtained better investment level ratings in the entire region, at the close of 2014, which does not only attract investors and benefit their interest rates, but also constitutes a backup for improvements to their macroeconomic and social indicators.

The economic bloc is reinforced by the Integrated Latin American Market (MILA) which is the result of the integration of the stock markets of the member countries. This Market intends to diversify, expand and make more attractive the negotiation of this type of assets in the four countries, with more than 740 different issuers and provides the issuers with larger financing sources, both for local and foreign investors. At the close of 2015, the MILA is the first market by number of listed companies in Latin America and the second in the size of market capitalization with a consolidated value of over US\$3 billion.

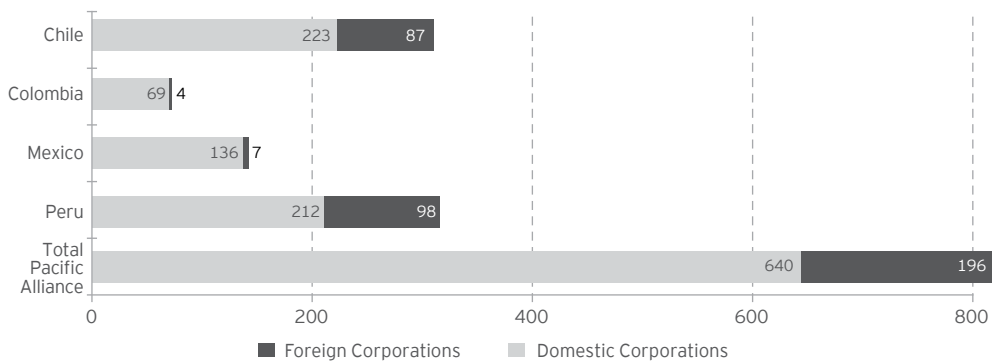
Integrated Latin American Market - MILA

The Lima Stock Exchange - BVL (Peru) the Santiago Stock Exchange - BCS (Chile), the Colombia Stock Exchange - BVC (Colombia) and the Mexican Stock Exchange, along with the security depositories of each country, Cavali, DC, Deceval and INDOVAL, have built their equities (stock) market, seeking 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 of the member countries 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.

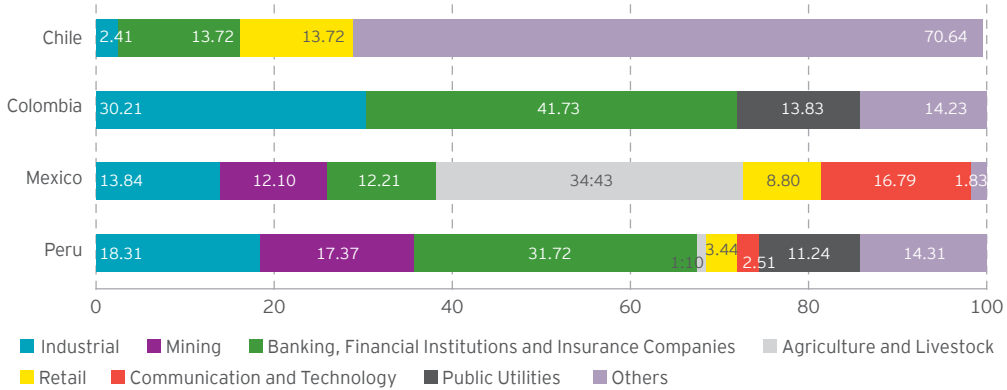
As at December 2015, the total volume traded in the MILA amounted to US\$186.9 billion. Likewise, as at said date, it had more than 740 issuers including the incorporated Mexican issuers. Also at said date, the MILA had 65 brokers with brokerage agreements signed by the stock brokers of Chile, Colombia, Mexico and Peru.

Number of Listed Companies (December 2015)



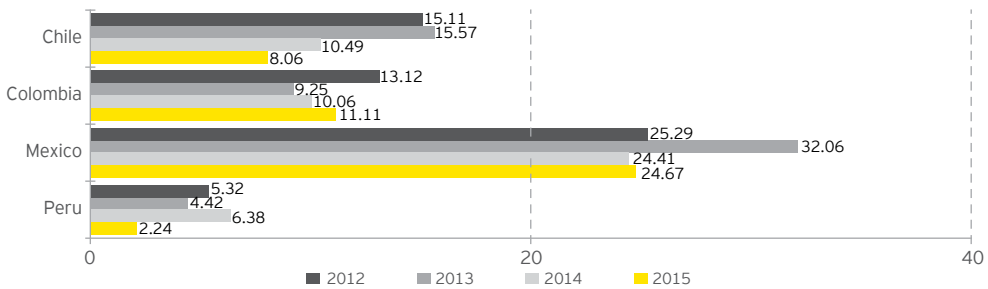
Source: Ibero-American Federation of Stock Exchanges (FIAB)

Comparison of the Market Capitalization by Sector for Local Companies (in Percentage, 2014)



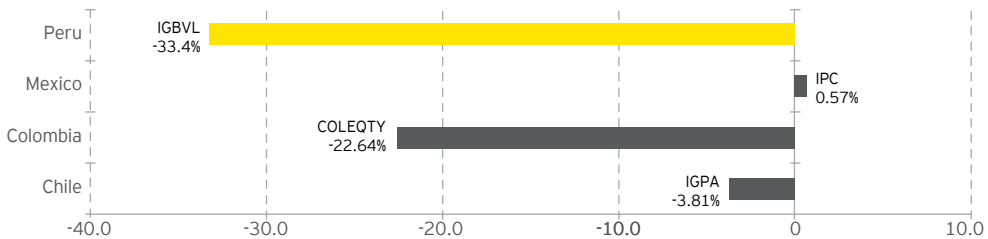
Source: Ibero-American Federation of Stock Exchanges (FIAB)

Speed of Domestic Stock Rotation (2014)



Source: Ibero-American Federation of Stock Exchanges (FIAB)

Variation of the General Stock Index 2015 / 2014



Source: Ibero-American Federation of Stock Exchanges (FIAB)

Movement of Persons

The free circulation of persons is one of the key points of the Pacific Alliance. This work group is aimed at the development of topics such as facilitating the migratory traffic, the free circulation of persons, consular cooperation, student and labor cooperation and the exchange of information on migratory flows.

Main Initiatives

Among the main efforts developed it is important to mention the elimination of visas by Mexico for Colombians and Peruvians in 2012 (Chile did not require a visa) as well as the elimination of visas by Peru for businessmen coming from Chile, Colombia and Mexico, for a maximum period of 183 days a year and provided non-remunerated activities are carried out in the country. Likewise, the execution of the Holidays

and Work Agreement will allow young citizens of the countries members of the Pacific Alliance, to visit any of the member countries of the Alliance, for recreational and tourism purposes, for a maximum of 360 days, allowing them to engage in partially remunerated activities during said period, to cover their accommodation costs.

Furthermore, a Guidebook for the national travelers of the member countries has been prepared and mechanisms for consular cooperation have been defined. On the other hand, the Alliance is in the process of evaluating the conditions to establish a safety platform to promptly obtain the list of persons visiting the countries as tourists.

The member countries have signed a Tourism Cooperation Agreement with the aim of strengthening and developing their relations, through the design of actions that seek to increase the flow of tourists among the parties.

For further information visit: www.mercadomila.com and see the Guidebook of the Pacific Alliance: http://is_gd/rree_comience_a_invertir Ernst & Young (EY) and the Ministry of Foreign Affairs have a Guide of the Pacific Alliance. You may download it free of charge through the following web addresses: http://is_gd/rree_comience_a_invertir o www.ey.com/Pe/EyPeruLibrary

4

Promotion mechanisms for investment in infrastructure and utilities¹

The Peruvian government facilitates access to private investment for a wide range of activities and projects. Mindful of the dynamic role of business activities, Peruvian law recognizes the following types of private involvement: (a) Private Initiative, which may be: i) Self-sustainable or ii) Co-financed (b) Public-Private Partnership (PPP) and (c) Execution of Public Works for the Payment of Taxes.

a. Private Initiative

1. Self-sustainable:

Allows a company to identify new opportunities for investment in government assets, institutions and projects, as well as Public-Private Partnerships (PPPs) whose bid must be presented before the pertinent Private Investment Promotion Body (OPIP).

One of the main characteristics of Self-sustainable Private Initiatives is that they shall have a minimum demand (not to exceed 5% of the total investment cost) or no demand for financial guarantees by the government. Furthermore, with regard to the non-financial guarantees, they shall have a minimum or no probability of requiring the allocation of public funds (this probability must not exceed 10% for each one of the first five years of effectiveness of the guarantee established in the contract).

Self-sustainable Private Initiatives supplement the government's work in the identification of private investment projects.

The main characteristics of Self-sustainable Private Initiatives are:

- They can be promoted by national or foreign legal entities.
- They are a Petition of Grace by nature. Therefore, the right of the bidder ends with the presentation of the Private Initiative before the pertinent Private Investment Promotion Body (OPIP) without the possibility of challenging a decision before an administrative or judicial venue.

¹Source: ProlInversión

- They are presented before the competent Private Investment Promotion Body (OPIP) according to the level of government in charge of the project (National, Regional or Local).
- They must not have an approved Promotion Plan.
- They require the approval of all the entities related to the project.
- Amendments and/or extensions may be requested and the bidders must express their agreement or disagreement with the referred amendments and/or extensions.
- Reasonable evaluation terms.
- Interested third parties will be allowed to submit similar or alternative projects.
- The right to match the best bid (said right is granted to the bidder).
- Direct award.
- Negotiation of non-essential aspects of the contract.
- Reimbursement of costs (This occurs only if the bidder takes part in the promotion process called, with a valid economic tender and loses out to interested third parties).
- There is duty of confidentiality.

Documents that must accompany the Self-sustainable Private Initiatives as a minimum:

- Name or trade name of the applicant attaching the power of attorney of the legal representative.
- Type of participation in the private investment.
- Project description:
 - i) Title and type of project.
 - ii) Objectives.
 - iii) Specific benefits.
 - iv) Preliminary engineering of the project.
 - v) Reasons as to why the project has been chosen among other alternatives.
- Scope of influence.
- Economic and financial assessment of the project.
- Preliminary environmental impact assessment and, if relevant, the social and environmental mitigation plan.
- Proposed estimated effectiveness of the corresponding contract.
- Financial and technical capacity of the person proposing the Private Initiative.
- Affidavit expressing that the Private Initiative shall not request public co-financing, or financial or nonfinancial guarantees.
- Affidavit of costs incurred in the preparation of the Private Initiative submitted.

2. Co-financed:

Co-financed Private Initiatives enable a national or foreign corporation to identify new opportunities for investment, aimed at developing Public Private Partnership projects of public infrastructure and/or of utilities, in addition to the provision of "related services that the government must offer, as well as the development of applied research and/or technological innovation projects.

When are they submitted:

Co-financed Private Initiatives must be submitted before ProInversión by the bidder solely within the first 45 days of the calendar year.

Presentation requirements:

Co-financed Private Initiatives must, at least, contain contractual terms of more than ten years and a Total Investment Cost of more than 15,000 Tax Units (UIT). In the case of initiatives without an investment component, they must have a Total Project Cost of more than 15,000 Tax Units.

The proposal must include, as a minimum, the following information:

- ▶ Name or trade name of the applicant attaching the power of attorney of the legal representative
- ▶ Description of the project:
 - i) Name and type of the project.
 - ii. Area of influence of the project.
 - iii. Objectives.
 - iv. Social benefits.
 - v. Reasons for which this project should be chosen among other alternatives.
 - vi. Total Investment Cost and co-financing of the State.
 - vii. Schedule of investments and schedule of public funds requirements.
- ▶ Substantiation of the importance of the project and consistency with the strategic objectives of the entities, and, if appropriate, needs for intervention.
- ▶ Analysis and proposed project risk distribution.

Principal characteristics of Co-financed Private Initiatives:

- ▶ Due to its nature of Petition of Grace, the bidder's right ends with the presentation of the Co-financed Private Initiative before ProInversión, without the right to challenge its decision before an administrative or judicial venue.
- ▶ They remain confidential and secret as from their date of presentation until they are declared of interest
- ▶ Projects of the National Public Investment System (SNIP) Bank of Projects declared feasible can be used.

b. Public-Private Partnership (PPP)

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 and/or related services thereof, that the State may need to offer, as well as to develop applied research and/or technological innovation projects and to execute projects in assets, according to the conditions established in the current regulations.

Types of PPPs

1. Self-sustainable:

Are those that meet the following conditions:

They require a minimum or non-existing demand for financial guarantees by the government, as established in the Regulations of the corresponding Congressional Order (Decreto Legislativo).

- ▶ Financial guarantees shall be considered minimal if they do not exceed 5% of the Total Investment Cost.
- ▶ Guarantees shall not have a minimal or non-existing probability when the probability of allocating public funds does not exceed 10% for each one of the first five years of effectiveness of the guarantee established in the contract.

Non-financial guarantees must have no or low probabilities of demanding the allocation of public funds, as established in the Regulations of the corresponding Congressional Order (Decreto Legislativo).

2. Co-financed:

Are those that require co-financing, or the provision or granting of financial guarantees or non-financial guarantees with a significant probability of demanding the allocation of public funds.

Co-financing shall be construed as any total or partial payment made by the entity to cover the investments and/or operation and maintenance costs, to be delivered in a periodic lump sum and/or any other manner agreed by the parties, within the context of the Public Private Partnership (PPP) contract. Said payment can stem from any source with no specific destination established by law.

The assignment in use, beneficial use, usufruct or under any similar figure, of pre-existing infrastructure or properties shall not be construed as co-financing, provided there is no transfer of ownership and they are directly related to the purpose of the project. Furthermore, payments for the concept of tolls, prices, tariffs, among others collected directly from the end-users or indirectly through companies, including those owned by the government or institutions thereof for ongoing delivery to the holder of the project, within the context of the Public-Private Partnership (PPP) contract shall not be construed as co-financing.

Applicable Principles

- ▶ **Value for Money.** A public service should be provided by a private entity that 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.** All quantitative and qualitative information used in decision-making at the evaluation, development, implementation and accountability stages of the project must be known by all citizens under the principle of disclosure established in Section 3 of the Consolidated Text of the Law for Transparency and Access to Public Information, approved by Executive Order (Decreto Supremo) 043-2003-PCM.
- ▶ **Competition.** Competition is promoted to ensure efficiency and lower costs in the provision of infrastructure and utilities, and to prevent any anti-competitive and/or collusive acts.
- ▶ **Adequate Allocation of Risks.** A suitable distribution of risks must exist between the public and private sectors. In other words, the risks must be assigned 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 arising from the performance of the contracts executed within the context of this law, without compromising the sustainability of public finances, and the regular provision of the services.
- ▶ **General Framework.**
 - ▶ The investment projects, through the Public-Private Partnership (PPP) and Self-sustainable mechanism shall immediately move onto the project design stage.
 - ▶ The investment projects, through the Public-Private Partnership (PPP) and Co-financed mechanism must meet all the requirements and procedures established in the Law of the National Private Investment System and the Law of the National Debt System, as amended.
 - ▶ The final design of the Public-Private Partnership (PPP) contract will require the favorable opinion of the competent public entity, as well as, without exception, the favorable opinion of the Ministry of Economy and Finance (MEF). Similarly, the opinion of the pertinent regulatory body will also be required, which must issue said opinion within the same term and exclusively in relation to its legal competencies.

Guarantees in the PPP Scheme

- ▶ **Financial Guarantees:** are those unconditional collaterals of immediate execution, granted and provided by the government to support private obligations, arising from loans or bonds issued to finance the PPP projects or to back the government's payment obligations.
- ▶ **Non-Financial Guarantees:** are the collaterals provided for in the contract, which have the potential to create payment obligations to the State upon occurrence of one or more risk events arising from a PPP project.

Project Assignment:

The following projects shall be assigned to ProInversión, in its capacity as the Private Investment Promotion Agency (ProInversión) of the National government:

- ▶ The projects of national competence originated by the State's initiative, that are multi-sectorial or that have a Total Investment Cost of more than 15,000 Tax Units (UIT) and those with a Total Project Cost of more than 15,000 Tax Units (UIT) in the case of projects that only imply management, operating and maintenance activities.
- ▶ The projects of national competence originated by Self-sustainable Private Initiatives.
- ▶ The projects originated by Co-financed Private Initiatives; and
- ▶ The projects for which the entity has requested the conduction of the private investment promotion process, according to the provisions set forth in the Section.

The projects that fall within the competency of the Private Investment Promotion Agency (ProInversión) of the Regional government, as well as those projects that cover more than one province shall be assigned to the Private Investment Promotion Body.

The projects of the competency of ProInversión shall be assigned to the Private Investment Promotion Body of the Local government.

Types of Public-Private Partnerships (PPPs)

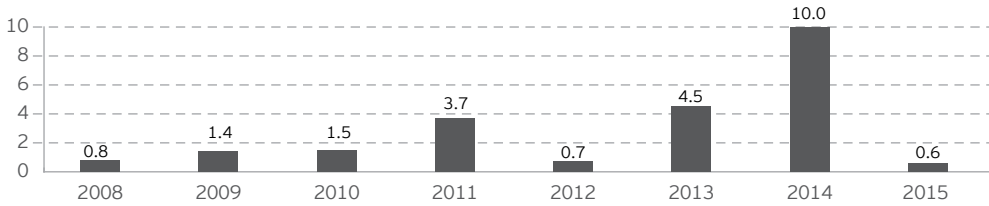
Include all those contracts that foster the active participation of the private sector and those in which the risks are transferred. It also includes those contracts in which the ownership of the public infrastructure, as applicable, is held by, reinvested in or transferred to the State, such as:

- ▶ Concessions
- ▶ Joint ventures
- ▶ Management agreements
- ▶ Shared risk contracts
- ▶ Specialization contracts
- ▶ Any other type of contract permitted by law

Scope that can include Public-Private Partnerships (PPPs)

- ▶ Public infrastructure in general, including
 - Road networks
 - Airports
 - Ports
 - Logistics platforms
 - Urban infrastructure and recreation
 - Penitentiary, irrigation, health and education infrastructure
- ▶ Utilities
 - Telecommunications
 - Energy and lighting
 - Water and sanitation
 - Other works of social interest related to health and the environment
- ▶ Waste treatment and processing
- ▶ Education
- ▶ Applied research and/or technological and/or innovation projects, among others.
- ▶ Services related to infrastructure
 - Toll and tariff collection systems and other public services that the government may need to provide.

Projects under the PPP¹ Regime Awarded by ProInversión (Investment Amounts in US\$ Billion)



Source: Private Investment Promotion Agency (ProInversión)

Ernst & Young (EY) has published a document entitled "Public-Private Partnerships and the Global Infrastructure Challenge". You can download it free of charge through the following web address www.ey.com/pe/EYPeruLibrary

c. Execution of Public Works for the Payment of Taxes - Law 29230

Law 29230, the Act on the Execution of Public Works for the Payment of Taxes, was established as a mechanism to allow private corporations to carry out rapidly and efficiently public investment projects of the National², Regional and Local Governments and Public Universities, to then deduct the total amount of investment from their Income Tax. The Peruvian State issues a Certificate of Public Investment of the National Government - Public Treasury (CIPGN) in the case of the National Government, and Certificates of Regional or Local Public Investment (CIPRL) in the case of Regional, Local Governments and Public Universities, for the amount of the investment made, to be applied by the private companies as a payment of their taxes. In this way, the efficient public-private synergy is materialized and impacts positively on the population.

Private companies, individually or as a consortium, financing public investment projects under this procedure, will benefit by directing financing the execution of public works for the payments of taxes in order to improve the quality of life of the population, thus improving their relations with the community.

Likewise, a recent amendment, through Law 30264 Congressional Order (Decreto Legislativo) 1238, incorporates the entities of the National Government within the scope of Law 29230, authorizing said entities, within the scope of their competencies, to execute investment projects within the framework of the National Public Investment System (SNIP) in health, education, tourism, agriculture and irrigation, public order and safety, culture, sanitation, sports and environment, including their maintenance.

Furthermore, Congressional Order (Decreto Legislativo) 1238, as amended, has authorized the co-execution of projects between the National and Local Governments, thereby allowing the articulated execution of major infrastructure projects in the above-mentioned priority sectors.

The main objective of the Law is to promote the execution of public investment projects and help narrow the existing gap in infrastructure in the country. To do this, it is necessary, through a process conducted by a special committee, to select the private corporation that will privately finance and implement the project. This process is described in the Regulations of the Law, approved by Executive Order (Decreto Supremo) 409-2015.EF.³

¹Includes concessions, private initiatives awarded directly, FITEL projects and other mechanisms.

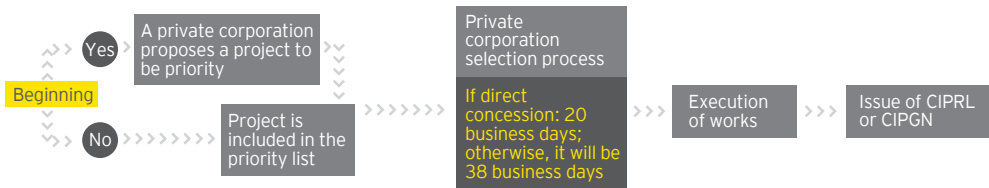
²Entities of the national government in charge of health, educational, tourism, agriculture and irrigation, public order, safety, culture, sanitation, sports and environmental matters.

³Executive Order (Decreto Supremo) 409-2015-EF, approves the new Regulations of Law 29230 and renders null and void Executive Order (Decreto Supremo) 133-2012-EF, published in the Official Gazette "El Peruano" on January 14, 2014.

Limit for the Issue of CIPRL¹ and CIPGN²

In March each year, the Ministry of Economy and Finance (MEF) establishes the limit for the issue of the CIPRL authorized for the Regional, Local Governments and public university. Thus, at present, the Regional Governments can execute projects for an amount of up to S/3.7 billion (approximately US\$1.1 billion) while Local Governments in the country have a total of S/13.1 billion (approximately US\$3.9 billion) while the Public Universities can execute projects for a maximum amount of S/976 million (approximately US\$293 million)³. For the National Government, the limit for the issue of CIPGN to finance and/or maintain projects, is the institutional budget of the financing source of ordinary funds held in each fiscal year, to acquire nonfinancial assets and/or goods and services.

Description of the Mechanism of Execution of Public Works for the Payment of Taxes



Source: AC Pública

Range of Projects

One of the main incentives established by this mechanism, is the possibility that the private sector may propose to the Public Entity the formulation of technical studies and/or execution of public investment 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 Highest Authority of the Public Entity.

The website Execution of Public Works for the Payment of Taxes (www.obrasporimpuestos.pe) provides a list of projects prioritized by all the public entities that may execute works for the payment of taxes.

Benefits of the Law

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

Financial and Social Benefits		
For public entities	For private corporations	For society
Accelerates the execution of quality works thereby reducing the gap in infrastructure.	Improves the relations with the community.	Provides wider coverage of public services.
Frees up human resources for the execution of other works required by the population.	Actively contributes to the development of the country.	Creates direct and indirect employment.
Executes works within their management and finances them during a number of year with no interest ⁴ .		Improves the quality of life and the wellbeing of the population.

Source: Private Investment Promotion Agency (ProInversión)

¹CIPRL: Certificates of Regional or Local Public Investment.

²CIPGN: Certificate of Public Investment of the National Government - Public Treasury.

³Source: Ministry of Economy and Finance (MEF). In its web page, the maximum amounts that each one of the Regional, Local Governments and Public Universities can use through this procedure, are published. The amount is set according to the specific resources, obtained from the canon, overriding fees, royalties, customs revenues and shares.

⁴In the case of Regional Governments, Local Governments and Public Universities.

Characteristics and Use of the CIPRLs by Private Corporations

Private corporations 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 CIPGN and/or the CIPRL, which will be issued by the Debt and Treasury Bureau (DGETP) at the request of the National Government¹, Regional Government or Local Government or Public University, once the approval has been granted as to the quality of works and reception thereof.
- ▶ The CIPGN and CIPRL may be issued by stage of completion².
- ▶ The CIPGN and CIPRL are negotiable, except when the private company is the executor of the project.
- ▶ The CIPGN and CIPRL are valid for ten years as from their date of issue
- ▶ The CIPGN and CIPRL 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 corporations may use the CIPGN or CIPRL 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 CIPGN or CIPRL were not used by their expiry date, the National Superintendency of Tax Administration (SUNAT) will return to the company any amount due, via negotiable credit notes.

New Incentives for Execution of Public Works for the Payment of Taxes

In the regulatory amendments of the past two years, the following new incentives were established in Executive Order (Decreto Supremo) 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
- ▶ Grouping of projects into a single process
- ▶ Maintenance of the works funded by payment of taxes
- ▶ Use of new funds other than canon and overriding fees
- ▶ Application by Public Universities with a canon of Transfer of Public Works for the Payment of Taxes
- ▶ National Government entities may execute public works for the payment of taxes, in the matter of health, education, tourism, agriculture and irrigation, public order, safety, culture, sanitation, sport and environment
- ▶ Co-execution of projects between the National and Regional Government and between the National and Local Government
- ▶ Financing for the supervision of works charged to CIPRL /CIPGN.

5

Peru and the Organization for Economic Co-operation and Development (OECD)

Peru aspires to become a member country of the Organization for Economic Co-operation and Development (OECD). To date, it has made great strides towards the achievement of this goal, since the incorporation of Peru in July 2008 as a signatory of the Declaration on International Investment and Multinational Enterprises of the OECD. As a member, Peru, through ProInversión implemented the National Contact Point in order to diffuse the directives of the OECD for multinational enterprises, taking part in activities and meeting of the OECD Investment Committee. Its participation in the OECD Competence Committee and its entry to the Development Center in 2014 must also be mentioned.

¹National Government entities, in the matter of health, education, tourism, agriculture and irrigation, public order, safety, culture, sanitation, sports and environment. .

²Partial CIPGN and CIPRL (quarterly) can be issued for those projects whose execution requires more than six-months.

The purpose of the OECD is to analyze, share and disseminate better practices of public policies among its more than 200 committees and work groups, located in countries that represent 70% of the global economy. Similarly, the countries of the OECD and a growing number of emerging and developing economies, share and discuss their governance experiences to improve the services provided to their citizens.

At present, the OECD is comprised by 34 countries: Germany, Australia, Austria, Belgium, Canada, Chile, South Korea, Denmark, Spain, United States, Slovenia, Estonia, Finland, France, Greece, Hungary, Ireland, Iceland, Israel, Italy, Japan, Luxembourg, Mexico, Norway, New Zealand, The Netherlands, Poland, Portugal, United Kingdom, Czech Republic, Sweden, Switzerland and Turkey.

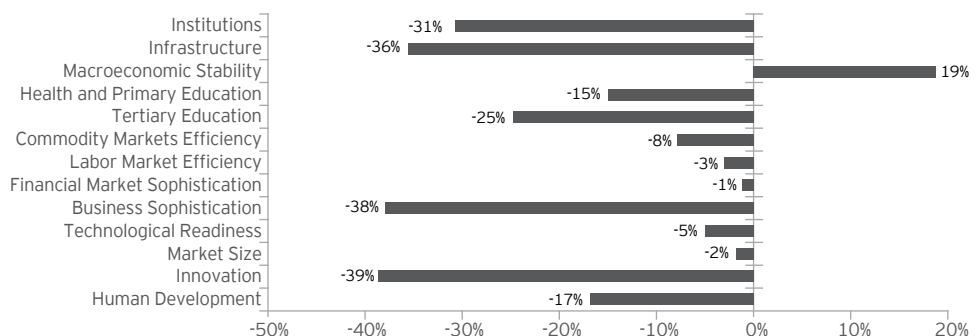
In view of Peru's great potential for economic consolidation, in December of 2014, Peru signed the "Country Program" agreement, aimed at working on strengthening the five required axes that would pave the way to form part of the OECD towards 2021:

1. Identification of barriers to national growth and development
2. Public governance and improvement of institutional issues
3. Anti-corruption and transparency of the State
4. Improvements in human capital and productivity
5. Progress made in environmental matters

Peru's participation in the 2015 - 2016 Country program seeks to improve public policies, which will determine a better government administration and, at the same time, a better administration of services provided to citizens by the State. This Organization is a strategic partner in the promotion of structural reforms and it is also a forum where the governments can compare and share their public policy experiences, identify better practices and promote recommendations.

The importance of the Country Program lies in the execution of several studies on educational, health and governance policies, as well as workshops and the participation of international experts on the subject of taxes and regulations, among others. Likewise, it will in all likelihood approach Peru to the different Committees of the OECD, where it may learn of the experiences of other countries, in environmental policy, investments, financial markets, public governance, agriculture, trade and territorial development matters, and in the same way, contribute with its experience in these issues.

Gaps for Peru as a Percentage of the Average of the OECD



Source: Central Reserve Bank of Peru (BCRP) / Inter-American Development Bank (IDB)





*Sectorial
analysis*





Sectorial analysis

Thanks to the sound economic development and macroeconomic policies aimed at encouraging greater competitiveness, which have translated into increased employment and, therefore, increased domestic consumption, Peruvian industries and services are experiencing important 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, ranking 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.

From 2005 to 2015, mining exports have doubled, accounting for 55% of the country's total exports as at 2015. As at December 2015, mining exports were US\$18.8 billion. Estimate for the year 2016 is US\$20 billion.

Ore production (fine content - in thousands)

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

Source: Ministry of Energy and Mines ((MEM) (Bulletin of Mining Statistics January-December 2015)

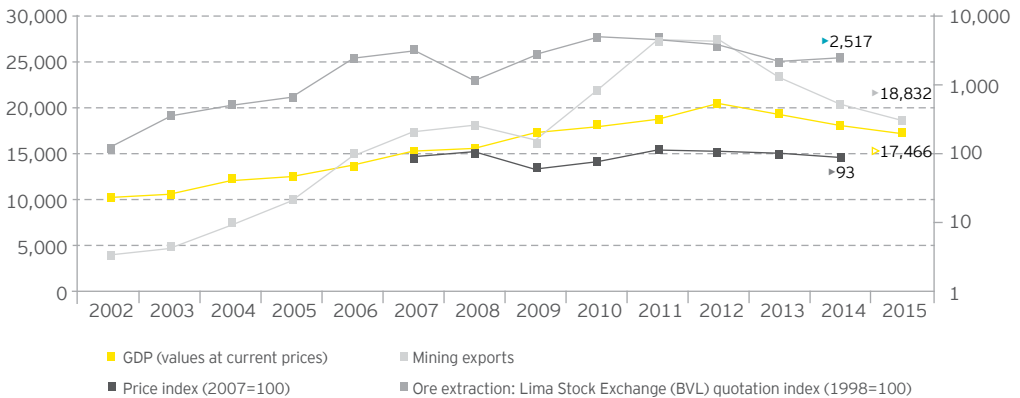
Peru's Ranking in World Metals Production - 2015

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, Chinalco, Barrick and MMG have operations in the country.

Pattern of Mining Sector's Macroeconomic Indices (in US\$ Million)



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

Mining Investments by Production Type (in US\$ Million)

Production	2007	2008	2009	2010	2011	2012	2013	2014	2015
Smelting Plant Equipment	63.8	141.0	319.8	416.0	1,124.7	1,139.6	1,404.3	873.6	446.2
Mining Equipment	125.6	176.7	499.7	518.1	776.1	525.5	778.8	558.3	654.2
Exploration	136.6	167.8	393.5	615.8	865.4	905.4	774.0	622.3	441.6
Exploitation	338.0	440.2	531.4	737.9	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	443.8	1,412.3	2,491.9	3,629.2	3,988.7	3,586.9
Preparation	50.2	132.0	196.1	510.3	788.2	638.7	351.1	297.0	375.5
Total	1,248.8	1,708.1	2,821.6	4,069.4	7,243.4	8,503.6	9,719.0	8,643.2	7,525.3

Source: Ministry of Energy and Mines (MEM) (Bulletin of Mining Statistics January - December 2015)

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 world producer of mercury and sixth world producer of gold.

During 2015, revenues from mineral exports totaled US\$18.8 billion, representing approximately 55.3% of total exports.

The mining industry is one of the main sources of tax revenue in Peru. It is expected that, in the next 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, 195,705 people worked directly in mining activities, and several million people in indirect activities.

Although Peru has large deposits of various mineral resources, it is estimated that only a small percentage of Peru's mineral reserves are being exploited, since 13.6% of the territory is subject to mining concessions and only 1.34% of the territory is developed for formal mining exploration and exploitation. 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 wide 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)

Metals	Unit of measurement: Tons
Copper	82,000
Gold	2,800
Zinc	25,000
Silver	120,000
Molybdenum	450
Tin	130,000

Source: US Geological Survey

Register of Mining Claims and Concessions

Mining Claims and Concessions	2007	2008	2009	2010	2011	2012	2013	2014	2015
Quantity of petitions for mining claims	8,159	9,793	5,235	9,638	9,942	7,247	5,797	6,090	5,796
Quantity of certificates issued by INGEMMET	4,644	5,463	3,862	3,991	4,255	4,376	3,722	2,616	2,487
Hectares granted by INGEMMET (in thousands)	2,335	3,141	2,208	2,496	3,012	2,739	1,861	1,314	1,388

Source: Ministry of Energy and Mines (MEM) (Bulletin of Mining Statistics January - December 2015)

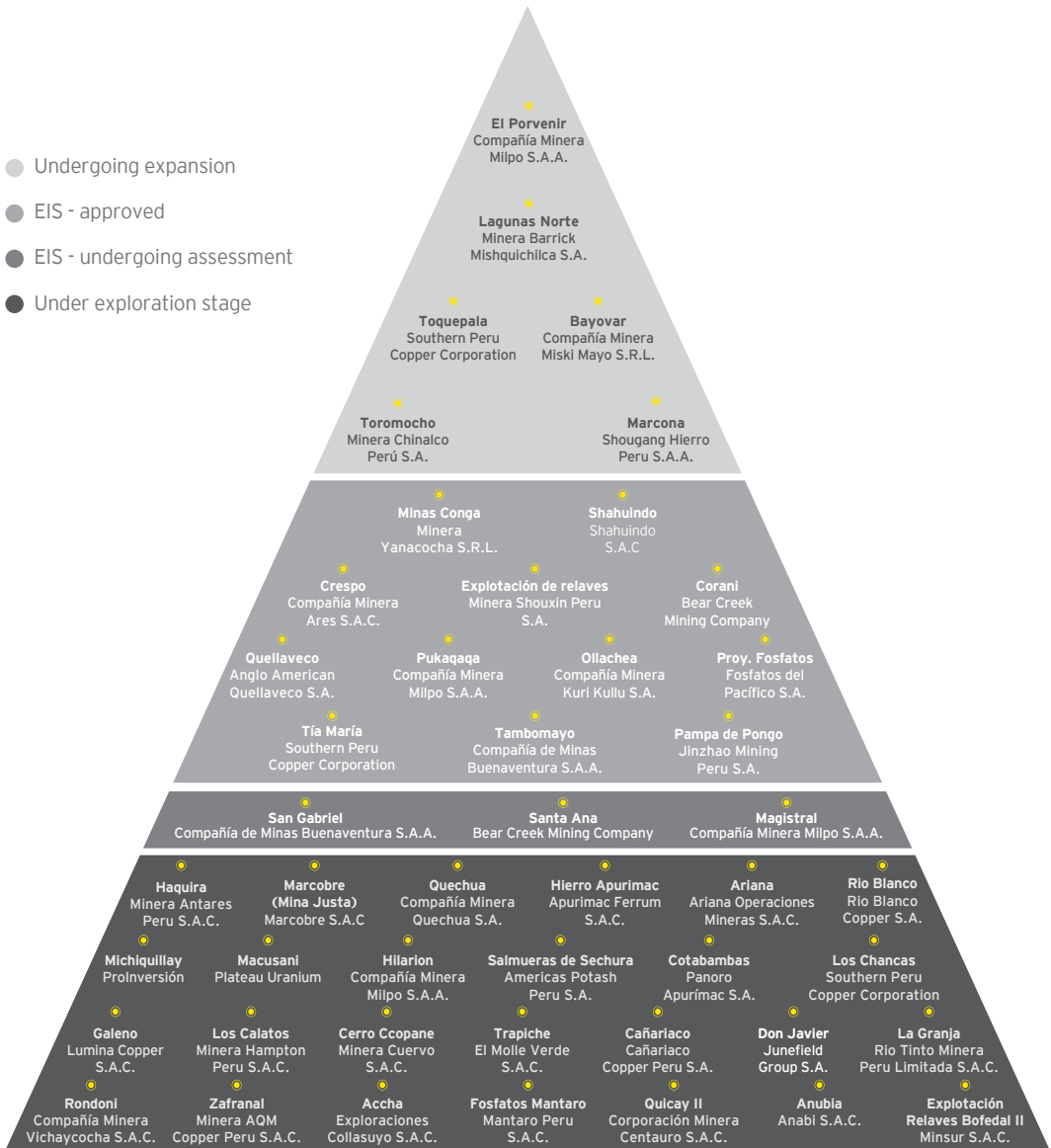
Currently, there is a growing number of exploration projects in Peru, which come mainly from junior Canadian companies. However, medium and large companies in the United States, Australia, China and Brazil are also becoming important investors in exploration. Although there is a great variety in the scale of exploration programs of large, medium and junior companies, it is believed that most large and medium sized companies are concentrating on advanced projects that will lead to production; or in some cases, that will make them more attractive for acquisition, while the emphasis of junior companies remains at the early exploration stage. Simultaneously, total expenditure on mineral exploration has increased in recent years with some fluctuations, since producers see it as a more economical and less risky means to replace and add mineral reserves. Today, the level and the success of exploration have a direct influence on the future competitiveness of mineral production in Peru.

