



Doing Business

in Colombia

Your investment guide

2023 | www.pwc.com/co

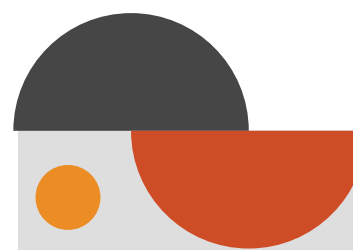


Colombia is a diverse country in many respects. Its people, fauna, flora and geographical location make it one of the most attractive countries to invest, travel and develop new businesses in the region.

Despite the high macroeconomic volatility caused by the pandemic, the Colombian economy recovered significantly, growing by 7.5% at the end of 2022. This growth was mainly driven by an increase in domestic consumption, resulting from the recovery in employment and increased investment in the country. The promotion of foreign investment continues to be one of the main focuses to further promote and strengthen the economy of our country.

The United States of America, Spain, Switzerland and China are the countries with the highest level of investment in Colombia. There has also been a significant increase in foreign investment from countries such as Norway, Singapore, the Isle of Man, Cyprus and Sri Lanka, among others. On the other hand, there has been a significant increase in investment in sectors that are new to our country, such as clean energy and the responsible use of natural resources.

Doing Business in Colombia 2023's new publication aims to provide valuable information to people and companies interested in making or consolidating their investments in the country. We hope that this updated edition will once again be an important tool for understanding our legal system and will be useful in providing an overview of our business environment for both local and foreign investors. The following pages provide a brief overview of current conditions and key economic indicators, as well as a summary of key regulatory issues for businesses and investors.



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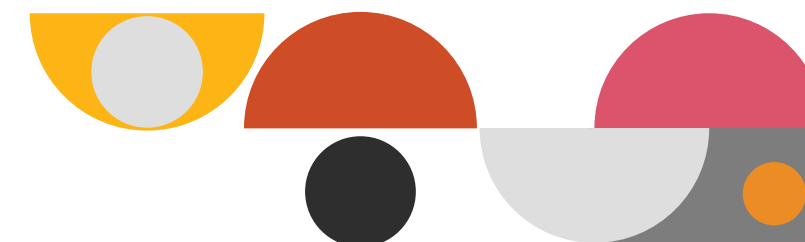
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Public Utilities and Services

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Colombian environment





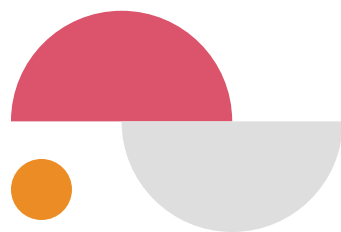
Economic context

Economic context in 2021 and outlook for 2022

In 2021, the global economy recovered significantly from a negative outcome in 2020 (-3.4%) to economic growth of 5.5%, but the outlook remains fraught with uncertainty. According to World Bank (WB) estimates, the global economy is expected to slow to 4.1% growth in 2022 as a result of the consistent occurrence of Covid-19 outbreaks and its different variants, declining fiscal support, and persistent bottlenecks in the supply of goods and services worldwide.¹

Although the global economy was growing, the second half of 2021 surprised with a downturn due to a slowdown in international manufacturing and the resurgence of Covid-19 cases, primarily in the United States and Europe. In addition, disruptions to industrial production caused by power outages, a decline in real estate investment, and an unexpected acceleration of public investment cuts in China contributed to a cooling of the economy during this period, resulting in a 5.5% growth rate instead of a higher one.

1. World Bank, January 2022, [Global Economic prospects](#).



Global growth is projected to slow to 3.2% in 2023, as subdued demand declines and supportive macroeconomic policies continue to be dismantled. While output and investment in advanced economies are projected to return to pre-pandemic trends, growth in emerging market and developing economies (EMDEs) is expected to decline, particularly in small states and countries affected by political and/or armed conflict, where lower vaccination rates, tighter fiscal and monetary policies, and the persistence of the pandemic will keep growth well below pre-pandemic levels.

The table below shows that global economic growth is tending to return to pre-pandemic levels, but this outcome will depend on the fiscal and monetary policies implemented by the countries and whether their implementation achieves the objectives.

Table 1:

Economic growth: historical results (2019-2021) and projections 2022-2023

	2019	2022	2021e	2022p	2023p
World Wide	2,6%	-3,4%	5,5%	4,1%	3,2%
Advance Economies	1,7%	-4,6%	5,0%	3,8%	2,3%
Emergin markets and developing economies	3,8%	-1,7%	6,3%	4,6%	4,4%
East Asia and the Pacific	5,8%	1,2%	7,1%	5,1%	5,2%
Europe and Central Asia	2,7%	-2,0%	5,8%	3,0%	2,9%
Latin America an the Caribbean	0,8%	-6,4%	6,7%	2,6%	2,7%
Middle East and North Africa	0,9%	-4,0%	3,1%	4,4%	3,4%
South Asia	4,4%	-5,2%	7,0%	7,6%	6,0%
Su Sahara Africa	2,5%	-2,2%	3,5%	3,6%	3,8%

e: estimated p: projected

Source: Prepared by PwC - World Bank data.

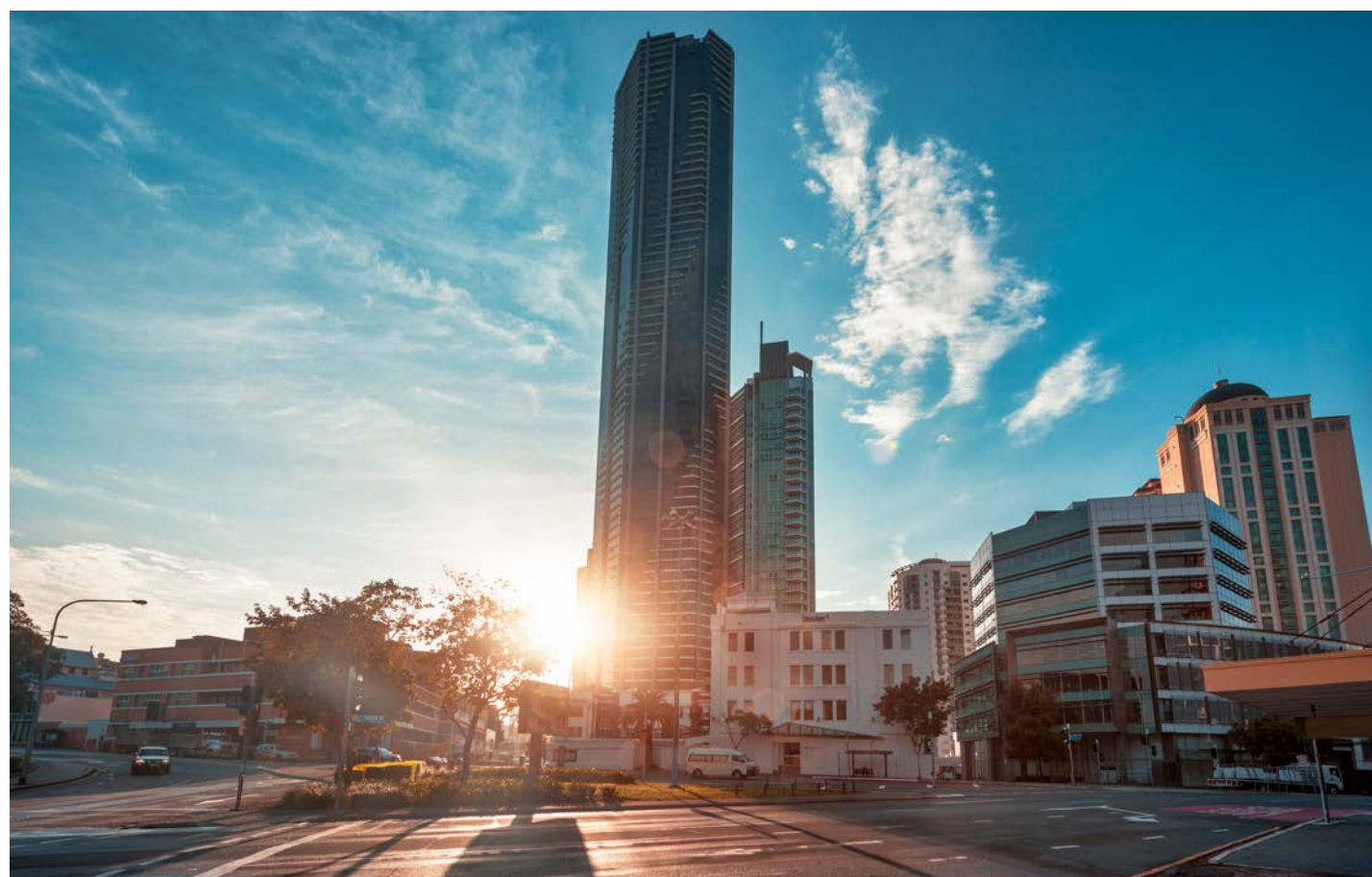
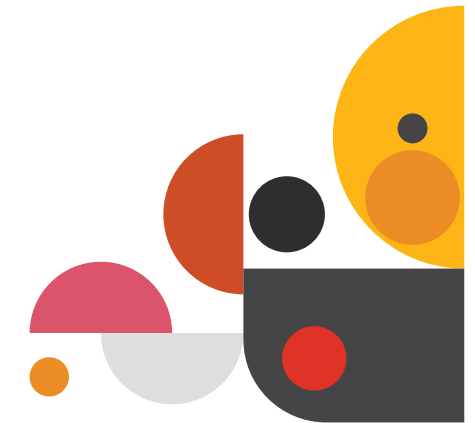


Table 2:

Inflation 2020-2021 and projections 2022-2023²

		Estimates		Projections	
		2020	2021	2022	2023
Advanced Economies	0,7%	3,1%	3,9%	2,1%	
Emerging markets and developing economies	5,1%	5,7%	5,9%	4,7%	

Source: Prepared by PwC - World Bank data.



According to the World Bank and the International Monetary Fund (IMF), the short-term outlook for global growth is not very optimistic, mainly because inflation will be higher than previously expected. Factors driving inflation include the resurgence of the pandemic, rising food and energy prices, and abrupt disruptions in the global supply of goods and services, and the rapid spread of the Omicron variant indicates that the pandemic is likely to continue to affect economic activity in the short term.

Table 3:

Performance in 2021 under key economic scenarios

Regional outlook

- The growth rate will not be sufficient to make up for the decline in production during the pandemic.
- By 2022-2023, growth in most EMDE regions is projected to return to the average rates of the pre-pandemic decade, with the exception of East Asia and the Pacific.
- In 2023, annual output is expected to remain below the pre-pandemic trend in all EMDE regions, in contrast to the advanced economies, where the gap is projected to close.

2. [International Monetary Fund, January 2022. World Economic Outlook](#)

Commodity price cycle

- Commodity prices rebounded in 2021 after the general decline in 2020, with some commodities reaching record highs.
- This reflects the strong recovery in demand following the global recession in 2020.
- Energy and metal prices tend to move in line with global economic activity, and this trend has intensified in recent decades.
- To mitigate the macroeconomic volatility associated with the transition away from fossil fuels, nearly two-thirds of OECD commodity-exporting countries need to strengthen their policy frameworks and reduce their dependence on commodity revenues by diversifying exports and, more importantly, domestic asset portfolios.

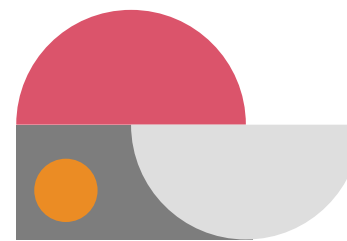
Impact of Covid-19 on global revenue inequality

- Rising global income inequality due to the pandemic.
- The weak recovery in emerging markets is expected to bring inequality across countries back to the levels of the early 2010s.
- Preliminary data suggest that the pandemic has also led to some increase in income inequality within EMDE countries, with particularly severe employment and income losses among lower-income groups.
- In the medium to long term, rising inflation, especially in food prices, and pandemic-related disruptions in education could further increase inequality within countries.
- To steer the global recovery toward more equitable development, it will depend first and foremost on a rapid global expansion of immunization and productivity.

Post-pandemic high debt solution

- Rising debt levels have led several countries to initiate debt restructurings, while many others are in debt distress or at high risk of debt distress and may also need debt relief.
- The G20 Common Framework provides a structure for initiating debt restructuring for eligible low-income countries.
- Future comprehensive debt restructuring frameworks will face greater challenges than in the past due to a more fragmented creditor base.

Source: Prepared by PwC - information obtained from the WB.



Gross Domestic Product (GDP)

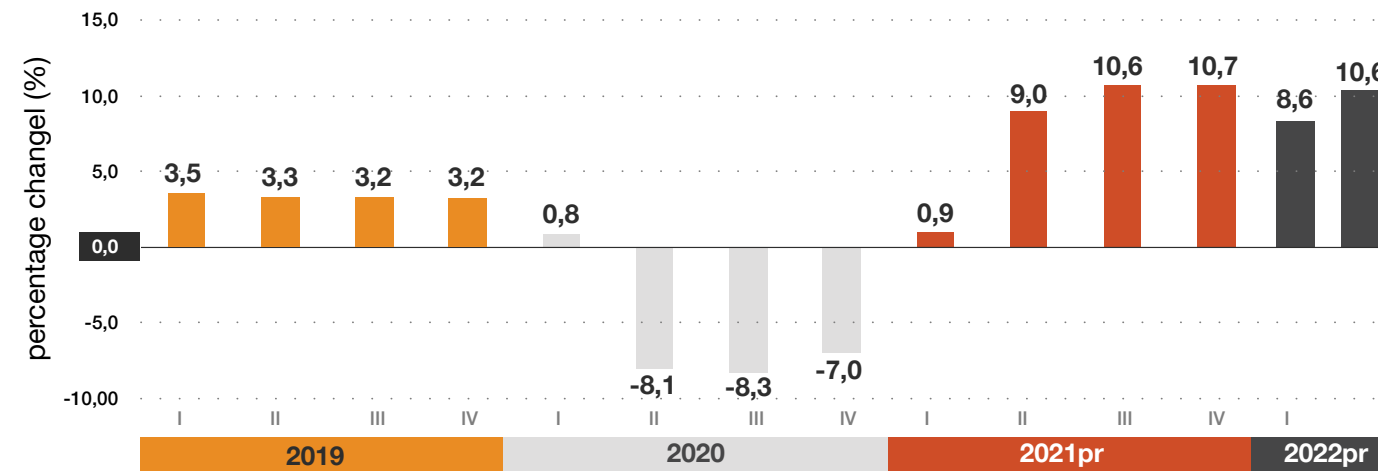
According to DANE³, the Colombian economy grew by 10.7% in 2021. The economic activities that contributed most to this result were: Wholesale and retail trade, repair of motor vehicles and motorcycles, transportation and storage, accommodation and food services, which experienced growth of around 21.2%; manufacturing, which experienced growth of 16.4%, and public administration and defense; compulsory social security plans; education; human health care and social services, with 6.9%.

3. [DANE \(National Administrative Department of Statistics, for its acronym in Spanish\), February 15, 2022. Technical Report.](#)

For the second quarter of 2022⁴, the GDP growth rate was 10.6%. For this period, the economic activities that have contributed to this behavior continue to be Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles; Transportation and Storage and Accommodation and Food Services, which represented a growth of 23.3%, followed by Manufacturing with 20.3% and finally Public Administration and Defense, Compulsory Social Security Plans, Education and Human Health Care and Social Services with 9.0%.

Figure 1:

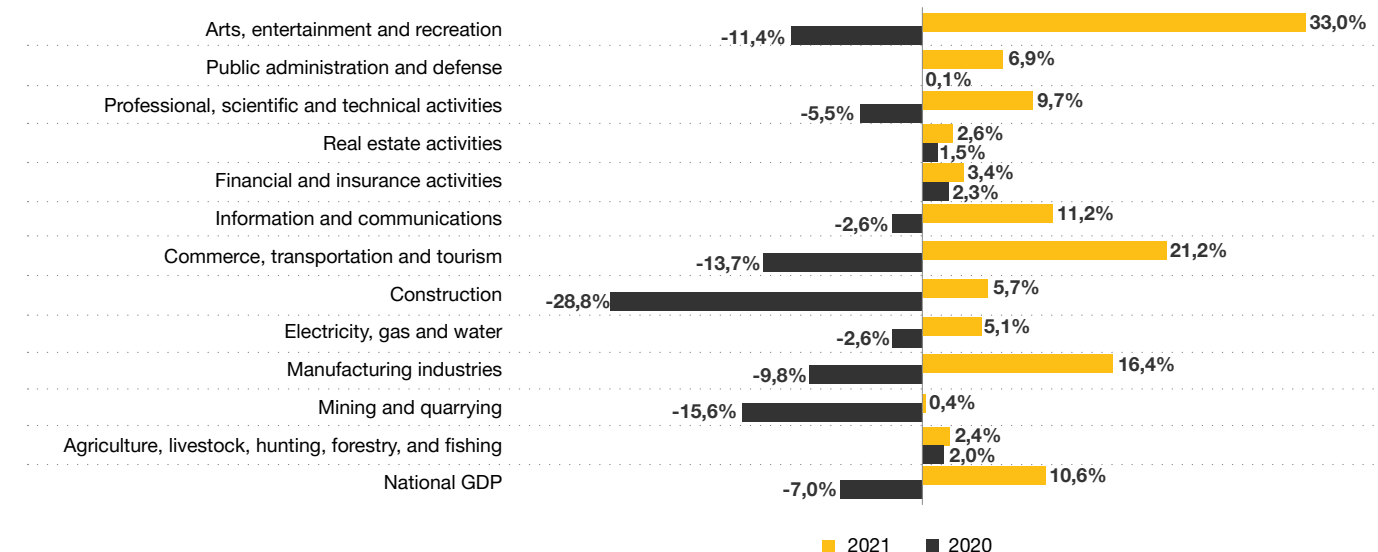
GDP growth rate⁵



Source: Data: DANE. National Accounts. Updated with information as of October 12, 2022.

Figure 2:

Growth Rate by Economic Sector (%) Growth Rate 2021 vs. 2022



Source: Prepared by PwC. Data: DANE. National Accounts. Updated with information as of February 15, 2022

It is important to note that the recovery of the Colombian economy has been largely driven by the reactivation of productive processes, higher levels of confidence, private consumption and an expansionary monetary policy. However, the recovery in employment was not of the same magnitude, as the average unemployment rate in 2021 was 13.7%, higher than the average unemployment rate in the year before the pandemic, which was 10.5%.⁶

For the first half of 2022, the economist Sergio Olarte explained to the newspaper El Espectador that what has helped the economic reactivation in this period is the growth of more than 14% of private consumption, as a result of the reactivation of the artistic industry (Vallenato Festival and Theater Festival, among others), which not only positively affects this sector, but also reactivates the tourism industry, which are encouraging situations for the Colombian economy. However, it is also noted that these events tend to normalize as a healthy slowdown of the economy, with lower growth expected by the second half of 2022.⁷

4. [DANE, October 12, 2022. Technical Report.](#)
 5. p. preliminary figures – pr. Provisional figures
 6. [DANE, December 2021. Technical Report](#)
 7. [El Espectador Newspaper, August 16, 2022. Date of reference: October 12, 2022.](#)



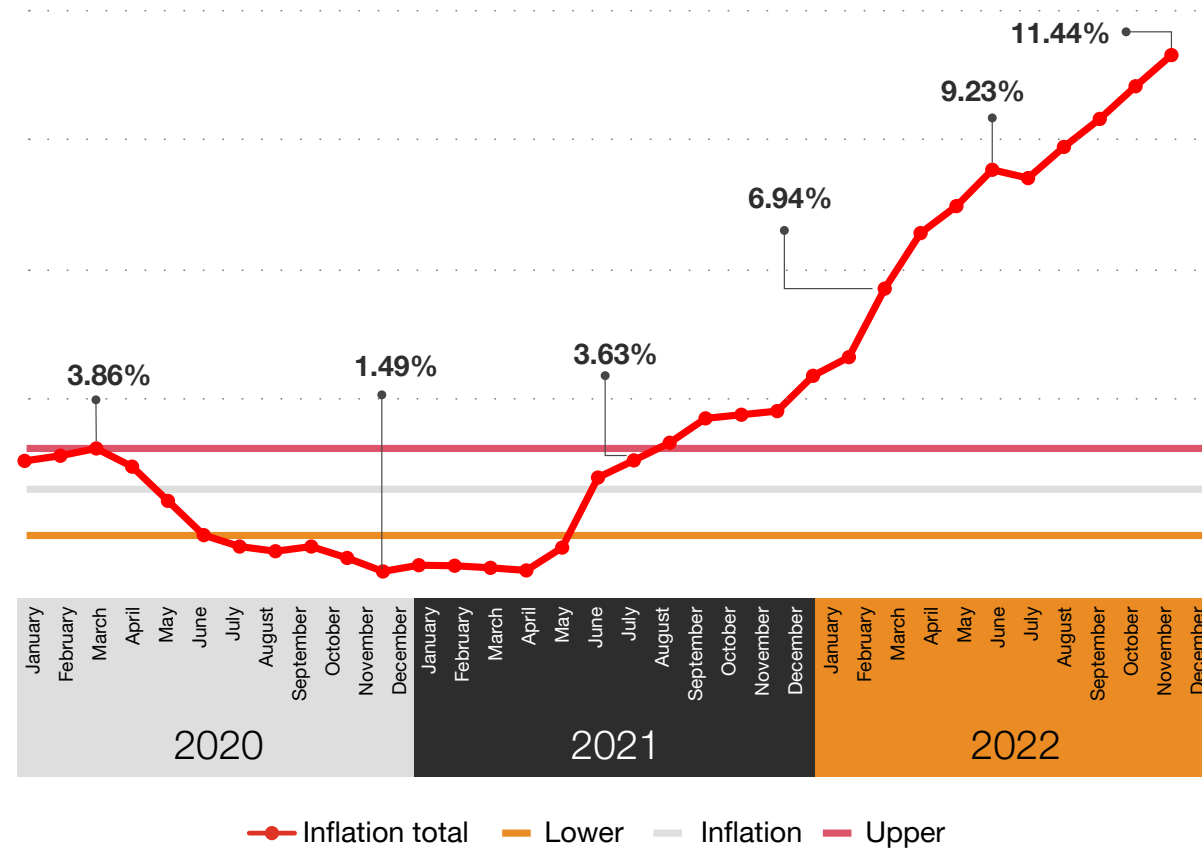
Inflation

In 2021, inflation will be 5.6%, the highest in the last five years and above the annual target of 3% set by the Central Bank (Banco de la República). This significant increase is mainly due to the rise in prices amid the recovery of domestic consumption after the most severe effects of the Covid-19 pandemic.

The Food for Home Consumption sector is one of the sectors that will contribute the most to the acceleration of inflation in 2021 (17.2%), contributing the most to the increase in the cost of the family basket. In December 2021, the Consumer Price Index (CPI) rose 0.7%, nearly double the 0.4% increase in the same period in 2020.

Figure 3:

Inflation behavior in Colombia. Period 2020-2021. Inflation rate (%)⁸



Source: Prepared by PwC. Data: Banco de la República. As of September 30, 2022.

For the month of September 2022, inflation was 11.4%. Last year, food and non-alcoholic beverages (26.6 percent), restaurants and hotels (16.3 percent), and furniture, household goods, and household maintenance (16.2 percent) were above the national average (11.4 percent). Meanwhile, miscellaneous goods and services (10.8%), transportation (9.6%), health (8.2%), housing, water, electricity, gas and other fuels (6.9%), alcohol and tobacco (6.9%),

education (5.8%), recreation and culture (5.2%), clothing and footwear (5.1%), and information and communication (-6.7%) were below the national average.⁹

As has been demonstrated, prices have historically increased in the Colombian economy, inflation reached a peak not seen since 1999, however, it is expected that by October 2022 and for the rest of the year, the figures will be reduced with some

moderations with overall reductions, but it depends on the prices of food and regulated products, for the latter it is expected that public utilities will reduce their rates in electricity from November.¹⁰

In the case of public services, in mid-September 2022, an agreement was reached with the Comisión de Regulación de Energía y Gas (CREG for its acronym in Spanish) and the companies of the sector, so the Colombian government announced the reduction of the bill for energy services by the end of 2022. The reduction is expected to have a downward impact on inflation, along with the monetary policy and decisions of the Central Bank.¹¹

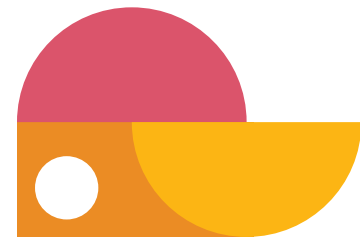


8. Banco de la República. Consultation date: October 12, 2022.

9. DANE. September 2022. Technical Report.

10. Bloomberg. Access date: October 12, 2022.

11. Idem.



Monetary Policy

In response to inflation, the Board of Directors of the Central Bank (JDBR for its acronym in Spanish), made the decision to raise its interest rate in December 2021 to 3.0% and subsequently at the January 2022 meeting it was raised to 4.0%. With this intervention rate, the central bank is trying to moderate inflation, which, as mentioned, is the highest in the last five years, so the challenge is to reduce it and bring it closer to the 3% target. However, if this were to be achieved in the current economic situation, its de-anchoring could deepen price and wage indexation



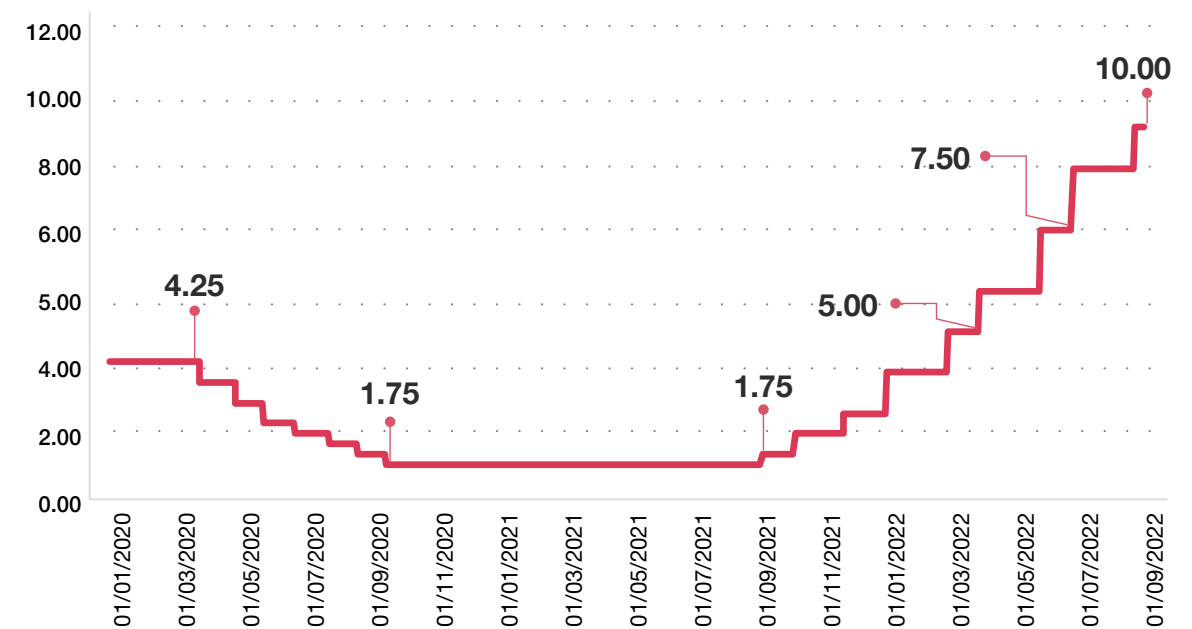
phenomena at rates higher than those envisaged in the inflation target, which is why the Board of Directors has seen the need to continue the process of normalization of monetary policy, which will be gradual, thus moving away from the highly expansionary stance.¹²

For October 2022, the JDBR set the monetary policy rate at its highest level in 14 years, according to La República newspaper, an intervention rate of 10% has not been seen since the case of Lehman Brothers in 2008, after the world was hit by the crisis. This increase is mainly due to the high cost of living in Colombia, with high medium-term inflation expectations and far from the 3% target. In the case of economic analysts, the survey by the Central Bank showed that between August and September the inflation expectation for the end of 2023 went from 5.5% to 6.3%.¹³

In line with the above, the Superfinanciera also implemented changes in the usury rate for the month of October, which implies that credit card purchases will be the most expensive in recent years, at 36.9%, an increase of 167 basis points compared to September's figure.

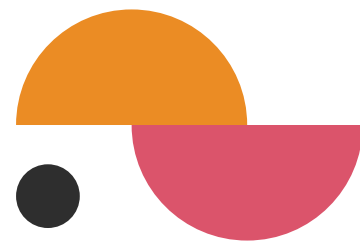
Figure 4:

Monetary policy interest rate (%) in Colombia¹⁴



Source: Prepared by PwC. Data: Banco de la República. Updated September 2022.

12. [Banco de la República \(Central Bank\). Monetary Policy Report - January 2022.](#)
 13. [La República newspaper. September 30, 2022. Date of consultation: October 12, 2022.](#)
 14. [Series from January 1, 2020, to October 11, 2022, left axis in basis points.](#)



Interest rates

With the beginning of the normalization process of the monetary policy established by the JDBR, increases in savings and credit interest rates began to be evident, as shown in the following graphs; credit continues to accelerate, with a more pronounced behavior in the portfolio directed to households, which registers an annual increase rate that is close to the growth of nominal GDP until 2021. This behavior has occurred in the context of strong private consumption dynamics, the recovery of confidence, relatively stable real incomes and a high level of the portfolio in local currency relative to output. Additionally, credit risk continues to moderate, but still remains elevated, and the greater dynamics in the recovery of the financial system's profits led to pre-pandemic levels.

By October 2022, according to Superfinanciera, credit card purchases are expected to be the most expensive in recent years, reaching usury rates of 36.9%. Usury is the maximum interest rate that a financial institution can charge its customers for consumer loans, such as credit cards. It is worth noting that in January this year the indicator was 26.5%, which means that so far in 2022 it has increased to 10.4%.

The increase in this rate is related to the measures taken by the Central Bank to contain inflation, all the more so if expectations of rising prices persist, so that the usury rate will also increase in the coming months.

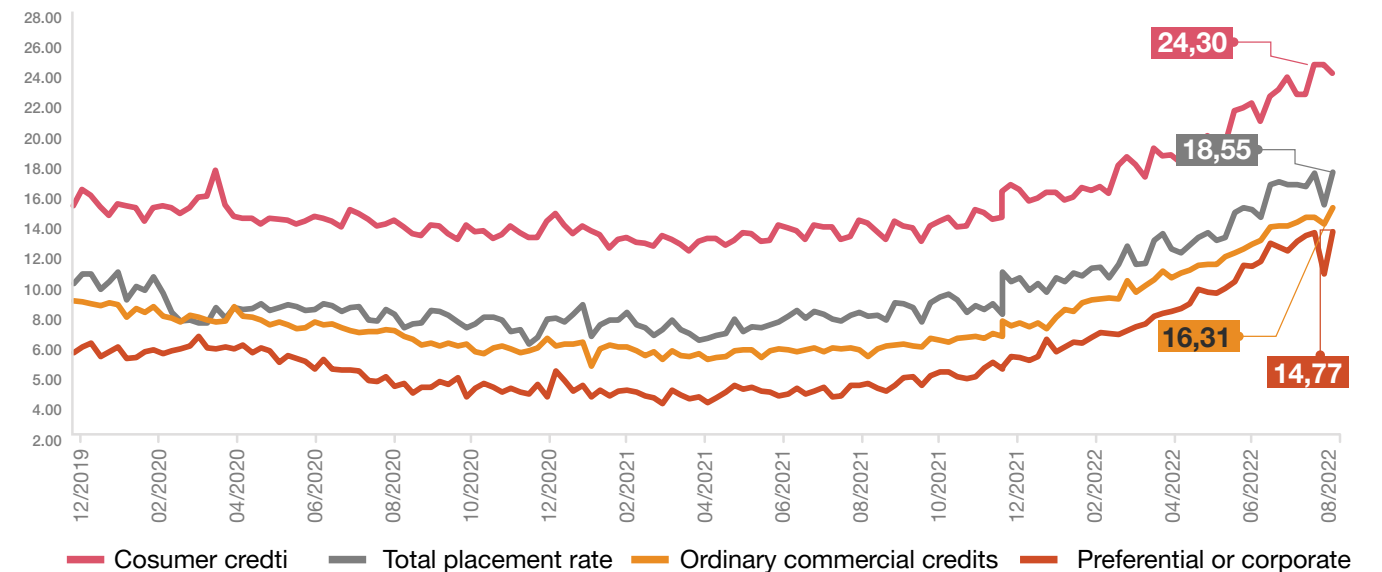
15. Weekly periodicity (left axis in percentages). Running 2022: Week 38

16. [Banco de la República. October 2022.](#)

17. Monthly periodicity. Left axis in percentages. [Banco de la República. October 2022.](#)

Figure 5:

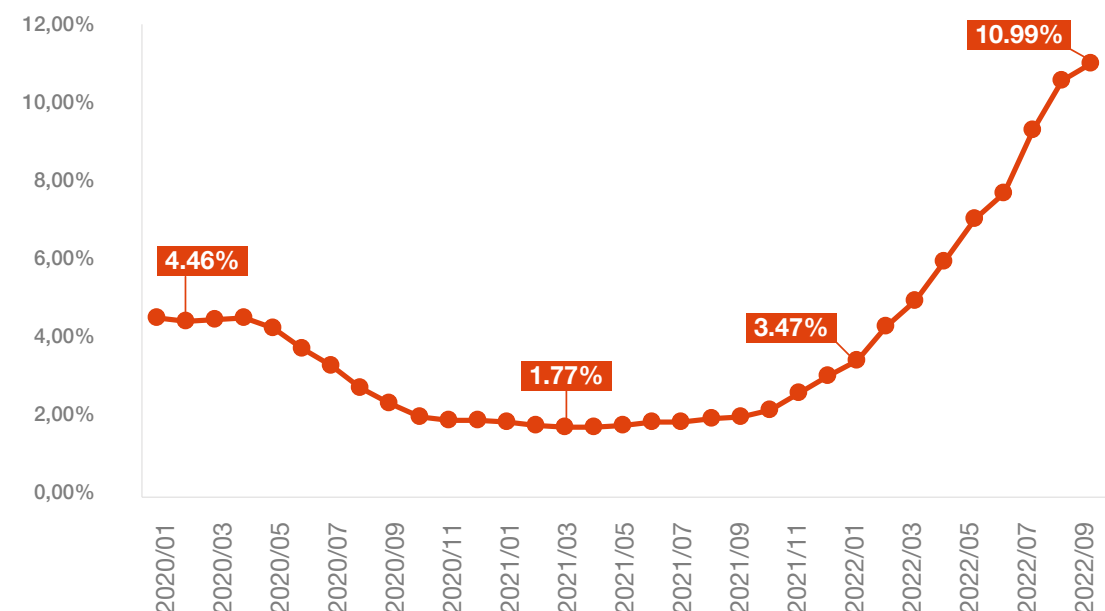
Interest rates in Colombia 2020 - 2022^{15,16}



Source: Prepared by PwC. Data: Banco de la República. Updated as of September, 2022.

Figure 6:

Deposit rate - Annual Effective DTF¹⁷



Source: Prepared by PwC. Data: Banco de la República. Updated as of September, 2022.

Table 4:

Average monthly interest rates

	Feb-20	Sep-21	Dic-21	Mar-22	Jun-22
Interbank					
TPM	4,25	1,76	2,70	4,00	6,00
TIB <i>overnight</i>	4,26	1,79	2,73	4,06	6,06
IBR <i>overnight</i>	4,25	1,77	2,72	3,99	6,02
IBR for 1 month	4,25	1,93	2,96	4,77	6,77
IBR for 3 months	4,25	2,27	3,36	6,06	7,78
IBR for 6 months	4,27	2,76	3,96	7,38	8,71
Fundraising					
Savings	2,37	0,97	1,19	1,82	2,82
DTF 90 days	4,46	2,05	3,08	4,97	7,72
180 day CDT	4,69	2,45	3,71	5,63	8,40
360 days CDT	5,36	3,16	5,10	7,59	10,75
CDT > 360 days	5,71	3,68	7,14	9,55	14,37
Credit					
Prime	7,01	4,98	6,00	8,09	10,82
Ordinary	9,74	7,34	8,18	10,33	12,62
Non-SVH housing construction	9,35	7,46	7,92	9,97	11,59
Construction of SIV housing	9,08	6,86	7,33	9,50	12,56
Purchase of non-SVH housing	10,50	9,06	9,40	10,32	12,01
Purchase of SIV housing	11,89	10,98	11,55	12,23	13,68
Consumption without deposit	17,09	17,09	17,51	19,56	23,08
Consumption with Libranza	13,55	11,23	11,65	12,50	13,83
Credit card	25,48	23,49	24,47	25,39	28,02

The increase in the monetary policy rate is passed on to the interest rates for interbank, term savings and loans. Between September 2021 and June 2022, the JDBR raised the repo rate (TPM) from 1.8% to 7.5%, an increase that was passed on to nominal savings and lending rates to varying degrees. In real terms, however, these rates remain below the average of the last decade. At the same time, credit dynamics remain robust, with a notable increase in consumer credit, which continues to help finance household spending.

Similarly, companies affected by higher production costs have found credit available to meet working capital needs. Favorable lending activity is taking place in an environment of high bank solvency, coverage of portfolio deterioration, a cycle of higher revenues and lower provisioning costs. This has been reflected in an increase in the profits of these companies, which expands the credit potential to support economic activity.¹⁸

The positive momentum in local currency lending continues in all its modalities and continues to support economic growth. Total portfolio growth accelerated in local currency terms to 16.6% in June from 13% in March. This was the result of a quarterly variation led by business and household consumption.



Exchange Rate

The Market Representative Rate (TRM for its acronym in Spanish) is defined by the Central Bank as the amount of Colombian pesos per U.S. dollar. The TRM is calculated based on the purchase and sale of foreign currency between financial intermediaries that trade in the Colombian Foreign Exchange Market, with compliance on the same day that the foreign currency is traded.¹⁹

During 2021, the behavior of the TRM was characterized by an upward trend. At the end of the year, the dollar reached a high of \$3,981.16 pesos, with January being the only time in 2021 when the TRM had its lowest quotation (\$3,559.46 pesos), being November the month where it reached a high of \$4,010.98 pesos.

The weakening of the local currency is due to several factors, including the appearance of a new variant of Covid-19, known as Omicron, the change of Colombian president in 2022, as well as the uncertainty generated by the fiscal deficit, the tax reform and the increase in public debt, which led to the loss of the investment grade rating by two rating agencies, Standard & Poor's and Fitch Ratings, from BBB- to BB+.

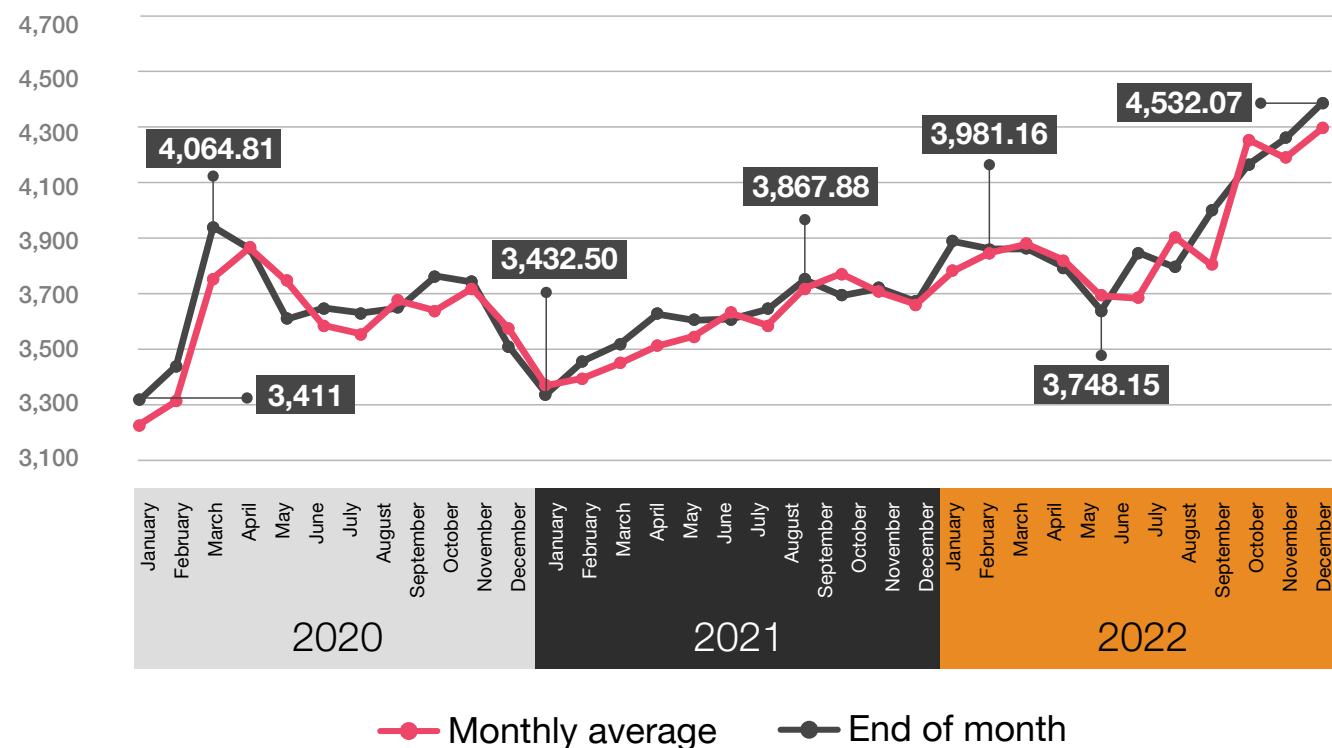
Internationally, the strengthening of the dollar is largely due to inflation and changes in U.S. monetary policy, influenced by changes in the expectations of the Federal Reserve, which during 2021 began to reduce purchases of Treasury bonds and other securities; therefore, at the end of the year, the Colombian peso devalued about 15% against the U.S. dollar.

In summary, we expect the dollar to continue to strengthen through the end of 2022, largely driven by US inflation expectations and the Federal Reserve's withdrawal of monetary stimulus, as well as domestic factors such as tax and mining and energy uncertainty. Beyond these situations, the depreciation of the Colombian peso against the dollar is not just a phenomenon of recent months, but has been up and down, with an upward trend, since mid-2014, when the dollar began to appreciate worldwide in the context of the fall in commodity prices, according to the Central Bank, and Colombia, whose oil exports are very important, was no exception.

In a global context of high inflation, scarcity of resources and supply chain disruptions due to Russia's war in Ukraine, the devaluation of the Colombian peso and other currencies is a reality. Therefore, in the Colombian case, the dollar will close at 4,532 pesos for September 2022, compared to 3,800 pesos for the same month in 2021.

Figure 7:

Market Representative Rate 2020-2021 monthly average and month-end series²⁰



Source: Prepared by PwC. Data: Banco de la República. Updated as of September 2022.

Balance of payments

The overall balance of payments results for the period January-September 2021 show a current account deficit of \$12,594 million²¹, representing 5.5% in terms of GDP as of September, higher by \$6,103 million and by 2.2 pp compared to that observed in 2020. In turn, the financial account, including an increase in international reserves of \$519 million, recorded net capital inflows of \$12,086 million, equivalent to 5.3% of GDP in September, higher by \$6,498 million and by 2.4 pp compared to that observed in 2020.²²

20. Banco de la República.

21. m. millions.

22. Banco de la República. Evolution of the balance of payments and international investment position. January to December 2021.

Regarding the transaction account²³, specifically exports²⁴ amounted to \$41,223.9 million FOB dollars compared to 2020, which implies an increase of 32.7%. The largest contributor was fuels (47.9%), followed by manufacturing (28.7%) and agriculture (19.9%).²⁵

Table 5:

Exports by macro sector 2019-2021, in thousands of dollars FOB²⁶

	2019	2020	2021p	Trend	"var 2019-2020"	"var 2020-2021p"
Total	39.489.168	31.055.811	41.223.982		-21,36%	32,74%
Agricultural, food and beverage	7.362.742	7.872.968	9.440.331		6,93%	19,91%
Fuels and mining and quarrying products	22.011.294	13.309.769	19.685.516		-39,53%	47,90%
Manufacturing	8.290.325	6.945.581	8.938.939		-16,22%	28,70%
Other sectors	1.824.806	2.927.492	3.159.195		60,43%	7,91%

Source: Prepared by PwC. Data taken from DANE: international trade, exports.

According to import declarations registered in DIAN, imports for 2021 amounted to 61,101.4 million CIF dollars, representing an increase of 40.5% compared to 2020, which showed a decrease of -17.5%. This behavior was mainly due to the 67.3% increase in the fuel group, followed by manufacturing (40.5%), other sectors (31.6%), and agriculture (29.1%).²⁷

Table 6:

Imports by macro sector 2019-2021, in thousands of CIF dollars²⁸

	2019	2020p	2021p	Trend	"var 2019-2020p"	"var 2020-2021p"
Total	52.702.624	43.488.662	61.101.362		-17,48%	40,50%
Agricultural, food and beverage	7.006.330	6.972.846	9.003.630		-0,48%	29,12%
Fuels and mining and quarrying products	5.356.478	2.947.471	4.930.645		-44,97%	67,28%
Manufacturing	40.270.452	33.503.963	47.082.335		-16,80%	40,53%
Other sectors	69.365	64.382	84.752		-7,18%	31,64%

Source: Prepared by PwC. Data taken from DANE: international trade, exports.

