Chile's mining and metals investment guide 2024

InvestChile

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Chile's mining and metals investment guide 2024

Chile: Exporting Mining with a Future Perspective

We are well aware that the world is undergoing a process of climate change whose consequences must be faced with a sense of urgency and actions aimed at transforming productive development models. We are talking about a global challenge that demands the supply of strategic minerals such as lithium, copper, or cobalt, which are essential for transitioning towards resilient, low-carbon emission economies with a strong emphasis on the use of clean energy and electromobility.

At this point, Chilean mining - understood from resource production, value generation, and technological solutions - plays a fundamental role not only as a supplier but also as an agent of change to explore and advance in the best operational or environmental practices that enable the construction of links capable of reducing the social friction that often involves developing mining activities in territories.

Our country has the largest copper reserves and one of the most valuable lithium reserves on the planet, both in terms of resource surface and concentration as well as comparative advantages for its production at lower costs, which makes us a key country for the present and future of energy transition. It seems that we are called upon to generate conditions that allow increasing the production of critical minerals, but is that our only contribution? Should we settle for just supplying raw materials?

Given the high complexity required for the development of both, the mining business and the industry throughout its entire production chain, our mining industry today offers a wide range of services, specializations, and technological developments that go beyond mere mineral extraction and commercialization. From this perspective, as a country, we have much more to offer the world than just copper cathodes or equivalent lithium carbonate.

This ability to add value, together with mineral production, represents a more comprehensive view of what our mining industry is and complements Chile's leadership as the primary destination for explorations in Latin America and the fourth country in the world with the highest budget allocation for this item, totaling over US$ 832 million in 2023.

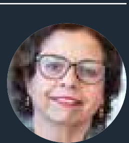
We are also interested in strengthening our legal framework in favor of investment. Regularizing permit processing for materializing investment projects in Chile has been a recurring debate. The recent submission to Congress of two bills ended up confirming President Gabriel Boric's serious and determined response to providing solutions to this purpose, without neglecting environmental standards and community relations.

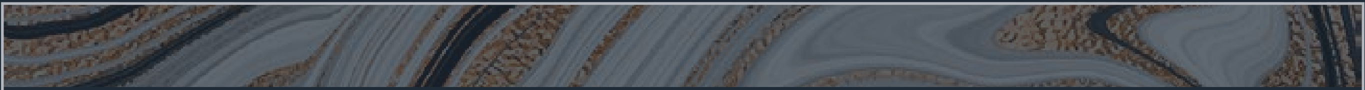
At this point, with the so-called Intelligent Permit System, mining investment can be enhanced since, thanks to collaborative public-private work, the executive's proposal integrates the modification of three legal bodies associated with the industry. In addition to other indications, it will be feasible for mining exploitation plans over 5,000 tons per month to reduce their processing times by 45%. This is certainly positive news, considering that the project portfolio for Chile between 2023-2032 estimates an investment of over US$ 65 billion.

Chilean mining is a world power in the industry and offers a competitive and highly relevant service to the market. We refer not only to a robust value chain, availability of strategic minerals, and a millenary experience that supports us, but also the institutional and regulatory framework that guides us.

This position is not free; we have worked for it. The mining industry lives in constant challenge. An industry that is more than 100 years old is called for continuous improvement of its operations, and Chile aspires to raise and reach higher standards, with the firm conviction that this is a sector that significantly contributes to the development of our country.

Aurora Williams
Mining Minister,
Government of Chile





Chile: Investment Hub for the Mining that the World Needs

Chile has been, and will always be, a mining country. Promoting international investment opportunities in this sector means addressing companies that, for the most part, already know a country that has played a leading role for decades in an industry constantly facing the challenge of reinventing itself considering new global challenges. And it is in this path where Chile has a unique opportunity today.

Our country is in a privileged position to offer investment opportunities that are key to challenges such as climate change and the digital revolution. This is not by chance, but a consequence of a decision made by the Chilean State, upheld by successive administrations.

In June 2022, during his speech at the IV CEO Summit in Los Angeles, United States, President Gabriel Boric stated before an audience filled with some of the world's top business leaders, a phrase that defines the country's current state: "Chile needs the world, and the world needs Chile." For decades, we have been the world's leading copper producer, and we hold 48% of global lithium reserves, as well as other critical minerals that are central to, for instance, advancements in clean energy generation technologies, the mass adoption of electromobility, the development of electric grids, and the progression towards better-performing batteries with longer lifespans and increased energy density.

Likewise, we have favorable conditions for producing clean energy and future fuels, and the level of our talent is recognized regionally. For these reasons, we dare to say that our country now has answers to the world's challenges.

The data speaks for itself: it is estimated that total mineral demand associated with energy technologies will double or quadruple by 2040. The widespread use of electric vehicles and battery storage alone will account for approximately half of this growth. In terms of numbers, today only 4% of the world's motor vehicles are electric (around ten million units). The goal is far off: to achieve climate change objectives, 40% of the total market must be reached by 2030.

If we consider that conventional cars contain between 18 to 49 pounds of copper, while a battery-powered electric vehicle contains 183 pounds (and a fully electric bus requires 814 pounds of copper), we can get an idea of the demand for minerals, in which we hold competitive advantages in terms of production and value addition.

And not only that: electric grids already account for 70% of the current demand for minerals in energy technologies, and that figure will continue to grow. It is expected that by 2040, copper demand for electric grids will increase by 100%, reaching 10 Megatons.

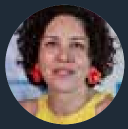
We not only have minerals. We are pushing strategies that, as a country, allow us to make progress in the productive value chain, sustainably, and incorporating communities, with an aim to maximize the benefits of an investment that must enable us to take a qualitative leap, by providing technology and skilled jobs, as well as enriching our regional economic fabric. Along with this, we offer a business environment that positions us as a long-term business partner. And if there's one industry that understands the long-term vision of their investments as alliances, it is mining.

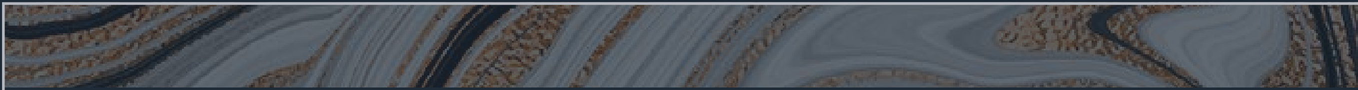
For decades, Chile has remained a regional leader and a reliable destination for the development of large projects. And the figures prove it.

In 2023, our country received foreign direct investments (FDI) worth US$ 20.365 billion, one of the top figures in the last two decades, confirming the country's appeal for foreign companies. This figure also falls within the challenging context in which FDI flows in developing economies fell by 9% according to UNCTAD, due to global economic uncertainty and the rise in global interest rates.

Our country is now in the spotlight. The last decade has witnessed Chile's transformation into a hub for clean energy, and now we also have the opportunity to consolidate our position as producers of the minerals of the future. For this, we require investments and virtuous public-private partnerships that allow us to progress towards an environment-friendly development model that is fruitful for our partners and full of opportunities and benefits for our country's inhabitants.

Karla Flores
Director of InvestChile





About this mining and metals investment guide

This mining and metals investment guide has been structured to serve as an initial step in the process of evaluating the mining landscape in Chile. As such, it will be useful to those who contemplate the possibility of making long-term investments in the exploration and development of new mines in the country.

This publication has brought together several of the mining industry's leading professionals from EY Chile, with a mix of legal, tax, economic and accounting backgrounds, to share their unique insights and explain the key elements for a successful expansion by international mining and metals companies into Chile. Also, in this occasion, we have the valuable information from InvestChile showing the sustained leadership that Chile holds globally in the mining industry and the promising future that awaits in the new economy.

PHOTO: CODELCO

Within these pages we have examined various aspects usually taken into consideration by miners and investors from around the world before making critical decisions on the development of new mining operations.

Included in this guide is an overview of Chile's political structure, business environment, macroeconomic profile, key indicators and outlook for the coming years, geological potential, mining and metals sector trends and recent developments.

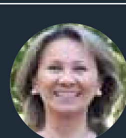
The guide also provides access to essential information to assist foreign investors in understanding the regulations governing investment and in particular the legal, taxation and regulatory requirements to operate in Chile's mining sector.

This publication has been designed to be easily consulted and to offer a balanced and objective account of areas of potential interest to foreign mining investors.

We have included the most recent data available and additional commentary on a variety of critical topics, as well as information about major reforms that were recently approved and are currently being discussed.

The goal is to provide international exploration and mining companies with a critical database and information to facilitate and support their discussions and investment decisions. We hope that this new material will be useful for foreign companies that are evaluating investments in Chile.

Alicia Domínguez
Mining and Metals
Leading partner, EY Chile



1 Overview

PHOTO: AMSA

1.1.1 Form of government

Chile has had a stable democracy since the end of the Pinochet government in 1990. It has a republican system of government comprising three separate and independent branches: executive, legislative and judicial. The executive branch is headed by the president, who is elected by a popular, mandatory vote for a single four-year term. The president appoints the cabinet and is advised by cabinet ministers. In the 2021 elections, Gabriel Boric was elected as president. The legislative powers are vested with the Government and the Chilean Congress.

The legislative branch is made up of a Senate (with 50 senators) and the Chamber of Deputies (with 155 deputies). The judicial branch is an independent body, headed by the Supreme Court and supported by regional courts of appeal. The president has the power to appoint supreme court judges.

Chile is divided into 16 regions. Regions are subdivided into provinces, which are headed by a governor, appointed by the president. These provinces are further subdivided into municipalities, which are governed by a democratically elected mayor.

After the massive social protests of 2019, the country entered a process of constitutional reform. As a result, during the last years, two draft proposals were put forward, both of which were rejected in separate referendums. This implies that the current constitution will remain in place.

Government overview

Government type

Constitutional republic

Legal system

Based on Civil Law

Executive branch

- Chief of state and head of government: President Gabriel Boric (since March 2022)
- Elections: Every four years by popular vote (non-consecutive reelection); next elections: November 2025
- Cabinet: Council of Ministers appointed by the President

Legislative branch

- Bicameral Congress
- Senate: 50 seats
- Chamber of Deputies: 155 seats
- Next elections: November 2025

Judicial branch

Supreme Court judges are appointed by the President and ratified by the Senate. The Court provides the list of candidates.

International relationships

- The country is an associated member of Mercosur and the Andean Community of Nations and a full member of the Asia-Pacific Economic Cooperation (APEC) forum and the Pacific Alliance.
- Chile has been a full member of the OECD since 2010

1.1.2 Geography

Chile extends for 4,270 kilometers (km) (or 2,670 miles) along the west coast of South America bordering the Pacific Ocean and is 175km wide on an average. Chile's primary territory shares a border with Peru to the north, Bolivia to the northeast and Argentina to the east. Chile also has the Easter Island in Oceania and territory in Antarctica.

Chile's geography is extremely diverse and varies significantly from the north to the south. Chile can be divided into three geographic zones:

- Most of the northern region is arid and is composed of the 600-mile-long Atacama Desert. This region provides Chile with salt, nitrates, lithium, iron and most of its copper, molybdenum, gold and silver mining. Other productive economic activities include fishing, fish meal and fish oil industries, fruit and wine production, as well as tourism.
- The central part of the country, often referred as the Central Valley, is devoted primarily to industry, agriculture and mining activities. Most of Chile's business activities are concentrated in this region. Santiago, Chile's capital, and other major cities are located in the central region, which has the highest population density in the country. From the Central Valley, Chile expanded during the late 19th century to include the northern and southern regions of its current national territory.
- The southern region of Chile features rich grazing lands and forests, as well as many lakes and a series of volcanoes. This region is the center of the forestry industry. Cattle and sheep farming are also significant activities. Petroleum and natural gas are found in the far south.

1.1.3 People

Chile had an estimated population of 19.2 million people in 2020.

The official language is Spanish and indigenous languages are used by a minority of the population. In Chile, the availability of bilingual personnel is limited.

In Chile, the majority religion is Catholicism, although it has been declining over the years.

People overview 2022[1]

Population 19.2 million	**Growth rate** 3.35%
Age structure 0–14 years: 29.2% 15–64 years: 68.5% Over 65 years: 12.2%	**Fertility rate** 1.5 births per woman
Urban/Rural population: 89%/11%	**Life expectancy** at birth 80 years

1. Estimated value for 2022. Estimates and projections 2002-2035 base 2017. National Institute of Statistics.

1.2
Introduction to the Chilean economy

Chile is traditionally considered one of the strongest Latin American countries in terms of institutionalism and fiscal policies. According to the World Bank, it has been one of Latin America's fastest-growing economies in recent decades.

This has allowed the country to show significant progress in the fight against poverty, which decreased from 10.7% in 2020 to a historic 6.5% in 2022, the lowest value since the National Socioeconomic Characterization Survey (CASEN) has been conducted. Meanwhile, extreme poverty fell from 4.5% to 2.0% in the same period[1].

However, recent years have been complexed. After economic imbalances caused by the pandemic, the international scenario, as well as specific internal factors, Chile's GDP grew 0,2% in 2023[2] and is expected to reach between 1.25% and 2.25% in 2024 and between 2% and 3% in 2025, according to the Chilean Central Bank[3].

Additionally, following an inflation rate that reached double-digit levels in 2022, the price index is expected to continue decreasing and approach 3%, which is the target set by the Central Bank, in the second half of 2024.

Also, as presented above, the country underwent a major process of change in its constitution and a series of regulatory reforms are under discussion, which has led to greater uncertainty.

Despite the international and local scenario, the prestigious British magazine, The Economist, highlighted Chile among the best-performing economies in the world in 2023, naming it the top in South America and the seventh between 35 mostly rich countries (OCDE)[4].

In addition, in another report the International Monetary Fund said that it expects Chile's GDP per capita to increase and exceed US $ 30,000 in 2024, being the first country in South America to reach this milestone[5].

PHOTO: TECK

1 Casen Survey
2 Nacional Accounts, Central Bank of Chile
3 Monetary Policy Report December 2023. Central Bank of Chile.
4 Which economy did best in 2023?, The Economist, Dec 17th 2023
5 Diario Financiero, April 19th 2022

1.3

Economic Situation

1.3.1 Overview

Chile is the fifth-largest economy in Latin America in terms of nominal Gross Domestic Product (GDP). It ranks among the world's leading producers of copper, lithium, and iodine, as well as agricultural products such as fresh grapes, blueberries, plums, and dried apples. The International Monetary Fund[10] highlights the country's resilience due to its very strong economic policies and fundamentals, which have enabled it to recover from recent shocks. Furthermore, it emphasizes that "the country's policy frameworks are anchored in an inflation targeting regime, a structural fiscal balance rule, a freely floating exchange rate, and a sound financial system backed by effective supervision and regulation." The United Nations' Human Development Index (HDI)[11] for Chile in 2021 (2022 report) was 0.855, keeping it in the "very high" human development category and leading among countries in Latin America and the Caribbean.

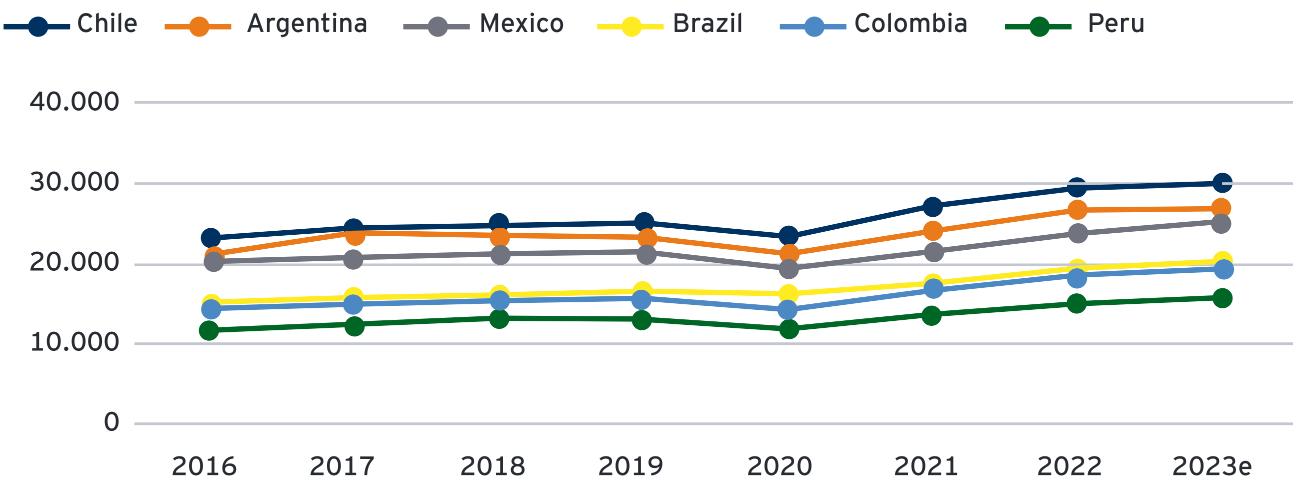
Indicator	Chile
Gross Domestic Product 2023 Q2 (Current prices, USD, million, Last 12 months)[1]	$317,489
Gross Domestic Product 2022 (Current prices, Purchasing power parity, International dollars, million)[2]	$579,409
Per Capita Gross Domestic Product 2023 (Current prices, Purchasing power parity, International dollars)[1]	$29,934.53
International Reserves 2023 (USD, million)[3]	$46,317
Foreign Debt 2023 Q2 (USD, million)[4]	$230,972
Foreign Debt 2023 Q2 (% of GDP)[4]	68%
Total Public Debt 2023 Q2 (USD, million)[5]	$126,569
Total Public Debt 2023 (% of GDP)[6]	37.2%
Unemployment Rate (moving quarter of Sept. to Nov. 2023)[7]	8.7%
Population below poverty line 2022[8]	6.5%
Minimum Monthly Wage since september 2023 (USD aprox)[9]	$524

1. Cuentas Nacionales. Banco Central de Chile.
2. World Economic Outlook Database. October 2023. International Monetary Fund.
3. Activos de reserva. Banco Central de Chile.
4. Balanza de pagos. posición de inversión internacional y deuda externa. Resultados al cierre del tercer trimestre 2023. Banco Central de Chile.
5. Deuda por instrumento. Banco central de Chile.
6. Deuda pública en relación al PIB. Banco Central de Chile.
7. Boletín estadístico: empleo trimestral. Instituto Nacional de Estadísticas. Trimestre septiembre - noviembre 2023.
8. Resultados pobreza por ingresos CASEN 2022 (Socioeconomic National Survey)
9. Labour Directorate
10. IMF Executive Board Concludes Review of Chile's Flexible Credit Line Performance
11. Human Development Report 2022. United Nations Development Programme.

1.3.2 Per capita

Chile has the third-highest GDP per capita (PPP) in Latin America following Puerto Rico and Panama*. According to the International Monetary Fund (IMF), the country will end 2023 with a GDP per capita in current dollars at purchasing power parity of $29,613, and next year it will surpass the $30,000 mark, a goal achieved by only one in every 3 countries in the world[2].

Per capita gross domestic product. Purchasing power parity. International dollars [1].



Source: World Economic Outlook Database. October 2023, IMF

1. World Economic Outlook Database. octubre 2023. Fondo Monetario Internacional.
2. FMI: PIB per cápita de Chile llegará a US$30 mil en 2024, pero será superado por Uruguay en 2026, La Tercera, 11 abril, 2023

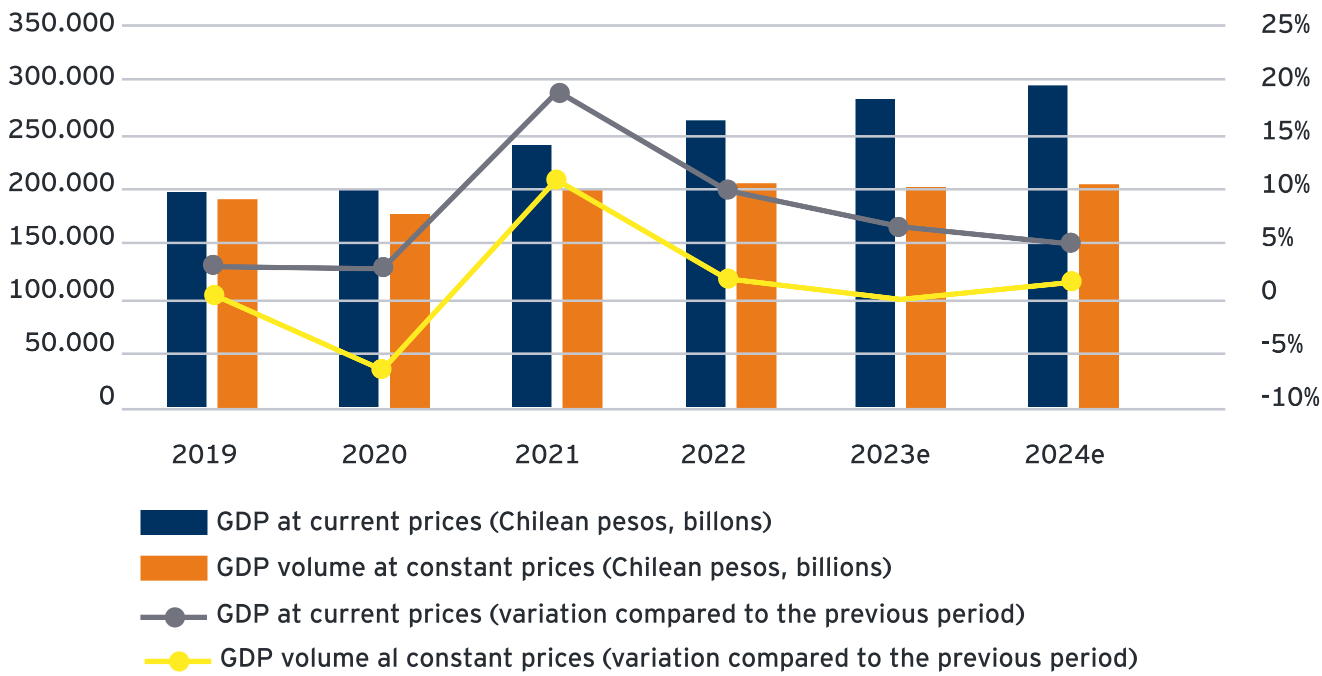
1.3.3 Growth expectations

Regarding GDP growth, after a rebound of 11.7% in 2021, its highest annual increase on record, the economy has been readjusting. As pandemic stimuli were withdrawn, the labor market weakened, demand normalized, and the policy interest rate was raised significantly, among other factors, leading to a sharp deceleration in the economy.

The year 2022 ended with a growth rate of 2.4%, and 2023 closed with 0.2% growth. In 2024, it will range between 1.25% and 2.25%, and in 2025, between 2% and 3%[3].

The Monthly Economic Activity Index (Imacec) of January expanded by 2.5% compared to the same period of the previous year. This is the best figure since June 2022[4]. The Central Bank states that local activity and demand are still evolving as expected[5].

Gross Domestic Product, Levels and Growth



Source: National Accounts, Central Bank of Chile

3. Informe de Política Monetaria diciembre 2023. Banco Central de Chile.
4. IMACEC. Banco Central de Chile
5. Reunión de Política Monetaria – octubre 2023

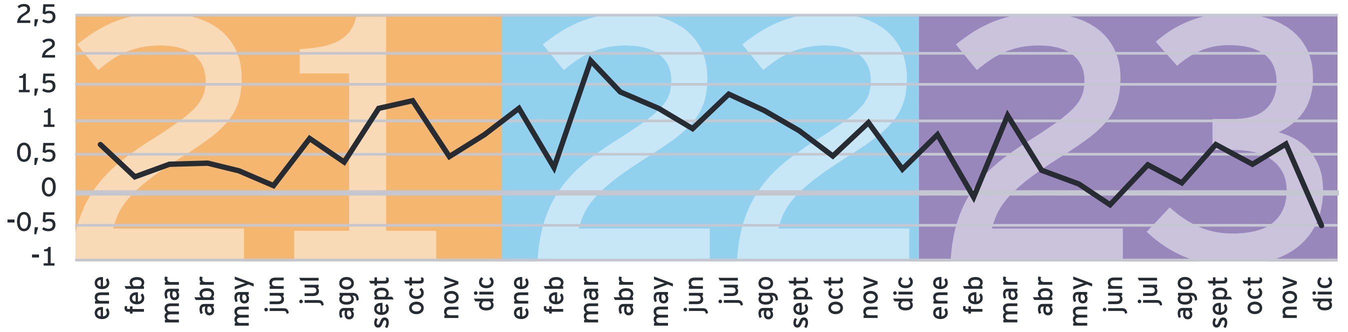
1.3.4 Inflation and exchange rate

In Chile, the Central Bank is the agency in charge of ensuring low and stable inflation over time. It structures its monetary policy within a conceptual framework of targets and uses instruments to ensure that the annual variation in inflation is around 3% with a tolerance range of one percentage point. This policy is complemented by a flexible exchange rate regime.

Chile has not been an exception to the high inflation that has affected several economies. Both international and local factors contributed to the Consumer Price Index (CPI) reaching double digits in 2022. However, a robust monetary policy response and inherent economic adjustments have helped bring down inflation. 2023 closed with an annual variation of the total CPI of 3.9% and is expected to converge to 3% during the second half of 2024[1]. In this scenario, the Central Bank of Chile decided in July to begin lowering the policy interest rate. By December, it had reached 7.25%, down 400 base points since July[2], and this downward trend is expected to continue.

Chile adopted a fully flexible exchange rate regime in the late 1990s and since then, the Central Bank only intervenes in the foreign exchange market occasionally. In recent times, both internal and external uncertainty factors have led the Chilean peso to increase its volatility.

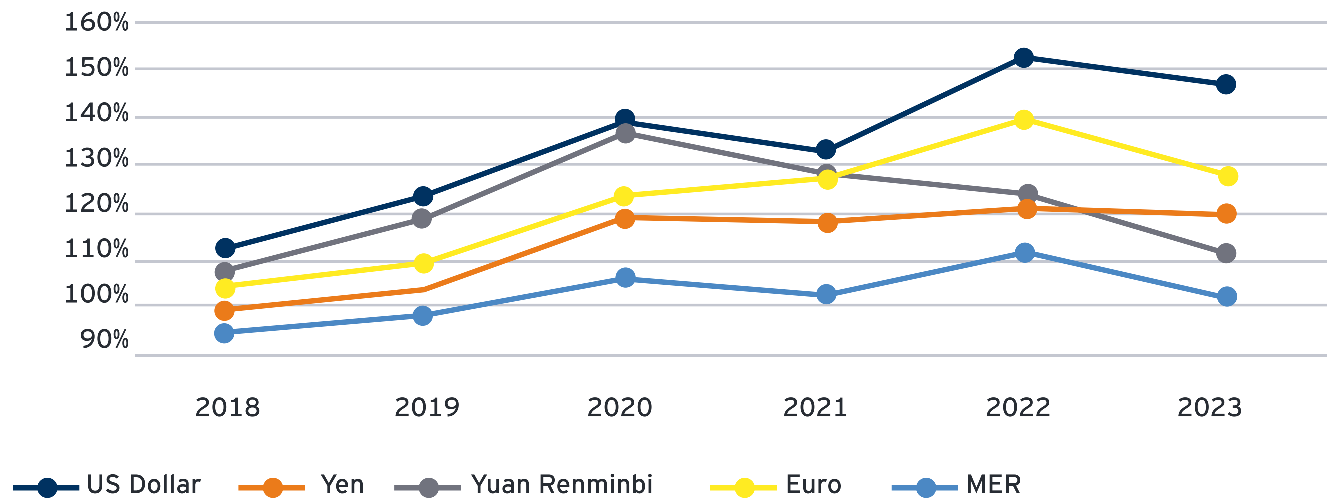
General CPI 2018=100. Monthly Variation



Source: Consumer price index, Central Bank of Chile

1. Consumer price index. Central Bank Chile
2. Monetary Policy Report December 2023. Central Bank of Chile.

Evolution of Multilateral Exchange Rate (MER[4]) and International Currencies[5] (baseline 2014=100)



Currency Exchange – CLPs per curency

Currency	2019	2020	2021	2022	2023
US Dollar	702.63	792.22	759.27	872.33	839.07
Euro	786.35	902.68	897.37	917.59	907.21
Yen	6.45	7.42	6.91	6.67	5.98
Yuan Renminbi	101.61	114.2	117.74	129.54	118.40
MER	106.4	114.95	111.16	120.59	110.57

Source: Central Bank of Chile

4. Nominal exchange rate (pesos per unit of foreign currency). Central Bank of Chile.
5. Multilateral exchange rate Chile. Central Bank of Chile.

