CUATRECASAS

Doing business in Chile

2021 Edition

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These guidelines present some key issues for foreign investors interested in investing Chile. They are not intended as detailed guidelines but simply to address practical issues to help investors planning to start investment projects in Chile.

They include legal issues that may require advice.

They must not be considered a detailed and complete analysis of Chilean law. They must not be interpreted as legal advice from Cuatrecasas.

These guidelines were drafted based on the information available on July 1, 2021.

Cuatrecasas has no obligation and assumes no liability with regard to updating this information.

July 2021.

Content

Introduction

Cuatrecasas is a law firm present in 13 countries with a strong focus on Spain, Portugal and Latin America.

With a multidisciplinary and diverse team of over 1,000 lawyers of 26 nationalities across our 27 offices, we cover all areas of corporate law and apply our knowledge and experience with a sectoral approach focused on every type of business.

In Latin America we have over 20 years of experience and a team of 125 professionals who operate from our offices in Chile, Colombia, Mexico and Peru, in local and crossborder matters.

We focus on client services, incorporating ESG criteria and collective knowledge with innovation and state-of-the-art technology. We foment an innovation culture applied to the legal activity, which combines training, procedures and technological resources to contribute greater efficiency.

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1 Corporate

Prior authorization to carry out foreign investments is not required, except in certain strategic sectors

1.1. Foreign investment

Law 20848 of 2016 establishes the framework for direct foreign investment in Chile, creating the Foreign Investment Promotion Agency (also operating under the name Invest Chile), which is the legal continuation of the former Foreign Investment Committee, in accordance with OECD guidelines.

Prior authorization to carry out foreign investments is not required, except in certain strategic sectors, such as hydrocarbons exploration and exploitation and nuclear energy production.

For the first three years after the foreign investor enters Chile, foreign persons domiciled in Chile or that become residents are only taxed on income obtained from Chilean sources[1].

A general principle of non-discrimination and the right to equal treatment also apply for citizens and foreign investors, with the following exceptions: real estate and land at the border, fishing and aquaculture, maritime cabotage, telecommunications and broadcasting, natural atomic materials and nuclear energy, hydrocarbons, lithium and deposits in national waters, and television.

1.2. Key foreign investment concepts

Direct foreign investment means transferring to Chile capital and assets owned or controlled by a foreign investor for an amount equal to or greater than USD 5,000,000, or the equivalent in freely convertible foreign currency, physical assets in all their forms and conditions, profit reinvestment, loan capitalization, all types of technology that can be capitalized, and loans associated with foreign investments from related companies.

Direct foreign investment is also any investment within the above amount that is transferred to the country and takes the form of direct or indirect acquisition or interest in the equity of a company, or in the capital of the recipient company incorporated under Chilean law, that grants control of at least 10% of the voting rights, or an equivalent percentage in share capital if it is not a joint-stock company, or in the company assets.

1. The Internal Revenue Service can extend this period in certain cases.

1.3. Foreign investor rights

A foreign investor is any individual or legal person incorporated abroad that is not a resident or is domiciled in Chile and that transfers capital in the terms described above.

A foreign investor may request a certificate from the Foreign Investment Promotion Agency, which must be issued within 15 days, and whose sole purpose is to enable access to the system applicable to direct foreign investments.

This certificate grants the following rights:

- The right to send abroad the transferred capital and the net profits from the investments after meeting all tax obligations under domestic regulations;
- The right to access the formal exchange market to settle the currencies in which the investment is denominated and to obtain the necessary foreign currency to send abroad the invested capital or the net profits from the investment after meeting all tax obligations under domestic regulations;
- The right to exemption from sales and service tax on importing capital goods, provided the importation meets the requirements and is subject to the procedures established in domestic regulations; and
- The right to non-discrimination, whether direct or indirect, while remaining subject to the common legal system applicable to domestic investors.

1.4. Validity of contracts entered into under the provisions of DL 600

Foreign investors that have a foreign investment contract in force with the Republic of Chile under the umbrella of Decree-Law 600 will fully retain the rights and obligations set out in that contract, provided that they entered into it prior to January 1, 2016.

1.5. Central Bank Foreign Investment Income Registration System

Foreign capital entering the country from loans, deposits, investments or capital contributions originating abroad and exceeding USD 10,000, or the equivalent in other currencies, must be reported to the Central Bank of Chile through commercial banks. This registry system is regulated in Chapter XIV of the International Exchange Standards of the Central Bank of Chile. If the above transactions are carried out without foreign currencies entering the country, it is the foreign investor or the recipient of the investment that must report them directly to the Central Bank.