Colombia is a country that has been characterized by permanent flows of Foreign Direct Investment (FDI). Although subject to the ups and downs of international capital movements caused by the recent crises, FDI has reached all sectors of the economy without interruption. It should be noted that the current situation, marked by the impact of the pandemic on national and international economic activity, has had a negative effect on FDI capital flows, which has been observed since the second quarter of 2020, with a decrease in FDI capital received.

In this context, the country received \$2,158 million in FDI in the fourth quarter of 2021, equivalent to 2.5% of quarterly GDP. These resources were \$89 million higher than in the fourth quarter of 2020, primarily due to higher investments in mining and oil, electricity, gas and water, and manufacturing²⁹. Nevertheless, they were \$696 m lower than in the third quarter of 2021.



23. Agriculture, food, and beverages: Food products, live animals, tobacco, fats and oils, among other products // Fuels and extractive industry products: Crude oil and its derivatives, coal, among others // Manufactures: Chemical products, machinery and transportation equipment, among others // Other sectors: Non-monetary gold and products not classified in the above groupings

24. Information processed by DANE and DIAN.

25. [DANE. Technical Report: Exports. December 2021.](#)

26. Information available as of December 2021.

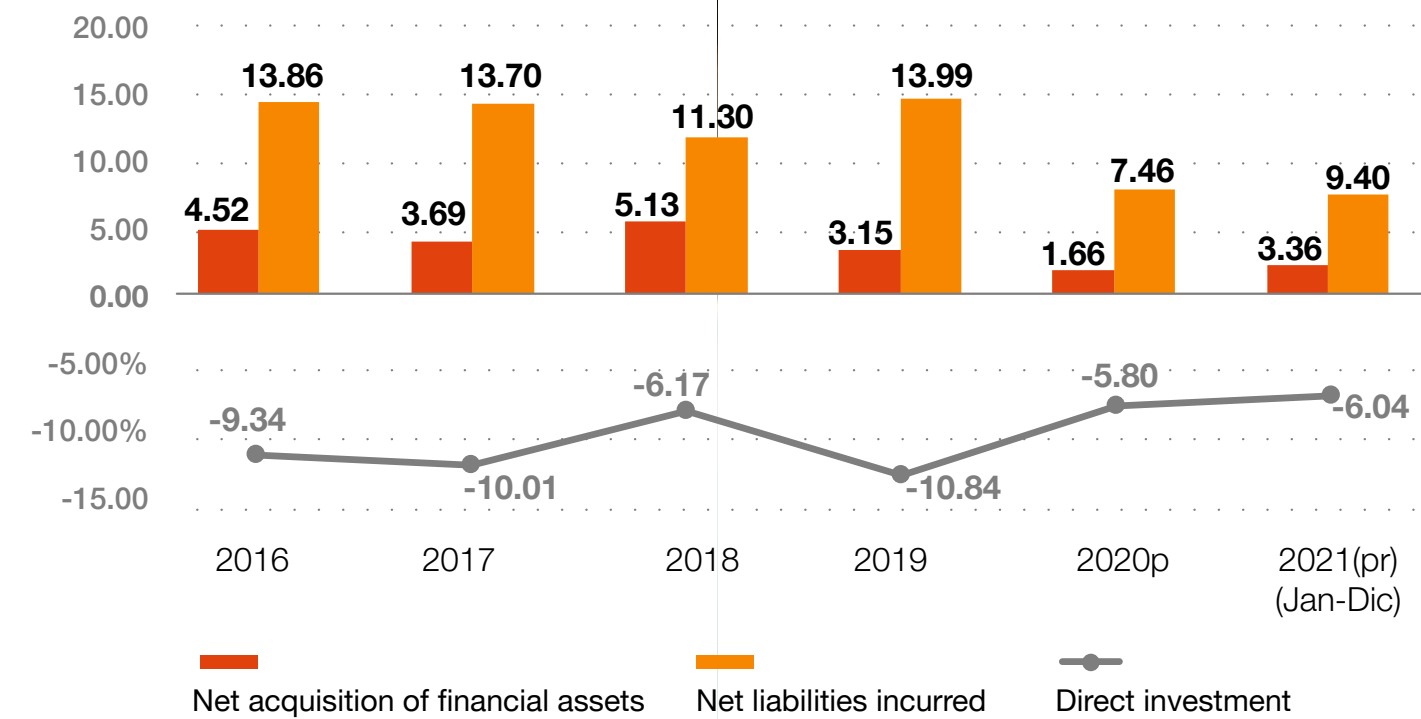
27. [DANE. Technical Report: Imports. December 2021.](#)

28. Idem.

29. [Banco de la República. Direct investment flows in the Colombian economy January - December 2021.](#)

Figure 8:

Foreign Direct Investment 2016-2021 Annual Frequency, in Billions of Dollars³⁰



Source: Prepared by PwC. Data: Banco de la República. Updated as of September 2021.



In the fourth quarter of 2021, FDI flows were mainly directed to finance productive projects in the economic activities of mining and petroleum (\$843 million, 39%), financial and business services (\$540 million, 25%), electricity, gas and water (\$336 million, 16%), manufacturing (\$248 million, 11%), and trade and hotels (\$194 million, 9%), offset by disinvestments in the transportation and communications sector (\$221 million). Although to a lesser extent, FDI also reached the community services, construction and agriculture sectors (\$217 million, 10%).

30. p: provisional, pr: preliminar.

1.2

Why is it attractive to invest in Colombia?

Colombia serves as a catalyst, showcasing its various strengths such as its advantageous geographic location, diverse climate, prominent business centers and hubs, and its talented workforce. These qualities, among others, make it an appealing country for investment in the region.



[Tabla de contenido](#)





1. History

32. Note: After the assassination came El Bogotazo, which refers to a series of riots that took place on April 9, 1948, which meant the rupture of the urban projection of Bogota.

The history of Colombia is comprised of various aspects that have contributed to shaping the country into what it is today. It is the accumulation of the individual Colombian stories, where each event has played a role in charting the nation's trajectory.

Since prior to its independence in 1810, the Colombian territory has been a witness and protagonist to significant events that have shaped its trajectory and reinforced its present-day foundation. Its history is replete with passion and emotion, which are characteristics that are imbued in each Colombian individual, recounted through documents, stories, and histories that have endured the test of time and been passed down from generation to generation. Presented below are noteworthy events that have propelled Colombia to its current status.

The 19th century brought about momentous changes in Colombia. The country transitioned from being a Spanish Empire colony, through wars of independence and political experimentation, to eventually establish itself as an independent nation. The events leading up to this transition were marked by several significant episodes, including the 1781 uprising of the Comuneros, the botanical expedition that commenced in 1783, and the translation of the Declaration of Human Rights by Antonio Nariño in 1793. The concrete manifestation of the independence movement occurred on July 20, 1810, when the people of Santafé (now Bogotá, the capital of Colombia)



overthrew the viceroy and dissolved the Royal Audience, both symbols of the power of the Spanish Empire.

The following decade can be divided into four distinct phases: Patria Boba, the Nariño Campaign in the south, the Reconquest, and the War of Independence. The latter was marked by a significant victory for the liberation army at Pantano de Vargas in July 1819, followed by the defeat of the royalist army on August 7, 1819, ultimately securing Colombia's independence.

The Thousand Days War, which took place from 1899 to 1902, had a detrimental impact on the state, hindering economic development and ultimately resulting

in Panama's separation from Colombia following a strong military and diplomatic intervention by the United States. In 1948, the assassination of liberal leader Jorge Eliécer Gaitán triggered the period of conflict known as The Violence, particularly affecting rural areas and the militants of the Liberal and Conservative parties. The National Front, a pact between the two parties, successfully reconciled their leaders, but excluded many sectors that became the roots of the current liberal and communist guerrilla movements. The rise of drug mafias since the 1970s has had a profound impact on Colombian society, including its leadership class. However, international pressure, particularly from the United States, along with the efforts of certain politicians, journalists, judges, and



authorities opposed to the mafia's influence, culminated in a war against the state starting in the mid-1980s.

In 1990, Colombia began a process known as "economic opening," transitioning from a protectionist economy to a globalized one. Concurrently, the National Constituent Assembly was elected, and in that same year, the new Constitution of 1991 was ratified.

The National Government and the Revolutionary Armed Forces of Colombia -People's Army (FARC-EP by its Spanish acronym) engaged in Peace Talks between 1998 and 2002. These talks aimed to bring an end to the Colombian armed conflict. The peace process was supported by multiple countries, multilateral organizations, NGOs, and sectors of Colombian and foreign civil society. Despite these efforts, the peace talks encountered several obstacles, including disagreements within the government and the establishment of a demilitarized zone in the Caguán region for the dialogues without a general ceasefire. One of the most significant events in Colombian history occurred in the Caguán region, known as the "empty chair" incident, on January 7, 1999. During the inauguration of the negotiating committee, Manuel Marulanda Vélez, the head of the FARC-EP, did not participate, citing security concerns. It was later revealed that his absence was intentional, as he believed his presence would send the wrong message that peace was near.

Despite ongoing negotiations following the event, incidents of kidnappings,

displacements, and massacres persisted, ultimately resulting in the cessation of peace talks and the continuation of armed conflict against the guerrillas.

During the peace talks, the presence of paramilitary groups, also known as self-defense groups, intensified. These illegal groups, which operate under different names depending on the region, spread throughout various parts of the country with the involvement of politicians, landowners, businessmen, settlers, cattle ranchers, drug traffickers, miners, peasants, and industrialists, all with the aim of combating guerrilla forces in different regions. Following the demobilization of the AUC in 2006, the groups that did not participate were designated as Bacrim (criminal gangs),



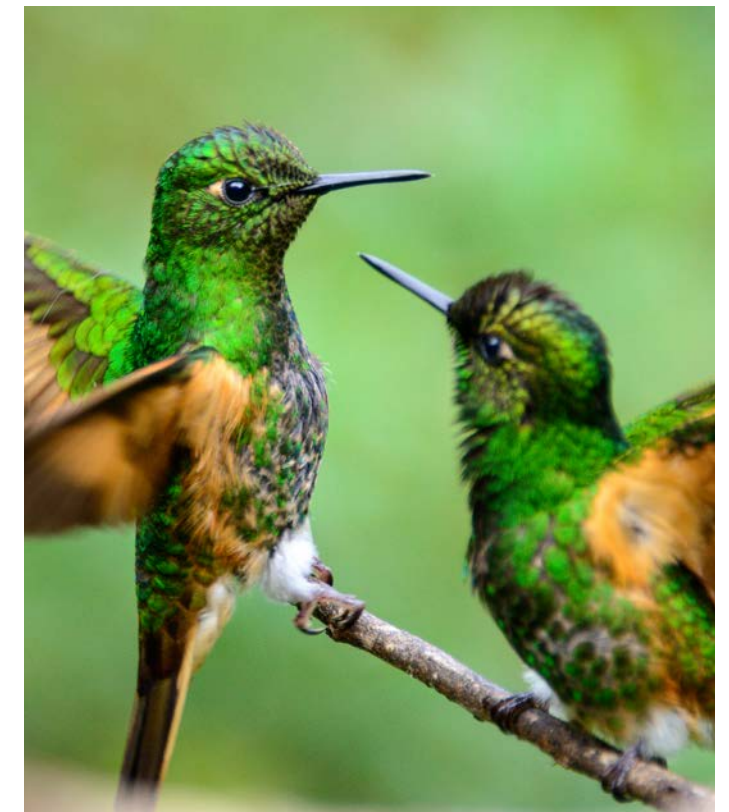
Clan del Golfo, and GAO (organized armed groups).

From 2012 to 2016, peace agreements were established between the government of Juan Manuel Santos and the FARC-EP, culminating in their demobilization on November 24, 2016. This marked the resolution of the armed conflict with the aforementioned guerrilla group, which had been operational since 1960.

Presently, the conflict persists with the National Liberation Army (ELN by its Spanish acronym) and organized armed groups, including Clan del Golfo and FARC-EP dissidents, who engage in unlawful activities such as illegal mining, drug trafficking, heightened incidents of massacres, and targeted killings of social leaders and former combatants.

In 2020, Colombia faced the Covid-19 pandemic, and its leaders responded by implementing several measures to protect the health of its citizens while simultaneously avoiding an economic collapse caused by the virus. As a result of their efforts, Colombia was ranked by financial advisory firm Bloomberg as the most resilient country in Latin America in dealing with the Covid-19 pandemic. The national government's prompt and effective actions were deemed to be the right measures to address the consequences of the disease.

Today marks the commencement of a new government, dedicated to the ideals of equality and the general welfare of the populace. This administration seeks to bring about a transformative change in the



country's history, propelling it to become a global powerhouse that sustains progress and prosperity. Ultimately, this bold vision for the nation will have a positive impact on the economy.

While Colombia's history has been marked by episodes of pain, war, and tears, not all aspects have been negative. The country boasts numerous positive milestones that make it both attractive and unique on the world stage, which will be detailed below.



2. Geography

Crossed by the Andes and the Amazonian plain, Colombia is the only country in South America with coastlines on both the Atlantic and Pacific Oceans.

Colombia's territory is divided into six regions that, while sharing the warmth and friendliness that characterize the Colombian people, have their own unique charm.



Greater Colombian Caribbean:

This land, abundant with lush nature, verdant jungles, snow-capped mountains, sandy deserts, and colorful seas, is far more than just idyllic beaches and coral reefs. It boasts captivating indigenous and Raizal cultures, lively carnival and music scenes, revered archaeological sites, the imaginative world of Garcia Marquez, and the enchanting colonial city of Cartagena de Indias. Additionally, the Greater Colombian Caribbean is home to an array of intriguing traditional cultures, from the peaceful guardians of Sierra Nevada to the serene island communities and rich African heritage of the Palenqueños, reflecting the remarkable diversity of both its people and its breathtaking landscapes.

Colombian Western Andes:

Located in the country's main coffee-growing area, this region is full of colorful villages and enchanting landscapes that resemble something out of a fairy tale full of flowers. Los Paisas, friendly inhabitants of the region, are the main protagonists. They are known for their strong work culture and exceptional hospitality. Whether in the modern city of Medellin, one of the most dynamic urban centers in South America, or in one of the many tranquil mountain villages, the Paisas take great pride in their region and enjoy nothing more than sharing its charms with visitors.

Colombian Pacific:

Like an ancient world where nature still reigns undisturbed, the Colombian Pacific is a place of simple moments and pleasures, set against a backdrop of wild jungle that rushes relentlessly to the sea. One of Colombia's best kept secrets, the Pacific is a place of joyful cultural expressions and culinary delights, where relaxation is not only an option, but the only one.

This breathtaking destination boasts cascading waterfalls flowing over expansive and untouched beaches, as well as hidden spas nestled deep within the jungle, all of which exemplify nature at its finest. It is a place of exceptional biodiversity, so unique that magnificent humpback whales travel thousands of miles to give birth in its warm waters, and numerous sea turtles return to lay their eggs on its dark sands.

Furthermore, this is a place where vibrant Afro-Colombian communities and indigenous settlements coexist harmoniously, forming a fascinating cultural mix. The daily rhythm of life in this area is accompanied by the enchanting melodies of the Chonta Marimba, which emanate from the forest.

Visitors to this unspoiled paradise can explore pristine beaches or canoe through the interwoven mangroves of the region. Best of all, it is just a short flight away from two of Colombia's largest cities.

Eastern Colombian Andes:

The eastern Colombian Andes are steeped in legend due to the mountains being battered by wind and fog, mythical lagoons that hold untold riches, and swamps that held back the armies of an empire.

The Magdalena Valley and the lowlands of Los Llanos are areas characterized by significant contrasts, where contemporary cities, including the capital city (Bogota), exist alongside colonial towns that have stood the test of time. In addition, ancient myths and folklore coexist with a highly modernized society.

The tranquil mountains of the eastern Colombian Andes have been witness to significant historical events that continue to have an impact even today. This region marked the European penetration into the continent's interior, and it was also where patriots fought against colonialism, leading to the birth of an independent nation.

Colombian Massif:

Any journey to Colombia's ancestral origins always leads to the Colombian Massif, a mysterious region of magnificent mountains, verdant valleys and volcanoes where enigmatic lost cultures left messages to the modern world between the headwaters of the country's most sacred rivers.

The profound impact of these spiritual cultures resonates strongly in the region's

impressive archaeological parks. Every intricate carving, pictogram, and precisely positioned stone serves to connect visitors with the skilled hands of mystical artisans, whose beliefs have contributed to the development of Andean traditions that form the foundation of the nation's identity and that of its people.

The continuity of this culture is attributed to the many diverse indigenous groups residing in the region, who have established a connection between Colombia's Andean values and contemporary times.

Along with the indigenous civilizations that have left a significant imprint on the massif, the region has also been influenced by colonial power. The grandiose European settlements constructed in the area aimed to establish a new culture within these sacred mountains. It is the convergence of these two worlds that makes this small region particularly captivating to discover.

Colombian Amazon - Orinoquia:

The Colombian Amazon-Orinoquia region is an awe-inspiring expanse that extends as far as the eye can see, encompassing sacred forests and vast plains. It stands as a bastion of biodiversity and represents one of the world's last great natural areas.

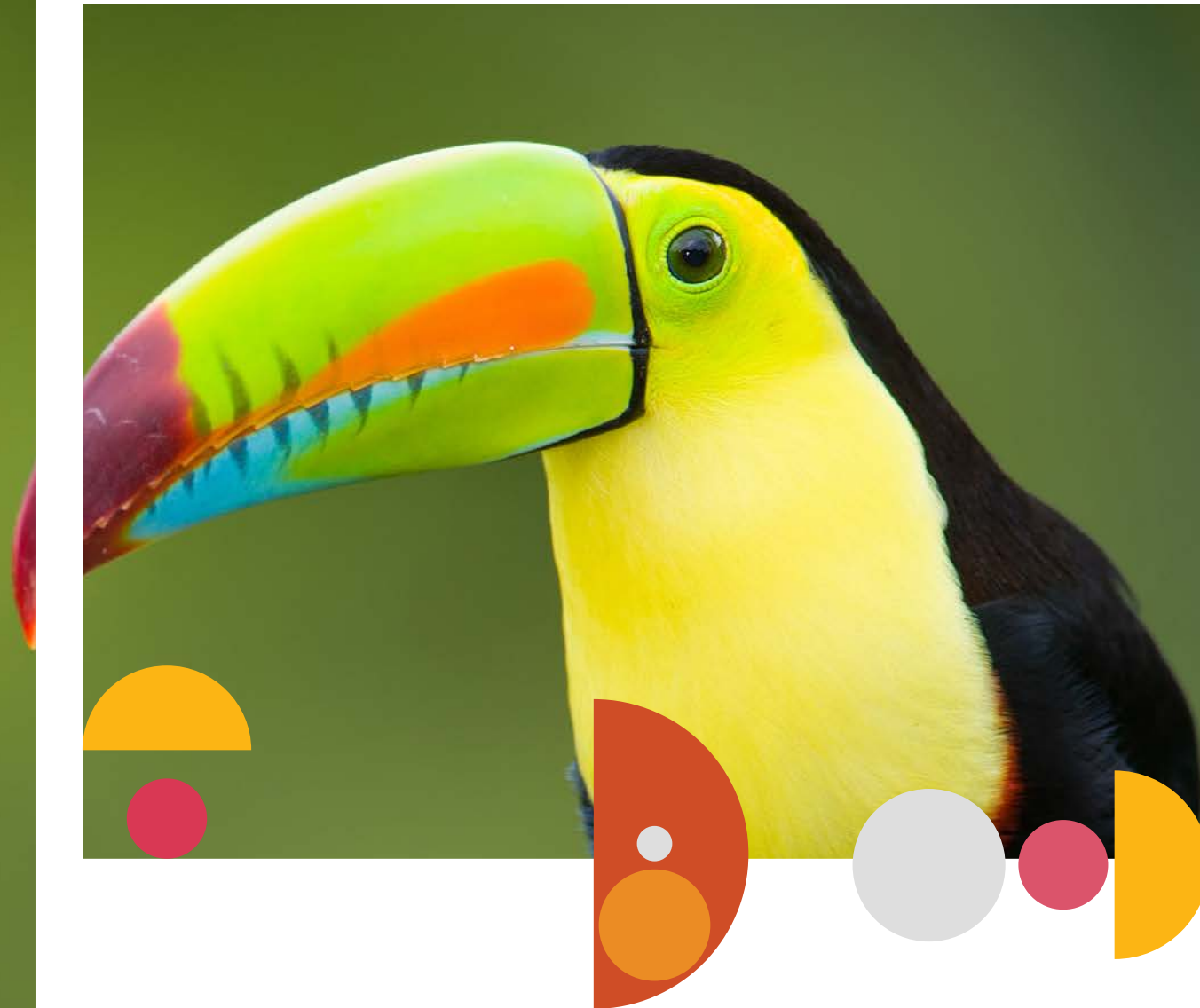
The region comprises two separate yet interdependent ecosystems: the expansive grasslands of the Orinoco River basin to the north, and the unspoiled thousand-year-old forests of the Amazon to the south. This

immense green expanse at the heart of Colombia boasts unparalleled open skies and monumental rivers, making it a truly unique destination.

A location where plains culture is rich with tales depicting the difficult conditions on the plains and the unwavering indigenous communities that prioritize not only the environment, but also the invaluable wisdom of their forefathers. These mystical territories exhibit a wide range of diversity and vastness.

Boasting the breathtaking Caño Cristales, known as the most beautiful river in the world, and displaying ancient works of prehistoric art, this destination offers both education and captivation. It's a location where genuine adventure awaits at every turn.





3. Climate

Thanks to its advantageous geographical location, Colombia is a highly sought-after destination for both locals and tourists alike. The country's diverse climates have allowed for a wide range of food crops to thrive, resulting in a variety of export-quality products.

Warm climate:

Ranges from 0 masl - Meters above sea level) to 1,000 masl (3,281 fasl – Feet above sea level), and its average temperature is 24°C (75.2°F), but certain areas may experience temperatures surpassing 30°C (86°F). Additionally, the region is known for its abundant rainfall, which shares similarities with equatorial and tropical plains.

According to estimates, a minimum of 80% of Colombia is situated within this climatic zone, predominantly in the Pacific and Caribbean regions, the Amazonian plain, Orinoco, as well as in the valleys of the Magdalena River, Cauca, Cesar, and Catatumbo.

The tropical humid forest climate is known for its diverse fauna, including poisonous frogs, salamanders, toads, caimans, snakes, lizards, turtles, babillas, iguanas, a variety of birds, marsupials such as sloths, shingles, and monkeys, and mammals such as squirrels, jaguars, and pumas. These lands are also utilized for livestock and cultivation of crops such as cotton, bananas, corn, and tobacco.

Temperate climate:

Ranges from 1,000 masl (3,281 fasl) to 2,000 masl (6,562 fasl). The average temperature is 18°C (54.4°F), although its climate ranges from 17°C (62.6°F) to 22°C (71.6°F). Rainfall exhibits variability at an altitude of up to 1,700 masl (5,577 fasl) and can range from 2,000 mm (78.7 inches) to 2,500 mm (98.4 inches) per year.

This thermal soil covers at least 10% of the Colombian territory, which corresponds to about 114,000 km² (44,016 square miles) and is located mainly in the low mountain ranges.

In these climates, you can find products such as coffee, sugar cane, corn and fruit trees as well as livestock farming.

Cold weather:

Ranges from 2,000 masl (6,562 fasl) to 3,000 masl (9,243 fasl), its average temperature is 12°C (53.6°F), although it can vary from 10°C (50°F) to 17°C (62.6°F), with rainfall reaching 2,000 mm (78.7 inches) per year. This thermal soil is typical of the ecosystems of the Andean forest or cloud forest.

Approximately 8% of Colombia is covered by this climate, spanning an area of approximately 93,000 square kilometers (35,908 square miles) in the upper regions of the mountain. Bogotá serves as an example of this climate. Agricultural activities such as livestock breeding, grain cultivation, corn production, and potato farming are prevalent in these areas.

Paramo and Glacial:

The paramo ranges from 3,000 masl (9,843 fasl) to 4,000 masl (13,123 fasl) and its temperature is 0°C (32°F), although it can vary from 10°C (50°F) to below zero.

This climate is characterized by freezing winds, frequent snowfall and little rainfall. Therefore, it is located at the top of the mountains. This thermal floor is equivalent to 2% of Colombia which would comprise at least 23,000 Km² (8,880 square miles).

The glacier ranges from 4,000 masl (13,123 fasl) and its temperature is less than 0°C (32°F), this thermal floor has less than 0.1% of Colombia. In the glacier, the snow is permanent, there is little rain, frequent snowfall and very strong and icy winds.

In this type of climate, although there are no products to trade, one can enjoy recreational activities such as hiking or trekking for watching birds, white-tailed deer, condors and Andean bears.

4. Why Colombia?



Colombia is a very diverse country. Its people, fauna, flora, culture, and history make it a highly attractive place to invest, travel and develop new businesses. In addition to boasting one of the most dynamic economies in Latin America, Colombia has the fourth largest economy in the region and stands out as one of its most stable economies. Its strength allowed it to capitalize on 50 years of growth, in order to face the pandemic crisis. In the following 5 years, Colombia is slated to grow faster than economies such as Brazil, Mexico, and Argentina.

Colombia also has an attractive domestic market of more than 51 million people, making it the third most populous country in Latin America. The country also boasts an advantage of a largely young population. The country has five business centers with more than one million inhabitants in its main cities (Bogotá, Medellín, Cali, Barranquilla and Cartagena). These cities have developed a robust business climate that supports the creation of new businesses, ensuring not only a chain of suppliers and supplies, but also the possibility of finding allies, customers and a network for developing business.

Colombia's location in the heart of the Americas is one of the main advantages for companies investing in the country, as it has strategic access to the entire continent from the Pacific and Atlantic oceans.

There are logistical advantages in both connection times and connectivity, with a wide range of routes available. With proximity to the region's major ports, companies exporting from Colombia can reduce carbon footprints associated with international transportation.

Colombia also offers a time zone that allows companies to efficiently serve the entire region, with only a few hours difference from the continent's major capitals. Companies in Colombia can also benefit from the Free Trade Zone regime, which offers one of the most attractive incentive packages in the region.

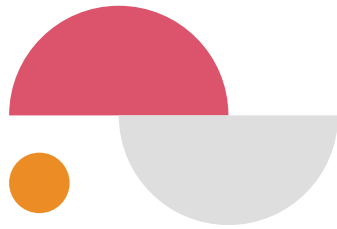
The country has a network of trade agreements with the region, giving it access to a market that represents 31.8% of the world's GDP and a population of more than 1,000 million people (covering 97% of the countries in the region). By investing in Colombia, companies benefit from the reliability and quality of products and services that have positioned the country as a top supplier in Latin America.





Sustainability

In the last decade, Colombia has stood out for its alignment with the implementation of internationally relevant agendas such as the United Nations Sustainable Development Goals (ODS for its acronym in Spanish), for the adoption of best practices such as those established by the Organization for Economic Cooperation and Development (OCDE for its acronym in Spanish), and for its commitment to global alliances in the fight against climate change, as evidenced by the ratification of its ambition to reduce greenhouse gas emissions and achieve carbon neutrality, as announced at COP 26 in Glasgow. In addition, Colombia, as President of the Independent Association of Latin America and the Caribbean (AILAC for its acronym in Spanish), and the developing countries G77+China achieved at COP 27 the creation of an independent and specific fund for developing and vulnerable countries to face the losses and damages related to this phenomenon, which has shown great leadership on the part of the country on climate change issues.



In regards to ODS, Colombia was one of the 193 countries that in 2015 voluntarily committed to 17 goals and 169 targets that seek concrete progress in caring for people and the planet, achieving prosperity and peace. and the realization of alliances for sustainable development by 2030. To make this commitment viable, the National Council for Economic and Social Policy (CONPES for its acronym in Spanish) issued in 2018 the Strategy for the Implementation of the ODS in the country (CONPES document 3918), which contemplates a multi-stakeholder approach that recognizes the private sector as a fundamental component in the materialization of this agenda.

Despite an overall progress of 54.83% as of December 2020 with respect to the 2030 goal, in accordance with the targets set by the national government, it is necessary to maintain the efforts and commitments of the private sector in order to achieve the projected progress year by year. Goals such as ODS 1, end poverty; ODS 3, health and well-being; ODS 4, quality education; and ODS 8, decent work and economic growth, have been affected in their progress due to the COVID-19 pandemic. On the other hand, targets such as SDG 6, clean water and sanitation; ODS 7, affordable and clean energy; and ODS 11, sustainable cities and communities, have shown significant progress, benefiting not only the

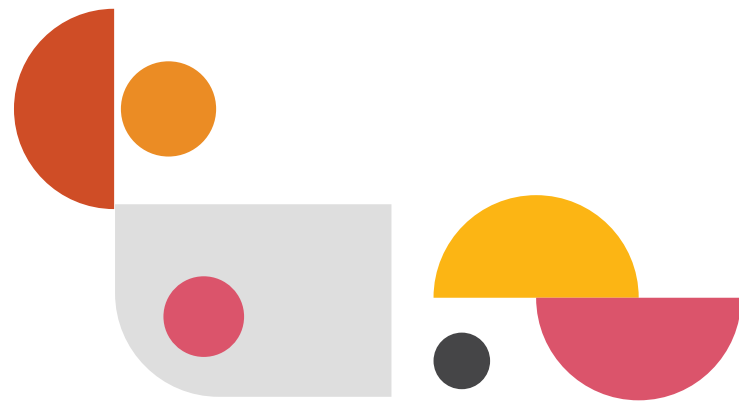


Colombian population, but also the business environment in which the private sector operates.

Colombia's official incorporation as a formal member of the OCDE on April 28, 2020, has led the country to adopt and strengthen environmental and social practices, including the implementation of economic instruments to improve the efficient use of natural resources and the social costs of resource use, waste and pollution. In addition, the country has committed to reducing labor informality, protecting the rights of subcontracted workers, and establishing a constructive framework for social dialogue.

In terms of environmental compliance, the Green Growth Policy, established by CONPES 3934 (2018), is an advance resulting from the recommendations received by the OCDE, which has been strengthened by the National Development Plan 2018-2022 with the promotion of the increase of generation capacity with clean energy by 1,500 MW. On the way to the energy transition, the document CONPES 4075 (2022) was issued, which refers to the Energy Transition Policy that will be carried out in the period between 2022 and 2028, and its implementation will have the participation of different entities. of a national order, it presents an indicative value of 306,378 million pesos for the development and implementation of the 97 actions that will allow the country to consolidate and advance in its energy transition process.

Regarding the commitments to mitigate climate change, the Colombian State has



promulgated Law 2169 of 2021, also known as the “Climate Action Law”, which ratifies the national commitment to reduce gas emissions by 51% of the greenhouse effect compared to the base year 2019 and achieve carbon neutrality by 2050. As a complement to the above, and in order to promote compliance with the Paris Agreement, the Long-Term Climate Strategy of Colombia E2050 was established, through which the presents the process for identifying the necessary transformations that must occur in Colombia to build a long-term socio-ecological climate resilience.

This requires coordinated action to reduce emissions from major sources, including sectors such as agriculture, forestry and other land uses (or AFOLU)³³, responsible for 59% of the country’s emissions in 2018. Similarly, efforts must be made to reduce emissions from the burning of fossil fuels and the energy industry, which account for 31% of emissions in 2018³⁴.

The Climate Action Law also establishes the need to establish carbon budgets for the period 2020-2030, no later than 2023, and to achieve a reduction in net natural forest deforestation to zero hectares/year through the implementation of both policy instruments and cooperative and market-based measures. In addition, it establishes measures to promote and develop carbon markets, including: i. Mandatory reporting of greenhouse gas emissions (ROE for its acronym in English) based on the size of reporting entities; and ii. The creation of a Study Commission that will have the purpose of analyzing the status and potential of carbon markets in Colombia, within the next 3 months after the entry into force of the Law (March 22, 2022).

Although Colombia contributes approximately 0.57% of global greenhouse gas emissions, according to the Ministry of Environment and Sustainable Development, due to the fact that 68% of the installed capacity of electricity comes from renewable sources, its geographical location, with its extensive coastline, three mountain ranges and six natural regions, makes



Colombia a country highly vulnerable to the effects of climate change. The “El Niño” and “La Niña” phenomena, including their winter waves, intense droughts, forest fires and water shortages in different parts of the country, represent a risk today and in the future for companies operating in the country, given the challenges in planning, management and scope of economic results that these events entail.

33. Fostering Carbon Sequestration in Agriculture, Forestry and Land Use Change (AFOLU) is an effective way to reduce and avoid emissions. VCS leads the development of carbon accounting frameworks that unlock the power of reductions in AFOLU projects.

34. The third Biennial Update Report on Climate Change, which includes the National Inventory of Greenhouse Gas Emissions, establishes that in the year 2018 Colombia emitted 279 (Mton) of net CO₂ equivalent, being the most recent data available the country.



For these reasons, Colombia has developed a National Plan for Adaptation to Climate Change (PNACC for its acronym in Spanish), which includes a general reference framework and actions aimed at reducing the long-term negative effects on the population, the productive sector and ecosystems. The National Plan has also made it possible to assess the threats to vulnerable communities and to anticipate the impacts on territories, ecosystems and the economy. This plan is constantly being updated as information on the threat

posed by climate change and the country's experience accumulates; for this reason, various methodological frameworks and guides have been developed.

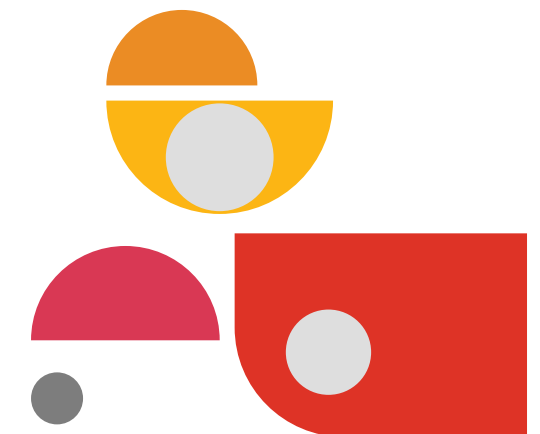
For its part, the Climate Action Law establishes different objectives for adaptation to climate change and disaster risk management, broken down by sector. In the Housing, Urban and Territorial Sector, the Government intends to develop protection and conservation measures in 24 basins that feed aqueducts in municipalities at risk of water scarcity, and to reuse ten percent (10%) of domestic wastewater treated by public aqueduct and sewerage service providers. In the transportation sector, the law establishes the need to prepare 2 technical guidelines for conducting risk studies on transportation infrastructure. In the environment sector, the law establishes the implementation of a minimum of seis for climate change adaptation and risk management for the sustainable use of mangroves (blue carbon ecosystem).

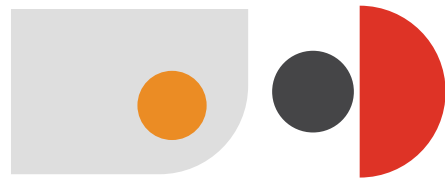
In terms of biodiversity, Colombia has committed to doubling the number of hectares with sustainable production systems and conservation to 1.4 million, and to reaching 260,000 hectares with payment for environmental services schemes and conservation incentives. In addition, in July 2022, Colombia declared 34% of its territory as protected areas.

On the other hand, in November 2018, the Colombian government presented the "National Circular Economy Strategy", which has as its main objective the creation of a new culture, new business models,

productive transformation, and closing material cycles.

This strategy goes far beyond the promotion of recycling, as it includes innovation concepts for the generation of new products, business models and services that are not only profitable but also promote the recycling of materials in the value chain. This can bring economic benefits to companies through the optimization of raw material management, waste management and the creation of new business opportunities.





Regulatory framework

In addition to what has already been mentioned, the regulations related to climate change mitigation include Law 1931 of 2018, the Comprehensive Climate Change Management Plans at the sectoral (PIGCCS for its acronym in Spanish) and territorial (PIGCCT) levels, the National Carbon Tax and the Non-Carbon Neutrality Tax (Law 1819/2016 and Decree 926/2017); Law 1715 of 2014 on Renewable Energy; Law 2099 of 2021' on Energy Transition and Economic Reactivation; Resolution 1447 of 2018 of the Ministry of Environment and Sustainable Development on the Monitoring, Reporting and Verification System of Mitigation Actions at the National Level; Law 1964 of 2019 on Electric Mobility; Law 1972 of 2019 on Air Quality, in addition to important policy instruments such as CONPES 3874 on Comprehensive Solid Waste Management, CONPES 3919 on Sustainable Construction, CONPES 3934 on Green Growth, the National Strategy for the Circular Economy of 2019, among others.

With regard to the regulations for the reduction of deforestation, the protection of ecosystems and the conservation of the environment, the demarcation of the agricultural border in 2018, the creation of the National Council for the Fight against Deforestation and Other Related

Environmental Crimes in 2019, the guidance and signing of the Leticia Pact in 2019; Law 1930 on the Protection of Paramo Ecosystems; Decree Laws 870 of 2017 and 1007 of 2018 on payments for environmental services; Article 255 of the Tax Statute, Decree 2205 of 2017 and Resolution 0509 of 2018 on incentives for investments in environmental control and conservation. Likewise, the implementation of the Amazon Vision REDD+ Program as of 2016, the Low Carbon Sustainable Development Program for Orinoquia and the signing of the Joint Declaration of Intent with Norway, the United Kingdom and Germany on Deforestation Reduction and Sustainable Development in 2015 and approved in 2019, and Law 2111 of 2021, which establishes crimes against natural resources and the environment.

From **the aforementioned regulatory and institutional framework, the aspects of greatest interest to be considered by a foreign investor in Colombia** are summarized below:

Tax benefits for investment in renewable energy and energy efficiency

On May 14, 2014, the national government, foreseeing the possible obstacles to the incorporation of non-conventional energy sources (FNCE) in the national electrical matrix, signed Law 1715. Its purpose includes, among others, the promotion of investments, research and development in this matter, and the use of non-conventional energy sources, mainly those of a renewable nature. In addition, the law seeks to promote the integration of non-conventional sources into the national energy system and their participation in non-interconnected areas as a necessary means for sustainable economic development, the reduction of greenhouse gas emissions and the security of energy supply. and to promote efficient energy management (GEE).

Similarly, Law 2099 of 2021 aims to contribute to the economic reactivation of the country through the revitalization of the energy market and the strengthening of electricity and fuel gas services. This law extends the tax incentives established in Law 1715 of 2014 to green and blue hydrogen production technologies and expands the tax benefits for efficient energy management and smart metering projects. The procedures and requirements for energy tax incentives are established by Resolution 319, issued by the Mining and Energy Planning Unit (UPME For its acronym in Spanish) on August 5, 2022. Similarly, Law

2099 opens the door for the government to develop the necessary regulations for the promotion and development of Carbon Capture, Utilization and Storage technologies - CCUS.

In this way, natural or legal persons interested in investing in FNCE, GEE, green and blue hydrogen production and smart metering projects can benefit from VAT exemption on goods and services, customs exemption, accelerated depreciation of investment assets and a 50% income tax deduction on the total investment for a maximum period of 15 years.

The entry into force of Law 2099 marks the beginning of the process of regulating the exploration and exploitation of geothermal resources in the country, which has been limited by the lack of a technical and environmental regulatory framework. The national government will implement instruments to promote and encourage subsoil exploration and research and, through its ministries, will establish the technical requirements for the development of geothermal energy projects and the process for environmental licensing.

Tax benefits for environmental investments

Within the framework of article 424 number (7) and article 428 literals (fi) of the Tax Statute for the acquisition of elements, equipment and/or machinery; necessary for environmental control and monitoring systems, environmental programs, among others, the National Government establishes the VAT exclusion tax incentive for environmental investments. In addition, article 255 of the Tax Statute establishes that legal entities that make direct investments in the control, preservation and improvement of the environment, will be able to access tax incentives translated into income tax discounts of up to 25% of the investments made in the respective fiscal year.

Decree 1564 of 2017 establishes the partial modification of Decree 1625 of 2016 in relation to the articles that deal with the IVA exclusion incentive; Resolution MADS 978 of 2007 establishes the requirements and procedure for obtaining the VAT exclusion certificate that deals with Article 428 lit. f and lit. i and Resolution 2000 of 2017 of the Ministry of Environment and Sustainable Development (MADS for its acronym in Spanish), establishes the requirements and procedure for obtaining the VAT exclusion certificate that deals with Article 424, numeral 7.

Regarding the rent reduction incentive, Decree 2205 of 2017 establishes the partial modification of Decree 1625 of 2016 regarding Article 255, and Resolution MADS 509 of 2018 establishes the requirements

and procedures for obtaining the rent reduction certificate that deals with Article 255.



In addition to the above benefits, the Colombian government requires compliance with environmental licensing requirements for the construction and operation of projects.

The environmental license in Colombia was defined in Article 50 of Law 99 of 1993 as “the authorization granted by the competent environmental authority for the execution of a work or activity, subject to compliance by the beneficiary of the license with the requirements established in relation to the prevention, mitigation, correction, compensation and management of the environmental effects of the authorized work or activity”.

Decree 2041 of 2014 adopts the considerations related to the scope of projects, works or activities, which includes the planning, siting, installation, construction, assembly, operation, maintenance, dismantling, abandonment and/or termination of all actions, uses of space, activities and infrastructure related and associated with its development.

In Colombia, the environmental license is an instrument of environmental policy management that makes it possible to predict and anticipate possible environmental impacts and, in turn, to assign responsibilities to interested actors, to require the internalization of environmental externalities, to promote the reduction of pollution and the use of clean technologies.

Finally, the Government of Colombia, through its strategy and policies for the transition to a low-carbon economy, as well as the initiatives, actions, alliances and fiscal incentives implemented within the framework of environmental sustainability, biodiversity conservation and business and community participation, has provided favorable and attractive scenarios to stimulate the interest of investors to develop projects and new businesses in a sustainable, technological and responsible context.





02

Fraud Prevention

Due Diligence, a fundamental ally for companies

Considering companies as key actors in society, responsible for its development and growth, enables us to understand business activity as one of the most significant drivers of change and impact in today's globalized world. The positive effects generated by companies include the generation of wealth and employment, the creation of new products and services, the development of technology, and the current trend of free competition. Today, companies are integrated into different sectors and industries of the economy. However, it cannot be ignored that the pressure to meet the financial and strategic objectives of companies, coupled with accelerated growth and the current demands of capital markets to achieve rapid investments, also generate risks and negative impacts that significantly affect society.



The dynamics of the business world, along with innovation and growth processes, often require administrators to make important decisions. This often leads companies to enter into new contracts, investments, and alliances that involve establishing commercial relationships. However, such relationships inevitably carry various risks, such as corruption, fraud, money laundering, and other irregular conduct. These risks not only suggest legal and economic risks but also threaten the reputation and good name of the company. For this reason, and because we consider reputation to be one of the most important assets of any company in the world today, defining controls and risk management programs aimed at managing relationships established with third parties is considered essential.

Furthermore, in order to mitigate the risks of corruption and money laundering, countries and regulatory bodies have created laws and regulations that make it mandatory for companies to implement risk prevention systems and programs. Compliance with these regulations is necessary. In Colombia, companies must adopt ethical and compliance programs that adhere to a set of guidelines and recommendations based on international standards and best practices. These guidelines may vary based on factors such as the sector or industry. However, they all emphasize the importance of implementing procedures for knowing and conducting due diligence on counterparts as a fundamental pillar for managing risks and conducting safe, ethical, and transparent business operations.

Although different definitions and uses of the concept of due diligence have been established over time, they all simplify it as the equivalent of taking sufficient care when performing an action or the process of considering various possibilities before making a decision.

For example, the University of Cambridge defines due diligence as “the actions that are considered reasonable for people to take to protect themselves, others, and their property” or “the detailed examination of a company and its financial records before entering into a business agreement with it.” The Basel Committee on Banking Supervision (BCBS) views due diligence as the practice that goes beyond the prevention of asset laundering and allows for the knowledge of a customer, defining it as a process that safeguards the integrity of the market. Similarly, different types of due diligence have been defined based on the context of interest, such as financial, legal, or operational due diligence.



However, given that relationships with third parties pose a transversal risk for all organizations, regardless of their nature, due diligence, in terms of compliance and reputation, is considered a crucial process for obtaining adequate knowledge of counterparties with whom a relationship is formalized. It becomes an essential negotiation and decision-making tool in any situation.

Currently, both international standards and requirements defined by various regulations related to the prevention of corruption and money laundering risks generally refer to two types of due diligence that

should be applied, taking into account the level of criticality that the relationship to be established may suggest. For instance, in the case of a business and/or transaction that suggests lower risk due to its characteristics and those of the counterparty, a basic due diligence process can be applied. This process involves investigating general information of the third party, their background, and possible involvement in compliance lists or legal processes of public knowledge. It also includes identifying mentions and references that can be found through searches in open sources.

However, in more complex situations, such as mergers and acquisitions or relationships with high-risk counterparties, a more detailed approach is required, known as Integrity or Reputational Due Diligence. This type of due diligence aims to obtain a thorough understanding of the profile of the third party, through in-depth investigations into their background, relationships, commercial and financial conduct, and overall reputation. In many cases, this process also involves reviewing and analyzing the ethics and compliance principles and policies of companies to gain a better understanding of the business environment and operating conditions. However, the inherent liability risks associated with acquiring a company require an even more comprehensive approach, including a forensic audit to review transactions in order to identify any payments that may be linked to bribery.