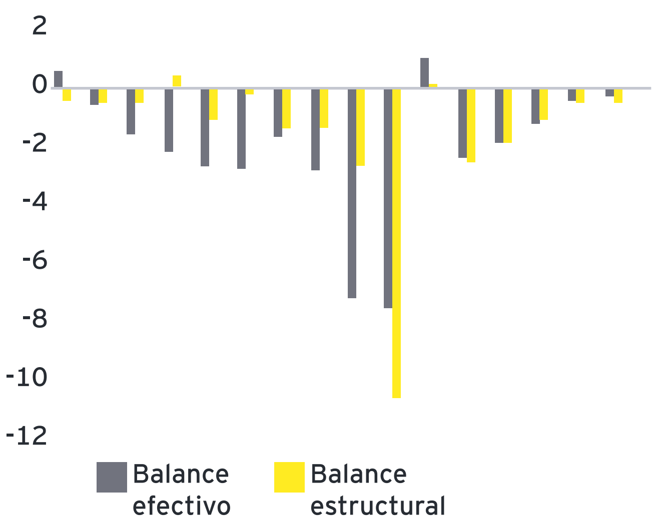
1.3.5 Fiscal accounts

Since 2001, Chile's fiscal policy has been guided by a rule based on a cyclically adjusted balance (CAB), better known as the Central Government's structural balance rule complemented by a sovereign stabilization fund. This policy puts the focus of the Treasury's situation in a medium-term perspective, instead of its current situation.

However, in recent years, Chile suffered a deterioration in its fiscal accounts. Nevertheless, at the end of 2022, the effective fiscal balance of the Central Government represented 1.1% of the Gross Domestic Product (GDP). It was the first surplus in a decade and the largest in 11 years[1]. In December 2023, fiscal deficit is expected to reach of 2.4% of the GDP (year over year)[2].

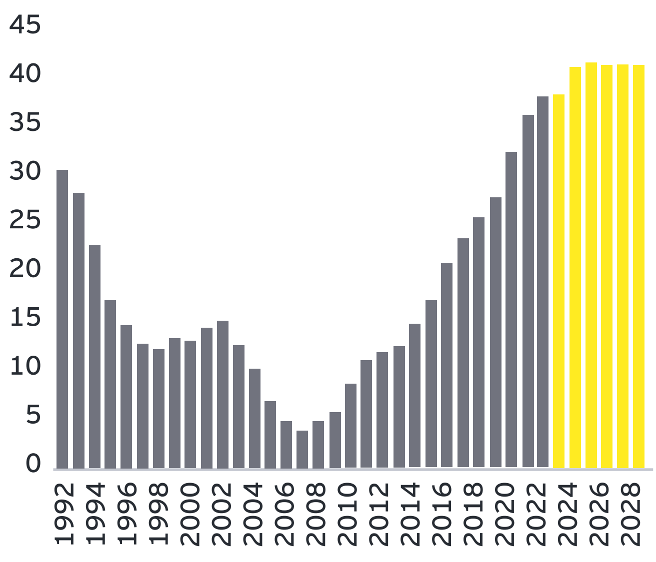
The debt is projected at 38,2% for 2023 and then stabilize at approximately 41,3% of the estimated GDP by 2026, a figure below the recommended Prudent Debt Level of 45% outlined in the same Fiscal Policy Decree. These numbers are still much lower than most of the region and most developed countries (e.g., the Euro Area's is 95.6%)[3].

Fiscal balance: previous results and projections



Source: Budget Office (Dipres)

Assessment of public debt



Source: Budget Office (Dipres)

1. Budget Office (Dipres), Public Finance
2. La Tercera, 31st of January, 2024
3. Informe de finanzas públicas, cuarto trimestre 2023

1.4
Economic Sectors and Balance of Trade

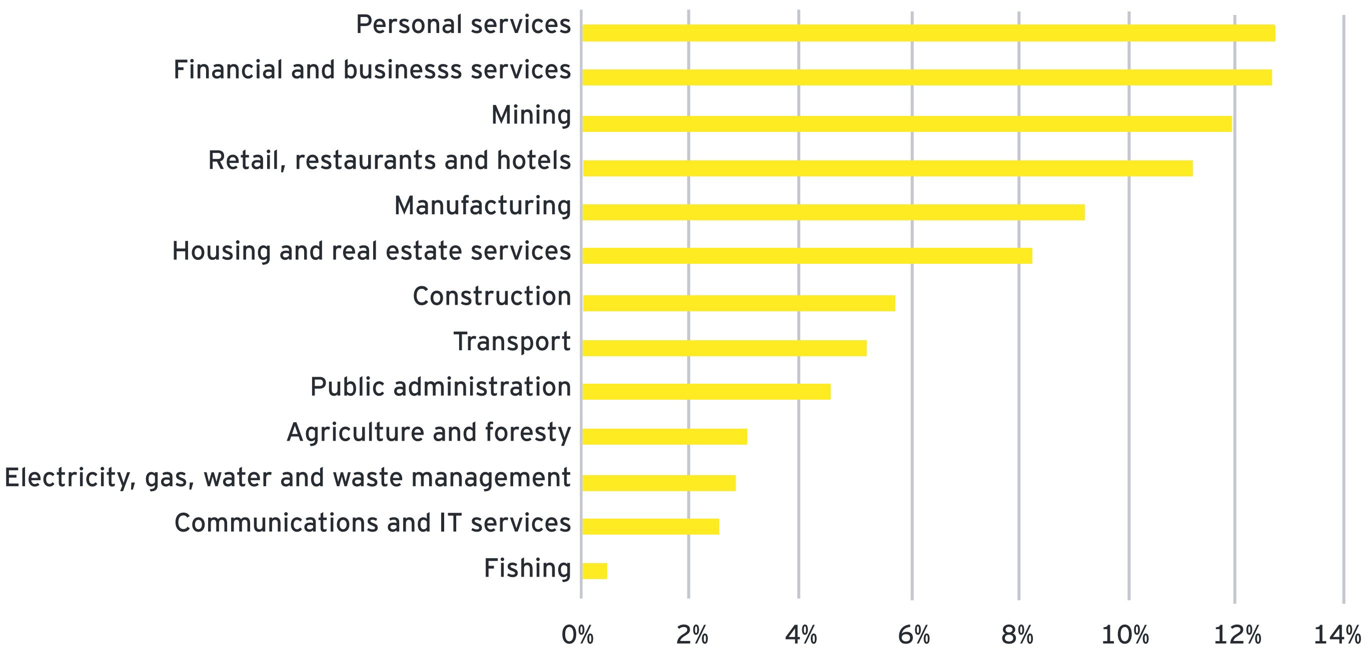
1.4.1 Main economic sectors

Chile is the world's leading producer of copper and growth in GDP is driven by exports of minerals, wood, fruit, seafood and wine.

In 2022, services, wholesale and retail trade, and electric power generation are showing resilience or positive trends, the construction sector is facing challenges. Overall GDP is closed at 0.2% in 2023.

However, in 2023 the economy began to show a significant slowdown. As of December 2023, economic activity fell 1%, which is explained by the decrease in the commerce (-3.8%) and manufacturing industry (-3.2%) sectors. On the other hand, the services sector ended with an increase of 1.8%[2].

GDP by economic sector, 2023, percentage of GDP



Source: GDP by class of economic activity, at current prices, spliced series, 2018 benchmark (billions of pesos), Central Bank of Chile

1. IMACEC. Central Bank of Chile.
2. IMACEC December 2023. Central Bank of Chile.

1.5

Low Credit Risk

PHOTO: CODELCO

Chile continues to be the country in the region with the lowest credit risk and the best rating from risk rating agencies. Although the global situation poses an uncertain scenario for all economies, the country continues to show leadership in terms of payment conditions, with solid legal and political institutions.

Debt rating in Latin America[1]

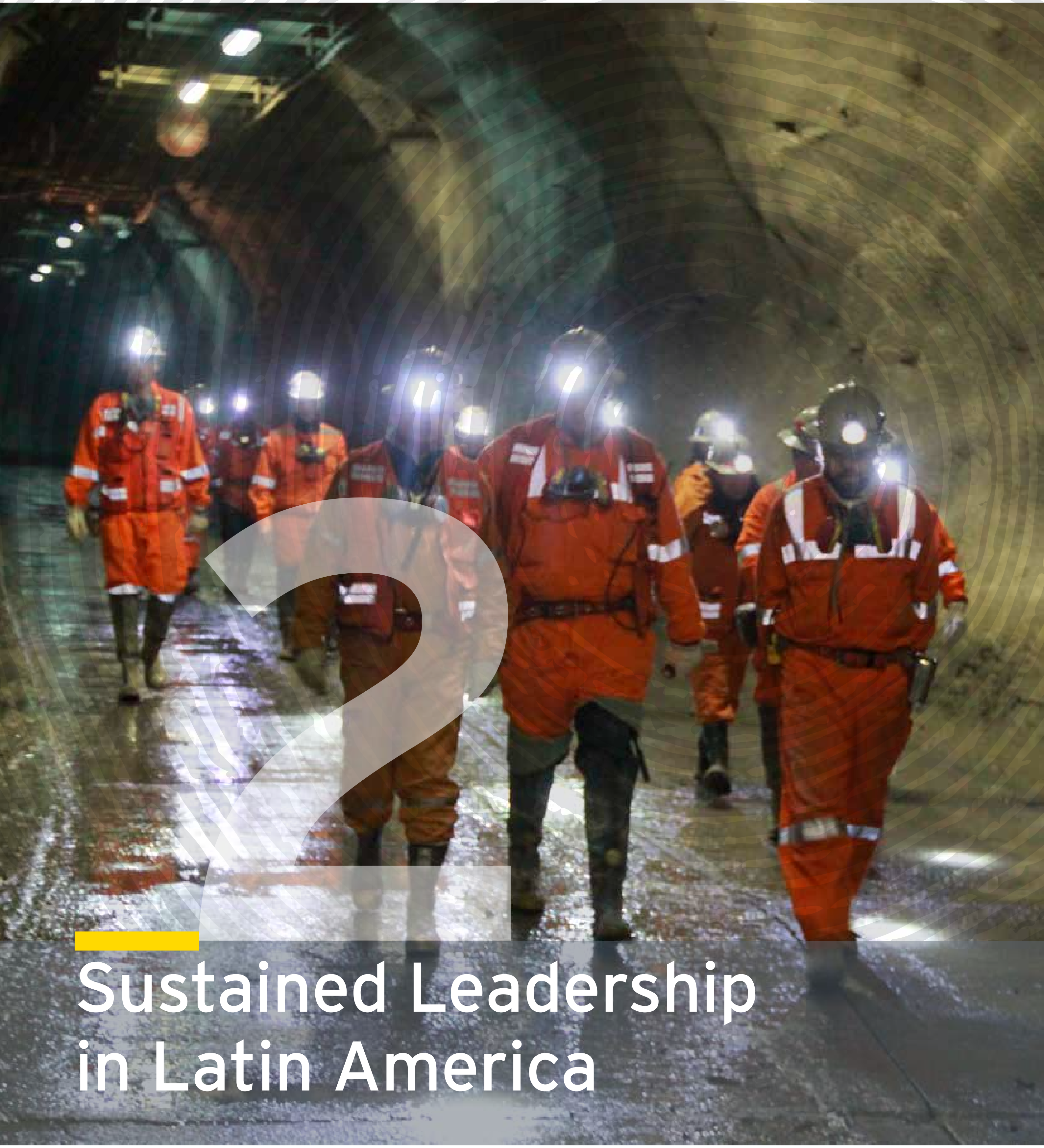
Country	Moody´s	S&P	Fitch
Chile	A2	A	A-
Peru	Baa1	BBB	BBB
Mexico	Baa2	BBB	BBB-
Colombia	Baa2	BB+	BB+
Uruguay	Baa2	BBB+	BBB-
Brazil	Ba2	BB-	BB-
Bolivia	Caa1	NR	B
Ecuador	Caa3	B-	B-
Argentina	Ca	CCC-	C

1. Country debt rating (foreign currency, long term). Latest information available as of January 2024. Expansion (Datosmacro.com).

Risk rating description[2]

Quality	Moody´s	S&P	Fitch
Highest quality	Aaa	AAA	AAA
High quality	Aa1	AA+	AA+
High quality	Aa2	AA	AA
High quality	Aa3	AA-	AA-
Upper-medium-grade	A1	A+	A+
Upper-medium-grade	A2	A	A
Upper-medium-grade	A3	A-	A-
Lower-medium-grade	Baa1	BBB+	BBB+
Lower-medium-grade	Baa2	BBB	BBB
Lower-medium-grade	Baa3	BBB-	BBB-
Speculative non-investment grade	Ba1	BB+	BB+
Speculative non-investment grade	Ba2	BB	BB
Speculative non-investment grade	Ba3	BB-	BB-
Highly speculative	B1	B+	B+
Highly speculative	B2	B	B
Highly speculative	B3	B-	B-
Substantial risk	Caa1	CCC+	CCC+
Substantial risk	Caa2	CCC	CCC
Substantial risk	Caa3	CCC-	CCC-
Extremely speculative	Ca	CC	CC
Extremely speculative			C
Little prospect of recovery		SD	RD
In default	C	D	D
In default			DD
In default			DDD
Not rated	WR	NR	

2. Description of risk classifications. Expansion (Datosmacro.com).



2

Sustained Leadership in Latin America

PHOTO: CODELCO

Chile has consistently been recognized as the economy with the best business climate in Latin America over the past decades. The World Bank traditionally ranks the country at the top of its Doing Business index regionally, while the Institute for Management Development (IMD) positions it as #1 in Latin America in its Competitiveness ranking (No. 44 globally)[1].

Thanks to its international economic openness, a state policy maintained since the 1990s by various governments, Chile is also one of the most connected and open economies to the world. The country has 33 active trade agreements with 65 economies, representing 88% of the world's GDP and 63% of the global population, allowing products produced within its borders to enter major global markets under advantageous tariff conditions[2].

Furthermore, Chile has the highest per capita productivity in Latin America and leads the region in global talent[3].

As a member of the OECD since 2010, Chile is recognized as one of the economies that invests the most in education. As of 2019, Chile allocated 6.5% of its GDP to educational institutions, a figure significantly higher than the OECD average of 4.9%. Moreover, between 2008 and 2019, this investment grew by 62%[4]. Currently there are over 1.3 million students enrolled in higher education, with over 270,000 graduating annually.

Chile has also solidified its leadership in Latin America in areas such as digital connectivity, including the pioneering implementation of 5G, early adoption of new technologies, and the world's fastest fixed internet speed[5]. These advancements have positioned Chile as a regional digital hub. Additionally, Chile excels in the generation of green energy, a status confirmed by Bloomberg's Climatescope ranking, which identifies Chile as one of the top emerging economies for investing in clean energy[6].

The ease of setting up businesses is also a notable factor in the country. More than 900,000 companies were created through the 'Your Company in a Day' program of the Ministry of Economy between 2013 and 2022, representing over 350 new companies per day.

The long-term efforts in entrepreneurship and venture capital promotion have transformed Chile into 'one of the countries with the best conditions for entrepreneurial activity,'[7] also leading the Global Innovation Index since 2007[8].

PHOTO: TECK

1. https://www.imd.org/centers/wcc/world-competitiveness-center/rankings/world-competitiveness-ranking/
2. https://www.subrei.gob.cl/
3. Índice de Competitividad de Talento Global.
4. https://read.oecd-ilibrary.org/education/education-at-a-glance-2022_a9164c19-es#page3
5. Speedtest Global Index
6. https://www.global-climatescope.org/results/
7. GEM 2022-2023
8. WIPO 2022

2.2.1 New approach: key opportunities for global challenges

In recent years, the Chilean Government has focused its efforts on promoting investment opportunities in key sectors addressing global challenges such as climate change and the digital revolution. This stems from decisions made by the country as a state, which have remained consistent across successive governments, and are now being realized through specific strategies.

One of these strategies launched this year is the National Lithium Strategy, which aims to leverage the country's natural conditions, that holds 48% of global lithium reserves, through public-private partnerships. The document serves as a roadmap for developing capacities, institutions, and regulations to provide interested companies with concrete opportunities to participate as partners of the state. The Government's goal is to increase the country's lithium production sustainably, respecting the environment and communities, and ensuring value addition that secures greater benefits for Chileans.

Regarding green hydrogen production, Chile's goals are ambitious. It aims to produce the world's lowest-cost hydrogen by 2030 and be among the top three global hydrogen exporters by 2040. According to projections by the Ministry of Energy, this industry could generate up to US$330 billion in private investment opportunities and exports worth around US$30 billion per year by 2050[9].

The country is also making rapid strides towards electromobility. Chile currently boasts the second-largest fleet of electric buses globally, with vehicles constituting 31% of the total public transportation fleet in the Metropolitan Region, the largest in the country. Santiago alone has 2,000 electric buses, and the goal is for the entire public transportation system in the country to be electric by 2040.

The progress in sectors such as technological infrastructure is evident in InvestChile's portfolio, the agency for promoting foreign investment, which has evolved from supporting 13 projects worth US$508 million in 2016 to a current portfolio exceeding US$5.6 billion, encompassing more than 225 projects.

2.2.2 Foreign Direct Investment Flows and Stock

According to figures from the Central Bank, in 2023, Chile received foreign direct investment (FDI) flows equivalent to US$20,365 million. This is the second highest figure since 2015, being surpassed only by the US$ 20.865 billion reached in 2022. This result is 24% higher than the average of the last five years (US$ 16.438 billion).

This figure is set within a context where foreign direct investment flows into developing economies fell by 9%, according to UNCTAD[10], due to global economic uncertainty and higher interest rates, making 2023 a particularly challenging year for investment attraction.

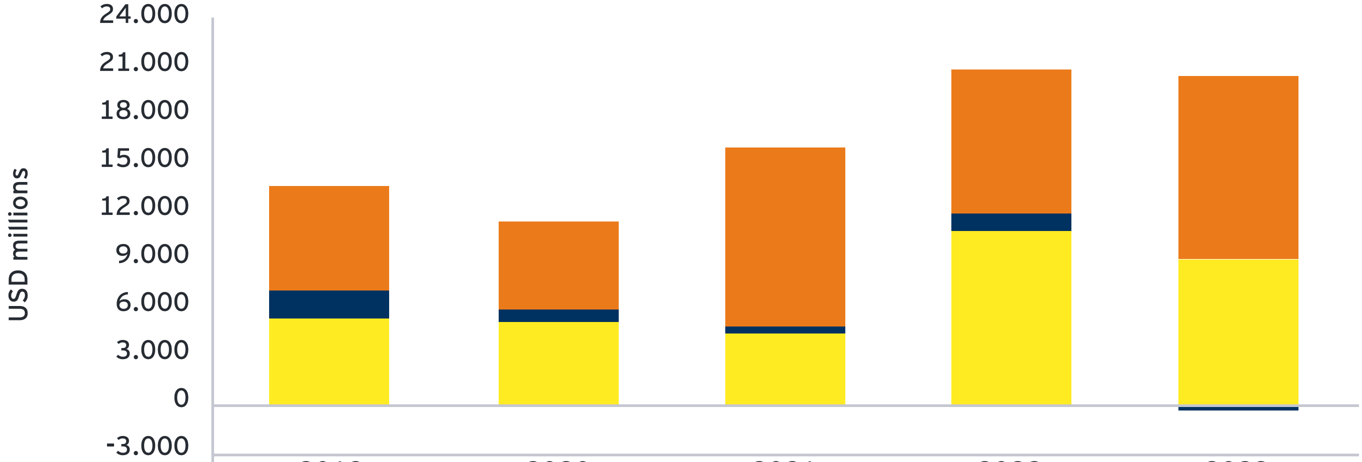
It is noteworthy that the most important component of the cumulative FDI flow was Capital Shares with US$11.500 billion, representing fresh resources entering the economy. In second place was Profit Reinvestment, with a cumulative record of US$8.912 billion. Debt instruments, on the other hand, showed a negative flow of US$47 million.

Of particular significance in these figures is the annual record of Capital Shares, representing the highest figure in the historical series from 2003 to 2023.

The most considerable operations announced in 2023 were related to the mining, financial services, and energy sectors.

9. Estrategia Nacional del Hidrógeno Verde.
10. https://unctad.org/publication/global-investment-trends-monitor-no-46

Foreign Direct Investment by Component (USD million)



	2019	2020	2021	2022	2023
Contribution	6.361	5.245	10.990	8.851	11.500
Debt	1.846	936	415	1.237	(47)
Reinversion	5.372	5.267	4.528	10.777	8.912

Source Central Bank of Chile

In terms of stock, or cumulative historical investment in the country, the most recent figures (2022) indicate that it reaches US$274,633 million.

Regarding the origin of the investments, Canada leads the list. According to the Central Bank, Canada's accumulated amounts reached US$36,216 million. In second place is the United States, with a stock of US$25,189 million, followed by the Netherlands (US$21,221 million), the United Kingdom (US$20,005 million), and Spain (US$18,291 million) completing the top five positions.

Foreign Direct Investment Stock by Country of Origin (millions of US$)		
Country	2021	2022
Canada	32,167	36,216
United States	24,814	25,189
Netherlands	21,332	21,221
United Kingdom	18,091	20,005
Spain	16,887	18,291
Italy	12,983	15,872
Belgium	5,383	6,206
Japan	3,017	4,067
Brazil	3,596	3,605
Colombia	3,312	3,225
Bermudas	3,072	3,099
Australia	3,573	2,410
Switzerland	1,790	1,940
France	1,678	1,821
British Virgin Islands	1,446	1,658
Norway	1,231	1,475
Luxemburg	1,240	1,387
Sweden	1,002	1,168
Germany	989	1,073
Panama	691	740
Other Countries	98,174	103,965
Total Stock in USD Bn.	256,468	274,633

Source: Central Bank of Chile

Other countries with significant investments include Italy (US$15,872 million) and Belgium (US$6,206 million) from Europe; as well as Brazil (US$3,605 million) and Colombia (US$3,235 million), leading Latin American FDI in the country. Additionally, Japan (US$4,067 million) and Australia (US$2,410 million) from the Asia Pacific region also made substantial contributions.

Geographically, the Metropolitan region, with US$90,424 million, and Antofagasta, with US$40,190 million, lead in regional FDI stock. Regarding the main sectors, Mining stands out with US$70,893 million, Energy with US$39,855 million, and Financial Services with US$37,042 million. It is worth noting that the mining sector experienced a significant increase during the period, with a flow rising from US$3,589 million in 2021 to US$7,305 million in 2022.

Foreign Direct Investment Flows by Economic Sector of Destination (millions of US$)

Sector	2018	2019	2020	2021	2022
Mining	-1,666	1,482	2,157	3,589	7,305
Electricity, Gas and Water	1,527	3,988	3,860	9,423	3,452
Financial Services	6,736	2,108	136	789	3,322
Communications	422	1,236	-1,603	-277	1,466
Manufacturing	-224	328	-226	167	641
Construction	105	153	1,286	772	456
Agriculture and Fishing	95	184	564	152	267
Other Services	215	-316	169	314	85
Transport and Storage	-309	-203	639	-1,739	83
Hotels and Restaurants	12	7	1	2	15
Real Estate and Business Services	-46	16	10	-13	1
Commerce	159	1,449	1,077	463	-150
Not Assigned	915	3,147	3,376	2,292	3,922
Total	7,941	13,579	11,447	15,933	20,865

Source: Central Bank of Chile

2.2.3 InvestChile's Portfolio

In terms of projects, InvestChile reported -as of the end of 2023- that it is supporting a portfolio comprising investment initiatives in various stages of development, totaling US$33,505 million. The amount corresponds to 450 projects, representing a 18.2% increase compared to the January-December period of 2022.

InvestChile's Projects Portfolio Evolution

At the end of each year

	2018	2019	2020	2021	2022	2023
Amount (USD million)	14,067	17,799	22,289	27,776	28,345	33,505
N° of projects	274	413	500	486	476	450
N° of Jobs	14,998	14,831	15,010	20,686	18,866	18,102

Source: InvestChile

Out of the total amount, US$ 14,716 billion corresponds to investment in materialization (projects already installed and in the development phase in the country). The 103 projects corresponding to this stage generated 5,936 jobs.

InvestChile's Portfolio by Sector

(figures as of December 2023– US$ million)

Sector	Amount
Energy	15,911
Mining and Suppliers	8,175
Global Services and Technology	5,860
Infrastructure	1,476
Miscellaneous	1,107
Food Industry	899
Tourism	56
Finance	21

Source: InvestChile

Foreign companies supported by InvestChile concentrated their investments primarily in three sectors: Energy, with US$ 15.911 billion; Mining, with US$ 8.175 billion; and Global Services with US$ 5.860 billion. In both Energy and Mining, the project amounts grew compared to 2022 by 38% and 57% respectively.

InvestChile's Portfolio by Country

(figures as of December 2023– US$ million)

Country	Amount
United States	9,913
Canada	5,329
China	4,250
Brazil	2,163
Irland	2,016
Norway	1,700
Spain	1,626
Japan	1,293
Germany	1,092
South Africa	955
Others	3,170

Source: InvestChile

Regarding the origin of foreign investment within InvestChile's portfolio, companies from the United States concentrated the highest amount, with US$ 9.913 billion. They were followed by Canadian companies with US$ 5.329 billion, while investments from China ranked third, totaling US$ 4.250 billion. In the case of the United States and Canada, the project amounts increased compared to the previous year's close, by 21% and 90% respectively.

2.2.3.1 InvestChile's Mining Portfolio

Regarding the breakdown of InvestChile's mining project portfolio, initiatives in the Exploitation subsector lead by a significant margin in terms of amount, with US$5,062 million distributed across fifteen projects, followed by exploration projects, amounting to US$2,742 million.