As at June 2016, the Ministry of Energy and Mines (MEM) approved mining exploration studies for a set of 26 mining projects estimated to represent US\$23.7 billion worth of investment commitments. Furthermore, three Semi-Detailed Environmental Impact Assessments (EIASD) were elaborated as well as 12 Environmental Impact Statements (DIA) focused on exploratory and drilling projects. This set of projects guarantees additional vigorous intensity to mining activities in Peru for the upcoming years.

The portfolio of projects in expansion is shown below with the approved Environmental Impact Study (EIS) and the Environmental Impact Assessment (EIA) in evaluation and exploration.

Portfolio of Mining Projects

According to the Ministry of Energy and Mines (MEM) investment in mining during 2016-2021 is estimated to be equivalent to US\$45.5 billion. Sixty two point two per cent (62.2%) shall be invested in copper projects and the majority of the remaining percentage shall be used in gold and iron projects. The following graph and table show the projects in question, distinguishing between the “extensions” in existing operations, projects under construction for which “Investment has been confirmed”; projects “for which feasibility studies are being prepared” and projects in “exploration”.



Projects are shown in random positions.
 EIS: Environmental Impact Study
 Portfolio estimated as at June 2016
 Source: Ministry of Energy and Mines (MEM)

Peru has mining projects with Environmental Impact Studies (EIS) approved and extensions of mining units which are estimated to require an investment of US\$20.8 billion over the next five years and which will allow us to increase our exports by US\$15 billion per year. Some of the best projects of the portfolio are:

Portfolio of Estimated Mining Projects - Peru

Companies	Project	Region	Province	District	Metal	Investment in US\$ Million
Extensions						
Southern Peru Copper Corporation	Toquepala	Tacna	Jorge Basadre	Ilabaya	Cu	1,200
Compañía Minera Miski Mayo S.R.L.	Bayovar	Piura	Sechura	Sechura	Phosphates	520
Shougang Hierro Peru S.A.A.	Marcona	Ica	Nazca	Marcona	Fe	1,500
Minera Chinalco Perú S.A.	Toromocho	Junín	Yauli	Morococha	Cu	1,350
Compañía Minera Milpo S.A.A.	El Provenir	Pasco	Pasco	Pasco	Polymetal	45
Minera Barrick Misquichilca S.A.	Lagunas Norte	La Libertad	Santiago de Chuco	Quiruvilca	Au	640
Environmental Impact Study (EIS) approved/ In the process of being built						
Anglo American Quellaveco S.A.	Quellaveco	Moquegua	Mariscal Nieto	Torata	Cu	5,000
Minera Yanacocha S.R.L.	Minas Conga	Cajamarca	Cajamarca	Baños del Inca	Cu, Au	4,800
Compañía Minera Ares S.A.C.	Crespo	Cusco	Chumbivilcas	Santo Tomás	Au, Ag	120
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	Phosphates	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
EIS Submitted / In the Process of Being Assessed						
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

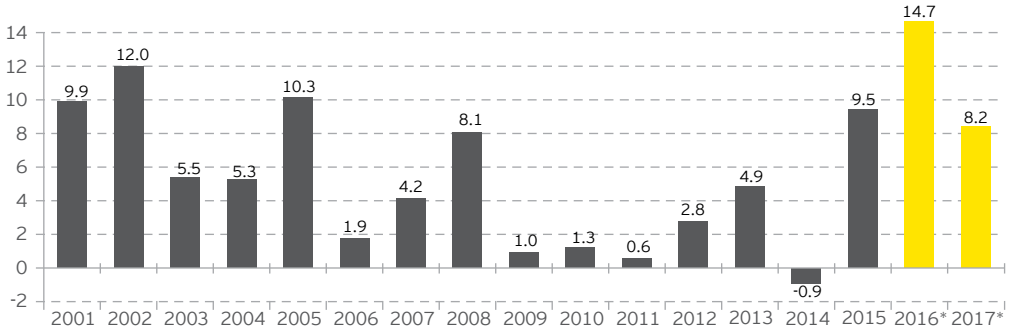
Portfolio of Estimated Mining Projects - Peru (continuation)

Companies	Project	Region	Province	District	Metal	Investment in US\$ Million
Exploration						
Marcobre S.A.C	Marcobre (Mina Justa)	Ica	Nazca	San Juan de Marcona	Cu	744
ProlInversión	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	Chalhuahuacho	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	Undergoing Assessment
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	Querocoto	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	Potassium	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	Phosphates	850
Corporación Minera Centauro S.A.C.	Quicay II	Pasco	Pasco	Simón Bolívar	Au, Cu	Undergoing Assessment
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	Polymetal	200
Plateau Uranium	Macusani	Puno	Carabaya	Macusani	Uranium	300
Total in US\$ Million						45,456

Portfolio estimated as at June 2016

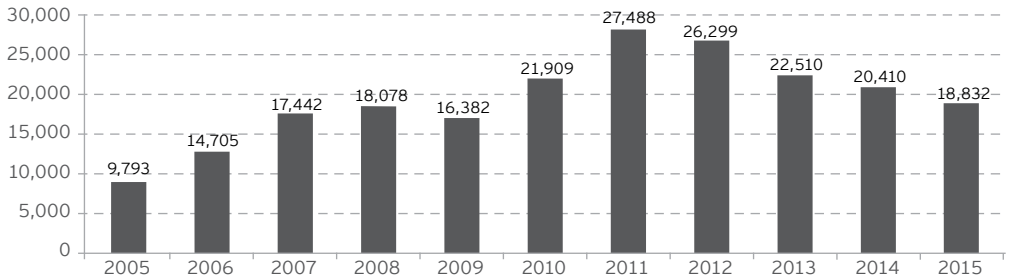
Source: Ministry of Energy and Mines (MEM)

Evolution of Mining and Hydrocarbons Production (in Percentage)



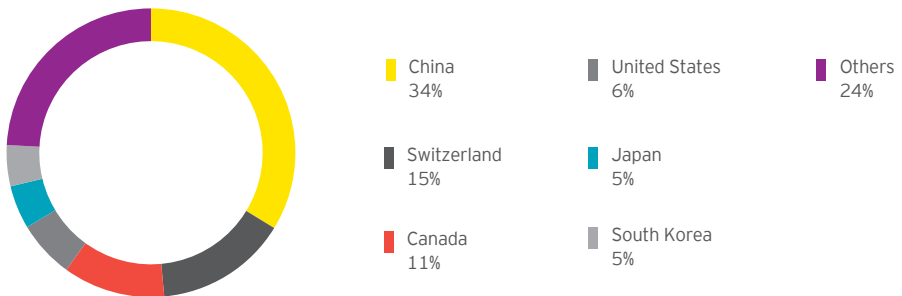
*Inflation Report - September 2016
 Source: Central Reserve Bank of Peru (BCRP)

Mining Exports (in US\$ Million)



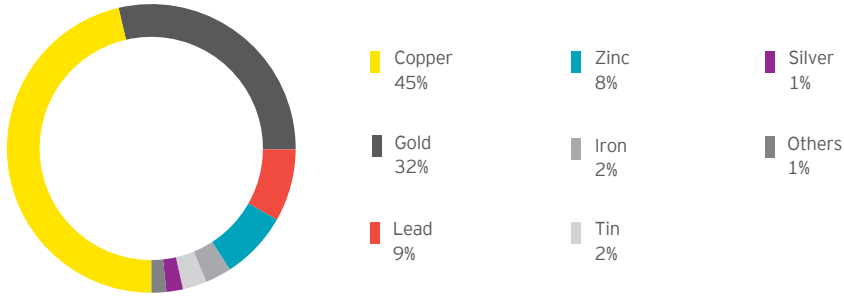
Source: Central Reserve Bank of Peru (BCRP)

Mining Exports by Country of Destination - 2015 (in Percentage)



Source: National Superintendency of Tax Administration (SUNAT)

Mining Exports by Mining Product Type - 2015 (in Percentage)

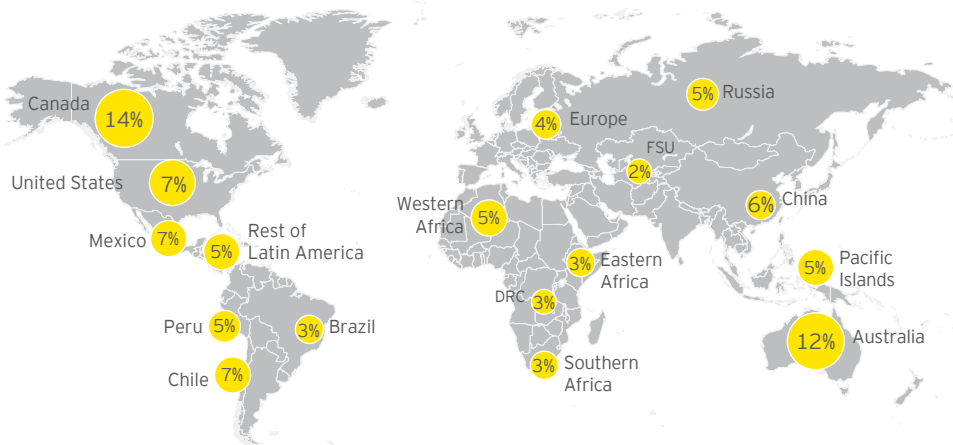


Source: National Superintendency of Tax Administration (SUNAT)

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 around the world for global investment in mining exploration.

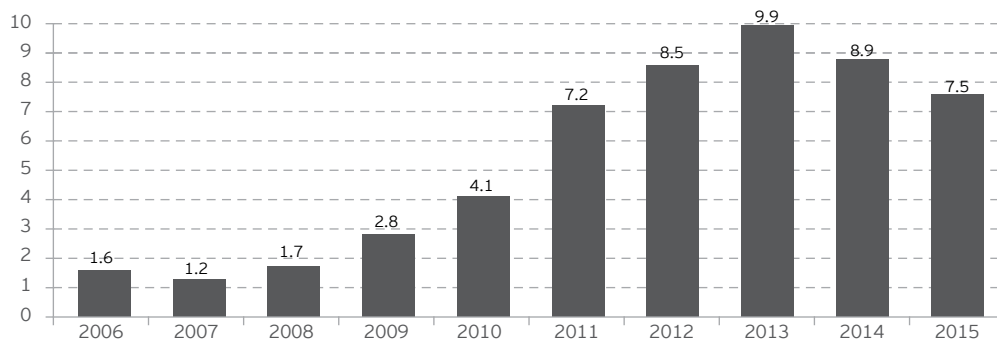
Main Destinations for Mining Investments in the World (2014)



Source: Metals Economic Group

Investment in mining activities reached a figure of US\$ 7.5 billion in 2015. In addition, mining investment in Peru registered a significant rise over the past few years, the investment in 2015 being six times the investment achieved in 2007, with a significant growth in the areas of ore and treatment plant equipment, mining equipment, exploration, exploitation, infrastructure and operations expansion preparation. The growth of exports and global positioning are explained by a larger volume of production of the principal minerals.

Mining Sector Investment (in US\$ Billions)



Source: Ministry of Energy and Mines (MEM)

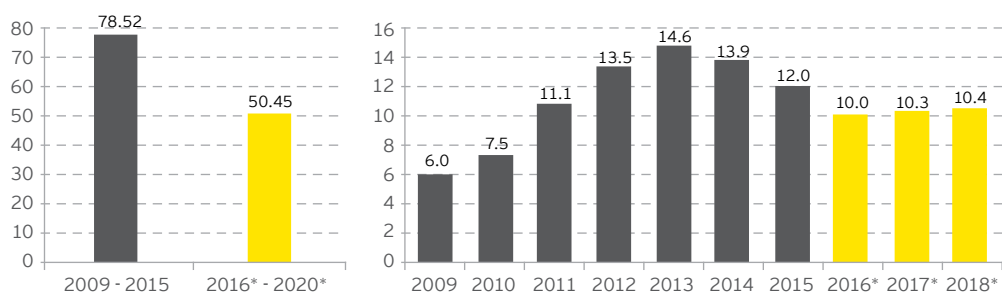
Origin of Estimated Mining Projects Portfolio, by Country (in US\$ Million)

Country	US\$ Million	%
Canada	9,877	21.7%
China	9,189	20.2%
United Kingdom	5,694	12.5%
United States	5,535	12.2%
Mexico	4,160	9.2%
Peru	4,085	9.0%
Australia	3,135	6.9%
Brazil	2,041	4.5%
Japan	796	1.8%
Others	944	2.0%
Total US\$ Million	45,456	100%

Portfolio estimated as at June 2016

Source: Ministry of Energy and Mines (MEM)

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



*Estimate

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

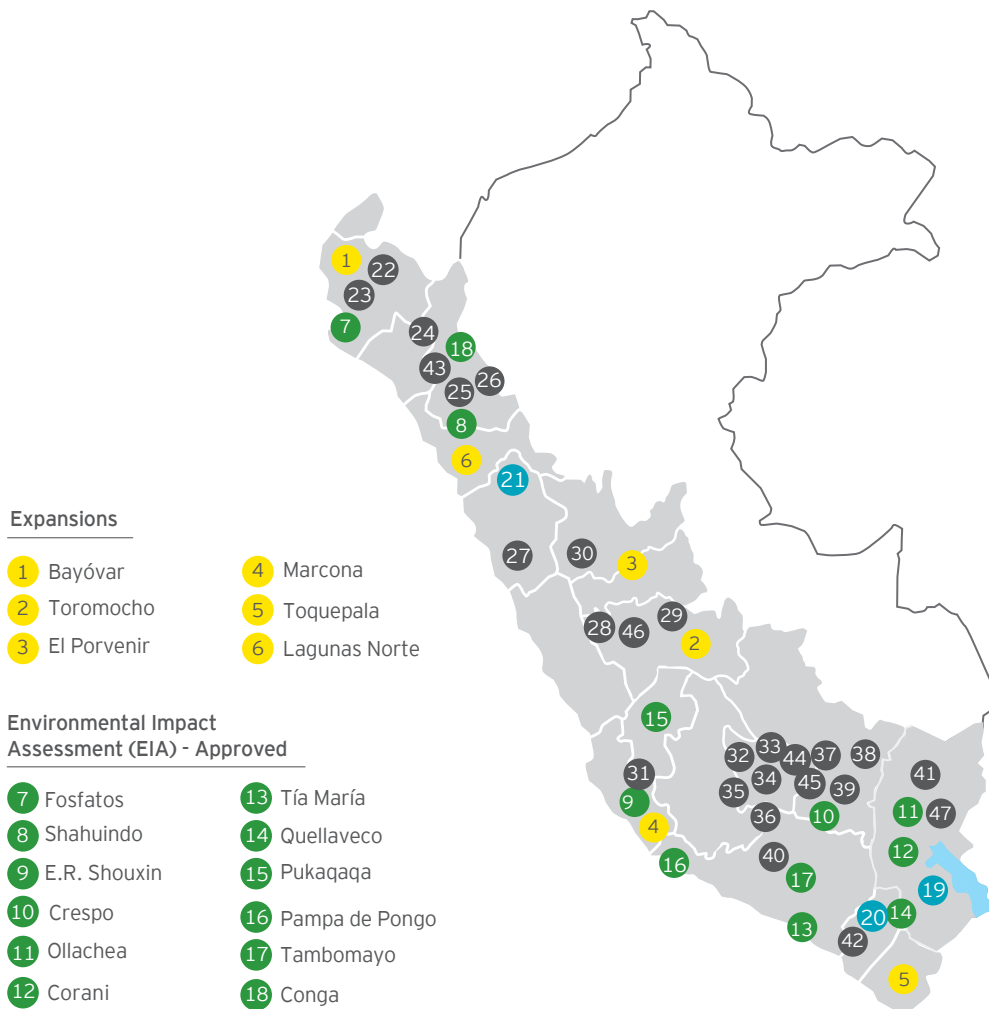
Estimated Portfolio of Mining Projects - Participation by Predominant Mineral

Metal	US\$ Million	%
Copper	28,266	62.18%
Polymetal	5,957	13.10%
Iron	5,300	11.66%
Gold	1,922	4.23%
Phosphates	1,995	4.39%
Zinc	816	1.80%
Silver	735	1.62%
Uranium	300	0.66%
Tin	165	0.36%
Total US\$ Million	45,456	100%

Portfolio estimates as at June 2016

Source: Ministry of Energy and Mines (MEM)

Geographical Location of the Main Mining Projects



Expansions

- | | |
|---------------|-----------------|
| 1 Bayóvar | 4 Marcona |
| 2 Toromocho | 5 Toquepala |
| 3 El Porvenir | 6 Lagunas Norte |

Environmental Impact Assessment (EIA) - Approved

- | | |
|----------------|-------------------|
| 7 Fosfatos | 13 Tía María |
| 8 Shahuindo | 14 Quellaveco |
| 9 E.R. Shouxin | 15 Pukaqaqa |
| 10 Crespo | 16 Pampa de Pongo |
| 11 Ollachea | 17 Tambomayo |
| 12 Corani | 18 Conga |

Environmental Impact Assessment (EIA) - Submitted - Undergoing Assessment / Appraisal

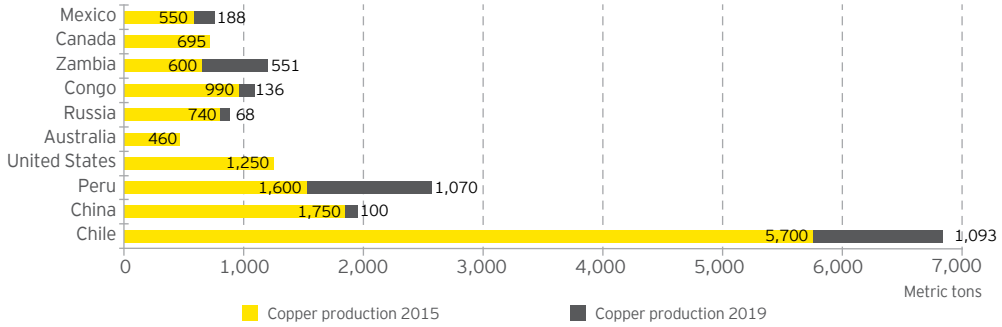
- | | | |
|--------------|----------------|--------------|
| 19 Santa Ana | 20 San Gabriel | 21 Magistral |
|--------------|----------------|--------------|

Under Exploration Stage

- | | | | | |
|----------------------|--------------------|------------------|-----------------|-------------|
| 22 Río Blanco | 28 Quicay II | 34 Haqira | 40 Zafranal | 46 Ariana |
| 23 Salmueras Sechura | 29 Fosfato Mantaro | 35 Los Chancas | 41 Bofedal II | 47 Macusani |
| 24 Cañariaco | 30 Rondoni | 36 Don Javier | 42 Los Calatos | |
| 25 La Granja | 31 Mina Justa | 37 Cerro Ccopane | 43 Michiquillay | |
| 26 Galeno | 32 Hierro Apurimac | 38 Accha | 44 Cotabambas | |
| 27 Hilarion | 33 Anubia | 39 Quechua | 45 Trapiche | |

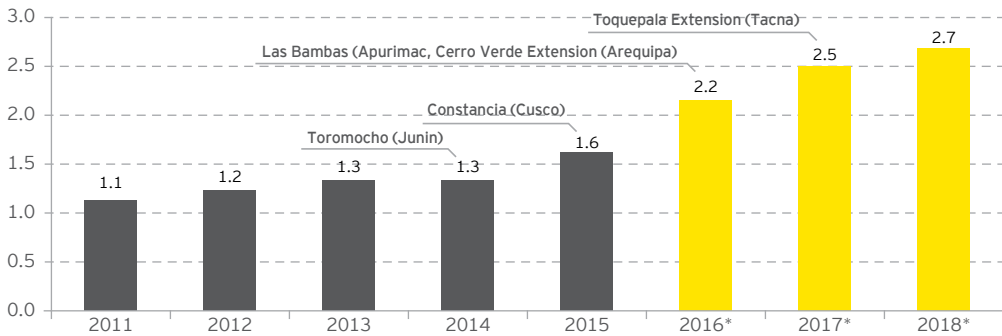
Estimated portfolio of mining projects as at June 2016.
Source: Ministry of Energy and Mines (MEM)

Main Copper Producers (2015 versus 2019)



Source: Mineral Information - Copper (2016) US Geological Survey

Copper Production (Millions of Tons)



*Estimated

Source: Central Reserve Bank of Peru (BCRP)

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 a country in compliance with the EITI initiative, after satisfying the corresponding audit.

For further information, please visit: www.eiti.org/peru

The Ministry of Foreign Affairs and EY feature a specialized Investment Guide to Mining. You may download it free of charge through the following web address: http://is.gd/rree_comiencie_a_invertir or www.ey.com/Pe/EyPeruLibrary

2

Financial system, securities market and pension system

a) Financial System

As at 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 parent companies. New foreign banks have announced their new presence in the Peruvian market.

In the past five years, the increased 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 at December 2015). Furthermore, the Level of Access to Banking Services (Bancarization) (measured as gross loans on 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.

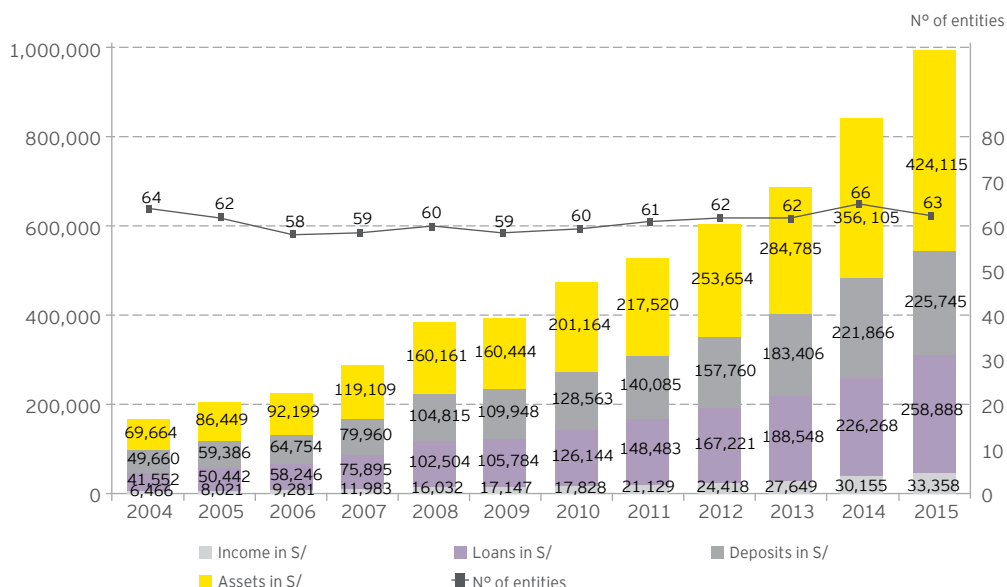
There is a Deposit Insurance Fund (FSD) which aims to protect depositors in the case that a financial institution member of FSD, where they keep deposits, should become bankrupt. The Deposit Insurance Fund (FSD) for the period September 2016 to November 2016 amounted to S/96,227 (equivalent to US\$28,419). 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
▸ Development Institution for Small and Microenterprises	12
Leasing Companies	2
Banco de la Nación	1
Banco Agropecuario	1
Total	63

Source: Superintendency of Banking, Insurance, and Private Pension Fund Management Companies (SBS)

Evolution of the Financial System (in S/ Thousands)



Source: Superintendency of Banking, Insurance, and Private Pension Fund Management Companies (SBS)

Evolution of Total Loans Portfolio US\$ Million	
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

Sources: Superintendency of Banking, Insurance, and Private Pension Fund Management Companies (SBS) / Peruvian Banking Association (ASBANC)

Level of Access to Banking Services	
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: Superintendency of Banking, Insurance, and Private Pension Fund Management Companies (SBS) / Peruvian Banking Association (ASBANC)

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

Sources: Superintendency of Banking, Insurance, and Private Pension Fund Management Companies (SBS) / Peruvian Banking Association (ASBANC)

Evolution of Deposits US\$ Million	
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

Sources: Superintendency of Banking, Insurance, and Private Pension Fund Management Companies (SBS) / Peruvian Banking Association (ASBANC)

Corporate Loans (in US\$ millions)				
	Dec. 2012	Dec. 2013	Dec. 2014	Dec. 2015
Multi-Purpose Banks	10,233.12	12,174.91	12,614.39	15,662.19
Financial Institutions	8.30	2.15	3.93	0.86
Non-Banking Micro-Finance Institutions	17.39	28.58	46.06	91.63
▸ Municipal Thrifts	11.72	24.59	36.57	88.80
▸ Rural Savings and Loans Institutions	5.67	3.99	9.49	2.83
▸ Development Institution for Small and Microenterprises (EDPYME)	0.00	0.00	0.00	0.00
Leasing Companies	6.62	10.40	11.59	8.81
Banco de la Nación	0.00	0.00	0.00	0.00
Banco Agropecuario	0.00	0.00	6.42	2.76
Total Financial System	10,265.43	12,216.04	12,682.39	15,766.26

Source: Superintendency of Banking, Insurance, and Private Pension Fund Management Companies (SBS)

Large Companies Loans (in US\$ millions)				
	Dec. 2012	Dec. 2013	Dec. 2014	Dec. 2015
Multi-Purpose Banks	9,876.96	10,708.08	12,446.39	11,589.55
Financial Institutions	43.86	1.68	7.42	9.44
Non-Banking Micro-Finance Institutions	13.25	33.77	12.62	19.91
▸ Municipal Thrifts	8.64	6.19	5.85	17.59
▸ Rural Savings and Loans Institutions	4.61	27.57	6.77	0.50
▸ Development Institution for Small and Microenterprises (EDPYME)	0.00	0.00	0.00	1.81
Leasing Companies	49.84	61.92	73.91	51.84
Banco de la Nación	0.00	0.00	0.00	0.00
Banco Agropecuario	5.04	9.38	1.77	8.00
Total Financial System	9,988.95	10,814.82	12,542.11	11,678.74

Source: Superintendency of Banking, Insurance, and Private Pension Fund Management Companies (SBS)

Medium Companies Loans (in US\$ millions)				
	Dec. 2012	Dec. 2013	Dec. 2014	Dec. 2015
Multi-Purpose Banks	10,731.91	11,539.89	12,790.08	11,795.36
Financial Institutions	156.46	87.11	108.76	117.14
Non-Banking Micro-Finance Institutions	462.10	527.93	588.48	498.66
▸ Municipal Thrifts	385.19	458.12	532.29	485.34
▸ Rural Savings and Loans Institutions	69.68	67.88	49.28	4.28
▸ Development Institution for Small and Microenterprises (EDPYME)	7.23	1.92	6.92	9.05
Leasing Companies	91.78	83.69	67.41	62.66
Banco de la Nación	0.00	0.00	0.00	0.00
Banco Agropecuario	12.14	81.89	189.20	211.93
Total Financial System	11,454.39	12,320.50	13,743.93	12,685.74

Source: Superintendency of Banking, Insurance, and Private Pension Fund Management Companies (SBS)

Small Companies Loans (in US\$ millions)				
	Dec. 2012	Dec. 2013	Dec. 2014	Dec. 2015
Multi-Purpose Banks	5,097.74	4,757.66	4,209.23	4,097.57
Financial Institutions	955.49	1,089.60	1,250.39	774.27
Non-Banking Micro-Finance Institutions	2,203.45	2,107.80	2,108.44	1,866.31
▸ Municipal Thrifts	1,771.55	1,796.88	1,799.01	1,705.81
▸ Rural Savings and Loans Institutions	301.35	212.60	191.45	44.35
▸ Development Institution for Small and Microenterprises (EDPYME)	130.56	98.33	117.98	116.16
Leasing Companies	11.16	9.78	10.63	11.15
Banco de la Nación	0.00	0.00	0.00	0.00
Banco Agropecuario	51.96	105.86	279.73	127.93
Total Financial System	8,319.80	8,070.71	7,858.42	6,877.23

Source: Superintendency of Banking, Insurance, and Private Pension Fund Management Companies (SBS)

Microenterprises Loans (in US\$ millions)				
	Dec. 2012	Dec. 2013	Dec. 2014	Dec. 2015
Multi-Purpose Banks	1,003.73	670.26	499.11	927.55
Financial Institutions	978.50	1,093.73	1,120.28	584.01
Non-Banking Micro-Finance Institutions	1,566.34	1,318.11	1,271.86	1,094.25
▸ Municipal Thrifts	1,115.15	1,043.07	997.11	920.41
▸ Rural Savings and Loans Institutions	297.25	146.79	149.62	68.82
▸ Development Institution for Small and Microenterprises (EDPYME)	153.94	128.26	125.13	105.01
Leasing Companies	2.88	1.26	0.95	0.77
Banco de la Nación	0.00	0.00	0.00	0.00
Banco Agropecuario	74.57	97.78	112.03	119.39
Total Financial System	3,626.03	3,181.14	3,004.23	2,725.97

Source: Superintendency of Banking, Insurance, and Private Pension Fund Management Companies (SBS)

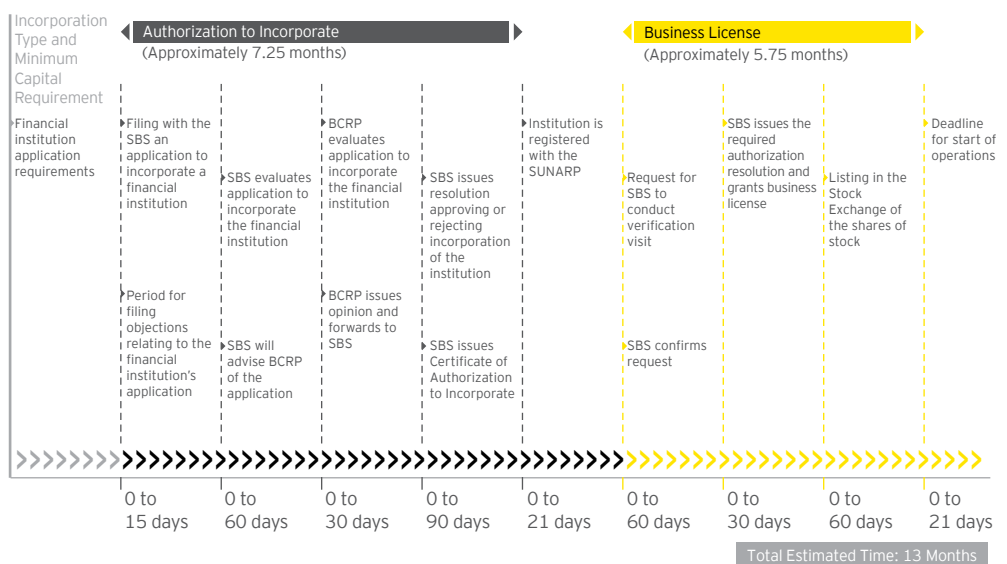
Consumer Loans (in US\$ millions)				
	Dec. 2012	Dec. 2013	Dec. 2014	Dec. 2015
Multi-Purpose Banks	10,335.21	10,584.43	11,111.58	11,467.45
Financial Institutions	1,066.79	1,177.49	1,269.92	1,176.72
Non-Banking Micro-Finance Institutions	1,071.14	1,031.17	1,027.01	1,064.63
▸ Municipal Thrifts	894.22	871.19	835.03	792.02
▸ Rural Savings and Loans Institutions	89.88	67.22	56.75	14.79
▸ Development Institution for Small and Microenterprises (EDPYME)	87.04	92.76	135.23	257.83
Leasing Companies	0.00	0.00	0.00	0.00
Banco de la Nación	1,119.17	1,140.81	1,185.37	1,132.89
Banco Agropecuario	0.00	0.02	0.00	0.00
Total Financial System	13,592.31	13,933.92	14,593.88	14,841.69

Source: Superintendency of Banking, Insurance, and Private Pension Fund Management Companies (SBS)

Mortgage Loans (in US\$ millions)				
	Dec. 2012	Dec. 2013	Dec. 2014	Dec. 2015
Multi-Purpose Banks	9,256.75	10,228.62	11,007.20	10,850.29
Financial Institutions	29.30	29.74	27.29	38.81
Non-Banking Micro-Finance Institutions	306.62	355.15	420.76	340.43
▸ Municipal Thrifts	232.52	248.46	294.50	295.57
▸ Rural Savings and Loans Institutions	40.23	64.55	70.23	0.12
▸ Development Institution for Small and Microenterprises (EDPYME)	33.87	42.13	56.04	44.74
Leasing Companies	0.00	0.00	0.00	0.00
Banco de la Nación	28.43	37.20	46.24	48.37
Banco Agropecuario	0.00	0.00	0.00	0.00
Total Financial System	9,621.10	10,650.70	11,501.49	11,277.90

Source: Superintendency of Banking, Insurance, and Private Pension Fund Management Companies (SBS)

Average Time Estimated for the Incorporation of a Financial Institution



Source: Central Reserve Bank of Peru (BCRP) / Superintendency of Banking, Insurance, and Private Pension Fund Management Companies (SBS) / National Superintendency of Public Records Offices (SUNARP) / Lima Stock Exchange (BVL) / Stock Exchange Superintendency (SMV) / EY

Microfinance Sector

During 2015, the Multilateral Investment Fund (IDB) and the Microfinance Information Exchange (MIX) determined the annual ranking of the Top 100 Microfinance Institutions in Latin America and the Caribbean, and the performance of the institutions was evaluated in three areas: scope, efficiency, and transparency. The first category measures the success attained in the expansion of financial services; the second category measures the extent to which microfinance reduces costs for its customers; the third category measures the public dissemination of performance results in a comparable and standard manner. As a result, Peru was ranked the top country in microfinances in the world for the eighth year.

Usually, countries with a favorable microfinance environment also have optimal conditions for financial inclusion.

Favorable Environment for Microfinance in Latin America (2015)

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

Rank	Country	Points out of 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 (BVL). The benchmark index (S&P/BVL Peru General) consists of the 32 most traded stocks in the market. Between January and December 2015, the average daily trading volume of the BVL was US\$14.2 million.