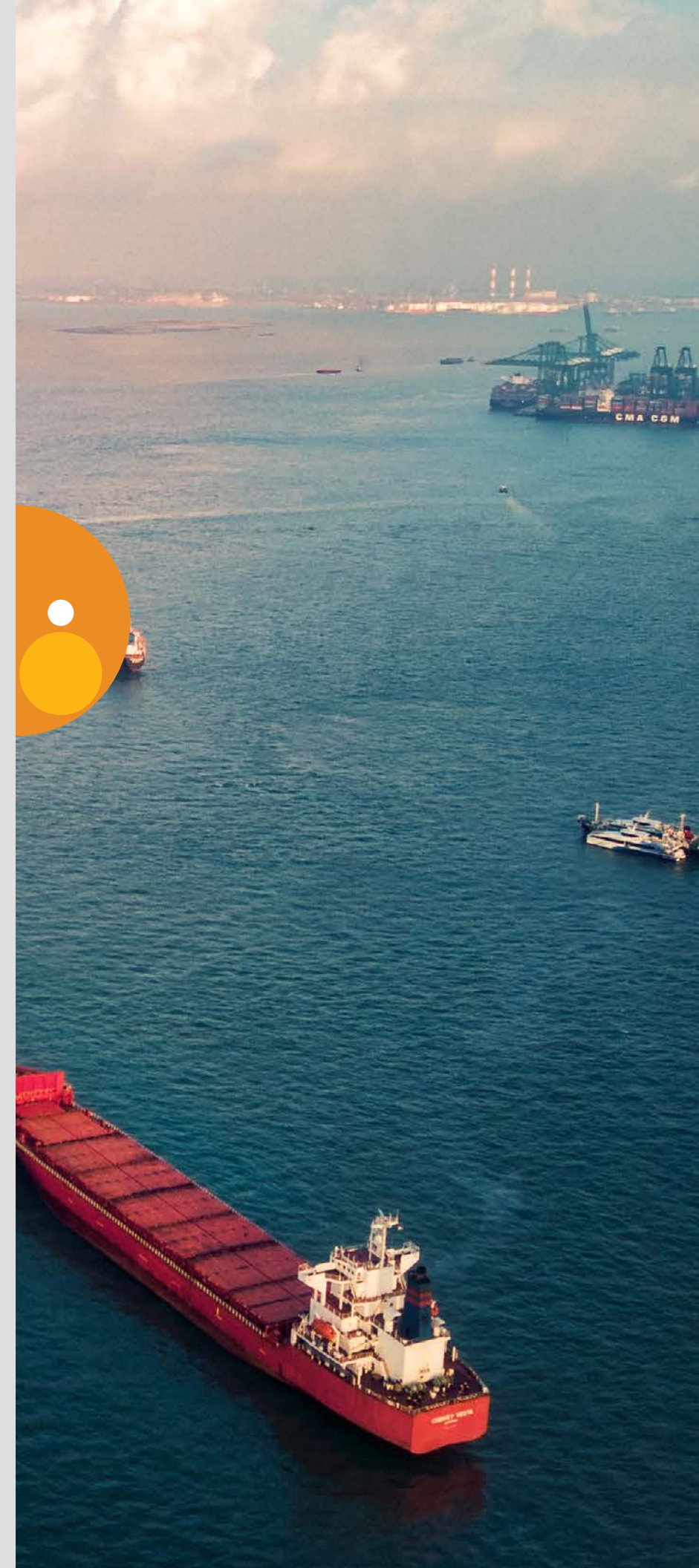
In any case, before establishing a relationship with a third party, it is necessary to focus the initial efforts of the knowledge and due diligence process on identifying the ultimate beneficiaries of the transaction or the entity with which the relationship is intended to be formed. Although the definition and characterization of the ultimate beneficiary may vary according to the local regulations of each country, it is generally understood as the natural person who ultimately benefits from or exercises control over the entity or relationship.

In this way, due diligence should be viewed as a strategic ally in decision-making and a means of preventing the risks inherent in any relationship, rather than just a reference to restrictive or international compliance lists. Ultimately, due diligence should be seen as something that can benefit the company when things go wrong.





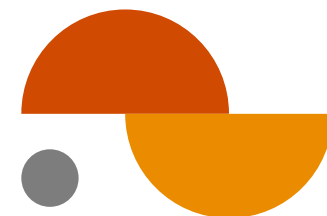
International Trade, Foreign Exchange and Customs





International Investments

International investments include: (1) foreign capital investments in the country (direct and portfolio) and (2) Colombian capital investments abroad.



Foreign investment in Colombia

These operations must be registered before the Central Bank of Colombia, by the investors, their attorneys or the legal representatives of the companies receiving the capital investment. Once the investment has been made and registered in accordance with the terms and conditions established by the Central Bank of Colombia, the foreign investor may exercise the rights to draw foreign currency as indicated in Article 2.17.2.2.3.1 of Decree 1068 of 2015, as amended by Resolution 119 of 2017, which include: reinvesting the profits, capitalizing the amounts with drawing rights, sending abroad the net profits generated by their investments, among other points.

Channeling and registration of foreign investment in Colombia

Foreign currency related to foreign capital investment in Colombia must be channeled through the foreign exchange market, that is, through compensation accounts or through Foreign Exchange Market Intermediaries (FEMIs). If the channeling is done through the FEMI, the information of the minimum data of the foreign exchange operations for international investments must be provided to the latter; if the channeling is done through the compensation account of the company receiving the investment, the information must be electronically transmitted to the Central Bank of Colombia, thus complying with the registration of the operation.

On the other hand, advance payments for future capitalizations made by non-residents in Colombian companies constitute foreign indebtedness and must be reported to the Central Bank of Colombia with the presentation of Form No. 6 “Information on foreign indebtedness granted to residents”, complying with the procedures and terms indicated by said entity.

Foreign Investment Registration without Foreign Currency Channeling

Investments made by virtue of a lawful act, contract or operation (other than foreign currency) must be registered at any time with the presentation of the Declaration of Registration of International Investments through the New Foreign Exchange Information System of the Central Bank of Colombia.

Similarly, in cases where the previously registered foreign investment is reduced or partially or fully liquidated and the foreign investor ceases to be the holder, the corresponding foreign investment registration must be cancelled within six (6) months from the date of the operation, with the submission of the Declaration of Cancellation of International Investments through the New Foreign Exchange Information System.

Likewise, investment substitutions resulting from the change of investment holders for other non-resident investors and the change of the destination or the company receiving the investment must be registered through the New Foreign Exchange Information System within six (6) months. Direct investment substitutions resulting from corporate reorganization processes, such as mergers and spin-offs, must be registered through the New Foreign Exchange Information System.



Finally, in the case of a recomposition of capital that results in an increase or decrease in the number of participations, without modifying the value of the capital, the legal representative of the company receiving the investment must inform the Central Bank of Colombia by means of a Special Request.

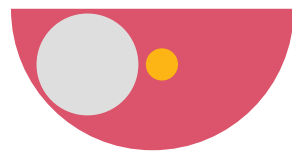
Foreign Exchange Regime

The following entities are required to comply with foreign exchange formalities in Colombia:

- All foreign or Colombian natural persons who stay in the country for 183 continuous or discontinuous days during a period of 365 consecutive days, and
- All legal entities legally incorporated in the country, including branches of foreign companies.

The foreign exchange market is made up of all foreign currency, which must be mandatorily channeled through a FEMI or through a compensation account.

In addition, foreign currencies that are exempt from the above obligation but are voluntarily channeled through the foreign exchange market are also part of the said market.



Operations belonging to the foreign exchange market

The following transactions must be mandatorily channeled through the foreign exchange market, through compensation accounts or FEMIs:

- Import and export of goods.
- Foreign debt transactions entered into by residents of the country, as well as the financial costs inherent thereto.
- Foreign capital investment in the country, as well as the returns associated with it.
- Investments of Colombian capital abroad, as well as the returns associated with them.
- Financial investments in securities issued abroad or investments in assets located abroad, as well as the related income, except when the investments are made with foreign currency from operations that should not be channeled through the foreign exchange market.

- Foreign currency guarantees and collateral.
- Derivative transactions.

The Central Bank of Colombia establishes the procedures and conditions for the channeling and registration of these operations, according to their nature.

All other foreign exchange transactions that have not been classified as mandatorily channeled through the foreign exchange market belong to the free market and may therefore be carried out without the need to use FEMIs or compensation accounts, e.g. payments in foreign currency for services rendered.

Foreign Exchange Market Intermediaries (FEMIs)

FEMIs are banking establishments, financial corporations, financing companies, Financiera de Desarrollo Nacional (FDN), Banco de Comercio Exterior de Colombia S.A. –BANCOLDEX–, financial cooperatives, stock exchange brokerage firms, foreign exchange intermediation and special financial services companies (“SICSFE”



for its acronym in Spanish) and companies specialized in electronic deposits and payments (“SEDPE” for its acronym in Spanish).

with the Central Bank of Colombia as compensation accounts.

Inflows and outflows on the compensation accounts may result from the payment of obligations arising from foreign exchange operations that must or must not be settled on the foreign exchange market, as well as from the fulfillment of obligations arising from domestic operations. In any case, it should be noted that only the holder’s own operations can be carried out through the compensation account.

The opening, management and closing of the compensation accounts are subject to compliance, with reports before to the Central Bank of Colombia (monthly) and the Colombian Tax and Customs Agency - DIAN (quarterly).



Compensation Accounts

These are foreign currency bank accounts held by residents in foreign financial institutions, which must be registered

Special Foreign Exchange Regime

The special foreign exchange control regime applies only to branches of foreign companies in the hydrocarbons and mining sector that carry out exploration, exploitation, or service rendering activities inherent to this sector. Such activity is exclusively related to the exploration and exploitation of oil, natural gas, coal, ferronickel or uranium.

The Special Foreign Exchange Regime enables for:

- The transfer abroad of the foreign currency equivalent of the amount of foreign capital in the event of the liquidation of the branch, as well as the sums received in legal currency on the occasion of domestic sales of oil, natural gas, coal, ferro-nickel, uranium or services related to the hydrocarbon sector.
- The transfer abroad of other sums received in legal currency related to its operation.
- The reimbursement of foreign currency required to meet expenses in legal currency.
- Receive the proceeds of their sales directly through the main office.
- Enter into and pay for contracts in foreign currency, provided that the foreign currency is derived from resources generated by its operations.
- To take into account the availability of capital in the form of goods or services, in addition to the availability of foreign currency, as a complementary investment to the assigned capital.

These branches must record the foreign currencies reintegrated through the foreign exchange market during the year in order to meet obligations in legal currency, and these must be included for statistical purposes in the Declaration of Registration of Supplementary Investment to the Assigned Capital and the Equity Reconciliation Special Regime, which must be submitted through the New Foreign Exchange Information System.

Likewise, for statistical purposes, they must inform the availability of foreign currency abroad (accounted as supplementary investment to the assigned capital during the annual period), as well as the goods and services accounted as supplementary investment to the assigned capital during the annual period, and the contributions to collaboration contracts through the presentation of the Declaration of Registration of Supplementary Investment to the Assigned Capital through the New Foreign Exchange Information System, at any time.

Branches that do not wish to be included in the special regime must notify the Central Bank of Colombia in order to be exempted for a minimum period of ten (10) years from the date of submission of the respective waiver. Consequently, all the foreign exchange operations they carry out will be subject to the ordinary foreign exchange regime.



International Investment Agreements

Colombia's strategy for improving trade relations includes the negotiation and signing of agreements for the promotion and reciprocal protection of investments ("APPRI" for its acronym in Spanish) and Free Trade Agreements (FTAs) that include chapters on foreign investment.

APPRI are international treaties that govern the treatment of foreign investment. The main objective of both APPRI and foreign investment chapters in FTAs is to establish



clear and stable rules for investment by nationals of one party in the territory of the other party, based on the principles of fairness and transparency and on international standards. In addition, they contain the obligations of treatment and protection to be afforded to investments and the mechanisms for the settlement of disputes related thereto, including the possibility of arbitration of disputes between foreign investors and the States, with regards to violations of the corresponding treaty.

Currently, Colombia has trade agreements with CAN (Andean Community of Nations), EFTA (Switzerland, Liechtenstein, Norway and Iceland), Canada, Chile, United States, Mexico, Northern Triangle (Guatemala, El Salvador, Honduras), European Union, Pacific Alliance, South Korea, Costa Rica, CARICOM - Caribbean Community, Cuba, Mercosur: ACE-59 and ACE-72, Venezuela and Israel.

In addition, several FTAs with investment chapters have been signed with Panama, the United Kingdom and Singapore, and negotiations are underway with Japan and Turkey. Negotiations on the Agreement on Trade in Services are also underway.

The country has also signed APPRI with Peru, Spain, Switzerland, India, China, the United Kingdom, Kuwait, Japan, Singapore, France, Turkey, and South Korea, among others.



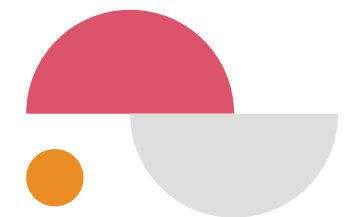
International Trade and Customs

Over the years, Colombia has structured a policy of open integration that has allowed it to grant preferential tariff treatment in eighteen (18) FTAs to date, while five (5) new agreements are being negotiated.

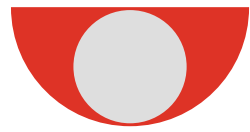
In addition, with the aim of promoting trade, investment and job creation in the country, Colombian customs regulations



provide for a free trade zone regime and other special programs to optimize foreign trade operations. Thus, these customs optimization mechanisms seek to grant customs and tax advantages and facilities to companies that export goods and services, making Colombia a hub for the development of foreign trade operations in Latin America. These comparative advantages compared to other countries in the region have stimulated foreign investment in the country, as a result of the relocation of various industries to Colombia, due to the reduction in costs brought about by these special regimes, as well as the geographical and logistical advantages of operating in the country.



Generalities



International Trade and Customs Rules

Colombian legislation has focused on facilitating customs transactions involving imports, exports, and the transit of goods by controlling the application of various mechanisms for the promotion of foreign trade.

Our legislation is aligned with the guidelines of the World Trade Organization (WTO), since Colombia, through Law 170 of 1994, approved the Agreement establishing the WTO (signed in Marrakech on April 15, 1994), together with the multilateral agreements annexed thereto, in order to guide and regulate the liberalization of trade in the country.

In addition, since 2005, Colombia has implemented the Foreign Trade Single Window – VUCE (the Spanish acronym for “Ventanilla Única de Comercio Exterior”), an electronic system developed by the Ministry of Trade. This software consolidates all government procedures related to international trade operations and, in this sense, is the most important tool for trade facilitation in the country.

For this purpose, the VUCE has three separate sections: Imports, Exports and Single Foreign Trade Form (“FUCE” for its acronym in Spanish); these allow the execution of online procedures to obtain authorizations, permits and approvals, and to make electronic payments, with the aim of speeding up procedures. For more information on the VUCE, please consult the following website: <www.vuce.gov.co>.

Customs Authorizations

Authorized Exporter

This number is obtained through a request from the interested party to DIAN, which will evaluate compliance with the applicable requirements in order to grant the appropriate authorization. In particular, the applicant must submit the authorized exporter’s application, state under oath that the products to be exported comply with the rules of origin and the rules of the trade agreement, and meet the condition of having made more than four (4) final export declarations in the year immediately preceding the application. Likewise, the



exporter must have a favorable concept regarding its risk profile, in addition to complying with the general requirements to act as an exporter of record in Colombia.

The person qualified as an authorized exporter may certify the origin of his goods by means of an invoice declaration or a declaration of origin for trade agreements that provide for this (e.g. Agreement with the European Union and EFTA), provided that the affidavit is in force at the time the proof of origin is issued.

Authorized Economic Operator (AEO)

This authorization is granted to those natural or legal persons established in Colombia that, being part of the international supply chain, carry out activities regulated by customs legislation, or that, in turn, are monitored and controlled by the Superintendence of Ports and Transportation, the General Maritime Directorate or the Civil Aeronautics. By complying with the minimum conditions and requirements established by Decree 3568 of 2011, AEO users guarantee safe and reliable foreign trade operations and are therefore authorized by DIAN.

Simplified Customs User (“UTS” for its acronym in Spanish)

The figure was created by Decree 360 of April 7, 2021 and replaces those previously called “eligible users”. In particular, this status is granted to those customs users who are entitled to benefit from the special treatments granted by the DIAN, upon compliance with the conditions set forth in article 773-2 of decree 360 of 2021. These conditions include: obtaining a favorable risk management profile from the DIAN, no debts to be paid to the said entity, no undue refunds, no tax or foreign exchange sanctions, and no serious or very serious customs sanctions, among others.

Thus, importers and/or exporters may be considered eligible according to DIAN’s risk management criteria. In turn, this authorization is automatic for Public Law Entities and Mixed Economy Companies.

Among the benefits derived from the quality as a UTS are: consolidated payment of customs taxes, the possibility of creating a single global guarantee when the user has more than one customs registration, automatic release for the clearance of goods in the national customs territory, correction of import declarations without the need for authorization, among others.

Special Import and Export Programs

In order to promote foreign trade activities, Colombia has developed special import and export programs, or “Plan Vallejo”, through which raw materials and inputs, capital goods and spare parts may be temporarily imported with total or partial exemption from customs duties or with deferral of payment of VAT, in order to manufacture products or provide services for export. Thus, the purpose of this mechanism is to stimulate and promote the export of goods produced in the country in order to diversify the Colombian export basket.

To access the Plan Vallejo program, it is necessary to submit the company’s financial statements as of December 31 of the year prior to the request, a petition signed by an economist, and the location of the imported goods, the available production capacity, as well as the destination of waste, reusable and defective materials resulting from the production process.

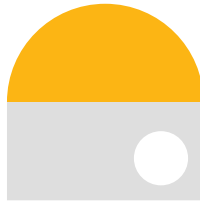


“Plan Vallejo” for raw materials and inputs

This modality consists of the temporary importation, without payment of customs duties, of raw materials and inputs that will be used exclusively and in their entirety in the production of export goods, or goods that, without being directly destined for foreign markets, will be used in their entirety by third parties in the production of goods to be exported.

Once the requirements for access to this program are met, the authority grants an import quota to be used by the Plan Vallejo user during the calendar year.





“Plan Vallejo” for capital equipment and spare parts

Under this modality, the user of the Plan Vallejo benefits from the deferral of the payment of customs duties as long as he meets the export obligations provided for in the applicable regulations: at least 70% of the increase in production that would be generated during the time necessary to depreciate 90% of the value of the goods (Article 173c) or at least 1.5 times the FOB value of the import quota used during the time necessary to depreciate 90% of the value of the goods (Article 174).

Replacement “Plan Vallejo” or “Plan Vallejo Junior”

This “Plan Vallejo” program allows for the replacement of raw materials and inputs for which duties have already been paid, without having to pay such duties again or having to meet a specific export commitment.



“Plan Vallejo” for services

This modality allows the importation without payment of customs duties of those goods classified in the tariff subheadings established by Resolution 1131 of 2020, provided that the obligation to export services for 1.5 times the FOB value of the importation is fulfilled in the time necessary for the depreciation of 90% of the value of the goods. In addition, the service provided with the imported goods may not necessarily correspond to the principal activity of the Plan Vallejo user.

In addition, it is necessary to specify that the benefits of the Vallejo Plan will be granted directly to the importer of goods, raw materials or supplies who produces and exports finished goods or services, or indirectly to the importer or producer of intermediate goods sold to the exporter, or to whoever provides services related to the production of export goods.

Imports

An import, according to current customs regulations, consists of the entry of goods of foreign origin into the national customs territory.

An import is also considered to be the introduction of goods from a free trade zone into the national customs territory with the purpose of remaining in this territory for an indefinite or definite period of time, thus achieving a specific purpose.

According to the Harmonized Commodity Description and Coding System approved by the WTO, imported goods are classified by subheadings or subcodes of six (6) digits –international code–. In addition, two (2) digits are added for the exclusive use of the Andean Community of Nations (“CAN” for its acronym in Spanish) and the last two (2) digits are those to be used specifically in Colombia.

The resulting ten (10) digit subcode is established in the Colombian Tariff Schedule, governed by Decree 1881 of December 30, 2021, and is assigned a general tariff rate depending on the product. On the other hand, the Value Added Tax (VAT), which is also part of the customs taxes, is regulated in the Colombian Tax Statute at a general rate of 19% in most cases.

Decree 1881 of 2021 repealed Decree 2153 of 2016 (previously in force) in order to implement the changes introduced by the VII Amendment Recommendation to the Harmonized Commodity Description and Coding System Nomenclature, which came into force on January 1, 2022. The VII Amendment was promulgated by the Harmonized System Committee of the World Customs Organization (WCO) in an attempt to reconcile the tariff classification of goods with the transformations that world trade has undergone, notably influenced by



environmental protection, the promotion of social interests, the surveillance of controlled substances, the prevention of terrorism, food and nutritional security, and the rise of new technological tools.

Thus, the modifications to the Colombian Tariff Schedule brought about by the VII Amendment relate to a wide range of products, including cell cultures, truffles and certain varieties of mushrooms, controlled chemical substances, wood products, medical diagnostic devices, additive manufacturing machines (3D printers), solar energy products, electrical and electronic waste, smart phones, flat screen display devices, electronic cigarettes, electric and hybrid vehicles, drones, among others.



Import for Consumption

This is the most commonly used import modality. Under this mode, the importer of record in Colombia receives the goods at his free disposal as soon as the customs authority issues the appropriate authorization, either electronically or manually.

The importer's obligations include: declaring the goods (using the forms established by the customs authorities and through the electronic system), complying with the labeling requirements (providing references and completing the necessary prior authorizations according to the nature of the imported goods), paying the applicable customs taxes (customs duties and VAT, as well as anti-dumping or countervailing duties, if applicable), and obtaining permits and authorizations, as the case may be.

Goods are valued according to the methods established in the Valuation Agreement approved by the WTO based on Article VII of the General Agreement on Tariffs and Trade (GATT) 1994. Customs valuation is also governed by the CAN and domestic customs regulations. In Colombia, the valuation of imported goods is done through the Value Return (in Spanish: "Declaración Andina de Valor), which is one of the supporting documents of the import declaration.

Temporary Imports

Temporary imports are imports with suspension or deferment of payment of customs duties (customs and VAT) for a certain period and for certain products. In the case of temporary imports for re-export in the same state, such goods must be re-exported under the same conditions under which they entered the national customs territory, at the end of the specified period. No fungible goods or those that cannot be fully identified may be imported under this modality. The sale or disposal of temporarily imported goods is restricted while they are in the national customs territory.

Temporary imports may be of several types, some of which include:

1.

Short-term import: Applies to those goods that are temporarily imported to comply with a specific purpose that determines their short stay in the country. The maximum import term is six (6) months, extendable up to three (3) more months. Customs duties and import taxes on this type of temporary importation are permanently suspended, unless the importer decides to change the modality to a long-term one, or to nationalize the goods so that they remain permanently in Colombia. The import declaration must indicate the period of permanence of the goods in the national customs territory.

2.

Long-term imports: The long-term modality applies to the importation of capital goods and their accessories, parts and spare parts necessary for their normal operation, provided that they constitute a single consignment.

The term for this type of import is from one (1) to five (5) years. Notwithstanding the above, it is possible for goods to remain in the national customs territory for a longer period if they are imported under a leasing contract.

Customs duties are deferred in semi-annual payments, which must be paid in any case during the first five (5) years that the products remain in the national customs territory.

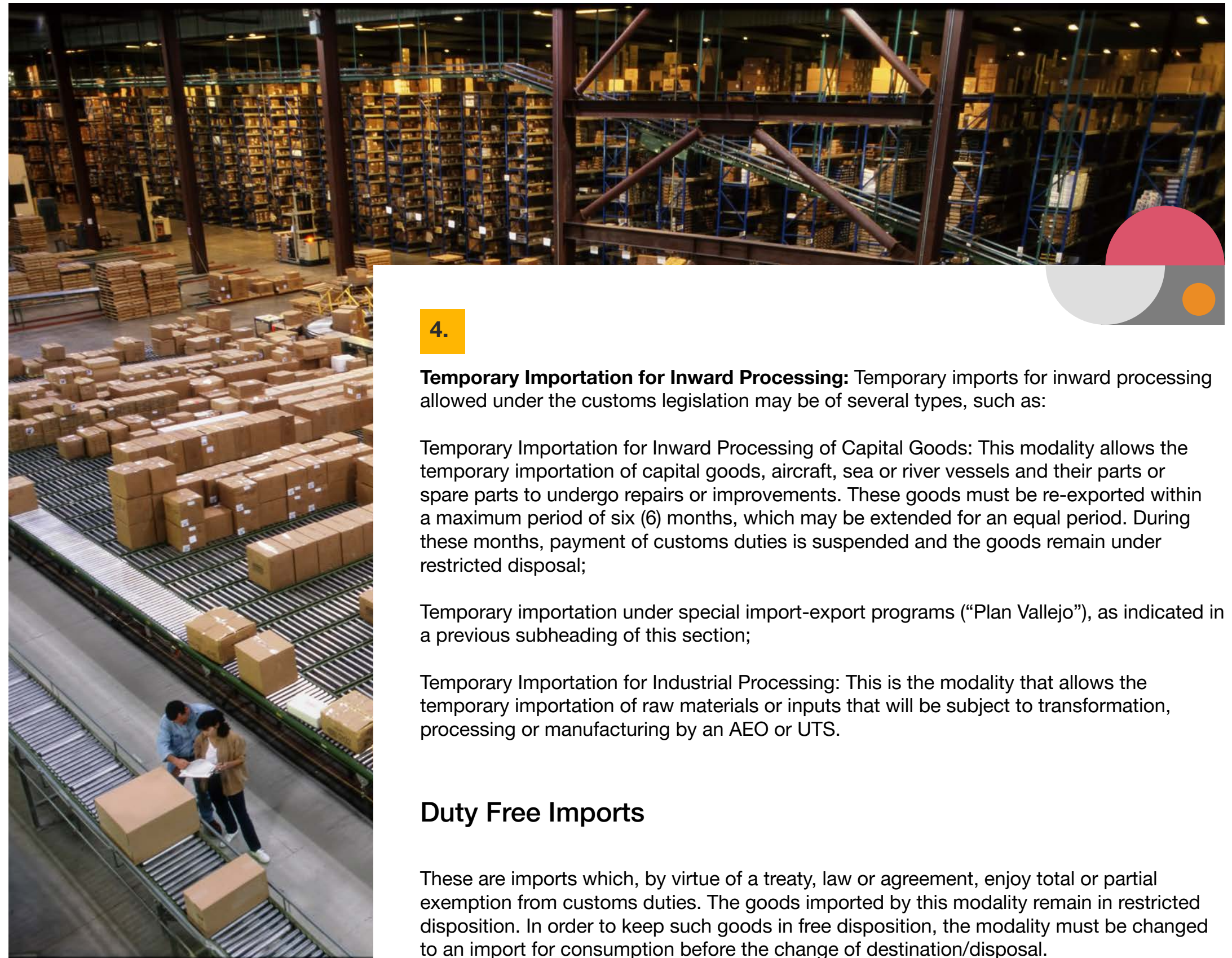
In both the long-term and short-term modalities, DIAN may authorize even longer periods for the permanence of the goods in the national customs territory, if the need for such longer periods is duly justified.

3.

International Leasing: The concept of international leasing may be applied to the long-term financing of temporary imports of capital goods that may remain in the national customs territory for more than five (5) years. Under this concept, a foreign company (foreign supplier or foreign financial institution) grants a Colombian resident the right to use capital goods imported into Colombia, in exchange for periodic payments made by the resident.

Payments must be made through the mechanisms authorized by the foreign exchange regulations, taking into account the procedure established for passive foreign debt operations, since the operation is considered a financed import.

In this case, the payment of customs duties is deferred in equal semi-annual installments to be paid for the period of permanence of the goods in the national customs territory. The maximum period for deferral of import duties and taxes is five (5) years; however, the goods may remain in the national customs territory for a longer period.



4.

Temporary Importation for Inward Processing: Temporary imports for inward processing allowed under the customs legislation may be of several types, such as:

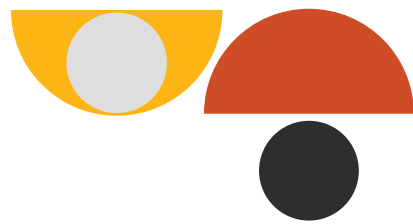
Temporary Importation for Inward Processing of Capital Goods: This modality allows the temporary importation of capital goods, aircraft, sea or river vessels and their parts or spare parts to undergo repairs or improvements. These goods must be re-exported within a maximum period of six (6) months, which may be extended for an equal period. During these months, payment of customs duties is suspended and the goods remain under restricted disposal;

Temporary importation under special import-export programs (“Plan Vallejo”), as indicated in a previous subheading of this section;

Temporary Importation for Industrial Processing: This is the modality that allows the temporary importation of raw materials or inputs that will be subject to transformation, processing or manufacturing by an AEO or UTS.

Duty Free Imports

These are imports which, by virtue of a treaty, law or agreement, enjoy total or partial exemption from customs duties. The goods imported by this modality remain in restricted disposition. In order to keep such goods in free disposition, the modality must be changed to an import for consumption before the change of destination/disposal.



Exports

Exports are foreign trade operations related to the exit of goods from the national customs territory to other countries or to a free trade zone within Colombia (in the case of raw materials, inputs or finished goods necessary for the performance of the activities of free trade zone users).

The fishing of tuna and tuna-like species by Colombian or foreign companies with headquarters or representation in Colombia, owners of Colombian-flagged vessels that operate outside Colombian maritime territory and have the appropriate authorizations and permits, is also considered an export operation.

The export process from Colombia begins with the presentation and acceptance of a shipping permit (in Spanish: “Solicitud de Autorización de Embarque” or “SAE”) through procedures established by customs regulations (mainly based on electronic procedures).

In Colombia, exports are not subject to customs duties. In addition, there is no general drawback program implemented in the country for the export of previously imported goods.

If the importer of record needs to export products or parts to be repaired or replaced outside Colombia, it may use the temporary export regime for outward processing in order to subsequently import them without the payment of customs taxes.

DIAN may require the registered exporter to submit import declarations for the products or parts to be exported, in order to prove their legal entry into the Colombian customs territory.

Customs Valuation

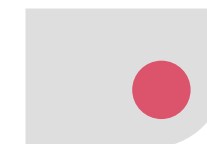
For the customs valuation of goods in Colombia, WTO guidelines are applied, specifically the provisions of the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade (GATT). Likewise, the regulations of the Andean Community apply, in particular, Decision 571 of 2003 and Resolution 1684 of 2014.

In general, the customs value of imported goods is the transaction value, which is the price actually paid or payable for the goods when sold for export to the importing country. In scenarios where the transaction value is not applicable to the valuation of goods, secondary methods provided by international standards, such as the transaction value of identical goods, the transaction value of similar goods, etc., should be used.

Depending on the specific terms of each international transaction, adjustments to the customs value of imported goods must be made, for example, when the buyer pays for licenses or royalties as a condition of sale, or when there is a return of value to the seller, among others.

Customs duties are assessed and paid on the customs value of the imported goods. On the other hand, the tax base for the payment of VAT is equal to the customs value of the respective goods added to the value corresponding to the customs duty (tariff). As previously stated, the document that supports the valuation of imported

goods is the Value Return (in Spanish: “Declaración Andina de Valor”). However, for some specific cases provided in the customs regulations, it is not necessary to submit the value return.



Free Trade Zones

In order to promote trade, investment, economic development and job creation in the country, Colombia has established a system of free trade zones, which are geographical areas located within the national territory in which industrial (assembly, production and transformation), commercial (marketing, commercialization, storage and preservation) or service (call centers, data centers, medical services, port services, among others) activities are developed, but which are considered outside the national customs territory for customs purposes. Within these geographical zones, customs duties are not levied and, in most cases, income tax is levied at reduced rates. In order to operate in a free trade zone, it is necessary to have the authorization of the Operator User, and once the company is located in the free trade zone, it is not allowed to move to another free trade zone or to leave it without having carried out the procedures and obtained the corresponding prior authorizations.

Labor Requirements

Employees of free trade zone users must:

- Have a formal and direct indefinite labor contract.
- Be related to the production process or the services.
- Comply with parafiscal and social security contributions.



Partial processing of raw materials, supplies and intermediate goods

The law does not specify the percentage of processing that must be carried out outside the free trade zone; this must be discussed with the Operator User.

The maximum period of permanence outside the Free Trade Zone is six (6) months, with the possibility of extending it for three (3) more months, through a prior justification duly accepted by the Operator User.

Likewise, in the case of operations carried out by mixed-economy companies of the national order, linked to the Ministry of National Defense, which are authorized users of the free zone and whose corporate purpose corresponds to the assembly, repair, maintenance and manufacture of ships or

aircraft or their parts, the duration of permanence outside the free zone shall be subject to the provisions of the signed contract.

Land and buildings

They can be owned or rented depending on the development and negotiation with the Operator User.

Investment in real productive fixed assets

The acquisition of real productive assets, intangible assets and land directly related to the economic activity for which the user has been authorized is considered as new investment.

Only new assets are included in the investment commitment and are depreciated for accounting purposes.

New investment in intangible assets

In order for an intangible asset to be recognized as part of the new investment, it must have been generated or created by the industrial user after its admission to the Free Trade Zone and must be directly and permanently involved in the income-producing activity. Intangible assets shall be those defined and recognized as intangible assets in the applicable technical accounting framework.

If the new investment commitment includes intangibles, they may not exceed 20% of the total new investment. The same is true if the new investment includes land.



Main types of Free Trade Zones

Permanent Free Trade Zone (PFTZ):

refers to the delimited area of the national territory where several industrial or commercial users are installed. In addition, there is a special type of PFTZ called “Permanent Offshore Free Trade Zone”, which is exclusively dedicated to the development of technical evaluation activities, exploration and production of offshore hydrocarbons, as well as related activities.

Single Enterprise Free Trade Zone (SEFTZ):

refers to the delimited area of the national territory in which a single industrial user (exclusively one company) is located, which must fulfill several commitments related to investment and job creation within a period of three (3) years from the date of declaration..

There are different types of SEFTZ depending on the activity to be developed by the industrial user.

Transitory Free Trade Zone:

this is the area of the national territory where different activities are held – congresses, fairs, etc.– In this sense, this type of free trade zone also enjoys special treatment in tax, customs and foreign trade matters.



Incentives

The Free Trade Zones offer the following incentives to their users for a period of up to thirty (30) years, with the possibility of renewal for an equal period:

a.

Single fixed income tax rate of 20% for all industrial users of goods and services of free trade zones; for commercial users the general income tax rate shall apply.

Regarding this benefit, it is important to note that a tax reform is currently being implemented in the country, which establishes a 20% income tax rate for industrial users of free trade zones, specifically for income derived from the export of goods and services; on the other hand, according to the said reform, income derived from operations with the National Customs Territory will be taxed at the general income tax rate. According to the draft regulation, this mixed tax system for industrial users would apply from 2024.

b.

Exemption from customs duties (customs and VAT) for the import of goods from abroad, as long as the goods remain in the free zone.

c.

Possibility of nationalizing the goods produced in the free zone, using the tariff subheading of the finished product and paying taxes on the added value of the finished product, or nationalizing the raw materials before they enter the production process, with its own tax entry, so that it is not considered a national exported component and its value does not become part of the taxable base of the finished product.

d.

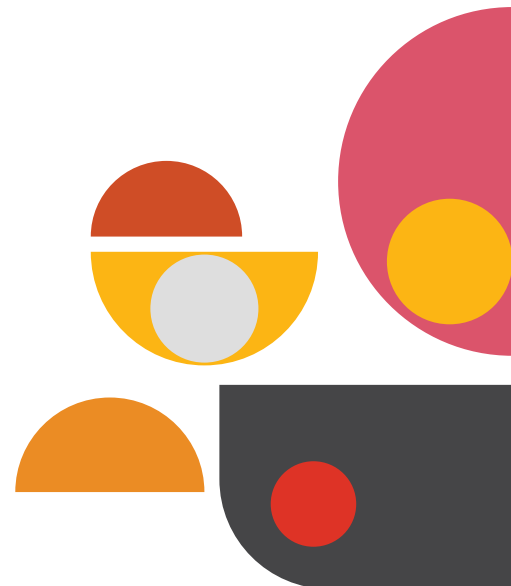
Possibility of storing foreign goods for an indefinite period: Industrial users have the possibility to store in their facilities for an indefinite period of time goods coming from abroad and necessary for the production of final goods manufactured by themselves.

e.

Possibility of importing used goods without obtaining a prior license: The goods in special market conditions (used, imperfect, repaired, reconstructed, reformed, restored -refurbished-, of low quality -substandard-, remanufactured, repowered, discontinued, recovered, second hand, second use, out of season or other similar condition) that enter the free trade zone, must not obtain a license.

Notwithstanding the above, if the goods are intended to be imported to the rest of the national customs territory, they must obtain the respective license.

The permanence of the goods in the free trade zone may be indefinite as long as the user maintains its authorization.



Types of Free Trade Zones

Operator user

Refers to the legal person authorized to direct, administer, supervise, promote and develop the Free Trade Zones, as well as to authorize the users. Likewise, the operator user controls and manages the customs matters of the Free Trade Zone.

Industrial users of goods

Refers to the users who manufacture, produce, transform or assemble products within the free trade zone.

For the exit of products from the Free Trade Zone to the rest of Colombia, it is necessary to fill out the Import Declaration and request the licenses or registrations required for the importation process.

Industrial user of services

These are users that provide services within or from the Free Zone area, developing activities related to logistics, transportation, distribution, telecommunications, scientific and technological research, medical assistance, dental and health services in general, tourism, technical support, naval and air equipment, consulting, or similar, among others.

Commercial users

These are the users that carry out storage, marketing, conservation and sales activities within the respective free trade zone. They can occupy up to 15% of the total area of the FTZ, cannot be located in a SEFTZ, and do not have the preferential income rate of 20%.

Investment and employment commitments for the authorization of industrial users of goods, industrial users of services and commercial users:

Real productive fixed assets	New investment	Employment
From 0 to 12,326 Tax Value Units (TVU)	No new investment requirements for new investments.	Start-up: 3 direct and formal jobs. The following year: 2 additional jobs. Third year: 2 additional jobs. Total: 7 jobs.
112,327 to 123,263 TVU	Within 3 years after the authorization: 20,092 TVU.	Start-up: 20 direct and formal jobs.
123,264 to 739,576 TVU	Within 3 years after the authorization: 100,459 TVU.	Start-up: 30 direct and formal jobs.
739,577 or more TVU	Within 3 years after the authorization: 231,068 TVU.	Start-up: 50 direct and formal jobs.

Source: Data taken from Article 80 of Decree 2147 of 2016
The Tax Value Unit for year 2022 is COP 38,004 (approximately US 8.4).

Tariff Preferences:

Free Trade Agreements

For years, Colombia has been structuring an open integration policy; therefore, it enjoys free markets in Latin America, within the framework of the Latin American Integration Association (“ALADI” for its acronym in Spanish) and the Andean Community of Nations (“CAN” for its acronym in Spanish). In addition, the country has signed several trade agreements with other countries, such as Canada and the United States, and with common markets such as the European Union and MERCOSUR.

The main agreements entered into by Colombia are presented below:



Free Trade Agreement between Mexico and Colombia (G2 FTA)

This treaty entered into force in 1995 with the participation of Colombia, Mexico and Venezuela. It currently includes only Colombia and Mexico, as Venezuela withdrew in November 2006.

The agreement includes a schedule for the asymmetrical elimination of tariffs. It also seeks to equalize tariffs between the two countries over a period of ten (10) years and to provide special treatment to the agricultural and automotive sectors.



Free Trade Agreement with Costa Rica

This agreement provides preferential access to one of the most attractive markets in the region, especially for Colombian manufacturers, who are currently competing at a disadvantage compared to third countries. In addition, Costa Rica is one of the most dynamic and stable economies in Latin America, with which Colombia has maintained strong cultural, commercial and diplomatic ties for years.

The FTA with Costa Rica is a fundamental and natural step in the consolidation of trade relations with Central America, as it complements the provisions of the agreement signed with the Northern Triangle countries (El Salvador, Guatemala and Honduras) and the agreement currently being negotiated with Panama.





Canada-Colombia Free Trade Agreement

This agreement between Colombia and Canada entered into force on August 15, 2011. The agreement includes a schedule for the asymmetrical elimination of tariffs and aims to equalize tariffs in different sectors over a period of ten (10) years.

The agreement establishes mechanisms to prevent the reduction or weakening of internal measures to protect human, animal and plant health, intellectual property, labor, the environment and consumers.



United States-Colombia Trade Promotion Agreement

The Agreement between Colombia and the United States (U.S.) entered into force on May 15, 2012. The agreement includes a schedule for the asymmetric elimination of tariffs and seeks to equalize tariffs in different sectors over a period of ten (10) years.

The agreement establishes mechanisms to prevent the reduction or weakening of internal measures to protect human, animal and plant health, intellectual property, labor, the environment and consumers. It also covers a wide range of issues, including market access, investment, government procurement, trade in services, trade defense, rules of origin, technical barriers to trade, and intellectual property. In particular, the FTA with the US has established a fair, stable and transparent legal framework to protect investors, their investments and related flows, without creating unnecessary barriers that discourage foreign investment.



Economic complementation agreement (“ACE” for its acronym in Spanish) N° 49 between the Republic of Colombia and the Republic of Cuba)

This agreement entered into force on July 10, 2001 and has two (2) amending protocols.

It covers issues such as market access, non-tariff restrictions, rules of origin, safeguards, unfair practices, trade in services, transport, technical standards, investment, trade cooperation, industrial property, among others.

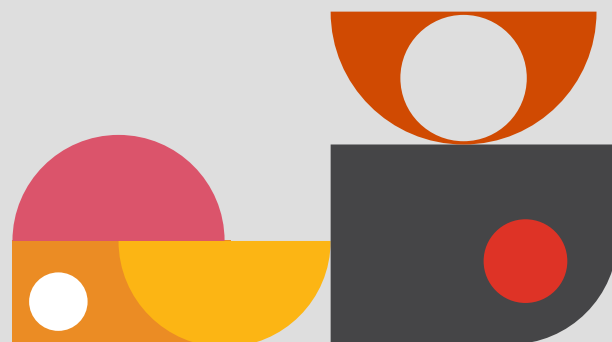
Cuba grants benefits in more than 4,600 Colombian tariff lines, with tariff preferences for agricultural sectors, including products such as meat, seeds, cocoa, coffee preparations, fruit, fish, among others. On the other hand, the industrial sector includes tariff preferences for textiles and clothing, vehicles, soaps and cosmetics, leather, household appliances, footwear, iron and steel products, construction materials, among others.



Economic complementation agreement (“ACE” for its acronym in Spanish) between Chile and Colombia – Free Trade Agreement with Chile

An ACE will create an economic area between Colombia and Chile that will achieve the progressive elimination of tariffs and non-tariff barriers; specifically, 95% of tariffs on bilateral trade will be eliminated, which corresponds to 96% of Colombian tariffs. The remaining percentage was fully liberalized with zero tariffs in 2012.

The above because the ACE with Chile was strengthened and both countries decided to begin negotiations on a Free Trade Agreement. The final text of the FTA was signed on November 27, 2006, and entered into force on May 8, 2009.





 Free Trade Agreement between the Republic of Colombia and the Republics of El Salvador, Guatemala and Honduras (Northern Triangle)

 Partial Agreement between the Republic of Colombia and the Caribbean Community (CARICOM)

 Trade Agreement between the European Union, Colombia and Peru

 Commercial Agreement between the Republic of Colombia and the EFTA States

In June 2006, Colombia, Guatemala, El Salvador and Honduras began negotiations to sign a Free Trade Agreement (FTA), with the aim of strengthening the regional economy as a tool for the socio-economic development of Latin American countries. The agreement was signed on August 9, 2007 and became effective as follows: November 12, 2009 with Guatemala, February 1, 2010 with El Salvador, and March 27, 2010 with Honduras.

The agreement addresses issues such as national treatment and market access, investment, international trade in services, electronic commerce, cooperation, dispute settlement, government procurement, trade facilitation, sanitary measures, technical standards, rules of origin, and trade remedies.

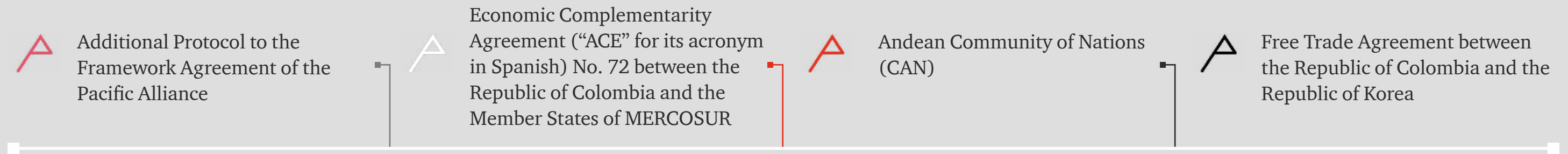
It entered into force on 1 January 1995 and, together with its amending protocol, contains general provisions relating to, inter alia, tariff scheduling and liberalization, import treatment, rules of origin, technical standards, general exceptions, trade promotion, trade financing, services, transport, safeguard clauses, unfair international trade practices, and economic and technical cooperation, among others.

The Free Trade Agreement between Colombia and Peru, on the one hand, and the European Union, on the other, were signed in 2012 and began provisional application in 2013. On November 5, 2014, the national government issued Decree 2247, which put the FTA into effect.

The Agreement covers various aspects of trade between the Parties and includes commitments that go beyond the multilateral framework of trade relations. To this extent, an essential element of the agreement is the parties' commitment to respect human rights and to develop sustainable economies based on the protection and promotion of labor and environmental rights.

On November 25, 2008, the Republic of Colombia signed a Free Trade Agreement with the European Free Trade Association, a trade group composed of Switzerland, Norway, Iceland and Liechtenstein. The treaty entered into force in July 2011, but was not ratified by the Icelandic parliament until October 1, 2014.