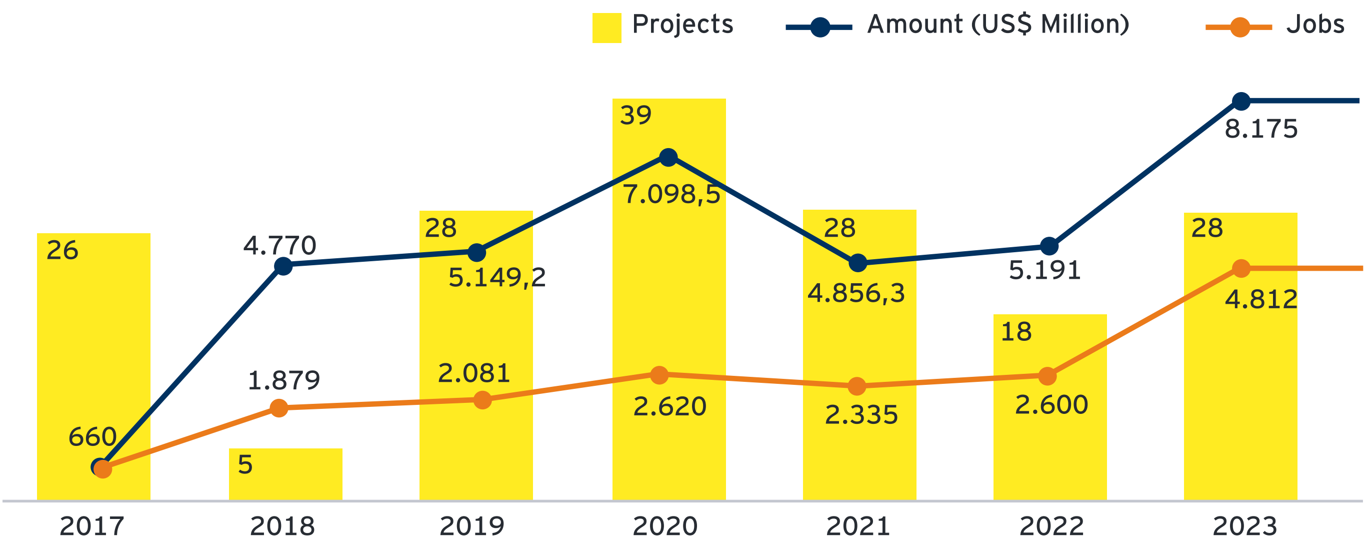
In terms of countries, Canada leads with 47 projects totaling US$5,112 million, followed by Japan with two projects worth US$1,180 million; South Africa with two projects worth US$954 million, , Germany with 6 projects totaling US$503 million. Following are China, Australia, France and Peru.

InvestChile's Mining Portfolio Subsectors
(June 2023, US$ millions)

Subsector	Amount
Exploitation	$5,062
Exploration	$2,742
Industrial production/ general manufacturing	$262
Suppliers of machinery, engineering and technology services (METS)	$79
Other mining projects	$30

Source: InvestChile

The Evolution of InvestChile's Mining Projects Portfolio



Source: InvestChile

It is worth noting that the mining portfolio by the end of 2023 represents the highest amount that the sector has recorded in the agency's portfolio since its foundation. The figure represents a 58% increase compared to the amount recorded during 2022, and a 56% increase in the number of projects.

3 Importance of Chile's mining sector

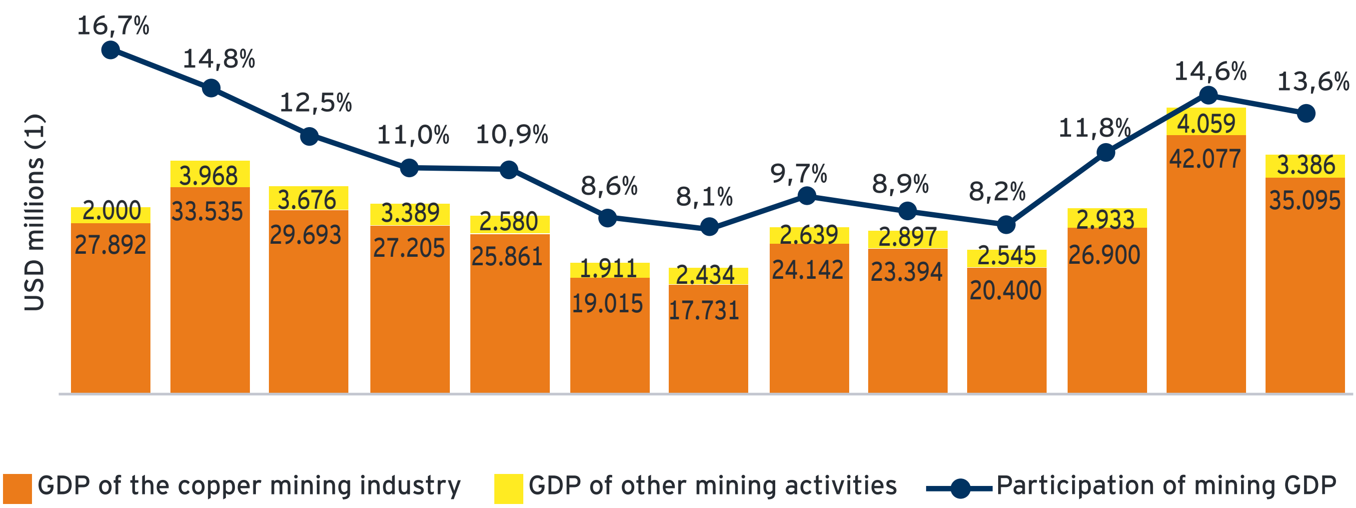
PHOTO: CODELCO

3.1 Contribution of mining to the Chilean economy

Mining is a key economic activity in Chile and one of the main drivers of the country's economic development. Mining has contributed an average of 10% of the country's jobs and 10.5% to Chile's GDP over the last 10 years, exhibiting a positive annual expansion progression of approximately 3% from 2019 to 2021, yet concluding 2023 with a negative downturn, plummeting to 13.6%[1].

Over the past two decades, the mining industry has accounted for an average of 56% of Chile's export revenues and has been the economic sector with the largest contribution to fiscal revenues, with 7% average of the previous five years and reaching an impressive 9% of total fiscal revenue by 2022.

GDP of the mining sector and its contribution to the national GDP



Source: Mining Council based on information from the Central Bank of Chile, 2023[1].

Chile is a very attractive mining destination due to its privileged mineral endowment with large deposits, often at high altitudes and in isolated locations; its investor-friendly regulations and overall economic and political stability; its maturity as a mining jurisdiction with developed roads and port infrastructure, and qualified human resources.

In the last decade, mining was responsible for an average of 15% of investments in the country and is the economic sector with the largest stock of foreign direct investment (FDI): US$ 70 bn. In 2022, FDI accounted for 35% of Chile's mining investment[2].

1. Mining Council – Updated mining figures 2023
2. Chile Foreign Direct Investment: Total | CEIC (ceicdata.com)| Central Bank of Chile

3.1.1 Mining tradition

Chile has a long mining tradition, with coal and silver mines dating back to the 18th century. Saltpeter (a set of nitrogen-containing compounds, including potassium nitrate) began to be mined in the late 19th century, leading to Chile's first mining boom. Between 1900 and 1920, saltpeter contributed about 30% of the country's GDP, and exports rose from US$6.3 million in 1880 to US$70 million in 1928. Chile's first open-pit copper mines — El Teniente and Chuquicamata — began operating in the early 20th century and are still in operation.

3.1.2 Copper mining

Copper drove the next mining boom in Chile in the 1990s, when industrialization and urbanization, mainly in China, led to a sharp increase on its demand. China accounted for 57% of global copper demand in 2022. Chile's copper production has steadily increased over the last decades, but its share of the global copper market has been declining. Nevertheless, Chile has maintained its position as the world's largest producer, contributing with 22% of global copper production in 2023. Cochilco's copper production projections for 2025 are higher than 6Mt[1].

3.1.3 Lithium production

Lithium production in Chile began in the 1980s and the country surpassed U.S. production in 1995, being the largest producer until 2010, when Australia took the lead. Chile holds 36% of the world's lithium reserves and is currently the second biggest producer, with 34% of global production[1].

1. Mining Council – Updated mining figures 2023
2. Mineral Commodity Summaries 2023, USGS
3. Updated mining figures, Dec 2023. Mining Council
4. Cochilco-The Lithium Market – Recent development and projections to 2035
5. Cochilco-Yearbook of Copper Statistics and Other Minerals 2003-2022

Lithium demand had a boost in the last decade due to the use of larger lithium-ion batteries in electric vehicles, which currently accounts for 65%[2] of all global lithium production and is estimated to grow from 656kt to 2291kt by 2032[3]. According to Chile's Department of Studies and Public Policy, lithium production in Chile is expected to have a composed annual growth of 14% until 2032[4]. The current administration is focused on building an institutional framework around lithium and defining how the public and private sectors will collaborate in the future.

3.1.4 Other Mining activities

Chile is also one of the main producers of molybdenum (2nd in the world) and silver (7th)[1]. The country also has gold and iron ore production, but they are less relevant when compared to other minerals.

Molybdenum is a by-product of copper mining. Silver and gold are contained in copper ores as well but are also mined separately.

3.1.5 Mining companies in Chile

- Today Chile hosts the operations of the world's largest miners. These include Albemarle, SQM, Codelco, BHP Billiton, Antofagasta Minerals, Goldfields, Anglo American, Freeport McMoRan, Glencore, KGHM, Lundin Mining, Rio Tinto and Teck Resources, among others.
- Chilean mining companies backed by national capital are led by state-owned Codelco, which is the world's largest copper producer, accounting for more than 25.2% of Chilean copper production and one of the main molybdenum producers, accountable for 21% of Chilean molybdenum production[5]. Other relevant companies backed by domestic capital are: Antofagasta Minerals (AMSA): Chile's fourth-largest copper producer, with almost 13 % of Chilean copper production[5].

- Sociedad Química y Minera de Chile (SQM) is the world's second largest producer of iodine, lithium carbonate, and potassium nitrate, and is responsible for approximately half of Chile's lithium production.
- Compañía Minera del Pacífico (CMP) and other mining operations of Compañía de Aceros del Pacífico (CAP) control virtually all of Chile's ferrous metals production.

There are also many medium and small-scale producers in Chile that rely on the support of the National Mining Company (Empresa Nacional de Minería, ENAMI, by its Spanish acronym) to smelt, refining and sell their production.

3.1.6 Future of mining sector

Chile's mining sector is expected to continue to play an important role in the country's economy, as demand from emerging economies for base metals, such as copper, is expected to remain strong for the foreseeable future. In addition, the strong trend to reduce GHG emission and the electrification of vehicles, which will require a boost in copper and lithium production in the next decades, will further its demand. Copper by-products, such as gold, silver and molybdenum, will also contribute to support growth, but with lower relevance.

However, operating in Chile has its own challenges. These include lower grades and high production costs. Some of these challenges will be discussed later in this paper exploring the risks and opportunities for the Chilean mining sector.

1. Mining Council – Updated mining figures 2023

3.2

Mining potential

Reserves and production.

Chile not only has the world's1 largest reserves of copper (~190k Mt, 23% of global) and lithium (9.3Mt, 36% of global), but also significant deposits of other commodities.

Type of mineral	Production in Chile, metric tons (1)	Share of global mining production	Ranking in global production	Share of global reserves
Lithium	230 kt LCE	24%	2	33%
Coper	5.271 miles TM	24%	1	19%
Molybdenum	44.118 TM	17%	2	9%
Gold	37 TM	1%	>15	7%
Silver	1.378 TM	5%	7	4%
Iron	11 millones TM	0,7	>15	n.d.

(1) Production up to 2023 for all elements in the table. All elements based on metal content.

Source: Mining Council based on information from the US Geological Survey, Sernageomin, and Cochilco, 2024.

Chile's main deposits are in the north, where most of its copper, gold, silver and iron ore mines are located. Lithium reserves are concentrated in the Antofagasta and Atacama regions and are found in brine deposits and caliche minerals contained in salt flats and arid zones, respectively.

The country is by far the world's largest copper producer, with 24% (5.251kMt) of global production[1], followed by its neighbor, Peru, with 12% of global production. Chile is home to the two largest mines in the world: Escondida (4.8% of global production) and Collahuasi (0.3%). Five other mines are among the top 15 producers, accounting approximately for 2% of world production each: El Teniente (10th), Chuquicamata, Los Bronces and Los Pelambres (tied in 11th) and, finally, Radomiro Tomic (15th) [2].

Between 1995 and 2010, Chile was the top lithium producer and currently ranks in second position, with 30.2% (39kt) of global lithium production, right behind Australia (47.2%) and followed by China (14.7%). Albemarle Corporation is the world's largest lithium producer and operates in the north of Chile in partnership with the second biggest producer, SQM (Sociedad Química y Minera de Chile), a private owned company. Salar de Atacama is home to almost a quarter of the world's current lithium supply and has been operating since the 1980s[3].

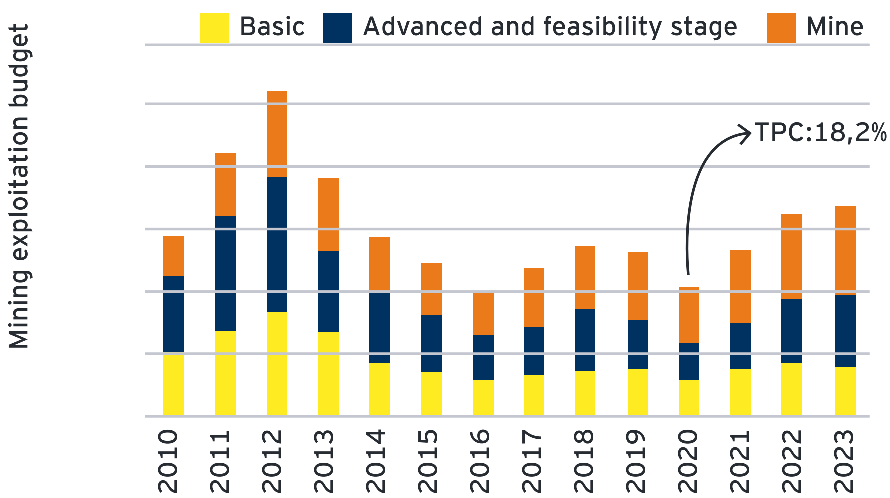
3.2.1 Exploration projects

The rise in mining and metals commodity prices experienced in 2022 and relative price stability in 2023 and beginning 2024, associated with softer COVID-19 restrictions, motivated a recent global increase in the 2023 exploration budget, reaching US$12.7bn globally. Chile registered an exploration budget of US$ ~833M (6.5% of the global budget) in 2023, ranking 4th globally, behind the US, Canada, and Australia. Chile is the main exploration destination in LATAM (24.7% of the regional budget), followed by Mexico (18.6%) and Peru (14.6%)[4].

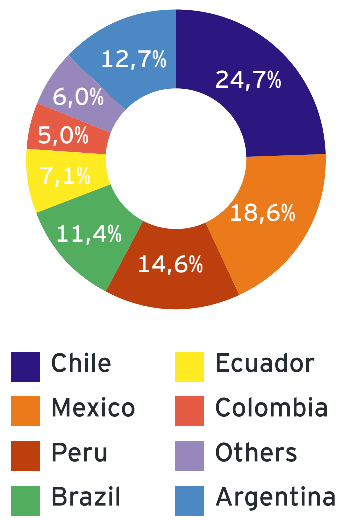
1. Mining Council – Updated mining figures 2023
2. The world Copper factbook 2023
3. Visualizing 25 Years of Lithium Production, by Country
4. Cochilco-Yearbook of Copper Statistics and Other Minerals 2003-2022

Exploration budget in Latin America

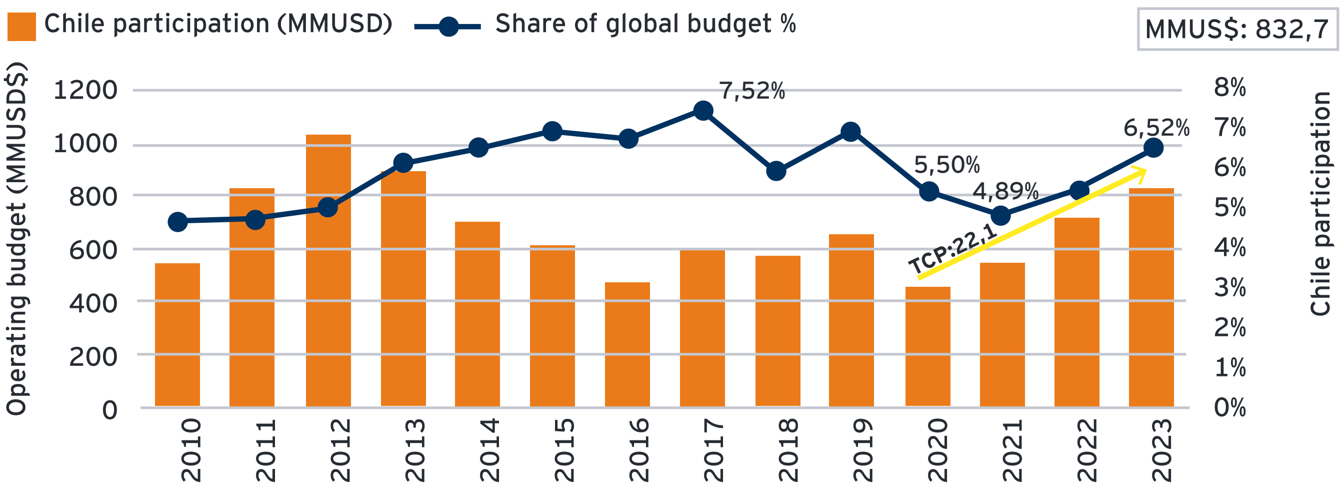
Exploration budget in Latin America by progress status



Participation by country of the budget in exploration 2023 in LATAM: MMUD$3.370,9



Source: Developed by Cochilco based on S&P Global 2023 data



Source: Developed by Cochilco based on S&P Global 2023 data

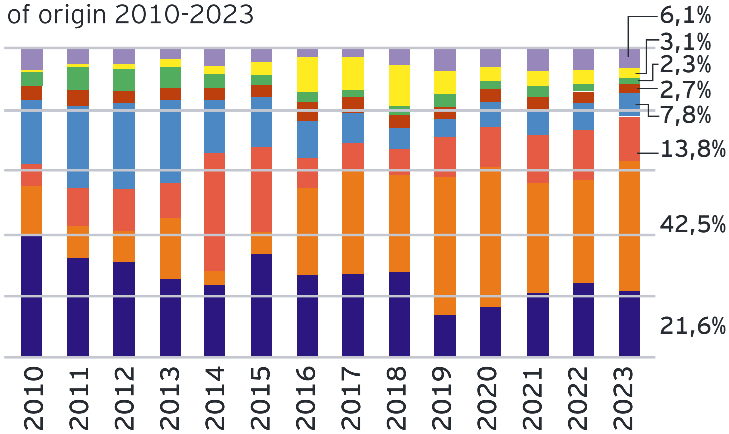
In 2023, Copper continued to be the most relevant mineral with 82.2% of the Chilean exploration budget, followed by gold (13.3%) and other minerals with the remaining 4.5-4.9%[1].

UK based companies represented the highest investment in explorations in Chile in 2023, accounting for 42.5% of the exploration budget, followed by Canadian companies (21.6%) and local companies (13.8%)[1].

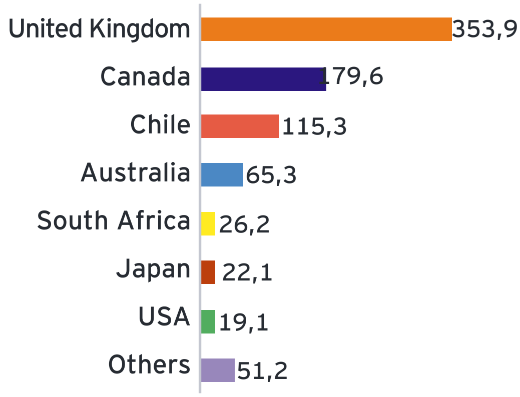
Regarding exploration initiatives, more than half (53.1%) had copper as a target mineral, followed by gold (25,7%) and lithium (10.6%)[1].

Annual exploration budget in Chile by country of origin

Share of exploration budget in Chile by country of origin 2010-2023



Exploration budget in Chile by country of origin in 2023

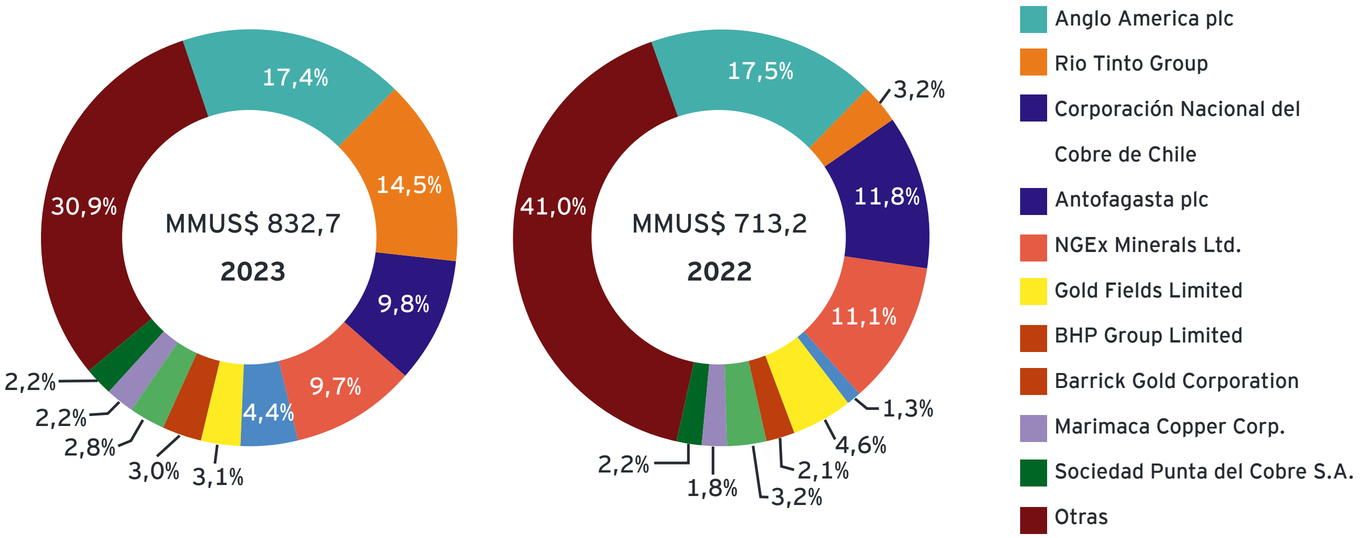


Source: Developed by Cochilco based on S&P Global 2023 data

1. Cochilco - Registry of explorer companies 2023 - Final

Anglo American was the company with the highest exploration budget (17,5%), followed by Antofagasta Minerals (11,8%) and CODELCO (11,1%)[1].

Share by mining company in the exploration budget in Chile



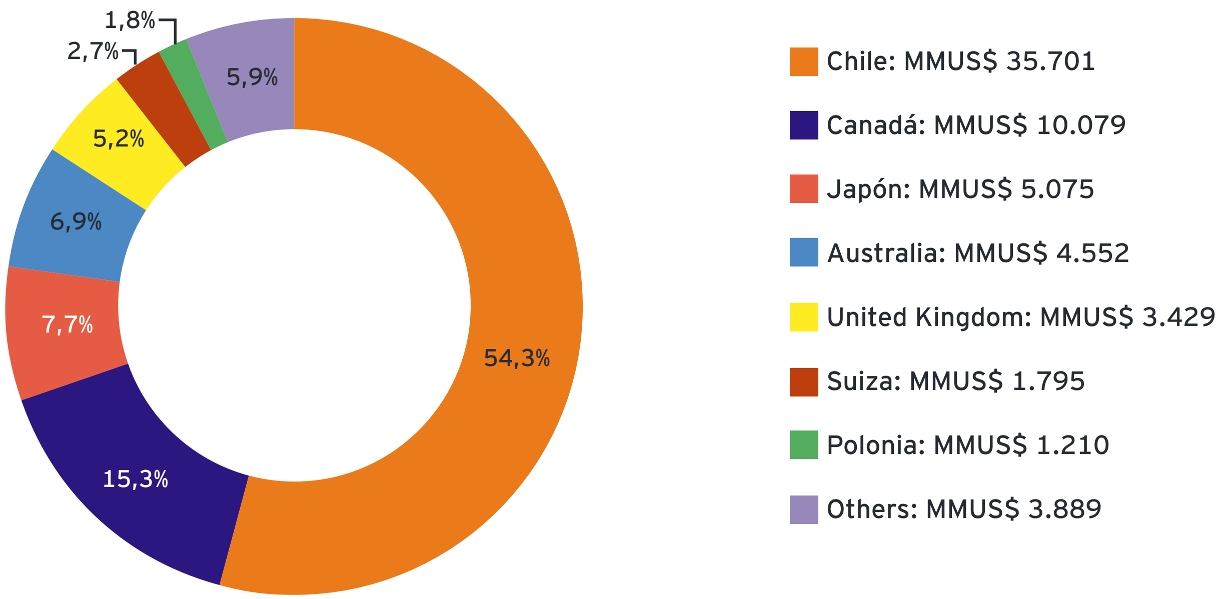
Source: Developed by Cochilco based on S&P Global 2023 data

1. Cochilco - Registry of explorer companies 2023 - Final

3.2.3 Projects portfolio

Almost half of the funds come from Chile-based companies, with Codelco and AMSA being accountable for most of the national investments. Canadian companies Teck, Capstone Copper, Los Andes Copper and Kinross are accountable for 15.3% of the investments. Japan is the fourth largest investor with 7.7% of the funds coming mainly from Sumitomo Metals and Mitsubishi Corp. Anglo American places the United Kingdom in fifth position, with 5.2%[1].

Total investment portfolio by country of origin



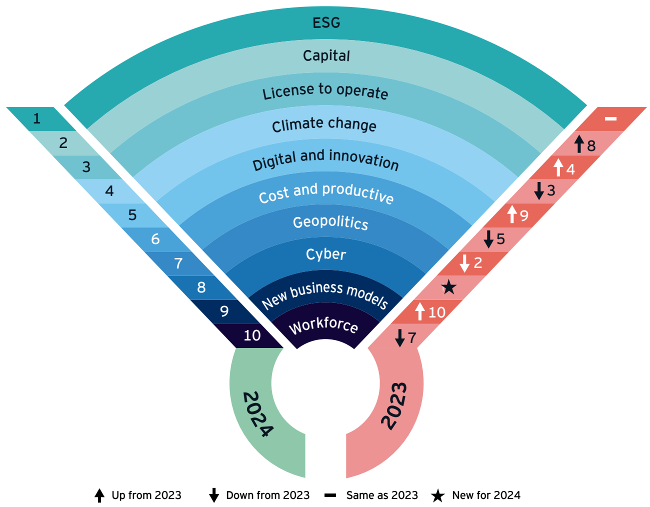
Source: Cochilco's information based on publicly available information

1 Cochilco-Investment in Chilean Mmining 2023

3.3

EY Top 10 business risks and opportunities for mining and metals in 2024 - Implications for Chile

EY'sTop 10 business risks and opportunities for mining and metals report for mining is an annual publication based on research, data analysis, and expert interviews, which provides offering insights into industry trends and informs strategic decision-making for mining companies and stakeholders. Comprehending the opportunities and risks within the mining industry is crucial for making informed strategic decisions related to investments and the initiation of new business ventures. It aids in pinpointing potential challenges and growth opportunities. Utilizing this valuable data, companies can take advantage in their decision-making processes concerning investment strategies, effective risks management, and the identification of areas with innovation potential. This understanding allows business to anticipate market trends, thus positioning themselves for immediate success and long-term sustainability in the mining sector.