Average Daily Trading Volume in BVL (in US\$ Million)

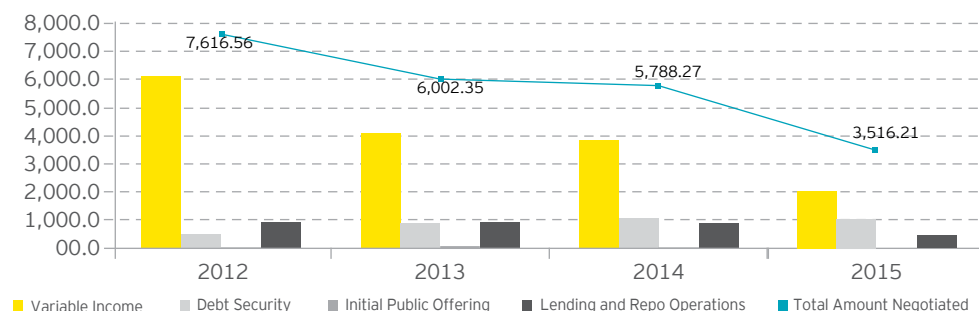
Year	Volumen
2015	US\$14.18
2014	US\$22.97
2013	US\$23.82
2012	US\$30.34
2011	US\$31.02

Year	Volumen
2010	US\$26.89
2009	US\$22.93
2008	US\$31.81
2007	US\$49.61

Source: Lima Stock Exchange (BVL)

The Lima Stock Exchange (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 25 brokerage firms (SAB) in the country, responsible for marketing, custody, management, and advice with respect to securities trading (also see Section II.3 Pacific Alliance).

Main Stock Indexes (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 investment fund. The ETF that measures the performance of securities of the economic performance of Peru (known as EPU) has shown the following evolution as from January 2014:



Source: Bloomberg

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 affiliates, 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, Insurance, and Private Pension Fund Management Companies (SBS) 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 Management Companies (AFPs) and increase net returns of pension funds commissions to improve contributors' pensions.

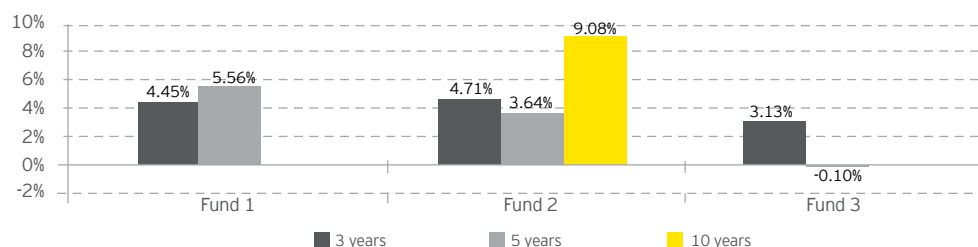
Pension System Statistics

Nº of Active AFP Affiliates	5,963,069
Total Pension Fund	US\$36.04 Billion

Source: Superintendency of Banking, Insurance, and Private Pension Fund Management Companies (SBS) December 2015

Peru has four types of funds to invest in: In the market since April 2016, Fund 0 invests in very low volatility assets in order to preserve capital. Fund 1 represents investments of low volatility and thereby lower risk, basically fixed income investment. Fund 2 consists of investments of average volatility with a moderate risk, a mix between fixed and variable income. Fund 3 consists of highly volatile investments that imply greater risks.

Annual Nominal Profitability as at December 2015

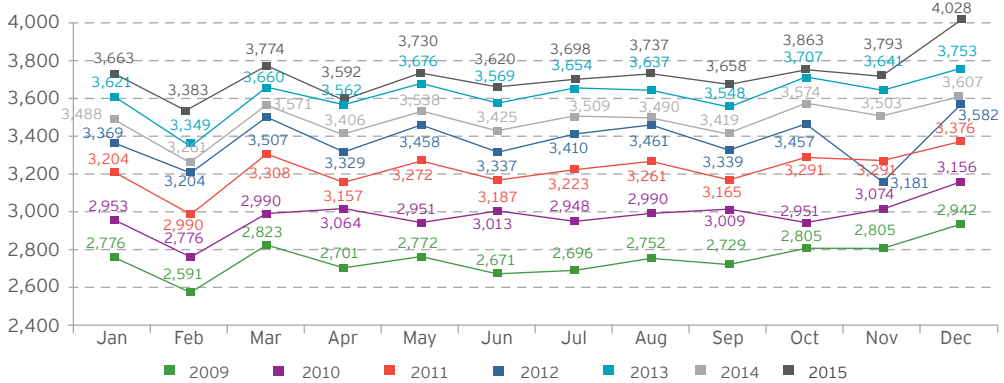


Source: Superintendency of Banking, Insurance, and Private Pension Fund Management Companies (SBS)

3 Electricity

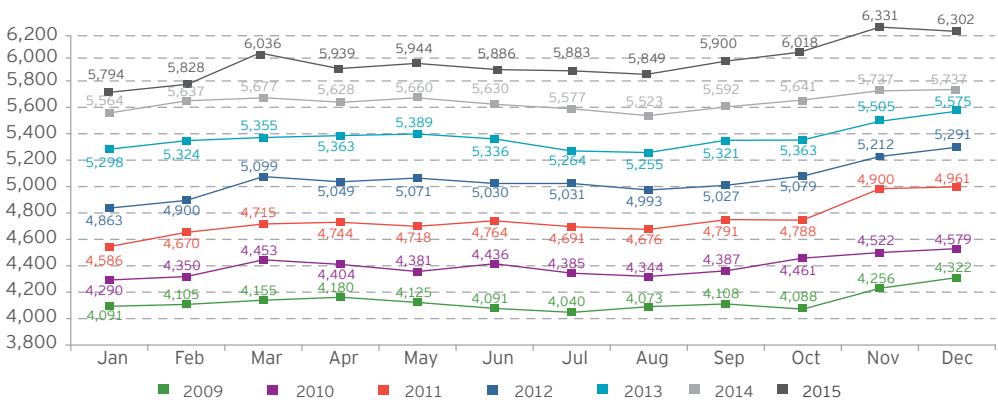
The electricity and water sectors grew by 6.1% in 2015. They are estimated to increase 7.9% in 2016 and 5.5% in 2017.

Evolution of Electricity Production (in Thousands of GW/h)



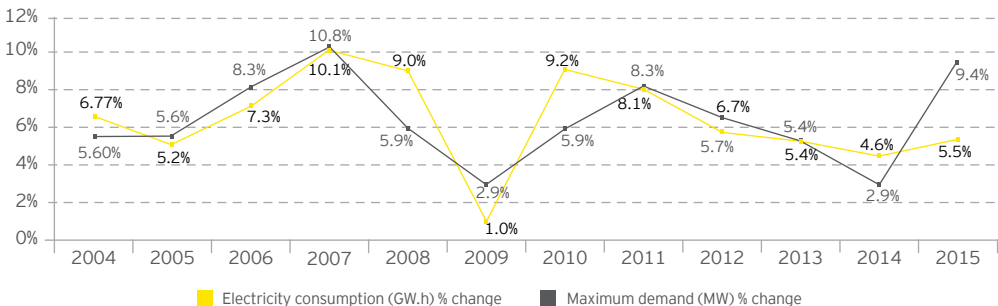
Source: National Institute of Statistics and Information (INEI) / Maximixe

Maximum Domestic Electricity Demand (in MWh)



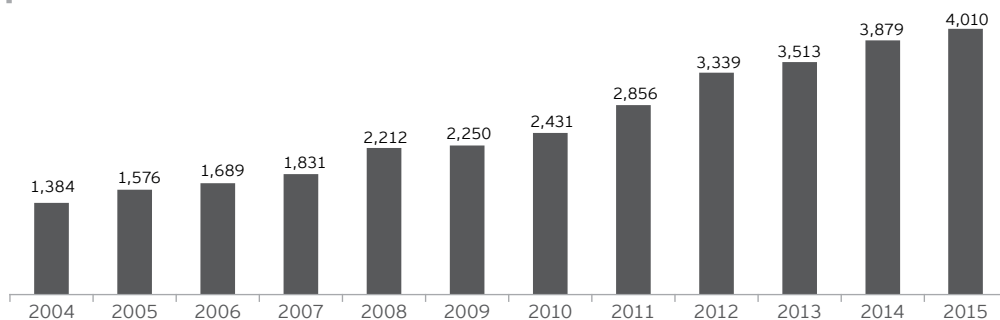
Source: Economic Operation Committee for the National Interconnected System (COES)

Annual Growth of Electricity Consumption



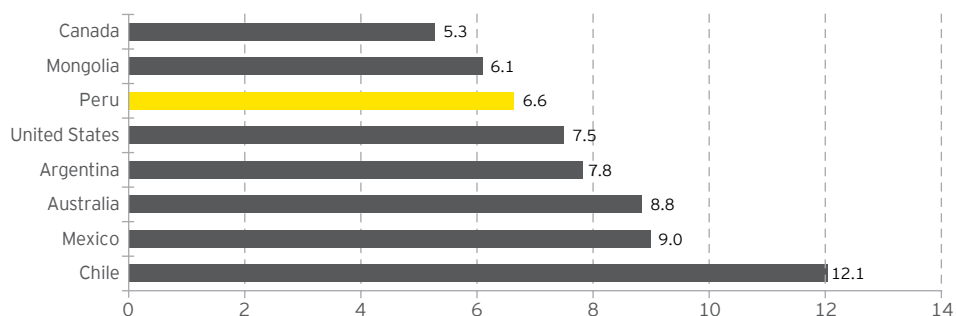
Source: Economic Operation Committee for the National Interconnected System (COES) - Operational Statistics

Sales of Electricity to Final Users (in US\$ Millions)



Source: Supervisory Board for Investment in Energy and Mining (OSINERGMIN)

Estimated Cost of Electricity by 2020 (in US\$ Cents/kWh)



Source: Ministry of Economy and Finance (MEF)

Electricity and Water Sector Indicators

Item	2009	2010	2011	2012	2013	2014
GVA Electricity and Water						
▸ Current (S/ millions)	6,964	7,241	7,986	8,703	9,470	10,499
▸ Constant (S/ millions of 2007)	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
Total	32 944.7	35 908.0	38 803.3	41 020.0	43 377.7	45 546.7
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 m³)						
▸ 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
Cobertura del servicio de agua potable (%)						
▸ 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

GVA: Gross Value Added

Source: National Institute of Statistics and Information (INEI)

Investment Means and Return Alternatives in the Electricity Market

Description	Electrical Companies					
	Generation		Transmission		Distribution	
	Renewable energy projects	Non-renewable Energy projects	Projects for the secured transmission system	Projects for the additional transmission system	Non-rural electrification projects	Rural electrification projects
Investment Means						
► Own Initiative	✓	✓		✓	✓	✓
► International Public Bidding According to Plan*	✓		✓	✓		
► Direct Subsidy Approved by Government						✓
Alternatives for the Sale of Electricity						
► Spot Market	✓	✓			✓	✓
► Free Market	✓	✓			✓	✓
► Regulated Market	✓	✓			✓	✓
► Auction Market	✓	✓			✓	✓
Other Alternatives for Return on Investment						
► Regulated Road Tolls			✓	✓		
► Premiums and Benefits of Subsidies	✓		✓			✓

*Estimate

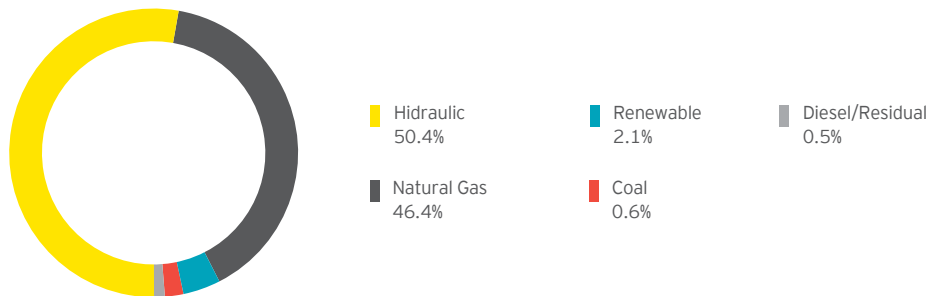
Source: Ministry of Energy and Mines (MEM)

National Plan for Rural Electrification

Period	Total Investment US\$	Beneficiary Population	Period	Total Investment US\$	Beneficiary Population
2016	345,593,645	1,008,648	2021	41,394,764	159,880
2017	229,791,934	606,945	2022	59,761,747	230,396
2018	136,416,160	351,026	2023	23,749,912	86,772
2019	173,427,475	537,532	2024	23,749,912	86,772
2020	94,432,573	225,992	2025	23,820,528	87,030
Total 2016-2025			1,152,138,650		3,380,993

Source: Ministry of Energy and Mines (MEM)

Electricity Generation by Energy Source (Accumulated as at December 2015)



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

Main Projects in the Electrical Sector 2015

Announcement and/or Project	Investment Estimate in US\$ Million
Hydroelectric Power Stations	
Cheves	506
Quitara	464
Huanza	251
Santa Teresa	154
Machu Picchu II	148
Thermoelectric Power Stations	
Kallpa IV	395
Chilca I	374
Quillabamba	180
Biomass Thermoelectric Power Stations and Solar Power Stations	
Maple Etanol	25
Huaycoloro	10
La Gringa V (Biomasa)	5
Transmission Lines	
500 Kv Transmission Line Chilca - Marcona - Montalvo	404
220 Kv Transmission Line Cajamarca - Cerro Corona - Carhuaquero	377
500 Kv Transmission Line Zapallal (Carabayllo) - Trujillo	207
500 Kv Transmission Line Chilca - La Planicie - Zapallal (Carabayllo)	138
Total Investment Estimate	3,638

Sources: Supervisory Board for Investment in Energy and Mining (OSINERGMIN) / Ministry of Energy and Mines (MEM) / Economic Operation Committee for the National Interconnected System (COES) / Maximixe

4 Energy

According to the Ministry of Energy and Mines (MEM) by 2021, mining investments will total US\$45.5 billion, while hydrocarbon investments (including gas) will add up to US\$28 billion. Meanwhile, it is estimated that investments in the Energy Sector will amount to US\$3.1 billion by 2017. Until 2018, one of the most important energy investments is intended for the Gasoducto del Sur project, which would amount to 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

Source: Ministry of Energy and Mines (MEM)

Generation Dispatch

The table below shows the estimated annual generation dispatch which plans to cover the system demand, separating the power station generation by Source: hydraulic, natural gas, wind energy, 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%
Total	53,223	100%	59,713	100%	58,282	100%

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

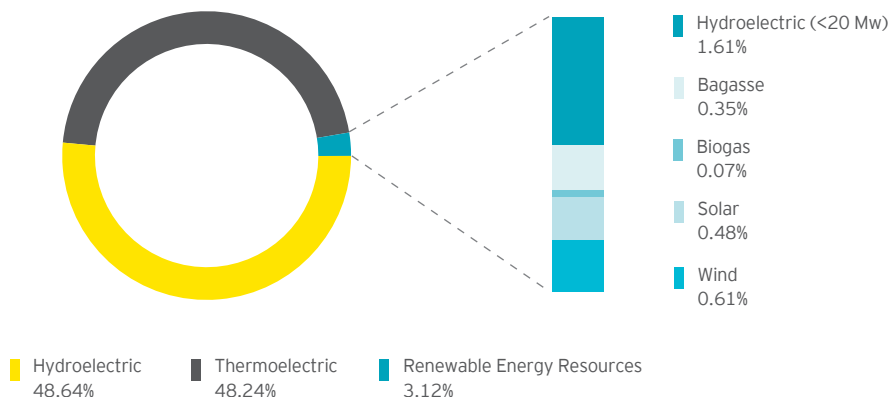
Generation Works Program

The 2016-2017 Generation Works Program is shown below. It consists of the generation projects most likely to begin operating:

Date	Generation Projects	Type	MW
Jan-16	Tres Hermanas Wind Farm	Wind power	97
Jan-16	8 de Agosto Hydroelectric Power Plant	Hydraulic	19
Jan-16	El Carmen Hydroelectric Power Plant	Hydraulic	8
Jan-16	Cheves I Hydroelectric Power Plant	Hydraulic	168
Jan-16	Chancay Hydroelectric Power Plant	Hydraulic	19
Jan-16	Huasicancha Hydroelectric Power Plant	Hydraulic	6
Jan-16	Colca Hydroelectric Power Plant	Hydraulic	12
Jan-16	Chilcay Hydroelectric Power Plant	Hydraulic	12
Jan-16	Yarucaya Hydroelectric Power Plant	Hydraulic	17
Mar-16	Chancay 2 Hydroelectric Power Plant	Hydraulic	40
Apr-16	La Virgen Hydroelectric Power Plant	Hydraulic	64
May-16	Vilcanota 2 Hydroelectric Power Plant	Hydraulic	20
May-16	Power Plant No. 1 (Arequipa Region)	Thermal	500
Jun-16	Malabrigo Wind Farm	Wind power	43
Jun-16	Santa Lorenza I Hydroelectric Power Plant	Hydraulic	19
Jul-16	Cerro del Águila Hydroelectric Power Plant	Hydraulic	525
Jul-16	Las Orquideas Hydroelectric Power Plant	Hydraulic	16
Aug-16	RenovAndes H1 Hydroelectric Power Plant	Hydraulic	20
Aug-16	Chaglla Hydroelectric Power Plant	Hydraulic	456
Nov-16	Carpapata III Hydroelectric Power Plant	Hydraulic	13
Dec-16	Pallca Hydroelectric Power Plant	Hydraulic	10
Dec-16	Carhuac Hydroelectric Power Plant	Hydraulic	16
Jan-17	Yacila Wind Farm	Wind power	48
Jan-17	Potrero Hydroelectric Power Plant	Hydraulic	20
Jan-17	Marañón Hydroelectric Power Plant	Hydraulic	88
Jan-17	Hydrika 1-5 Hydroelectric Power Plant	Hydraulic	39
Jan-17	Karpa Hydroelectric Power Plant	Hydraulic	19
Jan-17	Laguna Azul Hydroelectric Power Plant	Hydraulic	20
Mar-17	Power Plant No. 2 (Moquegua Region)	Thermal	500
Apr-17	Santo Domingo de los Olleros - TV Thermal Power Plant	Thermal	86
Dec-17	Pucará Hydroelectric Power Plant	Hydraulic	150
Total MW			3,070

Source: Report COES / DP SPL-03-2014 / Proposal for the updating of the 2015-2024 Transmission Plan

Energy Production by Generation Type -2015



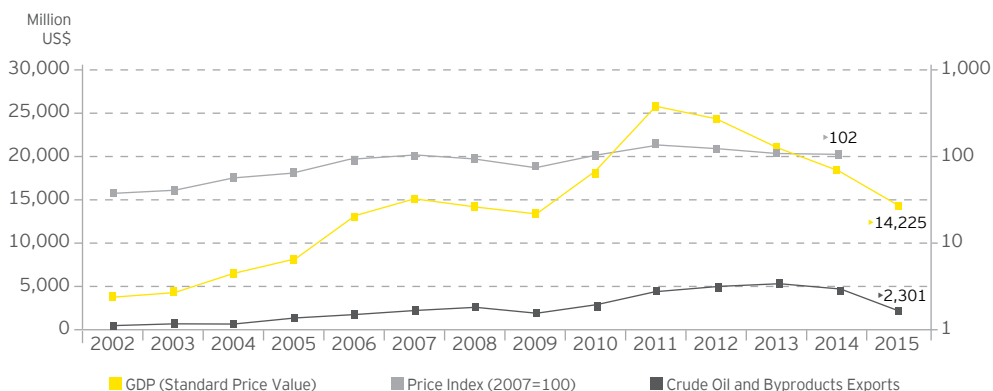
Source: Ministry of Energy and Mines (MEM) / Economic Operation Committee for the National Interconnected System (COES) - Operational Statistics 2015

5 Hydrocarbons

The Hydrocarbons Sector has become one of the industries with the largest amount of private investment initiatives in the country. Taking the official figures published by the Ministry of Energy and Mines (MEM) in the Annual Book of Hydrocarbon Reserves of December 2015, the proven reserves are estimated in 473 million barrels of crude oil, 714 million barrels of natural gas liquids and 14 trillion cubic feet of natural gas, that combined are equivalent to 3,535 million barrels of oil. If we compare the estimated hydrocarbon resources with the estimated hydrocarbon reserves, there are major opportunities for exploration in Peru, to discover new proven hydrocarbon reserves.

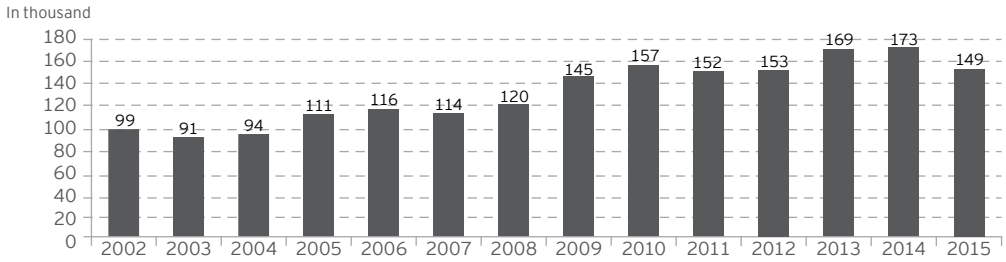
The Hydrocarbons Sector declined by 11.5% in 2015 and it is estimated to decrease 4.6% in 2016 and to grow 5.9% by 2017.

Evolution of Macroeconomic Indices of the Hydrocarbons Industry (in US\$ Million)



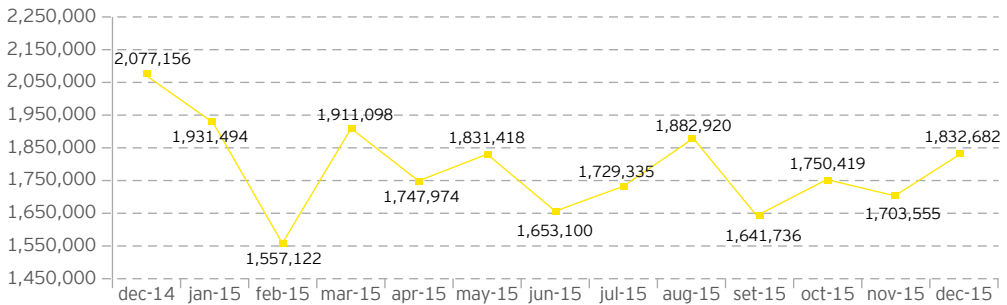
Sources: National Institute of Statistics and Information (INEI) / Central Reserve Bank of Peru (BCRP)

Average Production of Hydrocarbons (Barrels per Day)



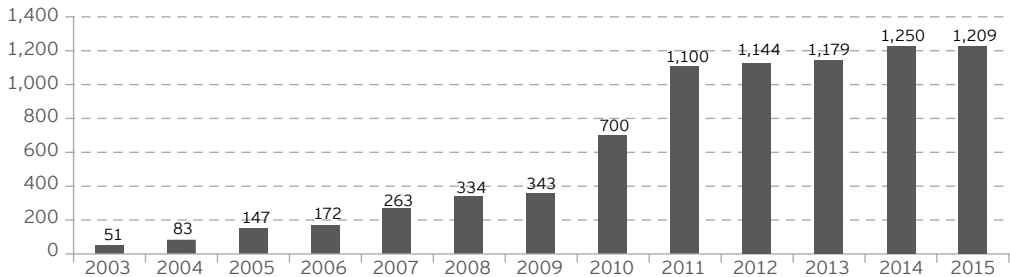
Sources: Ministry of Energy and Mines (MEM) / Perupetro

Petroleum Production (Barrels)



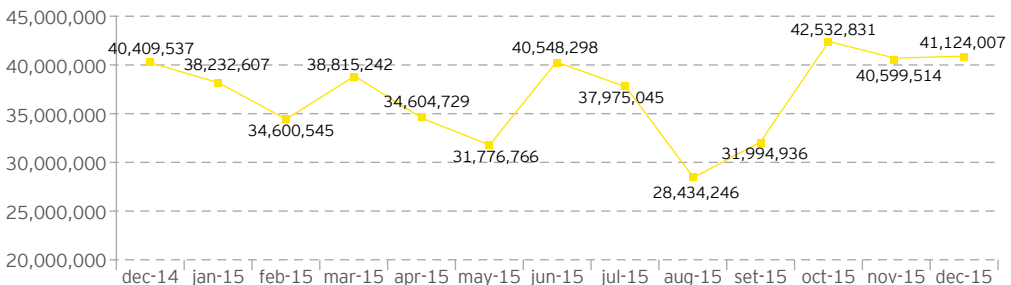
Source: Ministry of Energy and Mines (MEM)

Natural Gas Production (Million Standard Cubic Feet per Day)



Source: Perupetro

Natural Gas Production (Thousand Cubic Feet)



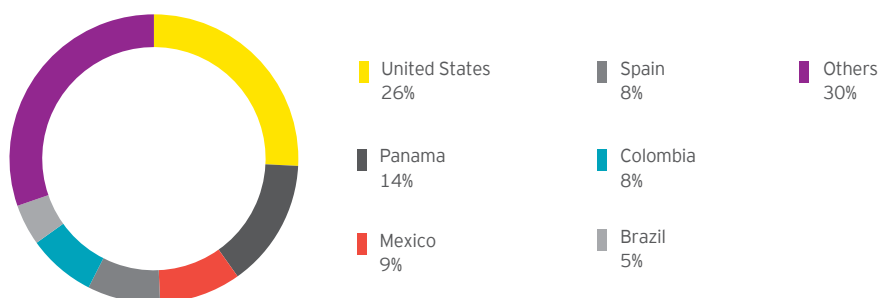
Source: Ministry of Energy and Mines (MEM)

Hydrocarbons Export (FOB US\$ million)

Oil and Natural Gas	2009	2010	2011	2012	2013	2014	2015
Crude Oil	353	505	574	579	538	496	120
Byproducts	1,568	2,300	2,710	3,086	3,361	3,280	1,733
Natural Gas	0	284	1,284	1,331	1,372	786	449
Total	1,921	3,088	4,568	4,996	5,271	4,563	2,302

Source: National Superintendency of Tax Administration (SUNAT)

Hydrocarbons Export by Country of Destination - 2015 (in Percentage)



Source: National Superintendency of Tax Administration (SUNAT)

Prepared by ComexPeru

Oil Contracts Period

Contract	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Exploration	12	14	28	42	65	61	68	66	62	60	50	44	41
Mining	15	17	17	19	19	19	19	19	20	20	24	24	25
Total	27	31	45	61	84	80	87	85	82	80	74	68	66

Sources: Ministry of Energy and Mines (MEM) / Perupetro

Perforated Wells Period

Well	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Development	26	34	69	78	177	185	147	214	222	197	85	101	81
Confirmatory	0	0	0	0	2	2	6	3	5	2	2	0	3
Exploratory	3	5	5	8	7	5	6	6	15	9	7	12	4
Total	29	39	74	86	186	192	159	223	242	208	94	113	88

Sources: Ministry of Energy and Mines (MEM) / Perupetro

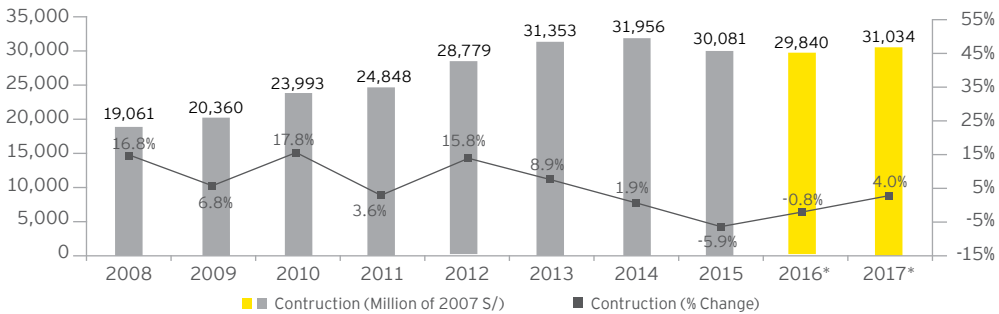
The Ministry of Foreign Affairs and EY feature a specialized Investment Guide to Hydrocarbons. You may download it free of charge through the following web address http://is.gd/rree_comience_a_invertir or www.ey.com/Pe/EyPeruLibrary

6 Construction

The Construction Sector has accumulated a steady expansion in the past five years, even though growth rates slowed down in 2009, 2011 and 2012. However, development has been a boost due to higher income being earned in households, heftier public and private investments, and improvement in financing terms for housing acquisition.

The Construction Sector increased by 1.9% in 2014, decreased by 5.8% in 2015 and is expected to recover in the upcoming years (4.0% in 2017).

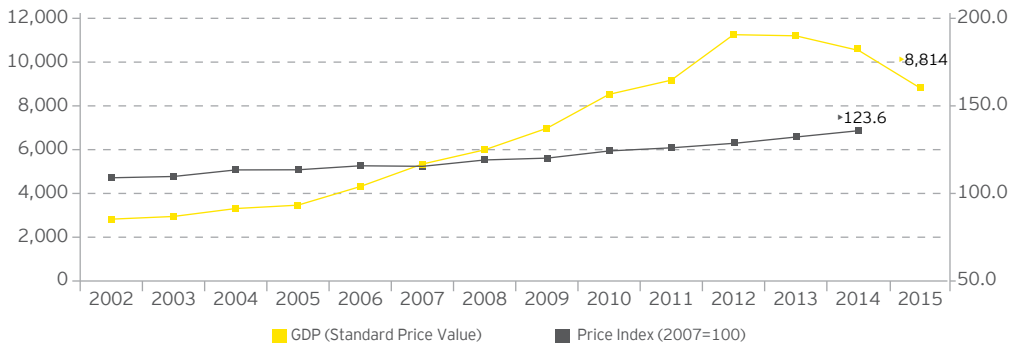
Evolution of Construction Sector in US\$ Million and Annual Percentage Change in the GDP



*Inflation Report - September 2016

Source: Central Reserve Bank of Peru (BCRP)

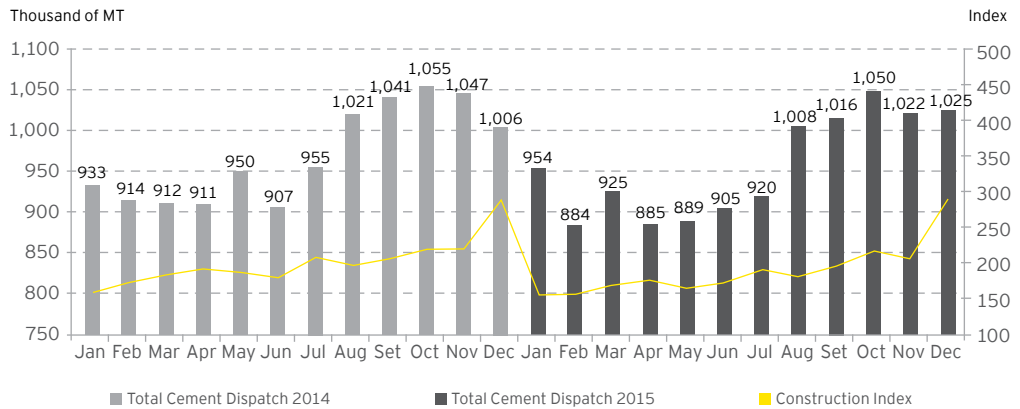
Pattern of Macroeconomic Indicators for the Construction Sector (in US\$ Million)



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

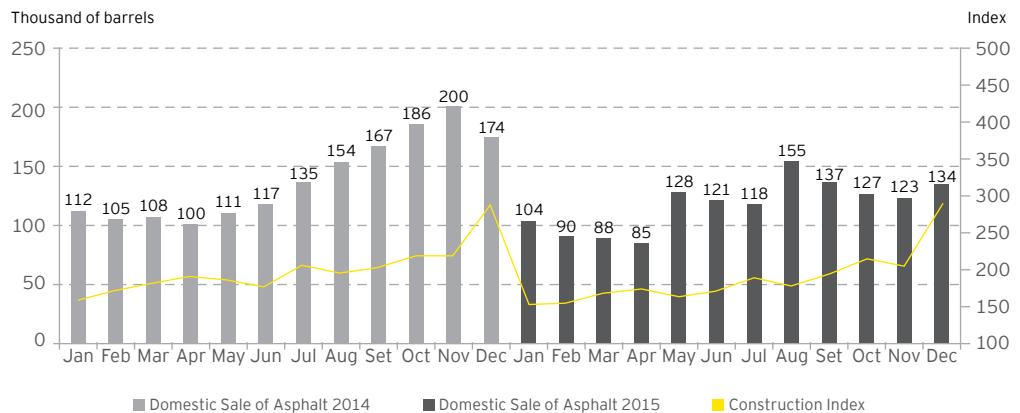
The Construction Sector will rise by approximately 4.0% in 2017, due to higher public and private investment, which will boost the execution of works, most notably road infrastructure works, and execution of real estate projects.

Total Cement Dispatch (Thousands of MT) vs. Construction Index



Source: National Institute of Statistics and Information (INEI)

Domestic Sale of Asphalt (Thousands of Barrels) vs. Construction Index



Source: National Institute of Statistics and Information (INEI)

Main Projects in the Construction Sector

Call for bids and/or projects	Investment estimate in US\$ Million
Line 2 and Connecting Extension Av. Faucett- Av. Gambetta of the Lima Train Station and Callao	5,075
Longitudinal Sierra Highway - Stretch 2	552
International Airport of Chinchero	537
Operation and Maintenance of the Lima Convention Center	535
Longitudinal Sierra Highway - Stretch 4	446
South Pan American Highway: Ica - Chilean border	196
General San Martin Port Terminal - Pisco	129
Improvement of Av. Sánchez Cerro Stretch - Piura	67
Gran National Aquarium and Additional Works and Services	38
Total	7,575

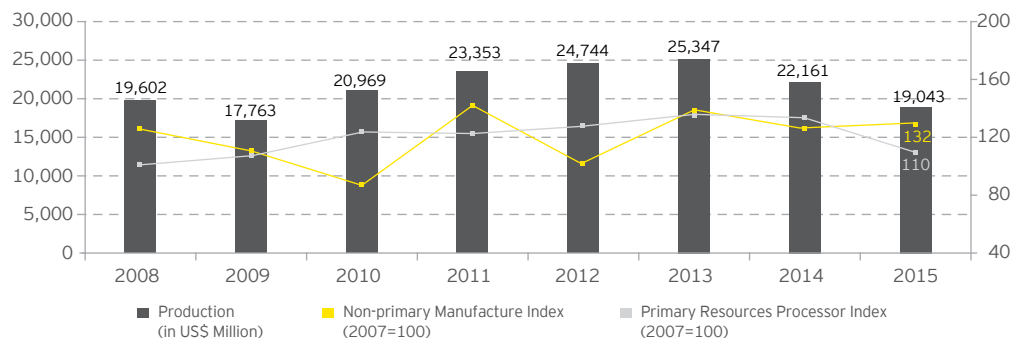
Source: Private Investment Promotion Agency (ProInversión)

7

Manufacturing

Between 2008 and 2014, there has been an average annual growth of 9% in the Manufacturing Industry, in response to improved revenues from higher levels of employment, and to the execution of real estate and road infrastructure projects. In 2016, manufacturing decreased by 1.7%, and is expected to fall by 1.6% in 2016. However, it is expected to rise 3.2% in 2017.