The agreement negotiated a tax relief program for agricultural, industrial, marine and processed agricultural products; it also negotiated aspects related to the expansion of markets, diversification of investments, and the strengthening and improvement of integration ties with European countries.



The Pacific Alliance was founded in 2011 as a regional integration initiative of the Latin American countries of the Pacific. Initiated by Colombia, Peru, Mexico and Chile, its objectives are to promote free trade, free movement between countries, cultural and academic promotion, and cooperation in trade and diplomatic relations with the countries of the Asia-Pacific region.

Under the Pacific Alliance Framework Agreement, an Additional Protocol was signed in 2014 for the establishment of a Free Trade Area among the member countries of the Alliance, with the aim of achieving tariff reductions, market access, trade facilitation and customs cooperation. This Additional Protocol, in turn, addressed issues related to investment, financial services, telecommunications, maritime services, among others. In addition, in early 2022, Singapore signed a Free Trade Agreement with the Pacific Alliance and joined as a new Associate State, becoming the first country to achieve this status.

On July 21, 2017, the Economic Complementarity Agreement was signed between Argentina, Brazil, Paraguay and Uruguay (member countries of MERCOSUR) and Colombia.

The agreement had a provisional application that was different for each MERCOSUR member country. With the entry into force of the agreement between Colombia and Paraguay on January 29, 2019, the ACE became fully effective for all parties and fully replaced the provisions of the previous ACE 59 of 2004. The conditions of market access for originating products have not been modified, thus maintaining the original provisions negotiated in ACE 59. However, ACE 72 delved deeper into issues related to industrial products, textiles, apparel, vehicles, and others.

The agreement also includes provisions for dispute resolution, occupational health and safety standards, technical regulations and safeguards.

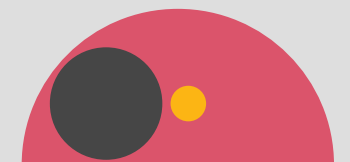
The Andean Community of Nations is one of Colombia's strategic integration plans and operates under the auspices of ALADI. Under this agreement, Colombia is exempt from duties and restrictions and has become a free zone with Bolivia, Ecuador, Peru and Venezuela until 2011.

In addition, in September 2006, the Council of Foreign Ministers of the Andean Nations granted Chile the status of associate member, reaffirming the economic commitments established with that country and broadening the framework for integration in the region.

The main objective of CAN is to improve integration through a common market in which consensus agreements are reached at the supranational level (i.e. Andean regulations take precedence over national legislation) in monetary, fiscal, currency, environmental and public service matters.

This trade agreement is the first of its kind between Colombia and an Asian country. It was signed in February 2013 and entered into force on July 15, 2016.

This agreement established tariff preferences for a wide range of Colombian products, including coffee, bananas, flowers, vegetables, sugar, beef, pork and dairy products, among others. In addition, with the implementation of this FTA, nearly 80% of textile products will be able to enter the Asian market free of tariffs, and the entry of investment from Korea will also be encouraged, especially in the automotive, telecommunications and information sectors.





Free Trade Agreement between the Republic of Colombia and Israel

This agreement will enter into force on August 11, 2020 and is the first to be negotiated with a Middle Eastern country. The entry into force of this FTA aims to increase trade and investment flows, strengthen bilateral economic cooperation, eliminate non-tariff barriers and promote diplomatic relations between the two (2) countries. In addition, the agreement will reduce transaction costs and improve customs procedures.



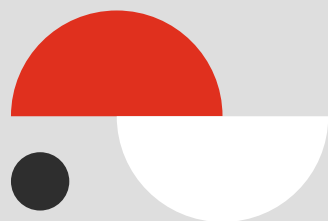
Continuity of Trade Agreement between Colombia and the United Kingdom

With this agreement, Colombia and the United Kingdom seek to maintain the bilateral relationship that they had within the framework of the European Union. This agreement was approved by Law 2067 of 2020 and entered into force on June 28, 2022. The tariff commitments acquired by both parties are set forth in Decree 894 of May 31, 2022.



Future Free Trade Agreements

To date, Colombia has signed some trade agreements that are not yet in force, such as the one signed with Panama. On the other hand, the Colombian government is negotiating with the governments of Turkey, Japan and the United Arab Emirates to sign future trade agreements with these countries. Similarly, the Trade in Services Agreement (TiSA) is still under negotiation, as is the Pacific Alliance, which is trying to make progress in negotiations with some candidate associate states, such as Australia, Canada and New Zealand. The Alliance has already signed a Free Trade Agreement with Singapore in early 2022, making the Asian country the first Associated State of this mechanism.



04

Transfer Prices

Generalities

The Transfer Pricing Standard in Colombia has been drafted according to the guidelines of the Organization for Economic Cooperation and Development (OECD), thus serving as a specialized technical reference, focused on the control of evasion in matters of income tax. The applicable regulation is contained in the Tax Statute (ET) in its articles 260-1 to 260-11 and in the Single Decree 1625 of 2016 (Title 2).

Income taxpayers who enter into transactions with related parties, as defined in articles 260-1, 260-2 and 260-7 of the ET, are obliged to determine their ordinary and extraordinary income, their costs and deductions, and their assets and liabilities, taking into account the Arm's Length principle for these transactions.



Methods:

The methods included in the OECD guidelines are followed and the comparability factors or preferred methods for the analysis of transactions are determined, among which loans, commodities, sale of shares or purchase of used assets stand out.

Formal obligations:

The formal obligations are the Local Report, the Master Report, the Country-by-Country report, the Notification of the Country-by-Country Report and the Informative Declaration of Transfer Pricing, as long as they comply with the conditions established in the standard for each case (Articles 260-5, 260-7 and 260-9 of the Tax Statute and Title 2 of the Single Decree 1625 of 2016).

Other important considerations:

The Acquisition of used assets, purchase and sale of shares, business restructuring, payments in favor of tax havens or preferential tax regimes, the use of the foreign related party as the analyzed party, and advance price agreements require additional analysis or information to be performed.

Effects on the income statement:

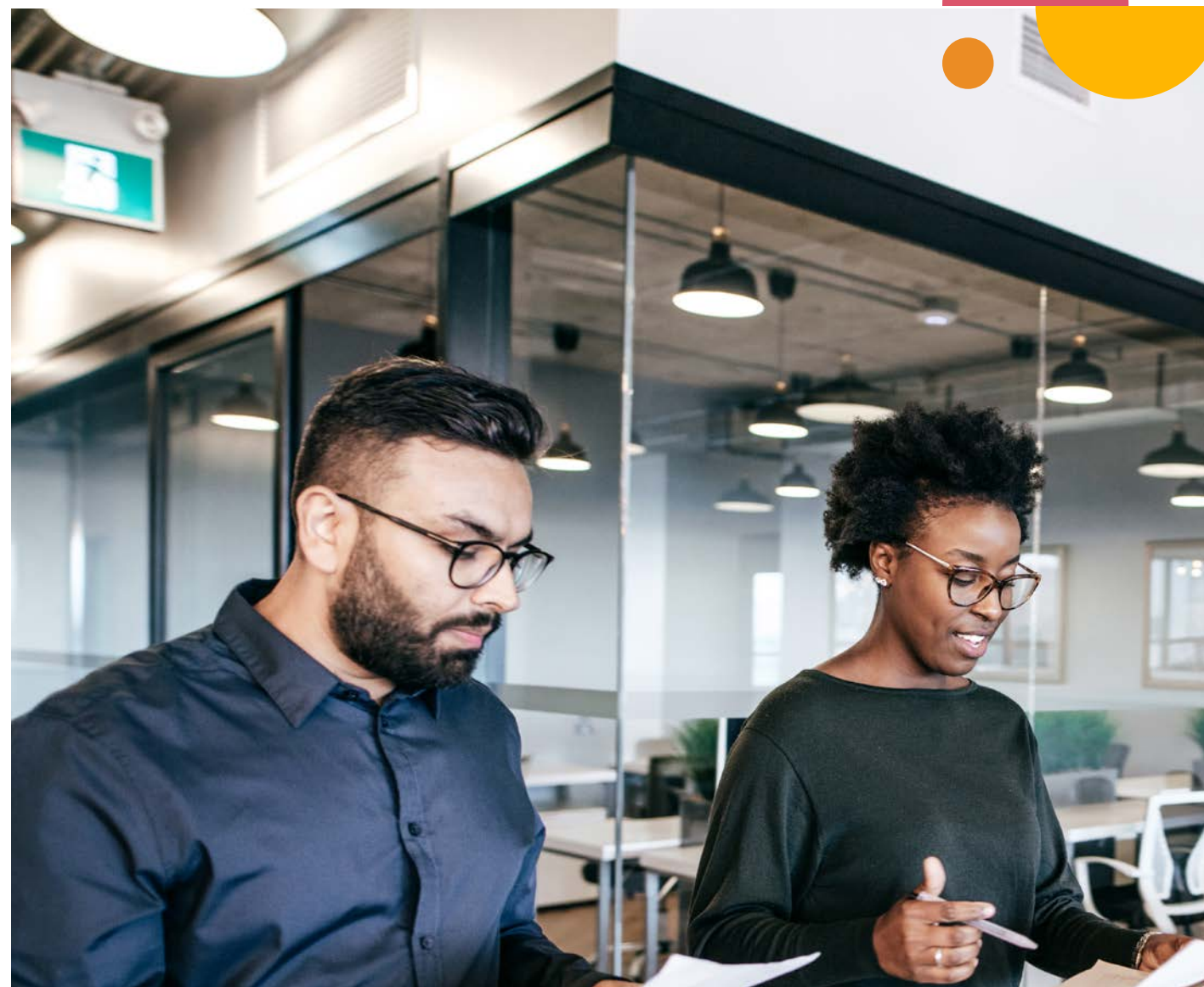
If the taxpayer is outside the range of full competition, the price or profit margin is considered to be the median of this range. Depending on the type of operation analyzed, the taxpayer will have to include additional income or reject costs or deductions in the relevant income statement and calculate the tax, penalties and default interest in accordance with the tax position.

Formal sanctions:

The formal sanctions for the transfer pricing regime are contained in article 260-11 of the ET. These sanctions are generated by delays, inconsistencies, non-submission or omissions in the Local Report, in the Master Report and in the Informative Declaration. The sanctions related to the Country by Country Report and the Notification are contained in Article 651 of the ET.

Attribution of Income and occasional earnings

The taxation of Permanent Establishments (PE) and Branches in Colombia will be based on the income and incidental earnings from domestic and foreign sources that are attributable to them. The attribution will be carried out under the criteria of functions, assets, risks assumed and key personnel involved, as well as other parts of the company to which the PE or branch belongs in the generation of said income and occasional profits, for which it will be necessary to make a study, in accordance with the arm's length principle. Among the considerations for the attribution of income, the one that stands out is that of keeping separate accounts for the attribution of income and occasional profits to PE and branches of foreign companies. Once the allocation of income and incidental profits has been carried out, the tax liability is determined in accordance with the provisions of the ET.





05

Conflict Resolution

The Colombian legal system establishes various mechanisms for the resolution of disputes between individuals and the State, within the framework of the Political Constitution and the Law.

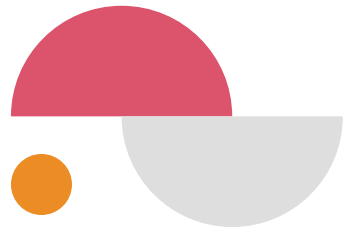
In Colombia, conciliation and arbitration are widely developed in the legislation. This is done so that more and more people choose to resolve their conflicts in a fast and reliable way by making use of these mechanisms.

International arbitration rules in Colombia are based on the United

Nations Commission on International Trade Law (UNCITRAL) Model Law on International Commercial Arbitration. Thus, its nature is contractual rather than procedural.

On the other hand, it should be mentioned that Colombia has ratified the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards and the Inter-American Convention on International Commercial Arbitration of 1975, and has incorporated them into its domestic legislation.





Context

The Colombian legal system includes different jurisdictions in its legislation through which disputes between individuals, between them and the State can be resolved. As a general rule, disputes between individuals are resolved in the ordinary jurisdiction, while those involving the State must be resolved in the contentious-administrative jurisdiction.

However, in relation to the processing of cases brought before these jurisdictions, Decree 806 of 2020 introduced the use of information and communication technologies in judicial proceedings, with the aim of expediting the processing of cases. For this purpose, the electronic means that must be enabled for the presentation of claims have been determined, such as: notification procedures, holding of hearings, among others.

Law 2213 of 2022 established the permanent validity of Decree 806 of 2020, a regulation issued to minimize the impact of the pandemic on the administration of justice and to make tools provided by information and communication technologies (ICT) available to both justice administrators and users during judicial proceedings, giving way to the implementation of virtual justice.

On the other hand, the State also allows individuals to be temporarily invested with the function of administering justice, be it as justices of the peace, conciliators or arbitrators, so that they may pronounce judgments in equity or in law, in accordance with the guidelines and limitations established by law for each case.



Use of information technologies and telecommunications in the Administration of Justice.

Law 2213 of 2022 approved the use of Information and Communication Technologies (ICT) in judicial proceedings, which has generated significant efficiencies in the development of judicial processes, in addition to guaranteeing the procedural principles of economy, transparency, impartiality, speed, publicity and contradiction.

The implementation of this law has resulted in, among other things:

- Generate efficiencies against the formalization of powers, demands and other documents that previously necessarily required personal presentation before a notary, implemented means such as data messages.
- Virtually file claims, resources, allegations, and other memoranda necessary in the development of lawsuits.
- Improve the system of judicial notifications. This will allow know different judicial actions in real time.
- Enable virtual hearings without the need to travel.

These measures have significantly improved the productivity of the Superior Courts, contributing to the decongestion of the judicial offices and, in turn, achieving the redirection of operating expenses (which were destined to the provision of services of the judicial branch), in order to invest more money in items that have a significant impact on the proper administration of justice.

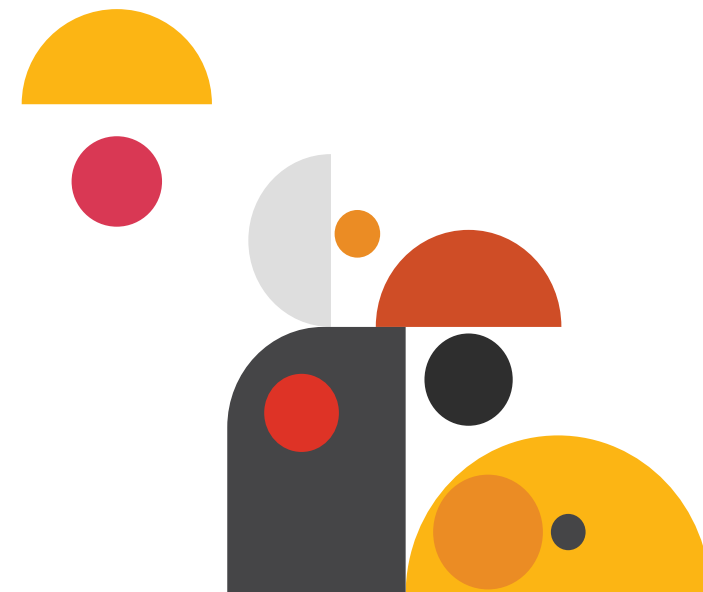
With the entry into force of the Regulation, several existing formalities will be eliminated and it will be possible to submit documents, powers of attorney, claims, etc. without the need to appear in person before a notary. These measures are considered positive because they facilitate the access of users to the administration of justice and ultimately create a much more direct contact between the judiciary and the users.

Thus, Law 2213 of 2022 is an advanced legal framework that recognizes the importance of technological tools in society, but it also implies a very important challenge, since it must seek how to guarantee the right of access to justice for the population that suffers from multiple technological barriers.

Ordinary Jurisdiction

The Ordinary Jurisdiction is responsible for resolving disputes between individuals in civil, commercial, labor, agrarian, criminal and family matters. This judicial system consists of promontory courts, municipal courts, circuit courts, superior courts, and the Supreme Court of Justice, the latter being its highest court.

The procedural rules of this jurisdiction are framed under Law 1564 of 2012, General Process Code, which dictates the procedure in civil, commercial, agrarian and family matters; Decree - Law 2158 of 1948, Labor and Social Security Procedural Code, and Law 906 of 2004, Criminal Procedure Code.



Administrative Litigation Jurisdiction

The Administrative Tribunal is responsible for resolving disputes between individuals and the State or between entities of the latter. Its organic structure consists of district administrative courts, administrative courts and the Council of State, which is its highest court.

The procedural rules of this jurisdiction are regulated by Law 2080 of 2021, Code of Administrative Procedure and Administrative Litigation, which partially modified the provisions of Law 1437 of 2011, which introduced changes to the administrative procedure and the contentious-administrative process.

The pillars of the reform are (i) the redistribution of judicial powers and the strengthening of the Council of State as a court of first instance, in order to establish it as a final court and to focus its efforts on the function of unifying its jurisprudence and drawing lines of interpretation with a view to increasing legal certainty; (ii) the modification of institutions, terms and procedural requirements in order to expedite the processing of cases and to better adapt to information technologies and digital media; and (iii) the resolution of conflicts of interpretation: Several provisions

of the Code need to be clarified or harmonized, either because of their wording, implementation or inconsistency with other procedural rules, in order to ensure their clear application in the proceedings.

Constitutional Jurisdiction

The Constitutional Court is responsible for authoritatively interpreting the Constitution and ensuring its supremacy in the Colombian legal system. Its final body is the Constitutional Court, which consists of 9 (nine) judges specialized in constitutional matters.

Through the guardianship mechanism, various controversies can be visible before the Constitutional Court in situations where violations of fundamental rights are verified.

In principle, all Colombian judges are constitutional judges, in that they have the duty to ensure that the Constitution is upheld in all cases.

Special Jurisdictions

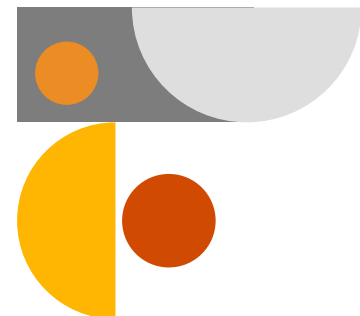
In Colombia, there are three special jurisdictions through which certain and exceptional conflicts are resolved: the Indigenous Jurisdiction, the Peace Jurisdiction and the Special Jurisdiction for Peace (JEP for its acronym in Spanish).

In the first instance, indigenous justice is responsible for resolving disputes between indigenous peoples through their internal cultural mechanisms. Second, the Peace Jurisdiction is responsible for resolving certain minor conflicts between subjects who voluntarily submit to its jurisdiction. Finally, the Special Jurisdiction for Peace (JEP), which has been established on a temporary basis, is responsible for hearing conflicts related to the Colombian peace process.

Alternative Dispute Resolution

Due to the high judicial congestion in Colombia, the resolution of a dispute in the ordinary and contentious administrative jurisdiction can take several years. For this reason, Article 116 of the Political Constitution of Colombia provides for the possibility of temporarily entrusting the function of administering justice to individuals in the capacity of conciliators and arbitrators.

As a result, conciliation and arbitration have become widespread in Colombia, and more and more people are choosing to resolve their disputes in a quick and reliable manner through the use of these mechanisms.



Conciliation

Conciliation is a conflict resolution mechanism in which two or more people resolve their differences themselves with the help of a neutral and qualified third party, known as a conciliator. Matters subject to conciliation are those subject to compromise and/or withdrawal, in addition to those specified by Law.

The effectiveness of conciliation lies in the fact that if the parties reach a total or partial agreement, it becomes *res judicata*, and the record containing the agreement has executive value.

This alternative method of conflict resolution is increasingly being used. In Colombia, there are 388 active conciliation centers where 158,037 conciliation requests were submitted in 2022, according to figures from the Conciliation, Arbitration and Amicable Settlement Information System (SICAAC for its acronym in Spanish).



Arbitration

Arbitration is an alternative dispute resolution mechanism by which the parties delegate to arbitrators the resolution of disputes relating to matters that are freely available or authorized by law. The arbitration may be national or international.

1. National arbitration

National arbitration is ad hoc when conducted directly by the arbitrators, or institutional when conducted by an arbitration center. If there is no agreement on its nature and the parties are silent in the arbitration agreement, the arbitration shall be institutional.

If the dispute concerns contracts entered into by a public entity or that performs administrative functions, the procedure will be governed by the rules indicated in Law 1563 of 2012 for institutional arbitration.

In Colombia, in the year 2022, 1,087 requests for arbitration were filed. According to the legal nature of the conflicts, they were classified as (i) 916 civil and commercial, (ii) 154 administrative disputes, (iii) 13 special, (iv) 2 intellectual property, (v) 1 labor and (vi) 1 family, according to the figures of the Information System of Conciliation, Arbitration and Friendly Composition (SICAAC).

2. International arbitration

Arbitration shall be deemed to be international if: (i) the parties are domiciled in different countries; (ii) the place of performance of the obligations that are the subject of the dispute, or the place of performance thereof, is outside the country in which the parties are domiciled; and (iii) the dispute submitted to arbitration affects the interests of international trade.

It should be mentioned that Colombia has ratified and acceded to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards and the 1975 Inter-American Convention on International Commercial Arbitration.

3. Investment arbitration

Since August 14, 1997, Colombia has been a member of the International Center for Settlement of Investment Disputes - ICSID - which was created to resolve problems that arise between governments and foreign investors.





Tax Law

Before explaining the current tax regime, it should be noted that the Constitutional Court, in its decision C-481 of 2019, declared the unenforceability of most of the articles of Law 1943 of 2018, due to the ignorance of the principles of publicity and continuity in the legislative process of the approval of said law. According to the Court, the proposal with which the debate in the plenary session of the Chamber of Deputies ended was incomplete and did not comply with the necessary publicity for “the legislator to give its consent to the approval of a law with a high fiscal content that requires broad democratic guarantees, in application of the principles of literality and that there is no tax without representation”.

However, in the exercise of its powers, the Chamber decided that the ruling would have a deferred effect as of January 1, 2020, and stated that in the event that a new law replacing Law 1943 of 2018 is not enacted by the end of the proposed



term, there would be a revival of the rules repealed by the Financing Law and the inadmissibility of the rules added by it.

On December 27, 2019, Law 2100 of 2019 or Economic Growth Law was promulgated, which reproduces most of the texts of Law 1943 of 2018. Likewise, during 2019, the National Development Plan contained in Law 1955 and Decree Law 2106, which contain provisions of a fiscal nature. Similarly, during 2020, the Law of Entrepreneurship (Law 2069) and the Law of Tourism (Law 2068) were enacted, as well as the Tax Reform of 2021, which corresponds to Law 2155 of 2021.

Finally, the 2022 Tax Reform (Law 2277 of 2022) was enacted.



1. Income Tax and Supplementary Tax

1.1 General information

Income tax is levied on income that is likely to increase the gross assets of natural or legal persons. In order to determine the source of income, a real or source system is applied in Colombia, since resident individuals are taxed on income and occasional income from national and foreign sources, while non-residents are taxed only on income and occasional income from a national source.

According to the above, national companies are subject to the domicile principle, i.e. they must declare their income from both national and foreign sources. Foreign companies, on the other hand, are taxed only on their income and occasional income from a national source. Finally, permanent establishments and branches are taxed on the income from domestic and foreign sources attributable to them.

However, with respect to the taxable period of income tax and complementary, this is annual and corresponds to the year from January 1 to December 31. However, there are certain exceptions, mainly when the taxpayer has not existed for the entire calendar year, as occurs in the cases of incorporation or liquidation of companies. In these cases, income tax is determined and reported for the appropriate portion of the year.

1.2 General rate and special rates

1.2.1 Legal entities:

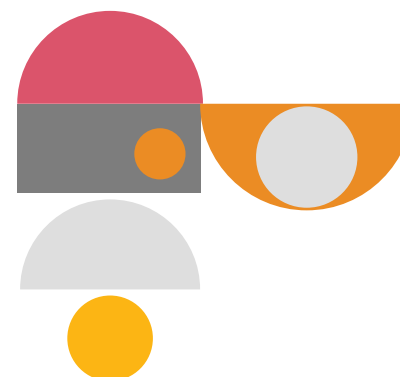
Like the Financing Law, the Economic Growth Law replicated the income tax rate for legal entities, with a rate of 32% for 2020, 31% for 2021 and 30% as of the fiscal year 2022. However, with Law 2155 of 2021 and Law 2277 of 2022, the rate remained at 35% from 2022 onwards.

Law 2277 of 2022 established the liquidation of additional points of income tax for financial entities and other taxpayers who will have to pay income tax at a rate of 40% until the year 2027.

The 2022 tax reform added a 3% surtax for certain companies whose primary activity is the generation of hydroelectric power until 2027.

Likewise, for local or foreign companies dedicated to the exploitation of coal, there is a permanent surcharge of 0%, 5% and 10%, depending on the international prices of the commodity. The same is true for oil companies, except that the additional points in this case are 0%, 5%, 10%, and 15%.

Similarly, the following are the percentages for corporate income tax:



20%

a. Industrial users of goods and services from the Free Zone, but only with respect to the income related to exports, subject to compliance with an internationalization commitment. Certain free zones retain the right to apply the 20% rate without any conditions.



Minimum taxation

National and foreign companies that are taxpayers in Colombia, including Free Zones, must guarantee a minimum taxation of 15%, taking into account a formula established by law. If the threshold is not met, the difference must be taxed.

Transitional regime

The 2022 reform indicates that taxpayers who have accredited the conditions to access the differential rates and other tax benefits repealed or limited by the said law, may enjoy the corresponding treatment for the entire period granted.

15%

a. In the provision of hotel services, theme parks, ecotourism and/or agrotourism in certain municipalities, provided that certain requirements are met.

b. Publishing companies incorporated in Colombia as legal entities whose economic activity and corporate purpose is exclusively book publishing.

9%

a. State industrial and commercial companies and departmental, communal and regional mixed-economy companies in which the State holds at least 90% of the shares and which exercise a monopoly on gambling and on the sale of spirits and alcoholic beverages.



1.2.2 Natural persons:

The income tax of natural persons residing in the country, of successions of taxpayers residing in the country, and of goods destined for special purposes by virtue of donations or modal allocations will be determined according to the following table, starting from the tax year 2020:

0	1090	0%	0
> 1090	1700	19%	(Taxable base in UVT minus 1.090 UVT) x 19%
> 1700	4100	28%	(Taxable base in UVT minus 1.090 UVT) x 28% +116 UVT
> 4100	8670	33%	(Taxable base in UVT minus 4.100 UVT) x 33% +788 UVT
> 8670	18970	35%	(Taxable base in UVT minus 8.670 UVT) x 35% 2.296 UVT
> 18970	31000	37%	(Taxable base in UVT minus 18.970 UVT) x 37% 5.901 UVT
> 31000	En adelante	39%	(Taxable base in UVT minus 31.000 UVT) x 39% 10.352 UVT

Source: Compiled by PwC Colombia, based on Colombian tax legislation.

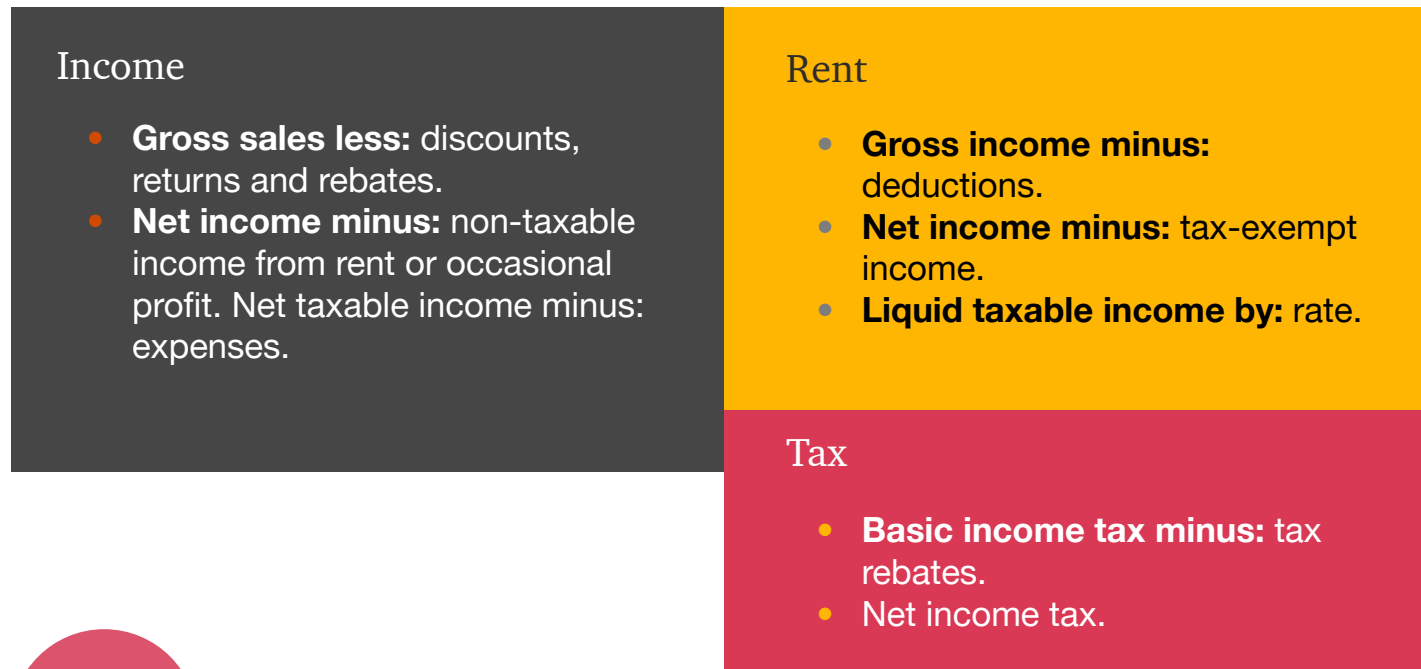
1.3 Determination of the Income Tax Base

The Colombian legal system establishes two forms of determination of the tax base for income tax: the ordinary system and the presumptive income system.

In accordance with the above, taxpayers must annually compare the value resulting from the application of the two described systems in order to determine the highest value resulting from the previous comparison, which will correspond to the value that will be settled by the concept of income tax corresponding to the taxable year.

1.3.1 Ordinary system:

This system includes all income, ordinary and extraordinary, received during the tax year or period that could have resulted in a net increase in equity at the time of receipt, and is filtered as shown in the following figure:



1.3.2 Presumptive income system:

The presumed income corresponds to the estimated minimum amount of a taxpayer's profitability on which the law expects to quantify and collect income tax. It is important to clarify that this is not a real income generated by the taxpayer's activity, but that the taxpayer operates under the mandate of the law (legal presumption) and within the parameters established by it.

The following values may be subtracted from base net worth to calculate presumptive income, among others

- The net patrimonial value of contributions and shares held in national companies.
- The net patrimonial value of the assets affected by acts of force majeure or fortuitous events.
- The net patrimonial value of the assets associated with companies in an unproductive period.
- The net equity value of assets directly related to companies whose sole business purpose is mining other than the extraction of liquid and gaseous hydrocarbons.
- The first nineteen thousand (19.000) UVT of the taxpayer's assets destined to the agricultural sector will be excluded from the application base of the presumed income on liquid equity.
- The first eight thousand (8.000) UVT of the value of the taxpayer's home.
- The net patrimonial value of the goods intended exclusively for the sports activities of social and sports clubs.

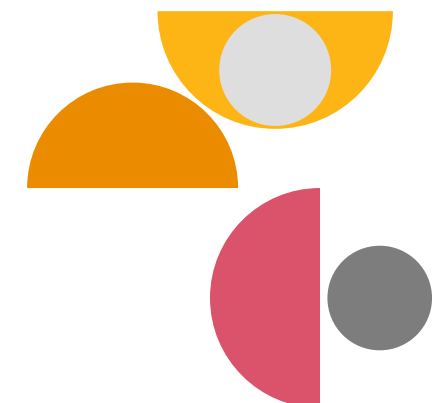
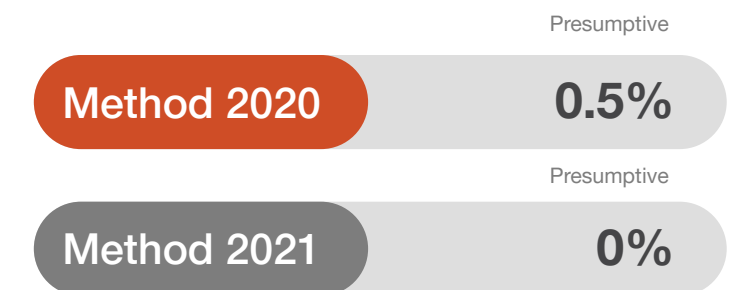
If the deemed income is higher than the ordinary net income, the difference constitutes an excess of deemed income, which may be offset against the net income determined by the taxpayer within the following five (5) taxable years.

There are taxpayers that are exempt from the application of this system due to their business purpose, such as public utility companies. Similarly, companies in liquidation are not covered by this regime for the first three years.

Taxpayers registered in the unified tax under the simple tax regime -SIMPLE - is not subject to presumptive income.

In the case of natural persons, the pension and dividend certificate will not be taken into account in the purification process.

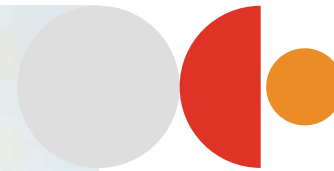
Law 2010, of 2019, modified the percentage of gradual reduction of the presumptive income system, leaving the rate for the year 2020 at 0.5% and maintaining 0% from 2021.



1.4 Income that does not constitute income or occasional income

The legislation provides for some special tax treatments that allow the exclusion of certain income from the determination of the tax base:

- Voluntary contributions to the Individual Solidarity Savings Plan will continue to be considered income that does not constitute income or occasional income, subject to certain limits.
- Dividends and shares distributed by national companies (as long as they come from profits that have already been taxed by the company) and the value of compensation received under damage insurance, in the part corresponding to consequential damages, among others.
- In addition, Law 2010 of 2019 declared the revival of several articles of the Statute that refer to the inflationary component of financial returns, so that it once again has the treatment of income that does not constitute income or occasional gain.



1.5 Costs, Deductible Expenses and Other Deductions

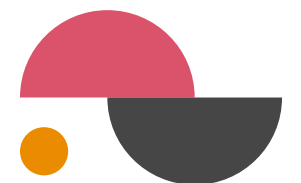
Costs are the expenses or charges incurred in acquiring or producing a good or providing a service in order to generate income. Tax deductible expenses are those that have a causal relationship with the taxpayer's income-generating activity, provided that they are necessary and proportionate and that they have been incurred or paid in the corresponding tax year. Necessity and proportionality are determined on a commercial basis, in accordance with custom and the limitations of the law.

1.5.1 . Salaries and parafiscal contributions

Salaries paid or caused to be paid to employees are deductible as long as the employer is in peace and security for the payment of parafiscal contributions (ICBF, SENA, Family Subsidy and the Comprehensive Social Security System) and has practiced withholding in the corresponding source. These contributions are also income tax deductible and supplemental.

The following taxpayers, who earn up to ten (10) current monthly legal minimum wages, are exempt from paying parafiscal contributions:

- (i) legal entities that pay income tax; (ii) natural persons who employ 2 or more employees; and (iii) consortia, temporary associations and autonomous estates whose members are exempt from paying contributions.



1.5.2 Taxes, Rates, and Fees

It is possible to deduct 100% of the taxes, duties and contributions actually paid (or accrued, for those obliged to keep accounts) and related to the taxpayer's economic activity, including membership fees paid to trade unions.

Similarly, it should be mentioned that

- It is possible to deduct 50% of the GMF (Financial Movement Tax) without the need for a causal relationship with the taxpayer's income-generating activity.
- Taxpayers can deduct 100% of the ICA.
- The property tax and the normalization tax are not deductible.
- For extractive companies, royalties paid for the right to exploit non-renewable natural resources are not deductible.

1.5.3. Interests

Generally, interest on debt is deductible. However, in Colombia we have thin capitalization rules, according to which the deduction of interest expenses is limited to debts with domestic or foreign economic associates whose average total amount during the corresponding taxable year does not exceed the result of multiplying by two (2) the net worth of the taxpayer as of December 31 of the immediately preceding taxable year.

There are certain exceptions in the law for the application of this limitation, such as for companies in an unproductive period, the financing of transportation infrastructure projects and the financing of infrastructure projects for public services, among others.

1.5.4. Expenses abroad

Taxpayers may deduct expenses incurred abroad that have a causal relationship with their income from a national source, as long as the withholding has been made at the corresponding source, if the amount paid constitutes taxable income in Colombia for its beneficiary.

The deduction of expenses incurred abroad in order to obtain income from a national source on which withholding tax is not mandatory cannot exceed 15% of the taxpayer's net income, calculated before deducting such expenses or deductions, except in certain cases expressly provided for by law.

1.5.5. Investment in Scientific and Technological Development

Taxpayers who invest in projects classified as research, technological development and innovation, as defined by law, may claim 30% of the investment as a tax credit.

The credit is also granted when donations are made through higher education institutions or the Colombian Institute of Educational Credit and Technical Studies Abroad - ICETEX -, to scholarship programs or forgivable loans approved by the Ministry of National Education, donations to the Science and Technology Fund, or the linking of personnel with doctorates, subject to certain conditions.



1.5.6. Compensation of tax losses

There is a right to offset tax losses against ordinary liquid income earned in subsequent taxable periods, without prejudice to the deemed income for the year. These tax losses cannot be passed on to the partners.

Initially, it was allowed to offset tax losses in the following five (5) taxable periods without limit. Subsequently, Law 788 of 2002 established a term of eight (8) years, without exceeding annually 25% of the value

of the tax loss. Then, Art. 5 of Law 1111 of 2016, which amended Art. 147 of the Tax Statute, did not establish any limits, neither in time nor in amount, for the compensation of tax losses of companies. Finally, Law 1819 of 2016 limited the compensation of losses generated from 2017 to the 12 tax periods following the year in which they were generated. If the losses were generated before this period, a transitional regime will be applied to determine the compensation rate, using a formula established in the same law.

In the case of mergers and demergers, the absorbing company or the company resulting from the merger or demerger may offset the tax losses of the merged or demerged companies against the ordinary net income of the absorbing company or the company resulting from the merger or demerger, up to a limit equal to the percentage of the assets of the merged or demerged companies in the assets of the absorbing company or the company resulting from the merger or demerger.

1.5.7. Amortization of investments

Amortization is the allocation of the cost of an intangible asset over its useful life or over any other period established by valid criteria.

They are deductible:

Prepaid expenses: deducted periodically as services are received.	Research, development and innovation: as a general rule, it begins at the moment of the end of the research, development and innovation project, whether successful or not, which will be amortized in equal proportions for the time that the income is expected to be obtained, and in any case, it cannot exceed an annual rate of 20% of its fiscal cost.
Establishment expenses: they are deducted by the straight-line method at an annual rate of 20% of their fiscal cost - in equal proportions - for the duration of the contract, based on the generation of income by the taxpayer.	

In the case of intangible assets, the necessary investments in intangible assets made for the purposes of the business or activity are deductible at an annual rate of 20% of their tax cost, subject to the application of certain rules established by law.

1.5.8. Depreciation

The fair value of depreciation of property, plant and equipment used in business or income-producing activities due to wear and tear, normal deterioration or obsolescence is deductible in accordance with the following table:

Assets	Construction and buildings	Aqueduct, plant and networks	Communication channels	Fleet and Aircraft
Annual tax depreciation	2.22%	2.5%	2.5%	3.33%
Assets	Ferro fleet and equipment	Weapons and surveillance equipment	Electric equipment	Ground Fleet and Equipment
Annual tax depreciation	5%	10%	10%	10%
Assets	Machinery and Equipment	Furniture and fixtures	Scientific medical team	Containers, Packaging and Tools
Annual tax depreciation	10%	10%	12.5%	20%
Assets	Computer Equipment	Data Processing Networks	Communication Equipment	
Annual tax depreciation	20%	20%	20%	

Source: Compiled by PwC Colombia, based on Colombian tax legislation.

It is important to emphasize the following:

- The useful life of assets is determined in accordance with IFRS; other methods may be used.
- The annual deduction ranges from 2.2%

to 33%. However, other depreciation rates may be used.

- The difference in the application of depreciation rates could result in a temporary difference.

1.5.9. Exchange rate difference

Income, expenses, deductions, assets and liabilities denominated in foreign currencies must be translated at the representative market rate at the time of initial recognition.

Fluctuations in the items of the balance sheet, assets and liabilities, expressed in foreign currencies, have no tax effect until the moment of sale or payment, in the case of assets, or liquidation or partial payment, in the case of liabilities. Passives. In the event of a sale, liquidation credit or partial payment, it is recognized at the representative market price at the time of initial recognition.

The taxable income, deductible cost or expense in the above credits or payments is the difference between the representative market rate at initial recognition and the representative market rate at the time of the credit or payment (difference in change made).

1.5.10. Restrictions and Prohibitions on Deductions

As a general rule, income and additional tax deductions are subject to the following limitations, to name a few:

- The maximum amount to be deducted for gratuities to customers, suppliers and employees, such as: gifts, courtesies, parties, meetings and celebrations, is 1% of the net and effectively realized taxable income.
- Salary and benefit payments resulting from employment disputes are deductible at the time of payment, provided that all payroll deduction requirements are met.

1.5.11. First Job Deduction

Up to 120% of the salary paid to a person under 28 years of age may be deducted by taxpayers who file income tax returns for salary payments for first employment.

Now, this deduction is taken in the tax year in which the employee is hired by the taxpayer and cannot exceed 115 monthly UVT per employee.

Finally, the Ministry of Labor will be the one to certify through a certificate that it is the first job of the person under 28 years of age, as a requirement to access the deduction.



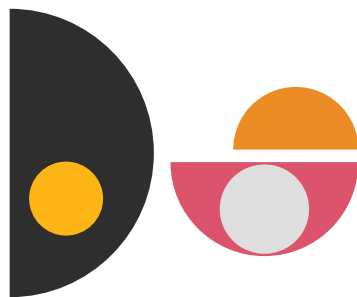
1.5.12. Losses and receivables from utilities

The intervening companies may grant them the right to offset tax losses against their ordinary net income without the established limitation. It is possible to transfer claims, with the right to make the deductions of articles 145 and 146 of the Statute.

1.5.13. Deduction of costs and expenses for independent employees

Professionals can deduct costs and expenses related to earned income from personal service fees and compensation. However, the norm warns that the taxpayer must choose between this treatment or the benefit of 25% of the exempt income dealt with in paragraph 10 of article 206 of the ET (Tax Statute), if the taxpayer meets the requirements set forth in paragraph 5 of the same article.





1.5.14. Other deductions

Law 2010 of 2019 maintains the deduction for contributions to employee training in the following cases:

A.

Payments for full or partial scholarship programs and forgivable credits for education established by legal entities for the benefit of their employees or members of the employee's family nucleus.

B.

Payments for investments in care, stimulation and comprehensive development and/or initial education programs or centers for boys and girls under the age of seven established by companies exclusively for the children of their employees.

C.

Contributions made by companies to basic (primary and secondary) and secondary educational institutions recognized by the Ministry of Education, as well as to technical, technological and higher educational institutions that meet the requirements established by the Ministry of Education and that are justified by benefiting the communities and areas of influence where the productive or commercial activity of the legal entity is carried out.

Source: Comparative table prepared by PwC Colombia, extracted from Colombian tax legislation.

For tax recognition purposes, such as costs, deductions, liabilities, or discountable taxes, payments over 100 UVT made by taxpayers must be made through the financial system.

1.5.15 They are not deductible:

- Expenses resulting from typical fraudulent behavior.
- Royalties paid to foreign economic partners or entities located in free zones, which correspond to the exploitation of an intangible created in the national territory.
- Royalties paid during the tax year or period if they are related to the purchase of finished goods.
- Payment of personal expenses of shareholders.

1.6 Tax rebates

The legislator has considered some values as discounts that can be deducted from the income tax determined by the taxpayer, among others, as follows

- Taxes paid abroad for resident taxpayers who receive income from a foreign source.
- Investments in the control, preservation and improvement of the environment (25% prior accreditation by the environmental authority).
- 25% of the value donated to nonprofit organizations under the special tax regime.
- The VAT payer may deduct from the income tax due for the year in which it is paid, or in any of the taxable periods, the VAT paid on the importation, creation, construction or acquisition of productive real assets. In no case may the rebates exceed the value of

the income tax, nor may the income tax - determined after rebates - be less than 75% of the tax determined by the presumptive income system on net assets, before any rebates.

- Investments in research projects, technological development and innovation, or the connection of high-level human capital for investments made by micro, small and medium-sized enterprises.
- Investments in the control, preservation and improvement of the environment in tourism activities.

1.7 Exempt income

1.7.1 Income of Magistrates, Judges, Prosecutors and Lawyers

The law of economic growth revives this benefit, considering as exempt income 50% of the representation expenses of the magistrates of the courts, their prosecutors and their public prosecutors, and 25% for the judges of the Republic, on their salaries. The limitation of paragraph 3 of article 336 of the Tax Code does not apply to this exempt income.

1.7.2 Other tax-exempt income

The law provides that the income described below is considered tax-exempt, provided that the requirements for accessing it are accredited:



Profits from the sale of real estate intended for purposes of public utility or social interest (housing projects of social interest).

Selling electricity generated from wind, biomass or agricultural waste, solar, geothermal or ocean power.



Resources of the General Social Security System.

The income generated by the stabilization reserve set up by the Pension and Retirement Fund Administrators pursuant to Article 101 of Law 100 of 1993.