Trend 1: ESG

Being one of the primary factors for adjusting mining operations to the requirements of communities, society, and the environment, its benefit in applying this standard is proportional to the effort committed by each mining company, thus generating a responsible and sustainable transitions over time accompanied by milestones connecting operations with their surroundings scenarios.

Chile has implemented strict environmental regulations for the mining industry, demanding investments in clean technologies and environmental management systems with the goal of developing a sustainable and economically viable industry, as established by the National Mining Policy 2025 (Política Nacional Minera 2025). Water management represents a critical challenge, with risks such as limited access and increased costs for treatment, storage, and pumping to industrial facilities. Social acceptance is crucial, where it's lack can trigger protests and serious operational stoppages, emphasizing the importance of transparent, direct communication and alignment with community commitments. Governance and transparency are essential to mitigate risks of reputations and corruptions, maintaining safety and ensuring the confidentiality of the operations.

Within the opportunities engaging in the ESG dimension, there is a high demand for metals such as Copper and Lithium, where Chile positions itself as a strategic producer for the energy transitions and electromobility driver, which fully aims at the care of the environment, people, and new policies that will allow an appropriate management of local and global change regarding resources and new technologies.

The governmental plan of the National Mining Policy 2050 provides guidelines for mining companies with operations in Chile, to direct their development towards a more sustainable, competitive, and inclusive industry, positively impacting each factor of the ESG. In terms of the environment, the plan aims at sustainability and protection of the environment together with a circular economy approach. Socially, it seeks to develop inclusion and community development accompanied by health and safety for people with high standards and regulatory practices. Regarding governance, it applies transparency and business ethics to comply with national and international regulations to fight against corruption.

Trend 2: Capital

Financial markets currently have greater volatility compared to the past years due to historical events such as tensions in the banking of the U.S. which generated greater liquidity due to low rates and increased inflation, as well as the war in Ukraine and recession risks due to geopolitical challenges or resources impacted the value of metals and supplies. Changes in tax legislation or in financial regulations increase operational costs affecting the attraction of investors in the mining sector.

For staring projects or new companies looking to join the competition, access to capital is limited by higher risk to mining investment due to its high financing and greater regulations such as the new Mining Royalty Law which was projected in 2023 to be 0,45% of the GDP from the start of the year 2024[1].

1. Ministry of the Interior and Public Security (News: President Boric Promulgates Mining Royalty Law)

As for opportunities in capital, there is a growing availability of financing aimed at projects that are sustainable, representing an opportunity for companies seeking investment in energy efficiency, sustainable mining practices, and renewable energies.

In relation to foreign investment in Chile, it remains attractive especially in the mining, energy, and technology sectors due to its economic and political stability compared with other countries in the region.

Companies can now invest in technology and innovation to generate new business opportunities, increasing competitiveness and attracting venture capital, driving strategic alliances, and promoting co-investments that will allow a wat to share risks and have access to higher levels of financing, especially for disruptive projects with high scope projections.

Trend 3: License to Operate

For foreign and domestic companies operating in Chile, proactively addressing the risks and opportunities associated with licenses to operate will be crucial to ensure efficient and sustainable mining operations over time. Impacted by challenging environmental and social regulations, requiring more investment in sustainable technologies and social responsibility programs to mitigate opposition and conflicts with neighboring communities, specifically for projects with significant social and environmental impact, generating delays or project cancellations.

Changes in governmental administrations positions can affect operating conditions, imposing new restrictions and/or requirements for their approval and continuity, as well as negative community perception of mining can impact the ability to maintain and renew operating licenses. Therefore, investment in technology and transparent sustainable practices for communities and the environment can not only facilitate compliance with current strict environmental regulations but also aim to be leaders in sustainability by generating new business opportunities, such as systems involving reports with impact indicators or important action milestones to maintain clear, horizontal, and pragmatic communication.

Mutual benefit development with local communities also strengthens the relationship and well-being for both parties, ensuring a long-term plan by adopting proactive practices of indicator, through public reports and information, improving reputation and trust of investors, regulators, and the local communities, easily adapting to regulatory changes and leveraging boosts to increase the competitiveness of mining companies.

Trend 4: Climate Change

The mining industry in Chile is increasing its competitiveness in the global market by integrating sustainable a suitable practice such as the use of environmental liabilities, new mining techniques without surface impact, and technologies allowing greater recovery levels with less consumption of natural resources, aiming the responsible mining 4.0 approach.

Water scarcity exacerbated by climate change limits mining production, arising the costs of fresh water feeding, and generating conflicts with communities surrounding the operations areas. Likewise, extreme weather conditions such as mudflows, droughts, and fires negatively affect productive yields and their economic stability, restricting activities, internal and legal regulatory compliances. Investors and managers, operators, and communities are aware of the mining impact on the environment, generating a greater precision to adopt disruptive and sustainable practices that allow operational continuity and raises social visibility by becoming drivers in sustainability, and innovative practices, reducing carbon footprint, and boosting the new economy with energy transition activities and projects.

Chile has the potential to implement advanced water efficiency technologies due to its need to optimize and reuse this fundamental resource, which is of utmost importance for the whole mining and mineral treatment cycle. Thus, investing in renewable energy projects will not only generate a lower carbon footprint but also contribute to energy supply, long-term savings, and reduction in environmental impact, requiring innovation, investment, and collaborations from different companies, communities, and nations.

The Ministry of Mining (Ministerio de Minería) continues with the National Mining Policy 2050 (Política Nacional Minera 2050) that aims to respond to the country's goal of achieving carbon neutrality and resilience to climate change by the year 2050, positioning Chile as a promoter and driver of new standards as a global mining example.

Trend 5: Digitalization and Innovation

Due to the environmental, social and governance context, the industry tends toward digitalization and technical advancement, increasing vulnerabilities to cyberattacks, highlighting the importance for protecting sensitive data, critical systems, and operational systems. Therefore, the importance of trained and competent workforce to address these technological gaps and ensure the maintenances and scalability of new digital techniques is emphasized. The limits of the technological factors are related to resistance at both the administrative level and among operators, showing resistance to change management where tasks are done with more independence and ease, hence the importance of good training and man-machine empowerment.

PHOTO: AMSA

In this way, digitalization significantly improves performance and efficiency in mining operations through automation, robotics, integrated management systems, and advance models with AI, aiming at a 4.0 mining approach and increasing safety with real-time monitoring, predictive alert systems, and reactive detentions ensuring a safer operation within the current changing scenario.

The increase in mineral traceability along with responsible environmental practices can offer another standard of national mining product through the path of modernization and competitiveness, being pioneers in practices and unique industrial trials in the world to formalize the mining of the future. At the same time, it is crucial to address the risks associated with cybersecurity, the development to competent labor skills, and organizational change management to firmly attend to contemporary mining innovations.

There are public and private initiatives aimed at fostering innovations and development of mining suppliers by connecting technology and service provider companies with mining companies to develop innovative solutions responding to regulatory, social, environmental, and operational challenges in Chile, such as lower ore grades, stricter regulatory frameworks, and community sensitivity to industrial activity.

Trend 6: Costs and Productivity

The mining industry in Chile Faces significant challenges with increases in operational cost due to rising prices of energy, supplies, and basic resources which can directly affect the profitability of the mining business. Specifically, the water scarcity across the national territory, with a greater impact in the northern regions of Chile where most of the copper mineral deposits are located, water availability is critical due to the altitude and the low aquifer presence due to the intrinsic characteristics of the desert, raising the cost of fresh water supply via reuse and desalination.

The implementation of environmental and social regulations with greater legal rigidity increases the cost to meet performance or simply cancellations of projects which are fundamental to mining activity. Another critical variable is the low ore grades in the deposits due to their geomorphology and pre-extraction, where primary minerals with disseminated mineralization of copper porphyries (being the main deposits in the north of Chile) do not reach the grades for sustainable recoveries in concentrator plants, involving higher production costs as it requires processing a higher rate of material to obtain the same amount of the final product.

Integrating automation technologies with control logic systems, robotics, and predictive analysis offers to improve operation efficiency and reduce long-term costs, digitalizing mining operations and promoting better resource management or optimization in the supply chain. Therefore, the importance of innovation and technological development encouraging now paths towards mining low-grades deposits with profitable techniques and more efficient processes, which could even recover metals from environmental liabilities. On the other hand, the adoption of these disruptive emerging technologies improves the industrial image towards communities and allows access to sustainable financing from international markets investing in responsible and ecofriendly production from a holistic point of view, consequently, lies the importance in capitalizing on technological opportunities which mitigate the risks of increasing costs and adopt lasting commitments for a profitable long-term plan.

According to the Cash Cost report from the Mining Council (Consejo Minero), the evolution of annual costs has increased by 25% from the first quarter of 2022 to the first quarter of 2023, from 159.1 cUS/lb to 198.8 cUS/lb, Indicating the heightened increase due to the previous factors mentioned[1].

Regarding the productive levels in the mining sector in Chile, the decrease in mineral grades, structural delays within major projects, reduction of water resources, and major geopolitical factors, have negatively affected performance, causing a productive collapse in private mining from 3,882 KTMF to 3,225 KTMF, and for the national Chilean mining from 1.446 KTMF to 1.085 KTMF, based on the report Updated Mining Figures by the Mining Council (Consejo Minero) from October 2023[2].

1. Cost Observatory, Mining Council Cochilco
2. Updated Mining Figures December 2023, Mining Council

Trend 7: Geopolitics

Trade conflicts between large economies influenced by wars and uncertainties directly affect the markets for minerals and metals, impacting prices and demands for mineral exports, through changes in export and import policies affecting trade flows in the supply chain for the industry and destabilizing the policies of producing regions with tight prices and opportunities, but indirectly offering opportunities in the market for Chile due to its global productive position, even with its current low performance compared to other years, diversifying its export markets towards new regions and strengthening trade links with countries interested in mineral products and narrow trade alternatives. On the other hand, these geopolitical tensions limit access to critical technologies in mining, particularly those related to digitalization and automation due to a delated supply chain in relation to planned activities and high investment risks.

Fort this reason, Chile plays a crucial role in the commitment for sustainable and responsible mining policies that attracts widespread support for global partners aiming new standards associated with ESG factors, allowing strategic alliance with companies and countries with interests in synergistic an permanent growth over time with active strategic diplomacy in ensuring resources and continuity of operations, directly addressing geopolitical volatility and capitalizing on the emerging opportunities of a changing global landscape.

Trend 8: Cybersecurity

As the mining industry begins the adoption of new advanced digital technologies, the vulnerability to cyberattacks increases and can compromise sensitive data with the potential to disrupt operations and generate significant economic losses in the production cycle. In this context, the importance of securing critical infrastructure for industrial control systems, including networks and devices, that are constantly exposed to operational sabotage.

The lack of cybersecurity awareness and training increases the risks of cybersecurity incidents including, phishing, malware attacks, ransomware, account hijacking, among others, expanding the scope of technological capabilities to fulfill the technical demands of a 4.0 mining industry. The opportunity to improve resilience innovative cybersecurity solutions with AI and other automation systems entails the adoption of high-reach technologies strategies to prevail against risks of technical susceptibility and gaps in system architectures such as flanks of hardware, software, and unawareness of malicious practices. Mining companies enhancing cybersecurity not only boost their security and reliability among customers and investors but also support talent development for better risk management and cyber incident responses. Recognizing and addressing cybersecurity risks with comprehensive strategies is vital for safeguarding against technological threats.

An example of cyberattacks is the case occurred in November 2023 at Codelco's DGM operation where the autonomous trucks were suspended for approximately 72 hours. The High-Grade Corporation (Corporación Alta Ley), being an organization focused on articulating capabilities between public and private bodies while promoting innovation and sustainability, emphasized this attack and called for the unification of large mining companies to boost a robust computer security culture to protect mining operations from such attacks[1].

Trend 9: New business Models

The move towards new business models faces resistance to change management among company personnel and third parties, mostly in processes involving advanced technologies and cutting-edge sustainable development practices, requiring significant investments with low immediate returns for most cases. These new business models need to be flexible enough to adapt to a fluctuating regulatory, economic, and social environment, added to the fact that authorities are not yet fully regulated or committed to disruptive initiatives, which on several occasions tend to be practical given the current scenario.

Alongside the risk, there is the opportunity to increase sector competitiveness by challenging companies to differentiate themselves and continue their participation in the metals market. Mostly, new business models emphasize sustainability and social responsibility to improve public image by respecting and promoting ESG and strengthening their license to operate, integrating new technologies and practices such as automation, digitalization, AI, and improving the effectiveness of operations. These new models aim to diversify revenue sources through the valorization of by-products or waste, offering supply to other industries and collaboration to form strategic alliances between universities, suppliers, mining companies, governmental and global entities, thus achieving new avenues of innovation and growth with equitable gain among entities.

Thus, the adoption of models with digital, social, and resources transformation will allow Chile to remain competitive and representative of the mining required in these dynamic and constantly transforming scenarios.

Within the strategy of the San Pedro Mine, new business models were demonstrated in collaboration with the National Center for Pilotage of Technologies for Mining (Centro Nacional de Pilotaje de Tecnologías para la Minería) and the Pontificia Universidad Católica de Chile, reviewing initiatives from IIOT platforms (The Industrial Internet of Things) to Hydrogen use Roadmap in Mining, being an example or other strategic associations to encourage new ways of conducting mining[2].

1. Mining Report - Cyberattack Suspended Operations of Autonomous Trucks at Gabriela Mistral Division
2. Sonami and Minera San Pedro (Innovation and New Business Perspectives in Small-Scale Mining Experiences of Minera San Pedro)

Trend 10: Workforce

In the mining sector, the primary hurdles for talent acquisition and retention are intertwined with interdisciplinary fields such as technology, sustainability, environmental stewardship, and innovative engineering practices. These complexities restrict the capacity to expand and innovate within mining operations. While automation and digitalization may phase out conventional roles, causing resistance to change and challenges in talent development and retention, they also present opportunities to enhance safety by reducing personnel exposure to high-risk tasks. This shift not only improves operational continuity but also plays a crucial role in protecting lives.

Mining in Chile has traditionally been a male-dominated sector, and in recent years, efforts have been made to increase diversity and inclusion to break cultural and structural gaps, creating functional, positive, and healthy work environments. Promoting an inclusive and diverse workspace is critical for enhancing comfort in the workplace among mining professionals, which ultimately boosts productivity and equips them for forthcoming technological complexities and sustainable management challenges. By incorporating advanced mining technologies and instilling stringent safety measures, we are fostering a team of professionals who stand out in their innovative problem-solving abilities and who are equipped with practical skills to handle any technological hurdles. This approach includes a significant effort to integrate women and youth talent into the mining sector, demographics traditionally underrepresented in the industry. By doing so, it aims to diversify and enrich our talent pool, driving innovation and progress.

Efforts to promote the integration of women and youth through inclusivity and talent attraction are being carried out by partnerships with universities, technical centers, and study programs, strengthening challenges related to new perspectives and new problem-solving approaches, updating the industry for a challenging future ahead in technology, competitive innovation, and long-term sustainability. In this wat, mining companies commit human capital to manage new technological systems in an integrated and diversified manner.

According to the Updated Mining Figures report of 2023(Cifras actualizadas de la minería) provided by the Mining Council (Consejo Minero), from 2021 to 2022, women's participation within mining companies increased form 15,5% to 17,4%. This presents the inclusive reality that the industry is promoting to drive equitable opportunities and new skills necessary to achieve Mining 4.0 in a holistic and respectful manner for everyone[1].

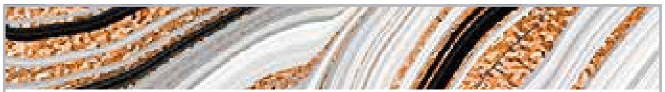
Initiatives such as Woman Talent 2023 (Talento Mujer 2023) from The Diversity and Inclusion Consultancy REDEG (Consultora de Diversidad e Inclusión REDEG) have been crucial in actively promoting the inclusion of women in the mining workforce. These programs focus on gender equality and the importance of female leadership, celebrating the contribution of women in mining and engineering services. Furthermore, they support the development of networks for women to exchange experiences, insights, and opportunities, thereby reinforcing their roles within the industry[2].

1. Updated Mining Figures December 2023, Mining Council
2. Mining Report - Women Talent 2023: Promoting Inclusion and Development in the Mining Industry

4

Mining Legislation

PHOTO: TECK



4.1

Security of tenure

Chile's legal mining framework is based on three pillars:

- The Constitution (1980),
- The Organic Constitutional Law on Mining Concessions (1982), and
- The Mining Code (1983).

The Chilean Constitution grants the State absolute and exclusive ownership of all mines, including guano deposits, mineral sands, salt mines, coal and hydrocarbon deposits, and other fossil substances, except for surface clays.

Mining concessions and activities are regulated by the Organic Constitutional Law No. 18,097 on Mining Concessions (1982), and the Mining Code (1983). Any private party or legal entity can apply and obtain the right to explore and exploit most mineral substances.

However, liquid or gaseous hydrocarbons, lithium or deposits of any kind in maritime waters under national jurisdiction or deposits of any kind entirely or partly located in areas legally classified as important to national security are excluded from mining concessions.

Mining concessions are granted to applicants by a Judicial Ruling in a Civil Court and are registered in the Public Mines' Registry. There are exploration concessions and exploitation concessions. It is not necessary to hold an exploration concession prior to an exploitation one. Mining concessions are legally considered property and are independent from property rights over surface tenements.

The holder of exploration or exploitation concessions has exclusive rights to explore and exploit minerals within the limits of the concession. Mining concessions are granted on a "first come, first served" basis.

The owner of a mining concession is entitled by the Mining Code to use water found within the limits of the concession, as long as the water is required for exploration and/or exploitation processes.

The legal property rights of a titleholder of a mining concession are protected by the constitutional guarantee of private property rights.

On February 4, 2022, the Law No.21,420 was published, establishing several changes impacting the mining sector. Also, on January 26, 2023, Law No. 21,536 postponed such effects until January 1, 2024. Most of these modifications were related to the incorporation of new requirements for the filing of new site reports; new information obligations for mining concessionaires; an increase in the term of exploration concessions; increase in the amounts of the patents for exploration and exploitation concessions, among other changes. Later, Law No. 21,649, dated December 30, 2023, amended Law No. 21,420 by introducing some changes in mining and payment of annual fee regulation.

As of January 1, 2024, the exploration concession will last 4 years, and could only be renew on time for the same period. As for the exploitation concession, it will remain indefinite.

Details of the mining patents fees for both exploration and exploitation are included in the Mining Taxes section of this Guide.

4.2 Mineral and surface land ownership

Although the State has ownership of all mineral resources, the titleholders of mining concessions have ownership of the extracted mineral resources.

Chilean Law differentiates between surface tenements and the natural resources below the surface. It is often the case that the titleholders of mining concessions (who have the right to explore and mine underground resources) are not the owners of the surface land.

There are clear administrative procedures to gain access to privately owned land to avoid potential conflicts. Mining concession holders have preferred rights to request mining easements to gain access over surface land. The easements can either be negotiated and agreed-upon with the surface landowner or granted by Court if no agreement is reached. The Courts grant the easement and set the compensation amount.

4.3 Right to transfer mining rights

Mining rights can be freely transferred by their private titleholders. The transaction must be performed through a public deed and registered with the public mining register.

4.4 Size of concession rights

Exploration rights are granted for a minimum of 100 hectares and a maximum of 5,000 hectares per concession. Exploitation rights are for a minimum of 1 hectare and a maximum of 10 per concession, with the possibility of filing numerous concession applications at the same time.

4.5 Government policies on the sale of mineral products

The sale of mineral products is unrestricted, both domestically and abroad. Mine exploiters are not under any obligation to satisfy the internal market before exporting minerals, nor are they obligated to sell them at official prices or terms.

All producers and trading companies exporting copper from Chile, without distinguishing between publicly held or private companies, are required by law to provide information in respect to the contracts and prices of copper and its derivatives in Chile. This information must be provided to the Chilean Copper Commission (Comisión Chilena del Cobre in Spanish, acronym COCHILCO) and duly updated if the terms of said agreements change in the due course of the year.

4.6 Environmental matters

In recent years, Chile has enacted a new regime of environmental laws, which establishes the main environmental guidelines and principles in the Country. These laws and related regulations significantly increased the level of environmental regulation and established several environmental management standards, in addition to other sectorial regulations and guidelines related to environmental aspects such as emission of particulate matter in the air, water quality, exploration, discharge of tailings and water, sanitarian issues, native forest regulations, odor contamination, etc.

4.7 Water rights

Water is considered a national good for public use and its usage rights are granted to private individuals by the General Directorate of Water (Dirección General de Aguas in Spanish, acronym DGA), for titleholders to use, enjoy and have access to consumptive and non-consumptive water rights, according to the current legal framework.

These regulations are mainly governed by the Chilean Water Code, which grants permanent and transferable water rights to individuals to achieve an efficient distribution of water throughout the country. Water rights can be used for any activity the right holder determines.

The DGA is the public agency with the overall responsibility for use planning, protection and development of water resources and basins. Among other things, DGA is responsible for granting new water rights (consumptive and non-consumptive) for the supervision of water users and the approval of all major hydraulic works.

After 11 years of discussion in Congress, a wider reform was approved through Law No. 21,435 to the Chilean Water Code, enacted in Chile on April 6, 2022. Within the different modifications incorporated by this new regulation, it is possible to highlight the following: (a) reaffirms that water rights are real rights; (b) time limitation for water rights granted post Reform (30 years); (c) concept of "public interest" as a requirement for the granting of new water rights; (d) all water rights are now subject to termination by effective lack of use; (e) priority or preference for water use for human consumption or public health; (f) creation of non-extractive water rights for environmental conservation or sustainable purposes (which would not be subject to the non-use taxes frameworks); among others.

4.8

Non-environmental Permits

From a mining perspective, the Mining Code states that the mining concession holder has, by the sole operation of the Law, the right to use the waters found in the work of the concession, to the extent that such waters are necessary for the exploration, exploitation, and benefit of the respective concession. These rights are inseparable from the mining concession and will expire with it.

In addition, the Mining Code establishes that the use of other waters necessary for the exploration and exploitation of mineral substances, will be subject to the provisions of the Water Code and other applicable laws, being the general regulations applicable to mining companies without a special tenure.

PHOTO: CODELDO

Based on information recently published by the Ministry of Economy, the development of a large-scale investment project in Chile would require up to 380 different sectorial permitting processes or notifications that must be obtained or completed in order to be up and running.

The Chilean government, led by President Gabriel Boric, has introduced two legislative initiatives in January 2024 aimed at streamlining the process for obtaining sectorial authorizations and improving environmental evaluations. These efforts are part of a broader strategy to boost public and private investment, enhance regulatory quality, support economic growth and remove bureaucratic obstacles that investment projects must deal with.

These legislative initiatives are currently in their first constitutional stage (at the Senate and the Chamber of Deputies, respectively)[1], so their discussion should advance during the year 2024.

The "Smart Permitting System" bill focuses on non-environmental permits required for various projects and activities in regulated areas. This initiative aims to simplify and accelerate the approval process while maintaining technical standards and ensuring the safety of people, health, and the environment. Specifically, the bill streamlines authorizations managed by 37 different public services, encompassing 16 ministries. This reform addresses long-standing challenges that have hindered investment development.

1. In Chile, a law's enactment begins with a proposal, either from the President or members of Parliament. This proposal undergoes a first constitutional process in the Chamber of Origin, involving discussion and voting. Then, it progresses to a second constitutional process in the Reviewing Chamber for similar scrutiny. If differences arise, a mixed commission is convened. After these stages, the President reviews the proposal, which may lead to approval, amendment, or veto. Following presidential approval, the law is officially promulgated and published in the Official Gazette.

This bill covers a wide range of projects, from large-scale ventures like mining and energy projects to smaller, everyday initiatives like setting up a store.

Key measures of the initiative include:

1. Minimum Procedural Standards for Sectorial Permits: This involves establishing an admissibility examination for all processes, setting maximum deadlines for procedures that currently lack them, and potentially using administrative silence as an exceptional final instance.
2. Procedural and Regulatory Improvement: Procedures will be introduced to periodically rationalize regulation, potentially replacing some authorizations with sworn declarations by project owners or other techniques, depending on the associated risk of the project. This will lead to simplified regulated routes.
3. Digital Single Window: A new platform called "SUPER" will serve as the digital single window of the State for sectorial permit processes and for presenting sworn declarations and notices by project owners. This will allow constant access to the status of authorization requests on a consolidated basis and within a unique route.
4. New Governance Framework: A new government agency will be created to ensure compliance with this new framework and will coordinate and guide services in both their processes and continual improvement of this newly created permit framework.

The reform is expected to provide greater legal certainty through clear and precise norms and optimize the traceability of associated permits. Additionally, it ensures that processes are appropriate and safeguard the protection objects of each sector, such as health, personal safety, and the environment.

4.9

Lithium regulations in Chile

Chile has one of the largest lithium reserves in the world (57%). From 1979 lithium has been constitutionally declared as of "National Interest" and a non-concessional mineral reserved primarily for the State. This non-metallic mineral is subject to an exceptional regulation, different from the one applicable to most minerals in Chile.

Lithium regulations are contained in the Organic Constitutional Law on Mining Concessions (1982), the Decree Law No. 2,886 and in the Chilean Mining Code (1983).

The Mining Code establishes on articles 7 and 8 that lithium is a mineral that is not subject to mining concessions and may be explored and exploited directly by the State or its companies, or by means of administrative concessions or special operating contracts.

Therefore, by virtue of the aforementioned regulations, the current law establishes three types of lithium exploitation in Chile:

i. By the State or by its companies,

ii. By means of an administrative concession[1]; and

iii. By a special operating agreement ("CEOL" for its acronym in Spanish).

CEOLs correspond to administrative contracts through which the State of Chile, represented by the Ministry of Mining, authorizes a third party to explore, exploit and benefit lithium deposits, in accordance with the conditions and requirements established by the President of the Republic on a case-by-case basis, through a Supreme Decree.

1 To this date, no administrative concessions has been granted.

In 2018, the Ministry of Mining signed a CEOL with a subsidiary of Codelco (Salar de Maricunga SpA) for the exploitation of the Maricunga salt flat. The project is currently in the exploration stage and has not yet obtained an environmental permit. It is important to mention that, to this date, in addition to the CEOL signed with Codelco in the Salar de Maricunga, there are two other CEOLs in process, which are: i) Salares Alto Andinos (5 Salar) lead by Enami, with an ongoing indigenous consultation and search for partners for the project; and ii) Salar Laguna Verde and Cuenca lead by Clean Tech Lithium Plc.

Notwithstanding the above, owners of lithium mining properties declared prior to 1979, can freely exploit the lithium from these properties, subject to compliance with current environmental regulations and the Chilean Nuclear Energy Commission authorization for the sale and storage of lithium.