Pattern of the Manufacturing Industry Indicators



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

Industry Summary (2013 - 2016)

	Annual			
	2013	2014	2015 ¹	2016 ²
Manufacturing Gross Value Added (GVA) (S/ Million) ³	69,002	66,699	66,219	65,245
Manufacturing Gross Value Added (GVA) (% Change) ³	5.7	-3.3	-0.7	-1.5
Extractive Industry ³	8.6	-9.7	-0.9	-0.5
Manufacturing Industry ³	3.7	-1.0	-1.2	-2.1
Use of Installed Capacity (%)	55.3	43.7	39.5	37.8
Foreign Trade (US\$ Million FOB)				
Manufacturing Exports ⁴	6,523	6,290	5,868	6,011
% Change	-8.1	-3.6	-6.7	2
Textile and Clothing	1,926	1,800	1,509	1,532
Wood, Paper and their Manufacturing Industry	426	416	411	422
Chemicals	1,503	1,515	1,508	1,511
Nonmetallic Minerals	720	664	593	710
Steelmaking, Metallurgy and Jewelry	1,258	1,152	1,155	1,142
Metalworking	534	581	525	543
Others	156	161	167	151
Imports for the Industry	20,135	20,411	20,026	20,209
% Change	-0.6	1	-1.9	1
Inputs	11,815	11,720	11,262	11,723
Capital Assets	8,319	8,691	8,764	8,486

1. Estimate 2. Projected 3. Constant Prices (Base Year 2007) 4. Non-traditional Exports, Excluding Agriculture and Fisheries
 Historical Data: Central Reserve Bank of Peru (BCRP) / Ministry of Fisheries and Industry (PRODUCE) / National Superintendency of Tax Administration (SUNAT) / National Institute of Statistics and Information (INEI)
 Source: Sector Risks - Maximix

Industry Summary (2012 - 2015)

	Quarterly					
	II.14	III.14	IV.14	I.15	II.15	III.15
Manufacturing Gross Value Added (GVA) (S/ Million) ³	16,685	16,493	16,968	15,727	16,647	16,089
Manufacturing Gross Value Added (GVA) (% Change) ³	-3.0	-3.4	-9.9	-5.0	-0.2	-2.4
Extractive Industry ³	-5.3	-4.3	-31.6	-11.4	9.0	-8.7
Manufacturing Industry ³	-2.7	-3.6	-1.4	-3.1	-4.0	-0.4
Use of Installed Capacity (%)	45.9	43.0	42.1	33.5	36.8	
Foreign Trade (US\$ Million FOB)						
Manufacturing Exports ⁴	1,550	1,603	1,606	1,211	1,359	1,380
% Change	-2.9	3	0	-20.9	-12.3	-13.9
Textile and Clothing	464	464	425	350	323	337
Wood, Paper and their Manufacturing Industry	99	105	104	92	88	90
Chemicals	375	381	386	187	341	342
Nonmetallic Minerals	164	165	179	168	175	169
Steelmaking, Metallurgy and Jewelry	280	299	288	270	287	270
Metalworking	125	144	183	109	111	137
Others	43	45	42	35	33	35
Imports for the Industry	5,336	5,289	4,856	4,864	4,702	4,672
% Change	1	-	3	-1.3	-11.9	-11.7
Inputs	3,028	3,090	2,804	2,860	2,741	2,807
Capital Assets	2,308	2,200	2,052	2,004	1,962	1,865

1. Estimate 2. Projected 3. Constant Prices (Base Year 2007) 4. Non-traditional Exports, Excluding Agriculture and Fisheries
 Historical Data: Central Reserve Bank of Peru (BCRP) / Ministry of Fisheries and Industry (PRODUCE) / National
 Superintendency of Tax Administration (SUNAT) / National Institute of Statistics and Information (INEI)
 Source: Sector Risks - Maximixe

	Monthly									
	Abr.15	May.15	Jun.15	Jul.15	Ago.15	Set. 15	Oct.15	Nov.15	Dic.15 ¹	
Manufacturing Gross Value Added (GVA) (S/ Million) ³	5,979	541	5,259	5,216	5,375	5,498	5,762	5,684	5,522	
Manufacturing Gross Value Added (GVA) (% Change) ³	5.6	-3.6	-2.9	-0.8	-2.2	-4.2	-3.4	1.5	2.1	
Extractive Industry ³	35.8	2.4	-9.5	-12.5	-3.8	-9.0	3.8	19.0	24.4	
Manufacturing Industry ³	-5.5	-5.9	-0.4	3.4	-1.7	-2.9	-5.2	-3.0	-3.4	
Use of Installed Capacity (%)	37.7	37.3	35.3	35.1	33.6	33.8	35.1	35.0	37.1	
Foreign Trade (US\$ Million FOB)										
Manufacturing Exports ⁴	412	464	483	442	474	463	451	431	427	
% Change	-19.1	-9.8	-8.1	-15.0	-14.9	-10.8	-17.8	-17.3	-18.3	
Textile and Clothing	97	108	118	113	113	112	103	99	103	
Wood, Paper and their Manufacturing Industry	27	29	32	29	34	27	24	29	28	
Chemicals	105	120	116	111	109	121	113	114	108	
Nonmetallic Minerals	51	61	63	54	51	64	66	61	52	
Steelmaking, Metallurgy and Jewelry	89	94	105	79	106	85	91	71	80	
Metalworking	32	41	39	46	49	41	42	44	40	
Others	11	11	11	10	12	13	12	12	16	
Imports for the Industry	1,565	1,505	1,632	1,587	1,541	1,544	1,594	1,490	1,491	
% Change	-15.8	-14.6	-4.9	-	-13.9	-10.4	-7.0	-6.3	-6.3	
Inputs	876	881	984	946	917	944	907	862	850	
Capital Assets	689	624	648	641	624	600	688	628	641	

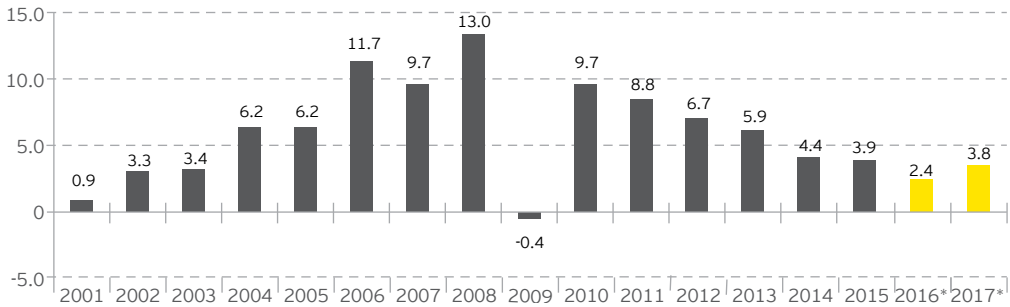
1. Estimate 2. Projected 3. Constant Prices (Base Year 2007) 4. Non-traditional Exports, Excluding Agriculture and Fisheries
 Historical Data: Central Reserve Bank of Peru (BCRP) / Ministry of Fisheries and Industry (PRODUCE) / National
 Superintendency of Tax Administration (SUNAT) / National Institute of Statistics and Information (INEI)
 Source: Sector Risks - Maximixe

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. In 2015, the trade industry grew 3.9% and this growth is estimated to continue increasing by 2.4% in 2016, and 3.8% in 2017.

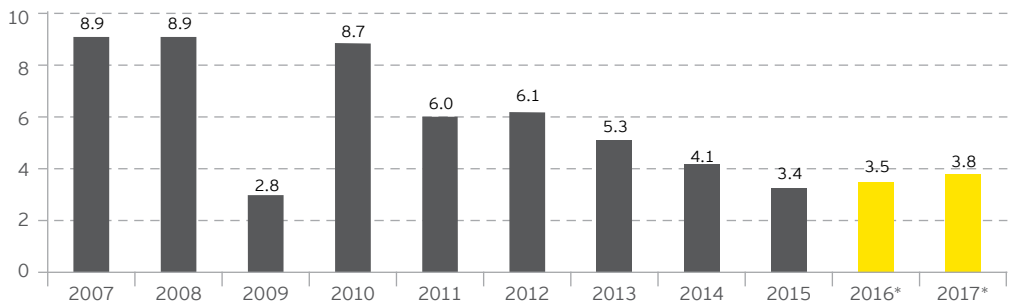
Evolution of Trade Production (Annual Percentage Change)



*Inflation Report - September 2016

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

Evolution of Private Consumption (in Percentage)



*Inflation Report - September 2016

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

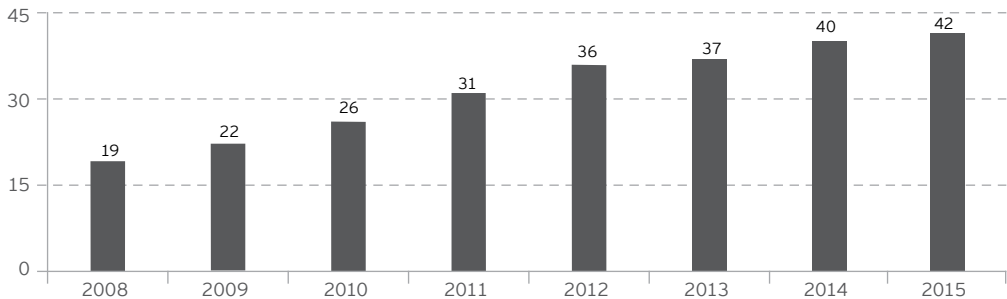
Regarding the modern retail channel, a sector which has experienced significant development is shopping centers, which has quadrupled sales in the 2000 - 2015 period. Growth is expected to continue, thereby creating significant opportunities for different companies in the textile, food and service industries. According to the Association of Shopping and Entertainment Centers of Peru (ACCEP) in 2015, turnover of shopping centers amounted to US\$7.9 billion and sales are expected to reach a figure of US\$8.5 billion in 2016. Likewise, in 2015, there were 75 shopping centers all over the country and it is expected that, by the end of 2016, this number will increase to 81.

Evolution and Turnover of Shopping Centers in Peru (US\$ Million)



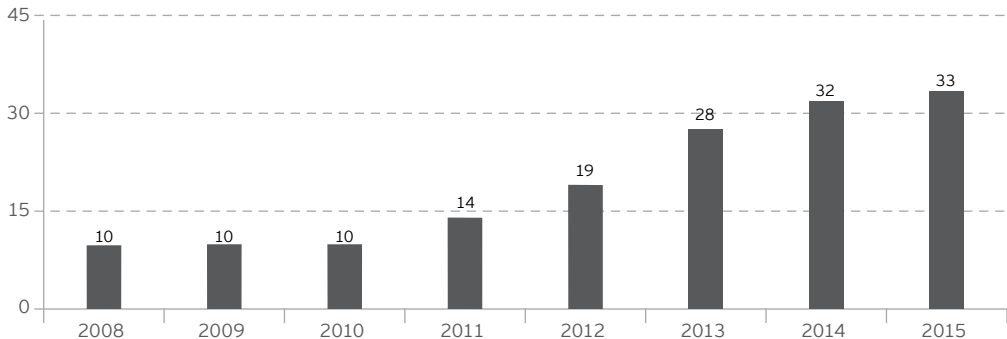
*Estimate
Source: LatinFocus Consensus Forecast

Expansion of the Number of Shopping Centers in Metropolitan Lima



Source: Colliers International Peru

Expansion of the Number of Shopping Centers in the Provinces



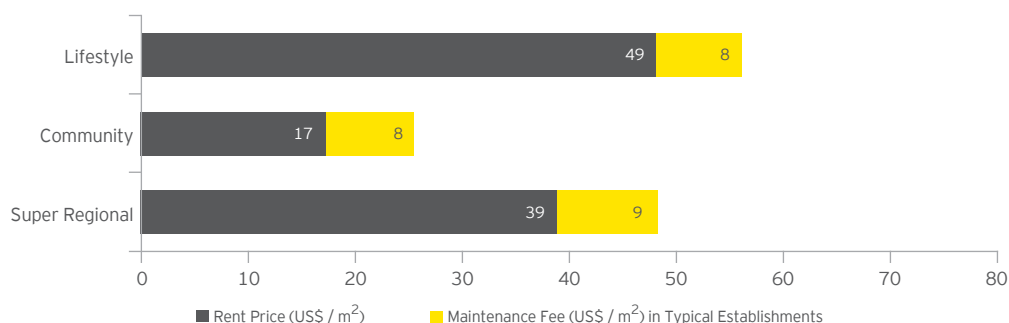
Source: ACCEP

Availability of Premises

Type	Total Shops		Vacancies (Shops)		Rate of Vacancy	
	Q1 - 2016	Q2 - 2016	Q1 - 2016	Q2 - 2016	Q1 - 2016	Q2 - 2016
Super Regional	1,546	1,614	199	189	12.9%	11.7%
Regional	1,001	1,002	68	60	6.8%	6.0%
Community	354	354	31	28	8.8%	7.9%
Lifestyle	273	273	7	8	2.6%	2.9%
Total	3,174	3,243	305	285	9.6%	8.8%

Source: Colliers International/ Research and Prognosis Report Q2 2016

Average Price of Rent



Source: Colliers International / Investigation & Forecast Report Q3 2015

9

Agriculture and livestock

According to the Ministry of Agriculture and Irrigation (MINAGRI) agricultural and livestock production increased by 1.9% in 2014 and 2.8% in 2015. This trend is expected to continue over the next few years with 1.4% in 2016 and 3.8% in 2017.

Gross Value of Agricultural and Livestock Production January - December Period (in S/ Million)

Activity	2014	2015	Var. %
Agriculture	18,791	19,031	1.3%
Livestock	11,865	12,494	5.3%
Agriculture & Livestock	30,656	31,525	2.8%

Source: Ministry of Agriculture and Irrigation (MINAGRI)

Agricultural and Livestock Products in US\$ Million: Growth 2000 - 2015

	2000	2015	Increase by number of Times
Agricultural and Livestock*	394	5,581	14
Fruit	53	1,012	19
Tea, Coffee, Cocoa and Essences	24	498	21
Varied Vegetable Products	65	780	12
Cereals and their Preparation	14	1,277	91

*This does not include traditional products

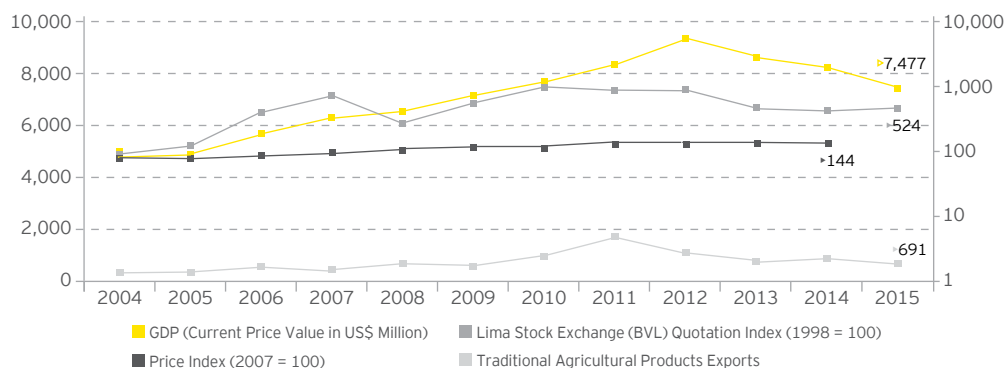
Source: Central Reserve Bank of Peru (BCRP)

Agricultural and Livestock Production by Sub-sector and Major Products in Thousands of Tons

Major Products	2014	2015	% Change
Agricultural Sub-Sector			
Olives	151.9	38.0	-74.9%
Quinoa	114.7	105.6	-7.9%
Rocoto Peppers	16.9	20.5	21.4%
Oregano	15.7	15.7	0.2%
Sweet Peppers	43.4	47.8	10.3%
Avocados	349.3	368.1	5.4%
Sweet Granadilla	47.5	49.3	3.8%
Lemon	263.8	268.1	1.6%
Palm Oil	617.6	683.3	10.6%
Grapes	507.1	597.6	17.9%
Branch of Cotton	92.5	70.2	-24.1%
Oat Grains	14.7	15.8	7.5%
Dry Lentils	3.3	3.0	-9.1%
Coffee	222.0	236.8	6.6%
Artichoke	103.3	89.3	-13.6%
Cherimoya	17.7	19.0	7.1%
Piquillo Pepper	24.7	15.0	-39.1%
Dry Grain Chickpea	1.6	2.3	-46.9%
Livestock Subsector			
Poultry	1,237.6	1,342.2	8.4%
Pork Meat	180.5	190.0	5.2%
Alpaca	28.0	27.7	-1.0%
Fresh Milk	1,840.2	1,893.3	2.9%
Eggs	358.6	386.3	7.7%
Llama Wool	0.7	0.65	-6.9%

Source: Ministry of Agriculture and Irrigation (MINAGRI)

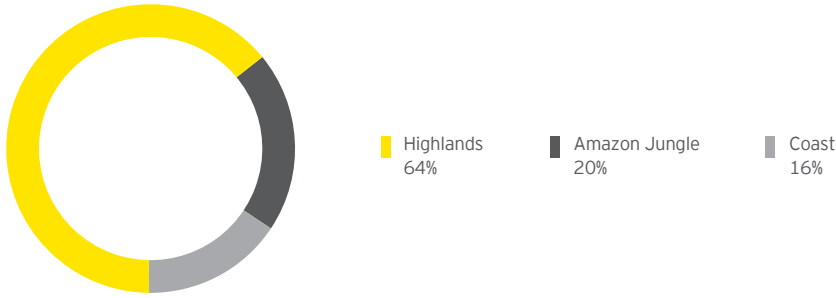
Evolution of Macroeconomic Indicators of the Agricultural and Livestock Sector (in US\$ Million)



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

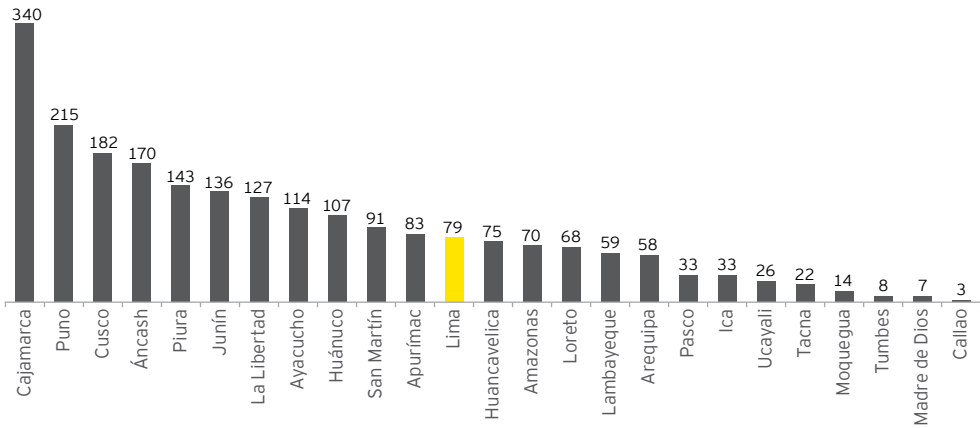
The Agricultural and Livestock Unit is defined as the land or group of lands used for agriculture and livestock production. Throughout the territory of the country, there are agriculture and livestock units that take advantage of each one of the climate characteristics and ecological areas.

Agricultural & Livestock Units by Natural Region 2012



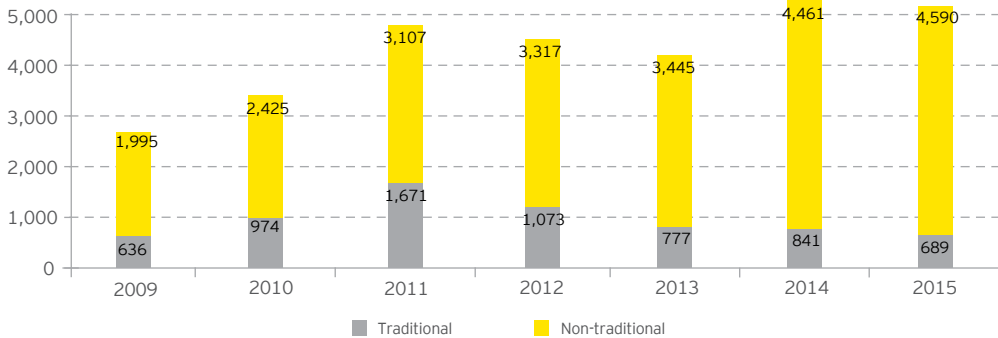
Source: IV Agriculture and Livestock Census 2012 - Ministry of Agriculture and Irrigation (MINAGRI)

Agricultural & Livestock Units per Region, 2012 (Thousands)



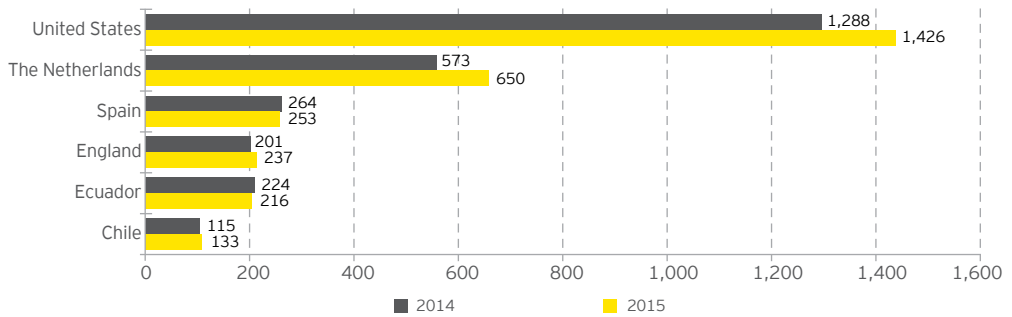
Source: IV Agriculture and Livestock Census 2012 - Ministry of Agriculture and Irrigation (MINAGRI)

Traditional and Non-traditional Agricultural Exports (in US\$ Million)



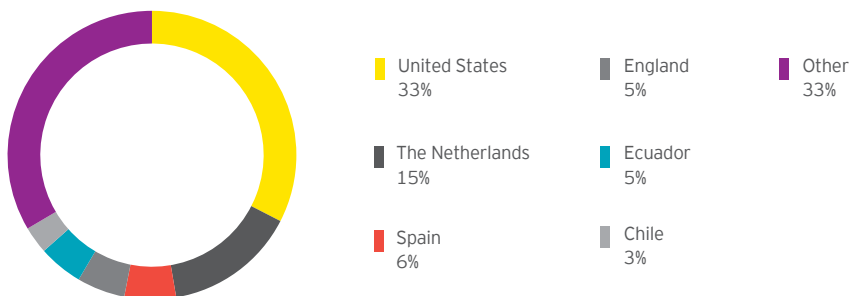
Sources: Ministry of Agriculture and Irrigation (MINAGRI) / Central Reserve Bank of Peru (BCRP)

Main Destinations of Agricultural Exports



Source: National Superintendency of Tax Administration (SUNAT)

Agricultural and Livestock Exports by Country of Destination - 2015 (in Percentage)



Source: National Superintendency of Tax Administration (SUNAT)

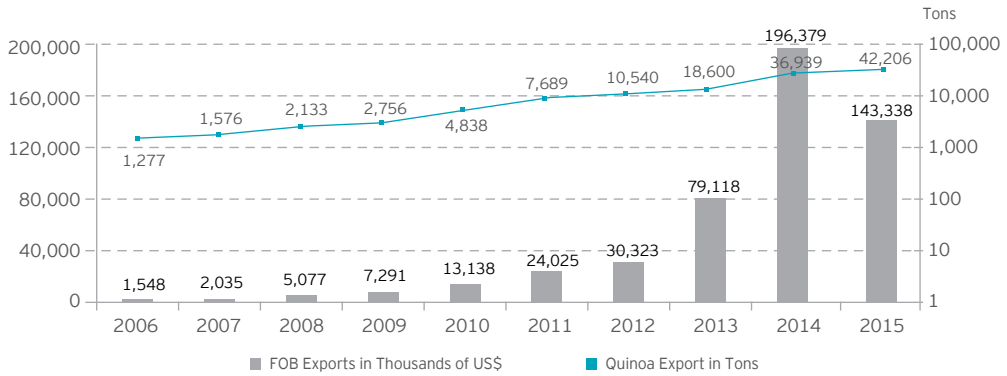
Top Exports

Product	FOB Value (US\$ Million)		
	2014	2015	% Change
Fresh Grapes	632	690	9.2%
Unroasted and Non-Decaffeinated Coffee	727	576	-20.7%
Fresh Asparagus	383	416	8.6%
Fresh Avocados	307	304	-1.0%
Quinoa	196	143	-27.0%
Cocoa in Grains, Whole or Split, Raw	152	183	21%
Canned Asparagus	149	131	-12.2%
Preparations used in Animal Feeding	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 (MINAGRI)

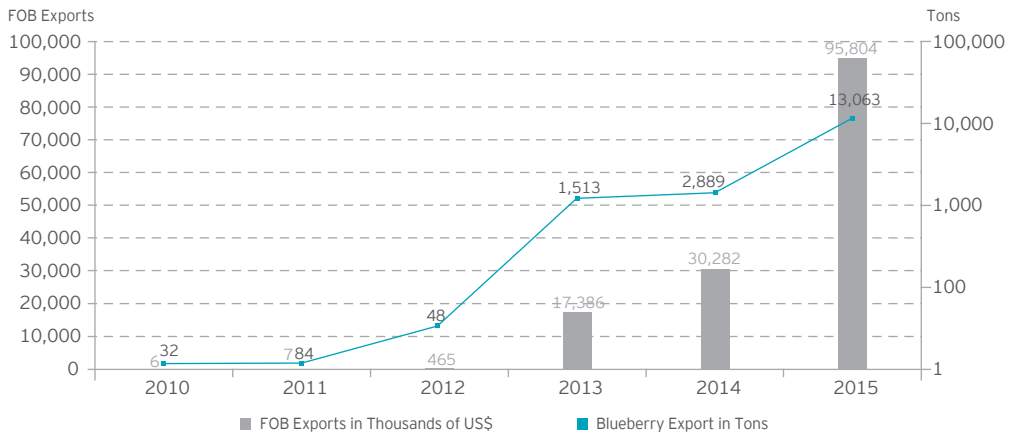
For the second year running, Peru is the world's leading exporter of quinoa. These exports mainly go to the North American and Canadian markets. Likewise, blueberry exports have shown a significant increase of 451% in the past three years.

Evolution in Quinoa Exports



Sources: Ministry of Agriculture and Irrigation (MINAGRI) (Preliminary Data) / ComexPeru (2015)

Evolution in Blueberry Exports



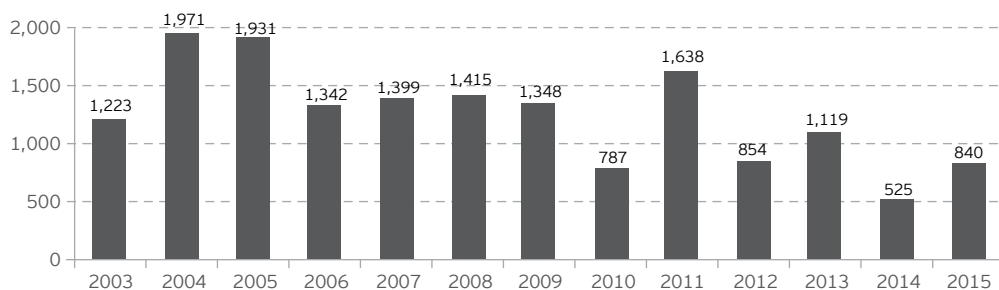
Source: Ministry of Agriculture and Irrigation (MINAGRI)

10

Fisheries

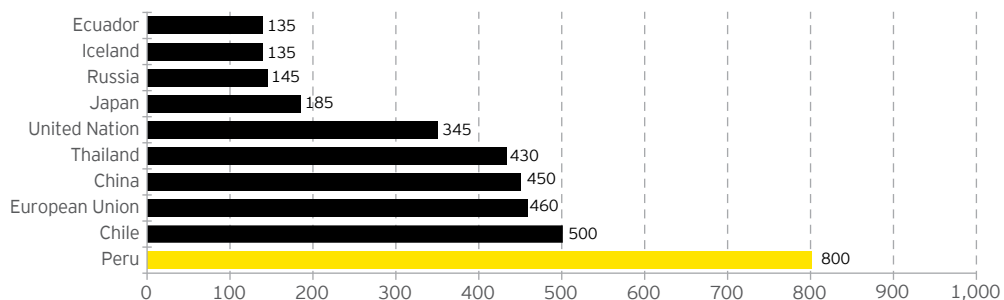
In 2015, anchovy, fishmeal and fish oil production increased, thereby increasing the fisheries industry by 15.9% in comparison with 2014. A reduction of 2.4% in the industry production is expected for 2016 as well as an increase of 24.8% for 2017. The top products exported from the Fisheries Industry include cuttlefish, pufferfish, squid, giant squid, and scallops: frozen, dried, salted or in brine.

Fishmeal Production (in Thousands of Metric Tons)



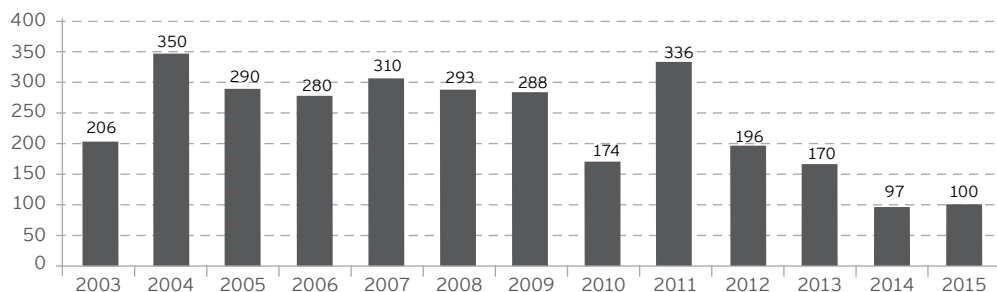
Source: Ministry of Production (PRODUCE)

Ranking of World Production of Fishmeal in Metric Tons (2015)



Sources: Indexmundi / US Department of Agriculture

Fish Oil Production (in Thousands of Metric Tons)



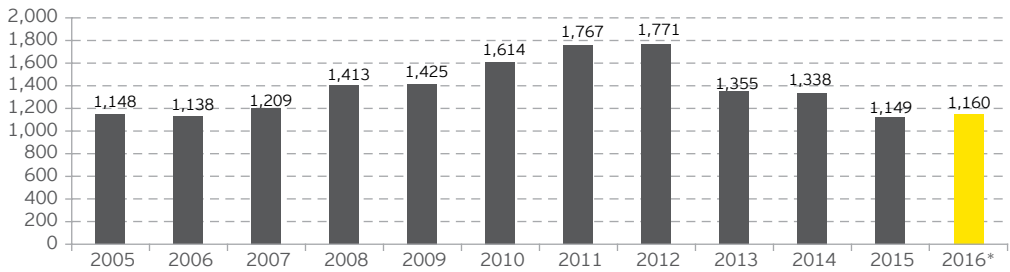
Source: Ministry of Production (PRODUCE)

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	1,973	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
▸ Crude 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 Production (PRODUCE)

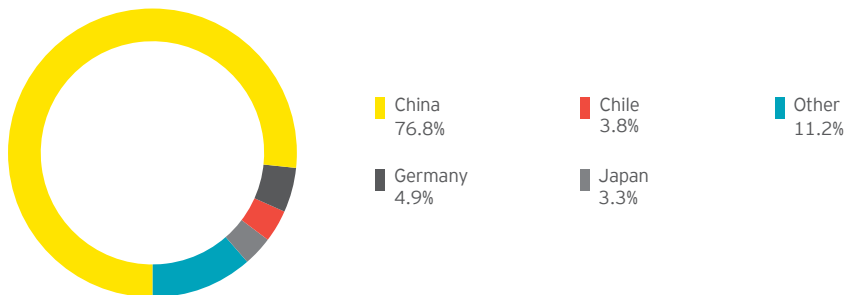
Value of Fishmeal Exports (in US\$ Million)



*Estimate

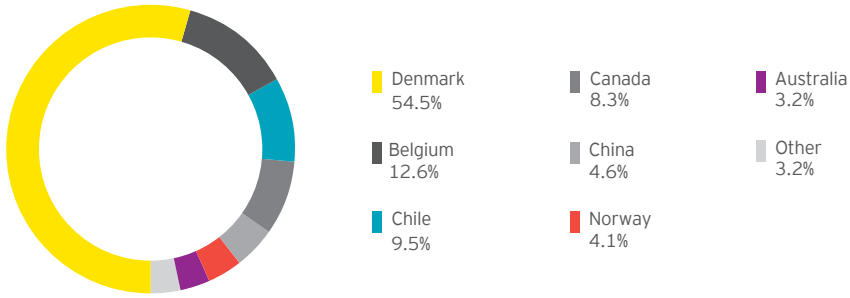
Source: ComexPeru

Fishmeal Exports by Country of Destination (2015)



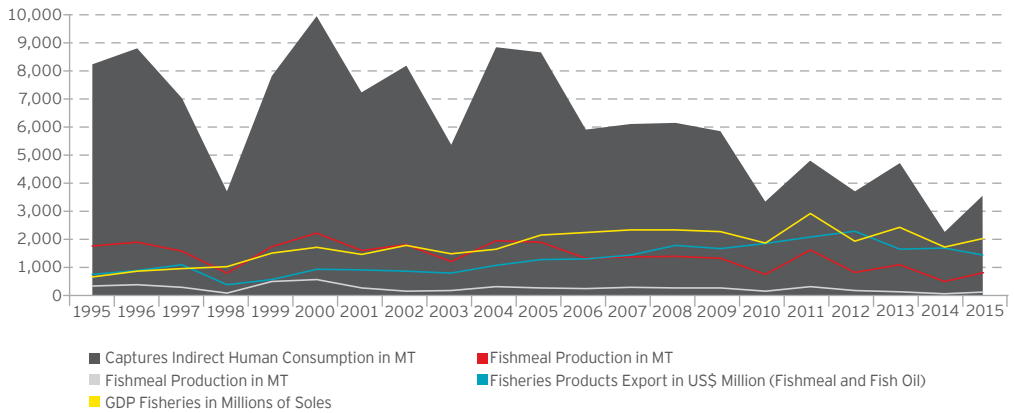
Source: Ministry of Production (PRODUCE)

Fish Oil Exports by Country of Destination (2015)



Source: Ministry of Production (PRODUCE)

Recent History of the Evolution of Industry



El Nino Weather Phenomenon: Years of Occurrence: Mild, Moderate and Serious
1997-1998 / 2001-2003 / 2005 / 2010 / 2014

Mergers and Acquisitions

1999	2002	2003	2006	2007	2008	2009	2010	2011	2013	2014	2015
Austral purchases fishing company Pesquera Arco Iris	TASA purchases fishing company Pesquera San Antonio	TASA purchases packing plant Envasadora Chimbote	CFG purchases processing plant Procesadora Del Carmen, Alexandra S.A.C., fishing company Pesquera Isla Blanca	CFG compra CFG purchases Grenadine Vay; P.Pocoma; La Candelaria; Planta Chimbote; fishing company Pesquera Bari	CFG purchases Epesca Pisco; P.Mistral; P.Islay; P.Ofelia	Grupo Romero (Centinela) comes into the fisheries industry with fishing company Pesquera Giuliana	CFG purchases Deep Sea Fishing	CFG purchases Consorcio Vollomat, Negocios Rafmar	CFG purchases Copeinca	Austral sells Conservera de las Americas SA to Tri Marine International	Consolidation of existing companies
		TASA purchases Grupo Sindicato Pesquero S.A.A. (SIPESA)		CFG purchases P.Maximum Catch Limit per Vessel Law comes into force		CFG purchases Centinela purchases fishing company Inversiones Alamare					

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

a. Transportation Sector

Item	U.M	2010	2011	2012	2013	2014	% Change (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	334	363	8.6%
- Ports	Unit	30	30	30	47	47	0.0%
Vehicular 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: National Institute of Statistics and Information (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\$ 20.9 billion worth of projects will be carried out, representing significant investment opportunities for contractors and logistics operators.

New Investments in Transport Infrastructure Scheduled for 2016 (in US\$ Million)

Infrastructure	US\$ Millions
Road	12,791
Railway	7,308
Ports	708
Airports	128
Total	20,935

Sources: Private Investment Promotion Agency (ProInversión) /Ministry of Transportation and Communications (MTC)

The current administration is promoting the use of the Execution of Public Works for the Payment of Taxes mechanism as a means to leverage private investment. Its appeal lies as much in the tax advantages as in direct social license or reputational capital. In this regard, 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 Execution of Public Works for the Payment of Taxes program was accounted for projects of the Transportation Sector.

Details of projects registered through this mechanism can be found at:
www.obrasporimpuestos.pe

b. Communications Sector

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

Year	Landline		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. In 2015, FITEL Project Formulation Area had a list of 21 telecommunication projects aimed at benefiting approximately 4.6 million people, accounting for investments amounting to US\$1.61 billion.