1.8 Additional tax on occasional income

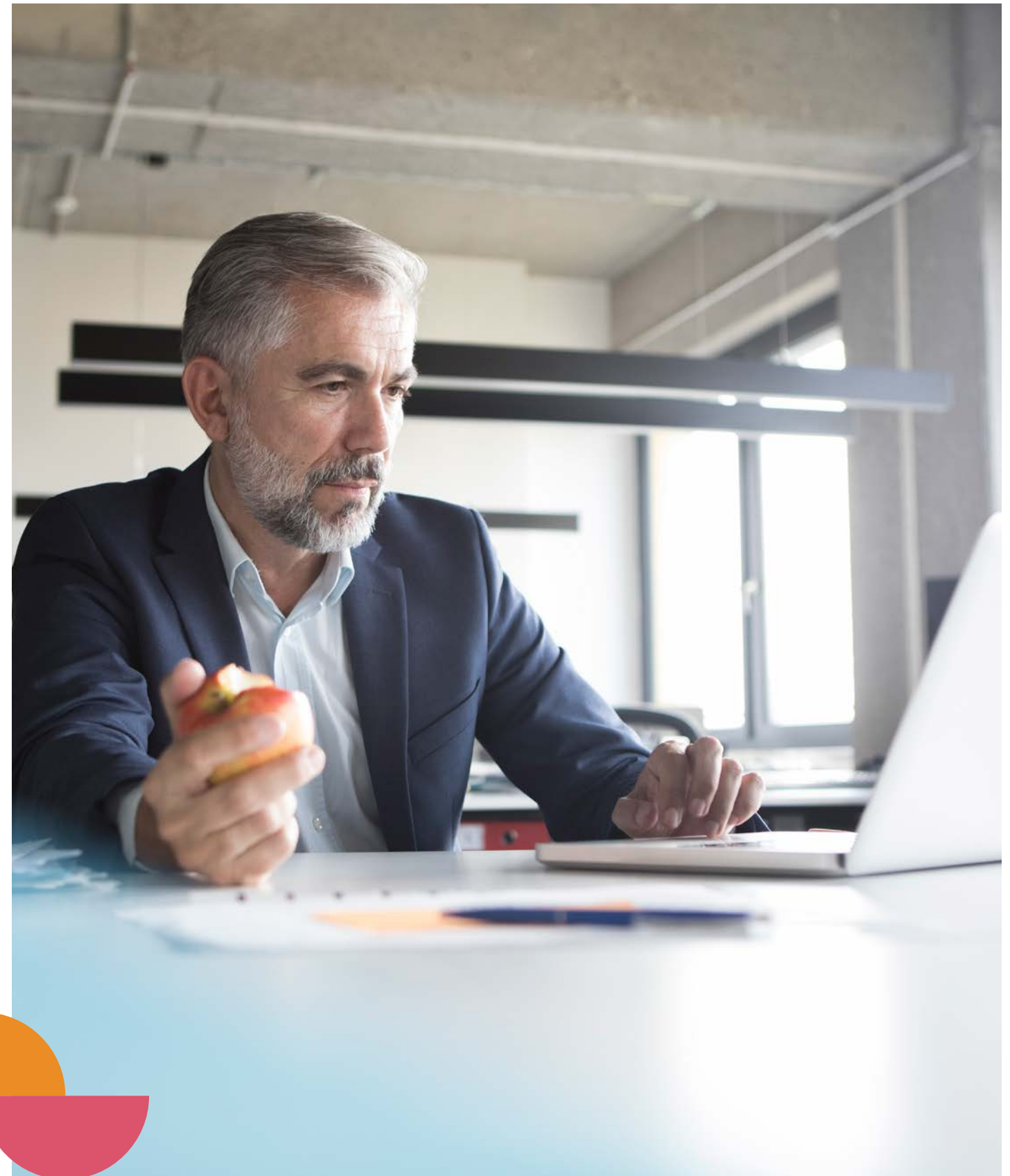
The occasional income tax, as a supplement to the income tax, taxes certain income derived from certain operations expressly defined by law. Occasional gains cannot be affected by expenses and ordinary deductions of the taxpayer, nor can temporary losses affect the purification of the taxpayer's ordinary income.

The general tax rate on occasional income is

15%

The differential rate for occasional earnings from lotteries, raffles, betting and the like is

20%





2. Withholding Tax

The Colombian tax system considers withholding taxes as a mechanism for early tax collection. This mechanism authorizes a private or public entity to collect, withhold at source, or deduct certain taxes on the basis of certain specific characteristics. According to the Tax Statute, withholding agents are, among others, legal entities which, by virtue of their functions, are involved in acts or operations in which, by virtue of express legal provisions, they are required to withhold tax.

The primary obligations of withholding agents are to make the appropriate withholdings, remit the withheld amounts to the places and within the time limits established by the government, submit monthly withholding statements at source, and issue withholding certificates.

Due to the existence of local and special withholding rates for foreign payments, the withholding rate applicable to a given transaction depends on its nature.

Law 2010 of 2019 modified the withholding percentages applicable to payments derived from a legal, employment and regulatory relationship and to payments received for retirement, disability, old age, survivors' pensions (exceeding 1,000 UVT) and for occupational risks, for natural persons, in accordance with the provisions of article 206 of this Statute, as follows:

Ranks in UVT ⁽²⁾		Marginal rate	Withholding at the Source
From	Until		
>0	95	0,0%	0
>95	150	19,0%	(Taxed labor income expressed in UVT minus 95 UVT)*19%
>150	360	28,0%	(Taxed labor income expressed in UVT minus 150 UVT)*28%+10 UVT
>360	640	33,0%	(Taxed labor income expressed in UVT minus 360 UVT)*33%+69 UVT
>640	945	35,0%	(Taxed labor income expressed in UVT minus 640 UVT)*35%+162 UVT
>945	2.300	37,0%	(Taxed labor income expressed in UVT minus 945 UVT)*37%+268 UVT
>2.300	En adelante	39,0%	(Taxed labor income expressed in UVT less 2.300 UVT)*39%+770 UVT

Source: Compiled by PwC Colombia, based on Colombian tax legislation.

3. International taxation

3.1 Colombian Holding Company (CHC) Regime

3.1.1 Subjects Who Can Access the Regime

National companies that have as one of their main activities the holding of securities, the investment or holding of shares or participations in Colombian and/or foreign companies or entities, and/or the management of said investments.



Requirements for access

A.

Direct or indirect participation in at least 10% of the capital of two or more Colombian and/or foreign companies or entities for a minimum period of 12 months.

B.

Have at least three (3) employees, have management in Colombia, and demonstrate that strategic decisions regarding CHC's investments and assets are made in Colombia, for which the simple formality of the annual shareholders meeting will not be sufficient.

C.

Communication to DIAN using the formats established by the Regulation. This regime will apply to the company from the fiscal year in which the communication is filed with the DIAN. The loss of benefits will occur in the fiscal period in which the violation of any of the requirements occurs and is rejected by the DIAN. Decentralized public entities that hold shares in other companies are understood to be included in the CHC regime.

Benefits of the CHC regime

- Dividends or shares distributed by non-resident companies in Colombia to a CHC are exempt from income tax and are declared as exempt income.
- Dividends distributed by a CHC to a natural or legal person not resident in Colombia are considered foreign source income.
- Income derived from the sale or transfer of a CHC's interest in non-resident entities in Colombia would be exempt from income tax.

of all the assets of the group, according to the consolidated financial statements of the entity that has the quality of parent company of the entities involved, the operation will not be taxed in Colombia. Otherwise, the transaction will be considered a taxable sale in Colombia, applying the rules for indirect sales.

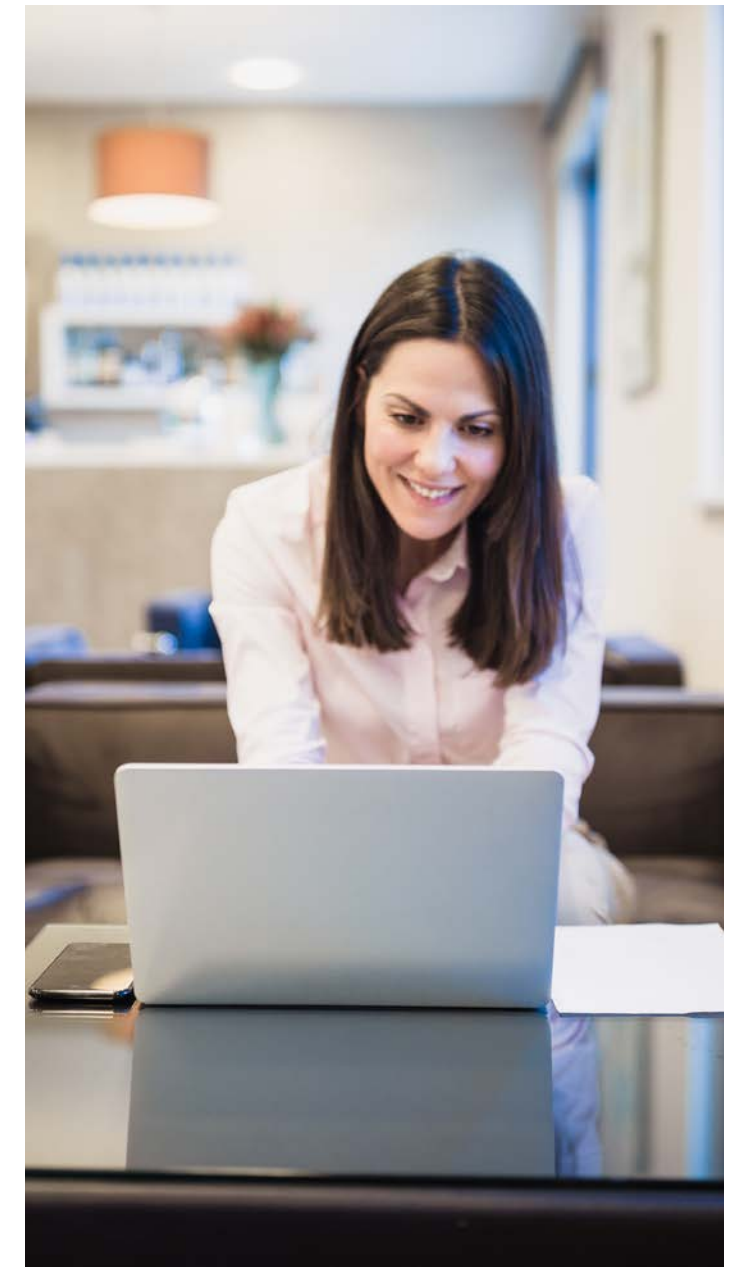
3. 2 Indirect sales

An indirect sale is the transfer of an interest in an asset, in whole or in part, whether the transfer is between related or unrelated parties.

In the case of a subsequent indirect sale, the tax cost of the underlying asset will be the value proportionately paid for the shares, participations or rights of the foreign entity that owns the underlying assets located in Colombia.

Likewise, the rule establishes that in the case of mergers and divisions between foreign entities where this scenario is configured, the provisions of article 319-8 of the General Tax Code will be followed.

In this sense, if the value of the assets in Colombia does not exceed 20% of the value



3.3 Declaration of Foreign Assets

Only those who own assets whose net worth exceeds 2.000 UVT are required to submit this statement. In addition, the penalties for filing these statements extemporaneously are reduced as follows:

Concept	Law 1943 of 2018	Law 2010 of 2019
The declaration is made before the previous summons for non-declaration.	1.5% of the value of assets.	0.5% of the value of assets.
The statement shall be submitted after the previous request for non-disclosure and prior to the issuance of the relevant sanction order for non-disclosure.	3% of the value of assets.	1% of the value of assets.
In any case, the amount of the sanction may not exceed:	25% of the value of assets held abroad.	10% of the value of assets held abroad.

Source: Comparative table prepared by PwC Colombia, extracted from Colombian tax legislation.



3.4 Payments to non-cooperative jurisdictions with low or no taxation and to entities in preferential tax regimes

3.4.1 Identification Criteria

Non-cooperative and low-tax/no-tax jurisdictions: are determined by the government based on the following criteria:

- A. Non-existence of tax rates or existence of low nominal rates on income, with respect to those that would be applied in Colombia for similar operations.
- B. Lack of effective information sharing or existence of legal norms or administrative practices that limit it.
- C. Lack of legal, regulatory or administrative transparency.
- D. Absence of the requirement of a substantial local presence, of the exercise of a real activity and of economic substance.
- E. In addition to the stated criteria, the national government will have as a reference the internationally accepted criteria for determining non-cooperative jurisdictions or low- or no-tax jurisdictions.

Entities subject to preferential tax regimes	A. Non-existence of tax rates or existence of low nominal rates on income, with respect to those that would be applied in Colombia for similar operations.
	B. Lack of effective information sharing or existence of legal norms or administrative practices that limit it.
	C. Lack of legal, regulatory or administrative transparency.
	D. Absence of the requirement of a substantial local presence, of the exercise of real activity and of economic substance.
	E. Those regimes to which only persons or entities that are considered non-residents of the jurisdiction in which the corresponding preferential tax regime is applied can have access (“ring-fencing”).

taxation and to entities in preferential tax regimes designated as such by the national government are not deductible unless withheld as rent (if applicable).

On the other hand, in addition to the general deductibility requirements, payments or credits made to these jurisdictions must meet the following conditions:



Entities must be subject to the transfer pricing regime and comply with the obligation to provide supporting documentation and an informative transfer pricing statement, regardless of whether their gross assets on the last day of the year or tax period or their gross income for the year are less than the limits specified therein.



Details of the functions performed, assets used, risks assumed and all costs and expenses incurred by the person or company domiciled or resident in the non-cooperative jurisdiction with low or no taxation, or by the entity subject to a preferential tax regime, for the performance of the activities that generated the aforementioned payments, under penalty of said payments being treated as non-deductible for income tax and complementary.



3.4.3. Beneficial Owner

Corporations and non-corporate entities in Colombia must report their ultimate or effective beneficiaries. An ultimate beneficial owner is the natural person(s) who, directly or indirectly, owns or controls a customer and/or the natural person on whose behalf a transaction is executed. It also includes the natural person(s) who directly or indirectly exercises effective and/or ultimate control over a legal person or other structure without legal status.

3.4.3.1 The following are the ultimate beneficiaries of the legal entity:

A.

Any natural person who, acting alone or in concert, owns, directly or indirectly, five percent (5%) or more of the capital or voting rights of the legal entity and/or benefits from five percent (5%) or more of the assets, income or profits of the legal entity.

Source: Comparative table prepared by PwC Colombia, extracted from Colombian tax legislation.

Finally, this analysis of preferential regimes must take into account the list of harmful regimes established and regularly updated by the OCDE.

3.4.2. Classification Effects

They are subject to withholding for income tax and occasional gains at the general rate of income tax and complementary for legal entities.

Payments or account credits to non-cooperative jurisdictions with low or no

B.

Natural persons who, acting individually or jointly, exercise control over the legal person by means other than those established in the previous paragraph of this article.

C.

If no natural person is identified under the terms of the previous two paragraphs of this article, the natural person who holds the position of legal representative must be identified, unless there is a natural person who has greater authority in relation to the functions of management or direction of the legal person.

3.4.3.1 The final beneficiaries of a structure without legal status or a similar structure are the following natural persons who have the status of:

A.

Settlor(s), Trustee(s), Constituent(s) or similar or equivalent position.

B.

Trustee or similar or equivalent position.

C.

Board of Trustees, Finance Committee, or similar or equivalent position.

D.

Trustee(s), beneficiary(ies) or contingent beneficiary(ies).

E.

Any other natural person who exercises effective and/or ultimate control or who has the right to enjoy and/or dispose of the assets, benefits, results or profits.

In addition, the Single Registry of Effective, Final or Real Beneficiaries - RUB - is created, whose operation and management is the responsibility of DIAN and has been implemented by resolution. There is also a registry of unincorporated entities. The first report must be made during 2023.

3.5 Assumptions for Foreign Controlled Entities (ECE)

In the case of entities controlled from abroad, if their active income or real economic activities constitute 80% or more of their total income, all income, costs and deductions will give rise to active income. In turn, if the passive income of ECEs (Controlled Foreign Entities) is 80% or more of their total income, all of their income, expenses, and deductions result in passive income.

3.6 Transfer prices

Colombia's transfer pricing regulations were drafted based on the guidelines of the Organization for Economic Cooperation and Development (OCDE, by its acronym in Spanish) and became part of the Colombian tax system in 2004.

With the entry into force of this regime, income taxpayers who enter into transactions with economically related parties abroad must determine their income, costs and deductions taking into account the prices and profit margins used in comparable transactions with or between independent parties.

3.7 Withholding tax rates for international payments

Concept	Law 2010 of 2019
Interest, commissions, royalties, leases, compensation for personal services, industrial property or know-how.	20%
Technical services, technical support and consulting.	20%
License .	20%
Administration and management services.	33%
Loans of one year or more, leasing (transition).	15%
Interest, commissions, royalties, leases, compensation for personal services, industrial property or know-how.	20%
Loans to finance PPP projects for more than 8 years.	5%

Concept	Law 2010 of 2019
Ship, helicopter and/or aircraft leasing.	1%
Film exploitation cinematographic.	15%
Assignment of reinsurance premiums.	1%
International transportation.	5%
Significant economic presence	10%

Source: Comparative table prepared by PwC Colombia, extracted from Colombian tax legislation.

4. Tax on dividends

Dividends and shares distributed to legal entities domiciled in Colombia are considered income that does not constitute income or casual gains if they correspond to the profits declared and taxed by the company. Otherwise, the following withholding rates will be applied (without prejudice to the application of treaties for the avoidance of double taxation signed by Colombia) to dividends derived from profits obtained from the taxable year 2023:

4.1 Natural people

A.

Dividends from profits that have already been taxed at the head office. They are subject to progressive taxation for individuals, but the dividend certificate is subject to a 19% marginal deduction.

B.

Dividends from profits that have not been taxed at the level of the head office: an equalization tax of 35% must be added. On net, the appropriate regressive tax rate is applied, taking into account the marginal discount.

4.2 Foreign legal entities

Period	2023
Withholding tax on dividends from profits that have already been taxed on behalf of the company.	20%

Withholding tax on dividends from profits already taxed on behalf of the Company. **48%**

Source: Comparative table prepared by PwC Colombia, extracted from Colombian tax legislation.

In the case of national companies, the following rules apply:

- The withholding tax is applied only in the subsidiary receiving the dividends for the first time.
- The credit will be transferable to the final beneficiary, a natural person.
- Withholding does not apply if there is a control situation or a group of companies registered with the Chamber of Commerce.





5. Double taxation

Colombia has made progress in negotiating international treaties to avoid double taxation and prevent tax evasion in income and wealth taxes, especially in cross-border transactions.

At the level of the Andean Community of Nations, Colombia adopted Resolution 578, which corresponds to the new Andean Supranational Regime for the Avoidance of Double Taxation and the Prevention of Tax Evasion among the Member Countries of the Andean Community of Nations - CAN - (Colombia, Peru and Ecuador). This decision privileges the criterion of source over that of residence in regulating the taxing power of Member States.

With reference to the international double taxation treaties that Colombia has signed to date, in addition to avoiding international double taxation and preventing tax evasion, they also seek to eliminate barriers to the flow of capital, goods, technology and people between the signatory countries.






In addition, these treaties contribute to a better implementation of transfer pricing rules, recognize the principles of non-discrimination between nationals and non-residents with activities in the other country, and establish reciprocal cooperation procedures between tax authorities for resolving disputes, consultations, the exchange of information and assistance in the collection of taxes.

To date, agreements are in force with Spain, Chile, Portugal, Korea, India, Mexico, the Czech Republic, Canada, Switzerland, Italy, the United Kingdom, France and Japan. Recently, agreements have been signed with Luxembourg, the Netherlands, Brazil and Uruguay, which are also not in force.

6. Sales Tax - VAT

6.1 General information

VAT (Value Added Tax) is a national tax that is mainly levied on:

 <p>Sale of movable and immovable property not expressly excluded.</p>	 <p>Imports of goods that do not have body have been expressly excluded.</p>
 <p>Sale or assignment of rights to intangible assets related to industrial property.</p>	 <p>Gambling, with the exception of lotteries and games of chance operated exclusively over the Internet.</p>
 <p>Provision of services in the national territory or from abroad, with the exception of those expressly excluded.</p>	



With a few very specific exceptions, VAT is structured as a value-added tax and, therefore, in order to determine it, it is possible to deduct from the VAT payable the value of VAT paid on goods and services used to generate income from taxable activities.

The person responsible for the collection and payment of the tax before the Colombian Tax Authority is the one who carries out any of the generating events, even if the person who financially supports this tax is the final consumer.

For sales and services, the tax base is generally the total value of the transaction. The taxable base of this tax includes goods or services purchased for or on

behalf of the recipient of the sale or service. In addition, there are special tax bases for certain types of goods and services.

There is a general VAT rate that applies to most transactions, which is currently 19%, and a differential rate of 5%.

The tax is calculated as the difference between the tax generated by the taxable activities and the tax deductible by law.

Law 2010 of 2019 modified the catalogues of goods and services that are taxed, excluded, exempt and taxed at the 5% rate, as follows:

Estate	Departments	Treatment
Human and animal consumption, clothing, toiletries and medicines for human or veterinary use, construction materials.	That they may be introduced and marketed in the Departments of Guainía, Guaviare, Vaupés and Vichada, provided that they are intended exclusively for consumption within the same Department.	Excluded
Human and animal consumption, clothing, toiletries and medicines for human or veterinary use, construction materials.	That they be introduced and marketed in the department of Amazonas.	Exempt
Bicycles and parts thereof, motorcycles and parts thereof, and motorcycles and parts thereof.	That they be introduced and marketed in the departments of Amazonas, Guainía, Guaviare, Vaupés and Vichada, provided that they are intended exclusively for consumption within the same department and that the motorcycles and cars are registered in the department. The above-mentioned goods imported into the national customs territory and subsequently destined exclusively for these departments are also exempt.	Exempt
Electric motorcycles (including mopeds) whose value exceeds 50 UVT.	N/A	Taxed at 5%

6.2 Goods and Services Excluded from VAT

Regarding goods, some items that are part of the so-called family basket, as well as those of an agricultural nature, are exempt from VAT.

Among the excluded assets, the following are additionally highlighted:

- Equipment and elements, national or imported, intended for the construction, installation, assembly and operation of environmental monitoring and control systems.
- Personal computers, desktop or laptop, whose value does not exceed fifty (50) UVT.
- Smart mobile devices (tablets and cell phones) that do not exceed twenty-two (22) UVT.
- Ordinary imports of industrial machinery not produced in the country for the transformation of raw materials by highly exporting users (ALTEX), with unlimited validity.
- All real estate sales.
- Commissions received by stockbrokers for managing mutual funds.
- Electric bicycles, electric motorcycles, skates, skateboards, electric skateboards, skateboards and electric skateboards up to 50 UVT as excluded goods.
- The sale of goods invoiced by merchants dedicated exclusively to the sale of scientific or cultural

books, periodicals, brochures or serial collectibles, in legally authorized commercial establishments and freely accessible to the consuming public (bookstores).

The following services are exempt from VAT:

- Reinsurance treaty brokerage services.
- Public or private freight transportation, national and international.
- Public transportation of passengers in the national territory, terrestrial, maritime or fluvial.
- National air transportation of passengers to national destinations where there is no organized land transportation.
- Transportation of gas and hydrocarbons.
- Interest and financial returns for credit operations and financial leasing or leasing.
- Medical, dental, hospital, clinical and laboratory services for human health and beauty treatments.
- Public energy services, aqueduct and sewerage, public cleaning, garbage collection and domestic gas.
- Tourist air transportation to or from the department of La Guajira and the municipalities of Nuquí, in the department of Chocó; Mompox (Bolívar), Tolú (Sucre), Miraflores (Guaviare) and Puerto Carreño (Vichada).
- Local calling for users in Tiers 1.2 and 3 for the first 325 monthly minutes.

- Food services contracted with public funds, intended for the Armed Forces, the National Police, Child Development Centers, Geriatrics, Public Hospitals and Community Kitchens.
- The hotel and tourist services provided in the municipalities that make up the following special customs regime areas:

+	Urabá, Tumaco y Guapi
+	Inírida, Puerto Carreño, La Primavera y Manaure
+	Maicao, Uribía y Manaure

Source: Comparative table prepared by PwC Colombia, extracted from Colombian tax legislation.

6.3 Goods and Services from Excluded to Taxed

Taking into account the changes introduced by the Financing Law and the Economic Growth Law, the following goods and services are now exempt from taxation:

- Franchise Agreements.
- Remotely maintain programs and equipment.
- The commissions received by the investment management companies, the commissions paid by the life insurance collaboration and those of the capitalization titles.
- Remote maintenance services for devices and programs.



6.4 Exempt Goods and Services

As a result of the enactment of Law 2010 of 2019, the following are the goods and services that go from being taxed to being exempt, replicating what was established by Law 1943 and including other additional goods and services:

- Complete motor vehicles for public passenger transport; the chassis with engine and the body, purchased separately to form a complete and new motor vehicle for public passenger transport.
- The motor vehicles of public or private service, of complete cargo

transportation; the chassis with engine and the body, purchased separately to make up a complete new motor vehicle for transporting cargo of more than 10.5 tons gross vehicle weight.

- The beneficiaries of this tax treatment must: i) maintain the aforementioned assets as fixed assets; ii) in the event that the seller of these vehicles, who is responsible for the tax, is a dealer, he could apply the reimbursement and/or compensation procedure established by the law; and iii) this benefit is extensive in favor of taxpayers who acquire these assets under the modality of financial leasing or leasing with irrevocable purchase option. In case of non-compliance, there will be place to pay the corresponding tax.
- Products by tariff heading: 29.36 (provitamins and vitamins, among others); 29.41 (antibiotics); 30.01 (glands and other organs for ophthalmic uses, among others); 30.02 (human blood, animal blood, among others); 30.03 (medicines – except the products of headings 30.02, 30.05 or 30.06 – consisting of products mixed together for therapeutic or prophylactic use, not dosed or packaged for retail sale); 30.04 (medicines – except the products of headings 30.02, 30.05 or 30.06 – consisting of mixed or unmixed products for therapeutic or prophylactic uses, dosed or packaged for retail sale); and 30.06.

- Products for human and animal consumption, clothing, toiletries and medicines for human or veterinary use, and construction materials, in Amazonas state, subject to certain conditions.



6.5 Discountable taxes

The VAT charged to the person responsible for the purchase or importation of movable tangible property and services is deductible. For this purpose, it is necessary to take into account that the VAT deduction can only be applied to the purchase of movable tangible assets and services, as well as to imports that are considered as costs or expenses of the company for income tax purposes and that are destined to operations taxed with VAT.

In addition, the value of raw materials and services on which VAT has already been paid may be deducted from the tax base on which VAT is paid when importing finished products manufactured abroad or in a free zone with national components, permanently exported or permanently imported, or with imported raw materials.

The deductible tax may be recognized in the following periods:

For those who report bi-monthly: in the causation period or in one of the three immediately following two-month periods.

For quarterly filers: in the causation period or the immediately following period.

VAT paid on the following transactions does not qualify for a discount:

- Credits and bad debts.
- Purchases from non-registered suppliers.
- Purchases from fictitious or insolvent suppliers.
- Acquisition of fixed assets.



6.6 Responsible and Non-Responsible Regimes

6.6.1 Not responsible

The simplified VAT regime is abolished and replaced by a new one in which individual merchants and artisans who are retailers or traders, small farmers and ranchers, as well as those who provide services, as long as they meet certain conditions:

a.

That in the previous year or in the current year, they had a total gross income from the activity of less than 3500 UVT.

b.

That they do not have more than one commercial establishment, office, headquarters, premises or business from which they conduct their business.

c.

The commercial establishment, office, headquarters, premises or business activities are not conducted under a franchise, concession, license, permit or other system involving the exploitation of intangible assets.

d.

You are not a customs user.

e.

That they have not entered into contracts for the sale of goods and/or the provision of taxable services with an individual value of 3 or more in the immediately preceding year or in the current year. 500 UVT.

f.

That the amount of their bank transfers, deposits or financial investments during the previous year or during the current year from taxable activities does not exceed the sum of 3500 UVT.



In addition, it has been considered that the limits of income, execution of contracts and bank transfers to be considered taxable would be 4,000 UVT for natural person service providers who derive income from contracts with the State (the general limit is 3500 UVT).

6.6.2 Responsible

The common system of VAT is abolished and the system of VAT tax liability is established, which are those who do not meet the requirements of the aforementioned non-responsible system.

With regard to the obligation to issue invoices for foreign service providers without a tax domicile, it has been established that they are not obliged to issue invoices for electronic or digital services.

6.7 Withholding at the Source

The national government will have the power to establish a withholding tax of up to 50% of the value of the tax; it is clarified that if the regulation does not establish a special withholding tax, the applicable rate will be 15% of the value of the tax.

For digital services and managers who enter into contracts with non-residents, 100% VAT must be withheld.

6.8 Digital services

Foreign digital and electronic service providers may submit a bi-monthly VAT return or voluntarily opt for withholding tax under the following parameters:

6.8.1 What services are included?

A.

Provision of audiovisual services (including music, videos, films and games of all kinds, as well as the broadcasting of all kinds of events).

B.

Services delivered through digital platforms.

C.

Providing online advertising services.

D.

Provide distance education or training.

E.

Providing rights to use or exploit intangible assets.

F.

Other electronic or digital services for users located in Colombia.



6.8.2 What would be the tax base?

The amount billed, collected and/or charged to users located in Colombia.

6.8.3 Who Would Practice Withholding?

Credit and debit card issuers, prepaid card sellers, third-party cash collectors, and others designated by DIAN.

6.8.4 Who Can Benefit from the Withholding System?

- Those engaged exclusively in one or more of the above activities.
- Those who do not comply with the bi-monthly sales tax (VAT) declaration system or who voluntarily use this alternative tax payment system.

6.8.5 Who Must File a Declaration?

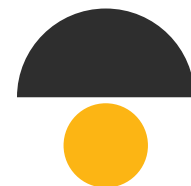
- Those who do not voluntarily use the withholding system.
- Those who are not on the list of providers of these services to which they must be subject to withholding.

stage with respect to the generating event that occurs first.

It has a specific rate that takes into account the carbon dioxide (CO₂) emission factor for each specified fuel, expressed in unit volume (kilograms of CO₂) per unit energy (terajoules), according to the volume or weight of the fuel.

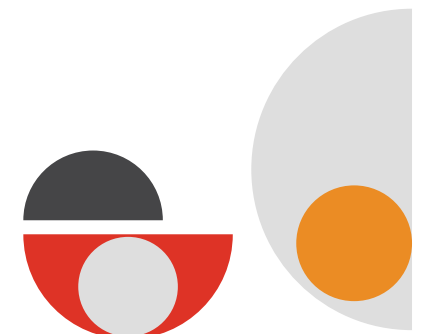
In addition, as of 2017, the parafiscal tax on fuel has been created, whose taxable event is the sale in Colombia of current motor gasoline or motor fuel oil (ACPM) by the refiner or importer to the wholesale fuel distributor, according to the price established by the Ministry of Mines and Energy. If the importer is also a wholesaler, the generating event would be the withdrawal of the product destined for the wholesaler's activity.

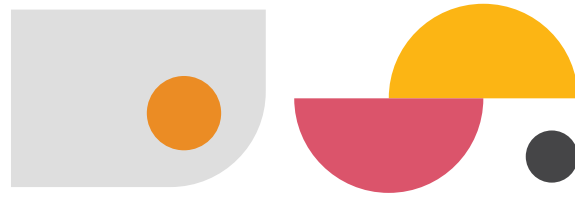
The national carbon tax rate of 0 pesos applies in the departments of Caquetá, Guaviare, Putumayo (in addition to Guainía, Vaupés and Amazonas).



7. Carbon Tax

This tax is levied on the carbon content of all fossil fuels, including all petroleum derivatives used for energy purposes. Its generating event is the sale, withdrawal and importation for own use or importation for sale of fossil fuels, and it occurs in a single





8. National sales tax

The national excise tax is levied on the supply, sale to, or importation by the final consumer of the following goods and services at the following rates:

- Mobile phone services, Internet and mobile navigation and data services: 4%.
- The sale of certain “luxury” personal property, such as automobiles, motorcycles, yachts, and balloons: 8%-16%.
- Service of sale of prepared food and drinks in: Restaurants, cafeterias, self-service stores, ice cream parlors, greengrocers, pastry shops, bakeries, bars and catering services: 8%.
- Taxpayers engaged in the sale of food and beverages under franchise agreements are not subject to the national excise tax, but to the value added tax (VAT).

For the regime of “non-payers” of the consumption tax of restaurants and bars, which replaces the simplified regime, the following is established as a novelty:

- Once a restaurant or bar has been registered as a taxable entity, it may only request to be removed as a taxable entity if it demonstrates that it has met the conditions for non-responsibility for each of the previous three fiscal years.
- When nontaxable persons carry out transactions with taxable persons, they must register their status as such in the Unified Tax Registry (RUT, by its acronym in Spanish) and provide a copy to the purchaser of the services.

With the new unified tax under the simple tax regime - SIMPLE - optional for comprehensive assessment, annual declaration and bimonthly advance payment, the national consumption tax was also integrated, to be paid by taxpayers who voluntarily choose to use it.



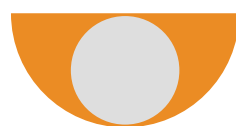
9. Tax on financial transactions – GMF

The tax on financial transactions is an immediate causation tax, whose triggering event is the execution of financial transactions through which funds are deposited in current or savings accounts, as well as in deposit accounts at the Bank of the Republic (Banco de la República) and the writing of cashier’s checks. Since it is an immediate tax, it is levied at the moment when the resources that are the object of the financial transaction are disposed of.

The rate of this tax is four per thousand (0.4%) of the total value of the financial transaction through which the funds are made available. It is possible to deduct from the taxpayer’s income tax 50% of the amounts paid for this tax, regardless of whether they have a causal relationship with the taxpayer’s income-producing activity or not.

This tax is levied by means of a withholding tax at the Bank of the Republic (Banco de la República) and other entities supervised by the Superintendency of Finance or the Solidarity Economy, where

the respective current accounts, savings accounts, deposits, collective portfolios or accounting operations involving the transfer or disposition of resources are carried out. The law establishes a series of operations or transactions that are exempt from this tax, such as factoring operations, the purchase or discount of the portfolio and the movements and withdrawals of withdrawals and interest on withdrawals made by payment in savings account, cash or cashier's check, among others.



10. Estate Tax

It is a permanent tax levied on the owners of property with a value of at least 72.000 UVT as of January 1 of each year.

Taxpayers are individuals with tax residence in Colombia, non-resident individuals with assets located in the country, and foreign companies that are not declarants if they have assets in Colombia other than shares, receivables or portfolio investments, or that have entered into financial leasing contracts with Colombians.

The rate will increase gradually from 0 to 1% until 2026, but will increase to a maximum of 1.5% from 2027.



11. SIMPLE tax regime

11.1 General information

It is an optional tax model of annual causation and bimonthly payment that replaces the Income Tax and integrates the Industry and Commerce Tax - ICA -, its complementary notices and boards and the Consumption Tax in the case of restaurants and food services.

The generating event is the receipt of income that can result in an increase in equity.

The tax base consists of all gross income, ordinary and extraordinary, received during the taxable period. With regard to these elements of the tax, it should be noted that the autonomy of the territorial entities to define the taxable event, the tax base and the rate for the consolidated ICA is maintained.

With regard to the consolidated ICA, the municipal authorities retain the autonomy to define its essential elements, and with regard to the rate, the municipal councils have until December 31, 2020, to issue agreements to set the consolidated ICA rates.

11.2 Taxpayers

Regarding the taxpayers of the unified tax, the Financing Law establishes certain requirements to qualify as such, among which stand out:



Be a natural person who develops a company; in the case of a legal person, its shareholders must be resident natural persons. In Colombia.



That in the previous tax year they had a gross income of less than 100.000 UVT (12.000 UVT for professional, technical, or scientific services). If you are a new company, your registration will be contingent upon meeting this requirement.

Source: Comparative table prepared by PwC Colombia, extracted from Colombian tax legislation.

On the other hand, there are those who cannot be subject to this tax, such as: foreign legal entities or their permanent establishments; companies whose partners or administrators have an employment relationship with the contractor -because they are personal services-; companies that are financial entities; natural or legal persons that engage in asset management activities, intermediation in the sale of assets, leasing of assets, etc.

11.3 Tariffs

Progressive tax rates are established on the basis of the gross income received by the taxpayer, depending on the activity carried out by the taxpayer:

- Small shops, convenience stores, micro markets and hairdressers: between 1.2% and 5.6%. (you are not responsible for sales tax).
- Wholesale and retail trade, technical and mechanical services in which the material factor predominates over the intellectual one; electricians, construction services and

mechanical workshops, among others: between 3.1% and 4.5%.

- Food, beverage and transportation activities: between 3.1% and 4.5%.
- Education, health and social work: between 3.7% and 5.9%.
- Professional, consulting and scientific services in which the intellectual factor predominates over the material factor, including professional services: between 7.3% and 8.3%.

On the other hand, taxpayers are obliged to make an advance payment of the unified tax every two months by means of payment receipts of the SIMPLE regime (these documents must contain information on the income corresponding to each municipality or district).

11.4 Anti-Circumvention measures

Although the law defines some requirements for access to this regime, the legislator considered it appropriate to establish some guidelines in order to prevent any tax abuse.

In this sense, some measures have been introduced to reduce the risk of tax evasion by the taxpayer, such as the consolidated assessment of income when the individual owns or is a shareholder or manager of several companies.

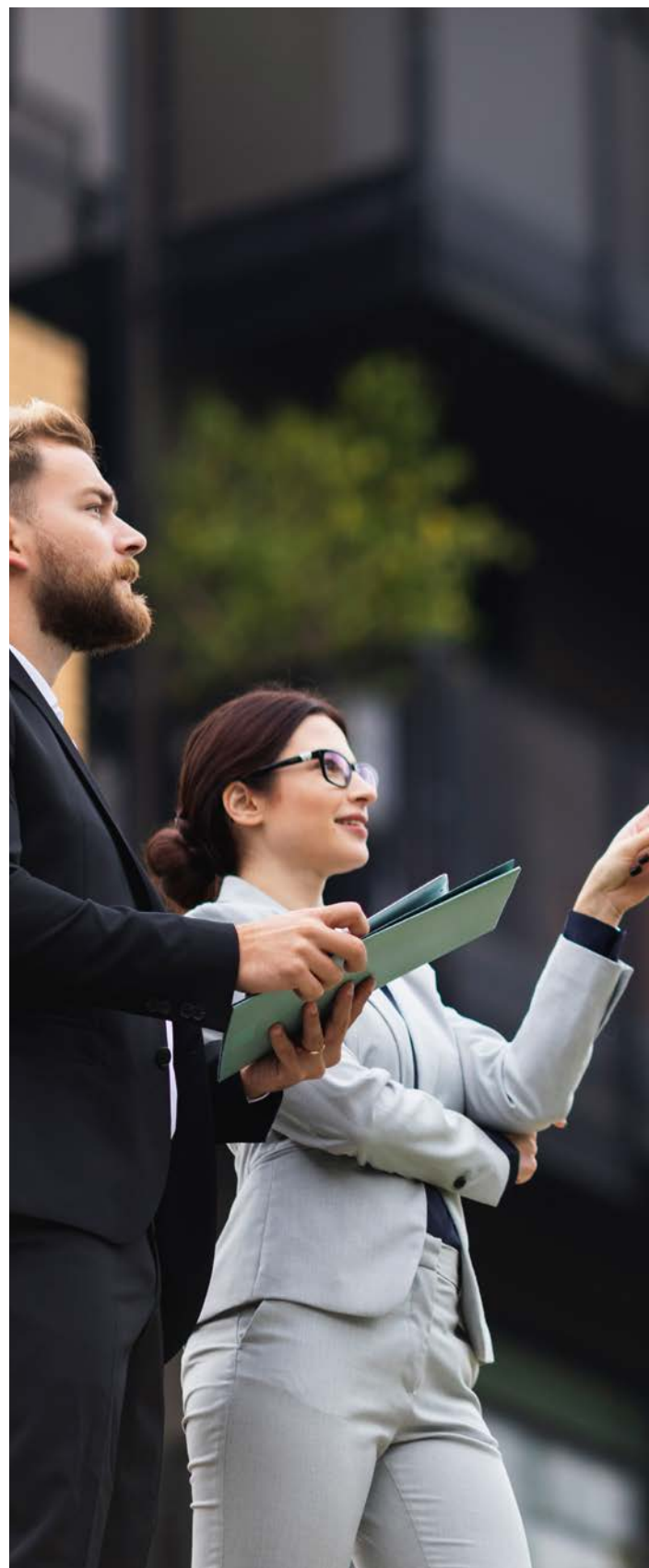
11.5 Withholding at the Source

Subjects under this regime are not subject to withholding and are not required to withhold or self-withhold, except in relation to employment payments.

In addition, it has been established that the recipient of the payment (the taxpayer of the ordinary regime and the withholding agent) will be required to withhold the tax paid by the taxpayers of the unified tax on the purchase of goods and services. This is without prejudice to the withholding of VAT by taxable persons when they acquire movable tangible property or taxable services from persons registered under this regime.

11.6 Others

- Taxpayers of the unified tax under the simple tax regime of groups 2.3 and 4 are liable for VAT or excise tax.
- The rules of procedure, sanctions and finality of the unified tax returns will be those provided for in the Tax Statute.
- Taxpayers of the simple tax regime engaged in the sale of food and beverages could declare and pay the sales tax through the SIMPLE regime.
- If the taxpayer fails to make the payments corresponding to the total of the unified tax period (delay of more than one month), he/she will be excluded and will not be able to opt for it in the tax year following the one in which the failure occurred.



12. Industry and Commerce Tax - ICA - and related notices and bulletins

It is a territorial tax that taxes the income derived from the exercise of industrial, commercial and service activities carried out directly or indirectly by natural persons, legal entities or de facto companies in the respective municipal jurisdictions.

The taxable base of this industry tax is made up of all ordinary and extraordinary income received during the taxable year, including income from financial returns, commissions and, in general, all those not expressly excluded by this article. .

Income corresponding to exempt, excluded or non-subject activities is not part of the tax base, nor are returns, rebates and discounts, exports or the sale of fixed assets.

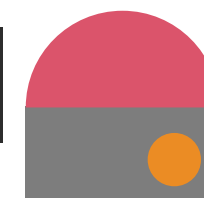
Taking into account the Unified Tax under the Simple Taxation Regime - SIMPLE - which integrates, among others, the industrial tax and the consolidated trade, it is appropriate to mention that the new regulations preserved, at the head of the territorial entities, the autonomy to define the elements of the tax (i.e.: taxable event, tax base, rate and taxpayers).

The rates of the Industry and Commerce Tax are set by the Municipal Councils within the following limits:

Actividad	Tarifa
Industrial	From two to seven per thousand (0.02% – 0.07%)
Commercial and Services	From two to ten per thousand (0.02% – 0.1%)

Source: Comparative table prepared by PwC Colombia, extracted from Colombian tax legislation.

The Billboard and Signs Tax is a territorial tax, complementary to the Industry and Commerce Tax, which is levied on the installation of billboards, posters and signs in public spaces; in other words, this tax is levied and collected from all individuals, legal entities or companies - carrying out industrial, commercial and service activities in the corresponding municipal jurisdictions - that use public spaces to advertise or publicize their business or trade name by the aforementioned means. The tax base of this tax is the value to be paid for the Industry and Commerce Tax and the rate is 15%.



13. Uniform property tax

The unified property tax is levied on land or real estate located in urban, suburban or rural areas, with or without buildings; consequently, the taxpayers of this tax are the owners or holders of real estate. This tax is justified by the fact that real estate is the characteristic element of income concentration and, therefore, real estate is taxed.

The taxable base of this tax is the current cadastral valuation, adjusted by the Consumer Price Index (IPC, by its acronym in Spanish). In areas such as the capital district of Bogotá, the tax base is based on the taxpayer's self-assessment.

The applicable rate depends on the quality of the property, that is, whether it is rural, urban or suburban, and varies between 5 and 16 per thousand (between 0.5% and 1.6%), taking into account the economic destination of each property.

This tax is 100% deductible in the income tax return, provided that the property tax is causally related to the income-generating activity.

14. Registration Tax

The registration tax is a tax that affects all documentary legal acts, contracts or transactions that must be registered with the Chambers of Commerce and the Public Deeds Offices. In the event that the act, contract or transaction must be registered in both of the aforementioned places, the tax will be generated exclusively in the Public Registry.

It must be taken into account that:

- Taxpayers are the contracting parties and beneficiaries of the act submitted for registration.
- The taxable base of this tax is constituted by the value included in the document containing the act, contract or legal transaction. In the case of documents without value, the tax base is determined according to their nature.

The fee is as follows:

- Acts, contracts or legal transactions with an amount subject to registration in the registries of public instruments: between 0.5% and 1%.
- Acts, contracts or legal transactions involving an amount subject to registration with the Chambers of Commerce, except those involving the creation and/or increase of the premium for the placement of shares or social quotas of companies: between 0.3% and 0.7%.
- Acts, contracts or legal transactions with an amount, subject to registration with the

Chambers of Commerce, which imply the creation and/or increase of the premium for the placement of shares or social quotas of companies: between 0.1% and 0.3%.

- Acts, contracts or legal transactions without amount, subject to registration in the Public Deeds Registry or in the Chambers of Commerce: between two and four daily legal minimum wages in force.

Years	Maximum percentage that can be supported without e-invoicing
2020	30%
2021	20%
2022	10%

Source: Comparative table prepared by PwC Colombia, extracted from Colombian tax legislation.

The power to regulate the sales invoice and its equivalent documents is granted to the DIAN (at present it is headed only by the National Government - Ministry of Finance). For this purpose, it is established that DIAN will announce the calendar and the subjects obliged to invoice that must start the implementation of the electronic invoice during the year 2020.