According to information published by the Ministry of Mining in 2019, the following represents the mining properties declared prior to 1979:

Owner	Salt flat	% Ownership of the area
Corporación de Fomento Fabril (CORFO)	Atacama	54,6%
CODELCO	Pedernales and Maricunga	100% and 18%
ENAMI	Aguilar	4%
Privates[2]	Maricunga	25%

2 Minera Salar Blanco, controlled by the Australian junior Lithium Power International, and the alliance between Cominor, of the group led by Francisco Javier Errázuriz Ovalle, and the Singaporean Simbalik, called Simco.

Currently, there are two main players developing and exploiting lithium projects in Chile, namely Albemarle Chile Limitada ("Albemarle") and Sociedad Química y Minera de Chile ("SQM"). Both companies are authorized to exploit lithium under contracts signed with CORFO over its lithium concessions at the Atacama Salt Flats. The contracts that CORFO has with both entities are different in nature (establishing the payment of a rental fees plus a commission that is determined based on a percentage of sales of lithium, in the case of SQM, and also a payment of a commission only in the case of Albemarle). The current contract between CORFO and Albemarle has been in force since 2017 (until 2043), while the contract between CORFO and SQM entered into force in 2018 (until 2030). There are ongoing negotiations between SQM and the State in order to modify the terms of the current contract (general considerations have been included in a Memorandum of Understanding subscribed by the end of 2023).

In this regard, it must be noted the original deadline date for signing the alliance between Codelco and SQM, which was March 31, was extended to May 31, 2024. Negotiations are still ongoing as of the date of issuance of this guide.

In conclusion, in Chile there are two parallel regimes for the exploitation of lithium, namely, concessions granted before 1979, and concessions and contracts granted after that date. Of the latter, only one CEOL has been signed with CODELCO.

In April 2023, the President Gabriel Boric presented the National Lithium Strategy, in which he pointed out several objectives and measures that this policy would entail.

The main objectives are:

i. Increase wealth for Chile

ii. To develop a sustainable industry for the country and the world

iii. To develop technology and productive linkages

iv. Chile's world leadership in the lithium industry

v. Strengthen social and environmental sustainability

vi. Fiscal sustainability

vii. Contribute to the diversification productive diversification and regional growth potential

This plan includes several stages:

i. Initiate a process of dialogue and participation with the various stakeholders: Aurora Williams, the Minister of Mining, announced that on October 13th , 2023, a process of dialogue will begin in five regions of the country, carrying out four spaces for dialogue on the National Lithium Strategy, two with civil society and two with indigenous communities, in a work that will be carried out by the Citizen Participation team of the Ministry of Mining and the Regional Secretaries of the Ministry.

ii. Create the National Lithium Company: President Boric, in the first half of 2023, announced the creation of the National Lithium Company, which will act as a public-private partnership in which the State will have a majority representation, in order to exploit the natural resources of Lithium and to attract new players and expand the industry through collaborative initiatives.

   Notwithstanding the above, in December 2022, a subsidiary company of ENAMI, "ENAMI Litio SpA", was incorporated to develop lithium mining projects while the National Lithium Company is created. Currently, ENAMI Litio SpA is developing a project in a set of salt flats called "Salares Altoandino" (La Isla, Aguilar, Infieles, Las Parinas, Grandes), which has a profile engineering date of 2025.

iii. Create a Network of Protected Salt Flats and in those salt flats under exploitation.

iv. Definition and determination of the characteristics of a new tender process, for private companies, to sign CEOLs with the State of Chile for the exploration and exploitation of Lithium in selected Salt Flats in Chile.

v. Modernize the institutional framework.

vi. Create a Public Technological and Research Institute for Lithium and Salt Flats.

vii. Incorporate the State in the productive activity of the Salar de Atacama: Currently there is a negotiation in progress between SQM and CORFO to exploit jointly Atacama Salt Flat.

viii. Prospecting of other salt flats.

5 General Tax System

PHOTO: TECK

5.1

Income Tax

In Chile, taxes are set forth by law and are regularly imposed at national level. There is no provincial or regional. The most important taxes set forth in the Chilean tax system are the Income Tax and the Value Added Tax (VAT).

This national taxation structure applies universally, including the mining sector. Just like other industries, mining activities are governed by this general tax regime. However, the mining sector is additionally subject to certain unique stipulations, which include the imposition of a Mining Royalty on mining operations and the enforcement of other special rules connected to the characteristics of the mining industry[1].

Regarding Chile's tax incentives, there are no special benefits for specific industries, including mining. However, mining companies, as exporters and fixed-asset investors, can apply for special VAT exemptions, early recovery systems and benefit from the accelerated depreciation method, which could result relevant in annual taxable income determination.

5.1.1 Corporate Income Tax (CIT) Regime

In general, a CIT rate of 27% is applied to annual net income earned. Under the Partially Integrated Regime, shareholders, owners, or partners of entities subject to CIT will be taxed only on effective distribution of dividends or profits. Such shareholders, owners or partners will be subject to the final taxes, i.e., the Additional Tax (WHT) at 35% rate, in case of foreign residents; or the Global Income Tax (GIT) at rates between 0% and 40%, in case of Chilean resident individuals.

The distribution of dividends or profits among CIT taxpayers is not subject to incremental CIT. The CIT regime allows shareholders, owners and partners subject to WHT or GIT to use the CIT paid by the entity distributing such dividends or profits as credit in the WHT or GIT determination. In general, 65% of the CIT paid by the entity distributing dividends or profits may be used as a credit to offset the amount of WHT or GIT payable. As a result, the higher overall income tax burden would be 44.45%.

In the case of foreign shareholders, owners or partners resident in a country that has a Double Taxation Treaty (DTT) in force with Chile[2], 100% of the CIT paid over the distributed dividends or profits would be available as CIT credit if: (i) qualifies as a tax resident in a DTT Country[3] and is able to obtain a tax residence certificate from the tax authorities; (ii) is not considered a fiscally transparent entity; and (iii) is the beneficial owner of the dividends.

1 A general overview of these unique considerations and regulations is provided throughout this document.

2 Same rule applies in case shareholder, owner or partner is domiciled in a Country wich has signed a DTT by January 1, 2020, even though such DTT is not in force yet. This provision is applicable until December 31, 2026.

3 DTTs in force: Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Colombia, Korea, Croatia, Denmark, Ecuador, Spain, France, India, Ireland, Italy, Japan, Malaysia, Mexico, Norway, New Zealand, Netherlands, Paraguay, Peru, Poland, Portugal, United Kingdom, Czech Republic, Russia, South Africa, Sweden, Switzerland, Thailand, Uruguay, United Arab Emirates and United States of America.

However, for micro, small, and medium-sized enterprises (SMEs), as a general rule, the CIT rate is 25%, provided they meet strict requirements. Nevertheless, a temporary subsidy introduced by Law No.21,578 reduces the CIT rate for SMEs to 12.5% for the year 2024. The same 25% CIT rate, as per the general rule, also applies to non-profit entities, including foundations, unions, and similar organizations.

5.1.2 Capital Gains Regime

For corporate income taxpayers, capital gains are considered an ordinary income, therefore, subject to the corresponding CIT rate (27% or 25% depending on the taxpayer as noted in the section above) on annual accrued basis.

In the case of Chilean resident individuals, as a rule, GIT rates (i.e., progressive rates between 0% and 40%) are applied on an accrual basis. However, there are exemption rules applicable to capital gains generated by the disposal of certain assets (shares, social rights, real estates, among others) under certain and specific conditions.

Additionally, there are also exemptional provisions applicable to certain assets under capital market rules. Considering this, the sale of publicly traded shares is subject to a sole 10% tax rate, fulfilling strict conditions.

Finally, foreign residents who obtain a capital gain from disposal of Chilean assets, whether direct or indirectly, are regularly subject to the 35% WHT rate. However, this rate may be reduced under certain tax treaties.

5.1.3 Expenses

5.1.3.1 General Considerations

CIT must be declared and paid annually by means of an Annual Income Tax Return (AITR) to be filed in April every year.

The Annual Taxable Income or Net Taxable Income (NTI) is determined by the taxpayer, based on income obtained in the calendar year prior to the AITR.

NTI subject to CIT is determined based on earnings, costs and expenses recorded in the financial statements of the taxpayer prepared by December 31 each year, plus several adjustments that must be made to such income and expenses/deductions, to determine the base over which the CIT will be applied. These adjustments are established in the Chilean Income Tax Law (ITL).

The main adjustments to the financial results obtained by a given taxpayer are those applied to certain recognition of income from subsidiaries, depreciation, amortization, provisions, recognition of certain payments to foreign related parties (which can be deducted on a cash basis and to the extent that the corresponding WHT has been declared and paid), amongst others. Those positive/negative adjustments could result in temporary or permanent differences between financial and income tax results.

Concerning expense deductions, the ITL stipulates that they are allowable only if they satisfy the following conditions: (i) have the ability or are capable to generate income, in the same or future years; (ii) are connected to the interest, development or maintenance of the business; (iii) have not been previously deducted as part of the direct cost of goods or services required to obtain the income; (iv) were effectively paid or indebted/owed within the commercial year, and (v) are duly proved to the tax authorities.

Some expenses are also subject to a set of specific requirements that must be fulfilled, as shown in the following section.

5.1.3.2 Special requirements for certain expenses deduction

The ITL establishes a list of special expenses that can be deducted as such. The most relevant are explained below:

(a) Depreciation: A yearly depreciation quota for the use of tangible fixed assets is allowed as a deductible expense. The depreciation percentage is determined by applying a straight-line method on the useful life of the assets without considering a residual value and determined by the Chilean Tax Authority ("Servicio de Impuestos Internos" in Spanish, acronym SII) for each category of assets. Once fully depreciated, assets are recorded at a nominal value of CLP 1.

According to the ITL, taxpayers are entitled to opt for an accelerated depreciation regime, understood as the establishment of a useful life for new or imported fixed assets, equivalent to one third (1/3) of the useful life established by the SII.

Accelerated depreciation can only be used to compute the taxable income for CIT purposes. The excess depreciation, corresponding to the difference between the accelerated depreciation allowance and a notional normal depreciation allowance, is recaptured for purposes of GIT or WHT applied to dividends or profits paid to shareholders, owners, or partners.

Fixed assets that become unusable before the end of their expected useful life may be depreciated twice as fast as originally contemplated under their applicable regime.

(b) Tax losses: Losses derived from the commercial activities of the Chilean entity in the relevant commercial year, may be deducted as expense for tax purposes.

Accumulated tax losses, duly adjusted by inflation, may be carried forward indefinitely. If there is a qualified change of ownership, the accumulated tax losses may not be deducted from income generated after the ownership change. No qualified change of ownership occurs between entities belonging to the same economic group. The SII and Supreme Court rulings have also established that tax loss audit faculties to be exercised by the Chilean Tax Authority are not subject to any statute of limitation.

(c) Interests: Interests are deductible, to the extent that the conditions set forth in the ITL are met. Related party interest is only deductible on cash basis and to the extent the corresponding WHT has been declared and paid to the Chilean Treasury.

(d) Corporate Social Responsibility: Disbursements incurred due to environmental requirements for a project, as specified in resolutions by the competent authority and in compliance with environmental law, are deductible. Likewise, the CITL establishes two additional cases that include situations of disbursements associated to the social license to operate (going beyond environmental mandatory requirements):

- Those incurred by the holder by virtue of environmental commitments included in the study or in the environmental impact assessment, regarding to a project or activity that has or must have, in agreement with the current environmental legislation, a resolution issued by the competent authority approving such project or activity.
- Those made for the benefit of the community, and which involve a benefit of a permanent nature, such as expenses associated with the construction of works or infrastructure for community use, their equipment or improvement, the financing of specific educational or cultural projects and other contributions of a similar nature.

In both cases, expenses would be deducted to the extent that: (i) are paid to nonrelated parties; (ii) have been agreed in a contract signed with a state administration agency or authority; and (iii) to the extent the limits incorporated in the ITL are not exceeded. Any disbursements that go beyond these limits cannot be deducted for tax purposes.

Other expenditures like royalties, scientific and technological research, uncollectible accounts, remunerations, and benefits granted to employees, among others, also have a special treatment for tax purposes that must be considered.

5.1.3.3 Mining specific expenditures

Mining companies, subject to the same general and specific tax deduction requirements as other businesses, face unique scenarios intrinsic to the mining industry. These scenarios, which vary across the various stages of the mining lifecycle, play a crucial role in determining how expenses are deducted. The most significant of these situations, for the mining industry will be briefly explained below.

- Prospecting and Exploration

One of the objectives of these stages is to identify large tracts of land with mining potential. The aim is also to define and characterize the deposit's potential by conducting studies of mineral resources and their quality. Machinery is acquired and workers and suppliers are hired.

Disbursements incurred during this phase must always be considered as organization and start up expense, which may be amortized in up to 6 years, starting from the date on which the expenses were incurred or when the mining company earns income from its main activity, if later.

As a rule, during this stage only mining license fees and sometimes land taxes are paid.

- Infrastructure and construction

The construction of the mine, the processing plant, and the associated infrastructure such as water systems, concentrate pipelines and ports are the main expenditures of this stage. The latter will include mechanisms for the protection of the area's biodiversity and the mitigation of the impact of the project on the environment.

Mine infrastructure disbursements should be treated as an investment in fixed assets subject to depreciation according to the rules contained in the ITL, even if expended before the operation.

Other infrastructure disbursements incurred in third-party properties and according to the tax authority instructions, shall be considered in certain cases as organization and start-up expenses, which may be amortized in up to 6 years starting from the date on which the expenses were incurred or when the mining company earns income from its main activity, if later.

Regarding to pre-stripping costs, they shall be treated as organization and start-up expenses, which may be amortized in up to 6 years starting from the date which on the expenses were incurred or when the mining company earns income from its main activity, if later.

Special consideration should be given to the tax treatment applicable to Engineering, Procurement, and Construction (EPC) and Engineering, Procurement, Construction and Management (EPCM) contracts, as well as to the deduction of interests associated to the financing of the investment.

- Operation: Exploitation and Expansion

During this stage, the project starts operating and generating income associated to the extraction, processing and commercialization of the mining products.

From this stage onwards, mining operations begin generating taxable income. Thus, mining companies start determining and paying CIT and Mining Royalty.

Exploitation disbursements associated to the preparation of the units or sector that will be exploited, alongside the direct costs of exploitation, such as the direct labor spendings, raw materials and supplies directly related to the goods, shall be considered as part of the costs of the minerals under the terms regulated in the ITL. Therefore, the cost of the minerals will have an impact in the results of the company upon its sale or export.

Expansion projects may arise alongside the exploitation phase aiming to expand the mine's production capacity and sometimes its useful life. Expenditures that improve infrastructure, production capacity or the useful life of the assets, could be seen as investment in fixed assets subject to depreciation tax rules.

Maintenance disbursements shall be considered as expenses of the year in which such disbursements occurred and following the general requirements for its deduction, from a tax perspective. Repairs, if they extend the life of the respective asset, shall be considered as an investment in fixed assets subject to depreciation tax rules.

5.1.3.3.1 Closure of the mine

This stage involves mitigation measures, compliance with environmental commitments, the removal of machinery and infrastructure, as well as the rehabilitation of the site in accordance with plans approved by the Chilean mining authorities.

Accordingly, the mining project stops generating income and focuses on complying with a regulated process of mine closure, the cost of which has been previously provisioned during the mine's life under the terms of Law No. 20,551.

According to the referred law, the amount that has been guaranteed before the mining authorities for the closure plan of the mining site, could be deducted for tax purposes within the last third of life of the mining project.

This is different to the general tax deductibility rules, since Law No. 20,551 authorizes the deduction of a representative amount of disbursements that the mining company will make in the future, in connection with the closure activities. Therefore, any changes in the effective disbursements incurred or in the useful life of the mine could affect and impact the tax results finally determined. This law also allows the recovery of the VAT credit arising from acquiring goods and providing services related to the closure of the mine.

5.1.3.3.2 Depletion of mining properties

In general terms, the ITL states that the cost of the extracted mineral must include part of the acquisition cost of the mining property in an amount equivalent to the proportion that the extracted mineral represents in the total amount of mineral that has been technically estimated for such mining property. In other words, a percentage of the acquisition cost of the mining property is included in the cost of the extracted mineral.

For these purposes, the acquisition cost includes the price paid for the mining property (or group of properties that constitute a single ore deposit) and the interest on the unpaid balance or loans associated with the acquisition accrued or paid until exploitation of the mine is brought into operation.

5.1.4 Withholding taxes on payments abroad

As a general rule, cross border payments made from Chile are subject to 35% WHT rate, unless is otherwise provided by the ITL or DTT provisions.

It is relevant to consider that payments made upon interest, royalties, and services to related parties can only be deducted by the Chilean taxpayer if they were effectively paid and provided the applicable WHT is duly declared and paid.

5.1.4.1 Dividends

In general, a WHT at a 35% rate applies over the distribution of dividends or profits to foreign shareholders, owners, or partners of Chilean CIT taxpayer entities.

As explained under section (4.1.1. above), in general, 65% of the CIT paid by the entity distributing dividends or profits may be used as a credit to offset the amount of payable as WHT. As a result, total tax burden would be 44.45%. In turn, foreign shareholders, owners, or partners resident in a DTT Country may claim as credit 100% of the CIT paid over the distributed dividends or profits, to the extent that: (i) qualifies as a tax resident in a DTT country and is able to obtain a tax residence certificate from the Tax Authorities; (ii) is not considered a fiscally transparent entity; and (iii) is the beneficial owner of the dividends.

5.1.4.2 Interests

In general, interest paid abroad are subject to a 35% WHT on the gross amount. However, the ITL establishes a reduced rate of 4% on interest payments where the creditor (among other specific cases) is a foreign bank or financial institution.

Likewise, reduced tax rates may apply in case of interests paid to DTT Country residents.

In the case of interest paid to foreign related parties, thin capitalization rules are applicable. Under such, interest and other disbursements paid abroad at reduced tax rates (4% or as established by a DTT), will be subject to a 35% penalty tax, in case the Chilean company breaches the excess indebtedness ratio (3:1). Reduced withholding tax paid may be deducted from the 35% penalty tax.

All debt and liabilities shall be considered for computing the debt figure. This includes foreign and local debt as well as related and third-party debt. Only short-term debt (i.e., <90 days) with third-party is excluded from the debt computation. The 3:1 ratio shall be measured at the end of every year in which interest is paid. ITL lists several cases where a relationship exists, starting from the most obvious cases (i.e., when both parties are part of the same business group or when one of them has an ownership interest in the other) to more sophisticated deemed relationship rules.

5.1.4.3 Royalties

Royalties are generally subject to WHT at 30% rate. Such rate is reduced to 15% in case of use, benefit, or exploitation of software. However, standard software in which the rights transferred are limited to those necessary to allow the use of such software, but not its commercial exploitation or its reproduction or modification, are exempt from WHT. In case of payments to entities located in preferential tax regime jurisdictions, the WHT turns into 30%. Under certain DTTs, the maximum rate for royalties is 10% or 15%.

5.1.4.4 Technical or engineering work or professional services

Technical or engineering work or professional services are subject to a 15% WHT rate. In case of payments to entities located in preferential tax regime jurisdictions the WHT turns into 20%. Reduced rates may apply under DTT provisions.

5.1.4.5 Other services

The general rule is that services rendered abroad are subject to a 35% WHT rate. Under certain DTT, services are usually covered by Article No. 7 and thus considered Business Profits, only taxed in the country of residence of the payment beneficiary (not the country of the payer).

5.1.5 Stamp Tax (ST)

In general terms, all documents evidencing monetary credit operations are subject to ST at the time of its issuance. Monetary credit operations consist in the delivery or commitment to deliver an amount of cash, and the commitment by the recipient to reimburse it at a different time. Foreign monetary credit operations, even if there is no document, are subject to ST.

ST is levied on the principal amount established in the corresponding documents. The rates are: (i) 0.066% of the principal for each month or fraction thereof between the issuance of the loan and its maturity, capped at 0.8%; (ii) 0.332% on the principal in case of loans repayable on demand or without a specific maturity date. ST is paid once per loan, in general.

ST is an allowed expense for CIT purposes.

5.1.6 Municipal Tax

Under Law Decree No. 3,063 the Municipal Tax corresponds to an annual tax to be paid to the Municipality of the territory in which a commercial-business activity is performed. Mining companies (and other entities developing primary activities) are liable for the Municipal Tax once the mineral starts to be sold.

The rate is applied in ranges between 0.25% and 0.5% over the company's Tax Equity (company's assets at tax value less liabilities at tax value). Such Tax Equity is also adjusted by deducting all investments in other companies that pay Municipal Tax.

The amount of Municipal Tax range is between 1 UTM (circa USD 69) and 8,000 UTM (circa USD $550k) per year. Municipal Tax is usually paid in two installments, one payable during July and the other during January.

5.1.7 Real Estate Property Tax

Under Law No. 17,235, a Property Tax, at a rate ranging from 1% to 1.4% on yearly basis, is applied to real estate property. The rate to be imposed depends on the real estate's qualification as agricultural or nonagricultural and is applied on the fiscal value of the real estate. It must be noted that there are benefits and exemptions available for qualified taxpayers or real estate.

The referred law also provides the following surtaxes:

- Global surtax: Applicable over the sum of fiscal values of all the real estates owned by the same taxpayer and correspond to progressive rates ranging between 0% (to overall fiscal value lower than circa USD 553) to 0.425% (to overall fiscal value equal or higher than circa USD 1.3M).
- Nonagricultural real estate surtax: Applicable to nonagricultural real estates, to the extent that they are located in urban territory and are undeveloped or abandoned or correspond to ballast wells.

Chilean Law grants certain taxpayers the opportunity to use the sums paid on account of Property Tax and surtaxes as credit against the CIT. If the conditions set forth by the law to use the Property Tax as credit are not met, such tax may be deducted for income tax purposes.

5.1.8 Contribution for Regional Development

Law No. 21,210 establishes a Contribution for the Regional Development (CRD), which has a rate of 1% and is applied on the acquisition value of all the physical goods of the fixed assets in the part that exceeds the amount of USD 10 M.

It applies to CIT taxpayers who are taxed based on effective income, determined according to full accounting records, who made investments in projects:

a. That comprise the acquisition, construction, or importation of physical goods of the fixed assets for a total value equal to or greater than USD 10 M; and

b. That must be submitted to the environmental impact assessment system according to Article No. 10 of the Law No. 19,300.

The contribution is accrued from the first fiscal year in which the project generates operational income, provided that the definitive reception of work has been obtained by the respective Municipal Works Directorate, or if the referred reception is not applicable to the project, that the Superintendence of the Environment has been informed by the management.

The CRD must be declared and paid to the Chilean Treasury, in April of the following year of the accrual of the contribution, or, in up to 5 annual instalments from the time of its accrual.

5.1.9 General Anti-Avoidance Rules (GAAR)

Substance over form rules is currently under effect. These rules empower the SII to challenge transactions performed under abuse of juridical forms or simulation and to request payment of the relevant taxes that would have applied. GAAR rules do not prevent the Tax Authority from exercising criminal actions.

There is a presumption of good faith on behalf of taxpayers and the Tax Authority must prove their arguments (burden of proof), in Tax Courts.

5.1.10 Value Added Tax

In general, the VAT is levied upon the recurrent sale of movable property, certain fixed assets, or even real estate assets (excluding land), services regardless of their recurrence, imports and other transactions, with a 19% rate.

Starting January 1st, 2023, VAT on services has been expanded to include all types of services, unless they are expressly exempt.

The acquisition of goods, services, and imports that are subject to VAT entitles the buyer or recipient to a VAT credit, provided they are involved in selling goods or providing VAT-liable services. This VAT credit is equivalent to the VAT detailed in invoices for goods acquired, services utilized, imports, or other VAT-liable transactions.

When such a taxpayer sells VAT-liable goods or services, the VAT charged on these sales is recorded as a VAT debit. This debit can be offset against any accumulated VAT credit. According to VAT methodology, VAT credits are used to offset VAT debits. If there's a positive difference, it represents the VAT payable. Any remaining VAT credits after this offset can be carried forward indefinitely.

In general, exportation of goods performed by Chilean taxpayers are exempt from VAT. However, exporters are specially allowed to recover any VAT paid related to their export activities. Specific VAT credit recovery mechanisms are available, pre and pos exports.

In addition, VAT taxpayers that maintain VAT credit for at least 2 months, arising from the acquisition of fixed assets or services considered to be part of the cost of such fixed assets, can either be offset against any tax liability or request its cash refund.

Regarding importations, it must be noted that the VAT Law establishes an exemption for imported capital goods that are destined for the development, exploration or exploitation in Chile of mining, industrial, forestry, energy, infrastructure, telecommunications, research or technological, medical or scientific development projects, among others, provided that the aforementioned project implies an investment of an amount equal to or greater than USD 5M. To apply this exemption, a resolution from the Ministry of Finance must be issued confirming the requirements are met.

5.1.11 Specific Tax on Fuels

Law No. 18,502 regulates the specific tax on fuels. The rate of this tax corresponds to a Base Component plus a Variable Component.

Thus, the Base Component of the tax is established in Monthly Tax Units, converted to USD as follows:

- Motor gasoline: USD 413 per m^3
- Diesel oil: USD 103 per m^3
- Compressed natural gas: USD 133 per 1,000 m^3
- Liquefied petroleum gas: USD 96 per m^3

In turn, the Variable Component consists of a mechanism integrated by specific variable rate taxes or tax credits that will increase or decrease the Base Component and, therefore, the applicable specific tax. Within the Variable Component is the so-called Mechanism for the Stabilization of Fuel Sales Prices (Mecanismo de Estabilización del Precio de los Combustibles in Spanish, acronym MEPCO) that seeks to stabilize the fluctuations in the value of fuel.

This tax is accrued at the time of the first sale or importation of the products indicated in the Law and shall affect the producer or importer thereof. Producers must pay this tax within the first 10 working days following the week in which the transfers were made, and importers before the withdrawal of the goods from Customs and as a prior condition for this purpose.

According to the current rules, certain VAT taxpayers and exporters (as the case of mining companies) may recover up to 100% of this tax applicable to diesel oil, to the extent that it is not used in vehicles destined to transit by road.

5.1.12 Green Tax on Fixed Sources

As of January 1, 2023, the Green Tax on Fixed Sources is levied on particular matter (PM), nitrogen oxides (NOx), sulfur dioxide (SO2) and carbon dioxide (CO2) emissions into the air produced by establishments whose emitting sources, individually or collectively or, emit 100 or more tons of PM per year, or 25,000 or more tons of CO2 per year. Excluded from the application of the tax are emissions associated with hot water boilers used in services linked exclusively to personnel and generators with a power of less than 500 kWt.

From February 25, 2023, taxpayers subject to the green tax on fixed sources, may offset all or part of their taxable emissions for purposes of determining the amount of tax payable through the implementation of projects to reduce emissions of the same pollutant (or comparably known as "offsets"), subject to such reductions being additional, measurable, ascertainable and permanent.

It should be noted that the reduction projects for offsetting proposes must be additional to the obligations imposed by prevention or decontamination plans, emission standards, environmental qualification resolutions or any other legal obligation.

To implement an emission reduction project for the above purposes, the corresponding application must be submitted to the Ministry of the Environment. In addition, to accredit the reduction of emissions, the projects must be certified by an external auditor authorized by the Superintendency of the Environment.