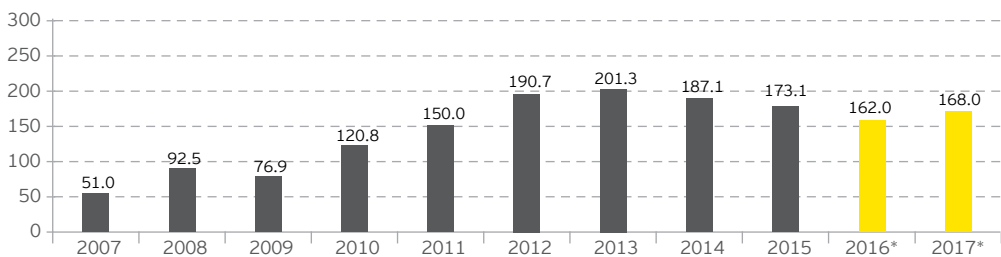
July 2012 saw the enactment of Law 29904 - Act for the Promoting of Broadband and Construction of Optical Fiber Backbone. The National Optical Fiber Backbone includes the installation, operation and maintenance of approximately 13,400 km of optical fiber, to connect 180 provincial capitals in the country, 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

In the past four years, annual sales of new vehicles exceeded the 150,000 units. In 2015, annual sales added 173,100 new units were registered in the Peruvian automotive fleet.

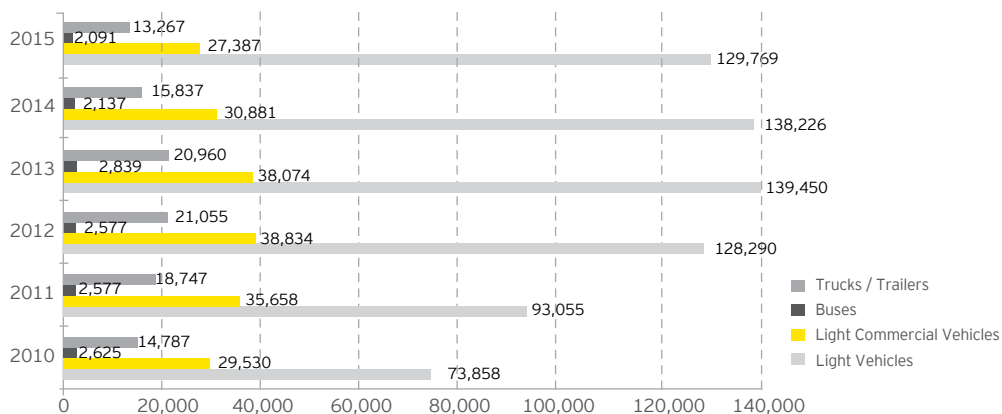
Total Vehicle Sales (Thousands of Units)



*Estimate

Sources: Apoyo / Peruvian Association of Automotive Representatives (ARAPER)

Projection of Vehicle Sales by Category



Sources: Peruvian Association of Automotive Representatives (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 would imply a decline in the import price of cars of approximately 8%. Heavy vehicles, linked to investment, already enjoy duty-free entry from any origin. BBVA Research forecasts that in 2020 there will be 4.5 million automobiles in Peru. At the close of 2015, the Peruvian automotive fleet had just over 3.5 million units.

13

Food and beverage

Percentage change in the consumer price index on a national level (basis December 2011=100)

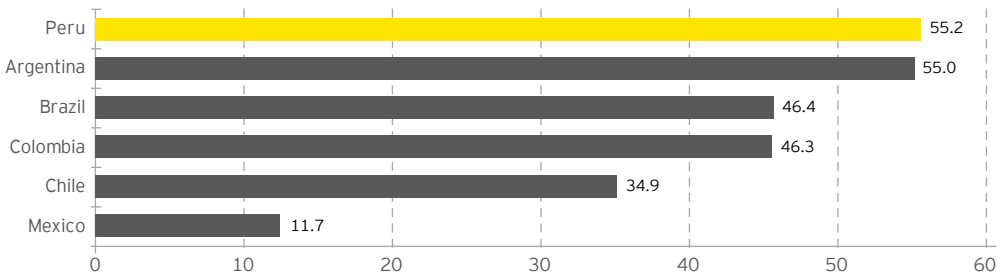
Classification of Expenses by Function	Description	% Change	
		2014	2015
1.1.1	Bread and Cereals	2.49	1.54
1.1.2	Meat	6.51	3.25
1.1.3	Fish	0.98	1.06
1.1.4	Milk, Cheese and Eggs	4.17	0.71
1.1.5	Oils and Fats	-0.09	0.32
1.1.7	Fruit	11.08	-4.07
1.1.8	Pulses and Green Vegetables	4.46	12.18
1.1.10	Sugar and Confectionery	2.1	19.25
1.1.9	Unspecified (N.E.P.) Food Products	4.24	55.79
1.1.10	Coffee, Tea, and Cocoa	1.85	3.17
1.1.13	Beverages	2.11	3.84
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. Household consumption increased by 6.3% in the fourth quarter of 2015, mainly due to the rise in family income. The highest nominal expense was reflected in food and beverages such as sugar and confectionery (32.4%) prepared foods consumed at home (6.9%) fish (13.5%) and pulses and green vegetables (11.8%).

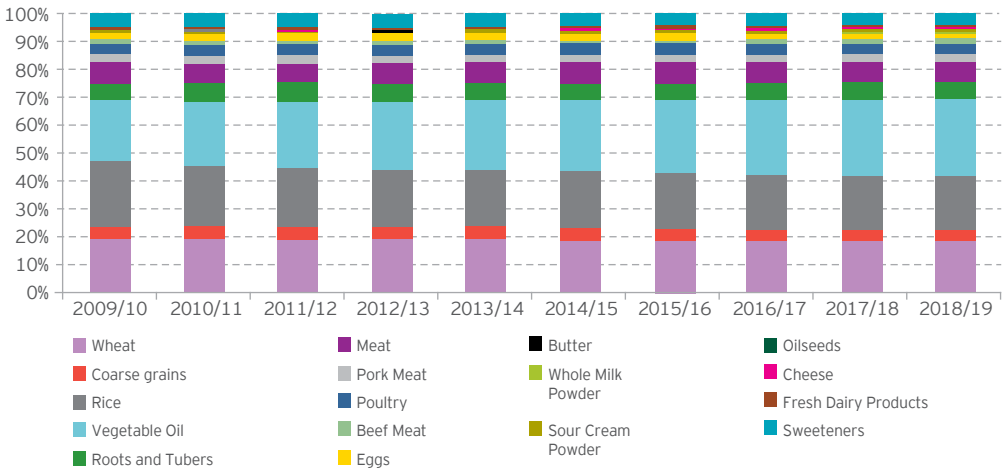
It is expected that for the 2012 - 2016 period, per capita food consumption in Peru will increase by 55.2%, one of the highest rates in Latin America. On the other hand, it is expected that during the years 2016 and 2017, the most consumed food will consist of vegetable oil, rice and wheat.

Per Capita Food Consumption 2012 - 2016 (Percentage Change)



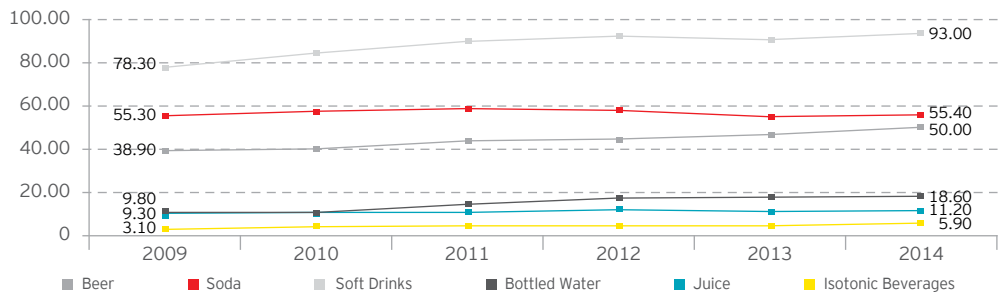
Source: Business Monitor International

Food Consumption Profile



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

Evolution of Per Capita Consumption of Bottled Drinks in Liters (2009-2014)



Source: Ministry of Production (PRODUCE) / Prepared by ITG Research

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Tourism, cuisine and hotel management

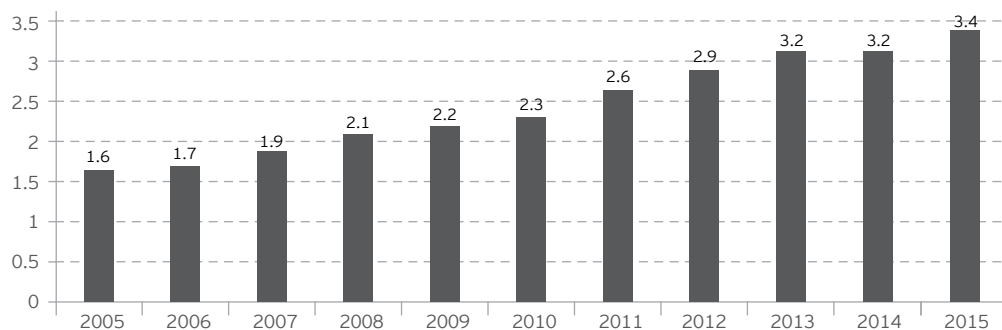
Tourism

Peru is a privileged tourist destination worldwide, ranked among the top preferred places in the world for its authenticity, art and culture, history and natural beauty, in addition to the famous tourist attractions of Machu Picchu and the Amazon Jungle, declared World Heritage Sites.

According to the Peruvian Immigration and Naturalization Service, tourist arrivals to Peru in 2015 totaled 3.4 million persons, representing a 7.5% increase, compared to the same period the previous year. In 2015, the foreign currency produced by incoming tourism amounted to US\$4.2 billion.

On the other hand, according to the Peruvian Aviation Administration (DGCA) the flow of passengers on domestic flights at the close of 2015 increased by 11.9% compared to 2014, totaling 10,012,906 passengers in relation to the more than 8,950,165 of the year before. In addition, the traffic of international flights rose by 6.2% at the end of 2015, in relation to 2014.

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



Sources: Ministry of Foreign Trade and Tourism (MINCETUR) / National Superintendency of Immigration

In 2016, the Jorge Chavez International Airport has been considered the second best air terminal of South America by the World Airport Awards. One of the main reasons for receiving this distinction is the high level of satisfaction of the passengers and users. This qualification allowed it to be ranked 49th in the world, compared to the 35th position it obtained last year.

Each year, since 1987, the Peruvian government, represented by the Commission for the Promotion of Peru for Exports and Tourism (PromPerú) and the private sector, represented by the National Chamber of Tourism (CANATUR) organize the Peru Travel Mart (PTM) an event which is the meeting point for tourism promoters of the country with the tourism businessmen of the world. The purpose of this event is to gather the wholesalers of the main tourist markets in the world, to take part in a meeting with the most important producers of tourist services of the country.

The first travel culture campaign "And what are your plans?" was launched in 2012 with the aim of promoting travel in the country. It is estimated that the campaign produced a growth of 15% in the sales of the participating regional companies that add up to a total of around 450. In 2014, this travel culture campaign was recognized by the World Tourism Organization (WTO) awarding Peru the Ulises Prize for Excellence and Innovation in Tourism.

The most visited tourist destinations in Peru are shown below:

- ▶ **Arequipa and the Colca Valley:** The city of Arequipa is also known as the “White City”. Its historical center has been recognized as a Cultural Heritage of Humanity due to the architecture of its Colonial buildings in white stone ashlar. The Colca Valley is one of the protected natural areas with beautiful landscapes. Arequipa has one of the best cuisines of Peru.
- ▶ **Chiclayo:** The City of Chiclayo is the gateway for the most recent and spectacular archaeological discoveries such as the Lord of Sipán in the Huaca Rajada, the Lord of Sicán in Batán Grande - the Pomac Forest Historical Sanctuary, the Valley of the Pyramids of Túcume, besides owning the Museum of Royal Tombs of Sipán. Thanks to all of the foregoing features, Chiclayo has become the second destination after Cusco, due to its archaeological and historical interest.
- ▶ **Cusco - Machu Picchu - Inca Trail:** “The archeological capital of America”, it is the top tourist attraction of Peru. Cusco was the largest city and capital of the Inca Empire. Today, it has an architecture that blends the Inca and the Spanish styles. Its people proudly preserve their customs and traditions. A must see place is the mystical and enigmatic Machu Picchu (one of the Seven Wonders of the Modern World): the sacred city of the Incas that was officially unveiled to western culture in 1911. Due to their historical value and their beauty, both Cusco and Machu Picchu have been considered a Cultural Heritage of Humanity.
- ▶ **Iquitos and the Amazon River:** The Amazon Jungle is an ideal place for nature and biodiversity tourism lovers, who wish to come into direct contact with nature. From Iquitos, tourists can take a cruise along the Amazon River, exploring the protected natural areas such as the Pacaya Samiria and Alpahuayo Mishana, with exuberant flora and fauna, ideal for bird watching.
- ▶ **Lake Titicaca and Puno:** Puno is located high up in the Andes, on the banks of Lake Titicaca, the highest navigable lake in the world, inhabited by the Uros and with wonderful landscapes. In the Amantani and Taquile Islands, the tourist can share life with its natives and experience firsthand their habits and customs. Puno is the folkloric capital of Peru.
- ▶ **Lima:** Capital of Peru, is the gastronomic capital and gateway to Peru. It possesses a historical center with beautiful colonial buildings, which have been declared the Cultural Heritage of Humanity by the UNESCO and has the best museums of Peru. Lima offers a large variety of cultural, folkloric shows, nighttime recreational centers, luxurious casinos and different restaurants famous for their Peruvian cuisine.
- ▶ **Nazca-Nazca Lines:** The only place in the world in the desert sands full of mysticism and mystery with jaw-dropping shapes of immense figures and spectacularly perfect lines produced by an ancient civilization and that has been declared the Cultural Heritage of Humanity by the UNESCO.
- ▶ **Paracas:** On the coast of the Pacific Ocean, the National Reserve of Paracas and the Ballestas Islands are ecological destinations for nature and bird lovers. It also has historical-cultural attractions with the archaeological ruins of the Paracas culture.
- ▶ **Trujillo:** The “Spring City” is close to Chan-Chan (capital of the Chimu nation - 13th Century) one of the largest cities of the world built with mud and declared the Cultural Heritage of Humanity. Equally important are the archaeological ruins of the Huaca del Sol y de la Luna (Sun and Moon) the El Brujo complex and the Lady of Cao. An excellent destination for historical archaeological tourism.

More information at: www.ytuqueplanes.com

Cuisine

Peruvian cuisine is considered one of the most important worldwide. Over the years, it has become a flagship product due to its 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 the food is one of the aspects that influence their decision for 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.

In 2016, Peru was recognized for the fifth time running as the Best Culinary Destination of the World, according to the World Travel Awards (WTA). Gastronomic tourists spend an average of US\$130 per day in 4 and 5 star restaurants. It is estimated that Peru will earn US\$1 billion through gastronomic tourism in 2016.

In 2016 and for third year running, a Peruvian restaurant was recognized as the best restaurant in Latin America according to the ranking of Latin America's 50 Best Restaurants, sponsored by S. Pellegrino & Acqua Panna. It should be noted that three Peruvian restaurants rank among the Top 10 Restaurants.

Several international fairs are being developed in Peru for promoting our food resources to the world. In 2016, four important international fairs shall be developed: Mistura, Expoalimentaria, Gastromaq and Second World Forum on Food Tourism.

- ▶ Mistura 2016 is the most important international culinary fair of Latin America besides being a cultural festivity that shows the Peruvian culinary tradition and the wide biodiversity of the country. It is held every year in September for a period of ten days.
- ▶ Expoalimentaria 2016 is the largest international fair for food, beverages, machinery, equipment, inputs, containers and packaging, services, restaurant and gastronomy of the region, thereby constituting an international meeting point of exporting companies and prime buyers of the five continents. The 8th edition of this fair is due to be held in 2016, gathering more than 43,600 professional visitors, such as food producers, manufacturers, importers, exporters, service suppliers and machinery for the food industry, among others.
- ▶ Gastromaq 2016 shall be the third edition of the international fair that gathers information and contacts of the supplier companies for the gastronomy and hotel industry, which includes restaurants, hotels, bakeries, confectionery and ice cream parlors, as well as food processing industries.
- ▶ The Second World Forum on Food Tourism is an event organized by the World Tourism Organization (UNWTO) the Basque Culinary Center and the Peruvian Government through PromPerú. The goal is to offer a platform to exchange experiences and good practices conducted around the world through international benchmarks of the gastronomy and tourism industries.

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 Establishments			
- Youth Hostel	35	604	1,384
- Ecolodge	5	115	262
Non-categorized Establishments	14,985	172,829	295,683
Total	17,272	233,519	405,474

Source: Ministry of Foreign Trade and Tourism (MINCETUR)





*Incorporating a
company in Peru*

IV

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 capital of S/1,000 (approximately US\$293).

Features:

- ▶ **Name:** Trade Name must include "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.
- ▶ **Existence:** 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 listed on the Stock Exchange.

Features:

- ▶ **Name:** Must include the indication "Sociedad Anónima 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 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. These shares of stock must be listed on the Stock Exchange.

Features:

- ▶ **Name:** Must include the indication "Sociedad Anónima 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 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.

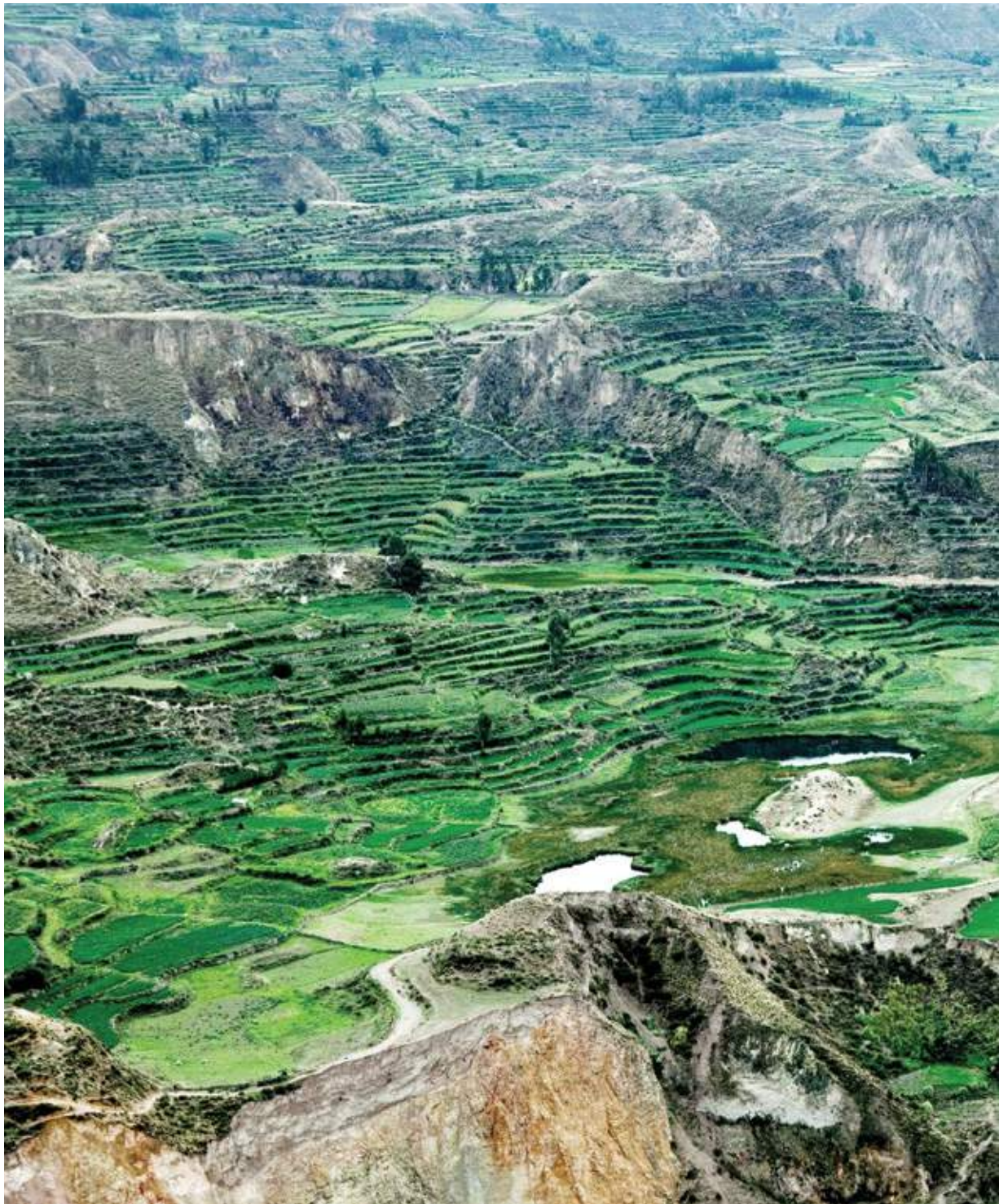
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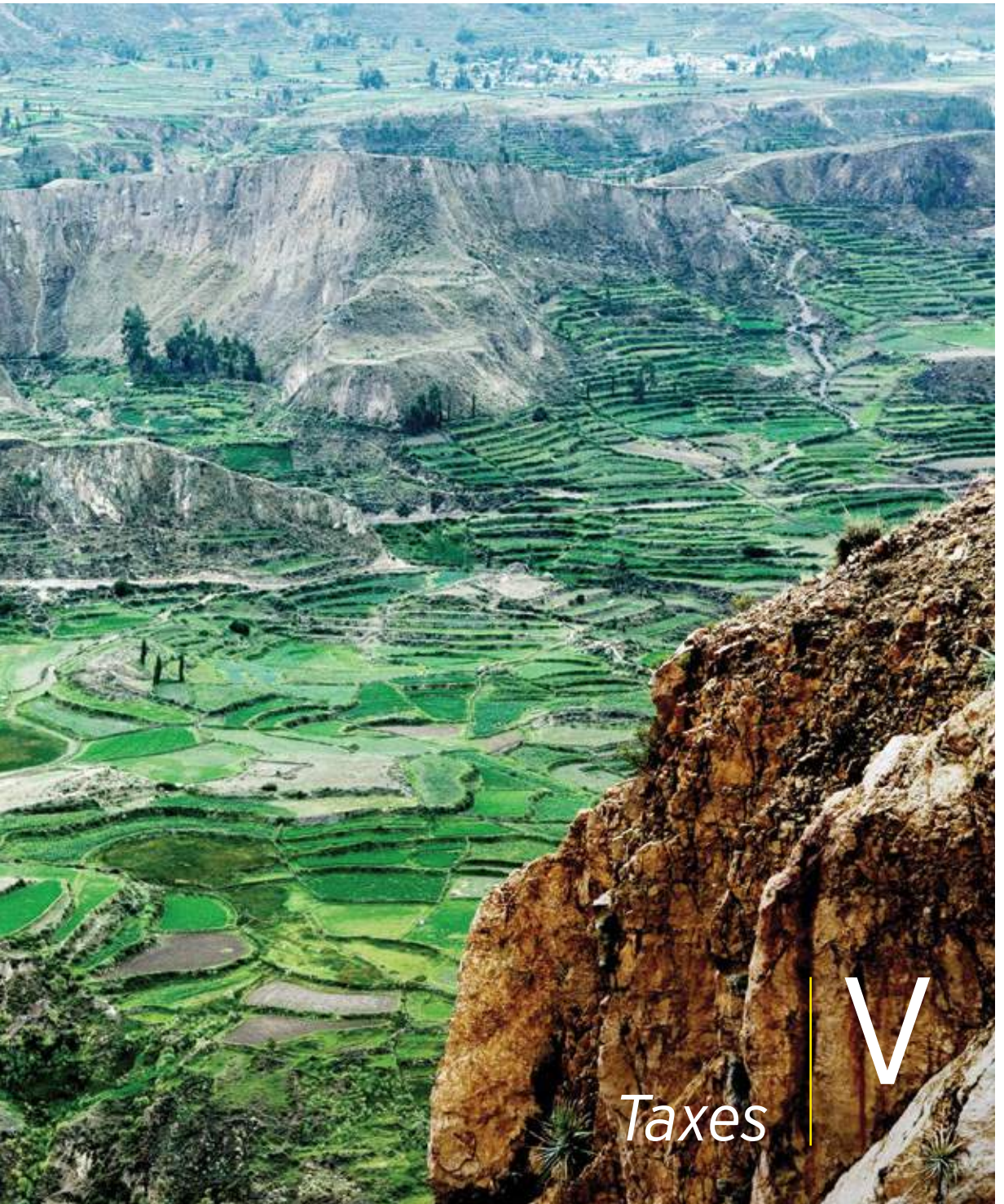
- ▶ **Limited liability:** Partners are not personally liable for corporate obligations.
- ▶ **Centralized management:** Partners' Meeting and General Manager.
- ▶ **Stock transfer:** Transfer of ownership interests to third parties is subject to approval by the existing partners (right of first refusal is mandatory) and must be registered in the Registry of Companies.
- ▶ **Existence:** 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 origin 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 corporations may be legally incorporated in Peru as any type of legal business entity provided for in said law.





Taxes

V

V

Taxes

Note to the reader

One of the main goals of the current Peruvian Government for the next five years is the economy's reactivation. In order to do so, the Government requested the past September 8th, 2016, through Legislative Project No. 228/2016-PE, special legislative powers from Congress, which will target, among others, tax issues. The proposals would enter in force beginning January 1st, 2017. Hereunder we provide a brief summary of the most important proposals when this guide was being prepared (September 2016).

It is suggested to read carefully the chapters V and VI with their updates containing new measures, which may come from rules through Government's special legislative powers.

Value Added Tax (IGV, for its acronym in Spanish)

Reduction in one percent (1%) beginning January 2017. Thus, VAT rate will decrease from 18% to 17%.

Income Tax (IR, for its acronym in Spanish)

D) Resident entities

- Increase of corporate Income Tax rate to 30%.
- Reduction of dividend tax rate to 4.1%.

II) Individuals

- Deductions up to S/39,500 (10 UIT) in the Income Tax's taxable basis over labor income, by means of invoices that support expenses in health and housing. Alternatively, it would also be possible to apply a deduction of S/27,650 (7 UIT) without the need of supporting invoices.

Other measures

I) Capital repatriation regime

- Adoption of a transitory system that would allow taxpayers (corporations or individuals) with revenues located abroad, which have not been filed in Tax Returns and have been generated before December 31st, 2015, to file and pay pending Income Tax, but with a preferential rate up to 10% of the Peruvian Income Tax.

II) Amnesty on ongoing tax debts litigations

- Extinction of tax debts lower than S/3,950 (1 UIT).
- Possibility of granting total or partial extinction on tax fines and default interests of ongoing tax debts litigations, at administrative or judicial level. In order to apply to this benefit, the taxpayer will need to withdraw from its claims.

III) Special Income Tax regime for small businesses

- Creation of a special temporary Income Tax regime to small businesses, as long as they formalize. Such regime would allow small businesses to choose from the following alternatives:
 - a) Payment of 10% of Income Tax for 10 years; or,
 - b) Payment of a fixed percentage applied over gross sales, with definitive character, for 10 years.
- Both alternatives include an amnesty of past years' tax debts, and will complement other existing small businesses' regimes.

You can find more information about taxes in www.ey.com/PE/EYPeruLibrary

Tax System

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 enshrines 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 or regulatory institutions.

The National Superintendency of Tax Administration (SUNAT) 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 National Superintendency of Tax Administration (SUNAT) in situations considered to be tax evasion or simulated transactions.

In effect, in case of situations of tax evasion, the National Superintendency of Tax Administration (SUNAT) 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.

However, as from July 12, 2014, the application of the anti-evasion rules incorporated in 2012 has been suspended until the Executive Branch, by an Executive Order (Decreto Supremo) endorsed by the Minister of Economy and Finance, establishes the parameters of form and substance for application thereon.

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

The corporate income tax rate for domiciled companies is provided in the table below 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.

Taxable Operations	Rate
2014	30%
2015-2016	28%
2017-2018	27%
2019 and beyond	26%

Dividends received from other domiciled legal entities are not taxed. Dividends received from non-domiciled legal entities are subject to a tax rate of 30% (2014 period), 28% (periods 2015 and 2016), 27% (periods 2017 and 2018) and 26% (2019 onwards).

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 as long as they are necessary for the generation of affected income 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 higher:

- Percentage method: Apply 1.5% to the total net income for the month.
- Coefficient method: Divide the tax calculated for the previous fiscal year by the total net income for the same fiscal year and multiply the result by the 0.9333 factor (the factor is solely applicable for the period of 2015). Apply the resulting coefficient to the net income for the month. For the months of January and February, use the coefficient determined based on the calculated tax and net income of the fiscal year prior to the previous one.

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

Should the prepayments exceed the annual 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:

Up to the 2014 Fiscal Year		From the 2015 Fiscal Year	
Sum of Net Peruvian Source Income and Foreign-Source Income	Rate	Sum of Net Peruvian Source Income and Foreign-Source Income	Rate
Up to 27 Tax Units ¹	15%	Up to 5 Tax Units	8%
More than 27 Tax Units	21%	More than 5 up to 20 Tax Units	14%
More than 54 Tax Units	30%	More than 20 up to 35 Tax Units	17%
		More than 35 up to 45 Tax Units	20%
		More than 45 Tax Units	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 (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.

¹For 2016, 1 UIT is equivalent to S/3,850 or US\$1,129.

Dividends distributed by companies incorporated or established in Peru and received by individuals are taxed with the following rate according to the tax period:

Taxable Operations	Rate
2014	4.1%
2015 - 2016	6.8%
2017 - 2018	8.0%
2019 and beyond	9.3%

The rate of 4.1% shall be applied to the accumulated results obtained until December 31, 2014 and that form part of the distribution of dividends or any other form of profit distribution.

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.
- ▶ 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 (shares¹, 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%.

¹By means of Law 30341 (in force from January 1, 2016 to December 31, 2018) capital gains deriving from the disposal of assets or other securities representing shares of stock through the Lima Stock Exchange (BVL) are exempted from Income Tax, provided that they meet certain requirements.

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, Bolivia, and Peru), other tax provisions may apply.

Non-Domiciled Entities

Peruvian-source 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

Rentas	Tasa
Dividends and other forms of profit distribution, as well as the remittance of profits from the branch	<ul style="list-style-type: none"> ▶ Regarding results obtained until December 31, 2014 considered part of the distribution of dividends or any other type of profit distribution, a rate of 4.1% will be applied. la tasa del 4.1%. ▶ 2015-2016: 6.8% ▶ 2017-2018: 8% ▶ 2019 and beyond: 9.3%
Interest paid to non-domiciled companies, provided certain requirements are met	▶ 4.99%
Interest paid to related companies abroad	▶ 30%
Technical assistance services economically used in Peru	▶ 15%
Digital services economically used in Peru	▶ 30%
Royalties	▶ 30%
Capital gains deriving from the disposal of marketable/negotiable securities through the Lima Stock Exchange (BVL) including: <ul style="list-style-type: none"> ▶ Disposal, redemption, or surrender of shares, bonds, or other securities issued by corporations incorporated in Peru ▶ Indirect disposal of shares in Peruvian corporations 	▶ 5%, unless the exemption provided for by Law 30341 is applicable (see footnote No. 1)
Capital gains deriving from the disposal of marketable/negotiable securities outside the Lima Stock Exchange (BVL), including: <ul style="list-style-type: none"> ▶ Disposal, redemption, or surrender of shares, bonds, or other securities issued by corporations incorporated in Peru ▶ Indirect disposal of shares in Peruvian corporations 	▶ 30%
Other income deriving from business activities conducted in Peruvian territory	▶ 30%

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 income tax rates:

Activities	Effective Income Tax Rate (%)
Air Transport	0.3
Maritime Transport	0.6
Vessel Lease	8.0 ¹
Aircraft Lease	6.0 ¹
Supply of Transport Containers	4.5
Demurrage of Transport 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

Thin Capitalization Rules

Interest paid by domiciled taxpayers to related or associated companies is not income tax deductible in the portion related to the loan that exceeds the result of applying a coefficient (debt/net 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, Portugal, South Korea, Switzerland and Mexico. Peru is also part of the Andean Community of Nations, 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.

It should be noted that Peru has adopted a treaty to avoid double taxation with Spain, which is pending ratification. 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 National Superintendency of Tax Administration (SUNAT), 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.

¹The withholding rate for these activities is 10%.

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 following requisites that foreign corporations must meet in order to be considered a CNDE:

- ▶ 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 call 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.

Reduction in Capital Stock

Starting on June 30, 2012, the reduction of capital stock for up to the amount of profits, surplus from revaluation, adjustments due to restatement, freely-available premiums and/or reserves shall be considered a distribution of dividends if:

- ▶ The amount of the profits, revaluation surplus, adjustments due to restatement, or freely-available premiums and/or reserves (i) exist at the time the resolution is adopted for the reduction of the capital stock; (ii) have been previously capitalized, unless the reduction in capital stock is allocated to cover losses, in accordance with the Business Corporations Act (LGS).

If, after the resolution adopted for the reduction, the profits, revaluation surplus, adjustments due to restatement, or freely-available premiums and/or reserves are:

- i) **Distributed:** Such distribution shall not be considered as dividends or any other form of distribution of profits.
- ii) **Capitalized:** The subsequent reduction corresponding to the amount of the capitalization in question shall not be considered dividends or any other kind of distribution of profits

Corporate Reorganization System

With regard to income tax applicable to the assets transaction in a corporate reorganization, 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 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, 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 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 12 month period, shares or ownership interests that represent 10% or more of the capital stock of the non-domiciled legal entity are disposed of.

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 or is not through the Lima Stock Exchange (BVL), respectively.

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

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.

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 for Taxes Paid Abroad

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 30 calendar days, the acquisition of marketable/negotiable securities of the same type as those disposed of or call options thereon occurs.
- a) Prior to the disposal, within a term of no more than 30 calendar days, the acquisition of marketable/negotiable securities of the same type as those disposed of or of call options thereon occurs.

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 the 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 an income 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 corporations may elect to credit against the ITAN the credit for the income tax paid in Peru. 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, transfer of funds, 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 sale of goods, the delivery and use of services and the import of goods 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 making investments in any sector of the economic activity that generate a third-bracket income and developing projects currently in a 2-year or longer pre-operational stage may resort to the Early VAT Recovery System and request the early recovery of the VAT transferred or paid for the acquisition of new capital goods, new intermediate goods, as well as construction services and agreements, directly used in the execution of the corresponding project.

For such purpose, the company must sign an investment agreement with the Private Investment Promotion Agency (ProInversión) and the sector corresponding to the project to be carried out, which shall issue a Ministerial Ruling qualifying the applicant as a beneficiary of the system. The investment to be made under the agreement may not be less than US\$5 million, except for investments to be made in the agricultural sector, which is exempt from this requirement.

Furthermore, a special system has been recently approved authorizing micro-enterprises in the operating stage to enjoy the refund of the tax credit paid on imports and/or local purchases of new capital goods, not exhausted within the three months following the date of registration of the respective voucher in the Purchase Journal.

Final VAT Refund

A tax benefit consisting of the refund of all Value Added Taxes (VAT) and Municipal Promotion Taxes transferred or paid for having acquired certain goods and services directly tied to exploration activities during the exploration stage. 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 involving a minimum investment of US\$500,000, must also be adopted.

The tax refund is not conditional to the beneficiary's commencement of production operations.

Export of Goods

The export of goods is not subject to the payment of VAT.

The Value Added Tax 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.

If the transfer of ownership occurs in the country prior to loading, the classification as export of goods is conditional upon the goods being shipped within a term of no more than 60 calendar days after the date of issue of the respective payment voucher.

When the sale involves documents issued by a bonded warehouse referred to in the General Customs Act or a normal deposit warehouse regulated by the Superintendency of Banking, and Insurance (SBS) and Private Pension Fund Management Companies (AFP) that guarantee the purchaser's right to dispose of said goods, the classification shall be conditional upon the shipment being performed within a term of no more than 240 calendar days after the date on which the warehouse issues the document.

If the established terms expire without the goods having been shipped, it shall be understood that the operation has been performed in national territory, and shall be levied with or exempted from VAT, as applicable.