In accordance with Article 1.6.1.4.1.16. of Decree 1625 of 2016, it is established that the equivalent documents generated by cash registers with POS system do not grant the purchaser the right to VAT discounts, costs and deductions, but if the purchaser requires it, he can request the corresponding invoice from the establishment.

From January 1 to March 31, 2020, those who are obliged to issue an electronic invoice and have not complied with this obligation, will not be subject to the sanctions provided for in the Tax Statute, nor will they be subject to ignorance of costs and expenses, provided and when they meet the following conditions:

15. Tax procedures and formalities

15.1 Electronic invoicing

As of March 31, 2020, an electronic invoice is required for the source of deductible taxes and deductible costs or expenses according to the following table:

Issue invoices by traditional methods other than electronic.

Demonstrate that the reason for not issuing electronic invoicing is due to: i) technological impediment; or ii) justified commercial inconvenience.

Source: Comparative table prepared by PwC Colombia, extracted from Colombian tax legislation.

15.2 Others

15.2.1 New Joint Owners

The following are included as jointly and severally liable with the taxpayer for payment of the tax:

- The persons or entities that have been part of transactions with the purpose of evasion or abuse, due to the taxes, interest and penalties not collected by the Tax Administration.
- Those who guard, manage or in any way administer assets in funds or vehicles used by their participants for the purpose of tax evasion or abuse, with knowledge of the transaction or transactions constituting tax abuse.

15.2.2 Mutual Agreement Procedure - MAP

Assistance in this regulated procedure can be requested in the double taxation treaties signed by Colombia through a formal request to the DIAN, with the following characteristics:

- In order to have access to the procedure, the taxpayer must withdraw the appeal at the administrative headquarters and this withdrawal must be accepted by the DIAN.
- The DIAN will establish the details of the procedure by resolution.
- The agreements signed by the competent authority in the development of the MAP established in the CDI (agreements to avoid double taxation):

- They will have the same legal nature as a final court decision, for which they will have executive merit.

- They will not be appealed.

- They may be implemented at any time, regardless of the duration of the declaration.



15.2.3 Electronic notification

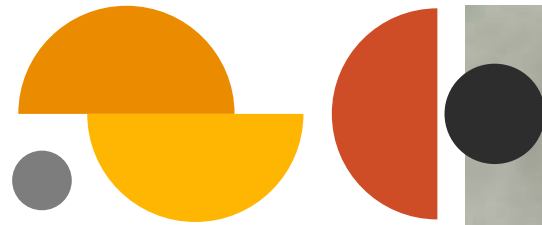
As long as the taxpayer, withholding agent and/or declarant has registered their electronic address in the RUT, all administrative acts can be notified there. It is understood that the taxpayer has expressly requested to be notified by electronic means.

Also, this notification mechanism will be extended to the actions carried out by the tax authority, such as: requests, orders that order inspections, locations, among others, and a box will be activated in the RUT to inform the email address of their

representatives and thus send a copy of the proceedings to the latter.

From a legal point of view, the electronic communication is considered to have been made on the date of sending the administrative act by e-mail; however, the time limit for informing the tax authority of the impossibility of accessing the content of the message within three days of receiving it is maintained.

With regard to the orders that decide resources, the applicable period of the following ten (10) days in which the taxpayer has to appear is specified, which



is counted from the day following the date of introduction of the summons notice by mail. This electronic notification system extends to administrative acts issued by the UGPP (Spanish for Pension Management and Parafiscal Contributions Unit of Social Protection).

15.2.4 Audit utility

It is established - for the taxable periods 2020, 2021, 2022 and 2023 - the audit advantage for those taxpayers who increase the net income tax by at least 30%, in relation to the immediately preceding year, through which said liquidation it will become firm within six months following the date of its presentation.

If the increase in the net income tax is at least a minimum percentage of 20% in relation to the net income tax of the immediately preceding year, the income statement is final if, within the twelve months following the date of its presentation, no notice has been given: request for correction, special request, special summons or provisional liquidation, and the declaration is duly presented in due time and payment is made within the terms established for this purpose by the National Government.



Firmness	Requirement
6 months from its presentation	Increase net income tax by at least 30% compared to the previous declaration. No summons to correct or special demand or special summons or provisional liquidation has been notified.
12 months from its presentation	Increase net income tax by at least 20% compared to the previous declaration. No summons to correct or special demand or special summons or provisional liquidation has been notified.

Source: Comparative table prepared by PwC Colombia, extracted from Colombian tax legislation.

It is important to emphasize this:

- It does not apply to taxpayers who benefit from tax advantages due to their location in a specific geographical area.
- In the event that the return subject to the audit shows a tax loss, the DIAN may exercise its powers of inspection in order to determine the origin or inadmissibility of this loss and, consequently, its compensation in subsequent years.
- In the case of taxpayers who, in the years prior to the period in which they wish to benefit from the audit, have not submitted income and additional tax returns and who do not comply with this obligation within the time limits indicated by the National Government, for the taxable periods 2020 to 2023, the final terms of the settlement provided for in this benefit will be applicable, for which the net income tax payable for said periods will be increased by the percentages established above.
- If it is shown that the declared withholding does not exist, the benefit will not be paid.

07

Corporate Aspects and Legal Compliance





Corporate aspects

Investment vehicles

The preferred investment vehicle for foreign and local investors is the Simplified Joint Stock Company (widely known by its Spanish acronym S.A.S.), mainly due to its flexibility in terms of incorporation process and functionality.

A branch of a foreign company is also a widely used investment vehicle in Colombia, especially by foreign investors in the mining and hydrocarbon industries, due to the foreign exchange benefits for this sector. In Colombia, investment vehicles are supported by constitutional principles such as the right to equal treatment and the protection of free enterprise and private initiatives. Below you will find a summary of the main legal aspects of the most common investment vehicles in Colombia, as well as their incorporation procedures.

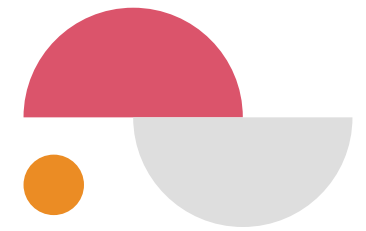
Types of Investment vehicles

- **Simplified Stock Company (S.A.S.):** It may be formed by one or more natural or legal persons, who shall be liable only up to the amount of their respective contributions. It should be noted that both the incorporation and the modification of the articles of association can be carried out by means of a private document. Its name must always be followed by “S.A.S.” or by the words “Sociedad por Acciones Simplificadas” (Spanish for Simplified Joint Stock Company).
- **Stock Company or Corporation (S.A.):** This type of company must have a minimum of five (5) shareholders (either natural or legal persons, Colombian or foreign), who are liable only up to the amount of their respective contributions. It is formed by means of a public deed drawn up before a public notary and registered at the Chamber of Commerce of the company’s domicile, as well as its bylaw’s amendments¹. The company name must always be followed by “S.A.” or the words “Sociedad Anónima” (Spanish for Joint Stock Company), and they must appoint a statutory auditor.

35. It is possible to incorporate an S.A. or a Ltda./LLC by private document if the requirements established in article 22 of the Law 1014 of 2006 are complied with.



- Limited Liability Company (LLC or Ltda.): This type of company must be formed by means of a public deed executed before a notary², with a minimum of 2 members (either natural or legal persons, Colombian or foreign), who are liable up to the amount of their capital contribution, except for labor and tax obligations, in which case they are jointly liable with the company. Any bylaw amendments or any transfer of the company's shares (equity interests) must also be made by way of a public deed. The company name is always followed by "Limitada" (Spanish for Limited) or "Ltda". (Abbreviation in Spanish as LLC).
- Branch of a foreign company: Under Colombian commercial legislation, a branch of a foreign company is considered a commercial establishment necessary for a company incorporated and domiciled abroad to develop permanent activities and business in Colombia. In this sense, from a legal point of view, the Branch of a Foreign Company and its head office are considered the same legal entity, so the head office is fully liable for all the obligations of its branch. The branch office must be incorporated by public deed. Its bylaws and governing bodies are those of its headquarters. The branch office is required to appoint a statutory auditor (external auditor).



Colombian legislation provides for other types of companies, such as limited partnerships (Sociedades en Comandita) and general partnerships (Sociedades Colectivas). However, these are used to a lesser extent.

Finally, among the investment vehicles mentioned above, it should be noted that since the entry into force of Law 1258 of 2008, which created the simplified joint-stock companies ("Sociedades por Acciones Simplificadas" or "S.A.S." in Spanish), this type of company has become the investment vehicle of choice for foreign investors as well as local entrepreneurs, mainly due to the flexibility of its incorporation process and functionality.

36. It is possible to incorporate an Ltda./LLC or a S.A. by private document if the requirements established in article 22 of the Law 1014 of 2006 are complied with.

Table 1:

Comparative chart: Branch Office of Foreign Company and Simplified Stock Company - S.A.S. (for its acronym in Spanish)

Members, Legal Status and Liability		Capital	
Branch of a foreign company	Simplified Stock Company – S.A.S. (for its acronym in Spanish)	Branch of a foreign company	Simplified Stock Company – S.A.S. (for its acronym in Spanish)
<p>Is a commercial entity owned by the head office and therefore has no legal personality other than that of the head office.</p> <p>As a result, the contingencies of the Colombian branch flow directly to the head office.</p>	<p>It is an autonomous legal entity, different from its shareholders.</p> <p>It may be constituted by one or more natural or legal persons.</p> <p>The shareholders shall not be liable for any labor, tax or other obligations entered into by the Company, except when the Company is formed to violate the law or cause harm to third parties.</p>	<p>The branch of a foreign company has a capital allocated by its head office, which, as in the case of commercial companies, is in principle the general pledge of its creditors and must be paid in full at the time of its incorporation.</p> <p>In addition, the branches of foreign companies have a “floating capital” called the Supplementary Investment to the Assigned Capital (ISCA for its Spanish acronym), which can be increased or decreased without the need to amend the bylaws or any prior authorizations.</p>	<p>The capital is represented by registered shares and is divided into three types: authorized capital, subscribed capital and paid-in capital.</p> <p>The term for payment of all shares subscribed shall not exceed two (2) years.</p> <p>Minimum or maximum percentages or amounts of capital stock may be established that may be controlled, directly or indirectly, by one or more shareholders.</p> <p>The bylaws may provide for the prohibition of trading in shares issued by the Company or any class thereof, provided that the duration of the restriction does not exceed ten (10) years from the date of issuance.</p> <p>This term may be extended by the unanimous vote of the shareholders for additional periods not exceeding ten (10) years. Such transactions may be subject to the prior approval of the Company’s Shareholders’ Meeting.</p>
Name, Term, and Business Purpose			
Branch of a foreign company	Simplified Stock Company – S.A.S. (for its acronym in Spanish)		
<p>As a general rule, it must use the same name as the head office and add the phrase “Sucursal Colombia” (Spanish for Colombian branch).</p> <p>Its term must be defined.</p> <p>Its purpose must be determined, and confined to specific commercial activities.</p>	<p>The company name must be followed by the phrase “Sociedad por Acciones Simplificada” or S.A.S. (Spanish for simplified corporation).</p> <p>Unlike other commercial companies, the duration of this type of company can be indefinite.</p> <p>Its purpose may be the performance of any lawful civil or commercial act, without the need to refer to a specific activity.</p>		

Special Reasons for Termination	
Branch of a foreign company	Simplified Stock Company – S.A.S. (for its acronym in Spanish)
<p>Section 4 of Law 2069/2020 (or “Entrepreneurship Law”) abolished the reason for dissolution of companies and branches of foreign companies. This causality consisted in the fact that if companies/branches of foreign companies showed losses that reduced the net worth of the company below fifty percent (50%) of its subscribed capital/assigned capital, they would automatically find themselves in a dissolution ground.</p> <p>The law gave the shareholders/headquarters a reasonable period of eighteen (18) months to take the necessary or conducive measures or actions to remedy the situation.</p> <p>However, the section establishes that failure to comply with the going concern assumption at the end of the fiscal year shall constitute grounds for dissolution of commercial companies/branches of foreign companies.</p> <p>Therefore, if the occurrence is reasonably verified, the managers may only carry out operations within the ordinary course of business and must immediately convene a shareholders’ meeting or a board of partners to inform, in a documented manner, the situation so that the main corporate body can take the decisions regarding the continuity or dissolution and liquidation of the company.</p> <p>Otherwise, officers may be jointly and severally liable for damages caused to the Company’s employees or third parties.</p>	
Branches of foreign companies are liquidated for the same reasons as the parent company, considering that the branch is dependent on the existence of the parent company, or by the end of its term.	<ul style="list-style-type: none"> • Due to expiration of the term. • Due to the impossibility of developing its corporate purpose. • Due to the initiation of judicial liquidation proceedings. • By the will of the shareholders. • As determined by the bylaws.

Utili	
Branch of a foreign company	Simplified Stock Company – S.A.S. (for its acronym in Spanish)
It has the same handling procedure as commercial companies, which means that profits can be approved by the head office.	<p>Unless a different majority is established in the bylaws of the company, the decision regarding the distribution of profits may be adopted with the affirmative vote of a group of shareholders representing at least one half plus one share of the total number of shares present.</p> <p>These types of companies are not required to distribute a minimum number of shares.</p>

Fuente: cuadros comparativos de elaboración propia por PwC Colombia, extraído de la legislación mercantil colombiana.

Documentation and procedures required for the establishment of an S.A.S. and branches of foreign companies

Considering that the investment vehicles most used by foreign investors in Colombia are the S.A.S. and the Branch Offices of Foreign Companies, we will only review the required documents and the incorporation process of these two vehicles.

Documents required to form an S.A.S.

- Certificate of good standing and representation of each of the shareholders (if they are legal entities).

- Copy of ID of each shareholder (if they are natural persons).
- Articles of incorporation and bylaws for the new company.
- As applicable, powers of attorney granted by each of the shareholders.
- If the S.A.S. to be incorporated has an individual as its sole shareholder, Decree 667 of 2018 has established that the company must file, along with the incorporation documents, a form declaring the control situation to be established. This document must be signed by the sole shareholder of the S.A.S.
- Format for the Chamber of Commerce to perform the procedure of issuance of tax ID pre-number and Unified Tax Registration Certificate - RUT.

Documents for the Establishment of Branches of Foreign Companies

- Certificate of good standing and representation of the parent company.
- Complete parent company bylaws and articles of incorporation.
- Resolution issued by the competent body of the parent company regarding the registration of a branch of a foreign company. This resolution must include the items listed in Article 472 of the Colombian Commercial Code.
- Powers of attorney, as applicable, granted by the head office.

Requirements for legalization of documents issued or executed abroad:

- All documents issued or executed abroad must be apostilled or legalized through diplomatic channels in the country of origin.
- Any document written in a language other than Spanish must be translated by a translator certified by the Colombian Ministry of Foreign Affairs.



Step 1: (1 Business Day)

- Signing of the incorporation document that includes the bylaws of the new company and appoint the legal representatives and auditors (if any) of the new company.
- Notarization of the signatures on the incorporation document or approval of their contents, if not all the shareholders are the ones who directly file the documents with the Commercial Registry.
- In the case of a branch of a foreign company, all the documents listed here



Step 2: (4 Business Days)

- Registration of the new company or branch of a foreign company with the Chamber of Commerce.
- Expenses: The registration tax is levied at a rate of between 0.7% and 1% of the subscribed capital of the S.A.S. or of the allocated capital of the branch of a foreign company, depending on the city of domicile. In Bogotá, for example, the authority charges 0.7%, while in Barranquilla it charges 1%.
- Registration fees (calculated on the basis of a table of values established by the Chambers of Commerce).
- It should be noted that both the Registration Fee and the Business Registration Fee, as well as the Registration Tax, must be paid to the Chamber of Commerce upon submission of the documents, either in cash, by cashier's check, by debit or credit card, or online.

as necessary for the incorporation of this type of company must be notarized, which may take approximately 4 days.



Step 3: (1 Business Day)

- Final registration in the Unified Tax Registry (RUT) and obtaining the final Tax Identification Number (NIT) from the National Revenue Agency, for which, among other things, the address of the registered office of the new company or branch of a foreign company must be provided.



Step 4: (1 Business Day)

- Update the business registration to include the NIT.



Step 5: (1 Business Day)

- In the case of a branch of a foreign company, once the branch has been established, the head office must transfer the capital allocated to it, for which it must fill out an exchange form.



Functioning of company, bylaw amendments and right to withdraw from a company

Functioning

In general, commercial enterprises do not require prior authorization from any governmental authority to function or operate. As an exception, commercial companies engaged in financial, stock exchange or insurance activities, as well as any other activity related to the management, use and investment of funds collected from the public, require prior authorization to operate from administrative authorities such as the Superintendencia Financiera (Superintendency of Finance). This is the case for banks, trust companies, stock exchanges, brokerage firms, and insurance companies, among others.

Bylaw Amendments

In general, amendments to the bylaws not require the approval of the authorities, except in the case of amendments to the bylaws that involve a corporate reorganization, such as mergers or spin-offs, to name a few, which are subject to the verification of special procedures of publicity and notice, both to the partners

or shareholders and to the creditors of the companies involved in the amendment. On the other hand, the reduction of capital with effective reimbursement of contributions is a modification of the bylaws that requires prior approval by the Superintendencia of Companies.

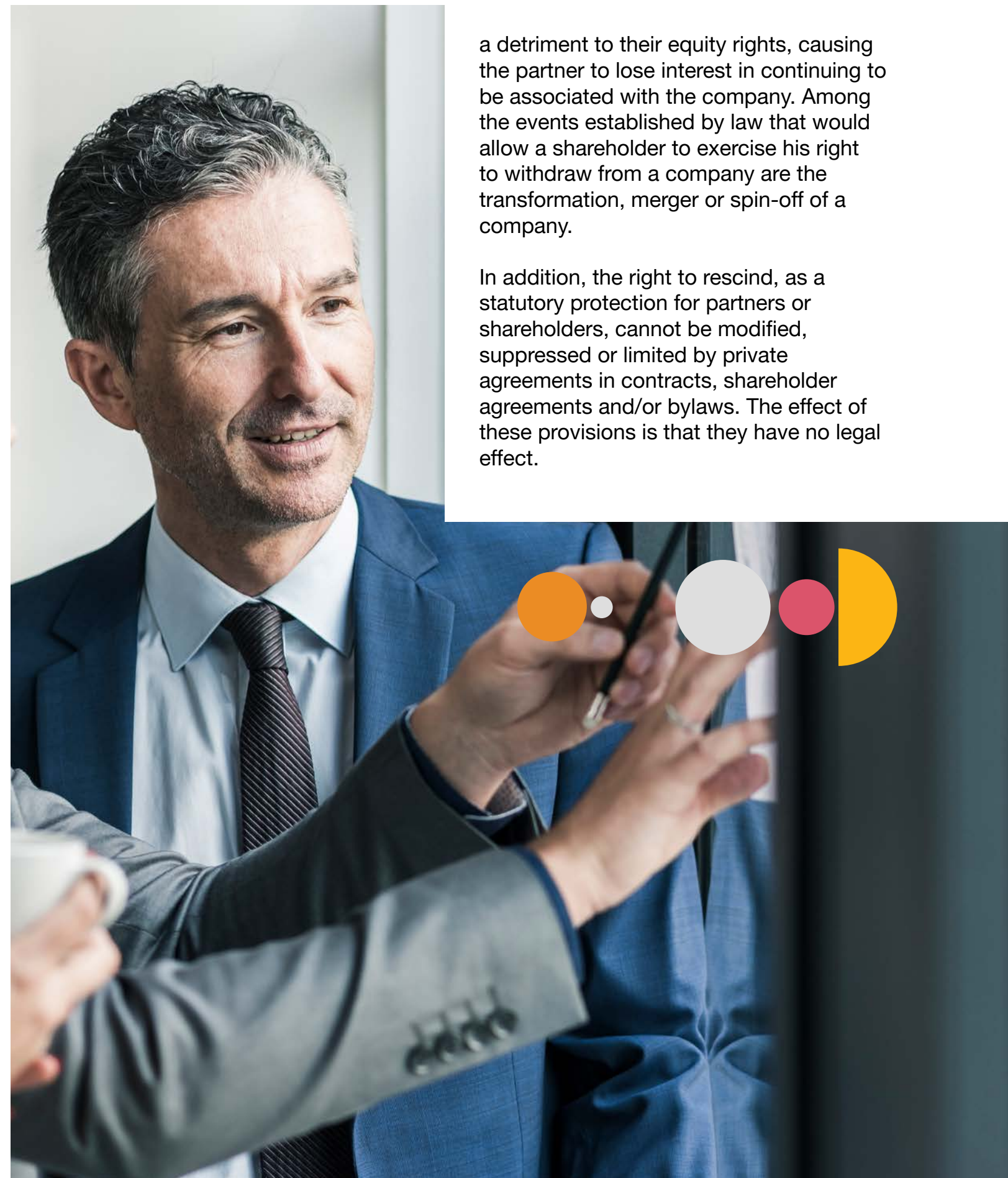
The decision to reform the company's bylaws must be approved at a meeting of shareholders or of the Board of Partners, through the preparation of minutes in which the changes are recorded. The minutes must meet all legal and statutory requirements and, depending on the case, must be made a public record or simply recorded in a private document.

Right to Withdraw from the Company

The right of withdrawal is defined as the possibility for an absent or dissenting shareholder or partner to withdraw from the company, with the consequent return of the contributed capital. When the main body of the company makes a decision that involves a change that creates a greater liability or

a detriment to their equity rights, causing the partner to lose interest in continuing to be associated with the company. Among the events established by law that would allow a shareholder to exercise his right to withdraw from a company are the transformation, merger or spin-off of a company.

In addition, the right to rescind, as a statutory protection for partners or shareholders, cannot be modified, suppressed or limited by private agreements in contracts, shareholder agreements and/or bylaws. The effect of these provisions is that they have no legal effect.





Parent companies and subsidiaries

Corporate groups

A company is subordinated or controlled when its decision-making power is subject to the will of one or more other legal or natural persons, referred to as the parent company or controller. This control can be economic, political, or commercial.

Control may be exercised primarily through a majority or controlling interest in the capital stock of the controlled entity, or through the execution of a contract or action that may exercise a dominant influence over the governing bodies of the controlled entity.

If the subsidiary is directly controlled, it is called a first-tier subsidiary. If it is controlled by other subsidiaries of the parent company, it is called a lower-tier subsidiary. In this regard, it is important to emphasize the following points:

- I.**
The legislation recognizes that there may be subordination of one entity to another without the need for a capital interest.
- II.**
It is also recognized that individuals or unincorporated associations may exercise control.
- III.**
The majority participation in the company's capital may be for speculative or strategic purposes, not necessarily with the intention of configuring a control situation.
- IV.**
In order to determine whether there is a natural group of companies consisting of several legal entities, in addition to the above-mentioned subordination, there must be a uniform purpose and a uniform direction in the commercial activities of the various entities.
- V.**
For the above purposes, the law considers that there is unity of purpose and direction when the existence and activities of all entities pursue a common purpose or goal determined by the parent company or by a controlling entity exercising its power of control over the entire set or body. This does not interfere with the ability of each company to pursue its own specific lines of business.

Pursuant to the provisions of Article 30 of Law 222/1995, the Superintendency of Companies may, on its own or at the request of any interested party, declare the control situation and order its registration in the Commercial Register if it is not declared to the Commercial Register within thirty (30) days following the establishment of the control situation and/or the group of companies. In addition, Section 86 of the same law establishes that the Superintendency of Companies may or may not impose successive penalties up to an amount of 200 minimum legal salaries, which for 2022 is an amount of COP \$200,000,000 (approximately USD \$43,478 with TRM of \$4,600 COP/\$1 USD).

Financial Statements

The purpose of financial statements is to serve as a means of information for those who do not have access to the records of a company to know the controlled resources, the obligations by virtue of which they have to transfer resources, the changes experienced by these resources and the results obtained during the period.

In this regard, the law requires commercial companies to settle their accounts and prepare general purpose financial statements at least once a year as of December 31, without prejudice to the

possibility of the partners or shareholders to agree on a different and additional date in the company's statutes.

General purpose financial statements are those prepared at the end of a given reporting period to be known by unspecified users to satisfy the general interest of the public in evaluating the ability of an economic entity to generate favorable cash flows in the future; and these are the financial statements that are used as a basis for distributing profits. The financial statements include the statement of financial position or balance sheet, the statement of operations, the statement of changes in equity, the statement of cash flows, and the statement of cash flows.

Profit

Profits shall be distributed on the basis of financial statements prepared in accordance with generally accepted accounting principles in proportion to the paid-up portion of the par value of the shares or interests held by each shareholder, unless otherwise provided in the agreement.

If there are any provisions which deprive any shareholder or member of his right to share in the profits or earnings of the corporation, such provisions shall be deemed never to have been written.

Inspection, surveillance and control

All commercial companies are subject to some level of supervision by a Superintendency in Colombia. This circumstance is determined on the basis of the specific activity that is considered to be the line of business of the respective company.

The level of control and supervision is generally determined by the value of the company's assets.

The different levels of monitoring are as follows:

- I. Inspection: empowers the Superintendency to occasionally request, verify and analyze any information it requires regarding the legal, economic, accounting and administrative situation of the company concerned.

- II. Vigilance (or monitoring): The Superintendency may constantly verify that the incorporation and operation of the companies are in compliance with the law and the company's bylaws.

Those companies that as of December 31 of the previous year registered assets, including general adjustments for inflation, equal to or greater than thirty thousand (30,000) current legal monthly minimum wages, which for the year 2022 would be equivalent to COP 30,000,000, (USD 6,522 approx. with TRM of \$4,600 COP / \$1 USD) are subject to the supervision of the Superintendency of Companies³⁷.

Also, those companies whose total income on the same date, including comprehensive inflation adjustments, exceeds thirty thousand (30,000) legal minimum wages in force, as well as those within any of the grounds set forth in the Numbers: 2.2.2.1.1.2.3, 2.2.2.1.1.2.4 and 2.2.2.1.1.2.5 of Decree 1074 of 2015.

The level of control and vigilance is generally determined by the value of the company's assets.

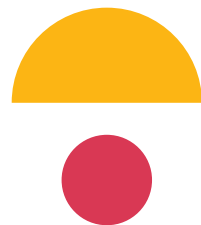
37. Calculations made under the base on 2021 Colombian minimum annual wage COP1,000.000

III.

Control: The Superintendency can remedy a critical situation, whether legal, economic, administrative or accounting.

As a general rule, commercial companies are subject to inspection, supervision and control by the Superintendency of Companies. Exceptionally, these surveillance duties may be assigned to other agencies, such as the Colombian Superintendency of Finance, the Superintendency of Health, the Superintendency of Utilities, the Superintendency of Ports and Transportation, and the Superintendency of Surveillance and Private Security, among others.

Branches of foreign companies are subject to inspection by the Superintendency of Companies and may be subject to supervision if they are involved in some of the cases provided for in Decree 2300 of 2008.



Capital Reductions

Pursuant to Article 145 of the Commercial Code, a company or a branch of a foreign company may carry out a change in the bylaws consisting of a reduction of capital with reimbursement of contributions in cash, subject to the prior approval of the Superintendency of Companies, which will issue the authorization upon the company's request and in any of the following circumstances:

I.
The company has no external liabilities.

II.
After the reduction, the company's assets are at least twice its external liabilities.

II.
The creditors of the company expressly agree in writing to the reduction of capital, regardless of the amount or number of the company's assets.



The Basic Circular of the Superintendence of Companies established the general rules for the approval of capital reductions with reimbursement of cash contributions. This applies to companies, branches of foreign companies and sold proprietorships that are not subject to supervision or control by this body, nor to supervision or control by any other Superintendency, unless they are in one of the following situations:



Table 2:

Basic Legal Circular of the Superintendency of Companies, general authorization regime for capital decreases

<p>A.</p> <p>If, notwithstanding compliance with any of the conditions set forth in Article 145 of the Commercial Code, the financial situation of the relevant entity shows one or more overdue obligations, if the noncompliance lasts for more than 90 days, and if the total of such obligations represents 10% or more of the external liabilities.</p>	<p>D.</p> <p>If the total value of the contributions to be refunded is 50% or more of the total asset value.</p>
<p>B.</p> <p>In the case of companies with liabilities arising from the issuance of bonds.</p>	<p>E.</p> <p>In the case of legal persons involved in a control situation, either as controlling entities or as subsidiaries and in respect to one or more different legal persons that are subject to the Control or supervision by the Superintendency of Companies or any other Superintendency.</p>
<p>C.</p> <p>In the case of companies, branches of foreign companies or sole proprietorships that pension obligations.</p>	<p>F.</p> <p>In the case of companies, branches of foreign companies or sole proprietorships that are implementing an agreement with creditors or a restructuring or reorganization agreement.</p>

Therefore, if the company finds itself in one of the situations for which authorization is required, it must follow the appropriate procedure before the Superintendence of Corporations.

It should be noted that the same procedure applies in cases where the premium for the placement of shares has to be refunded.

Liquidation

When a company or a branch of a foreign company is liquidated based on the decision of the shareholders or members of the parent company (as the case may be), the company or the branch must comply with the provisions of Articles 218 et seq. of the Colombian Commercial Code and any other related applicable laws and regulations. In general, a voluntary liquidation involves the following stages:

Dissolution:

The first stage of a company's voluntary liquidation begins when the shareholders or the competent body of the parent company (as the case may be) adopts the decision to liquidate the company or branch and appoints the liquidators. Once the dissolution has been approved by the main corporate body, the legal capacity of the company is limited to acts aimed at achieving immediate liquidation.





As a result of the declaration of dissolution of the company, it is necessary to add the words “in liquidation” to the name of the company or the name of the branch.

Liquidation

i. Notices and inventory: At this stage, the liquidator carries out actions aimed at liquidating the company’s assets in order to pay off its liabilities and then distribute the remainder among the shareholders or members or return it to the parent company. To this end, the liquidator shall take the following actions: (i) notify the national tax authority (DIAN); (ii) announce the liquidation process by publishing a notice in a widely circulated daily newspaper at the domicile of the company or branch; (iii) obtain the approval of the Ministry of Labor, if required by law; and (iv) prepare a financial statement of the inventory within the month following the liquidation.

At this point, it is important to point out that joint-stock companies and branches of foreign companies that are subject to the supervision and control of the Superintendency of Companies must submit for approval to the said body the inventory statement, provided that once it is prepared, it is determined that the assets are not sufficient to

cover foreign liabilities or that at the time of dissolution or termination of operations in the country they have liabilities for retirement pensions, bonds or pension securities.

ii. Realization of assets and payment of liabilities: By realizing the assets, the need to convert the total assets of the company or the total assets of the branch into cash is satisfied, so that the company still has enough funds to pay any obligations and debts to third parties.

Final statement of liquidation, remainder and extinction of legal personality

The final stage of the liquidation process is the preparation of the final liquidation account, which indicates how the remaining assets will be distributed among the shareholders or returned to the parent company, if there is one, and how the legal personality or existence of the company or branch will be extinguished. All this after making provisions for the payment of obligations that the company may have.

It should be highlighted that; the liquidation procedure may have some variations depending on the company / branch of a foreign company corporate purpose and to the Superintendency that supervises it.



Legal Compliance

According to the law, commercial companies and other legal entities must fulfill 6 periodic obligations:

1. Renewal of commercial registration.
2. Hold annual meetings.
3. File financial statements with the Chamber of Commerce of the principal place of business.
4. Financial statement reporting.
5. Register the control situation or business group.
6. Appointment of an auditor.

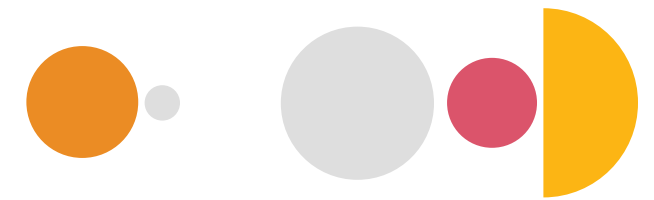
In Colombia, despite the specific obligations applicable to each sector, there are certain special obligations that must be met before certain monitoring and control bodies.

1. Review and implementation of the System of Self-Monitoring and Management of the Risk of Money Laundering and Terrorist Financing (SAGRILAFT or SAGRILAFT by its Spanish acronym).
2. Transparency and business ethics programs and international anti-corruption mechanisms.
3. Protection of personal information.

The following tables show the details of periodic and special commitments:

1. Compliance with periodic obligations

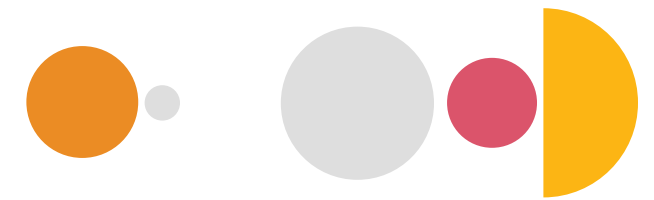
In accordance with the regulations, entities must periodically comply with certain obligations, as follows



	Renewal of commercial registration	Ordinary meetings	Deposit of financial statements at the Chamber of Commerce of the company's principal place of business
Obligation	Before March 31 of each year, all registered businessmen must renew their registration and that of their commercial establishments.	The general shareholders' meeting, or partners' meeting (depending on the type of company) and, as the case may be, the board of directors are required to hold at least one ordinary meeting per year.	Companies must deposit, within one month from the date of approval, a copy of the general purpose financial statements together with their notes and corresponding report at the respective chamber of commerce of the company's registered office.
Obligated	All commercial companies and branches of foreign companies.	All commercial companies.	All commercial companies except when the Financial Statements must be deposited with the Superintendence of Corporations.
Amount	The value of the renewal of the commercial registration is established according to the assets declared in the financial statements as of December 31 of the immediately preceding year.	Not applicable.	COP 21,600 (USD 5.0 approx.) for registration fees for each of the financial statements to be registered.
Compliance period	Within the first 3 months of the year, no later than March 31.	On the dates indicated in the bylaws, or in silence of these within 3 months following the expiration of each fiscal year. In no case shall these meetings be held after the first business day of April.	The month following the approval of the financial statements by the highest corporate body.
Sanction	Fines of up to 200 SMMLV (COP \$200,000,000 / USD \$42,421 approx.) by the Superintendence of Corporations.	Penalties or fines of up to 200 SMMLV (COP \$200,000,000 / USD \$42,421 approx.) by the Superintendence of Corporations in case of failure to hold such meetings.	Penalties or fines of up to 200 SMMLV (COP \$200,000,000 / USD \$42,421 approx.) by the Superintendence of Corporations.

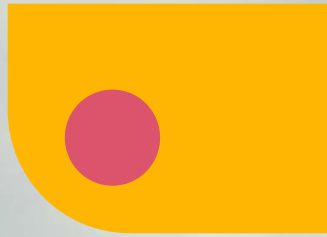
	Report of financial statements	Statement of control situation and corporate group	Appointment of statutory auditor
Obligation	Entities subject to surveillance or control by the Superintendence of Corporations are obliged to report the year-end financial statements as of December 31, certified and audited, without the need for an express order of a particular and specific nature issued by that entity.	Entities whose decision-making power is subject to the will of a third party must register such subordination situation before the Chamber of Commerce. If additionally there is unity of purpose and direction among different subordinated entities, the corporate group must be declared.	Mandatory appointment of a statutory auditor, either from the date of incorporation or from compliance with the legal requirements.
Obligated	All commercial companies and branches of foreign companies under surveillance or control by the Superintendence of Corporations.	All commercial companies that comply with the following requirements: <ol style="list-style-type: none"> 1. when more than fifty percent (50%) of the capital belongs to the parent company, directly or indirectly. 2. When the parent company and the subordinate companies jointly or separately have the right to cast the votes constituting the minimum majority of votes in the shareholders' meeting or in the assembly, or have the number of votes necessary to elect the majority of the members of the board of directors, if any. 3. When the parent company, directly, through or with the assistance of the subordinates, by reason of an act or business with the controlled company or with its partners, exercises dominant influence in the decisions of the management bodies of the company. 	Branches of a foreign company: It is always mandatory. S.A.: It is always mandatory. Companies in which, by law or by the bylaws, the administration does not correspond to all the partners, when so provided by any number of partners excluded from the administration representing not less than 20% of the capital. Commercial companies that have assets equal to or greater than 5,000 legal monthly minimum wages in force as of December 31 of the immediately preceding year (for the year 2022 it would be COP\$5,000,000,000,000 / USD \$1,085,000 approx.). Commercial companies with gross income equal to or greater than 3,000 SMMLV as of December 31 of the immediately preceding year (for the year 2022 it would be COP \$3,000,000,000,000/ USD \$651,320approx.).
Amount	The entity does not charge for the reporting of financial information.	COP 181,000 (USD 41 approx.) for registration tax and registration fees before the Chamber of Commerce for each company registered.	COP 181,000 (USD 41 approx.) for registration tax and registration fees before the Chamber of Commerce. In case the statutory auditor is a legal entity, registration fees and registration tax will also be charged for the appointment of natural persons.
Compliance period	Within the dates previously established and published by the entity, according to the last two digits of the NIT.	Within 30 days after the occurrence of the cause that gives rise to the control situation.	Once the legal requirements are met.
Sanction	Sanctions or fines up to 200 SMMLV (COP \$200,000,000 / USD \$42,421 approx.) by the Superintendence of Corporations.	Sanctions or fines up to 200 SMMLV (COP \$200.000.000 / USD \$42.421 approx.) by the Superintendence of Corporations.	Sanctions or fines up to 200 SMMLV by the Superintendence of Corporations (COP \$200,000,000 / USD \$42,421 approx.). 2. One (1) tax value unit (UVT) (COP \$38,000 / USD \$8.25 approx.), per day of delay in updating the RUT, counted as of the month following the configuration of the legal budget. month following the configuration of the legal budget.

2. Special obligations before oversight and control entities



	Implementation of SAGRILAF T policies	Business ethics and transparency program	Protection of personal data
Obligation	<p>In December 2020, the Superintendence of Companies adjusted Chapter X of the Basic Legal Circular. Since then, what was previously known as LA/FT Risk Prevention, was renamed as LA/FT/FPADM (Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction) integral risk management and self-control system.</p> <p>Through this system, the Superintendence of Companies obliges certain companies to comply with the precepts established in the regulation, to have a SAGRILAF T program that must establish, among other elements, a LA/FT/FPADM policy and a manual of LA/FT/FPADM risk management procedures, and to appoint a local compliance officer who can perform the functions stipulated in the regulation in force. The SAGRILAF T shall take into account the risks specific to the regulated company and the materiality, related to ML/FT/ATF/ATF-DRM, for which purpose the type of business, the operation, the size, the geographical areas where it operates and other particular characteristics must be analyzed.</p>	<p>Corporations that meet the following criteria must implement a transparency and business ethics program:</p> <ul style="list-style-type: none"> (i) That it is supervised by the Superintendence of Corporations. (ii) That the previous year it has done business or international commercial transactions of any nature, directly or through an intermediary, contractor or through a subordinate company or a branch, with foreign natural or legal persons under public or private law. (iii) That the business or transactions have been for amounts equal to or greater than 100 legal monthly minimum wages in force (smmlv). (iv) That the company has had in the previous year revenues or total assets equal to or greater than 40,000 smmlv. 	<p>Only companies and non-profit entities responsible for the treatment that have total assets exceeding 100,000 tax value units (UVT) as well as legal persons of public nature must register the databases no later than within two (2) months from its creation.</p>
Description	<p>1. Companies supervised or controlled by the Superintendence of Companies, with revenues equal to or greater than 30,000 SMMLV (COP \$30,000,000. 000 / USD \$6,513,201 approx.), as of December 31 of the immediately preceding year, belonging to the following sectors: real estate agents, commercialization of precious metals and precious stones, legal services, accounting services, construction of buildings and civil engineering works, virtual asset services, sectors of special supervision or special regimes Additionally, compliance with the additional requirements established for each sector in a particular manner must be verified.</p> <p>2. Companies supervised or controlled by the Superintendence of Companies, with revenues greater than or equal to or had Assets equal to or greater than 40,000 SMMLV (COP \$40,000,000,000 / USD \$8,684,268 approx) as of December 31 of the immediately preceding year.</p>	<p>Companies that as of December 31 of each year meet the above criteria will have until April 30 of the following year to adopt their respective Business Ethics and Transparency Program.</p> <p>However, Article 9 of Law 2195 of 2022, which adds Article 34-7 to Law 1474 of 2011 established that legal entities subject to the inspection, surveillance or control of the Superintendence of Companies must adopt transparency and business ethics programs that include internal audit mechanisms and standards and also that the respective superintendencies or inspection, surveillance or control authorities will determine the content of the transparency and business ethics programs taking into account criteria such as the sector, the risks of the same, the amount of assets, income, number of employees and corporate purpose. Therefore, it is expected that the Superintendence of Corporations will soon issue a regulation on this subject.</p>	<p>If the entity performs activities as responsible for the processing of personal data, it must prepare and implement, among others, the following mechanisms:</p> <ul style="list-style-type: none"> - Privacy notice: procedure to obtain the authorization of the holder prior to the start of the treatment. Tools that guarantee adequate security conditions to avoid adulteration, loss, consultation, use or fraudulent access to the information. Technological measures to protect personal and sensitive data. Internal manual of policies and procedures to comply with the law on data protection. - Elaborate the policies for the treatment of information and provide them to the national registry of databases, which is in charge of the Superintendence of Industry and Commerce.
Remarks	<p>The administrative investigations that may be applicable and the imposition by the Superintendence of Companies of the pertinent administrative sanctions to the Obligated company, the Compliance Officer, statutory auditor or its administrators, up to 200 SMMLV (COP \$200,000,000 / USD \$42,421 approx., individually or jointly, without prejudice to the actions that correspond to other authorities.</p>		
Penalty	<p>The administrative investigations that may be applicable and the imposition by the Superintendence of Companies of the pertinent administrative sanctions to the Obligated company, the Compliance Officer, statutory auditor or its administrators, up to 200 SMMLV (COP \$200,000,000 / USD \$42,421 approx., individually or jointly, without prejudice to the actions that correspond to other authorities.</p>	<p>For non-compliance with the implementation of the business ethics program, the Superintendence of Companies may impose fines of up to 200,000 SMMLV (COP \$ 200,000,000,000 / USD 42,421 approx), inability to contract with the State, among others.</p>	<ol style="list-style-type: none"> 1. Fines to natural or legal persons for up to 2,000 SMMLV (COP \$200,000,000 / USD \$42,421 approx.) by the Superintendence of Corporations. 2. Suspension of the activities related to the treatment for up to 6 months. 3. Temporary closure of operations related to the processing of personal data. 4. Immediate and definitive closure of the operation involving data processing.

Source: comparative tables prepared by PwC Colombia, extracted from Colombian commercial legislation.



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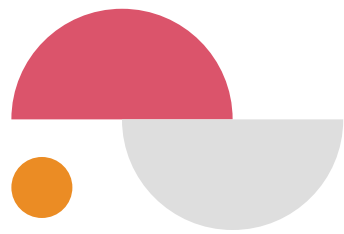


Government contracting

Government procurement is a set of rules that regulates all procedures carried out by government entities to conclude contracts necessary for the fulfillment of institutional functions, goals and objectives.

In Colombia, public contracting has a higher regulation, since it is a means to achieve the objectives of the State through contracts with individuals acting in their capacity as collaborators of the administration.

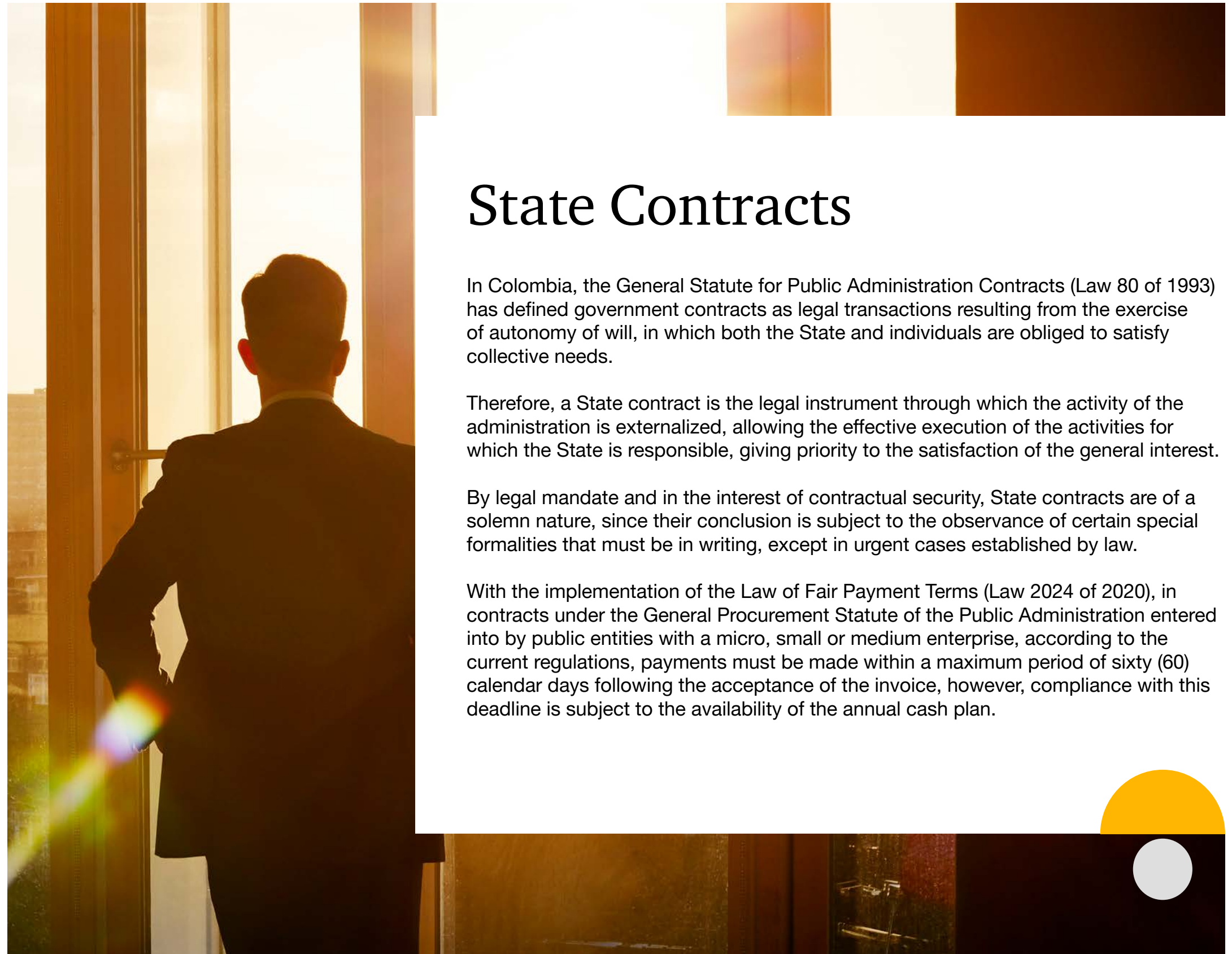




Scope

As a general rule, government entities are subject to the General Public Procurement Law, with a few exceptions that have their own specific regulations in this area. However, regardless of the contracting regime, a contract in which one of the parties is a public entity is considered a government contract, with certain exceptions, such as in the case of financial institutions or domestic public utilities. Colombia has a General Public Procurement Statute for the public administration and complementary laws and regulations that establish the guidelines for public procurement. In the event that a specific necessary rule is not established in the Articles of Incorporation, the general rules of law contained in the Colombian Civil Code and the Colombian Commercial Code shall apply.