This tax is accrued annually and must be paid in CLP in April of each year.

In the case of PM, NOX and SO2 emissions, the tax will be equivalent to 0.1 per each ton emitted based on a formula, or the corresponding proportion, of such pollutants, multiplied by the amount resulting from the application of a mathematical formula that includes the social cost of pollution per capita considering the amount of population of the corresponding Municipality.

Regarding these same pollutants, if the establishment is located within a Municipality that is also part of a zone declared as "saturated zone" or "latent zone" due to concentration of PM, NOx or SO2 in the air, an additional factor consisting of the air quality coefficient will be applied to the tax rate per ton of pollutant.

In the case of CO2 emissions, the tax will be equivalent to USD 5 for each ton of CO2 emitted. However, the tax on CO2 emissions will not apply to emitting sources that operate based on non-conventional renewable means of generation whose primary energy source is biomass energy.

It must be noted that the Finance Minister, Mario Marcel, presented the guidelines for new corrective taxes, focusing on "green taxes" to the Finance Committee on April 11, 2023. This project aims to influence behavior to reduce emissions. As of now, the green fiscal bill has not yet been presented to Congress.

5.2

Transfer Pricing

5.2.1 General Considerations

Chilean transfer pricing (TP) regulations are in line with the Organisation for Economic Co-operation and Development (OECD) TP guidelines.

Acceptable transfer-pricing methods include the following:

- Comparable uncontrolled price
- Resale price
- Cost-plus
- Profit-split
- Transactional net margin

If none of the recognized methods can be applied, an alternative method may be used. The choice of the most suitable method should consider the specific facts and circumstances of each other related party transaction being analysed.

Taxpayers must file annual sworn statements identifying related party transactions and transfer-pricing methods and providing other information requested by the SII through its regulations. In addition, taxpayers must keep all relevant information supporting compliance with the transfer-pricing rules.

County-by-Country (CbC) regulations have been in force in Chile since 2017.

In addition, CbC, Master File and Local File Sworn Statements must be submitted to the SII if certain conditions are met. When Local File applies, it involves also filling additional support information such as agreements, functional organization charts, group structure, loan payments schedules, among others.

5.2.2 Mining Industry

The mining industry has been one of the most scrutinized sectors for transfer pricing audits. Transactions commonly under review includes the sale of products, that depending on the case, may have public price, discounts, premiums references in the markets (national or international); intercompany services received (transfer pricing policies as well as substance) and financial intercompany transactions (interest rates and debt capacity structures).

For that reason, many players of this industry are very interested in signing Advance Pricing Agreements (APAs) with the tax administration, to gain certainty for their intercompany transactions, as well as Bilateral Agreements (BAPAs). There are currently some APAs signed with entities belonging to this industry, and it is expected that there will be many more cases in the near future, moreover, considering the recently signed tax treaty with the United States of America.

Currently, Chile is the leading country regarding signed APAs within the South American region. The tax administration, as well the Customs Agency have specific teams dedicated to APA processes and Mutual Agreement Procedures (MAP).

5.3

Taxes solely applied to the mining industry in Chile

Notwithstanding the general tax regulations applicable to all business activities in Chile, there are some special tax regulations for the mining industry derived from its particular characteristics.

5.3.1 Mining Patents

An annual fee is required to keep the mining properties in good standing.

In the case of exploration concessions, the amount of such patent for each full hectare will be equivalent to three fiftieths (3/50) of a monthly tax unit (circa USD 4,1) for each year the concession is granted.

In the case of the exploitation concession, the amount of the patent for each hectare consists of a progressive scale that increases according to the course of the years of the concession. It starts with fourth tenths (4/10) of a monthly tax unit (circa USD 28) for the first five (5) years and goes up to twelve (12) monthly tax unit (circa USD 825) from its thirty-first (31) year and beyond.

However, there are certain exceptions to the standard annual patent value for mining exploitation concessions. These exceptions involve a reduced patent fee, calculated as one-tenth (1/10) of a monthly tax unit (circa USD 7) per hectare. This reduced fee aims to support mining operations that contribute to the public interest. To qualify, concessionaires must demonstrate their involvement in ongoing and permanent mining activities annually, in compliance with the requirements of Law No. 20,551, which addresses the closure of mining works and facilities.

Furthermore, this reduced patent fee also extends to exploitation concessions that are part of mining development projects, even if they have not commenced mining operations. This includes projects that have either received an Environmental License (RCA) or are undergoing evaluation in the Environmental Impact Assessment System as mandated by Law No. 19.300. Additionally, properties engaged in projects that are processing permits under the Mining Safety Regulation but are not required to enter the environmental system are also eligible.

The scope of this exception encompasses properties within a designated mining production unit and its potential expansions. If a single property under the same ownership and included in the same measurement act meets these criteria, it is presumed that all related properties do as well.

Owners of such properties bear the responsibility of providing all necessary documentation to the Tax Authority to establish their compliance with these criteria and thus qualify for the reduced annual patent fee.

It must be noted that when the exploitation of the mine begins, Mining Patents are not deductible for tax purposes but can be treated as monthly provisional tax payments (i.e., as a credit), and also can be imputed against some specific tax obligations, provided that some legal requirements are met.

5.3.2 Mining Royalty

Effective January 1, 2024, as established by Law No. 21,591, mining exploiters are now under the purview of a new annual Mining Royalty. The Specific Tax on the Mining Activity, stated in articles 64 bis and 64 ter of the ITL from 2005, has been repealed as of the same date on which the new Mining Royalty came into force.

This Mining Royalty comprises two components: the Ad-Valorem Component and the Mining Margin Component. These are calculated based on the sales volume and the type of minerals extracted.

The sum of these components forms the Mining Royalty. However, it's important to note that this amount is subject to a cap due to a maximum taxation threshold, which takes into account the Mining Royalty, corporate income taxes, and final taxes.

Ad Valorem Component

Mining exploiters with annual copper sales exceeding 50,000 metric tons of fine copper (MTFC) are subject to a 1% rate on its sales. This rate specifically applies to revenues derived solely from copper sales, excluding those from other minerals (i.e., Molybdenum, Silver, Gold, etc.).

In instances where the 'Adjusted Mining Operational Taxable Income' of the taxpayer (Renta imponible operacional minera ajustada in Spanish, acronym RIOMA) is negative in a commercial year, this deficit should be deducted first from the Ad-Valorem Component.

The term "sales" will consider the average of annual sales of the last six commercial years, for which purpose taxpayers will have to comprise the total sales value of mining products including that from related parties (insofar as those related party can also be considered "mining exploiters"). Related parties shall be understood as those referred to in number 17 of Article No. 8 of the Chilean Tax Code (TC).

In case the taxpayer registers sales for less than six years, the average will consider the years starting from the first year the taxpayer registers actual sales.

Margin Component

Mining exploiters whose income derives in 50% or more from copper sales and whose sales are equivalent to more than 50,000 MTFC, will be subject to a progressive and marginal tax rate ranging from 8% to 26%. The applicable rate within this range will be determined based on the Mining Operating Margin (MOM) of the taxpayer.

However, this component shall not be applicable in case the RIOMA is negative.

Mining exploiters whose income derives less than 50% from copper sales, will be subject to the following tax rates based on their annual sales:

- Less than equivalent of 12,000 MTFC: Exempt.
- More than the equivalent of 12,000 MTFC but less than 50,000: Tax rate fluctuates between 0.4% and 4.4%.
- More than the equivalent of 50,000 MTFC: Progressive tax rates ranging between 5% and 14% depending on the MOM.

Mining exploiters shall apply the respective tax rates over the RIOMA, which considers the CIT's taxable base of the taxpayer subject to certain adjustments included in the Law No. 21,591 (to reflect the mining operational taxable income only).

RIOMA

It must be noted that for the application of the Mining Royalty, including both the ad-valorem and margin components, the "Adjusted Mining Operational Taxable Income" (Renta Imponible Operacional Minera Ajustada in Spanish, acronym RIOMA) will be the one resulting from making the following adjustments to the calculation of taxable net income determined in accordance with the ITL:

i. Add to the taxable base the margin component, as appropriate.

ii. Deduct all those incomes that do not come directly from the sale of mining products.

iii. Add the expenses and costs necessary to produce the income referred to in the preceding number.

iv. Add, in case they have been deducted the following concepts included in article 31 of the ITL:

a. Interests

b. Carry forward losses from previous years

c. Charges for accelerated depreciation of fixed assets

d. The difference, if any, that arises between the deduction of organization and start-up expenses, amortized in a period inferior to six years; and the proportion that should have been deducted for the amortization of such expenses over a period of six years.

e. The consideration paid under a loan agreement, sale of minerals, lease or usufruct of a mining property, or any other that originates from the delivery of the exploitation of a mining deposit to a third party. In addition, the part of the sale price of a mining property that has been agreed as a percentage of the sales of mining products or of the buyer's profits must be added.

v. Deduct the annual quota for the depreciation of fixed assets that would have corresponded (given the accelerated depreciation would not apply).

Maximum potential tax burden

Mining Royalty considers a cap to the combined tax burden of the CIT, the Mining Royalty, and shareholder taxation on profits distributions.

In case the maximum potential tax burden exceeds such cap, the Mining Royalty will be reduced accordingly. Said limit will be set at a 46,5% for exploiters with annual sales equal or greater than the equivalent to 80,000 MTFC and at 45,5% for exploiters with annual sales lower than the equivalent to 80,000 MTFC.

Declaration, payment, and obligatory provisional monthly payments.

The Mining Royalty must be paid annually (in April of the year after the respective commercial year) and is subject to the TC in anything not regulated in the Law No. 21,591.

Mining exploiters required to pay the Mining Royalty must make mandatory provisional monthly payments. These payments are calculated as a percentage of the gross income, either received or accrued, from their monthly sales of mining products. This obligation applies regardless of the components that constitute the Mining Royalty, whether it's the Ad Valorem Component, the Mining Margin Component, or a combination of both.

Mining exploiters shall also be bound to report their annual financial statements (both individual and consolidated) to the Chilean Financial Market Commission, including a note regarding the company's ownership upstream.

The financial statements must be audited by an external audit company registered under Law No. 18,045 (Stock Markets Law). Quarterly financials must also be reported.

Failure to report will be subject to fines and penalties.

5.4

Incentives

There are no special tax incentives for the mining industry. However, there are some benefits generally established for all taxpayers. For instance, VAT refunds for exporters, tax incentives for investment and development, among others.

In this regard, Law No. 20,241 that "Establishes a Tax Incentive for Private Investment in Research and Development" (R&D Law), establishes a tax incentive for private investment in R&D that can be used by CIT taxpayers that declare their effective income determined according to full accounting records.

The modalities of this tax incentive could be: (a) R&D certified contracts with a registered research center; and (b) R&D in-house activities.

This benefit is in effect until 2025 and has the following characteristics:

(a) Tax credit imputable to the CIT, corresponding to 35% of the total disbursements in R&D projects duly certified by CORFO (in-house) or for payments to certified research centers. The maximum amount of the credit, per year and per each legal person or tax ID, cannot exceed 15,000 monthly tax units (circa USD 1,1M). This tax credit is non-refundable. However, it can be carry-forward indefinitely.

(b) Deduction as a tax expense of the remaining 65% of the R&D disbursements certified by CORFO for in-house activities or associated with R&D certified contracts entered with a registered research center, even if such disbursements are not necessary to produce income for the respective business (deductible in up to 10 years).

It should be noted that R&D projects may be carried out by taxpayers with their internal capacities or with third parties being able to associate for the presentation of such projects (subcontracting third parties to conduct the R&D). However, according to the Law, the only restriction is that at least 50% of these expenses must correspond to activities carried out within the national territory.

An exceptional pre-step approval process is recognized in the Law through which taxpayers can file an affidavit before CORFO informing that they are keen to file a R&D project. According to this procedure, taxpayers would be able to prepare a project that must be filed within 18 months. As soon as certain formal and substantial requirements are met, all disbursements incurred from the date in which the affidavit was filed, would be counted for the tax incentives.

Tax incentives are claimed annually through the annual tax filings of the company. This form must be completed in April of the year following the year when the disbursement took place, to the extent the respective resolution from CORFO is issued.

5.5

Foreign Investment Statutes

5.5.1 DL 600

The regulatory framework for foreign investment in Chile has been subject to different changes within the last years. In this regard, up to December 31, 2015, the Decree Law No. 600 (DL600) was the main legal body for foreign investments' protection in Chile.

Law No. 20,780 repealed the Foreign Investment Statute regulated by the DL600 as of January 1, 2016. Said statute allowed foreign investors to subscribe investment contracts with the State of Chile ensuring for a certain period a set of rights related with their investment, including tax stability.

The DL600 established a foreign investment regimen that provided access to the official foreign exchange market and offered, among others, the following benefits:

- Different type of tax stabilities;
- Nondiscrimination under Articles No. 9 and No. 10 of the DL600;
- Alternative mechanism of calculating the tax basis in case of capital gains associated to foreign investments in Chile;
- Access to the formal exchange market; among others.

Notwithstanding this regime was repealed, some of the rights granted by DL600 contacts (including the tax stability for mining taxes) are still claimable. The tax stability protection of many mining companies ended in 2023 according to the public information available, leaving only a few of them under this regime.

5.5.2 New Foreign Investment Regime (Law No. 20,848)

The Law No. 20,848 was published in the Official Gazette on June 25, 2015, and regulates investments made by any natural or legal person incorporated overseas, not residing or domiciled in Chile, whose investment is equal to or greater than USD 5M, or the equivalent to said sum in other foreign currencies.

The application of the rights granted to foreign investors by this framework requires for the investment to be made in a Chilean company, granting the investor with the direct or indirect control over, at least, 10% of the company's voting shares or an equivalent percentage in the corporate equity, if it is not a stock-based company or in the assets of the respective entity.

To qualify as a foreign investor and access the rights available under this framework, it is necessary to request a certificate before the Agency for the Promotion of Foreign Investments.

According to the above, the Law provides a list of granted rights to the foreign investors, which can be described as follows:

- Overseas repatriation, at any time, of the invested capital and net profits once the applicable tax obligations have been fulfilled.
- Access to the Formal Exchange Market to liquidate currencies that comprise the investment and to acquire the necessary currencies to repatriate the invested capital and net profits.
- Non-discrimination right, whether directly or indirectly, according to the legal regime that is applicable to local investors.
- Right to VAT exemption in the import of capital assets, if they comply with certain special requirements and procedures.

It is relevant to consider that these regulations do not set forth the possibility that foreign investments can be granted with a tax stability regime, as was the case of the previous foreign investment regime established by the DL600.

5.5.3 Foreign Exchange Regulations of the Central Bank of Chile

Under the provisions of Chapter XIV of the Compendium of Foreign Exchange Regulations of the Central Bank of Chile (Chapter XIV), foreign investors may bring capital into Chile under the terms and considerations applicable to foreign loans, deposits, investments, and capital contributions.

For fund inflows from external credits exceeding USD 1 M, it's essential to process them through an entity of the Formal Exchange Market (Mercado Cambiario Formal in Spanish, acronym MCF). In this case, the debtor must report to the Bank, either directly or via an MCF entity. Similarly, for the entry of foreign currency from deposits, investments, and capital contributions, the involved party must provide necessary details for the creation of a sheet, which the MCF entity issues to inform the Bank about the transfer or conversion of the funds.

Additionally, when capital contributions in Chilean pesos from abroad are received, the investment recipient must report the transaction. This reporting requirement specifically applies to capital contributions in Chilean pesos resulting in the foreign investor achieving or maintaining at least a 10% stake in the rights or shares of the recipient entity.

It must be noted that most of the reporting obligations are carried-out by the bank or financial company assisting in the transfer of funds through the MCF.

5.6

Legislation

5.6.1 Starting a business in Chile

Foreign investors can do business in Chile as individuals or through entities governed by the corporate and commercial laws. These entities include:

- Corporations (Sociedad Anónima in Spanish acronym SA)
- Limited liability company (Sociedad de Responsabilidad Limitada,in Spanish, acronym SRL)
- Branch of a foreign corporation (Agencia in Spanish)
- Limited liability or silent company (in Spanish this concept includes the following: asociación or cuentas en participación or sociedad en comandita simple or sociedad en comandita por acciones)
- Limited liability individual company (Empresa Individual de Responsibilidad Limitada in Spanish, acronym EIRL)
- Stock corporation (Sociedad por Acciones in Spanish, acronym SpA)
- Contractual mining partnership (Sociedad Contractual Minera in Spanish acronym SCM)
- Legal mining partnership (Sociedad Legal Minera in Spanish, acronym SLM).

Foreign investors generally conduct business activities using the following types of entities.

5.6.2 Corporations (Sociedad Anónima)

Corporations are companies with a legal personality separate from that of its owners, which may be of three types: privately held, publicly held or special. Corporations are ruled by Law No. 18,046 on corporations (the Corporations Law) and by Decree No. 702 of the Ministry of Finance (2012) on corporations.

Publicly held and special corporations are subject to more regulation than privately held corporations and are under the supervision of the Financials Markets Commission (Comisión para el Mercado Financiero in Spanish, acronym CMF).

Publicly held corporations are those that have voluntarily or mandatorily registered their shares in the securities registry kept by the CMF.

The corporations that are obliged to register their shares are those that have one or more of the following attributes:

- They offer their shares to the public;
- If for more than 12 consecutive months, the corporation had more than 2,000 shareholders registered in its shareholder registry;
- They have 500 or more shareholders; or
- At least 10% of their subscribed share capital is held by a minimum of 100 shareholders (excluding individual shareholders that directly or indirectly exceed that percentage).

Special corporations are those that, whether they offer their shares to the public or not and regardless of the number of shareholders, are subject to the supervision of the CMF because of the nature of their business activities. Examples of such special corporations include insurance companies and mutual funds, among others.

Privately held corporations are not subject to supervision by the CMF. The following are the main characteristics of a privately held corporation.

5.6.2.1 Number of members

Shareholders are the members or owners of a corporation, which is required to have a minimum of 2 such shareholders.

5.6.2.2 Contributions

Contributions made by each shareholder to the corporation are represented by shares, which are freely transferable.

However, the by-laws of a privately held corporation may establish restrictions on the transfer of shares. These restrictions are typically outlined in private agreements between two or more shareholders.

Shareholders' contributions may be in cash or other types of tangible or intangible assets.

Any contributions other than cash must be valued by an expert unless the shareholders unanimously agree upon its value. Contributions may not consist of a shareholder's services or labor.

5.6.2.3 Share capital

The by-laws must establish the specific amount of the company's share capital (it may not be variable or imprecise). Chilean laws do not require a minimum share capital for the company to be incorporated, nor is it required to be totally or partially paid before the company begins operations.

However, the original share capital must be fully paid within three years of the incorporation of the company. Otherwise, the share capital is reduced to the amount actually paid.

5.6.2.4 Shareholder liability

Shareholders are typically liable only up to the extent of their investment in the corporation. Generally, they are not responsible for the corporation's actions. However, there are exceptions, as outlined in Law No. 20,393 regarding the Criminal Responsibility of Legal Entities. This law covers legal entity liability in instances of money laundering, terrorism financing, and bribery.

Significantly, Law No. 21,595 on Economic Crimes, enacted in August 2023, brings substantial changes to various legal frameworks, including the Penal Code and Law No. 20,393. These amendments broaden the legal responsibilities of legal entities adding more than 230 new types of economic, criminal and environmental criminal offenses to the Chilean legal framework. Some of the provisions included in Law No. 21,595 are in force since 2023 while others will be in force from September 1st, 2024.

In terms of taxation, Law No. 21,595 introduces criminal penalties for a range of violations stated in the Tax Code, thereby expanding the scope of tax offenses. This includes fraudulent activities, such as maliciously submitting false tax returns, the malicious use of invoices or other tax documents, etc.

5.6.2.5 Administration

Corporations are represented, managed and administrated by a board of directors whose members must be appointed by the shareholders in the first board meeting (interim directors may be appointed in the bylaws at the time of incorporation). The Corporations Law grants the board of directors the administrative authority necessary to manage the company's business. The only limitations are those outlined in the company's bylaws, which are drawn up by the shareholders.

The board of directors is required to act through meetings conducted in accordance with the Corporations Law. However, the board may delegate some of its authority to senior executives, managers or lawyers of the company, to one or more directors and, in the case of specific purposes, to others. The number of board members depends on the by-laws. Nonetheless, a privately held corporation must have a minimum of three board members.

The by-laws must establish the term that the directors serve, which may not be longer than three years, after which the whole board must be reelected. Board members can be reelected indefinitely.

However, board members can be removed at any time by the shareholders (the only restriction is that the whole board be removed, not just certain directors).

Board members may or may not be compensated for their duties, depending on the by-laws. The amount of the compensation must be decided annually at the ordinary shareholders' meeting.

5.6.2.6 Incorporation

Corporations are incorporated by means of a public deed signed by the original shareholders before a notary public.

The deed must contain the by-laws. An authorized abstract of the deed must be registered in the Registry of Commerce where the company is domiciled and published in the Official Gazette within 60 days of signing the deed.

5.6.2.7 Amendment of the company's by-laws

Any amendment to the company's by-laws must be approved by a special shareholders' meeting held before a notary public. The minutes of this meeting must be transcribed into a public deed and an authorized abstract must be registered in the Registry of Commerce and published in the Official Gazette within 60 days.

5.6.2.8 Dissolution and liquidation

A privately held corporation is dissolved by:

- Expiration of the term of the company, if the by-laws consider any,
- The possession of all the company shares by one shareholder for more than 10 days,
- An agreement at a special shareholders meeting,

- A court judgment, if it is requested by shareholders representing at least 20% of the company share capital; the shareholders must prove the existence of a "serious cause" for dissolving the company; this could be a violation of the law that causes damage to the company or its shareholders, bankruptcy of the company or fraudulent administration,
- Other causes established in the by-laws.

A dissolved corporation subsists as a legal entity during its liquidation, but only for the purpose of conducting the liquidation, with all its by-laws remaining in force. The words "in liquidation" ("en liquidación" in Spanish) must be added to the company's name during this period and the entity is managed by a liquidation committee or by a sole person acting as the liquidator.

5.6.3 Stock corporations (Sociedad por Acciones).

Stock corporations are legal entities, distinct from their owners. SpAs are ruled by Articles No. 424 to No. 446 of the Code of Commerce and by their own by-laws. On all matters not expressly regulated by those, SpA are governed by the rules applicable to privately held corporations.

The advantage of an SpA is that it offers great flexibility in the determination of its corporate structure, since it is primarily ruled by its by-laws, which can be tailored to meet the specific needs of their owners. Additionally, SpAs are the only legal entities in Chile that may be incorporated and exist with a single shareholder.

The following are the main characteristics of an SpA.

5.6.3.1 Members

Members or owners of an SpA are known as shareholders. A SpA can be formed and exist with just one shareholder or more. However, if for more than 12 consecutive months, the company has 500 or more shareholders or, if at least 10% of its subscribed share capital is held by a minimum of 100 shareholders (excluding individual shareholders or through other legal or natural persons, exceed that percentage), it automatically becomes a public corporation.

5.6.3.2 Contributions and share capital

Contributions made by each shareholder to the SpA are represented by shares, which are freely transferable. However, the by-laws may establish restrictions on the transfer of shares. The SpA's by-laws may establish a maximum or minimum amount or percentage of the share capital that may be directly or indirectly controlled by one or more shareholders.

Shareholder contributions follow the same provisions as a privately held corporation unless the SpA's by-laws state otherwise.

As with corporations, the by-laws must establish the specific amount of the company's share capital (it may not be variable or imprecise), a minimum share capital is not required for the company to be incorporated, nor is it required to be totally or partially paid before the company begins its operations.

Nevertheless, it must be fully paid within 5 years, or the lesser time frame established in the bylaws, or the share capital will be reduced to the amount actually paid.

5.6.3.3 Shareholder liability

Shareholders' liability is limited to the extent of their individual contributions to an SpA. Beyond this, they are not responsible for the liabilities of the SpA, except in certain cases. Notable exceptions include those outlined in Law No. 20,393, which have been amended by Law No. 21,595, as previously mentioned in this guide.

5.6.3.4 Administration

Owners of a SpA have the liberty to select the company's administrative structure. For instance, the administration may correspond to one or more managers, with or without a board of directors, with simultaneous or subsidiary administrators or managers. The only requirement is that the administration system must be established in the company's by-laws. Otherwise, the company by default has the same administration as a privately held corporation.

5.6.3.5 Incorporation

SpAs may be incorporated in either of the following ways:

- Through a public deed agreed upon by the original shareholders before a notary public, which must contain the by-laws of the company; or

- Through a private instrument agreed upon by the original shareholders, whose signatures be authorized by a notary public.

This private instrument must contain the company's by-laws and be registered in the public record of the same notary public that authorized the signatures of the original shareholders.

Within 60 days following the date of the public deed or of the registration of the private deed in the notary's public record, as applicable, an authorized abstract must be recorded in the Registry of Commerce corresponding to the company's domicile and published in the Official Gazette.

5.6.3.6 Amendment of the company's by-laws

Any amendment to the SpA's by-laws must be approved at a shareholder's meeting. The minute of this meeting must be reduced into a public deed or registered in a notary's public record. However, if all the shareholders unanimously agree on the amendment, a formal meeting is not necessary. In such cases, the agreement can be documented either in a public deed or a private instrument, with all shareholders' signatures authorized by a notary public and registered in the notary's public record.

An authorized abstract of the deed or instrument with the amendment must be registered in the Registry of Commerce and published in the Official Gazette within 60 days following the date of the public deed or of the registration of the private deed in the notary public's record.

5.6.3.7 Dissolution and liquidation of an SpA

The same rules for the dissolution and liquidation of a privately held corporation apply to the SpA, unless the by-laws state something different. The only exception is that SpAs are not dissolved when all of their shares are held by one shareholder, unless otherwise is established by the by-laws.

As for the liquidation of the company, the shareholders are free to rule in the by-laws the system of liquidation they deem appropriate.

5.6.4 Limited liability companies ("Sociedad de Responsabilidad Limitada, SRL")

Limited liability companies or SRLs are companies with a legal personality separate from that of its owners, and they are regulated by Law No. 3,918 and by some provisions in the code of commerce and the civil code.

5.6.4.1 Number of members

Members of a SRL are known as partners. An SRL must have a minimum of 2 partners and can have up to a maximum of 50.

5.6.4.2 Equity capital and contributions

Partners' contributions may be in cash, assets or services. Contributions other than cash must be valued and agreed upon unanimously by the partners.

A partner's ownership is represented by equity rights, which may only be transferred through an amendment of the company's by-laws and approved by the totality of the partners.

5.6.4.3 Partners' liability

Partners are only liable up to the amount of the contributions committed by each of them to the SRL. In this respect, the general principle is that partners are not liable for the company's liabilities, with some exceptions such as the ones established in Law No. 20,393 on liability of legal entities with respect to the crimes of money laundering, financing of terrorism and bribery.

5.6.4.4 Transfer of equity rights

The partners' ownership in an SRL is represented by equity rights or interests equivalent to percentages of the company's equity capital. These rights are not freely transferable by each partner, since these may only be transferred through an amendment of the company's bylaws, which requires the unanimous consent of the company's partners.

5.6.4.5 Administration

The partners may freely choose how the administration is organized. For instance, the company's administration could be given to one or more managers (who could be partners or third parties, individuals or legal entities) or to a board of directors. The only requirement is that the system of administration be established in the company's bylaws.