Export of Services

The export of services is not subject to the payment of VAT.

Operations considered to be export of services include those contained in Appendix V of the Value Added Tax Act, to the extent they (i) are provided for valuable consideration, (ii) the exporter is domiciled, (iii) the user is non-domiciled, and (iv) 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. Exports considered 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, gambles and bets, 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, based on 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. This tax is charged to the individual or legal entity that, as at January 1 of every year, is the owner of the levied 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 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 years old. The three 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 regime

a. Customs Taxes

Imported goods are subject to import tariffs with currently ad valorem rates of 0%, 6% and 11%¹.

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.

There are also specific duties to be applied as additional variable duties on imported agricultural and livestock 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 ^(a)	0%, 6% y 11% ²	CIF Value
Value Added Tax (VAT) ^{(b) (c)}	18%	CIF + Customs Duties

^(a) The customs tariff rates depend on the type of goods being imported.

^(b) The Value Added Tax (VAT) can be used as tax credit by the importer.

^(c) Certain goods are additionally subject to the Selective Consumption or Luxury Tax (ISC).

The import of goods is subject to the Prepaid VAT System, wherein the tax is determined by applying a percentage to the CIF customs value plus all taxes levied on the import and other surcharges, where applicable. The applicable tax rate is 3.5%, 5%, or 10%, depending on the situation of the importer and/or the goods to be cleared through customs. Like VAT, the amount paid may be used by the importer as a tax credit. However, there are certain cases in which the prepaid VAT does not need to be paid; for example, when the import is performed by VAT withholding agents, or in the case of certain goods excluded from this system.

When importing consumer goods worth more than US\$ 2,000, 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, in order to be imported into the country. These goods

¹In addition, a tariff rate of 4% is charged in the case of Express Shipments (goods with a FOB value of US\$200 or more, up to a maximum amount of US\$2,000 per shipment).

²For Express Shipments, an ad valorem rate of 4% is charged.

must have the required documentation at the time of importation, prior compliance with the requirements established by the control units of the competent sector.

Some of the entities and types of restricted goods are as follows:

- ▶ **National Superintendency of Tax Administration (SUNAT)** through the National Intendancy of Chemical Supplies and Supervised Goods for controlled chemical inputs and audited goods given its probability to be used in illegal mining and in the preparation of illegal drugs, among others.
- ▶ **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 (MEM)** 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.
- ▶ **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.

Furthermore, the prohibited goods are not allowed to enter or leave the country.

c. Anti-Dumping Measures and Compensation Duties

When an import 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, rolled steel pipes, shoes and fabrics from China, etc. Likewise, some final compensation duties are charged on biodiesel imports originating from Argentina, among others.

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 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 3% 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 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 12 months) under the control of a customs agency, without paying customs duties and other taxes applicable to import for consumption, provided that no specific customs system has been requested for them and they are not in a situation of abandonment.

f. 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 on December 31, 2028.

g. 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, except for the Tumbes CETICOS, where, through Law 29902, the exemption was extended to December 2042. 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.

Finally, 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 import 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) until December 31, 2018, 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 Amazonas, Loreto, Madre de Dios, San Martín, 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 Private Investment Promotion Agency (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, as applicable. 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 as established in Executive Order (Decreto Supremo) 059-96-PCM.

6

Mining law

Law 29789 - Special Mining Tax (IEM)/ Executive Order (Decreto Supremo) 181-2011-EF- IEM 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%

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

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 12 business days of the second month after it was generated, under the terms and conditions established by the National Superintendency of Tax Administration (SUNAT).

Law 29790 - Special Mining Encumbrance (GEM) / Executive Order (Decreto Supremo) 173-2011-EF - Regulations on the GEM

The Special Mining Encumbrance (GEM), 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 investment 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 Tax (IEM)			
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%

Executive Order (Decreto Supremo) 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 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.

Executive Order (Decreto Supremo) 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 from 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% and 12%. 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% 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:

Special Mining Tax (IEM)			
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%





*Labor and
employment law*

VI

VI

Labor and employment law

1

Hiring system

a. 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 VI.2 – Current Fringe Benefits.
- ▶ **Fixed term contracts:** For this form of contract, the legislation requires proof of an objective cause or motive that guarantees temporary hiring (for example, the start-up of a new business, specific projects or services, substitution, etc.) and the term thereof is subject to compliance with the requirements provided by law. Likewise, they provide all the rights and benefits granted to workers hired for an indefinite term.
- ▶ **Part-time contracts:** These contracts govern labor relations that cover work schedules with a weekly average of less than four 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 30 days (they only have the right to six 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 months for all workers in general; ii) six months for qualified workers or those in positions of trust; and iii) 12 months for management staff. For its effectiveness, the extension of the trial period must be recorded in writing.

b. For Expatriates

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. The difference is that the approval of the employment contract by the Ministry of Labor and Employment Promotion (MTPE) is required to begin providing the services, as well as obtaining the pertinent migratory status. In the case of the income tax, the withholding rate shall depend on whether they are domiciled or non-domiciled.

As a general rule, expatriates 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, or foreign workers who render services in the country by virtue of bilateral or multilateral conventions entered into by Peruvian Government.

Companies must follow the procedure to obtain the approval of the MTPE, submitting a file containing an affidavit of compliance with or exemption from the percentage limits and supporting documents thereof (i.e. the professional title or employment certificate accrediting the qualifications of the expatriate as well as the employment contract).

It must be noted that membership of the Pacific Alliance (Chile, Colombia, Mexico and Peru) grants no facilities in the procedure for the approval of the contract of an expatriate. However, nationals of Colombia can adopt other agreements that grant them benefits on the subject.

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 30 calendar days of rest, with one month of paid remuneration
Legal Bonuses	Two months remuneration per year
Mandatory Extraordinary Bonus	Two bonuses equivalent to 9% or 6.75% of the legal bonuses
Severance Pay (CTS)	1.16666% monthly remunerations per year
Profit Sharing	Between 5% and 10% of income before taxes
Family Allowance	S/85 per month (10% of the Minimum Wage)

- ▶ **Vacation Leave:** The right to 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).
- ▶ **Mandatory Extraordinary Bonus:** This is an additional benefit whereby the worker receives two bonuses equivalent to 9% of the legal bonuses, or 6.75% if the worker is a member of a Healthcare Service Provider Company (EPS).
- ▶ **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 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, are entitled 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 two Tax Units, 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 as follows are applied on individual taxes. The approximate monthly deduction shall be one-twelfth (1/12th) of the determined annual tax amount, which may be established by following the procedures provided by law. For non-domiciled workers, an initial deduction of seven Tax Units (UITs) is applied and further to this, the following rates are applied:

Sum of the Net Work Income and of the Foreign Source Income	Rate
Up to 5 Tax Units (UITs)	8%
More than 5 Up to 20 Tax Units (UITs)	14%
More than 20 Up to 35 Tax Units (UITs)	17%
More than 35 Up to 45 Tax Units (UITs)	20%
More than 45 Tax Units (UITs)	30%

For non-domiciled workers the rate is 30% without deductions.

- ▶ **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 National Superintendency of 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 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:

- ▶ Compliance with the condition subsequent or the termination of the period of fixed term contracts.
- ▶ By agreement between the worker and the employer, which should be put into writing.
- ▶ Resignation of the workers, who must provide 30 days' prior notice.
- ▶ Due to permanent absolute disability or death of the worker.
- ▶ Retirement of the worker.
- ▶ Justified dismissal, in which the cause must be related to the skill or conduct of the worker, 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 an 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 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 12ths and 30ths 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 30 calendar days, whether consecutive or cumulative, within any period of 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 job positions within a term of no more than one year.

Visa	Type of Visa	Activities Permitted
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 execute 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.

Foreigners coming from Mercosur countries (Brazil, Argentina, Chile, Uruguay, Colombia, Bolivia, Paraguay, and Ecuador); or from countries with specific migration agreements (Argentina and other countries of the Pacific Alliance) 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.

Finally, in the last few years, the National Superintendency of Tax Administration (SUNAT) has been overseeing the correct payment of taxes levied on income, in particular, those related to Social Security (EsSalud).





*Accounting
standards*

VII

VII

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 International Financial Reporting Standards (IFRS), the IFRS Interpretation Committee (IFRIC), and the Standing Interpretations Committee (SIC), 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 International Financial Reporting Standards Board (IFRSB), 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 International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

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 as unconstitutional the obligation for companies not listed in the Stock Exchange to submit audited financial statements. Such obligation was in force as from June 2011.





*Regulation of
intellectual
property*

VIII

VIII

Regulation of intellectual property

1

Regulation of intellectual property in Peru

According to the World Intellectual Property Organization (WIPO), intellectual property is divided into two major categories: copyright and industrial property. The first protects works of human ingenuity, such as literary, audiovisual, and artistic works, software, artistic interpretations, etc. Industrial property, on the other hand, grants exclusive rights over an invention, a new technology, or distinctive trademarks, such as brands, invention patents, or industrial designs.

Regulations on industrial property are contained in different local and international bodies of law, most notably:

- (i) The Paris Convention for the Protection of Industrial Property, to which Peru is a party.
- (ii) Decision 486 of the Andean Community Commission, which establishes the Common Industrial Property Regimen.
- (iii) Congressional Order (Decreto Legislativo) 1075—the Congressional Order (Decreto Legislativo) Approving Supplementary Provisions to Decision 486 of the Andean Community Commission, which Establishes the Common Industrial Property Regime.

In Peru, the National Institute for the Defense of Free Competition and the Protection of Intellectual Property (INDECOPI) is the public entity responsible for promoting and regulating the exercise of these rights.

2

Copyright

Legislation does not usually contain an exhaustive list of works protected by copyright. Generally speaking, however, works typically protected by copyright around the world include the following:

- ▶ Literary works such as novels, poems, stage performances, reference works, journalistic articles
- ▶ Computer programs and databases
- ▶ Movies, musical compositions, and choreographies
- ▶ Works of art such as paintings, drawings, photographs, and sculptures
- ▶ Architecture; and
- ▶ Advertisements, maps, and technical drawings

Copyright protection covers only expressions, and not the ideas, procedures, operating methods, or mathematical concepts themselves. Copyright may or may not cover elements such as titles, slogans, or logos, depending on whether the authorship of the work is sufficient.

Copyright covers two types of rights:

- ▶ Proprietary rights, which allow the owners of the rights to obtain financial compensation for the use of their works by third persons; and
- ▶ Moral rights, which protect the author's non-pecuniary rights.

In the majority of cases, copyright law stipulates that the rights holder enjoys the proprietary right to authorize or prevent given uses of the work, or, in some cases, to receive a remuneration for the use of the work (for example, through copyright collectives). The owners of the proprietary rights over a work can prohibit or authorize:

- ▶ The reproduction of their work in various forms, such as print publication or sound recording
- ▶ The public interpretation or performance, e.g., a dramatic or musical work
- ▶ The recording of the work, e.g., in the form of compact discs or DVD
- ▶ The broadcasting of the work over radio, cable, or satellite
- ▶ The translation of the work into other languages; and
- ▶ The adaptation of the work, as in the case of a novel adapted to a screenplay.

3

Industrial property

According to Peruvian law, the owners of industrial property rights are not obligated to register them with the National Institute for the Defense of Free Competition and the Protection of Intellectual Property (INDECOPI). Said registration is essential, however, in order to hold exclusive ownership of these rights.

Such registration also grants the owners other important advantages:

- (i) It provides publicity, which means that the right can be enforced against third persons.
- (ii) It prevents others from taking advantage of the prestige or reputation of a creation through imitations or falsifications.
- (iii) It makes it possible to bring civil and even criminal actions to protect the right against third persons.
- (iv) It grants INDECOPI the power to impose sanctions, final orders, and penalty payments against those who make inappropriate use of registered industrial property.
- (v) It makes it possible to sell or assign the use of the right in exchange for a consideration.

Registrable Elements of Industrial Property

Under Peruvian law, distinctive marks, inventions, and new technologies are registrable. Below is a list of the principal elements of industrial property.

- Distinctive marks

(i) Trademarks or service marks

A trademark is a graphic representation used to indicate that certain goods or services have been developed or provided by a given market agent. This sign allows consumers to distinguish between different competitors, since it represents a market agent, the quality of a good or service, and its commercial value.

It is fundamental to keep the registered mark in use, given that, after three years of inactivity, any interested persons may request the cancellation of the registration of said mark and proceed to register it themselves.

(ii) Commercial slogan

Refers to the word or phrase used together with a trademark. As such, in order to be registered, it is necessary to indicate the trademark with which the slogan will be associated. The slogan's validity will be conditional upon that of the distinctive mark. Similarly, the transfer of the slogan also involves the transfer of the trademark.

(iii) Trade name

This is the sign used to identify a company, economic activity, or establishment. Unlike the other classes of industrial property, the exclusive rights over a trade name are automatically acquired through its first use in commerce. As such, the registration of a trade name is merely declarative in nature. Nevertheless, it is an effective measure of proof with regard to its ownership.

- Duration of registrations

Ten years, as from the date on which the registration is obtained. This term may be renewed for an identical period.

Non-Registrable Elements

It should be noted that, despite the importance of registering industrial property, not all human creations can be registered. In Peru, know-how does not constitute a registrable element, for example. This term refers to the set of business knowledge, whether technical, administrative, or commercial that is acquired through experience and building of skills when carrying out a business activity or process. As such, "knowing how" to run a company constitutes an economic value for the company that is not eligible for registration.

Priority Right

The territorial space in which the industrial property right may be exclusively exercised corresponds to the country in which it has been registered. In other words, market agents must register their right in each one of the countries in which they wish to make use thereof, given that their registration will only be valid in the country in which it was granted.

Notwithstanding the foregoing, by virtue of the Paris Convention, market agents who have registered (a) an invention patent; (b) a utility model patent; (c) an industrial design; or (d) a trademark in any member country of said Convention may use the submission date of their application in any other country to which said international law applies.

The term for exercising the priority right in another country depends on the type of industrial property to be registered, and the statute begins to run on the submission date of the first application for registration.

(i) For invention patents and utility models: 12 months.

(ii) For industrial designs and trademarks: 6 months.

Consequently, those who intend to register their right in another country cannot be prevented from doing so based on a registration obtained during said period.

4

Member countries of the Paris Convention

The Paris Convention, adopted in 1883, applies to industrial property in the broadest sense of the term, including patents, trademarks, industrial drawings and models, utility models, services marks, trade names, geographic indications, and the prevention of unfair competition. This international agreement was the first major step in helping creators to protect their intellectual works in other countries.

Currently, the Paris Convention has 176 contracting parties, including Peru.

To see the list of other member countries, click on the following link:
http://www.wipo.int/treaties/es/ShowResults.jsp?treaty_id=2

Registration Applications Granted by INDECOPI (January - December 2015)

Form	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total
Trademark	848	1,248	766	781	1,122	1,178	1,091	1,512	672	1,563	967	756	12,504
Service Mark	412	555	313	353	454	443	433	696	338	697	446	364	5,504
Multiclass (TM and/or SM) 1/	139	254	207	133	222	222	182	327	253	279	221	157	2,596
Commercial Slogan	14	20	12	9	9	23	14	16	4	16	7	3	147
Trade Name	9	19	3	11	5	9	-	1	-	8	3	1	69
Release	-	-	2	-	-	2	-	1	1	-	2	1	9
Certification Mark	-	2	-	-	-	-	1	4	1	1	-	-	9
Collective Mark	-	-	3	2	-	-	1	-	-	-	-	-	6
Designation of Foreign Origin	1	-	-	-	-	-	-	-	-	-	-	-	1
Designation of National Origin	1,434	2,119	1,320	1,298	1,819	1,885	1,733	2,580	1,276	2,579	1,653	1,296	20,992

1/ Refers to the multiclass registration of a trademark (TM) and/or service mark (SM)

Source: Directorate of Distinctive Marks of the National Institute for the Defense of Free Competition and the Protection of Intellectual Property (INDECOPI)

Prepared by: Economic Studies Management of the National Institute for the Defense of Free Competition and the Protection of Intellectual Property (INDECOPI)





Annexes

IX





Annexes

*Principal regulatory and
investment promotion
entities in Peru*

Annexes

Principal regulatory and investment promotion entities in Peru

Principal regulatory and investment promotion entities	Description
<p>Central Reserve Bank of Peru - BCRP (Banco Central de Reserva del Perú - BCRP)</p> <p>Phone: +51 1 613 2000 www.bcrp.gob.pe</p>	<p>The Central Reserve Bank of Peru (BCRP) is an autonomous constitutional institution of the Peruvian State.</p> <p>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.</p>
<p>Office of the Prime Minister- PCM (Presidencia del Consejo de Ministros - PCM)</p> <p>Phone: +51 1 219 7000 www.pcm.gob.pe</p>	<p>The Office of the Prime Minister 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.</p>
<p>Ministry of the Economy and Finance - MEF (Ministerio de Economía y Finanzas - MEF)</p> <p>Phone: +51 1 311 5930 www.mef.gob.pe</p>	<p>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.</p>
<p>Ministry of Labor and Job Promotion - MTPE (Ministerio de Trabajo y Promoción del Empleo - MTPE)</p> <p>Phone: +51 1 630 6000 www.mintra.gob.pe</p>	<p>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.</p>
<p>National Institute for the Defense of Free Competition and the Protection of Intellectual Property - INDECOPI (Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual - INDECOPI)</p> <p>Phone: +51 1 224 7777 www.indecopi.gob.pe</p>	<p>INDECOPI promotes a culture of fair competition and protects all forms of intellectual property (trademarks, copyrights, patents, and biotechnology).</p>
<p>Supervisory Board for Investment in Energy and Mining - OSINERGMIN (Organismo Supervisor de la Inversión en Energía y Minería - OSINERGMIN)</p> <p>Phone: +51 1 219 3400 / +51 1 219 3410 +51 1 427 4935 www.osinerg.gob.pe</p>	<p>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.</p>

Principal regulatory and investment promotion entities	Description
Supervisory Board for Private Investment in Telecommunications - OSIPTEL (Organismo Supervisor de Inversión Privada en Telecomunicaciones - OSIPTEL) Phone: +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.
Supervisory Board for Investment in Public Transportation Infrastructure - OSITRAN (Organismo Supervisor de la Inversión en Infraestructura de Transporte de Uso Público - OSITRAN) Phone: +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.
Private Investment Promotion Agency in Peru - ProInversión (Agencia de Promoción de la Inversión Privada - Perú - ProInversión) Phone: +51 1 200 1200 www.proinversion.gob.pe	ProInversión promotes private investment that does not depend on the Peruvian State, in charge of agents under the private system in order to improve the country's competitiveness and sustainable development and thus improve the population's welfare.
National Superintendency of Labor Auditing - SUNAFIL (Superintendencia Nacional de Fiscalización Laboral - SUNAFIL) For more information, visit: www.mintra.gob.pe	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.
Superintendency of Banking and Insurance (SBS) and Private Pension Fund Management Companies (AFP) (Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones - AFP - SBS) Phone: +51 1 630 9000 www.sbs.gob.pe	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.
National Superintendency of Public Records Offices - SUNARP (Superintendencia Nacional de los Registros Públicos - SUNARP) Phone: +51 1 208 3100 www.sunarp.gob.pe	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.
National Superintendency of Sanitation Services - SUNASS (Superintendencia Nacional de Servicios de Saneamiento - SUNASS) Phone: +51 1 614 3180 www.sunass.gob.pe	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.
Stock Exchange Superintendency - SMV (Superintendencia del Mercado de Valores - SMV) Phone: +51 1 610 6300 www.smv.gob.pe	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.
National Superintendency of Tax Administration - SUNAT (Superintendencia Nacional de Administración Tributaria - SUNAT) Phone: +51 1 315 0730 / +51 1 0801 12 100 www.sunat.gob.pe	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.
General Bureau of Environmental Health DIGESA (Dirección General de Salud Ambiental - DIGESA) Phone: +51 1 442 8353 / +51 1 631 4430 www.digesa.minsa.gob.pe	DIGESA is the technical regulator on issues related to basic health, occupational health, food hygiene, zoonosis, and protection of the environment.
Environmental Assessment and Supervisory Board - OEFA (Organismo de Evaluación y Fiscalización Ambiental - OEFA) Phone: +51 1 717 6079 www.oefa.gob.pe	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.





Annexes

*Economic promotion
institutions and
relevant entities*



Economic promotion institutions and relevant entities

1

Ministry of Foreign Affairs: Executive Office for Economic Promotion - DPE (Ministerio de Relaciones Exteriores: Dirección General de Promoción Económica - 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, investors, 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 Through its Three Departments

Trade Promotion Services -PCO (Servicios de Promoción del Comercio - PCO)

- Dissemination of business opportunities
- Dissemination 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

Services Offered by the DPE Through its Three Departments (continued)

Investment Promotion Services -PIN (Servicios de Promoción de las Inversiones - PIN)

- Participation in the negotiation of Foreign Investment Promotion Agreements
- Dissemination 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
- Dissemination of specialized information on foreign investment
- Support in the identification of investment possibilities and strategic alliances
- Dissemination of tenders and international bidding processes called by public and private Peruvian entities

Tourism Promotion Services - PTU (Servicios de Promoción del Turismo - PTU)

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

▶ **Contact:**

- Silvia Alfaro Espinosa

Ambassador

Director General of Economic Promotion

Phone: +51 1 204 3360 / +51 1 204 3361

Fax: +51 1 204 3362

Email: salfaro@rree.gob.pe

- Javier Augusto Prado Miranda

Minister

Director of Investment Promotion

Bureau of Economic Promotion

Phone: +51 1 204 3384 / +51 1 204 3385

Email: jprado@rree.gob.pe

- Jaime Ricardo Sparks De Las Casas

Minister

Director of Trade Promotion

Bureau of Economic Promotion

Phone: +51 1 204 3368 / +51 1 204 3369

Email: jsparks@rree.gob.pe

- Augusto Freyre Layzequilla

Ambassador

Director of Tourism Promotion

Bureau of Economic Promotion

Phone: +51 1 204 3391 / +51 1 204 3392

Email: afreyre@rree.gob.pe

- Address: Jr. Lampa 545, Piso 10 - Lima 1

- Phone: +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

- Email: dpe@rree.gob.pe

- Website: www.rree.gob.pe

(This website contains the list of Decentralized Offices in Tumbes, Piura, Iquitos, Arequipa, Cuzco, Puno, and Tacna)

2

Ministry of Foreign Trade and Tourism (MINCETUR) and Commission for the Promotion of Peru for Exports and Tourism (PromPerú) (Ministerio de Comercio Exterior y Turismo, PromPerú)

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.

► **Contact:**

► Eduardo Ferreyros
Minister

Address: Calle Uno Oeste 050 Urb. Corpac, San Isidro

Phone: +51 1 513 6100

Website: www.mincetur.gob.pe

PromPerú

PromPerú 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.

► **Contact:**

► **Address:**

- Office for Exports: Calle 21 N° 713, pisos 1, 2, 3, 4, San Isidro - Lima, Peru

- Tourism Office: Calle Uno Oeste 50, Edificio Mincetur, Pisos 13 y 14, San Isidro - Lima, Peru

- Auditorium and Information Center: Av. Jorge Basadre N° 610, San Isidro - Lima, Peru

► **Phone:** +51 1 616 7400 (Office for Exports and Information Center)
+51 1 616 7300 (Tourism Office)

► **Email:** postmaster@promperu.gob.pe

► **Website:** www.promperu.gob.pe

3

Private Investment Promotion Agency - ProInversión (Agencia de Promoción de la Inversión Privada - ProInversión)

ProInversión 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.

ProInversión 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.

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

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

▶ **Contact:**

- ▶ Carlos Herrera Perret
Executive Director
Address: Main Office (Lima): Av. Enrique Canaval Moreyra N° 150, piso 9, San Isidro - Lima 27
Phone: +51 1 200 1200
Fax: +51 1 221 2941
Email: cherrera@proinversion.gob.pe
Website: www.proinversion.gob.pe
- ▶ Decentralized offices:
 - Arequipa: Pasaje Belen N° 113 - Vallecito, Arequipa
Phone: +51 54 608 114
Fax: +51 54 608 115
 - Piura: Los Palmitos Mz. Q - Lote 13, Los Cocos de Chipe, Piura
Phone / Fax: +51 73 309 148 / +51 73 310 081

4

Peruvian Foreign Trade Association - ComexPeru (Sociedad de Comercio Exterior del Perú - 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

► **Contact:**

- Jessica Luna Cardenas
General Manager
Phone: +51 1 625 7700
Fax: +51 1 625 7701
Website: www.comexperu.org.pe

5

National Confederation of Private Business Institutions - CONFIEP (Confederación Nacional de Instituciones Empresariales Privadas - 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.

► **Contactos:**

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

6

Association of Capital Markets Business Promoters - Procapitales (Asociación de Empresas Promotoras del Mercado de Capitales - 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
- Disseminate 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

► **Contact:**

► Paulo Comitre Berry
President

Address: Av. Canaval y Moreyra 230 Of. 5A San Isidro, Lima - Peru

Phone: +51 1 440 1080

Website: www.procapitales.org

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inPERU

The founding of inPeru was officially announced on January 11, 2012, as a non-profit association for the promotion of investment in Peru among the principal international financial markets, seeking an exchange of better practices and, in general, providing information on Peru as a destination for a range of investment opportunities. The founders of inPeru include the following private institutions: Lima Stock Exchange (BVL); Cavali; Private Pension Fund Management Association (AAFP); Peruvian Banking Association (ASBANC); Procapitales; Peruvian Finance Association (APEF); National Confederation of Private Business Institutions (CONFIEP); and the Peruvian Association of Insurance Companies (APESEG). It also has the support of the Peruvian State, through the Ministry of Economy and Finance (MEF); the Ministry of Foreign Affairs (MRE), the Central Reserve Bank of Peru (BCRP); the Superintendency of Banking and Insurance (SBS) and Pension Fund Management Companies (AFP); the Stock Exchange Superintendency (SMV); Private Investment Promotion Agency (ProlInversión); and PromPerú.

During 2016, inPERU plans to organize roadshows on October 17 and 19 in London and Madrid, respectively, in order to promote investment in Peru.

8

Lima Chamber of Commerce - CCL (Cámara de Comercio de Lima - 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 vision of the Lima Chamber of Commerce (CCL) is to be the country's leading business association, respected by society and a reference point for the opinion of the business class.

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.

► **Contact:**

► Mario Mongilardi Fuchs
President

► Jose Rosas Bernedo
General Manager

Address: Av. Giuseppe Garibaldi 396 Jesus Maria, Lima
Phone: +51 1 463 3434
Website: www.camaralima.org.pe

9

National Association of Industries - SNI (Sociedad Nacional de Industrias - 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.

► **Contact:**

► Andreas Von Wedemeyer
President

► Rosa Asca Cordano
General Manager

Address: Los Laureles 365 San Isidro, Lima
Phone: +51 1 616 4444
Website: www.sni.org.pe

10

Peruvian Association of Exporters - ADEX (Asociación de Exportadores del Perú - 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

Phone: +51 1 618 3333

Website: www.adexperu.org.pe

11

National Institute of Statistics and Information - INEI (Instituto Nacional de Estadística e Informática - 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 sectorial, 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.

► **Contact:**

► Víctor Anibal Sánchez Aguilar
INEI, Head

Address: Av. Gral. Garzon 654 - 658, Jesus Maria, Lima - Peru

Phone: +51 1 652 0000

Website: www.inei.gob.pe

12

Peruvian Automotive Association - AAP (Asociación Peruana Automotriz - AAP)

► **Contact:**

► Edwin Derteano Dyer
President

Address: Av. Javier Prado Oeste 278, San Isidro, Lima 27, Peru
Phone: +51 1 640 3636
Email: aap@aap.org.pe
Website: www.aap.org.pe

13

Association of Private Pension Fund Management Companies - AFP (Asociación de Administradoras Privadas de Fondos de Pensiones - AFP)

► **Contact:**

► Luis Valdivieso Montano
President

Address: Calle Antequera 580, San Isidro, Lima 27, Peru
Phone: +51 1 440 6589
Website: www.asociacionafp.com.pe

14

Peruvian Banking Association - ASBANC (Asociación de Bancos del Perú - ASBANC)

► **Contact:**

► Oscar Rivera Rivera
President

Address: Calle 41 No. 975, Urb. Corpac, San Isidro, Lima 27, Peru
Phone: +51 1 612 3333
Fax: +51 1 612 3316
Website: www.asbanc.com.pe

15

Real Estate Developers Association - ADI PERU (Asociación de Desarrolladores Inmobiliarios - ADI PERU)

► **Contact:**

► Gustavo Rizo Patrón
President

Address: Calle General Varela 170 Miraflores, Lima 18, Peru
Phone: +51 1 99 983 438
Email: info@adiperu.pe
Website: www.adiperu.pe/asociacion

16

National Association of Pharmaceutical Laboratories - ALAFARPE (Asociación Nacional de Laboratorios Farmacéuticos - ALAFARPE)

► **Contact:**

► María Aste Gordillo
President

Address: Calle Los Pelicanos 130, San Isidro, Lima 27, Peru

Phone: +51 1 441 0693

Fax: +51 1 441 1745

Email: Alafarpe@alafarpe.org.pe

Website: alafarpe.org.pe

17

Association for the Promotion of National Infrastructure - AFIN (Asociación para el Fomento de la Infraestructura Nacional - AFIN)

► **Contact:**

► Gonzalo Prialé
President

Address: Av. Jorge Basadre 310 Oficina 601-D, San Isidro, Lima 27, Peru

Phone: +51 1 441 1000

Fax: +51 1 422 7611

Email: comunicaciones@afin.org.pe

Website: www.afin.org.pe

18

Peruvian Poultry Association - APA (Asociación Peruana de Avicultura - APA)

► **Contact:**

► José Vera
President

Address: Av. Esmeralda 255, Chacarilla del Estanque, San Borja, Lima 41, Peru

Phone: +51 1 372 1540

Email: apacomunicaciones@apa.org.pe

Website: www.apa.org.pe

19

Peruvian Association of Insurance Companies - APESEG (Asociación Peruana de Empresas de Seguros - APESEG)

► **Contact:**

► Eduardo Morón Pastor
President

Address: Calle Amador Merino Reyna 307, Edificio Nacional - piso 9, San Isidro, Lima 27, Peru

Email: seguros@apeseg.org.pe

Website: www.apeseg.org.pe

20

Peruvian Association of Port Operators (Asociación Peruana de Operadores Portuarios)

► **Contact:**

► Cesar Ballón Izquierdo
President

Address: Jr. Arrieta 209, La Punta, Callao 5, Peru
Phone: +51 1 465 5982
Fax: +51 1 453 0697
Website: www.asppor.org.pe

21

Lima Stock Exchange - BVL (Bolsa de Valores de Lima - BVL)

► **Contact:**

► Marco Antonio Zaldívar García
President

Address: Pasaje Acuña 106, Lima 100, Peru
Phone: +51 1 619 3333
Website: www.bvl.com.pe

22

Peruvian Chamber of Construction - CAPECO (Cámara Peruana de la Construcción - CAPECO)

► **Contact:**

► Francisco Osores
President

Address: Av. Victor Andrés Belaunde 147 (Edificio Real 3) Oficina 401,
San Isidro, Lima 27, Peru
Phone: +51 1 230 2700
Website: www.capeco.org

23

Federation of Private Tertiary Education Institutions - FIPES (Federación de Instituciones Privadas de Educación Superior - FIPES)

► **Contact:**

► José Dextre Chacón
President

Address: Av. Horacio Urteaga 1781, Jesus María, Lima 11, Peru
Phone: +51 1 601 6480
Fax: +51 1 313 3344
Email: secretaria@fipes.pe
Website: www.fipes.pe/fipes

24

National Society of Mining, Oil and Energy - SNMPE (Sociedad Nacional de Minería, Petróleo y Energía - SNMPE)

► **Contact:**

- Carlos Gálvez Pinillos
President

Address: Calle Francisco Graña 671, Magdalena del Mar, Lima 17, Peru

Phone: +51 1 215 9250

Fax: +51 1 460 1616

Email: postmaster@snmpe.org.pe

Website: www.snmpe.org.pe

25

National Fisheries Association - SNP (Sociedad Nacional de Pesquería - SNP)

► **Contact:**

- Elena Conterno Martinelli
President

Address: Av. República de Panamá 3591, piso 9, San Isidro, Lima 27, Peru

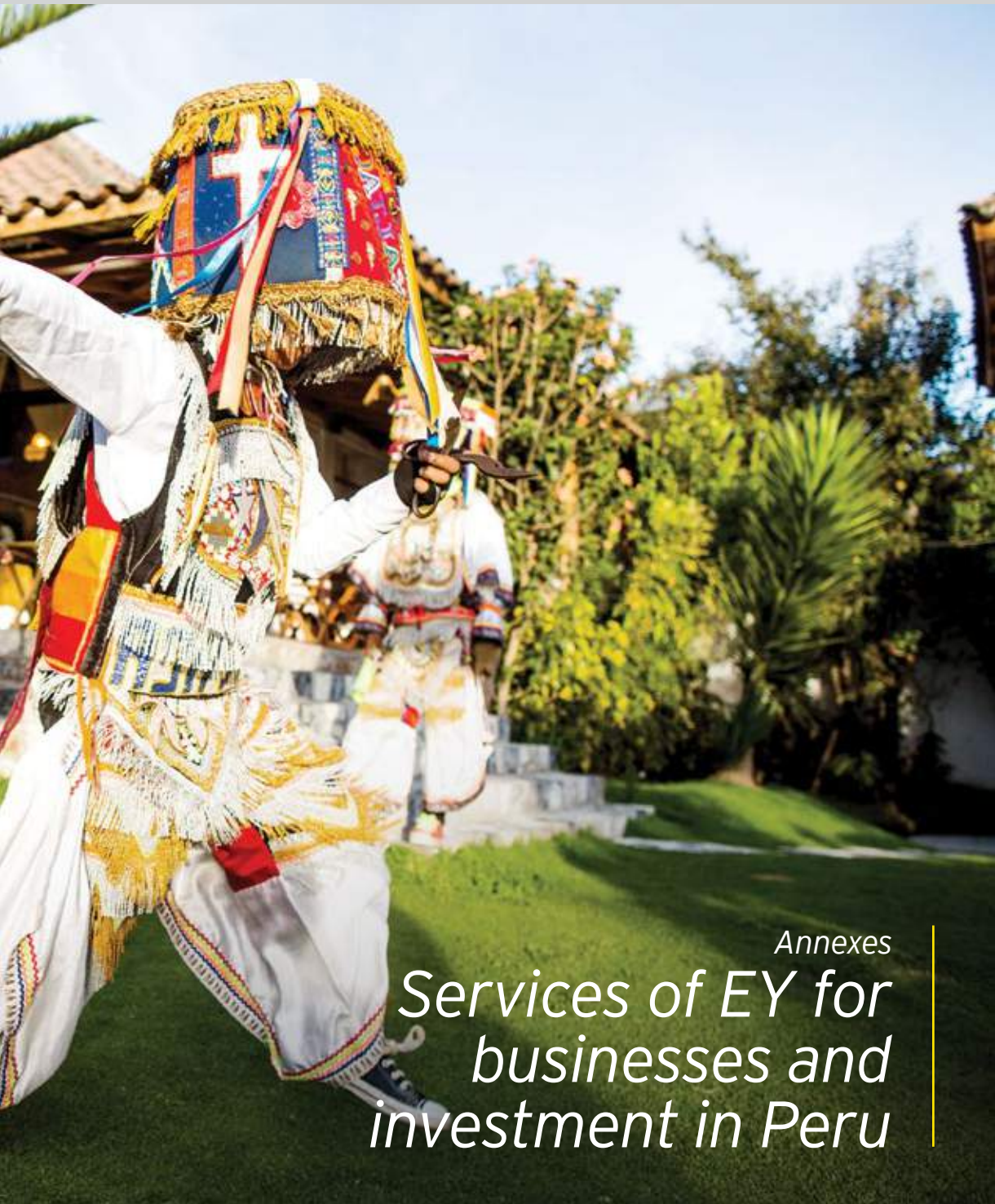
Phone: +51 1 422 8844

Email: snpnet@terra.com.pe

snpnet@snp.org.pe

Website: snp.org.pe





Annexes
*Services of EY for
businesses and
investment in Peru*

Annexes

Services of EY for businesses and investment in Peru

EY is the leading business consulting firm in Peru, assisting companies through its auditing, consulting, tax, transaction & corporate finance services and financial services office.