Government procurement has overarching characteristics that derive from the purpose of government and the goals it pursues. Such purposes are an obligation both for the corresponding state agencies and for the private parties that enter into contracts with the state, to the extent that such parties and agencies always act in their condition as collaborators of the public administration.



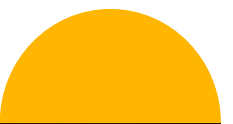
State Contracts

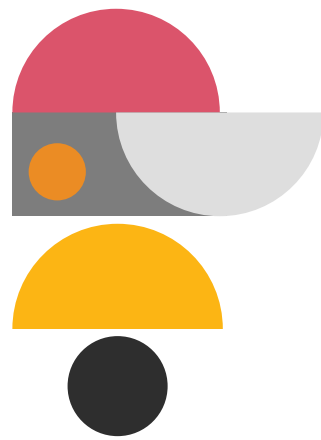
In Colombia, the General Statute for Public Administration Contracts (Law 80 of 1993) has defined government contracts as legal transactions resulting from the exercise of autonomy of will, in which both the State and individuals are obliged to satisfy collective needs.

Therefore, a State contract is the legal instrument through which the activity of the administration is externalized, allowing the effective execution of the activities for which the State is responsible, giving priority to the satisfaction of the general interest.

By legal mandate and in the interest of contractual security, State contracts are of a solemn nature, since their conclusion is subject to the observance of certain special formalities that must be in writing, except in urgent cases established by law.

With the implementation of the Law of Fair Payment Terms (Law 2024 of 2020), in contracts under the General Procurement Statute of the Public Administration entered into by public entities with a micro, small or medium enterprise, according to the current regulations, payments must be made within a maximum period of sixty (60) calendar days following the acceptance of the invoice, however, compliance with this deadline is subject to the availability of the annual cash plan.





Who is eligible to contract with the state?

All natural and juridical persons, national or foreign, who are considered to be legally competent according to the legislation in force, may enter into contracts with State entities and agencies; in other words, any person who is not in a state of incapacity or incompatibility.

Consortia and temporary associations may also enter into contracts with the state. The Colombian Public Procurement Statute recognizes these entities, which are commonly and internationally known as joint ventures.

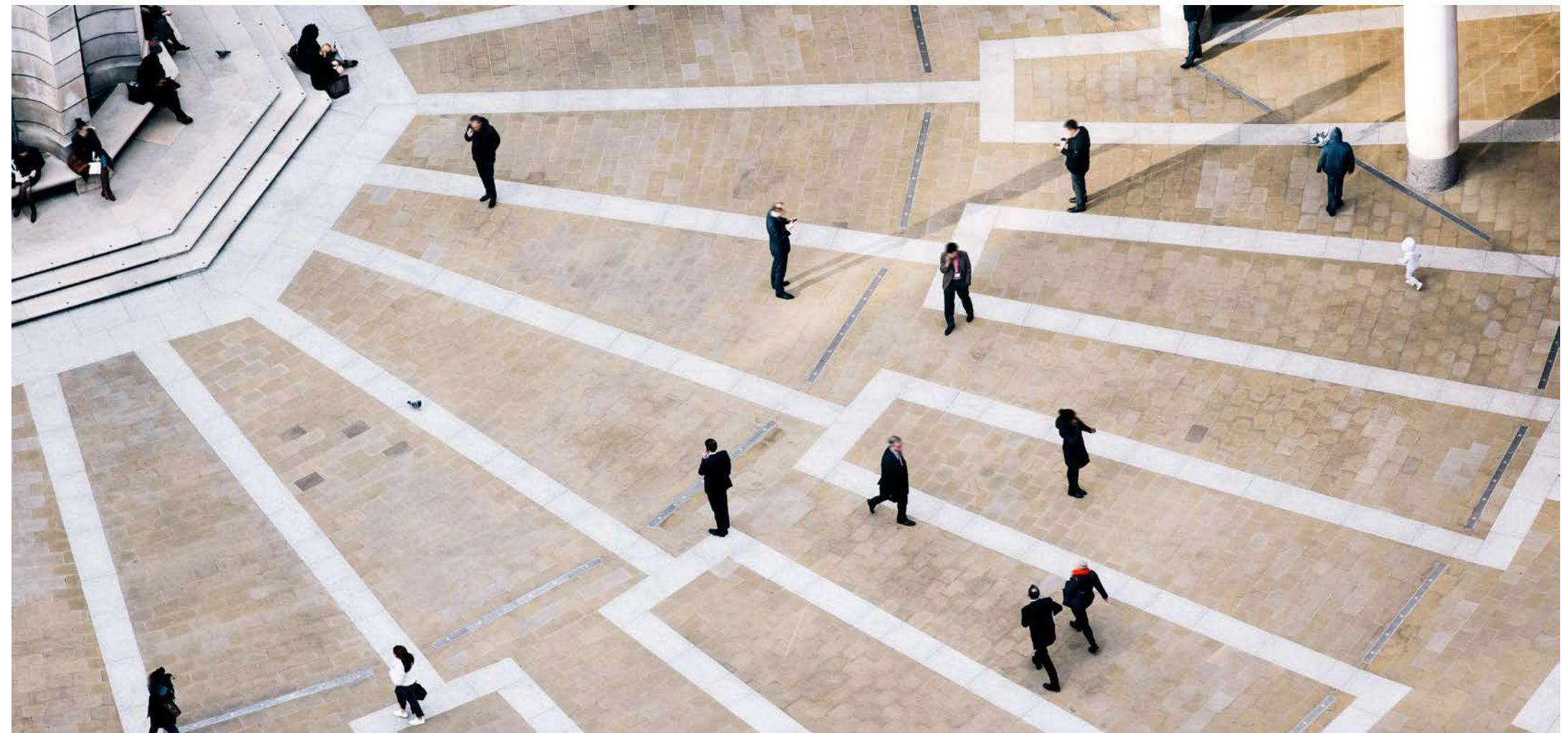
Unified Registry of Proponents - RUP (for its acronym in Spanish)

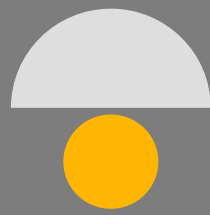
It is a registry created by law and delegated to the Chambers of Commerce throughout the country, for the registration of natural or legal persons, national or foreign, who wish to enter into contracts with public entities for the execution of works, the supply of goods or the provision of services, subject to the specific exceptions expressly provided for by law.

The purpose of the RUP is to verify the requirements that qualify bidders who intend to contract with the State in terms of their experience, legal capacity, organizational capacity and financial capacity. This is done by registering the qualification and classification that each interested party makes of the contracts it has signed before the relevant Chamber of Commerce.

Registration in the RUP allows, among other things:

1. Publication of all qualification requirements that make a proposer a qualified participant in an eventual bidding process.
2. The possibility to participate in bidding processes before governmental bodies.
3. Obtain the RUP certificate, which serves as full proof of the information contained therein, provided the registration is valid and current.





Methods for Selecting a Contractor

Generally, a contractor must be selected through a public bidding process. However, the law has established cases in which the administration signs contracts through more abbreviated procedures that are equally transparent, fair and objective, such as merit competition, abbreviated selection, direct contracting and minimum amounts.

These options are fully regulated by the law, which has established the reasons why the selection of a contractor by a procedure other than public bidding is justified, either because of the characteristics of the subject matter, the conditions of the type of contract to be concluded, the contract value or the legal nature of the contracting entity.



1. Public Bidding	2. Abbreviated Selection	3. Merit Competition	4. Direct Contracting	5. Minimum Amount
<p>It is a procedure by which the Administration makes a public invitation to parties potentially interested in entering into a contract with the Administration. It invites them to submit their proposals and then selects the most advantageous one for the purposes sought through a procurement procedure, in compliance with the terms and conditions established by the public entity that opened the bid.</p>	<p>This type of contract is intended for cases in which a simplified selection procedure can be applied because of the nature of the subject, the circumstances of the contract, the amount or the destination of the goods, services or works.</p> <p>Abbreviated selection is used on the basis of the type of object (for goods or services with uniform technical characteristics or those commonly used by the entity), its value (corresponding to the minimum amount determined according to the annual budget of the contracting entity), the sector of the administration that requires the object to be contracted (e.g. national security), whether the object of the contract relates to an activity developed by industrial and commercial enterprises of the state or mixed economy companies, the type of entity or the fact that a bidding process has been declared unsuccessful, among others. (Article 2, paragraph 2, Law 1150 of 2007).</p>	<p>This method involves selection processes that focus on criteria such as the expertise and intellectual and organizational capabilities of the proposers, among others, based on their economic criteria and using a proprietary method to select prequalified contests and open contests.</p> <p>The integration of work teams, experience and, in some cases, the development of methodologies will be the most relevant evaluation factors, leaving the economic criteria only as a factor that allows participation in the process. The purpose of this is to favor the company with the greatest talent, experience and ability, over and above the price quoted or the payment offered (Law 1150 of 2007, article 2, point 3).</p>	<p>Direct contracting is an exceptional selection process. Under this procedure, public entities may, in the cases specifically and expressly provided for by law, conclude contracts without the need to carry out competitive selection procedures. This is a simplified, abbreviated and fast procedure for drawing up a contract, based on objective criteria of public interest, so that the best offer for the administration's interests is selected.</p>	<p>The minimum amount has been established as a mechanism to contract goods or services that do not exceed ten percent (10%) of the lowest amount established for each entity (see point 2, article 2, Law 1150 of 2007), without considering the object of the contract. This is a more expeditious method of awarding contracts, in which the bid with the lowest price is selected, provided that it complies with the rules established in point 5, art. 2, Law 1150 of 2007, as amended by art. 94, Law 1474 of 2011.</p>

The Law of Entrepreneurship (Law 2069 of 2020), in its Chapter III, modified the parameters of the Minimum Amount Contract, with the aim of allowing MSMEs to participate in the public procurement market, which will be regulated by the national government.

In this sense, the public authorities must establish differentiated requirements, as well as develop programs to increase the budget allocated to make the access of MSMEs to contracting with the State more real and effective.

It is also intended to ensure that at least 2 micro, small and medium enterprises are part of the bids. Therefore, government entities, regardless of their contracting system, must adopt mechanisms to ensure the identification of potential suppliers in the MSME sector in order to establish rules that encourage and facilitate their participation in the government contracting process.

The parameters to be recognized as an MSME in Colombia are those established in Decree 957 of 2019, according to the income from ordinary annual activities in Tax Value Units (TVU*), according to the sectors of the economy concerned:



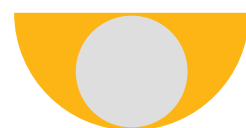
Micro Enterprise: Manufacturing sector (less than or equal to 23,563 TVU), Services sector (less than or equal to 32,988 TVU), Trade sector (less than or equal to 44,769 TVU)



Small Business: Manufacturing sector (more than 23,563 TVU and less than or equal to 204,995 TVU), Services sector (more than 32,988 TVU and less than or equal to 131,951 TVU), Trade sector (more than 44,769 TVU and less than or equal to 431,196 TVU).



Median: Manufacturing sector (more than 204,995 TVU and less than or equal to 1,736,565 TVU), Services sector (more than 131,951 TVU and less than or equal to 483,034 TVU), Trade sector (more than 431,196 TVU and less than or equal to 2,160,692 TVU).



(*) The value of the TVU for 2022 is COP 38,004.

6. Agreements or Price Framework Agreements

This mechanism is a tool for the state to aggregate demand, coordinate and optimize the value of purchases of goods, works or services of state entities:

- (i) Achieve economies of scale
- (ii) increase the bargaining power of the state; and
- (iii) Sharing costs and knowledge among different agencies or departments of the government.

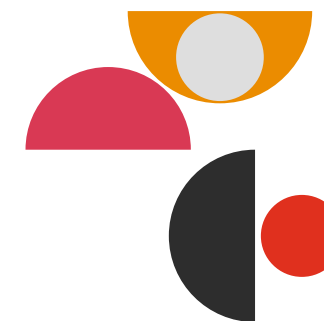
In order to comply with the principles of publicity, efficiency, effectiveness and transparency, government agencies must publish in the SECOP all information related to the selection processes they conduct.

The SECOP is the electronic tool of easy access that allows the opening of the processes to the public, so that interested parties can be informed about the selection processes carried out by the different entities, make observations or even present themselves as bidders.

Therefore, the SECOP guarantees the publication of the procurement of goods and services by the administration, thus favoring the entrepreneurs or potential bidders (national and foreign) as well as the public entities.

It is worth mentioning that as of January

1, 2020, all public entities will be required to publish their selection processes in accordance with Appendix 1 of the External Circular issued by Colombia Compra Eficiente in 2019, a document that compiles the regulations of the Public Procurement System.



Public – Private Partnerships (PPP)

Another contracting method that has become relevant to the development of large projects is public-private partnerships (PPPs), a mechanism for engaging private capital in the construction of infrastructure and related services. PPPs take the form of a concession agreement between a government entity and a natural or legal person under private law for the provision of public goods and services in various infrastructure sectors. The minimum amount of the project to be developed within the framework of a public-private partnership is six thousand (6,000) SMMLV.

Types of Infrastructure

1. Transportation or production infrastructure (road, river, rail, port and airport)
2. Infrastructure for the provision of public and social services (housing, aqueduct, sewerage and basic sanitation, electricity, telecommunications, education, prisons, health, recreation and sports, and urban renewal).
3. Energy infrastructure (mining, gas and oil).

PPPs by origin

PPPs can originate from (i) public initiatives or (ii) private initiatives. The difference between the two lies in the originator, and therefore results in a different procedure for each type:

Public Initiative PPPs

Under this model, the government entity invites individuals to participate in a public bidding process to carry out its execution. There are two levels to this model:

1. The first one, in which the structuring is done by the entity with the collaboration of that must interact with it.
2. The second is where the selection process takes place.

Private Initiative PPPs

In this model, the individual, also known as the originator, structures the project according to the conditions specified in the terms and conditions up to the pre-feasibility studies and presents it to the entity that must decide whether to reject or approve the project. Then the Feasibility Stage proceeds.

Standard documents in PPPs

Decree 342 of 2019 regulates the mandatory application of standard documents for the specification of the terms and conditions of bidding processes for public works related to transport infrastructure.

The decree will apply to transportation infrastructure projects from April 1, 2019.

In addition, the Law on Standard Specifications (Law 1882 of 2018, as amended by Law 2022 of 2020) establishes that the standard documents will be mandatory in the contractual activity of all entities subject to the General Procurement Statute, in the selection processes of public works, in the supervision of public works, in the supervision of consulting for studies and designs for public works, and in the engineering consulting for works.

Public Utilities and Services

The state may provide public utilities directly or indirectly, to organized communities or to private individuals, but in all cases the state will retain supervision, control, and regulation over these services and will ensure that the services are provided efficiently to all residents.

The Colombian State has chosen to develop the figure of the “public utility concession” as the most useful means to ensure the efficient provision of public utilities, in the form of a contract or license through which the State grants to a person (known as the concessionaire) the right to provide, operate, exploit, organize and manage all or part of a public utility or service, to provide, operate, exploit, organize and manage, in whole or in part, a particular public utility or service, defining the period for the provision of its services, the geographical area in which it is to be provided, the rules governing the rates and charges for the service and the conditions of operation, and the rules governing the use of State or private property for the provision of such public utilities.

Law 1508 of 2012 allows the State to provide, operate and maintain public service infrastructure. The use of this contracting model by the state has become more common, given the benefits it can obtain in terms of technology and innovation, risk distribution, infrastructure development, maintenance, among other factors.



Domiciliary Public Services

Law 142 of 1994 established the rules applicable to public utilities in the residential sector, which include water, sewerage, sanitation and garbage collection, electricity, distribution of combustible gas, basic telephone services and local cellular services in rural areas.

Any person purporting to provide public services in the residential sector must establish a joint-stock company for the purpose of providing public services in the residential sector, and this company must be subject to a special regime established by law.

Domestic and foreign investors can participate and invest in these companies. The Superintendence of Public Utilities will regulate these investors, and the name of their company must include the words “empresa de servicios públicos” (public services company) or the acronym “E.S.P.”, right after the S.A. or S.A.S. acronym.

In order to operate, utilities must obtain the necessary permits, authorizations and licenses to operate, depending on the nature of their activities.



Direct Provision of Services

This happens when the government contracts with a private company to directly operate all or part of a project. This model is used for projects in water supply, television services, mobile communications, local communications, and power generation and distribution.

Acquisition of Public Utility Companies

Private investors can acquire some or all of the outstanding shares of public utilities by purchasing a block of stock or significant assets owned by the company.



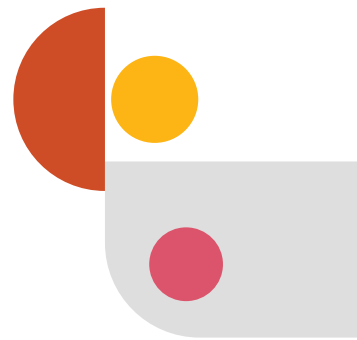
Privatizations (sale of state-owned shares)

Law 226 of 1995 establishes the procedure by which private individuals may gain access to (i) shares owned by the State, (ii) bonds compulsorily convertible into shares owned by the State, and (iii) in general, any participation by the State in the capital of a company. This process involves several distinct stages:

1. The decision to sell the participation on the shares, which takes the form of a sale program approved by decree, containing the essential elements such as the stages, structure and technical studies for the valuation of the shares, among others.
2. An exclusive offer at a fixed price must then be made to the social sectors that have priority according to Article 60 of the Political Constitution.
3. Once the offer to the social sectors is completed, the rules of the disposal program will be followed for the rest of the private interested parties.
4. Subsequently, the contract is awarded, concluded and perfected.
5. Subsequently, the necessary steps must be taken to change the ownership of the shares.
6. Finally, it is necessary to analyze the need to amend the articles of incorporation, review the termination of the company's obligations due to the fact that it is public, or change the liability regime, if applicable.
7. At these stages, there is inevitably a public interest in protection on the part of all the authorities of the Colombian State, such as the review by Defensoría del Pueblo del Programa de Enajenación.

In these stages, there is an inherent public interest to protect on behalf of all the authorities that are part of the Colombian State, such as the review of the disposal program by the Ombudsman's Office.

Thus, we find a constitutional and legal framework in which private participation in state institutions is consistently developed by the legislator, within an economic model that allows the entry of private capital, both national and foreign, under the supervision and control of state entities.



Regulatory requirements for oil and gas exploration and production

Pursuant to Section 76 of Law 80 of 1993, exploration and exploitation contracts for the production and commercialization of non-renewable natural resources such as oil and gas are subject to special legislation.

By Decree Law 4137 of 2011, it was established that the National Hydrocarbons Agency (ANH, for its acronym in Spanish) is the integral manager of the nation's hydrocarbon reserves, responsible for the promotion and optimal, sustainable use of these resources. With the modification of its legal nature, the current contractual regime for the exploration and production of hydrocarbons in Colombia was implemented.

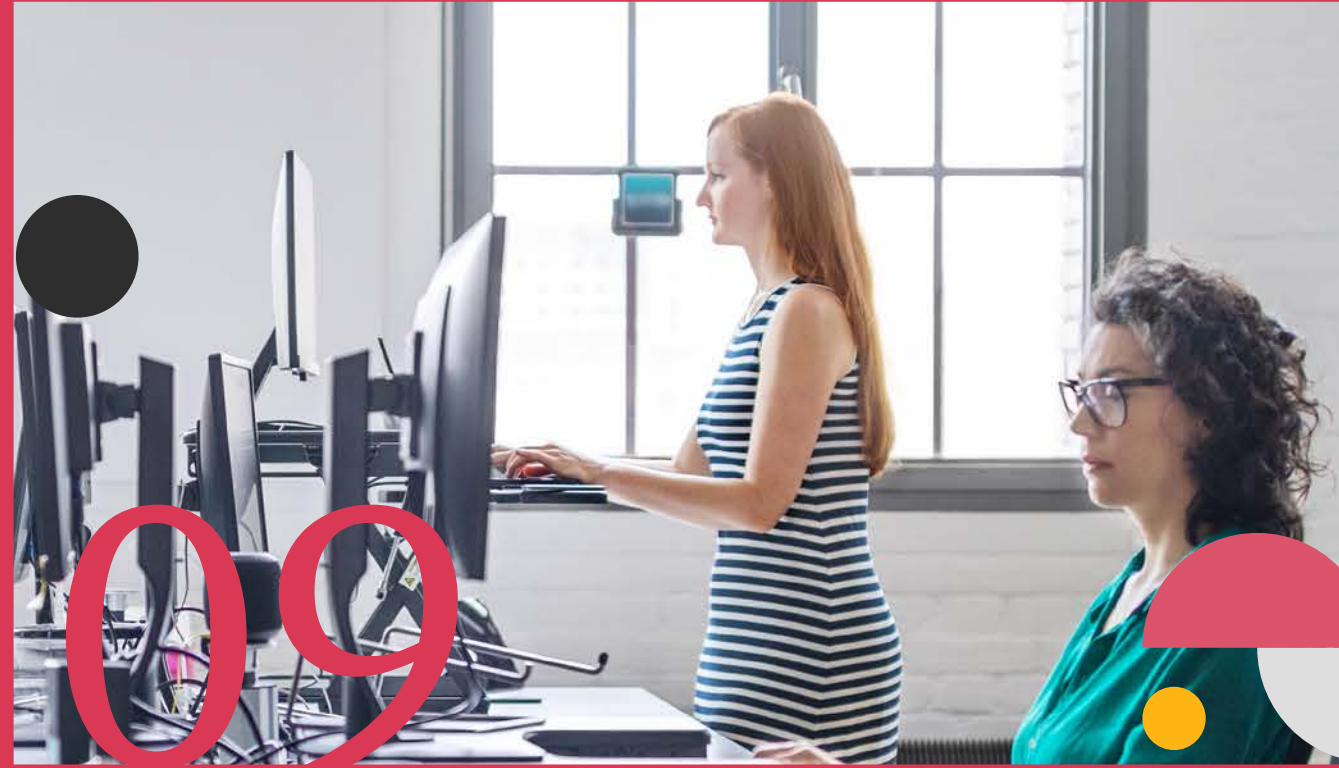
Under this system, private companies authorized to explore and produce oil and gas and Ecopetrol S.A. competed under the same conditions, without the need for an association contract, as was previously required. In some cases, however, the previous association regime is still in force, as contracts have been agreed for terms of up to 30 years.

This type of contract has the following features:

- a. To be a state contract with a special regime, not subject to the contracting regime of Law 80 of 1993.
- b. The contract must be negotiated and approved by the ANH, which will be the concessionaire.
- c. The contractor assumes 100% of the work programs, assets, costs and risks.
- d. The contractor has full autonomy and operational responsibility.
- e. The contractor has rights over all the production, once the discounts for royalties have been made, which must be made available to the ANH, according to the volume and quality of the hydrocarbons produced.
- f. For the allocation of exploration and exploitation areas, the new scheme allows a direct allocation without necessarily involving a bidding process for its allocation.
- g. In addition to the above, the contractor must process and obtain the corresponding environmental licenses from the National Environmental Licensing Authority (ANLA).

The ANH has the dual function of managing the nation's resources, following up on contracts and administering the royalties received under them. It also acts as a regulatory body.





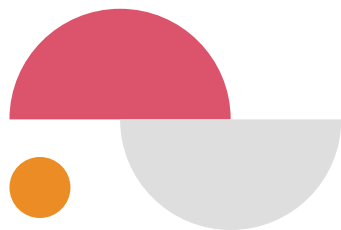
Labor Law

In Colombia, Labor Regulations are public policy and the minimum rights established by the Labor Code cannot be waived. Therefore, the employer is allowed to provide additional benefits and payments, but always in compliance with these minimums.

It is important to note that all employment contracts signed in Colombia, regardless of the nationality of the employee, are governed by Colombian law.

- Labor law is divided into two areas: Individual labor law, which regulates the relationship between employers and their employees, and collective labor law.
- The most important aspects of each are detailed below.



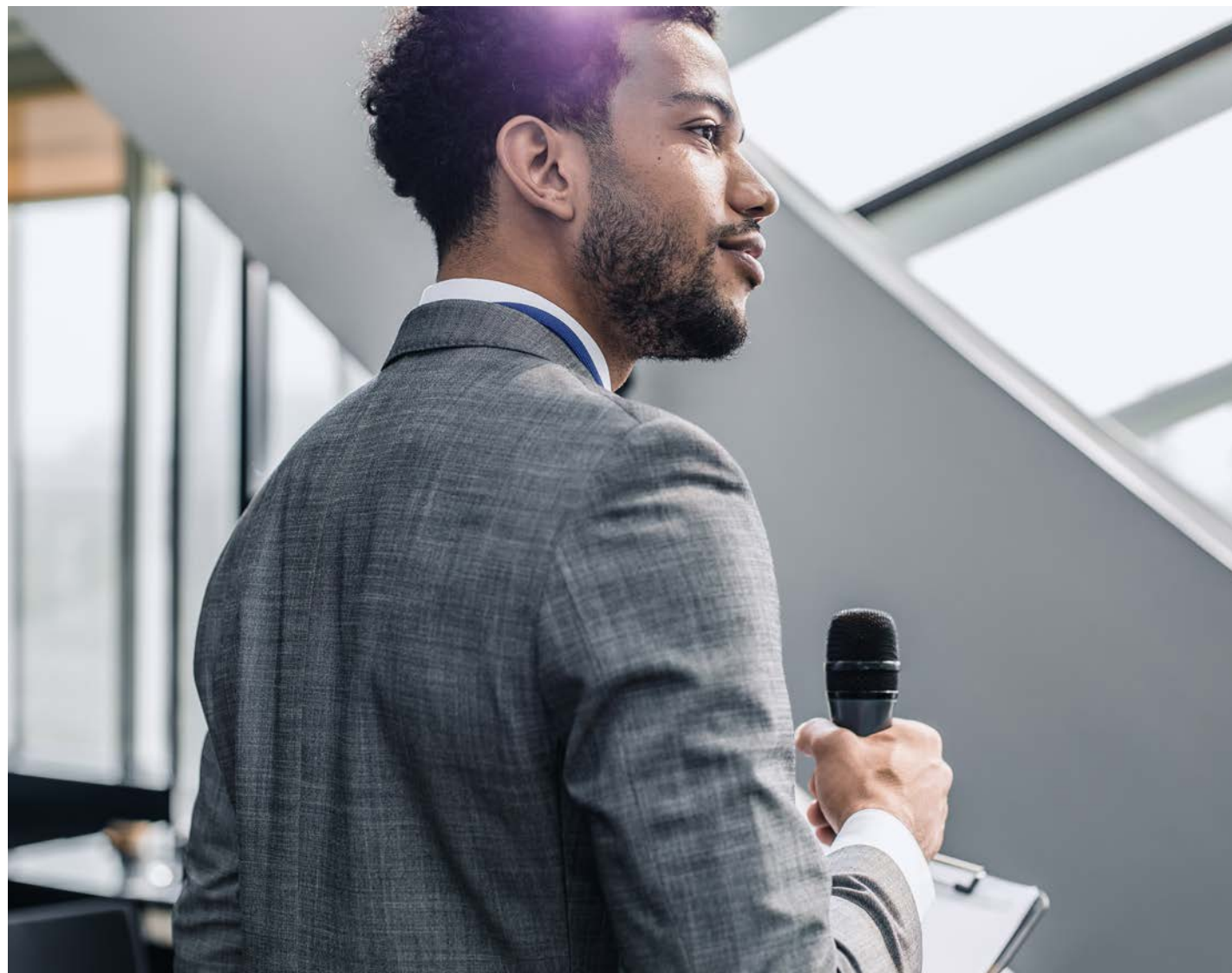


1. General Aspects

A labor contract in Colombia is the agreement between the employer and the employee, under which the employee personally performs specific services for the employer, permanently subordinate and dependent on the latter, in exchange for a consideration referred to as salary.

1.1 Types of labor contracts

Labor contracts may be classified in different ways. They are classified according to their term or duration as follows:



- **Fixed term contracts:**

This type of agreement must be documented in writing and its duration may not exceed three (3) years. They may be renewed indefinitely if their initial term is equal to or greater than one (1) year.

In the event of a shorter initial term, the contract may be renewed only for up to three (3) equal or shorter terms, after which it may be renewed indefinitely for periods of one (1) year.

If no renewal is due, the other party must be notified at least thirty (30) calendar days prior to the expiration date.

If neither party gives the other at least thirty (30) days' notice of its intention to terminate the Agreement at the end of the term, the Agreement shall be automatically renewed for a term equal to the term originally agreed.

- **Contract for the duration of a specific task:**

This is the type of agreement where the parties agree that the duration is equal to the time that a particular task may take, to be determined in the contract itself.

The employment relationship ends when the work for which the employee was hired is completed.

- **Occasional or temporary contract:**

The duration cannot exceed 1 month. This type of contract is concluded for tasks that are not part of the employer's regular activities.

- **Indefinite- term labor contract:**

This is the most common type of contract in Colombia and can be made orally or in writing. Its duration is not determined by any term or condition.

Any employment contract that is not for a fixed term or does not relate to occasional or temporary work is an open-ended contract.

Under this type of agreement, there is no legal requirement for prior notice; the agreement may be terminated at any time, except when the termination is based on certain just cause established by Colombian labor law, internal work rules or the employment agreement.



1.2 Special clauses in employment contracts

Certain agreements celebrated between the employee and the employer must be in writing in order to be effective, otherwise they will be understood as non-existent.

These include the probationary period, integrated salary and non-salary agreements.



- **Trial period:**

During the trial period, both the employer and the employee can evaluate the convenience of the relationship, the conditions and skills required to perform the services.

The length of the trial period must be specified in writing.

During this period, either party may terminate the employment agreement without notice and the employer is not obligated to pay any compensation.

For the employer to terminate the contract during the probationary period, the termination must be based on an objective reason and must be notified to the employee.

Although the probationary period depends on the type of employment contract, it cannot exceed two (2) months. In the case of fixed-term employment contracts, the probationary period may not exceed one-fifth (1/5) of the agreed fixed term and may never exceed two (2) months.

- **Integrated salary:**

It is a single amount which, in addition to the remuneration of the ordinary work, pays in advance the statutory social benefits (severance pay, interest on severance pay, long-service bonus), overtime and bonuses and, in general, all the ancillary benefits, with the exception of holidays.



- **Non-Salary Covenants:**

Under Colombian labor law, employers may provide non-mandatory benefits to their employees. These benefits may be excluded from the salary base for purposes of calculating employment obligations such as fringe benefits and social security contributions. This exclusion must be expressed in writing, either in the employment agreement or in a separate document.

Following the enactment of Law 1393 of 2010, the portion of non-salary payments that exceeds 40% of an employee's total remuneration (including salary and non-salary payments) must be included in the base for calculating social security contributions (only for health, pension and work risk contributions).

Notwithstanding the foregoing, the ability to treat some payments as non-salary benefits is limited; all payments made as a direct reward for the employee's work, such as sales commissions or individual performance bonuses, must be considered salaries without exception, and therefore the agreement seeking to exclude such payments from the employee's salary base is void (Section 128, CST).



1.3 Working hours

Regular working hours are a maximum of 8 hours per day and 48 hours per week, which may be Monday through Friday or Monday through Saturday. The law also allows the parties to agree on flexible working hours for employees.

Hours worked in addition to the normal workday are compensated as overtime. Overtime shall not exceed two (2) hours per day or twelve (12) hours per week. In order for employees to work overtime, the employer must obtain prior approval from the Ministry of Labor.

Employees in executive, fiduciary or managerial positions, whether domestic or international, will be treated differently with respect to the maximum workday depending on the nature of their employment relationship. Therefore, they are excluded from the maximum legal workday provision.

Law 2101 of 2021 reduced the maximum duration of the ordinary working day to forty-two (42) hours per week. However, this reduction currently applies only to employers who voluntarily accept it. For the rest, the reduction of the working day can be implemented gradually as follows:

Year	Regular working hours
2023	Maximum 47 hours per week
2024	Maximum 46 hours per week
2025	Maximum 44 hours per week
2026	Maximum 42 hours per week

Source: Prepared by PwC Colombia - Law 2101 of 2021.

1.3.1 Surcharges

Day work is from 6:00 a.m. to 9:00 p.m. and night work is from 9:00 p.m. to 6:00 a.m. In the event that the employee is required to perform activities outside of the above schedule or on mandatory rest days, the employer shall recognize the following bonuses:

Worktime	Surcharge
Day overtime	Daytime hour x 125%
Night overtime	Daytime hour x 175%
Night work	Daytime hour x 35%
Work on Sundays or holidays	Daytime hour x 175%
Day overtime on Sundays and holidays	Daytime hour x 200%
Night overtime on Sundays and holidays	Daytime hour x 250%

Source: Prepared by PwC Colombia- Colombian Labor Code





1.3.2 Flexible working hours

Employers may agree with employees to work consecutive shifts on any day of the week, provided that each shift does not exceed 6 hours in a day or 36 hours in a week, without paying night shift or holiday pay.

They may also agree on flexible daily working hours in such a way that the 48 hours for a week are completed, spread over no more than 6 days, where the number of daily working hours may vary from 4 to 9, without overtime pay, provided that the working hours do not exceed 48 hours per week and that the employee works during daytime working hours.

Likewise, if the economic activity is carried out in shifts without the need for continuous

activity, the law allows the total working hours to be extended to more than 8 hours per day and more than 48 hours per week, provided that the total number of hours over a period of 3 weeks does not exceed (on average) 8 hours per day and 48 hours per week. In this case, no overtime pay is accrued.

The 48-hour limit will be reduced to a maximum of 42 hours per week, as described above, in proportion to the reduction described in the preceding paragraph.

2. Payments resulting from the labor relationship

2.1 Salary

Salary is the direct compensation that employees receive in return for their personal services to the employer.

In Colombia, there are two types of salaries: ordinary and integral/integrated.

- **Regular salary:** A regular salary compensates for regular work. In addition to regular pay, employees are entitled to statutory social benefits, overtime, night, Sunday and holiday pay, and vacation.

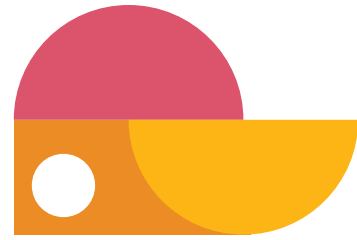
At the end of each year, the government determines the current minimum legal monthly wage (referred to in this document as the “MMLS”). For 2023, the minimum monthly salary has been set at COP \$1,160,000 (USD 243).

- **Integrated salary:** This is a type of salary that consists of a lump sum payment that compensates for social benefits, allowances and other benefits such as overtime, legal and extralegal bonuses, severance pay and the corresponding interest, subsidies and equipment, and, in general, all the compensation items included in the salary agreement, except for vacation days and rest compensation.

Integrated salaries must always be agreed upon in writing, and in no event shall they be less than thirteen (13) minimum monthly salaries.

By 2023, the integral minimum wage will be COP 15,080,000 (approximately USD 3,157).





2.2 Labor benefits

Every employer must provide the following employment benefits to employees who earn a regular wage:



Table 1:

Benefits to employees who earn an ordinary salary

Social Legal Benefits		
Item	Period payment	Description
Severance aid	Annual	One month's salary for each year of service or prorated for a fraction of a year. It must be deposited in a severance fund by February 14 of the following year or paid directly to the employee upon termination of the contract.
Severance pay interest	Annual	12% on the annual amount of the severance payment or pro-rated for a fraction of the year. It is paid directly to the employee no later than January 31 of each year.
Service Bonus	Every six months	15 days of salary for each half year worked, or prorated for fractions. Payable in June and December.
Legal Transportation Allowance	Monthly	This aid is a fixed amount set by the government. For 2023, the legal transportation allowance is equivalent to COP 140,606 (USD 30).
Legal endowment	Every 4 months	Every employee who earns 2 minimum wages and has been employed for at least three (3) months is entitled to receive shoes and clothing three times a year (April 30, August 31, and December 20 of each year).

Source: Prepared by PwC Colombia- Colombian Labor Code.

2.3 Mandatory holidays and days off

a. Paid time off on Sundays and holidays

Employers must provide their employees with the benefit of a paid day off on Sundays and all civil and religious holidays, regardless of the type of pay. The compensation is included as part of the monthly salary payable to the employee for the concept of salary.

If the employee occasionally works on Sundays, up to two (2) Sundays per month, he/she must be paid an additional 75% of his/her regular rate of pay pro-rated for the hours worked on Sundays, or alternatively, he/she must be offered one (1) day off to be taken on any working day of the following week.

If the employee regularly works on Sundays (3 or more Sundays in a month), he/she must be paid an additional 75% of his/her regular pay for those Sundays, prorated for the hours worked on Sundays, and must be offered one (1) day off to be taken on any working day of the following week.

b. Annual paid vacation

Employees are entitled to 15 working days paid vacation for each year of service. Each employee shall be entitled to a minimum of six (6) actual working days of paid vacation for each year of service. Additional days may be accumulated for up to two (2) years for regular employees and up to four (4) years for technical, professional, confidential or executive employees, or for foreign employees who perform their services at a location other than where their families reside.

c. Maternity leave

Each pregnant employee is entitled to eighteen (18) weeks of maternity leave, which may begin two (2) weeks prior to the expected date of delivery. This leave is paid by the Social Security health insurance program.

No employee shall be discharged for pregnancy or breastfeeding except for just cause duly certified in advance by a labor inspector.

Any prospective employer is prohibited from requiring an applicant to take a pregnancy test.

d. Paternity leave

The spouse or permanent companion shall be entitled to two (2) working days of paid paternity leave, regardless of whether both (2) parents or only the father is contributing to the Social Security system.

e. Shared parental leave

Parents may share the last six (6) weeks of maternity leave as they see fit, subject to the following conditions: a) The period of leave shall be counted from the date of birth. This is unless the physician has determined that the mother must take one (1) or two (2) weeks of prenatal leave, or the mother has elected to do so; b) The mother must take at least the first twelve (12) weeks of postpartum leave, which is not transferable. The remaining six (6) weeks may be shared between the mother and father by mutual agreement. It is not possible to divide, intersperse or take leave at the same time, except in the case of postpartum illness of the mother. In this case, the illness must be certified by a doctor. c) Such leave shall be paid on the basis of the salary of the person taking the leave for the corresponding period. d) The parents shall submit to the employer a medical certificate stating the pregnancy status of the woman or a record of the birth of the child, the expected date of birth or the date of birth of the child, and the date from which the leave would commence.

f. Flexible part-time parental leave

Both mothers and fathers may opt for flexible part-time parental leave, which consists in exchanging a certain period of their leave for a period of part-time work equivalent to twice the time corresponding to the period chosen, remunerated on the basis of the salary of the person taking the leave for the corresponding period. This leave is compatible with shared parental leave.

g. Child Care Leave

Employers must provide paid leave for the care of minors for a period of ten (10) working days, continuous or discontinuous, to a working parent contributing to the General Social Security Health Insurance System or to the person who has the custody and personal care of a minor suffering from a terminal illness or condition. The days during which this leave is granted, as well as its conditions, shall be determined by mutual agreement between the employee and the employer, without prejudice to the provisions of Law 2174 of 2021. The payment of the paid leave shall be the responsibility of the health care provider to which the employee is affiliated, or whoever substitutes for it.

h. Bereavement Leave

In the event of the death of the employee's spouse, life partner, or relative within the second degree of consanguinity, the first degree of affinity, or the first degree of adoption, the employee shall be entitled to five (5) working days of paid bereavement leave, regardless of the type of employment contract the employee has.

i. Other leaves

The employer shall grant the employee the necessary leave to exercise the right to vote, to perform temporary official duties that must be accepted, in case of serious domestic calamity, to perform union commissions inherent to the organization, or to attend the funeral of a colleague. In the last two cases, the number of absent workers must not be such as to affect the operation of the company.



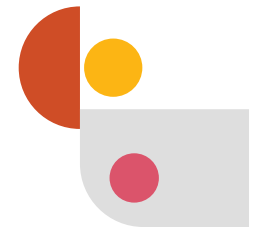
2.4 Social Security contributions

Table 2:

Social Security contributions

Sub-System	Period payment	Characteristics
Pension	Monthly	<p>Equals 16% of the monthly payroll, of which 12% is paid by the employer and 4% by the employee.</p> <p>Foreigners who contribute to the pension system of their home country or another country are not required to contribute to the Colombian pension system.</p>
Fellowship Fund		<p>Employees earning more than four (4) MMLS are required to make an additional contribution ranging from 1% to 2% of their average earnings.</p> <p>This payment is borne entirely by the employee.</p>
Health	Monthly	<p>Is equal to 12.5% of the monthly payroll, of which 8.5% is paid by the employer and 4% by the employee.</p> <p>If the employee earns less than ten (10) MMLS, the employer may be exempt from paying 8.5%.</p>
Labor Risks	Monthly	<p>Employers must pay a monthly contribution to a Labor Risk Management Agency (Administradora de Riesgos Laborales) to cover the risk of occupational accidents/illnesses.</p> <p>The payments depend on the risk level of the company and the activities performed by the employees.</p>

Source: Prepared by PwC Colombia- Law 100 of 1993- Decree Law 1295 of 1994.



It is important to mention that the maximum basis for contributions to the Social Security System (Health, Pension and Work Risks) is twenty-five (25) MMLS.

Note: Colombia has signed bilateral social security agreements with Chile, Argentina, Ecuador, Uruguay, Peru and Spain. The purpose of these treaties is to ensure that the nationals of the contracting countries validate the period of contribution to the pension system in any of the countries (according to the treaty) for the purpose of recognition of old-age, disability or survivors' pensions under the conditions and with the characteristics of the legislation of the country of residence of the worker at the time he/she requests the benefit.

2.5 Payroll taxes

Payroll taxes or legal contributions are payments that every employer with contracts with more than one employee must make to the Colombian Institute for Family Welfare - ICBF (for its acronym in Spanish), the National Apprenticeship System - SENA (for its acronym in Spanish) and the Family Compensation Funds.

3% of monthly payroll is paid as ICBF contributions; 2% of monthly payroll is paid as SENA contributions; and 4% of monthly payroll is paid as family subsidy contributions.

Employers whose employees individually earn less than 10 minimum monthly salaries are exempt from paying contributions to SENA, ICBF and health insurance (at the 8.5% rate applicable to employers).