Except for some specific activities, the manager or administrative body will only have the specific authority granted by the bylaws. The manager or administrative body may delegate its power to act on behalf of the company to one or more attorneys.

5.6.4.6 Incorporation

SRL´s are incorporated by means of a public deed agreed upon by the original partners before a notary public, which must contain the by-laws of the company.

Within the 60 days following the date of the public deed, an authorized abstract of this public deed must be recorded in the Registry of Commerce corresponding to the company's domicile and published in the official gazette.

5.6.4.7 Amendment of the company's by-laws

Any amendment to an SRL's by-laws shall be made by means of a public deed executed by all the company's partners. An abstract must be registered in the Registry of Commerce and published in the official gazette within 60 days of the date of the public deed.

5.6.4.8 Dissolution and liquidation of an SRL

An SRL is dissolved by the following events:

- Expiration of the term of the company
- Conclusion of the business for which the company was incorporated
- Declaration of bankruptcy
- Agreement of all the company's partners
- Possession of all the company's rights in one person
- Any other event established in the company's by-laws

A dissolved SRL subsists as a legal entity during its liquidation, but only for the purpose of conducting the liquidation. During this period all the applicable provisions of the by-laws remain in force.

5.6.5 Branches of foreign corporations

The incorporation of a Chilean branch of a foreign corporation is regulated by the Corporations Law, whereas the incorporation of a Chilean branch of a foreign company or legal entity, different than a corporation, is regulated by the Code of Commerce. Both statutes establish very similar rules.

When considering whether to incorporate a branch, it must be noted that unlike companies (such as a corporation, an SRL or a SpA, branches of foreign companies are not considered a different entity from the foreign company that owns the relevant branch. Therefore, the foreign entity is fully responsible for all the acts performed by its Chilean branch; it may not contract with the branch, and the branch may not be merged, spun-off, etc.

5.6.5.1 Establishment of a branch

According to the foreign branch regulations, in order for a foreign company or legal entity (the "parent company") to establish an agency in Chile, its agent or representative (the "agent") must register in the public record kept by a notary of the same domicile that the branch will have in Chile, both in Spanish and in the official language of the country of the parent company, the following legalized documents:

- Articles of association of the parent company, together with a certificate of good standing
- Authorized copy of the updated bylaws of the parent company
- General power of attorney granted by the parent company to the agent through public deed granted on the same date and before the same notary that registered the above documents in their public record. The agent should declare on behalf of the parent company, the following:
- The name and business purpose of the branch
- That the parent company knows the Chilean legislation and regulation that will apply to it and to its branch, actions, agreements and obligations
- That the parent company's assets will be subject to Chilean Laws to fulfill the obligations for which it is liable in Chile
- That the parent company assumes the obligation of keeping in Chile assets that can be easily converted into cash, to fulfill the obligations for which it is liable in Chile
- The amount of capital that it will keep in Chile for the development of its business purpose, and the date and way in which this capital will be contributed to the branch
- The branch's domicile in Chile

Within the following 60 days, an authorized abstract of both the parent company's documents that were registered in the notary's public record and the referred public deed, shall be registered in the Registry of Commerce of the branch's domicile and published in the official gazette.

To amend any of the above documents or statements, the agent will have to follow the same steps previously described.

5.6.5.2 Administration

The branch is managed by the agent. Such agent is obliged to publish the annual financial statements of the branch in a newspaper of the branch's domicile, within four months of its financial year-end.

5.7
Special legal vehicles for mining

For the exploration or exploitation of mineral resources, the parties may establish companies and legal entities of those treated and regulated in other codes or special Laws, as the ones mentioned before, or they may also constitute mining companies as referred to in the Mining Code (Law No. 18,248 of 1983), which are divided into:

- Legal mining partnerships (Sociedad Legal Minera in Spanish, acronym SLM): created not by the agreement of the parties but when specific factual circumstances are met; and
- Contractual mining partnerships (Sociedad Contractual Minera in Spanish, acronym SCM): created because of a contract

5.7.2 Legal mining partnership

An SLM is a legal vehicle conceived to grant legal personality to mining rights -exploration or exploitation concessions- registered by more than one person. The SLM is created by its enrollment in the Public Mine Register, following the inscription of the Public Mine Register (Conservador de Minas in Spanish).

The company's equity corresponds to the mining rights registered under its name (although it can be increased later on).

The capital is divided into 100 shares, allocated in the proportion in which the mining rights are held. These shares can be freely traded. The partners are liable for the amount of their corresponding contribution. It is administrated by a partnership board (Junta de Socios in Spanish) and an administrator.

5.7.3 Contractual mining partnership

If the parties do not register their mining rights together, they can form an SCM. In such a case, they must also comply with some formalities, such as a public deed, whose abstract must be registered in the Public Mine Register. Their capital is divided into shares.

Regarding third parties, partners are liable to the amount of their corresponding contribution, but they will respond with their own assets for the contributions they agreed upon in the by-laws. Administration is freely determined by the partners, and it is usually organized as a corporation. The rules of the legal mining partnership shall apply to those matters not covered by the by-laws.

PHOTO: CODELCO

5.8

Joint ventures

Chilean Law does not categorize joint ventures. They are equivalent to de facto associations of individuals or entities.

5.9

Structures most often used by foreign investors

The structures most often used by foreign investors include corporations, wholly owned stock corporations and limited liability companies. In case of mining investments, contractual mining partnership are also frequently used.

A branch is generally not used because a foreign company remains liable for the debts of its Chilean branch.

5.10

Customs Duties

5.10.1 Valuation and rates

Imported goods are subject to customs duties, expressed as percentages of their cost. insurance and freight (CIF) value, or to ad valorem customs taxes. Specific duties expressed in US dollars per unit of weight or measures are levied on certain goods.

The general rate of customs duties is 6%. However, given the number of commercial agreements currently in force (with more than 60 nations) the effective custom rate is under 1%.

The payment of customs duties may be deferred up to seven years on imported capital goods intended to produce export goods, if the importer signs a promissory note that guarantees payment of the customs duties. In addition, some capital goods are also exempted from customs duties.

5.10.2 Free-trade zones

Chile has free-trade zones, which provide certain benefits as described below.

Since 1975, free-trade zones have been set up and operate in the north and south of the country (Iquique and Punta Arenas, respectively).

While imported merchandise remains in the free-trade zones, no VAT or customs duties are applicable. Free-trade zones can be used for different purposes such as storage, sampling or exhibition, packing, sales, manufacturing and assembling.

Sales and services provided in free-trade zones are exempt from VAT and profits are exempt from the CIT. There is no reduction or exemption for the case of the final taxes. Some of the free-trade zone benefits have been extended to the cities of Arica and Tocopilla, in the north of Chile.

5.10.3 Temporary admission and bonded warehouses

Temporary admission of certain goods, including foreign vehicles, machines, containers and cinema and television films, is allowed subject to terms and conditions determined by the customs authorities. A guarantee for the corresponding customs duties is normally required.

Foreign goods may be stored in bonded warehouses without paying customs duties until their formal import. The customs authorities control the bonded warehouses and may also designate a national factory or an industrial establishment as a bonded warehouse for raw materials and components for manufacturing.

5.10.4 International trade agreements

The main agreements executed by the Chilean State in order to gain access to international markets are the following:

- Andean Community (Comunidad Andina or CAN in Spanish): Chile benefits from the free-trade zone established by this agreement for its member countries (Bolivia, Peru, Colombia and Ecuador).
- Chile is a member of the Latin American Integration Association (Asociacion Latinoamericana de Integración or ALADI in Spanish), which promotes the economic and social development of the region with a view toward establishing a Latin American common market. The ALADI has preferential regional tariffs, regional agreements and agreements between particular member countries. Other members of the ALADI include Argentina, Bolivia, Brazil, Colombia, Ecuador, México, Paraguay, Peru, Uruguay and Venezuela.
- The European Free Trade Association (EFTA): In 2004, Chile signed a free-trade agreement (FTA) with this association constituted by Norway, Switzerland, Lichtenstein and Iceland.
- In 1976, Chile withdrew from the Cartagena Agreement (Andean Pact), but it continues to comply with certain decisions of the pact.
- Chile is a member of the General Agreement on Tariffs and Trade (GATT) and the Asia Pacific Economy Cooperative (APEC).
- Chile is associated with the Common Market of the South (Mercado Común del Sur or Mercosur in Spanish).
- Chile has subscribed an association agreement with the European Union. Also, as of January 1st, 2021, there is an association agreement with the United Kingdom.

The purpose of this convention is to obtain benefits from the financial environment, which, in general terms, translates in placing 90% of Chilean exports to the European market at zero rates in eight years at the utmost. In addition to progressively opening the country's economic relations by means of a free-trade zone for industrial and agricultural products, an investment agreement, competition rules, industrial property, etc.

- Chile has an association agreement as part of P4 group, formed by New Zealand, Singapore and Brunei Darussalam.
- Chile signed an FTA with South Korea in 2003 by eliminating customs duties on vehicles, television sets, cellular phones, computers manufactured in South Korea. Likewise, the tariffs affecting parts and spare parts of vehicles will also be eliminated within five years.

- Chile signed an FTA with the US in January 2004, allowing for 87% of the national products to reach that country at zero rates.
- An FTA was signed with China in 2005, with 1-, 5- and 10-year terms to eliminate custom tariffs on many products that this country exports to Chile. Also, many Chilean exports to China have terms of 1, 2, 5 and 10 years to eliminate tariffs.
- An FTA was subscribed with Japan in 2007 that eliminated 90% of tariffs of bilateral commerce between both nations.

Chile also has FTAs with the following places: Hong Kong, Vietnam, Malaysia, Turkey, Australia, Panama, Japan, China, Canada, Mexico, South Korea, Central America (Costa Rica, Salvador, Guatemala, Honduras, Nicaragua), Peru, Colombia, Argentina, Uruguay and Brazil.

5.11

Labor Legislation

5.11.1 Chilean labor contracting system

In Chile, labor relationships between employees and employers are governed by Chilean labor laws, mainly contained in the Labor Code, which regulates the employment relationship between the employees and the employer, the employment contract, various types of contracts, and rights and obligations that emanate from the employment relationship for both parties, among others.

Article No. 7 of this Code defines the individual employment contract as "an agreement by which the employer and the employee reciprocally commit the latter to render personal services under the dependence and subordination of the former, and the former to pay a determined remuneration for these services".

PHOTO: TECK

5.12
Classification of the employment contract based on its temporality

Employment contracts can be classified based on their temporality. In this sense, there are three types of employment contracts:

5.12.1 Indefinite contract

It is an employment relationship whose term has not been previously fixed by the parties, being this type of contracting the general rule in Chile. In this type of contract, a certain date or term of duration is not established, and the employment relationship can only be terminated by the application of certain causes contained in the Labor Code, generating relative stability for the employment.

5.12.2 Fixed term contract

In this type of contract, the employee and the employer enter into a labor relationship for a certain time, with a precise termination date. It has a maximum duration of one year (or, exceptionally, two years for managers or people who have a professional or technical degree granted by a higher education institution). The fixed term contract can be renewed for a single time. In case it is renewed for a second time, it will automatically become an indefinite contract.

The same applies when the employee, with the knowledge of the employer, continues to provide services after the expiration of the agreed term or in the case when the employee has provided discontinuous services under more than two term contracts, for twelve months or more, in a period of fifteen months from the first hiring.

5.12.3 Contract for a specific work or task

In this case the duration of the contract will depend on the nature of the services for which the employee was hired and not on a term established by the parties. It is characterized by its short duration. Examples of these types of contracts are those in which the employee undertakes to execute a specific and determined material or intellectual work, whose validity is limited to the duration of said work.

5.12.4 Other labor considerations

Regarding the nature of the services provided by the employee, national legislation also provides for certain types of employment contracts, known as "special contracts", for example, apprenticeship contract, agricultural employees contract, port employees contract, among others.

The Labor Code establishes that the employment contract is of a consensual nature, sufficing only the will of the parts for its perfection.

Thus, when in a relationship the constituent elements of the employment contract concur, that is, the provision of personal services under subordination and dependence, said relationship will be of an employment nature.

Notwithstanding the foregoing, the law sets a deadline for writing the employment contract, a term that will depend on the duration of the contract. In this regard, it should be noted that the writing of the contract is a formality that allows the parties to prove the clauses agreed by them and constitutes an obligation of the employer sanctioned with administrative fines, among other sanctions, without prejudice to the contract maintaining its consensual nature.

5.13

Non-waivable employment benefits

In Chile, employees are entitled, among others, to the following mandatory and non-waivable employment benefits:

- Holidays or vacation: Employees with more than one year of service are entitled, as a general rule, to an annual holiday of fifteen working days with full remuneration. Employees with more than 10 years of work experience -not necessarily with the same employer- will be granted additional vacation days after 3 years of continuous employment with their current employer.
- Distribution of profits in favor of employees or gratification: Companies that, in accordance with the law, must grant gratification, must distribute a percentage of their profits among all their employees. The employer, in order to comply with this obligation, may choose between two alternatives contemplated by law: a) distribute among the employees 30% of the liquid profits of the company, with some adjustments, or b) pay the employees 25% of their remuneration accrued in the respective business year, with a maximum limit of 4.75 minimum monthly wages per employee, regardless of the liquid profits obtained by the company. Likewise, the parties could agree or implement contractual systems of gratification, only if they are more favorable than the minimum established in the law.
- Social security: According to the Chilean social security system, all dependent employees have the obligation to contribute to the social security system.

The Chilean pension system includes mandatory contributions of 7% of the monthly remuneration for health insurance (ISAPRE or FONASA) and 10% of the monthly remuneration for the pension fund (AFP) including a commission that varies according to each administrator.

For 2024, both contributions have a monthly remuneration of 84,3 indexed unit account (known as Unidad de Fomento in Spanish, acronym UF) as a contribution base limit. The UF is an adjustable unit to express the updated value of CLP, which is readjusted depending on inflation, that has been authorized by the Central Bank of Chile under the provisions of number 9 of Article No. 35 of its Constitutional Organic Law.

Additionally, there is a mandatory contribution for the invalidity and survivors' insurance of employees, equivalent to 1.49% of the employee's gross monthly remuneration, the contribution for insurance against accidents at work and occupational diseases, whose basic rate is 0.90% and which can be increased up to 3.4% depending on the risk of the activities carried out by the company, and the contribution for insurance for the accompaniment of children, ", which is 0.03% of the employee's remuneration. All these contributions are borne by the employer and must consider, as a contribution base limit, a maximum gross monthly remuneration of UF 84.3.

There are also contributions for unemployment insurance, under which, by general rule, the employee contributes 0.6% of the gross monthly remuneration and the employer contributes 2.4% of it. For the year 2024, the gross monthly remuneration that serves as the basis for these contributions has a monthly limit of UF 126.6.

It should be noted that the distribution indicated only applies in cases where the employment contract is indefinite, varying in the case of contracts subject to term.

5.14

Taxes levied on wages

The general rule on the taxation in Chile of personal income is contained in Article No.3 of the Income Tax Law, which states that "(…) Unless otherwise provided in this law, any person domiciled or resident in Chile shall pay tax on their income of any origin, whether the source of entry is located within the country or outside it, and persons not resident in Chile shall be subject to taxes on their income whose source is within the country."

Notwithstanding the foregoing, during the first 3 years of stay in the country, foreign individuals are only taxed on their income from Chilean sources, considering income from Chilean sources that which is derived from assets located in Chile or from activities carried out in the country.

According to the Chilean Tax Code, a resident is a person who remains in the country, uninterrupted or not, for a period or periods that in total exceed 183 days (about 6 months), within any period of twelve months.

For its part, the concept of domicile is defined in Article No. 59 of the Civil Code, which establishes that this is "the residence, accompanied by the intention to remain in it". There are certain facts that allow to presume the above, such as being hired by a Chilean company or residing in Chile with the family, which is analyzed on a case-by-case basis by SII.

The remuneration received by a domiciled or tax resident for the provision of their services in Chile is classified as "income from dependent work" and is affected by the Second Category Single Tax (Impuesto Único de Segunda Categoría or IUSC in Spanish), on a monthly basis, which is established in progressive rates per tranche ranging from 0% to 40%.

The income received by taxpayers without domicile or residence in Chile will be affected by the WHT, as a single one, whose general rate is 35%, applying lower rates in special circumstances that are regulated in current national regulations. This tax does not allow deductions.

5.15

Working hours

5.15.1 Current regulation

Currently, the ordinary weekly working hours as a maximum limit of 45 hours per week, which must be distributed between a minimum of 5 days and a maximum of 6 days.

Under exceptional circumstances, it is possible to agree on overtime, which cannot exceed 2 hours (generally) per day and must be authorized by the employer only for the attendance of temporary situations in the company. As a general rule, the overtime hours must be paid at the regular hourly rate, with a 50% increase.

There are some employees that are exempted from the maximum weekly hours limit mentioned above. Currently, the Labor Code contemplates various cases in which this happens, for example, managers, administrators, representatives with management attributions, employees that work without immediate monitoring by a superior, employees who provide services to different employers, commission and insurance agents, traveling salesmen, etc.

Sundays and holidays are rest days, except for certain activities in which working schedule may include those days as long as they are compensated according to special rules established in the Chilean Labor Code.

Additionally, given the nature of the services provided (e.g., mining activities), there are some exceptional working schedules that requires authorization by the Chilean Labor Authority to be implemented. These exceptions may include 7x7, 4x4 and 4x3 work shifts.

5.15.2 Law No. 21,561

On April 26th, 2023, Law No. 21,561, known as of "Working hours reduction Law", was published on the Official Gazette. The main modifications of this Law are:

a) Changes to the ordinary working hours: The ordinary working hours will be gradually reduced from 45 to 40 hours per week, that is, 44 hours in the first year after the law is published, 42 hours in the third year after the law is published, and 40 hours in the fifth year after the law is published.

Regarding the distribution of the working days, the Law will allow to distribute them over a minimum of 4 days a week and a maximum of 6 days.

The possibility of computing the working day based on averages of 40 hours per week in cycles of up to 4 weeks is contemplated. In these cases, the weekly working hours may not exceed 45 hours, nor may it extend with this limit for more than two weeks in the cycle.

Through collective bargaining or agreement with the union, and only with respect to its members, it may be agreed that the weekly limit (when cycles are used) is extended to 52 hours per week.

The reduction of working hours may in no case represent a decrease in the remuneration of employees.

b) Changes in the categories of employees who may be excluded from the limitations of the ordinary working hours: They are reduced to 2 categories: (i) managers, administrators and representatives with administrative powers, and (ii) those employees who work without immediate superior supervision.

c) Changes in extraordinary working hours: It is established that the sum of the ordinary and extraordinary hours may not exceed 52 hours per week.

The possibility is contemplated for the parties to agree in writing that overtime is compensated for additional days of holidays (maximum 5, with certain restrictions).

d) Changes in exceptional time distribution systems: The Law provides that exceptional workday distribution systems may be authorized with a maximum average weekly working hours that -in the respective cycle- does not exceed 42 hours.

A regulation issued by the Minister of Labor and Social Welfare, following a report from the Labor Office, will determine the limits and distribution parameters of the exceptional systems.

The resolutions issued prior to the entry into force of the law will remain in force until their expiration, unless the interested party requests their adaptation in order to adjust to the reduction in working hours.

5.15.3 Labor unions

Labor unions will exist in a private sector company when they are created by virtue of a voluntary act of the employees (members) in accordance with the formalities, procedures and quorums required by law.

In general terms, legally constituted unions have the power to bargain collectively according to certain procedure rules. If the union starts this type of collective bargaining, the employer would be obliged to engage in that bargaining. Notwithstanding that, collective bargaining could also be voluntary initiated between one or more employers and one or more unions at any time and without restrictions of any nature.

According to the Chilean Labor Code, a collective bargaining agreement is a contract between employers and employees to establish common working conditions and remuneration (or other benefits in kind or in money) for a certain period of time in accordance with the rules provided in the Labor Code. Parties are free to agree on the conditions they freely decide, provided that the rights and obligations established by labor legislation are not infringed.

Finally, it is important to note that strikes are common and allowed by Chilean law; however, the exercise of the right to strike is expressly regulated and subject to certain requirements and conditions.

5.15.4 Subcontracting and Transitory Service Providers

In Chile there is a specific legal framework mainly provided by the Law No. 20,123 that regulates the labor aspects of the two types of outsourcing regimes that exist in the country: a) Subcontracting regime, and b) transitory services regime.

In general terms, a subcontracting regime consists of a company (contractor) that renders services with its own employees at its own expense and risk, at a client's premises, work or operation. Even though there is no labor relationship between the client (principal company) and the contractor's personnel, the first one will be jointly and severally liable for any and all unpaid labor and social security obligations of the contractor, unless it exercises certain rights according to the Chilean Labor Code ("right to information" and "withholding right").

Regarding the transitory services regime, it is important to note that personnel supply is not allowed under the Chilean labor laws, unless the user company (client) engages with a legal entity duly registered with the Labor Authority as a "Transitory Service Provider" and only in exceptional time-bound circumstances that are established by the Labor Code.

5.15.5 Expiration or termination of the employment relationship

In Chile, the employment system gives relative stability regarding the termination of employment contracts. This means that to terminate an employment contract there must be a legal cause for it. The grounds are grouped into two main groups: those that generate a mandatory severance payment and those that do not:

- Causes for termination of the employment contract that do not generate the right of a mandatory severance payment: They derive from the decision of the parties or by natural causes, such as mutual agreement, death of the employee, expiration of the term of the contract or resignation of the employees.

  Other grounds for termination that do not give rise to the obligation of severance payment include employee misconduct, such as lack of probity, sexual harassment, immoral conduct, incompatible negotiations, and, in general, any conduct that may represent an intentional violation or serious breach of employment obligations.

  However, when the employment contract ends while the employee has accrued legal holidays of which he/she has not made use, those days must be compensated by the employer, regardless of the cause of termination.

- Causes for termination of the employment contract that generate the right to a severance payment and compensation in lieu of prior notice: The employer may unilaterally terminate labor relations, based on the needs of the company, such as those derived from the upgrading of services, a decrease in productivity, changes in the economy or in market conditions that may generate the need for a reduction in the number of employees. In the case of employees who have the power to represent the employer, such as managers or agents with general management powers, the employment contract may be terminated by written dismissal of the employer, which do not require grounds.

  Additionally, there is compensation for dismissal and removal of immunity for a situation affecting the employer, established in Article No. 163 bis of the Labor Code, on bankruptcy liquidation proceedings.

As for compensation for years of service, the conditions for its payment are that the employment contract has been in force for more than one year and the employer terminates it by application of the aforementioned grounds. The employer must pay a monetary compensation to the employee, equivalent to 30 days of the last monthly remuneration of the employee, with a limit of UF 90 for each year of service or fraction greater than six months, with a maximum of 330 days or 11 months.

In addition, when the employer terminates the employment contract invoking company needs or written dismissal of employees who have the power to represent the employer, it requires giving prior written notice to the employee of at least 30 days in advance. If notice is not given, the employer must pay a substitute indemnity for the prior notice, equivalent to 30 days of the last remuneration, which is limited to UF 90.

5.15.6 Legal considerations regarding foreign employees

When establishing an employment relationship with a foreign employee, the following should be considered:

5.15.6.1 Quotas

At least 85% of employees serving the same employer must be Chilean nationals. Employers with no more than 25 employees are exempt from this provision. For the purposes of this percentage, the following rules will be followed: (1) the total number of employees that an employer utilizes within the national territory will be taken into account and not that of the different branches separately; (2) the specialist technical staff is excluded (it must be proven by the employer before a possible inspection); (3) a foreigner whose spouse, civil partner or children are Chilean or who is a widower of a Chilean spouse shall be counted as Chilean and; (4) foreigners residing for more than 5 years in the country will be considered as Chilean.

5.15.6.2 Social Security

The Law No. 18,156 allows foreign technical employees to exempt themselves from contributing to Chile social security system for the coverage of pension and health funds (maintaining in any case their obligation to contribute to unemployment insurance, occupational accident insurance and SANNA Law), provided that the following requirements are met, copulatively:

- The foreign employee must hold the status of "technician", at least.
- The foreign employee must be affiliated to a social security system outside Chile, which grants benefits at least in cases of illness, disability, old age and death.
- The employment contract must contain a clause relating to the maintenance of the employee's affiliation to the social security system outside Chile.

It should be noted that foreign employees could also choose to avail by the social security agreements that are applicable between Chile, the employee's country of origin and/or the country of provision of services. Currently, Chile maintains international social security agreements with the following countries: Argentina, Australia, Austria, Belgium, Brazil, Canada, Colombia, Czech Republic, Denmark, Ecuador, Finland, France, Germany, Luxembourg, Netherlands, Norway, Paraguay, Peru, Portugal, Quebec, Republic of Korea, Spain, Sweden, Switzerland, United Kingdom, United States, Uruguay, in addition to the existence of an Ibero-American Multilateral Agreement.

5.15.7 Immigration regulations

In the area of migration, it should be noted that the Law No. 21,325 of Immigration, regulates the entry, stay, residence and exit of foreigners from the country, as well as the exercise of rights and duties, without prejudice to those contained in other legal regulations.

Under the applicable immigration regulations, every foreign employee requires a special work permit or visa to carry out remunerated activities in the country. This implies having a permit granted by the competent authority, stamped on a valid passport, and that authorizes its bearer to enter the country and stay in it for the time determined and with the corresponding conditions according to the respective visa.

Regarding the rights and obligations of foreigners, equal rights and obligations are enshrined. It is also stipulated that the State shall promote due protection against discrimination and shall ensure compliance with the obligations stated in the Political Constitution of the Republic.

The law and its regulations determine the procedure for accessing residence or permanence permits, including data, documents and deadlines in which they must be submitted, as well as the specific requirements for obtaining them. The norm establishes the following migratory categories:

5.15.7.1 Temporary permanence

It is the permit granted by the National Migration Service to foreigners who enter the country without intention of settling in it, which authorizes them to remain in national territory for a limited period of 90 days, extendable for the same period only once, except cases of force majeure. Foreigners with temporary permanence will not be able to carry out remunerated activities in the country, except in qualified cases.

5.15.7.2 Official Residence

It is the residence permit granted to foreigners who are on an official mission recognized by Chile, and to their dependents. The granting and rejection of this residence permit shall be the responsibility of the Ministry of Foreign Affairs.

5.15.7.3 Temporary residence

It is the residence permit granted by the National Migration Service to foreigners who intend to settle in Chile for a limited time, and which enables them to carry out remunerated activities in the country. This permit is valid for up to 2 years, except in the case of seasonal employees, in which case it may be valid for up to 5 years when limited annual stay periods are established. This permit may be extended for up to two additional years.

5.15.7.4 Definitive residence

It is the permission to settle indefinitely in Chile, which authorizes to develop any lawful activity, without other limitations than those established by the legal and regulatory provisions. Permanent residence may only be granted to foreigners holding a temporary residence permit that expressly admits to applying for it and that complies with the requirements of the law, regulation, and supreme decree that establishes the subcategories. Holders of a definitive residence permit will not require prior authorization or visa to enter the country.

It should be noted that within each migratory category there are subcategories which determine the specific reason why a foreigner will enter and remain in Chile.