At EY, we focus on helping our clients achieve their full business potential, aiding them in improving their management. Our global network of professionals will help investors find financial, strategic, and operational alternatives to improve their liquidity, financial standing and performance, thus helping them to develop sustainable business in both the short and long terms.

Our approach is based on combining leading practices and methodologies with innovative thinking, adapting and renewing our services based on each client. Not all organizations are the same, and changes have a different impact on each one of them. High-performance companies know that confidence attracts success, and that is the reason why more and more companies in Peru decide to work with EY.

Tangible Benefits and Real Value

► **Market leaders**

We work with 90% of the 100 largest companies in Peru, and we audit 7 of the 10 principal Peruvian business groups.

► **We are committed to serving and supporting emerging and expanding businesses**

We have offices to serve the northern and southern regions of the country.

► **Exceptional leaders working as a team**

We are present in 140 countries around the world. In Peru, we employ 1,400 professionals, led by 76 leading executives.

► **Committed to the country's growth**

We publish and share our studies and publications free of charge through our online EY Library.

► **We are opinion leaders**

Our partners and principal managers actively participate as spokespeople in the country's main business media, as well as speaking at different events.

Useful Information for Your Business

Our EY Library is a knowledge space where you will find opinion pieces, sectorial investigation, studies, and relevant information on management and trends in the business world. Visit the EY Library at www.ey.com/pe/EyPeruLibrary

For more information, visit:

<http://www.ey.com/PE>

1 Advisory



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

We help our clients resolve the most complex issues in their industry, as well as improving the business environment. Our focus on risk mitigation and performance improvement gives us an in-depth understanding of their challenges and opportunities, in order to help them achieve tangible results that drive, optimize, and protect your company.

Strategy services

Service	Subservice
Strategic planning and management indicators	<ul style="list-style-type: none">- Strategic planning- Definition of mission and vision- Definition of projects portfolio- Balanced Scorecard- Establishment of organizational indicators- Dissemination of goals, KPIs, and priorities
Corporate governance and sustainability	<ul style="list-style-type: none">- Diagnostic- Implementation and improvement of best practices- Corporate social responsibility- Climate change and sustainability- Adoption of pillars of governance: strategy, control, shareholders, information, and sustainability

Technology services

Service	Subservice
Real IT benefits	<ul style="list-style-type: none">- ERP implementation and support (CRM, SCM, BI, SOD)- Definition of IT governance- Cost optimization/evaluation of IT performance- Systems area design- Data quality diagnostics- Software selection- Data analytics/ data quality- Cloud solutions- Support in project's execution and control
Information security	<ul style="list-style-type: none">- Analysis and implementation of roles for access in information systems- Evaluation, design and implementation of security in information systems (ERP security) and computer infrastructure- Functions segregation diagnostic and design- Vulnerabilities analysis

Talent services

Service	Subservice
Leadership and talent management strengthening	<ul style="list-style-type: none"> - HR analytics - Hire2Retire cycle management - Job induction plans - Career plans for key personnel and by position - Learning maps for skills development - Succession plans - Establishment and measurement of area goals - Applications for human resources management

Processes advisory

Service	Subservice
Operational performance improvement	<ul style="list-style-type: none"> - Cost reduction - Cost-benefit design - Management control (KPIs) - Finance analytics - Design of cost models (cost center and ABC costs) - Business process redesign - Business model redesign
Revenue improvement	<ul style="list-style-type: none"> - Revenue assurance and improvement - Customer segmentation - Customer analytics - Business intelligence - Pricing models - Customer experience improvement - Customer relationship management
Supply chain management	<ul style="list-style-type: none"> - Demand planning - Design of distribution and warehouse networks and centers - Sales and operation planning - Strategic sourcing - Optimization of inventories, materials and finished products - Optimization of production chain - Supply chain management improvement (SCMI)

Risk management

Service	Subservice
Internal auditing	<ul style="list-style-type: none"> - Co-sourcing - Outsourcing - Quality assessment according to international standards - Enhancement of the internal auditing process
Risk management	<ul style="list-style-type: none"> - Efficiency in IT risk management and processes - Internal control based on COSO - Integrated risk management (enterprise risk management, contract risk services, among others) - Risk management in process and projects - Evaluation of credit, liquidity, market and operational risk - Evaluation of management controls and tools - Efficiency in the management and control of assets and the componentization of fixed assets
Regulation management	<ul style="list-style-type: none"> - Audit of regulatory compliance - Adaptation to the data protection law - Adaptation and compliance to the Sarbanes-Oxley (SOX) Act - Advisory on adaptation to FATCA regulation - Advisory on electronic invoice - Advisory on adaptation to regulation related to tradable invoice - Systems auditing (COBIT - ISO27000 - ITIL) - SSAE16 reviews (outsourced services report)

2

Assurance



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

At EY we contribute local and international skills and experience in our audits, helping companies to guarantee the quality and integrity of their financial information, as well as giving the market confidence in their transparency and accuracy, in accordance with the applicable accounting principles.

We create value for your business, generating confidence in the quality and sufficiency of the financial and non-financial information, in order to allow for adequate decision-making.

Assurance Services

Service	Subservice
Financial statements audit and special reviews	<ul style="list-style-type: none"> - Financial statements audit - Internal control audit - Special reviews for companies that will be audited for the first time or that are planning to enter the market with shares or bonds - Special reviews to improve processes and controls - Advisory on the implementation and/or revision of controls, as per international criteria (COSO 2013) - Special reports: Money laundering, Market consistent embedded value, actuarial calculations
Advisory on International Financial Reporting Standards (IFRS)	<ul style="list-style-type: none"> - Diagnostic for the implementation of IFRS and support in the conversion process - Review of processes and controls required for implementation of IFRS - Review of the criteria and results of the implementation of IFRS - Training and refresher courses on IFRS - Technical reports on the adequate application of the IFRS - Technical support in regulatory reviews about accounting and financial issues - Advisory on specialized matters: derivatives, determination of purchase adjustments, valuations, concessions
Audit and review of sustainability reports	<ul style="list-style-type: none"> - Review of financial and non-financial aspects of sustainability reports - Advisory to implement or optimize the identification of risks, controls, and monitoring activities for the preparation of sustainability reports
Financial due diligence	<ul style="list-style-type: none"> - Review of financial statements to determine adjustments and/or areas of risk in buying/selling processes - Valuation of the company to be sold or acquired - Evaluation of procedures, systems and controls involved in preparing the financial information - Analysis of financial structures and their accounting and tax implications
Fraud prevention and investigation/Settlement of disputes	<ul style="list-style-type: none"> - Fraud prevention - Fraud investigation - Support for the settlement of disputes, lawsuits, and arbitration proceedings: expert evidence - Data analysis to identify unusual trends - Complaints response/report management (Confidential Complaint Systems) - Corporate and ethical compliance programs - Advisory and assessment of compliance with the regulation of anti-corruption practices (FCPA / UKBA) - Advisory and assessment of compliance with the Law on Prevention of Money Laundering and Terrorist Financing

3

Tax



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

Tax services help companies adequately comply with their tax, customs, and labor obligations, minimizing their tax risks in a scenario of continual, tough-to-implement statutory changes.

We assist companies in all stages of the “Fiscal Life Cycle,” which ranges from the understanding and planning of operations to monitoring compliance with their obligations. We also accompany them during the audit actions taken by the respective administrative authority, offering support during any litigation that may arise.

Tax Services

Service	Subservice
Tax advisory	<ul style="list-style-type: none"> - Constant consultancy on tax matters - Tax planning - Advisory in audit processes - Sector taxation - Advisory on reorganizations, mergers, etc.
Tax compliance	<ul style="list-style-type: none"> - Tax returns review (income tax, value added tax, temporary net assets tax, among others) - Advisory on evaluation, improvement and tracking of tax processes - Tax information reporting - Analysis of tax implications related to IFRS implementation - Support in tax authorities' inquiries and audits
Transfer pricing	<ul style="list-style-type: none"> - Compliance - Consultancy and strategic planning - Disputes
Individual labor and tax advisory	<ul style="list-style-type: none"> - Labor, tax/labor, and social security law - Compliance on labor and tax/labor matters - Taxation of individuals - Analysis and migration procedures from and to other countries - Labor inspections and labor-related judicial proceedings
Legal services	<ul style="list-style-type: none"> - Design and planning of contractual and corporate structures, as well as corporate reorganizations - Negotiation and drafting of business acquisition contracts - Advisory on compliance with regulatory obligations and status on personal information protection - Advisory on participation in processes for private investment in infrastructure
Customs and indirect taxes	<ul style="list-style-type: none"> - Consultancy on customs and customs taxation - Advisory and management on customs audit proceedings performance of diagnostics and preventive reviews, as well as advisory on non-contentious proceedings - Implementation of customs advantages, planning, taking advantage of commercial agreements, compliance with the rules of origin, customs valuation studies - Advisory on procedures for mechanisms on balances owed to the exporter, early and final refunds and recovery of VAT, as well as recovery of VAT withholdings and reverse withholdings - Analysis of the nature of services such as technical assistance and processes related to the certification thereof for income tax purposes in the case of non-domiciled parties

Service	Subservice
International taxation	<ul style="list-style-type: none"> - Advisory on the incorporation of the most efficient legal vehicle from a tax perspective, capitalization or financing of operations, repatriation of currencies, and efficient supply chain management - Advisory on the most efficient structuring of the international business of economic groups - Identification of the most advisable jurisdictions to establish holding companies or financial companies - Application of double-taxation agreements
Tax litigation	<ul style="list-style-type: none"> - Contentious tax proceedings for the claims with the National Superintendency of Tax Administration (SUNAT) and appeals to the Tax Court - Legal proceedings on tax matters before the Judicial Branch and the Constitutional Court - Non-contentious proceedings (refunds and compensation) - Issuing of expert reports and defense - Design of defense strategies - Supporting in oral presentations to the Tax Court, the Judicial Branch and Constitutional Court - Validation of tax contingencies for financial reporting purposes
Taxes on transactions	<ul style="list-style-type: none"> - Advisory on pre-transaction structuring - Advisory on the optimization of tax benefits in the financing of the transaction - Evaluation of tax modeling in the projected cash flows of the transaction - Tax, customs, labor, and transfer pricing due diligence
Accounting, tax, administrative and payroll processing outsourcing	<ul style="list-style-type: none"> - Accounting and tax processing - Financial reports in IFRS - Tax compliance - Payroll processing - Personnel administration
Executive training program	<ul style="list-style-type: none"> - Customized training on tax, customs, legal, labor and financial issues

4

Transactions & Corporate Finance



Enrique Oliveros
 Transactions & Corporate Finance Leader
 Phone: +51 1 411 4417
 enrique.oliveros@pe.ey.com

Managing Corporate Transactions and Finances means making the right decisions about the way to strategically manage capital in a changing world, with limited time and resources. At EY, we have a specialized team that helps organizations evaluate investment opportunities based on the Capital Agenda, in order to carry out efficient transactions and achieve their strategic goals.

We are able to advise you on the search for the right strategy for your company in merger and acquisition processes, the identification of synergies, support in financial modeling, and the measurement of the transaction implications, so that your business is more competitive, profitable, and faster growing.

TAS services

Service	Subservice
Mergers and acquisitions	<ul style="list-style-type: none"> - Valuation of the target company (buy side or sell side) - Advisory on the identification of targets and buyers, with a special emphasis on the identification of synergies that make it possible to create greater added value for the transaction - Preparation of information teasers and memorandums - Management of proposal outlines and binding proposals - Accompaniment in negotiation with possible buyers and/or sellers - Advisory on sale agreements and the negotiation of terms and conditions to close the transaction
Financial valuation and modeling	<ul style="list-style-type: none"> - Valuation of companies and businesses, tangible and intangibles assets, derivatives and complex assets - Fairness opinion: independent opinion on the market value of companies and assets - Business modeling: design, structuring, and review of valuation models - Purchase price allocation: valuation of individual net assets and assignment of purchase prices as part of business combination transactions
Structuring of debt and equity instruments	<ul style="list-style-type: none"> - Advisory on fixed income and equity issue programs - Financial modeling of the instrument's optimal structure - Advisory on capital raising processes - Design of structured financing alternatives (securitization of product flows) - Review of legal aspects of the transaction - Accompaniment during entry to the capital market - IPO Readiness
Project finance and Public-Private Partnership	<ul style="list-style-type: none"> - Development of feasibility studies - Preparation of financial modeling (business modeling) - Risk analysis and mitigation - Advisory on the definition of the optimal financial structure - Support in negotiation with possible financiers - Optimal tax and financial structuring
Working capital management	<ul style="list-style-type: none"> - Diagnostic, design, and implementation of an integrated strategy - Quantification of opportunity in the three main components of working capital - Quantification of the release of cash and increased profitability of the business - Determination of policies for suppliers and implementation of best practices for working capital management

Service	Subservice
Operational Transaction Services - OTS	<ul style="list-style-type: none"> - Preparation and support in carve-out and integration processes - Identification and realization of synergies identified - "Day One" diagnostic and "First 100 Days" plan in integration processes - Support in business continuity management
Financial, accounting, tax, labor, and legal due diligence	<ul style="list-style-type: none"> - Execution of comprehensive due diligence: financial, accounting, tax, labor, and legal - Evaluation of financial statements and application of good financial, accounting, tax, labor, and legal practices - Analysis of EBITDA adjustments - Understanding of the limitations of the financial, accounting, tax, legal, and labor policies applied in the target - Quantification of contingencies identified - Analysis of the calculation of price adjustments for the closure of transactions - Financial model reviews
Commercial due diligence	<ul style="list-style-type: none"> - Performance of a pre-sale diagnostic for the competitive sustainability of the target's goods and services - Evaluation of the stability and growth of the customer base - Assistance in the evaluation of the competitive environment, supply and demand of the company's goods and services - Evaluation of key suppliers and distributors as part of the target's business - Assistance in takeovers for integration and carve-out processes
Operational due diligence	<ul style="list-style-type: none"> - Identification of the operational and IT deficiencies on the target - Understanding of the integration's risks and costs - Identification of the key issues for a proper planning of the integration - Identification of synergies - Understanding of the ongoing systems, including software, hardware and internal use applications - Understanding of the processes for risk management and information security
Tax structuring	<ul style="list-style-type: none"> - Advisory on pre-transaction structuring to identify options that increase the transaction's value: reduction of tax costs and design of exit strategies - Advisory on the optimization of tax benefits in the financing of the transaction - Structuring of transactions for the optimization of tax benefits - Evaluation of tax modeling in the projected cash flows of the transaction

5

Financial Services Office



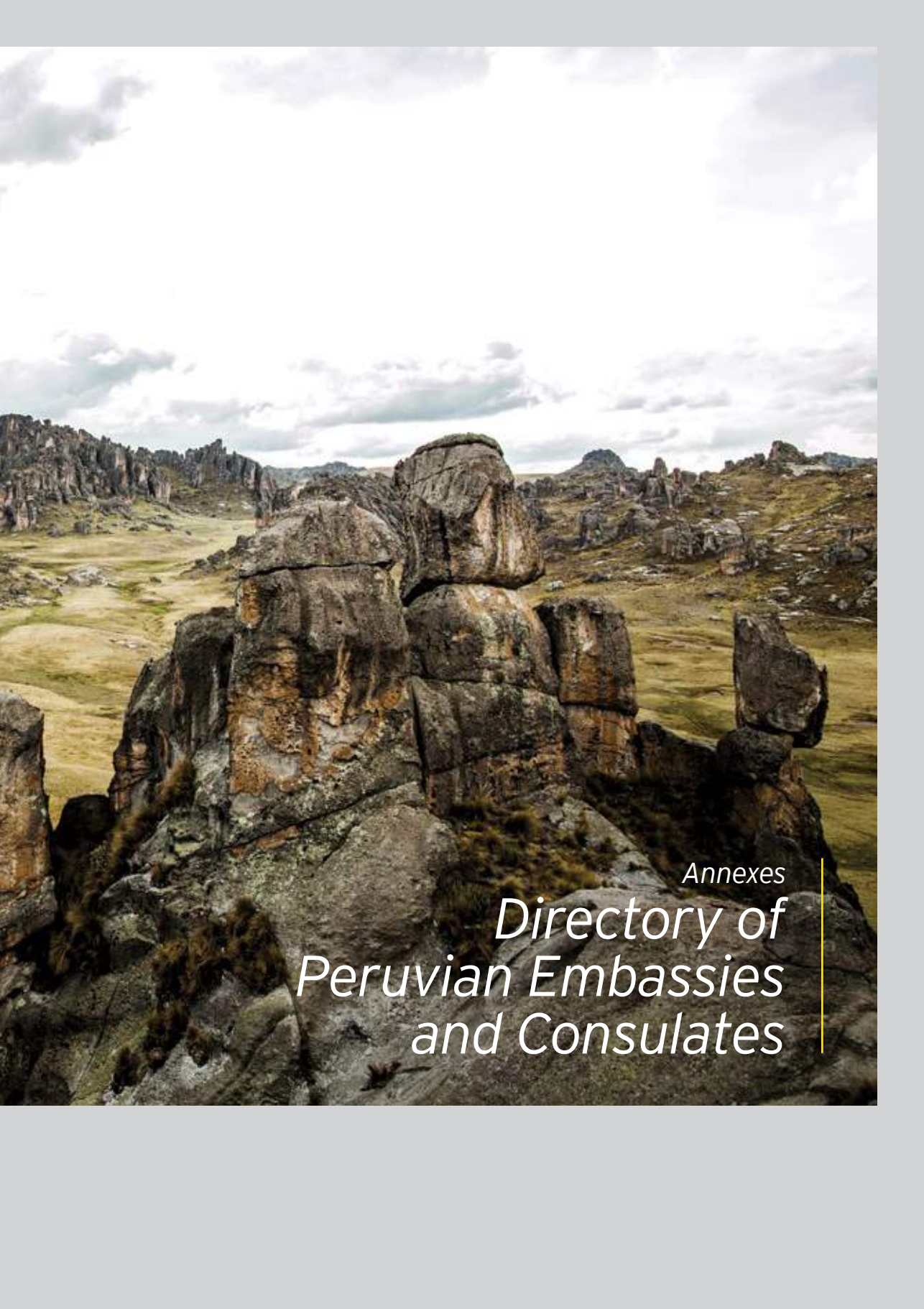
José Carlos Bellina
 Financial Services Office Leader
 Phone: +51 1 411 2182
 jose.bellina@pe.ey.com

Our vision guarantees the most complete value proposition in business transformation area for the financial industry. We help align your strategy, organization, processes, and technology to achieve results that surpass your expectations.

Advisory for the Financial Industry

Service	Subservice
Business transformation	<ul style="list-style-type: none"> - Digital transformation - Diagnostic and design of growth strategies - Innovation in customer relationship and experience - Optimization of distribution, products and chains - Enhancement of the customer experience - Distribution management
Value for the customer	<ul style="list-style-type: none"> - Revenue assurance and improvement - Cost reduction and performance improvement - Structural reform, and reforms in support areas and operating business models - Improvement of the customer acquisition process - Advisory on complaints - Connection of the business with technology - Core business redesign - Retail, Wholesale Banking and Capital Markets transformation - IT transformation: efficient integration of processes and technology - Improvement of the supply chain management - Advisory and transformation of policies and products - Advisory and transformation of general, life and health insurance - Business transformation (front, middle and back office)
Company protection	<ul style="list-style-type: none"> - Governance, risk and control - Internal audit and SOX - Cyber risk management - Actuarial services - Business continuity and information security management - Audit of systems - Regulations and compliance management - Integrated tests and transformation of internal control
Financial performance and risks	<ul style="list-style-type: none"> - Treasury services and liquidity risk management - CCAR - capital adequacy and stress testing - Structured finance - Economic regulatory capital - Transformation of the integrated risk management - Optimization of performance and costs - Commercial optimization - Credit and market risk management - Planning and improvement of financial risks performance - Advisory on compliance - Financial, risk and report improvement - Regulatory reports





Annexes
Directory of
Peruvian Embassies
and Consulates



Annexes

Directory of Peruvian Embassies and Consulates

Algeria

▶ Algiers

Embassy

N° 14, Rue 13, Parc Paradou-Hydra. 16016, Alger,
Algeria.
T: +213 21 484 470 / +213 21 484 402
E: ambaperou@yahoo.fr

Argentina

▶ Buenos Aires

Embassy

Av. Del Libertador 1720, 1425 Capital Federal,
Buenos Aires.
T: +54 11 4802 2000 / +54 11 4802 2438
+54 11 4802 2551 / +54 11 4801 6351
F: +54 11 4802 5887
E: contacto@embajadadelperu.int.ar
W: www.embajada.pe/sites/argentina

Consulate General

San Martin N° 128-136, Microcentro, Capital Federal,
Buenos Aires.
T: +54 11 4341 0010 / +54 11 4341 0006
F: +54 11 4382 1555
E: conperbaire@consuladoperubaires.org
info@consuladoperubaires.org
W: www.consuladoperubaires.org

▶ La Plata

Consulate General

Calle 8 N° 862, 1er. Piso Entre 49 y 50,
La Plata C.P. 1900.
T: +54 221 425 1862
F: +54 221 423 2812
E: portalweblaplata@rree.gob.pe

▶ Córdoba

Consulate General

Humberto Primo 749, Ciudad de Córdoba, Argentina.
T: +54 351 426 4196
E: consulperucba@gmail.com

▶ Mendoza

Consulate General

Huarpes 629, 5ta. Seccion, CP (5500), Mendoza,
Argentina.
T: +54 261 429 9831 / +54 261 429 4926
E: consulperu-mendoza@rree.gob

Australia

▶ Canberra

Embassy

40 Brisbane Av. Barton, piso 2, oficina 1B, 2606 ACT,
Canberra.
T: +61 2 6273 7351
F: +61 2 6273 7354
E: consular@embaperu.org.au
W: www.embaperu.org.au

▶ Sydney

Consulate General

Suite 1001, 84 Pitt Street Sydney - NSW 2000.
T: +61 2 9235 0355 / +61 2 9235 0366
F: +61 2 9235 0311
E: portalwebsydney@rree.gob.pe
W: www.consulperuau.org

<p>Austria</p> <ul style="list-style-type: none"> ▶ Vienna <p>Embassy Mahlerstrasse 7/22,A -1010 Viena. T: +43 1 713 4377 E: consular@embaperu.at</p>	<p>Belgium</p> <ul style="list-style-type: none"> ▶ Brussels <p>Embassy Avenue de Tervueren 212, 1150 Bruselas. T: +3 22 733 3185 F: +3 22 733 4819 / +3 22 734 8289 E: info@embaperu.be</p> <p>Consulate General Rue de Praetere 2-4, 2^{ème} étage, Bruselas 1050 T: +32 264 18760 / +32 264 18761 +32 264 18763 F: +32 264 18768 E: info@consuladodelperu.be</p>
<p>Bolivia</p> <ul style="list-style-type: none"> ▶ La Paz <p>Embassy Calle Fernando Guachalla N° 300, Sopocachi, La Paz, Casilla: 668 T: +591 2 244 1250 / +591 2 244 4566 +591 2 244 1773 F: +591 2 244 1240 E: epebol@accelerate.com epebol2e@accelerate.com</p> <p>Consulate General Av. 14 de setiembre esq. calle 17, Edif. Mario Mercado, Piso 5, Of. 503 y 504 - Obrajes, La Paz. T: +591 2 275 0568 / +591 2 275 0332 F: +591 2 244 4199 E: portalweblapaz@rree.gob.pe</p> <ul style="list-style-type: none"> ▶ El Alto <p>Consulate General Av. Cívica N° 33 casi esquina, Av. Satelite - Villa Tejada Triangular, El Alto, Bolivia. T: +591 2 281 5754 / +591 2 281 5755 F: +591 2 281 5754 E: conper_elalto@yahoo.com</p>	<ul style="list-style-type: none"> ▶ Cochabamba <p>Consulate General Av. Oquendo. E-0654, piso 6, oficina 606 / 7, entre Calle Pacciri y Pedro Borda, Cochabamba, Bolivia. T: +5914 466 4154 F: +5914 466 4153 E: conpercbba@supernet.com.bo</p> <ul style="list-style-type: none"> ▶ Santa Cruz <p>Consulate General Calle Viador Pinto N° 84, con calle Alejandro Ramirez, Equipetrol (1 cdra. del Hotel Casablanca), Barrio Guapay, Santa Cruz, Bolivia. T: +591 3 341 9092 F: +591 3 341 9091 E: conpersantacruz@costas.com.bo consulperu-santacruz@rree.gob.pe</p>
<p>Brazil</p> <ul style="list-style-type: none"> ▶ Brasília <p>Embassy S.E.S. Av. Das Nações Lote 43 Quadra 811, CEP 70428-900. T: +55 61 3242 9933 F: +55 61 3244 9344 E: embperu@embperu.org.br W: www.embperu.org.br</p> <ul style="list-style-type: none"> ▶ Rio de Janeiro <p>Consulate General Av. Rui Barbosa 314 - 2 Andar, Flamengo, CEP 22250-020, Rio de Janeiro. T: +55 21 2551 4496 / +55 21 2551 9596 F: +55 21 2551 9796 E: consulado@consuladoperurio.com.br W: www.consuladoperurio.com.br</p>	<ul style="list-style-type: none"> ▶ Manaos <p>Consulate General Rua Constelação N° 16-A. Morada do Sol, Barrio Aleixo, Manaus-AM, Brazil, CEP, 69060-081. T: +55 92 3632 0585 F: +55 92 3632 9706 E: conpema@gmail.com</p> <ul style="list-style-type: none"> ▶ Rio Branco <p>Consulate General Rua Permanbuco 1040, Bosque, CEP 69908 - 241. T: +55 68 322 4 0303 / +55 68 322 4 2727 F: +55 68 322 4 1122 E: consuladoperuac@gmail.com consuladoperuac@hotmail.com</p>

Brazil

▶ São Paulo

Consulate General

Alameda Campinas 646, Piso 4, Jardim Paulista

CEP: 01404-001, Sao Paulo, Brazil.

T: +55 11 3149 2525

F: +55 11 3149 2525

E: contato@consuladoperusp.com.br

comercial@consuladoperusp.com.br

W: www.consuladoperusp.com.br

Canada

▶ Ottawa

Embassy

1901-130 Albert Street, Ottawa, Ontario, K1P 5G4,
Canada.

T: +1 613 238 1777

F: +1 613 232 3062

E: emperuca@bellnet.ca

W: www.embassyofperu.ca

▶ Toronto

Consulate General

10 Saint Mary Street, Suite 301, Toronto, Ontario, M4Y-
1P9.

T: +4 16 963 9696

F: +4 16 963 9074

E: info@conperutoronto.com

W: www.conperutoronto.com

▶ Montreal

Consulate General

970-550 Sherbrooke Ouest, La Tour Ouest, Montreal,
Quebec, H3A 1B9.

T: +1 514 844 5123 / +1 514 844 4998

F: +1 514 843 8425

E: perou@videotron.net

W: www.consuladoperumontreal.com

▶ Vancouver

Consulate General

260-505 Burrard Street Vancouver B.C. (Canada),
V7X 1M3.

T: +16 04 662 8880 / +16 04 662 3564

F: +16 04 662 3564

E: infovan@consuladoperu.ca

W: www.consuladoperu.ca/vancouver

Chile

▶ Santiago

Embassy

Av. Andres Bello 1751, Providencia, Santiago, Casilla
Postal: 16277.

T: +56 2 2339 2600

F: +56 2 2235 2053 / +56 2 2235 8139

E: embajada@embajadadelperu.cl

Consulate General

Calle Antonio Bellet N° 444 Oficina 104 Providencia,
Region Metropolitana, Santiago

T: +56 2 294 02900

F: +56 2 873 117 / +56 2 334 1272

E: secretaria@conpersantiago.cl

antecedentes@conpersantiago.cl

▶ Valparaíso

Consulate General

Calle Errázuriz N° 1178, Of. 71, Edificio Olivari -
Valparaíso, Chile.

T: +56 32 221 5621 / +56 32 225 3403

F: +56 32 221 7289

E: consulperu-valparaiso@rree.gob.pe

W: www.conpervalparaiso.cl

▶ Arica

Consulate General

Av. 18 de Setiembre N° 1554, Arica, Chile.

T: +56 58 223 1020 / +56 58 225 5048

F: +56 58 254 656 / +56 58 258 324

E: conperarica@terra.cl

consulperu-arica@rree.gob.pe

▶ Iquique

Consulate General

Zegers 570, piso 2, Casa Billingham, Iquique. Casilla
Postal 248, Chile.

T: +56 57 241 1466 / +56 57 241 3351

F: +56 57 414 506

E: consulperu-iquique@rree.gob.pe

info@conperiqq.com

consuladodelperu@conperiqq.com

China	
<p>► Beijing</p> <p>Embassy Sanlitun Bangong Lou 1-91, Beijing 100600, China. T: +86 10 6532 3719 / +86 10 6532 2913 +86 10 6532 3477 / +86 10 6532 5686 +86 10 6532 4875 F: +86 10 6532 2178 E: embaperu-pekín@rree.gob.pe info@embaperuchina.com.cn W: www.embaperuchina.com</p> <p>► Shanghai</p> <p>Consulate General Shanghai Kerry Centre, 1515 Nanjing Xi Road, 27th floor, Oficina 270, Shanghai, 200040. T: +86 21 5298 5900 F: +86 21 5298 5905 E: conperu@conpers.com portalwebshanghai@rree.gob.pe</p>	<p>► Hong Kong and Macao</p> <p>Consulate General Unit 1401, 14th Floor, China Merchants Tower, 168-200. Connaught Road Central, Shun Tak Centre, Sheung - Hong Kong. T: +852 2868 2622 F: +852 2840 0733 E: secretary@peruconsulate.org.hk</p> <p>► Guangzhou</p> <p>Consulate General Guangzhou International Finance Center, Unit 01, N° 5 Zhuijiang Xi road, Tianhe district, Guangzhou, Guangzhou. T: +86 20 6631 1810 F: +86 20 661 1804 E: dsilva@rree.gob.pe</p>
Colombia	
<p>► Bogota</p> <p>Embassy Calle 80 A, N° 6-50, Bogota D.C., Colombia. T: +57 1 746 2360 F: +57 1 744 8871 E: embajadaperu@embajadaperu.org.co lbogota@cable.net.co W: www.embajadaperu.org.co</p> <p>Consulate General Calle 90 N° 14-26. Of. 417, Bogota T: +57 1 746 0295 F: +57 1 218 7073 E: cgperubogota@outlook.com cgperu@outlook.com</p>	<p>► Leticia</p> <p>Consulate General Calle 11, N° 5-32, Barrio San Martin, Leticia, Amazonas, Colombia. T: +57 8 592 3947 / +57 8 592 7755 F: +57 8 592 7755 E: conperu@telecom.com.co consulperu-leticia@rree.gob.pe</p>
Costa Rica	
<p>► San Jose</p> <p>Embassy Del Mc Donalds' de Plaza del Sol, 500 m. Sur y 175 m. Este, Curridabat, San Jose, Costa Rica A.P. 4248-1000 San Jose. T: +506 2225 9145 / +506 2225 1314 F: +506 2253 0457 E: embajada@embaperucr.org embaperucomercial@embaperucr.org</p>	Cuba
	<p>► Habana</p> <p>Embassy Calle 8 N° 309, Miramar, Habana, Cuba. T: +53 7 204 2632 / +53 7 204 3570 F: +53 7 204 2636 E: embaperu@embaperu.org</p>
Czech Republic	
<p>► Prague</p> <p>Embassy Muhova 9, Prague 6, 16000, Czech Republic. T: +420 2 2431 6210 / +420 2 2431 5741 F: +420 2 2431 4749 E: embajada@peru-embajada.cz W: www.peru-embajada.cz</p>	Dominican Republic
	<p>► Santo Domingo</p> <p>Embassy Las Ninfas- Sector Bellavista, Santo Domingo, Distrito Nacional. T: +1809 482 8374 / +1809 482 3300 +1809 482 3344 F: +1809 482 3334 E: embaperu@claro.net.do</p>

Ecuador▶ **Quito****Embassy**

Av. Republica de El Salvador N34 - 361 Irlanda,
Quito - Ecuador.

T: +593 2 246 8410 / +593 2 246 8411
+593 2 246 8404

F: +593 2 225 2560

E: embaperu-quito@rree.gob.pe

W: www.embaperu-ecuador.com

Consulate General

Av. Republica de El Salvador N34 - 361 Irlanda.

T: +59 32 601 0200 / +59 32 600 7888

F: +59 32 601 0200 Ext.102

E: consuladoperuquito@gmail.com

W: www.consuladodelperuenquito.org

▶ **Loja****Consulate General**

Av. Zoilo Rodriguez 03-05, Ciudadela Zamora, Loja,
Ecuador.

T: +593 7 257 9068 / +593 7 258 7330

F: +593 7 257 1668

E: consuladoperu-loja@rree.gob.pe

▶ **Machala****Consulate General**

Urbanizacion Unioro, Manzana 14, Villa 11, Machala,
Provincia de El Oro.

T: +593 72 981 719 / +593 72 982 683

+593 72 985 983

F: +593 72 985 379

E: consulperu-machala@rree.gob.pe

consuladoperumachala@gmail.com

▶ **Guayaquil****Consulate General**

Av. Francisco de Orellana, Kennedy Norte, Piso 14, Oficina
Nº 02, Edificio "Centrum", Guayaquil.

T: +593 4 263 4014 / +593 4 263 4035
+593 4 263 4042

F: +593 4 263 4083

E: conperuguayaquil@gmail.com

▶ **Macara****Consulate General**

Av. Simon Bolivar 48-33 y 10 de Agosto, Barrio Juan
Montalvo.

T: +593 72 694 030

F: +593 72 694 922

E: consulperu-macara@rree.gob.pe

Egypt▶ **Cairo****Embassy**

41-Al-Nahda Street, 2nd floor, Maadi, Cairo, Egypt.

T: +202 2359 0306 / +202 2359 0406

F: +202 2750 9011

E: emperucairo@yahoo.es

conpercairo@gmail.com

El Salvador▶ **San Salvador****Embassy**

Av. Masferrer Norte, Casa Nº 17 P, Cumbres de la Escalon,
Colonia Escalon, San Salvador, El Salvador.

T: +503 2523 9400

F: +503 2523 9401

E: embperu@telesal.net

Finland▶ **Helsinki****Embassy**

Lönnrotinkatu 7 B 11, 00120 Helsinki, Finland.