3. Other labor obligations

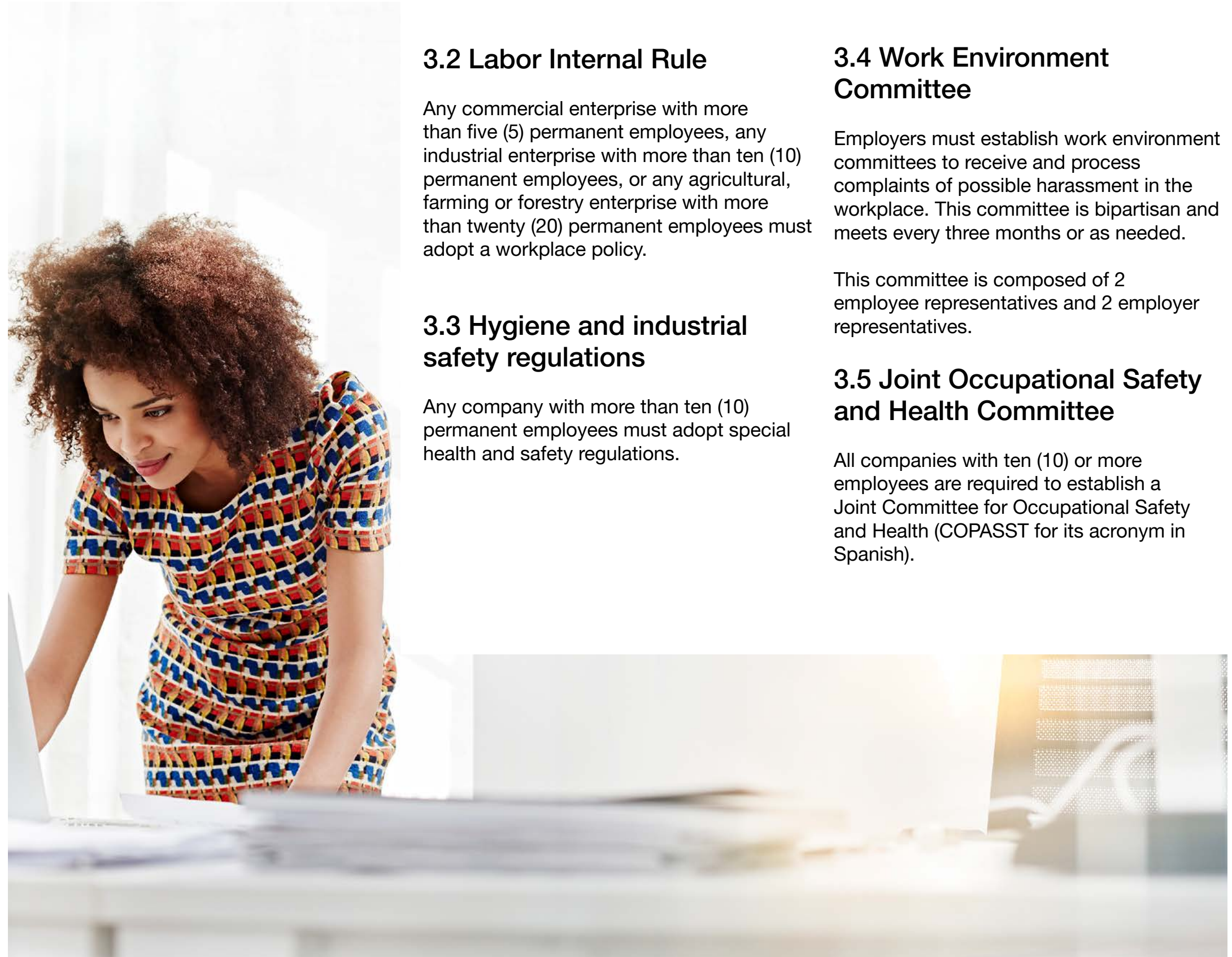
3.1 Hiring SENA Apprentices

A business with more than fifteen (15) employees must hire apprentices at the rate of one (1) apprentice for every twenty (20) employees and one additional apprentice if there are fewer than twenty (20) but more than ten (10) employees.

Since the apprenticeship contract is not a subordinate relationship, but a special form of contract, it is not regulated by the Colombian Labor Code, but by a special regulation.

If the employer does not wish to hire the apprentices required by law, he must pay a monthly amount set by the National Apprenticeship Service (SENA).

Employers who do not meet their apprentice quota or do not make the alternative payment are subject to monthly fines of up to one (1) MMLS for each apprentice not hired.



3.2 Labor Internal Rule

Any commercial enterprise with more than five (5) permanent employees, any industrial enterprise with more than ten (10) permanent employees, or any agricultural, farming or forestry enterprise with more than twenty (20) permanent employees must adopt a workplace policy.

3.3 Hygiene and industrial safety regulations

Any company with more than ten (10) permanent employees must adopt special health and safety regulations.

3.4 Work Environment Committee

Employers must establish work environment committees to receive and process complaints of possible harassment in the workplace. This committee is bipartisan and meets every three months or as needed.

This committee is composed of 2 employee representatives and 2 employer representatives.

3.5 Joint Occupational Safety and Health Committee

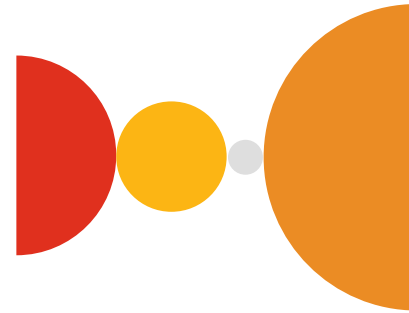
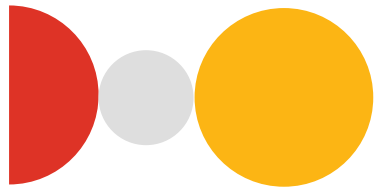
All companies with ten (10) or more employees are required to establish a Joint Committee for Occupational Safety and Health (COPASST for its acronym in Spanish).



3.6 Semester Family Day

Employers must provide an activity that allows employees to enjoy time with their families at least once each semester. If the activity is not performed, employers must provide one shift per semester to allow employees to enjoy with their families.

To fulfill this obligation, the company may choose to give employees a day off or arrange an event that employees can attend with their family.

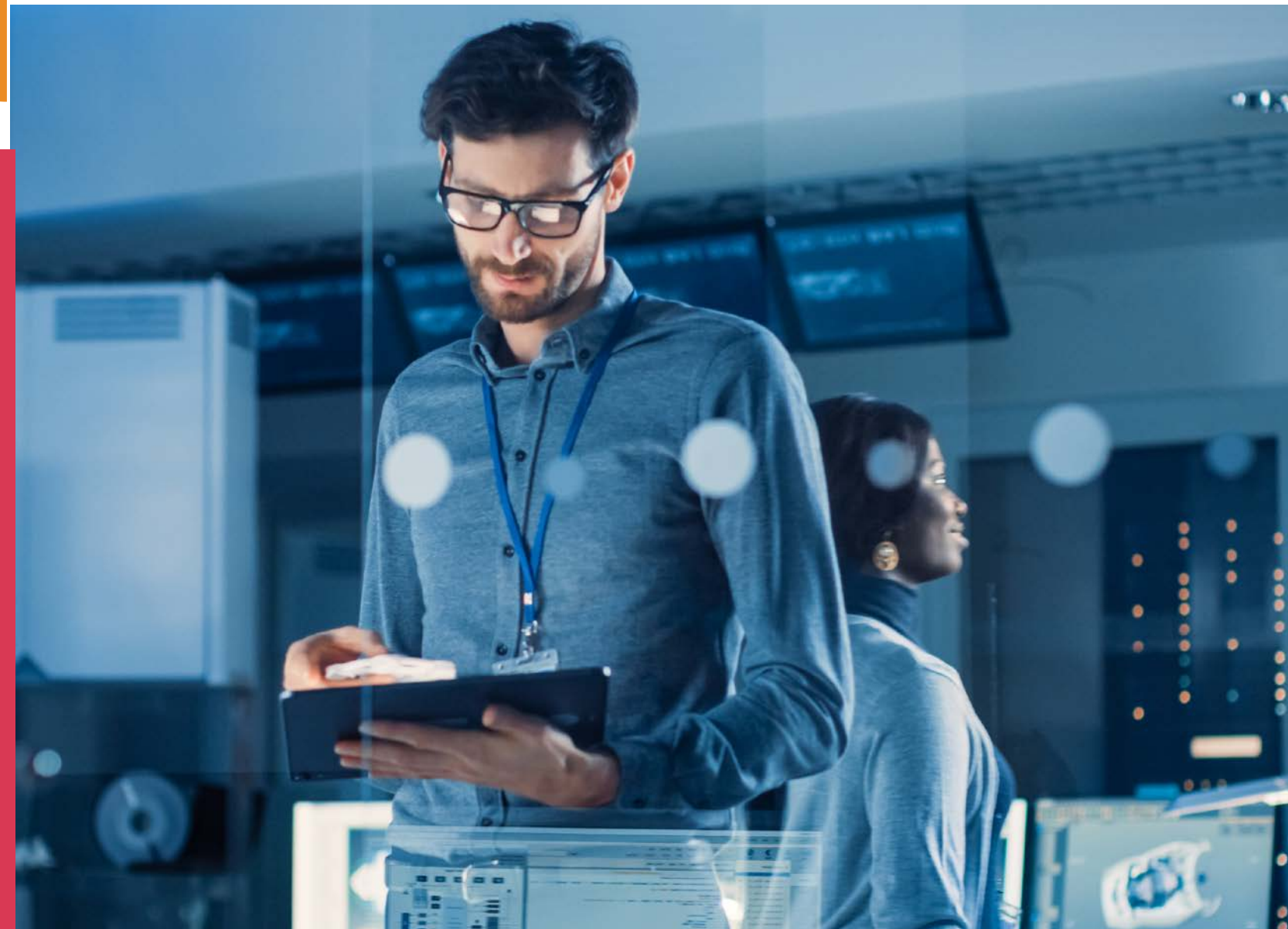


3.7 Management of the Occupational Safety and Health System (SG-SST for its acronym in Spanish)

Every employer who has at least 1 employee is obliged to establish a system of occupational safety and health management.

The Management of the Occupational Safety and Health System, is a process logically developed in stages, based on continuous improvement, including policies, organization, planning, implementation, evaluation, audit and improvement actions with the purpose of identifying, evaluating and controlling the risks that may affect safety and health in the workplace.

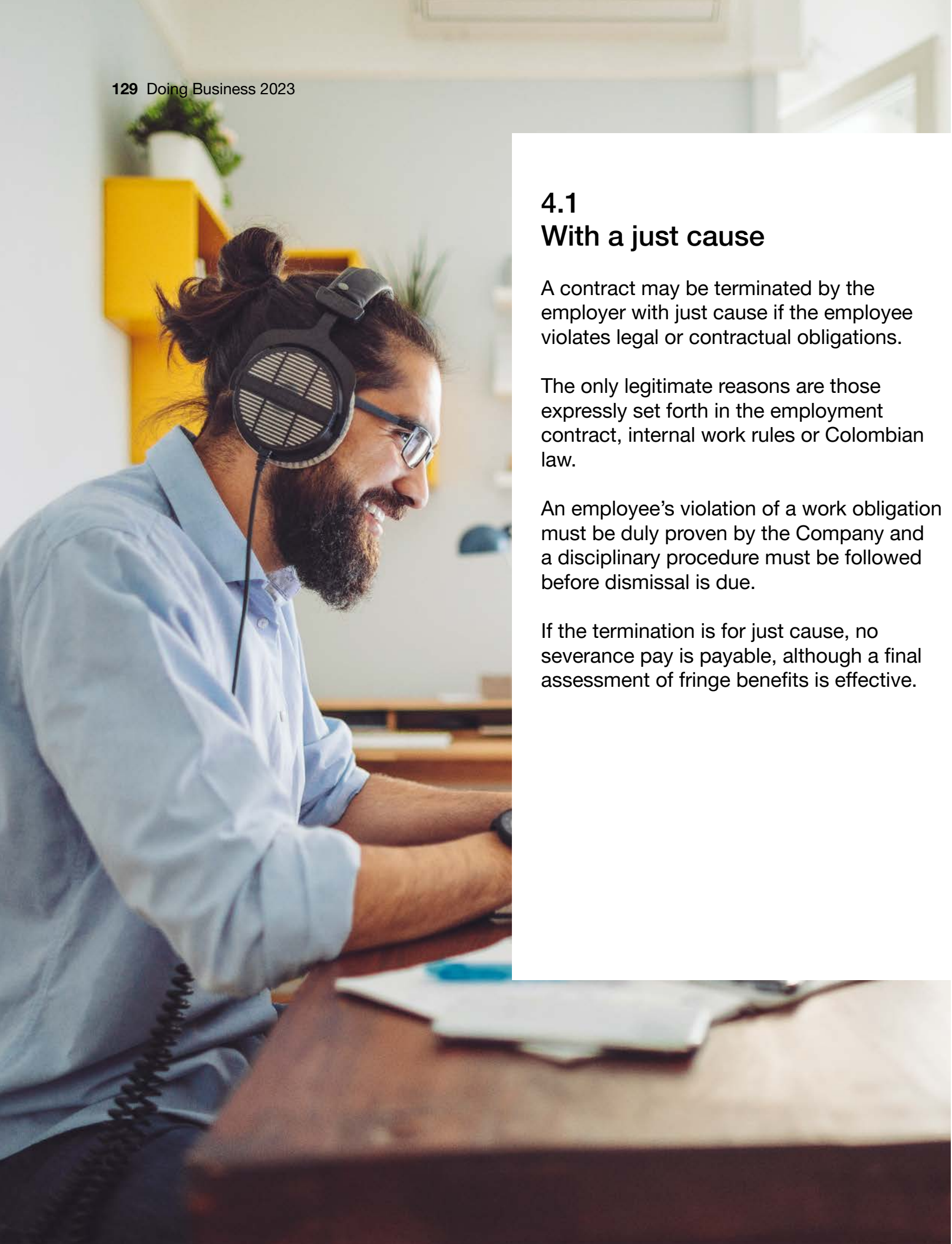
This system must be designed by a professional with a valid Occupational Health and Safety license.



4.0 Termination of Employment Agreements

In Colombia, an employer may terminate an employment contract for the following reasons

- With a just cause
- Without a just cause
- By mutual agreement



4.1 With a just cause

A contract may be terminated by the employer with just cause if the employee violates legal or contractual obligations.

The only legitimate reasons are those expressly set forth in the employment contract, internal work rules or Colombian law.

An employee's violation of a work obligation must be duly proven by the Company and a disciplinary procedure must be followed before dismissal is due.

If the termination is for just cause, no severance pay is payable, although a final assessment of fringe benefits is effective.

4.2 Without a fair cause

The employer could terminate the employment contract at any time and without just cause or valid reason. However, the employer is obligated to pay legal compensation (indemnity) for dismissal without just cause and according to the type of contract, as follows:

a. Fixed term contract

The indemnity is equal to the outstanding salary until the end of the agreed period.

Fixed term contracts terminate without any compensation when the term agreed by the parties expires.

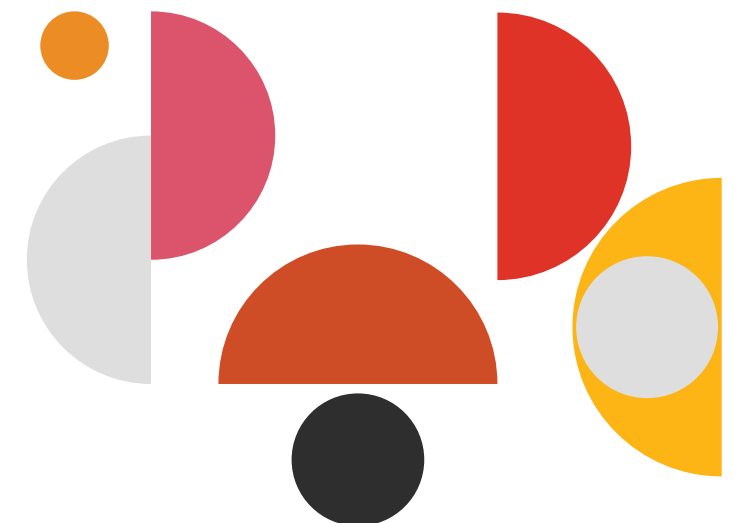
b. Contract for the duration of a work/task or contract job

The compensation shall be equal to the salary corresponding to the time remaining until the completion of the service or work contracted, in which case the compensation shall not be less than fifteen (15) days.

c. Indefinite term contract

If the employee earns less than ten (10) times the MMLS, it would be thirty (30) days of salary for one (1) year or less than one (1) year of service, plus twenty (20) additional days for each subsequent year and pro rata for fractions thereof.

If the employee's salary is more than ten (10) times the MMLS, it would be equal to twenty (20) days of salary for one (1) year or less than one (1) year of service, plus fifteen (15) additional days for each subsequent year and pro rata for fractions thereof.



4.3 By mutual agreement

In order to avoid a termination, the Company may settle the termination of the employment agreement under a transaction agreement by mutual consent.

In this scenario, both parties enter into a settlement agreement (known as an “Acuerdo Transaccional”) in which the employer agrees to a settlement amount (a lump sum) that is usually equal to the legal compensation for dismissal without just cause plus 5% to 30% (the percentage is for reference only).

In exchange, the Employee agrees not to bring any claim or action against the Company arising out of the employment relationship.

Typically, this process involves the following steps:

I.
The employee will be invited to a meeting at which this agreement will be offered and its terms explained;

II.
If the employee accepts the offer, the parties proceed to sign the agreement and the termination documents are given to the employee.

III.
Although this scenario does not require prior approval from any authority or completion of any mandatory legal step, it is customary to sign in front of a notary public.

IV.
If the employee does not accept the proposal, the Company may terminate the contract without just cause.

Indemnity for failure to pay salaries and labor benefits

If the Employer fails to pay the Employee the unpaid wages and social benefits upon termination of the employment contract, the Employee shall be entitled to compensation for the delay in the amount of one (1) day’s wages for each one (1) day of the delay during the first 24 months.

Protected employees

Before terminating the employment contract, the employer must verify that the employee does not benefit from a legal or constitutional protection that prevents his or her dismissal, either because of pregnancy (maternity/paternity leave), age (pre-retirement leave), health condition, being a member of a union or in the middle of collective bargaining (union leave), being a parent or head of a household, or having filed a complaint of harassment at work in the six (6) months prior to the dismissal.

5. Foreign employees or workers

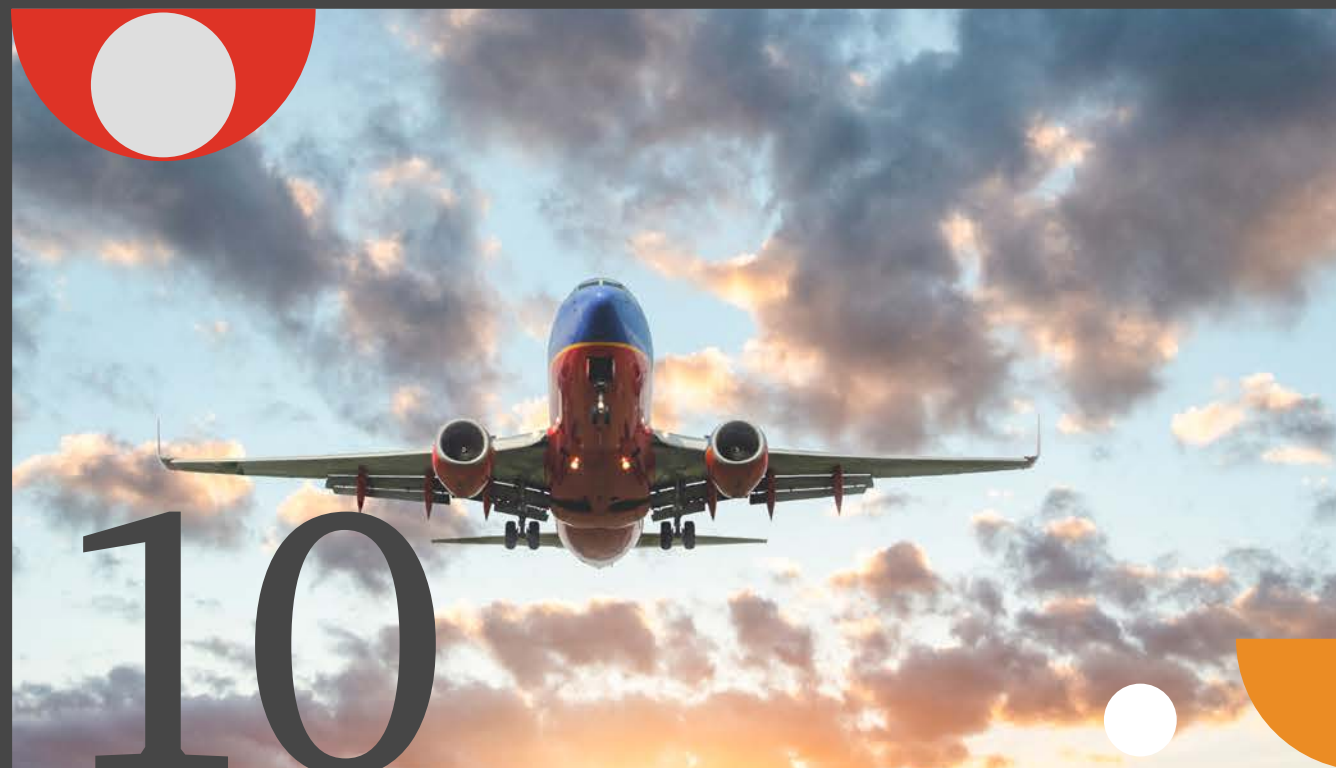
Foreign employees or workers have the same rights and obligations as Colombian workers. However, when a foreigner signs an employment contract in Colombia, both parties must fulfill certain additional obligations compared to those applicable to national employees. These special obligations arise from the immigration laws and controls that apply to foreign workers during their stay in the country.

6. Collective Labor Law

Collective labor law regulates the relationship between employers and trade unions, collective hiring, and the defense of the common interests of both employers and their workers/employees in terms of managing collective labor conflicts. The purpose of the Collective Labor Law is to develop the trade union right and the right to collective hiring in negotiations, as well as to establish the mechanisms that make the right to unionize and the right to protest effective.

Colombian workers have the right to organize in order to exercise collective labor guarantees. This is a constitutional right that seeks to protect the creation and development of trade unions and to guarantee the exercise of the right of workers to defend their interests, both labor and union-related.





Immigration Law – Visas

Colombian immigration law provides for over twenty (20) different types of visas, divided into categories for visitors, migrants and residents. Foreigners can apply for permits to carry out commercial, business or tourist activities in the country.

When a foreigner enters into a work contract in Colombia, both the employer and the employee must fulfil certain obligations in order for a foreigner to remain legally in the country.

Colombia controls and regulates the entry and stay of foreigners in the country through its migration regime. This chapter contains the regulations issued by the Ministry of Foreign Affairs concerning foreign nationals who do not require a visa to enter the country as visitors.

In addition, we will explain the three types of visas that exist in Colombia and that can be requested by foreigners depending on the activities that they will carry out in the country, such as providing services to a company with a labor contract, providing services or carrying out business, commercial, corporate or investment activities in Colombia.





Countries that do not require a visa to visit Colombia for tourism purposes

Nationals of the following countries do not require a Colombian visa of type “V” to enter the country as tourists and may apply for a temporary permit (PIP) upon arrival in the country:

Table 1: countries do not require a type “V” Colombian visa

A.	B.	C.
Germany	Bahamas	Canadá
Andorra	Barbados	Chile
Antigua and Barbuda	Belgium	Cyprus
The former Yugoslav Republic of Macedonia	Belize	Croatia
Argentina	Bolivia	Croatia
Aruba	Bonaire	Curaçao
Australia	Brazil	
Austria	Brunei-Darussalam	
Azerbaijan	Bulgaria	
	Bhutan	
D.	E.	F.
Denmark	Ecuador	Fiji
Dominica	El Salvador	Finland
Dominican Republic	Equatorial Guinea	France
Romania	Slovakia	Finlandia
	Slovenia	Francia
	Spain	
	United States of America	
	Estonia	
G.	H.	I.
Georgia	Honduras	Indonesia
Grenada	Hungary	Ireland
Greece		Iceland
Guatemala		Marshall Islands
Guyana		Solomon Islands
		Israel
		Italy

J.
Jamaica
Japan

K.
Kazakhstan

L.
Latvia
Liechtenstein
Lithuania
Luxembourg

M.
Malta
Mexico
Micronesia
Monaco
Montenegro

N.
Norway
New Zealand

P.
Netherlands
Palau
Panama
Papua New Guinea
Paraguay
Peru
Poland
Portugal
Philippines

Q.
Qatar

R.
Republic of Korea
Russian Federation

S.
Saba
St. Kitts and Nevis
St. Eustace
St. Martin
Samoa
Sint Maarten
Saint Lucia
Saint Vincent and the Grenadines
Saint Vincent and the Grenadines
Serbia
Singapore
Sovereign Order of Malta
Sweden
Switzerland
Suriname

T.
Taiwan
Trinidad and Tobago
Turkey

U.
Uruguay
United Kingdom of Great Britain and Northern Ireland

V.
Venezuela



Source: Prepared by PwC Colombia- Ministry of Foreign Affairs.

Those holding passports from Hong Kong SAR China, the Sovereign Military Order of Malta and Taiwan China, as well as nationals of the Republic of Nicaragua who can prove that they are natives of the North Caribbean Autonomous Coastal Region and the South Caribbean Autonomous Coastal Region, are also exempt from the visa requirement to enter the country as tourists.

When foreigners enter the country, the immigration authorities stamp a seal in their passports granting a temporary permit - PIP or PTP (for its acronym in Spanish) as a tourist indicating the number of days authorized to stay in the country.



The PIP is granted for a period of ninety (90) days and may be extended for an additional ninety (90) days, if necessary, within the same calendar year.

This permit does not allow a person to work or perform any type of activity on behalf of a Colombian company.



Entry and permanence permit types

These permits are issued to foreigners who enter Colombia with no intention of settling in the country and who, by virtue of their nationality, do not require a tourist visa.

The Colombian Special Administrative Unit for Migration - UMC (for its acronym in Spanish) is the agency in charge of issuing Entry and Permanent Permits - PIP - and Temporary Permanent Permits - PTP - to foreigners who do not require a tourist visa to enter the country.

I. PIPs are granted to foreigners that will enter the country to carry out any of the following activities:

a.

Tourism Permit (PT by its Spanish acronym)

This permit allows tourist activities, medical treatment, participation in cultural, scientific, sports or conventional events and business.



c.

Permit to develop other activities (POA by its Spanish acronym)

This permit is granted to foreigners who provide specialized technical assistance, who carry out artistic performances, among other activities.

The duration of the PIP varies depending on the activity that foreigners are going to perform. In general, the duration is ninety (90) days, except for those that specify a term and except for the provision of specialized technical assistance, which may not exceed thirty (30) calendar days per year. Rights reserved.



b.

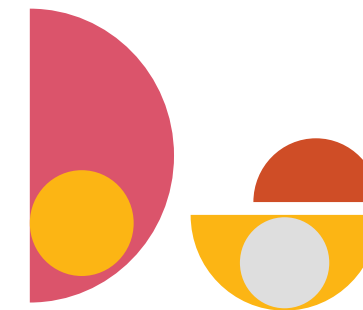
Integration and Development Permit (PID by its Spanish acronym)

This permit is issued to foreigners who enter the country to carry out personal procedures, to support important efforts for the national government, to attend academic or educational courses and events, among others.



II. PTPs are permits issued by the Colombian Special Migration Administration Unit -UMC- to any foreigner who does not require a visa and who has already used a PIP, and who seeks to extend their stay in the country or change the authorized activity.

PIPs and PTPs are regulated by Resolutions 3167 of 2019 and 2061 of 2020, issued by the Colombian Special Administrative Unit for Migration - UMC.



Visa classification

In the event that a foreigner requires a visa, either because of his/her nationality or to develop an activity other than tourism, it will be necessary to evaluate one of the options indicated below:

1.

Visitors' Visa – Type “V” Visas

a. Tourism Visitor Visa:

Applicants: This visa is issued to carry out leisure, rest or recreation, tourism or cultural interest in Colombian territory.

This visa is for foreigners with restricted nationalities, i.e. those who cannot enter the country without a Colombian visa.

Term: This visa is issued for a maximum term of one (1) year with multiple entries and allows a foreigner to stay in the country for up to 180 consecutive or discontinuous days during the 365 days that the visa is valid.

b. Business Visitor Visa:

Applicants: This visa is issued to foreigners who intend to enter Colombia to carry out business management activities, marketing studies, direct investment plans or paperwork, or to establish a commercial company.

Term: This visa is issued for a maximum of two (2) years and allows a foreigner to stay in the country for up to 180 consecutive or nonconsecutive days during the 365 days that the visa is valid.

c. Visitor visa as vessel or coastal platform crew member:

Applicants: This visa allows to work in Colombian territorial waters as a crew member of a vessel or coastal offshore platform.

Term: This visa is granted for up to one (1) year at the discretion of the immigration authorities and authorizes a foreigner to work exclusively for the project or company sponsoring the visa.

d. Visitor Visa as a seasonal agricultural worker

Applicants: This visa allows for the performance of seasonal agricultural work under programs sponsored by the Colombian Ministry of Agriculture or the Governors' Offices in consultation with the agricultural sector. The Ministry of Labor will indicate the available quotas and the tasks for which personnel are needed.

Term: This visa is issued for a maximum period of one hundred and eighty (180) days.

e. Visitor's visa to participate in events:

Applicants: This visa allows a person to enter the country to participate in business, cultural or academic conventions or activities as a speaker, exhibitor, participant, artist, athlete, juror, contestant, organizer or logistical personnel.

Term: This visa is issued for a maximum term of one (1) year with multiple entries and allows a foreigner to stay in the country for up to 180 consecutive or discontinuous days during the 365 days that the visa remains valid.

f. Visitor's visa to participate in an audiovisual production or to produce digital content work:

Applicants: This visa is issued to foreigners who plan to enter the country to make an audiovisual production or to produce audiovisuals or large-format documentaries.

Term: This visa is issued for a maximum of one (1) year at the discretion of the immigration authorities.

Passport holders from countries or territories that are exempt from the visa requirement,

who visit Colombia for this purpose, are exempt from the processing of this type of visa, provided that their stay in Colombia does not exceed ninety (90) days, which may be extended up to a maximum of one hundred eighty (180) continuous or discontinuous days per calendar year, and that they do not receive a salary in the country.

g. Visitor Visa for digital nomads.

Applicants: This visa allows foreigners of restricted nationalities to work remotely from Colombia as long as they have a valid employment contract with a foreign company. However, they may not perform any services on behalf of a Colombian entity.

For non-restricted nationalities, this visa is only required if a foreigner intends to stay in the country for more than 180 calendar days while working remotely.

Term: This visa is issued for a maximum of two (2) years at the discretion of the immigration authorities. This visa does not allow you to provide services on behalf of a Colombian company.

1.

h. Visitor's visa to conduct journalistic reporting or to stay temporarily as a foreign news correspondent:

Applicants: This visa is issued to foreigners who plan to enter the country to conduct journalistic reporting or to stay in the country temporarily as an international news press correspondent.

Term: This visa is issued for a maximum of one (1) year at the discretion of the immigration authorities. The granted permanence may not exceed one hundred and eighty (180) continuous or discontinuous calendar days.

Holders of passports from countries or territories that are exempt from the visa requirement do not need to apply for this type of visa if their stay in Colombia does not exceed one hundred and eighty (180) calendar days and they do not receive a salary or wage in the country.

i. Permanent Correspondent Visitor Visa:

Applicants: This visa is issued to a foreigner who intends to enter Colombia to work as a permanent press correspondent for a foreign media.

Term: This visa is issued for a maximum of two (2) years at the discretion of the immigration authorities.

j. Visitor visa to provide technical assistance to a legal entity in Colombia:

Applicants: It will allow a foreigner to enter the country multiple times to provide technical assistance, equipment maintenance, and other technical related tasks while remaining employed abroad by a foreign company and on home payroll.

Term: This visa is issued for a maximum period of two (2) years and entitles the alien to stay in the country for up to one hundred and eighty (180) calendar days continuously or discontinuously during the 365 days that the visa is valid.

This visa grants a work permit exclusively for the Company that sponsors the visa.

k. Visitor visa under a Free Trade Agreement (FTA):

Applicants: This visa is issued to foreigners who intend to work in a Colombian company within the framework of the commitments acquired under the Free Trade Agreements signed and in force with other countries.

Term: This visa is issued for a maximum of two (2) years at the discretion of the immigration authorities. (This visa includes a work permit).

l. Visitor's visa to visit the national territory under vacation-work programs:

Applicants: This visa is issued to foreigners who intend to enter Colombia to visit the national territory within the framework of a vacation-work program established by an agreement between a foreign state and Colombia.

Term: This visa is issued for a maximum period of one (1) year and entitles the alien to stay in the country for up to one (1) year continuously or discontinuously during the period of validity of the visa. (This visa includes a work permit).

m. Visitor's visa as an intern in a Colombian company:

Applicants: This visa is issued to foreigners who plan to participate in an internship in a company located in Colombia. This visa is for holders of nationalities exempt from the short-stay visa requirement.

Term: This visa is issued for a maximum of one (1) year at the discretion of the immigration authorities. (This visa includes a work permit).

n. Visitor visa for the provision of services or for the duration of the hired task or activity:

Applicants: This visa is issued to a foreigner who intends to enter Colombia to perform temporary work as a contractor or under an employment contract for the duration of the hired task or activity.

Term: This visa is issued for a maximum of two (2) years at the discretion of the immigration authorities. This visa grants an exclusive work permit for the position, entity, and activity for which it was requested.

O. Visitor visa to promote internationalization:

Applicants: This visa is issued to foreigners who intend to enter Colombia to carry out production, innovation or research activities aimed at the adoption or adaptation of technologies that complement or develop products, processes or services that contribute to strengthening the country's competitiveness.

1.

Term: This visa is issued for a maximum of two (2) years at the discretion of the immigration authorities and authorizes stay during the term of the visa.

p. Visitor's visa as a rentier:

Applicants: This visa is issued to an alien who receives a regular and variable income from a creditable lawful source. The amount of income cannot be less than ten (10) Legal Minimum Monthly Salaries in Force - LMMS, whose approximate value in Colombian Pesos is COP 10,000,000 (USD 2,170)*1.

Term: The visa is issued for a maximum of two (2) years at the discretion of the immigration authorities. (This visa does not grant a work permit).

q. Visitor visa for unforeseen cases:

Applicants: This visa is granted for cases and circumstances not provided for in the applicable immigration regulations, on an exceptional basis and after evaluation by the Visa and Immigration Service.

Term: to be determined by the immigration authority.

2.

Migrant Visa–Type “M” Visas

a. Migrant visa as spouse of a Colombian national:

Applicants: This visa is issued to foreigners who are married to a Colombian national and who intend to reside in the country with their Colombian spouse.

Term: This visa is issued for a maximum period of three (3) years and entitles the holder to stay during the period of validity of the visa. This visa grants an open work permit to perform any legal activity in Colombia.

b. Migrant Visa for the permanent partner/companion of a Colombian national:

Applicants: This visa is issued to a foreigner who has a de facto marital union with a Colombian citizen.

Term: This visa is issued for a maximum of one (1) year at the discretion of the immigration authorities.

This visa grants an open work permit to perform any legal activity in Colombia.

c. Migrant visa for mother/father of Colombian citizen by birth:

Applicants: This visa is issued to a foreigner who is a parent (mother or father) of a Colombian citizen by birth.

Term: This visa is issued for a maximum of three (3) years at the discretion of the immigration authorities. (This visa grants a work permit).

d. Business Migrant Visa:

Applicants: This visa is issued to foreigners who wish to enter the country as a partner or owner of a company. Your share must be worth at least 100 minimum monthly salaries - LMMS, which is equivalent to COP 100,000,000 (USD 21,712*).

Term: This visa is granted for a maximum of three (3) years at the discretion of the Immigration Service, and permanency is contingent upon maintaining the level of investment during the term of the visa. (This visa includes a work permit issued solely for the purpose of working in the business acquired by the businessperson).

e. Migrant Visa as Real Estate Investor:

Applicants: This visa is issued to a foreigner who intends to enter the country as an investor who has made a direct foreign investment or has acquired real estate in his own name and will maintain such investment or acquisition during the term of his visa.

The foreign investment must be for an amount greater than six hundred and fifty (650) Minimum Monthly Salaries - LMMS at the time of filing the application, which has an approximate value in Colombian Pesos of COP 650,000,000 (USD 141,073*).

If the investment is in real estate, a foreigner must make an investment of at least three hundred and fifty (350) LMMS, whose approximate value in Colombian Pesos is COP 350,000,000 (USD 75,951*).

Term: This visa is issued for a maximum of three (3) years at the discretion of the immigration authorities and entitles the holder to remain in the country during the period of validity of the visa.

*1 USD = COP 4.608 as of October 10, 2022

2.

f. Work Migrant Visa:

Applicants: This visa is issued to a foreigner who intends to enter the country on the basis of a work or service contract.

Term: This visa is issued for up to three (3) years at the discretion of the immigration authorities and allows the holder to stay for the duration of validity of the visa.

The work permit is for the sole purpose of providing services on behalf of the company that sponsored the application).

g. Migrant Visa as a Freelancer/ Self-employed Professional:

Applicants: This visa is issued to foreigners who wish to enter the country to exercise a regulated profession or, exceptionally, an unregulated activity, as long as it is in the country's interest.

Term: This visa is issued for a maximum period of three (3) years at the discretion of the immigration authorities and entitles the holder to stay for the duration of the validity of the visa. (This visa includes a work permit that is issued only for the job stated on the application).

h. Migrant visa as an independent professional:

Applicants: it is issued to foreigners who intend to enter the country to exercise a regulated profession or, exceptionally, an unregulated activity, provided that the activity is of interest to the country.

Term: the visa is granted for a maximum term of three (3) years at the discretion of the immigration authority and authorizes the stay during the term of the visa.

i. Migrant Visa as a national of the MERCOSUR countries:

Applicants: This visa is issued to citizens of all MERCOSUR member and associate countries. Currently, this visa may be issued to citizens of Argentina, Brazil, Bolivia, Peru, Chile, Ecuador, Uruguay and Paraguay.

Term: This visa is issued for a maximum period of two (2) years and entitles the holder to stay during the period of validity of the visa. (This visa includes a work permit).

j. Andean Migrant Visa:

Applicants: This visa is granted to citizens of Bolivia, Ecuador and Peru.

Term: It is issued for a period of up to two (2) years and authorizes permanent residence during its term. This visa includes a work permit.

k. Migrant visa to promote internationalization:

Applicants: This visa is issued to foreigners with a master's degree, doctorate or post-doctorate in basic or applied sciences, engineering, mathematics and related fields, whose profiles correspond to the priorities required by the country in its public and private internationalization plans, or to professionals in fields pre-established by the Directorate of Migration, Consular Affairs and Citizen Attention, whose exercise contributes to the adoption and/or adaptation of technologies that strengthen the country's competitiveness.

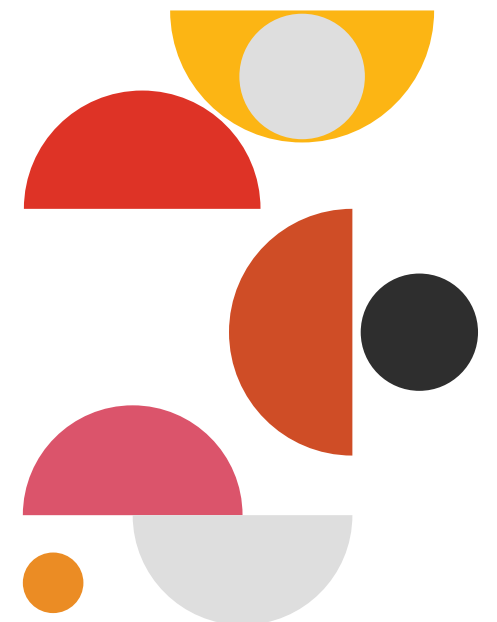
Term: This visa is issued for a maximum of three (3) years at the discretion of the immigration authorities.

l. Stateless Migrant Visa:

Applicants: it is issued to foreigners who have been recognized by the Colombian State as stateless persons.

Term: the visa is granted for a maximum term of three (3) years at the discretion of the immigration authority.

Nota: Migrant visas expire automatically if a foreigner stays abroad for more than 180 calendar days.










3.

Resident Visa – Type “R” Visas

This visa is issued to foreigners who intend to enter and stay in the country and can be applied for in the following cases:

- When a foreigner who is a former Colombian citizen, either by adoption or by birth, renounces his Colombian nationality.
- For the accumulated time, for a foreigner who has stayed in the national territory as a holder of a Migrant (M) visa. The minimum period of permanence required depends on the type of visa held by a foreigner, as follows:

 <p>Spouse of a Colombian citizen: Minimum period of permanence of 3 years.</p>	 <p>Employee Migrant Visa: Minimum period of permanence of 5 years.</p>	 <p>Migrant visas from: Refugee; Partner or owner; Self-employed professional; Retiree; Promoter of internationalization; Investor, a minimum period of residence of 5 years is required.</p>
 <p>Permanent partner of a Colombian citizen: Minimum period of permanence of 5 years.</p>	 <p>Mercosur or Andean Visa: Minimum stay of 2 years.</p>	
 <p>Parent of a Colombian citizen: Minimum period of permanence of 2 years.</p>	 <p>Stateless Migrant Visa: Minimum stay of 2 years.</p>	

When an alien of legal age has been the beneficiary of a resident visa type “R” for at least five (5) continuous and uninterrupted years.

- For Venezuelan citizens under the Temporary Protection Statute for Venezuelan Migrants if: they have been holders of a Special Permit to Reside (PEP) in force for 5 years; or they can prove that they have been holders of a Temporary Protection Permit (PPT) in force for 5 years; or they have completed 5 years of accumulated time between the two previous ones.

General information about the type of visa:

- This type of visa allows its holder to apply for a beneficiary visa.
- Continuity will be considered only if the new visa is issued before the expiration of the previous visa.
- Extensions of permanence (Salvoconductos) do not constitute a factor of continuity for the accumulation of time.
- The visa sticker must be renewed every five (5) years.
- This visa grants an open work permit to perform any legal activity in Colombia.



Post- Visa's Issuance Processes

Foreign ID card

All foreigners who are granted a visa for a period of more than three (3) months must register their visa at the offices of Migración Colombia within 15 days of their arrival in Colombia, or from the date the visa was issued, if it was issued in Colombia.

Once the visa is registered, Migración Colombia will issue the requested ID if the foreigner is over 7 years of age.

This document serves as a foreigner's identification within Colombia and entitles him/her to enter into contracts, open bank accounts and perform various operations. A foreigner must keep it at all times while in the country.

This document will have the same validity as the visa, so it is necessary to go through this procedure each time a new visa is issued.

SIRE and RUTEC registrations

Any Colombian company that enters into or terminates an employment contract with a foreign worker must report the newcomer to the Ministry of Labor and the Colombian Immigration Service through the SIRE (Information System for the Reporting of Foreigners) and RUTEC (Single Registry of Foreign Workers in Colombia) platforms.

For the SIRE report, the company has 15 calendar days to report the start or end of the employment contract.

With respect to the RUTEC, the Company has 120 calendar days to report the start date of the employment contract and 30 calendar days to report the termination.

Failure to complete these registrations by the deadlines may result in immigration penalties for the company.

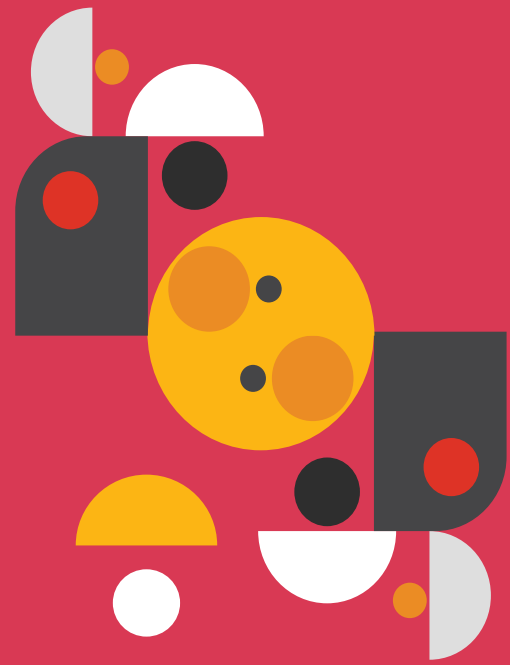
Licenses to practice a regulated profession

In Colombia, regulated professions such as engineering, law, accounting, and others must be licensed by the appropriate professional association to practice in the country.

In some cases, it is possible for a foreigner to apply for a special license to temporarily practice a profession in Colombia, such as engineering.

In other cases, it would be necessary to obtain the corresponding homologation of the degree before the Ministry of Education and then to apply for the corresponding professional registration before the Professional Council.





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01 Colombian environment

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02 Fraud prevention

Economy



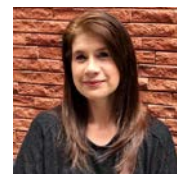
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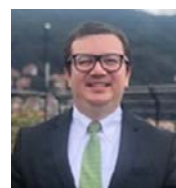
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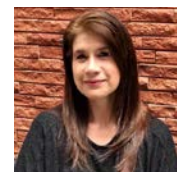
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07 Corporate aspects and legal compliance

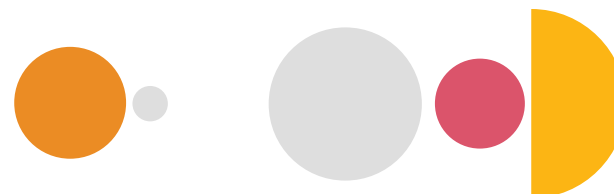


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10 Immigration law- Visas

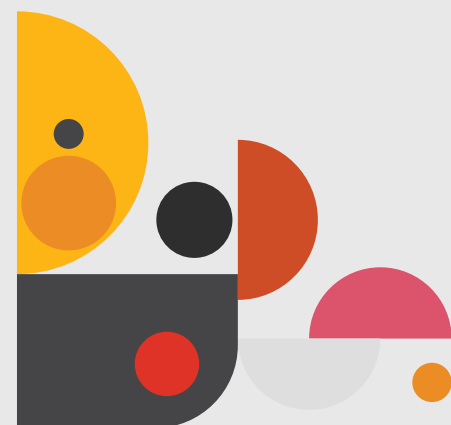


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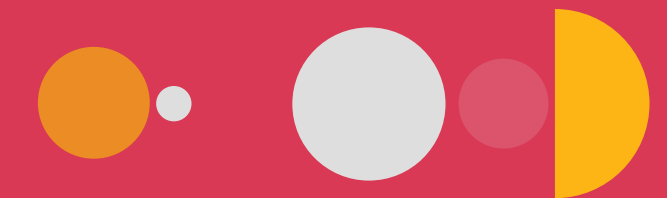
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The representative market exchange rate (**TRM**) used in this document is **COP 4,473.07** and was calculated from the average of the daily historical series of the Financial **Superintendence of Colombia**.

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