Finally, it is important to note that employers may only hire foreigners who have a residence or permanence permit that allows them to work or who are duly authorized to do so in accordance with the law.

5.15.8 Law on Remote Work and Telework

On April 1st, 2020, Law No. 21,220 became effective. It "amends the Labor Code on Remote Working," regulating its definition, working hours, rest periods, means and protection.

According to this law, remote working is that in which services are provided, either totally or partially, from the employee's home or another place or places other than the company's premises. It will be called teleworking if the services are provided by the use of technological, IT or telecommunication means or if such services are to be reported through these means.

As a rule, remote working is subject to specific working hours. However, the regulations allow for more flexible working hours or even the exclusion of the working day limit in the case of teleworking. In such cases, the employee will have the right to disconnect from work for at least twelve continuous hours in a twenty-four-hour period, among other benefits.

The parties must agree on remote working or teleworking in the employment contract or annex to the same, including special clauses required by the same regulation.

The employer will provide the equipment, tools and materials for remote working or teleworking to the employee. Likewise, the costs of operation, functioning, maintenance, and repair of equipment shall also be paid by the employer.

The specific safety and health conditions to which employees governed by the modality of remote work and telework must be subject are established by the Regulations of the Ministry of Labor and Social Welfare contained in the Decree No. 18, published in July 2020, and in accordance with it, it is the employer who must communicate these safety and health conditions to employees, ensuring compliance.

On January 29, 2024, Law No. 21,645 will come into force, which establishes the right to telework for all employees who have in their care: a) children under fourteen years old, b) a person with a disability or in a situation of severe or moderate dependence, regardless of the age of the person being cared for and who do not receive remuneration for this work. According to this law, all or part of the working day or week of these employees can be executed through teleworking, as long as the nature of their work allows it.

The employee must submit their request to the employer, attaching the documents that prove that they are the mentioned hypotheses and formulating a proposal that contains the combination of presential working time and teleworking time. The employer must give its response within a period of fifteen days from the requirement of the employee, accepting the proposal, offering an alternative work formula or denying the request. In case of refusal, the employer must prove that the nature of the functions of the employee does not allow the modality of teleworking.

5.15.9 Law on Modernization of the Labor Office

On April 30, 2021, Law No. 21,327 was published in the Official Gazette, which aims to modernize the Labor Office (Dirección del Trabajo or DT in Spanish) through the incorporation of new technologies and digitization of procedures.

One of its most important points is the Electronic Labor Registry, through which employers must register on the DT website all employment contracts, terminations of employment contracts and all documentation requested in the specific applicable regulation -such as employment contracts and its modifications, remuneration, termination of employment contracts, among others.

This information will be used for the exercise of the legal attributions of the Labor Directorate, such as audits, conciliations, mediations, and ratification of settlements. For the Internal Revenue Service, it is indispensable for the tax declarations that must be made every year, and it may also be used for statistical, research and dissemination purposes.

5.15.10 Other recent labor regulations

There are other matters that have recently been introduced or modified in the Chilean labor legislation, among which are the following:

Law that readjusts the amount of the minimum monthly income: On May 30, 2023, Law No. 21,578 was published in the Official Gazette, which readjusts the amount of the minimum monthly wage in Chile.

Mainly, the Law establishes that the amount of the minimum monthly wage for those employees over 18 and up to 65 years of age increases gradually, being equivalent to date to CLP 460,000.

The norm contemplates a new increase in the amount of the minimum monthly income on July 1, 2024, finally reaching CLP 500,000 on that date.

a) Economic Crimes Law: On August 17, 2023, the Economic Crimes Law was published in the Official Gazette, which brings important changes to the Chilean criminal system. In accordance with this Law, companies and individuals may be criminally responsible for crimes that are directly related -among others- to labor and social security aspects.

The new law contemplates custodial penalties related to the restriction of liberty or other corresponding rights. Likewise, every economic crime carries a fine, as well as the imposition of specific disqualifications and prohibitions.

Regarding social security, there is one crime that sanctions the employer who (without consent of the employee) does not withhold or pay the social security contributions of the employee or declares before the social security institutions to pay a gross income that is lower than the real one, reducing the amount of contribution that must be deducted and paid in the respective institutions. This conduct would be also sanctioned if the employee consent has been obtained by the employer with serious abuse of their situation of need, inexperience, or inability to discern.

b) Law that modifies the labor code regarding the prevention, investigation and sanctioning of labor, sexual harassment, and violence in the workplace: On January 15, 2024, Law No. 21,643 was published in the Official Gazette, which modifies the Labor Code regarding prevention, investigation and punishment of work harassment, sexual harassment and violence at work.

Among its most important aspects, we can mention:

- The modification of the concept of work harassment, sufficient for it to be constituted when it occurs only once, and not repeatedly (as required by previous legislation).
- The establishment of new legal obligations for the employer, among which is the development of a protocol for the prevention of sexual and work harassment and violence at work.
- The establishment of new mentions in the Internal Regulation of Order, Hygiene and Safety of the Company, including the indicated protocol, the procedure to which the employees will be subjected, the safeguarding measures that are adopted with respect to those involved and the sanctions that will be applied, as appropriate.

5.15.11 Subjects currently under discussion

There are other aspects of labor legislation that are currently under discussion in the Chilean Congress, and that could lead to future legal modifications. Among these subjects are the following:

a) Draft law that amends the Labor Code by establishing a new system of legal profit sharing.

b) Possible modification to the pension fund system. This project includes, among other aspects, the creation of new pension contributions and new possibilities of administration and destination for these.

c) Draft Law on Compensation for Years of Service: The bill seeks to remove the 11-year cap on compensation for years of service.

6 Accounting standards

PHOTO: CODELCO

6.1

IFRS standards in Chile

The adoption of IFRS in Chile is a fact for all process that began in 2009 and ended in 2015 with smaller companies. The main challenges post its implementation are given by the permanent need to reconcile the requirements of the local regulator — CMF — meant for the local reality, with the definitions of the International Accounting Standards Board (IASB).

6.2

IFRS for mining entities

Although the following is not a comprehensive list of the issues in mining entities, it should contribute to the understanding of the main accounting topics impacting the financial statements of the mining entities.

Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements under IFRS in the mining industry requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

PHOTO: TECK

In this sense, a number of areas can be identified where significant judgements, estimates and assumptions are required, highlighting:

Judgements:

- Exploration and evaluation expenditure (IFRS 6, IAS 8, IAS 16, IAS 38)
- Stripping costs (IFRIC 20)
- Production start date (IAS 16, IFRIC 20, IAS 23)
- Recovery of deferred tax assets (IAS 12, IAS 37, IFRIC 23)
- Uncertain tax positions (IFRIC 23)
- Functional currency (IAS 21)
- Revenue recognition (IFRS 15)
- Leases (IFRS 16, IAS 23)

Estimates and assumptions:

- Ore reserve and mineral resource estimates (best practices)
- Exploration and evaluation expenditure (IFRS 6, IAS 8, IAS 16, IAS 38)
- Unit-of-production ("UOP") depreciation (IFRS 6, IAS 16)
- Mine rehabilitation (IAS 37, IFRIC 1)
- Recoverability of assets (IAS 36)
- Inventories (IAS 2)
- Fair value measurement (IFRS 13)
- Leases (IFRS 16, IAS 23)

6.3

Exploration and evaluation

Under the IFRS framework, there exists a range of permissible accounting practices. Certain entities choose to capitalize costs associated with exploration and evaluation, subsequently conducting impairment tests in line with the stipulations of IFRS 6 and IAS 36 "Impairment of Assets". Conversely, some entities opt to recognize these costs as expenses at the time they are incurred. This approach is thoroughly examined in IFRS 6 "Exploration and Evaluation of Mineral Resources."

There is diversity in acceptable accounting treatments. Some entities capitalize exploration and evaluation costs (consequently testing for impairment in agreement with the requirements of IFRS 6 and IAS 36 "Impairment of assets"), while others record them as expenses when incurred. This concept is evaluated in detail in IFRS 6: "exploration and evaluation of mineral resources ".

For this purposes, E&E expenditures are defined as "expenditures incurred by an entity in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable". Meanwhile, E&E assets are understood as "exploration and evaluation expenditures recognized as assets in accordance with the entity's accounting policy".

6.4

Stripping costs

The interpretation of the IFRIC 20 addresses the "Accounting for Waste Removal Costs". According to this:

- Costs incurred in undertaking stripping activities are considered to create two possible benefits: the production of inventory in the current period, and/or improved access to ore to be mined in a future period.
- Production stripping costs are to be capitalized as part of an asset, if an entity can demonstrate that economic benefits will be realized in a probable future, the costs can be reliably measured, and the entity can identify the component of an ore body for which access has been improved. The asset is called the "stripping activity asset."
- After initial recognition, the stripping activity asset must be carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The stripping activity asset is to be depreciated or amortized on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

6.5

Impairment of assets

- It is performed at the cash generating unit (CGU) level.
- IFRS contains specific rules for the calculation of the value in use related to key assumptions such as prices, discount rate, exchange rates and capital expenditures.
- IFRS requires the reversal of impairment losses recorded in prior years for assets subject to depreciation and amortization.
- IFRS requires the performance of an annual impairment test for assets not subject to depreciation and amortization (for example, goodwill), independently of the existence or not of impairment indicators.

6.6

Depreciation of property, plant and equipment

- Assets must be depreciated using components approach over the estimated technical useful life of the mine.
- There are potential risks in connection with the accounting treatment of major maintenances.
- Companies need to consider the use of the units of production method to depreciate or amortize their assets, instead of using the straight-line method.
- IFRS requires the estimation of the residual value of the fixed asset in order to determine the depreciable amount

6.7

Functional currency

Many companies keep their accounting records in the local currency and not in the functional currency.

IAS 21 requires an entity to consider the following factors in determining its functional currency: a) the currency that mainly influences sales prices for goods and services; b) the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services and c) the currency that mainly influences labor, material and other costs of providing goods or services.

If the above factors are inconclusive, then an entity should also consider the following secondary factors: i) currency in which funds from financing activities; ii) currency in which receipts from operating activities are usually retained and iii) functional currency of the reporting entity that has the foreign operation as its subsidiary, branch, associate or joint venture.

6.8

Joint ventures

Normally, joint venture agreements contain clauses that grant options to increase or decrease participation, which can have a significant accounting impact.

PHOTO: AMSA

6.9

Decommissioning liabilities

- IFRS requires measuring the obligation using future cash flows, discounted at a risk-free rate. There is not a single approach to select the rate.
- Future cash flows and the discount rate must be reviewed, if the changes are significant.
- If cash flows are stated in foreign currency, the obligation must be translated at the year-end exchange rate. This is accounted for as a change in estimates according to IFRIC 1
- IAS 37 contains requirements on how to measure decommissioning, restoration, and similar liabilities.
- According to IAS 16, the cost of an item of property, plant and equipment shall include the initial estimate of the costs of decommissioning and removal of the item and the restoration of the site where it is located for purposes other than the production of inventories.
- An entity should apply IAS 2 "to the costs of obligations for dismantling, removing and restoring the site on which an item is located that are incurred during a particular period as a consequence of having used the item to produce inventories during that period".

That means that such additional decommissioning or restoration costs resulting from production activities should be included in the cost of inventories. An entity that incurs abnormal amounts of costs (e.g., costs of remediation of soil contamination from oil spills or overflowing of a tailings pond) should not treat these as part of the cost of inventories under IAS 2, but expense them immediately.

6.10

Financing costs

- IFRS requires an entity to capitalize borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset as part of the cost of that asset. An entity shall recognize other borrowing costs as an expense in the period in which it incurs them.
- There may be difficulties in determining the borrowing costs to be capitalized, specifically the exchange difference that is regarded as an adjustment to interest costs.

6.11

Inventories

The standard's basic rule is that inventories are measured at the lower of cost and net realizable value.

Net realizable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realize when the product is processed and sold, less estimated costs to complete production and bring the product to sale.

Critical spare parts are to be classified as property, plant and equipment and not as inventories. These items are subject to depreciation.

6.12

International Financial Reporting Standards related to Sustainability and Climate: IFRS S1 and IFRS S2

The purpose of the International Sustainability Standards Board (ISSB) is to improve the efficiency and effectiveness of the capital markets through financial sustainability disclosure, for greater transparency in decision-making by investors and other providers of capital and, secondly, to improve the comparability of information.

This seeks to create a global basis, or in other words, a common language, for organizations to provide investors and capital market participants with complete, neutral and accurate financial sustainability information.

In this context, entities are required to disclose the risks and opportunities related to sustainability and climate change that affect their short, medium and long term projections.

IFRS S1: General requirements for disclosure of sustainability-related financial information

The S1 standard requires disclosure of material information on risks and opportunities related to sustainability, on a par with the financial statements reported by the organizations, considering the definition of materiality of the IFRS accounting standards.

Its structure is based on the four pillars of the Financial Stability Board´s Task Force on Climate-related Financial Disclosures (TCFD) recommendations: Governance, strategy, risk management, metrics and targets.

Includes reference to Sustainability Accounting Standards Board (SASB) standards as an important tool for disclosing information about your sector and industry.

If organizations determine that climate change is a material risk or opportunity, IFRS S2 should be implemented.

IFRS S2: Climate-related disclosures

The S2 standard requires disclosure of material information on climate-related risks and opportunities, including physical and transitional risks.

Also includes TCFD recommendations and illustrative guidelines for disclosing industry risks and opportunities based on SASB.

Reporting companies shall disclose their transition plans, climate resilience and emissions disclosure 1, 2 and 3..

The main problem in the implementation of IFRS S1-S2 for companies is to be able to recognize, incorporate and adequately manage sustainability and climate change as part of the strategy and business model. This would mean adjusting and rethinking the mission, vision, strategy and existence of the organization over time.

Notwithstanding the above, mechanisms are proposed to facilitate its application, through the use of known terminology and concepts, publication of application and illustrative guides associated with the standards, inclusion of proportionality mechanisms, among others.

Regarding the application of IFRS S1-S2 in Chile, there are two relevant questions to be answered:

1. How mandatory is the application of IFRS S1-S2 in Chile? There is no obligation to date, however, they are a reference guide for those companies that decide to incorporate these concepts in their financial reports.
2. Is there any obligation to report sustainability issues in Chile? The CMF's NCG 461 requires public companies to incorporate sustainability issues in their annual reports.

This standard incorporates the requirements of the TCFD and requires reporting the metrics that correspond to the entity, according to its industry sector, in accordance with the SASB standard; and, considering that IFRS S1-S2 integrate all previously existing requirements, NCG 461 is consistent with the standards indicated.

7 Mining sector regulators and stakeholders

PHOTO: AMSA

Regulators

Ministry of Mining

www.minmineria.gob.cl

The Ministry of Mining leads, formulates and assesses national policies in order to increase the mining sector's contribution to national development, by diversifying and making mining activities sustainable and efficient.

Ministry of Environment

www.mma.gob.cl

The Ministry of Environment carries out the following responsibilities:

- Designs and implements policies, plans and programs related to environmental matters
- Protects and preserves biodiversity, natural resources and water
- Promotes sustainable development and the integrity of environmental policies and regulation
- Oversees environmental evaluation system and environmental watchdog

Ministry of Energy

https://energia.gob.cl

The Ministry of Energy designs and coordinates plans, policies and regulations for the proper functioning and development of the sector, advising the Government on all matters related to energy.

National Geology and Mining Service – Sernageomin

https://www.sernageomin.cl/

Sernageomin provides geological information and technical assistance to government, public and private interests; its principal duties are to:

- Maintain the registry of mining concessions
- Monitor compliance with safety regulations
- Evaluate and approve the construction and operation of waste dumps and tailings facilities
- Approve mine closure plans
- Maintain registry of tailings deposits
- Contribute to government programs and the development of mining and geology policies

PHOTO: TECK

Chilean copper commission - Cochilco

https://www.cochilco.cl

The duties of this specialized technical agency for the Chilean Government are to:

- Publish statistics on mineral production, projects and investment
- Conduct research and produces reports and studies on the mining industry
- Advise on the production of copper and copper byproducts, and metals and industrial minerals (except coal and fuels).

Enviromental Evaluation Service – SEA

https://www.sea.gob.cl/

SEA performs the following duties for the Chilean Government:

- Evaluates the environmental impact of projects
- Manages civil participation in the evaluation of projects
- Responds to civil observations and complaints

PHOTO: TECK

Superintendency of the Enviroment – SMA

https://portal.sma.gob.cl/

The SMA performs the following activities:

- Supervises compliance with environmental regulations (land, air and water)
- Issues fines for noncompliance

Financial Market Commission (CMF)

https://www.cmfchile.cl/

The Financial Market Commission (CMF) is a public institution of a technical nature. Its main objectives include safeguarding the correct functioning, development, and stability of the financial market, facilitating the participation of market agents, and promoting the protection of public trust.

The CMF is responsible for ensuring that supervised persons or entities comply with laws, regulations, bylaws, and other provisions that govern them from their inception to their winding-up. To this end, it may exercise the broadest supervision over all their operations.

Internal Revenue Service – SII

www.sii.cl

SII is the public entity in charge of tax collection, and in charge of supervising and auditing the correct application of the tax regulations, as well as providing the administrative interpretation of all tax-related laws.

Stakeholders

InvestChile

www.investchile.gob.cl

The government agency responsible for promoting Chile in the global market as a destination for foreign direct investment, serving as a bridge between the interests of overseas investors and the business opportunities the country offers.

National Mining Society – SONAMI

www.sonami.cl

SONAMI represents metallic and nonmetallic small, medium-and large-scale mining activities in Chile.

Mining Council

www.consejominero.cl

The Mining Council represents an association of the largest mining companies operating in Chile, including national and foreign companies, both private and state owned.

Center for copper and mining studies – Cesco

www.cesco.cl

Cesco is an independent nonprofit think tank that contributes to public policies to promote mining and its role in economic development, particularly in Chile.

Mining Commission

www.comisionminera.cl

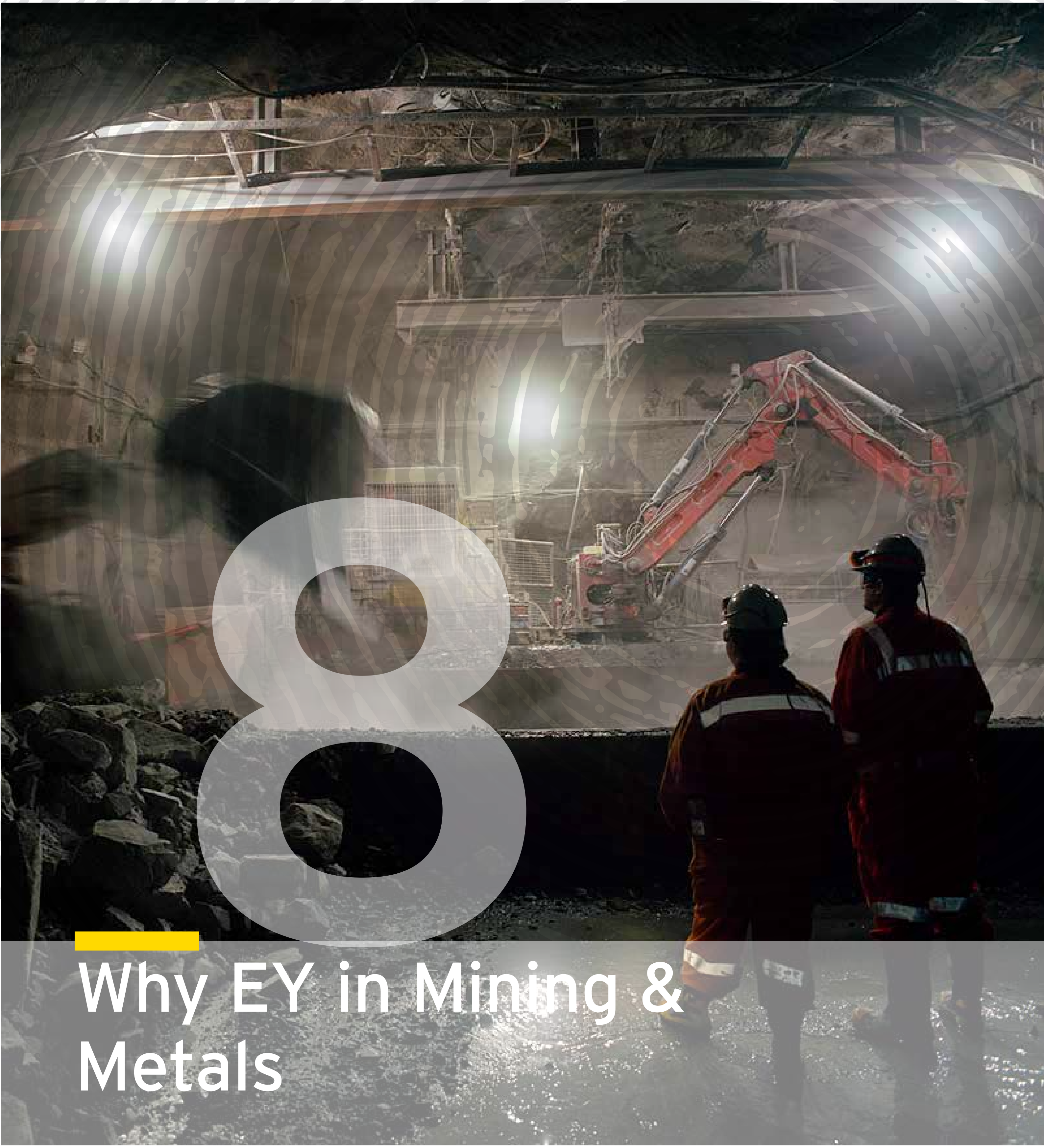
The Mining Commission has been involved in the following activities:

- Creation of a standard for public reporting of mineral resources and reserves in Chile
- Implementation of the concept of the competent persons and the requirements for the qualification
- Regulation and management of the registry of competent persons

Mining competencies council

www.ccm.cl

This entity provides information on projected human capital requirements in the mining sector in Chile. It also draws up technical profiles, training programs and certification system.



8 Why EY in Mining & Metals

PHOTO: CODELCO

At EY, our purpose is Building a better working world. The insights and quality services we provide help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all our stakeholders. We live in an era of transformation. Rapidly advancing technology, globalization, the rise of emerging markets, and changing demographics are transforming business and society faster than ever. Traditional business models are changing, industries are converging, the workforce is in transition, and the global economy is becoming increasingly complex. Disruption is the new normal, and companies are disrupting or being disrupted.

Through one stop shop approach (Assurance, Consulting, Strategy and Transactions, Tax) and our deep knowledge of the sector, we help our clients capitalize on new opportunities and assess and manage risk to achieve responsible growth. Our high-performing, multidisciplinary teams help them meet regulatory requirements, keep investors informed, and meet stakeholder needs.

Why EY?

Because we are a global trusted partner to support you at every stage or challenge of your business. Our industry experience, global integration and one stop shop approach allows us to access the right people and resources, make quick decisions, execute the strategy, and deliver exceptional service to our customers.

We create long-term value for people, customers and society, helping them to protect, grow, transform and operate in a more effective way.

Our clients have access to:

Industry experience

Our expertise in the mining industry, local and international resources and comprehensive vision of the business, allows us to deeply understand the ecosystem, our customers and their specific needs. This in turn helps us to identify opportunities, new developments, possible threats and create value quickly.

In order to better understand the demands of industry and add value to the requirements of our clients, EY created a Center of Excellence (CoE) in Mining and Metals (M&M). The M&M CoE is helping our clients navigate the rapidly changing landscape through sustainable transformation aligned with internal and external stakeholders. We work and collaborate with the sector and our clients, while being a co-creator in strategy, innovation and delivery, and our purpose can be summarized on the following:

- Bridging the gap beyond borders - Given the global footprint of mining, the CoE leverages the vast mining network within EY, maintaining North-South collaboration in everything we do, and leveraging size of the market for scale and diversity.
- Helping our clients think differently - We provide a business-led POV fueled by a unique mix of resources with the ability to get into the details of our clients' business – whether it's at a corporate level, operational level or discreet process within the mines.
- Thinking big, testing small & scaling fast - Building market-ready sustainable solutions alongside our clients to accelerate pace to success by leveraging the right people, assets and artifacts.

Innovation and technology

We help businesses constantly thrive and renew, experiment with new ideas, seize opportunities, and mitigate the risks that transformation creates. Our proprietary methodologies, platforms and approaches allow us to bring insights and respond quickly to different challenges.

Global integration

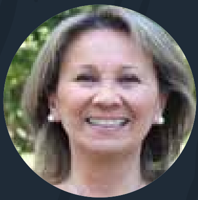
Working together globally allows us to offer our clients access to networks and communities, world class resources, connect with expert teams around the world and bring broad knowledge, insights, experiences, trends and new approaches in real time.

Comprehensive advisor

A unique one stop shop advisor for all assurance, legal, tax, labor, financial, technology, operations and strategic aspects of your business. We help you solve the challenges and requirements of management and those of the board.

Contacts

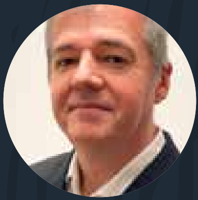
EY Chile´s Mining &Metals | Tax & Legal



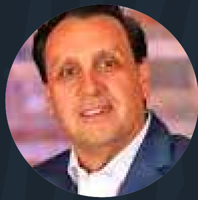
Alicia Dominguez V.
Partner-Attorney
Energy & Mining Leading Partner and Tax Consulting Partner
+56 2 2676 1288
alicia.dominguez@cl.ey.com

Matías Moroso V.
Senior Manager-Attorney
Tax Consulting
+56 9 8156 7077
matias.moroso@cl.ey.com

EY Chile´s Mining &Metals | Center of Excellence in Mining (CoE)



Fabio Fortes
Associate Partner
Center of Excellence in Mining Chile
Mining & Metals
+56 9 8533 7236
fabio.fortes@cl.ey.com



Luis Felipe Moreno
Associate Director
Center of Excellence in Mining Chile
Mining & Metals
+56 9 8448 8723
luis.moreno@cl.ey.com

Asia Desk & International Tax Leading Partner

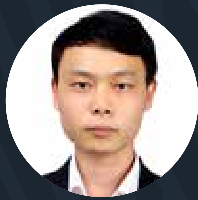
Janice Stein V.
Lead Partner
Transfer Pricing and International Tax
+56 2 2676 1334
janice.stein@cl.ey.com

EY Chile´s Desk (Hong Kong)

Patricio Velasco
Manager-Attorney
EY Chile´s Desk in Hong Kong
+85 264764105
patricio.a.velasco@hk.ey.com

Core Asia Desk Team (OP)

Longyan Shen
Associate Director
EY LATAM Asia Desk Chile
+56 2 2676 1000
longyan.shen@cl.ey.com



Yunyu Wang
Assistant Director
EY LATAM Asia Desk Chile
yunyu.wang@cl.ey.com

EY Chile Offices

Santiago
Telephone: +56 (2) 2676 1000
Avda. Presidente Riesco 5435,
4th floor, Las Condes

Concepción
Telephone: +56 (41) 246 7000
Arturo Prat 199, Tower A, 5th floor,
Office 509

Puerto Montt
Telephone: +56 (65) 228 5700
Concepción 120, Office 906

Viña del Mar
Telephone: +56 (32) 269 0707
Fax: +56 (32) 269 0999
Libertad 1405, Office 2002

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