T: +358 9 7599 400 / +358 9 7599 4011

+358 9 7599 4015

F: +358 9 7599 4040

E: secretary@embassyofperu.fi

embassy.peru@embassyofperu.fi

comercial.section@embassyofperu.fi

W: www.peruembassy.fi

France▶ **Paris****Embassy**

50 Avenue Kleber 75116 Paris.

T: +33 1 5370 4200

F: +33 1 4704 3255

E: perou.ambassade@amb-perou.fr

Consulate General

25, Rue De L' Arcade

75008 Paris

T: +33 1 42652510

F: +33 1 42650254

E: info@conper.fr

W: www.conper.fr

Germany		
<p>▶ Berlin</p> <p>Embassy Mohrenstrasse 42, 10117 Berlin, Germany. T: +49 30 2291 455 / +49 30 2291 587 F: +49 30 2292 857 E: sc-berlin@embaperu.de W: www.embaperu.de</p>	<p>▶ Frankfurt</p> <p>Consulate General Kaiserstrasse 74, 63065, Offenbach am Main, Hessen, Frankfurt, Germany. T: +49 69 133 0926 F: +49 69 295 740 E: consulperu_frankfurt@rree.gob.pe W: www.consulado.pe/es/frankfurt</p>	
<p>▶ Hamburg</p> <p>Consulate General Blumenstrasse 28, 22301 Hamburg, Germany. T: +49 40 460 1223 F: +49 40 481 854 E: info@peruham.com</p>	<p>▶ München</p> <p>Consulate General Herzog Heinrichstrasse 23, 80336, Muchen, Germany. T: +49 89 1392 8880 F: +49 89 1392 88819 E: info@conperumunich.de W: www.conperumunich.de</p>	
Ghana		
<p>▶ Accra</p> <p>Embassy 16 Plot 1st Circular Road, Cantonments, Accra, Ghana T: +233 0 303 938 177 E: embaperu-acra@rre.gob.pe embajadaperughana@gmail.com</p>	Great Britain	
	<p>▶ Londres</p> <p>Embassy 52 Sloane Street London SW 1X 9SP. T: + 44 20 7235 7213 / + 44 20 7235 8340 + 44 20 7235 3802 F: + 44 20 7235 4463 E: postmaster@peruembassy-uk.com W: www.peruembassy-uk.com</p> <p>Consulate General 52, Sloane Street, London SW1X 9SP T: +44 20 389 223 / +44 20 7838 9224 F: +44 20 7823 2789 E: peruconsulate-uk@btconnect.com W: www.conperlondres.com</p>	
Greece		
<p>▶ Athens</p> <p>Embassy Koumbari 2 Street, 3rd floor, Kolonaki CP 106 - 74, Athens, Greece. T: +30 210 779 2761 F: +30 210 779 2905 E: lepurate@otenet.gr</p>	Guatemala	
	<p>▶ Guatemala City</p> <p>Embassy Calle 14 - 24, zona 13, Ciudad de Guatemala. T: +502 2339 1060 E: embaperuguate@gmail.com W: www.embajadadelperu.com.gt</p>	
Holy See		
<p>▶ Rome</p> <p>Embassy Via Di Porta Angelica N° 63, Scala A, 3° Piano, 00193 Rome, Italy. T: +39 06 6830 8535 F: +39 06 6896 059 E: info@embaperuva.it</p>	Honduras	
	<p>▶ Tegucigalpa</p> <p>Embassy Calle Principal, Colonia Lomas de Guijarro, Av. República Dominicana, Edificio Torre Alfa, 4to. Piso, Tegucigalpa. T: +504 2235 3888 / +504 2235 4888 F: +504 221 4596 E: embajadadelperu@coblecolor.hn</p>	

India	Indonesia
<p>▶ New Delhi</p> <p>Embassy F-3/16 Vasant Vihar, New Delhi 110057, India. T: +91 11 4616 3333 F: +91 11 4616 3301 E: info@embassyperuindia.in W: www.embassyperuindia.in</p>	<p>▶ Jakarta</p> <p>Embassy Menara Rajawali, 12th floor, Ide Anak Agung Gde Agung, Lot. # 5.1, Kawasan Mega Kuningan Jakarta Selatan 12950. T: +62 21 576 1820 / +62 21 576 1821 F: +62 21 576 1825 E: embaperu@cbn.net.id leprujkt@cbn.net.id</p>

Israel
<p>▶ Tel Aviv</p> <p>Embassy 60, Medinat Hayehudim ST, Entrance B, 2nd Floor Hertzlya Pituach 4676652, Tel Aviv, Israel. T: +972 9957 8835 F: +972 9956 8495 E: emperu@012.net.il</p>

Italy	
<p>▶ Rome</p> <p>Embassy Via Siacci 2/B, 2th floor, 00197, Rome. T: +39 06 8069 1510 / +39 06 8069 1534 F: +39 06 8069 1777 E: embperu@ambasciataperu.it W: www.ambasciataperu.it</p> <p>Consulate General Via Illiria N° 18, 00183 Rome T: +39 06 8841442 / +39 06 8848063 F: +39 06 8848273 E: info@consuladoperuroma.it W: www.consuladoperuroma.it</p> <p>▶ Turin</p> <p>Consulate General Via Pastrengo 29, C.P. 10128, Turin, Italy. T: +39 11 581 9762 F: +39 11 509 8805 E: consulperu-turin@rree.gob.pe conperturin@hotmail.com</p>	<p>▶ Milan</p> <p>Consulate General Via Roberto Bracco N° 1 20159, Milano. Ingreso al publico: Via Benigno Crespi No. 15 T: +39 02 6900 4577 / +39 02 6680 9617 +39 02 6685 251 F: +39 02 668 5575 E: consulado@conpermilan.com W: www.conpermilan.com</p> <p>▶ Genoa</p> <p>Consulate General Piazza Della Vittoria, 15 AMM, E16121 Genoa. T: +39 010 595 5569 / +39 010 589 952 F: +39 010 584 8236 E: conper.genova@tiscali.it W: www.consuladoperugenova.com</p> <p>▶ Florence</p> <p>Consulate General Piazza San Firenze 3 50122, Florence, Italy. T: +39 055 260 8803 F: +39 055 260 8803 E: conper.florenzia@yahoo.it W: www.consuladoperuflorenzia.com</p>

<p>Japan</p> <p>► Tokyo</p> <p>Embassy 2-3-1. Hiroo, Shibuya - ku, Tokyo 150-0012. T: +81 3 3406 4243 / +81 3 3406 4249 F: +81 3 3409 7589 / +81 3 5467 0755 E: embtokyo@embperujapan.org W: www.embajadadelperuenjapon.org</p> <p>Consulate General COI Gotanda Bldg. 6F. Higashi Gotanda 1-13-12, Shinagawa ku. Tokyo to 141-0022, Japan T: +81 3 5793-4444 / +81 3 5793-4445 F: +81 3 5793-4446 E:secretaria@consuladoperutokio.org W: www.consuladoperutokio.org</p>	<p>► Nagoya</p> <p>Consulate General ARK Shirakawa Koen Building 3F Naka-Ku, Sakae 22 - 23, Aichi-Ken, Nagoya-Shi, Japan. T: +81 52 209 7851 / +81 52 209 7852 F: +81 52 209 7857 E: info@conpernagoya.org W: www.conpernagoya.info</p>
<p>Kuwait</p> <p>► Kuwait City</p> <p>Embassy Al Arabiya Tower Building, 6th floor, Ahmed Al Jaber Street, Kuwait city. T: +965 2226 7250 F: +965 2226 7251 E: embassy.peru.kw@gmail.com</p>	<p>Malaysia</p> <p>► Kuala Lumpur</p> <p>Embassy Wisma Selangor Dredging, 6th floor, South Block 142-A, Jalan Ampang 50450, Kuala Lumpur, Post Box Nº 18. T: +60 3 2163 3034 / +60 3 2163 3035 F: +60 3 2163 3039 E: perumalasia@gmail.com W: www.embperu.com.my</p>
<p>Mexico</p> <p>► Mexico City</p> <p>Embassy Paseo de la Reforma 2601. Colonia Lomas Reforma, Delegacion Miguel Hidalgo, C.P. 11020, Mexico, D.F. T: +52 55 1105 2270 F: +52 55 1105 2279 E: embaperu@prodigy.net.mx</p> <p>Consulate General Presidente Masarik, 29, segundo piso Colonia Chapultepec Morales Delegacion Miguel Hidalgo, C.P. 11570 - Mexico, D.F. T: +52 55 5203 4838 / +52 55 9126 1773 F: +52 55 5250 1903 E: conperu@prodigy.net.mx W: www.consuladodelperu.com.mx</p>	<p>Morocco</p> <p>► Rabat</p> <p>Embassy 16, Rue Dilfrane, Plaza Peru, Rabat, Morocco. T: +212 537 723 236 / +212 537 723 284 F: +212 537 702 803 E: embaperu-rabat@rree.gob.pe leprurabat@menara.ma</p>

<p>Nicaragua</p> <p>▶ Managua</p> <p>Embassy Hospital Militar 1 cuadra al Lago, 2 cuadras abajo, Casa N° 325, Barrio Bolonia, Managua, Nicaragua. Casilla Postal: 211 T: +505 2 266 6757 / +505 2 266 8678 F: +505 2 266 8679 E: embajadaperunic@gmail.com W: www.peruennicaragua.com.ni</p>	<p>Panama</p> <p>▶ Panama city</p> <p>Embassy Calle 53 Marbella, Edificio "World Trade Center", Piso 12, Oficina 1203, Apartado Postal 4516, Zona 5 - Panama. T: +507 269 9053 / +507 263 8901 F: +507 269 9196 E: embaperu@cablenda.net W: www.embaperupanama.com</p> <p>Consulate General Calle Punta Darien y Punta Coronado, Edificio Torres de las Americas, Torre C, Piso 15, Oficina 1507, Punta Pacifica. T: +507 215 3016 / +507 215 3285 F: +507 215 3920 E: conperu@cwpanama.net consulperu-panama@rree.gob.pe</p>
<p>Paraguay</p> <p>▶ Asuncion</p> <p>Embassy César Lopez Mareyra N° 812, esquina Nuestra Señora del Carmen, Barrio Carmelitas, Asuncion, Paraguay. T: +595 21 607 431 F: +595 21 607 327 E: embperu@embperu.com.py W: www.embperu.org.py</p>	<p>Poland</p> <p>▶ Warsaw</p> <p>Embassy UL. Staroscinska 1, M. 3, 02 - 516 Varsovia, Poland. T: +48 22 646 8807 F: +48 22 646 8617 E: embperpl@perupol.pl W: www.perupol.pl</p>
<p>Portugal</p> <p>▶ Lisbon</p> <p>Embassy Rua Castilho 50, 4º Dto., 1250-071 Lisbon. T: +351 213 827 470 / +351 213 827 475 F: +351 213 827 479 E: info@embaixadaperu.pt</p>	<p>Qatar</p> <p>▶ Doha</p> <p>Embassy Street 835 Building 42, Lejbnailat - Zone 64, P.O. Box 24062, Doha, Qatar. Reference: Near TV Roundabout and Embassies of Uruguay, Belgium, and Benin. T: +97 444 915 944 F: +97 444 915 940 E: info@peruembassy.com.qa</p>
<p>Romania</p> <p>▶ Bucharest</p> <p>Embassy St. Maior Gh. On u, N° 10-12, et. 3 ap. 10, Sector 1, 014031, Romania. T: +40 21 211 1819 / +40 21 211 1816 F: +40 21 211 1818 E: embajadaperu@embajadaperu.ro W: www.embajadaperu.ro</p>	<p>Russian Federation</p> <p>▶ Moscow</p> <p>Embassy Sadovaya Triunfalnaya Street Building 4/10, 5th floor, Moscow. T: +8 495 662 1817 F: +8 495 662 1817 Ext. 510 E: embajada@embperu.ru</p>

<p>Saudi Arabia</p> <p>► Riyadh</p> <p>Embassy Ibn Younis Al-Sadafi Street, 7393 Northern Maathar District, Riyadh. P.O. Riyadh 11693. T: +96 611 486 0474 E: portalwebriad@rree.gob.pe</p>	<p>Singapore</p> <p>► Singapore</p> <p>Embassy 390, Orchard Road N° 12-03, Palais Renaissance, Singapore 238871. T: +65 6738 8595 F: +65 6738 8601 E: peru@embassyperu.org.sg</p>
<p>South Africa</p> <p>► Pretoria</p> <p>Embassy 200 Saint Patricks Street, Muckleneuk Hill, Pretoria 0083. T: +27 12 440 1030 / +27 12 440 1031 F: +27 12 440 1054 E: embaperu6@telkomsa.net embaperu3@telkomsa.net W: www.embassyofperu.co.za</p>	<p>South Korea</p> <p>► Seoul</p> <p>Embassy N° 1305, Coryo Deayungak Tower, Toegyeno 97, Jung-gu, Seoul, South Korea. T: +82 2 757 1735 / +82 2 757 1736 F: +82 2 757 1738 E: embaperu@peruembassy.kr W: www.embaperucorea.com</p>
Spain	
<p>► Madrid</p> <p>Embassy Calle Príncipe de Vergara N°36, 5° Derecha 28001, Madrid, Spain. T: +34 91 431 4242 / +34 91 436 4795 F: +34 91 577 6861 E: lepru@Embassyperu.es W: www.Embassyperu.es</p> <p>Consulate General Pasco Pintor Rosado N° 30, Madrid 28003 T: +34 91 5629022 / +34 91 5625609 +34 91 5629012 / +34 91 5610176 F: +34 91 56291111 E: info@consuladoperumadrid.org W: www.consuladoperumadrid.org</p> <p>► Bilbao</p> <p>Consulate General Plaza Venezuela 1- Bajo Derecha Oficina 16, 48001, Bilbao, Vizcaya. T: +34 94 661 2747 F: +34 94 435 4576</p> <p>► Valencia</p> <p>Consulate General Plaza Los Pinazos 2, piso 3, 46004, Valencia, Spain. T: +34 96 351 5927 / +34 96 352 4463 +34 96 352 6934 F: +34 96 352 3289 E: info@consuladoperuvalencia.org comunicaciones@consuladoperuvalencia.org W: www.consuladoperuvalencia.org</p>	<p>► Barcelona</p> <p>Consulate General Av. de Roma 157, 1° 08011, Barcelona, Spain. T: +34 93 415 4999 / +34 93 451 1784 +34 93 323 0931 / +34 93 217 3408 F: +34 93 237 4634 E: consulado@consulperubarcelona.com W: www.consulperubarcelona.com</p> <p>► Sevilla</p> <p>Consulate General Av. María Luisa s/n, Pabellón de Perú 41013, Sevilla, Spain. T: +34 95 423 2819 / +34 95 462 8301 F: +34 95 423 7925 E: consuladoperusevilla@yahoo.es W: www.consuladoperusevilla.es</p>

Sweden

▶ Stockholm

Embassy

Kommerdörsgatan 35 NB, 114 58, Stockholm, Sweden.

T: +46 8 440 8740

F: +46 8 205 592

E: info@peruembassy.se

Switzerland

▶ Berne

Embassy

Thunstrasse N° 36, 3005, Berne.

T: +41 31 351 8567

F: +41 31 351 8570

E: info@embaperu.ch

W: www.embajadaperu.ch

▶ Zürich

Consulate General

Loewenstrasse 69, 8023, Zürich, Switzerland.

T: +41 44 211 8211 / +41 44 211 8273

F: +41 44 211 8830

E: mail@conperzurich.ch

▶ Geneva

Consulate General

17 Rue Des Pierres Du Nitton, 1207 Geneva.

T: +41 22 707 4917

F: +41 22 707 4918

E: info@conpergenebra.ch

Thailand

▶ Bangkok

Embassy

Glas Haus Building, 16th floor, 1 Sukhumvit 25 Road,
Wattana, 29 10110, Thailand.

T: +66 2 260 6243 / +66 2 260 6245

+66 2 260 6248

F: +66 2 260 6244

E: info@peruthai.or.th

W: www.peruthai.th.com

The Netherlands

▶ The Hague

Embassy

Nassauplein 4, 2585 EA, The Hague, Netherlands

T: +31 70 365 3500

F: +31 70 365 1929

E: info@embassyofperu.nl

W: www.embassyofperu.nl

▶ Amsterdam

Consulate General

Kabelwag 37, 6th floor, 1014 BA, Amsterdam,
Netherlands

T: +31 20 6228580

F: +31 20 4228581

E: consulperu-amsterdama@rree.gob.pe

informacion@consuladoperuamsterdam.com

Turkey	United Arab Emirates
<p>▶ Ankara</p> <p>Embassy Resit Galip Caddesi, 70/1, GOP, Ankara, Turkey. T: +90 312 448 1436 / +90 312 446 9039 F: +90 312 447 4026 E: peruankara@gmail.com peruvize@gmail.com</p>	<p>▶ Dubai</p> <p>Consulate General Al Habtoor Business Tower, 25th Floor, Dubai Marina, P.O. Box: 213243 U.A.E., United Arab Emirates. T: +971 4422 7550 F: +941 4447 2023 E: consulate@peru.ae trade@peru.ae W: www.peru.ae</p>
United States of America	
<p>▶ Washington</p> <p>Embassy 1700 Massachusetts Ave. N.W. Washington D.C. 20036. T: +1 202 833 9860 / +1 202 833 9869 F: +1 202 659 8124 E: comunica@embassyofperu.us webadmin@embassyofperu.us W: www.peruvianembassy.us</p> <p>▶ Boston</p> <p>Consulate General 20 Park Plaza, Suite 511, Boston, Massachusetts. T: +1 617 338 2227 / +1 617 338 2190 F: +1 617 338 2742 E: consuladogeneral@conperboston.com</p> <p>▶ Dallas</p> <p>Consulate General 13601 Preston Rd. Suite E - 650 Dallas, TX, 75240, "Carrillon Towers - Torre Este" T: +1 972 234 0005 / +1 972 234 0322 +1 972 234 0027 F: +1 972 498 1086 E: consulado@conperdallas.com</p> <p>▶ Hartford</p> <p>Consulate General 19 High St. Hartford CT 06103. T: +1 860 548 0266 / +1 860 548 0337 +1 860 548 0305 F: +1 860 548 0094 E: consultas@consuladohartford.com</p>	<p>▶ Atlanta</p> <p>Consulate General 4360 Chamblee Dunwoody Rd. Suite 580, Atlanta, GA 30341. T: +1 678 336 7010 F: +1 678 990 1920 E: info@consulperuatlanta.com W: www.consulperuatlanta.com</p> <p>▶ Chicago</p> <p>Consulate General 180 North Michigan Avenue, Suite 401, Chicago, Illinois 60601. T: +1 312 782 1599 / +1 312 853 6173 +1 312 853 6174 F: +1 312 704 6969 E: sipan@ameritech.net</p> <p>▶ Denver</p> <p>Consulate General 6795 East Tennessee Avenue, Suite 550, Denver, Colorado 80224. T: +1 303 355 8555 F: +1 303 355 8003 E: conperdenver@consuladoperu.net</p> <p>▶ Houston</p> <p>Consulate General 5177 Richmond Avenue, Suite 695, Houston. Texas 77056. T: +1 713 355 9517 / +1 713 355 9438 F: +1 713 355 9377 E: conperu@sbcglobal.net</p>

United States of America

▶ Los Angeles

Consulate General

3450 Wilshire Boulevard, Suite 800 / Los Angeles, CA 90010.

T: +1 213 252 5910 / +1 213 252 9795

+1 213 252 8599

F: +1 213 252 8130

E: conperla@outlook.net

▶ New York

Consulate General

241 East 49th Street, New York, N.Y. 10017.

T: +1 646 735 3828 / +1 646 735 3847

+1 646 735 3859 / +1 646 735 3862

F: +1 646 735 3866

E: consulado@conperny.org

comercial@conperny.org

▶ San Francisco

Consulate General

870 Market Street Suite 1067 San Francisco, California 94102.

T: +1 415 362 5185 / +1 415 362 7136

+1 415 362 5647

F: +1 415 362 2836

E: informacion@conpersf.com

▶ Miami

Consulate General

444 Brickell Avenue, Suite M-135 Miami, Florida FL 33131.

T: +1 786 347 2431 / +1 786 347 2435

F: +1 305 677 0089 / +1 305 677 0105

E: ofcomper@gate.net

informacion@consulado-peru.com

▶ Paterson

Consulate General

100 Hamilton Plaza, Suite 1220, Paterson, New Jersey 07505, U.S.A.

T: +1 973 278 3324 / +1 973 278 2221

+1 973 278 0166 / +1 973 278 6026

F: +1 973 278 0254

E: consulado@conpernj.org

▶ Washington D.C.

Consulate General

1225 23 rd, NW, Wahington DC 20037

T: +1202 774 5450 / +1202 774 5454

F: +1202 354 4711

E: consulado@conperdc.org

Uruguay

▶ Montevideo

Embassy

Calle Obligado 1384, Montevideo C.P. 11300, Uruguay.

T: +5982 707 6862 / +5982 707 1420

+5982 707 2834

F: +598 2 707 7793

E: embamontevideo@embaperu.org.uy

Venezuela

▶ Caracas

Embassy

Av. San Juan Bosco con 2da. Transversal, Edificio San Juan, Piso 5, Altamira, Caracas, (Zona Postal 1060).

T: +58 212 264 1483 / +58 212 264 1420

F: +58 212 265 7592

E: embaperu-caracas@rree.gob.pe

W: www.embajadaperu.org.ve

Consulate General

Cuarta Avenida, entre 5ta. y 6ta. transversales de la Urb. Altamira, Quinta Peru, Chacao, Caracas - Venezuela.

T: +58 212 264 7568 / +58 212 261 9389

+58 212 266 4332

F: +58 212 265 3001

E: consulperu-caracas@rree.gob.pe

W: www.conpercaracas.com

▶ Puerto Ordaz

Consulate General

Calle Roraima con esquina de calle Aguila, Mz. 4, casa N° 20, Urbanizacion Roraima, Alta Vista Sur, Puerto Ordaz, State of Bolivar, Bolivarian Republic of Venezuela.

T: +58 286 961 4945 / +58 286 961 6225

F: +58 286 962 3865

E: copordaz@cantv.net

Vietnam

▸ Hanoi

Embassy

Corner Stone Building, 16, 14th floor, Phan Chu Trinh,
Vietnam.

T: +84 4 393 63 082

F: +84 4 393 63 081

E: hanoi@peruembassy.vn





Annexes

*Directory of
Regional Governments*

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Directory of Regional Governments

Amazonas <ul style="list-style-type: none">▶ Regional President▶ Gilmer Wilson Horna Corrales <p>A: Jr. Ortíz Arrieta N° 1250 - Chachapoyas T: 041 478 131 E: ghorna@regionamazonas.gob.pe</p>	Ancash <ul style="list-style-type: none">▶ Regional President▶ Enrique Vargas Barrenechea* <p>A: Campamento Vichay S/N Independencia - Ancash T: 043 421 821 E: presidencia@regionancash.gob.pe</p> <p>*Interim President</p>
Apurímac <ul style="list-style-type: none">▶ Regional President▶ Wilber Venegas Torres <p>A: Jr. Puno N° 107 - Abancay T: 083 322 688 E: presidencia@regionapurimac.gob.pe</p>	Arequipa <ul style="list-style-type: none">▶ Regional President▶ Yamila Osorio Delgado <p>A: Av. Unión N° 200, Urb. César Vallejo - Paucarpata T: 382 860 Ext. 1100 E: yosorio@regionarequipa.gob.pe</p>
Ayacucho <ul style="list-style-type: none">▶ Regional President▶ Jorge Julio Sevilla Sifuentes <p>A: Jr. Callao N° 122, Huamanga - Ayacucho T: 066 403 528 E: sevillaju_39@hotmail.com gra_presidencia@hotmail.com</p>	Cajamarca <ul style="list-style-type: none">▶ Regional President▶ Porfirio Medina Vásquez <p>A: Jr. Santa Teresa de Journet N° 351 Urb. La Alameda - Cajamarca T: 046 599 005 Ext. 1010 E: secpres@regioncajamarca.gob.pe presidencia@regioncajamarca.gob.pe</p>
Constitutional Province of Callao <ul style="list-style-type: none">▶ Regional President▶ Felix Manuel Moreno Caballero <p>A: Av. Elmer Faucett N° 3970 - Callao T: 575 5533 Ext. 320 E: fmoreno@regioncallao.gob.pe</p>	Cusco <ul style="list-style-type: none">▶ Regional President▶ Edwin Licona Licona <p>A: Av. Tomasa Tito Condemayta S/N, Wanchaq - Cusco. T: 084 256 579 / 084 221 131 Ext. 2202 E: elicona@regioncusco.gob.pe</p>
Huancavelica <ul style="list-style-type: none">▶ Regional President▶ Glodoaldo Álvarez Oré <p>A: Jr. Torre Tagle N° 343 - Huancavelica T: 067 452 883 Ext. 1000 E: galvarez@regionhuancavelica.gob.pe</p>	Huánuco <ul style="list-style-type: none">▶ Regional President▶ Rubén Alva Ochoa <p>A: Calle Calicanto N° 145, Amarillis - Huánuco T: 062 512 124 Ext. 191 E: ralva@regionhuanuco.gob.pe</p>

Ica	Junín
<p>► Regional President</p> <p>► Fernando José Cillóniz Benavides</p> <p>A: Av. Cutervo N° 920 - Ica T: 56 237 348 E: presidencia@regionica.com.pe</p>	<p>► Regional President</p> <p>► Angel Dante Unchupaico Canchumani</p> <p>A: Av. Jr. Loreto N° 363 - Huancayo T: 064 602 000 Ext. 2202 E: aunchupaico@regionjunin.gob.pe</p>
La Libertad	Lambayeque
<p>► Regional President</p> <p>► Luis Valdez Fariás</p> <p>A: Calle Los Brillantes 650 Sta. Inés, Trujillo - La Libertad T: 044 604 023 Ext. 2066 / 044 604 000 Ext. 2426 E: gerenciaimagen-protocolo@regionlalibertad.gob.pe</p>	<p>► Regional President</p> <p>► Humberto Acuña Peralta</p> <p>A: Av. Juan Tomis Stack N° 975, Chiclayo - Lambayeque T: 074 201 343 E: hacunap@grlambayeque.gob.pe</p>
Lima	Loreto
<p>► Regional President</p> <p>► Nelson Chui Mejía</p> <p>A: Av. Circunvalación S/N, Urb Agua Dulce - Lima T: 414 5532 Ax. 5532 E: presidencia@regionlima.gob.pe</p>	<p>► Regional President</p> <p>► Fernando Meléndez Celiz</p> <p>A: Av. Abelardo Quiñones km 1.5 - Iquitos T: 065 266 911 E: fmelendez@regionloreto.gob.pe</p>
Madre de Dios	Moquegua
<p>► Regional President</p> <p>► Luis Otsuka Salazar</p> <p>A: Jr. Cusco N° 350, Puerto Maldonado. T: 082 571 199 E: gobernatura@regionmadrededios.gob.pe</p>	<p>► Regional President</p> <p>► Jaime Alberto Rodríguez Villanueva</p> <p>A: Cruce Carretera Moquegua Toquepala km 0.3 T: 053 462 031 E: presidencia@regionmoquegua.gob.pe luisadelcarpioseminario@gmail.com</p>
Pasco	Piura
<p>► Regional President</p> <p>► Teodulo Valeriano Quispe Huertas</p> <p>A: Edificio Estatal N° 01 San Juan Pampa, Yanacancha - Pasco T: 063 597 060 Ext. 2075 E: presidencia@regionpasco.gob.pe</p>	<p>► Regional President</p> <p>► Reynaldo Hilbck Guzmán</p> <p>A: Av. San Ramón S/N Urb. San Eduardo - Piura T: 073 284 600 E: hilbck@regionpiura.gob.pe</p>
Puno	San Martín
<p>► Regional President</p> <p>► Juan Luque Mamani</p> <p>A: Deustua 356, Puno T: 051 354 000 E: presidencia@regionpuno@gmail.com</p>	<p>► Regional President</p> <p>► Víctor Manuel Noriega Reátegui</p> <p>A: Calle Aeropuerto N° 150 - Moyobamba T: 042 563 987 E: vnoriega@regionsanmartin.gob.pe</p>
Tacna	Tumbes
<p>► Regional President</p> <p>► Omar Gustavo Jiménez Flores</p> <p>A: Av Gregorio Albarracín N° 526 T: 052 583 030 Ext. 266 E: presidencia@regiontacna.gob.pe</p>	<p>► Regional President</p> <p>► Ricardo Flores Diones</p> <p>A: Av. La Marina N° 200 - Tumbes T: 072 524 390 E: ricardo.flores@regiontumbes.gob.pe</p>
Ucayali	
<p>► Regional President</p> <p>► Manuel Gambini Rupay</p> <p>A: Jr. Raymondi N° 220 - Pucallpa T: 061 586 120 E: mgambini@regionucayali.gob.pe</p>	





Annexes

*Directory of principal
Chambers of Commerce*

Annexes

Directory of principal Chambers of Commerce

Peruvian - American Chamber of Commerce - AMCHAM (Cámara Peruano - Americana - AMCHAM)

Av. Víctor Andrés Belaúnde 177, San Isidro, Lima 27

T: +51 1 705 8000

F: +51 1 705 8026

E: amcham@amcham.org.pe

W: www.amcham.org.pe

Aldo Defilippi

Executive Director

Peruvian - Brazilian Binational Chamber of Commerce and Integration - CAPEBRAS (Cámara Binacional de Comercio e Integración Perú - Brasil - CAPEBRAS)

Calle El Rosario 359 "A", Miraflores, Lima 18

T: +51 1 447 3797

W: www.capebras.org

Miguel Vega Alvear

President

Spanish Chamber of Commerce in Peru (Cámara Española de Comercio en Perú)

Av. República de Panamá 3591, Of. 301, San Isidro, Lima 27

T: +51 1 399 4730

E: cocep@cocep.org.pe

W: www.cocep.org.pe

Luis Velasco

President

Peruvian - Chilean Chamber of Commerce (Cámara de Comercio Peruano - Chilena)

Calle Monterrey 281, Of. 214, Urb. Chacarilla, Santiago de Surco, Lima 33

T: +51 1 372 2553 / +51 1 372 4858

W: www.camaraperuchile.org

Juan Carlos Fisher

President

Canadian - Peruvian Chamber of Commerce (Cámara de Comercio Canada - Perú)

Calle Santander 186, Of. 201, Miraflores, Lima 18

T: +51 1 440 6699

E: gerente@canadaperu.org

W: www.canadaperu.org.pe

José Tudela

President

**Peruvian - Ecuadorian Chamber of Commerce and Integration (CAPECUA)
(Cámara de Comercio e Integración Peruano - Ecuatoriana - CAPECUA)**

Av. Salaverry 2415, Of. 305, II block, San Isidro, Lima 27
T: +51 1 222 1772
E: capecua@capecua.org.pe
W: www.capecua.org

Juan Carlos Durand
President

Peruvian - German Chamber of Commerce and Industry (Cámara de Comercio e Industria Peruano - Alemana)

Av. Camino Real 348, Of.1502, San Isidro
T: +51 1 441 8616 / +51 1 442 6014
W: www.camara-alemana.org.pe

Peter Anders
President

Peruvian - French Chamber of Commerce and Industry (Cámara de Comercio e Industria Peruano - Francesa)

Los Nogales 326, San Isidro
T: +51 1 421 4050 / +51 1 421 9093
W: www.cciipf.com

Emmanuel Bonnet
President

Italian Chamber of Commerce in Peru (Cámara de Comercio Italiana del Perú)

Pasaje Rospigliosi 105, Barranco
T: +51 1 444 1997
E: camerit@cameritpe.com
W: www.cameritpe.com

Marco Tecchia
President

Peruvian - Argentine Chamber of Commerce (Cámara de Comercio Peruano - Argentina)

Av. Camino Real 479, Of. 301B, San Isidro, Lima 27
T: +51 1 441 4001
F: +51 1 440 1093
E: gerencia@camaraperuano-argentina.org
W: www.camaraperuano-argentina.org

Oscar Scarpari
President

Peruvian - British Chamber of Commerce (Cámara de Comercio Peruano Británica)

Av. José Larco 1301, piso 22, Torre Parque Mar, Miraflores, Lima 18
T: +51 1 617 3090
F: +51 1 617 3095
E: bpcc@bpcc.org.pe
W: www.bpcc.org.pe

Enrique Anderson
President

Peruvian - Mexican Chamber of Commerce A.C. (Cámara de Comercio Peruano - Mexicana A.C.)

Montebello 170, Urb. Chacarilla, Santiago de Surco, Lima 33

T: +51 1 627 5568

F: +51 1 628 8650

W: www.camaraperu-mexico.org.pe

Gerardo Solís Macedo

President

Swiss Chamber of Commerce in Peru (Cámara de Comercio Suiza en el Perú)

Av. Salaverry 3240, piso 4, San Isidro, Lima 27

T: +51 1 264 3516

F: +51 1 264 3526

E: info@swisschamperu.com

W: www.swisschamperu.org

Felipe Antonio Custer

President

Peruvian - Chinese Chamber of Commerce (Cámara de Comercio Peruano-China)

Calle Francisco Masías 544, piso 6, San Isidro, Lima 27

T: +51 1 422 8152

F: +51 1 422 8358

E: info@capechi.org.pe

W: www.capechi.org.pe

José Tam

President

**Attaché Office of the Embassy of Colombia - Procolombia
(Agregaduría Comercial de la Embajada de Colombia - Procolombia)**

Av. Alfredo Benavides 1555, Of. 506, Miraflores, Lima 18

T: +51 1 242 7207

F: +51 1 222 2074

E: administracionlima@proexport.co

W: www.proexport.com

Alberto Lora

Commercial Attaché

Peruvian - Japanese Chamber of Commerce and Industry (Cámara de Comercio e Industria Peruano - Japonesa)

Av. Gregorio Escobedo 803, piso 7, Jesús María, Lima 11

T: +51 1 261 0484

F: +51 1 261 3992

W: www.apj.org.pe

Norihide Tsutsumi

President

Peruvian - Nordic Chamber of Commerce (Cámara de Comercio Peruano - Nórdica)

Av. La Encalada 1010, Of. 204, Santiago de Surco, Lima 33

T: +51 1 437 6393

E: ccpn@camaranordica.org.pe

smorales@camaranordica.org.pe

W: www.camaranordica.org.pe

Raúl Alta-Torre

President

Macarena Cisneros Llona

General Manager

Peruvian - Irish Chamber of Commerce (Cámara de Comercio Peruano - Irlandesa)

Av. Paseo de la República 5757-B, Urb. San Antonio, Miraflores
 T: +51 1 242 9516
 E: gerencia@ccpi.org.pe
 W: ccpi.org.pe

Eimear Hayes
 President

Peruvian - Arab Chamber of Commerce (Cámara de Comercio Peruano - Arabe)

Av. Manuel Olguín, Edificio Omega, piso 13, oficina 1301, Surco, Lima 33
 T: +51 1 340 2303
 F: +51 1 340 2424
 E: info@camaraarabeperu.org

Hamed Abou Zahr
 President

Chamber of Commerce of India in Peru (Cámara de Comercio de la India en Perú)

Jr. Amazonas 675, Magdalena del Mar
 T: + 51 952 869 932
 E: gerencia@incham.pe
 W: www.incham.pe

Ravi Krishna
 President

Peruvian-Romanian Chamber of Commerce (Cámara de Comercio Peruano-Rumana)

Av. Emilio Cavenecia 264, Dpto. 701, Int. 8, San Isidro
 T: +51 1 725 5888
 E: info@camaraperuromania.com
 W: www.camaraperuromania.com

Eduardo Samaniego Soto
 President

Peruvian - Colombian Chamber of Commerce and Integration (Cámara de Comercio e Integración Colombo Peruana)

Alcanfores 1140, Miraflores, Lima, Perú
 T: +51 1 242 4530
 E: info@colperu.com
 W: www.colperu.com

Hernando Otero García
 President

Peruvian - Israeli Chamber of Commerce (Cámara de Comercio Peruano Israelí)

Av. Dos de Mayo 1815 San Isidro - Lima 27
 T: +51 1 222 8850

Mizrahi Yossef Haim
 President



Acknowledgments

This publication was prepared by:

Paulo Pantigoso Velloso da Silveira (*editor*)
Martín Aliaga Linares (*editor*)

Beatriz De la Vega Rengifo
Carlos Aspiros Candela (*design and diagramming*)
Carlos Herrera Perret
Fernando Tori Vargas
Gary Gonzales León
Giancarlo Riva Arburúa
Humberto Astete Miranda
Javier Prado Miranda
Jorge Acosta Yshibashi
Juan Carlos Gamarra
Karla Ramírez Orellana
Kevin Munares Gálvez
Luis Torres Paz
Manuel Rivera Silva
Marcial García Schreck
Mauro Ugaz Olivares
Milagros Rasmussen Albitres
Miya Mishima Suzuki
Nathalie Gambini Atala
Nathaly Roldán Campos
Rafael Zacnich Nonayala
Raisa Rubio Córdoba
Rubén Rondinelli Zaga
Silvia Alfaro Espinosa
Víctor Bohorquez Osorio
Ximena Gonzales Negreiros
Apoyo Consultoría
ComexPerú

National Institute of Statistics and Information - INEI
Private Investment Promotion Agency - ProlInversión

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