1.6. Organizational structures in Chile

The following are the most common organizational structures in Chile:

1. **Individual Limited Liability Company (EIRL):** Although not a corporate structure, this is a type of organization regulated by Law 19587 of 2003, consisting of a single individual creating a legal person by means of a public deed to operate in his or her name but keeping personal assets separate from company assets, so that personal liability is limited to the capital contributed to the company, while the company is liable for all of its assets.

   The name of the company must include that of the founder or a created name that refers to the corporate purpose and be accompanied by the phrase *Empresa Individual*

de Responsabilidad Limitada ("Individual Limited Liability Company") or the acronym "E.I.R.L." All kinds of civil and commercial transactions can be carried out through an EIRL, except those reserved by law for public limited liability companies. An EIRL is managed by its owner or by a general manager appointed by the owner.

2. **Limited Liability Company (SRL):** This type of company is governed by Law 3918 and, on a supplementary basis, by the Commercial Code and the Civil Code. The SRL is a partnership whose partners are financially liable up to the amount of their respective contributions, unless they have agreed to a greater liability when established.

   An SRL requires a minimum of two partners and can have up to a maximum of 50. The partners can be domestic or foreign individuals or legal persons. They are free to decide on the corporate purpose, the form of management and the supervision of the company.

   The company's business name can include the name of one or more partners or a reference to its corporate purpose but always accompanied by the word "Limited," without which the partners will be jointly and severally liable.

   There are no minimum capital requirements for incorporating or operating an SRL. Capital can be paid in cash, assets and even through work or services contributed by the partners.

   As it is a partnership, all changes to the bylaws and transfers of corporate rights must be unanimously approved by all partners.

   An SRL is incorporated through a public deed, and a copy of it must be filed with the *Registro de Comercio del Conservador de Bienes Raíces* ("Commercial Registry of the Asset Registrar") with jurisdiction over the location of the company's registered office and published in the Official Gazette within 60 days.

3. **Public Limited Liability Companies (SA):** This type of company, governed by Law 18046, is incorporated through a public deed defining its shareholders, capital, purpose, term, form of management and the manner of distributing profits, among other items. A copy of the document must be published in the Official Gazette and registered with the Commercial Registry of the Asset Registrar with jurisdiction over the company's registered office, within 60 days of its incorporation.

   An SA requires a minimum of two shareholders, which can be domestic or foreign individuals or legal persons.

   Its capital is divided into shares created through contributions from shareholders, who are liable only up to the amount of their respective contributions. Capital must be subscribed and paid in within three years from incorporation; otherwise, it be automatically reduced to the amount actually subscribed and paid in.

   There are no minimum capital requirements for incorporating or operating a public limited liability company. The share capital can be paid in cash or through other assets, in which case they must be appraised by the shareholders. Issuing shares as compensation for a shareholder's personal work or services is not allowed.

   These types of companies are managed by a board of directors consisting of at least three members whose positions are essentially revocable, and decisions are adopted by majority vote. Directors can only be individuals, whether domestic or foreign.

   The name may include the name of one or more shareholders or a created name, followed by the letters S.A.

   Selling shares does not require authorization from the other shareholders, except if they enter into a shareholders' agreement restricting these transfers.

   The following types of SAs can be incorporated:

   - **Open:** Its shares are traded on the Stock Exchange and, by law or voluntarily, they must register their shares with the Securities Registry of the Financial Market Commission (CMF), which is the controlling regulator.

- **Closed:** Its shares are not traded on the Stock Exchange.

4. **Stock company (SpA):** This type of company is a combination of a public limited liability company (SA) and a limited liability company (SRL) and is governed by its bylaws, the provisions of articles 424 *et seq*. of the Commercial Code and, on a supplementary basis, the rules for closed public limited liability companies. This corporate form allows more regulatory flexibility, which is why it has become the most popular in recent years.

   A SpA can be incorporated by a public deed or by one or more persons through a private agreement, in which case their signatures must be certified by a notary public. A copy of the incorporation deed must be published in the Official Gazette and filed with the Commercial Registry of the Asset Registrar with jurisdiction over the location of the company's registered office within one month.

   A SpA can be incorporated with a single shareholder, which can be a domestic or foreign individual or legal person. Capital is divided into shares, and shareholders are liable only up to the amount of their respective contributions. This capital must be subscribed and paid in within five years from incorporation; otherwise, it will be reduced to that actually subscribed and paid in.

   There are no minimum capital requirements for incorporating or operating a SpA. Capital can be paid in cash or through contributing other assets, in which case they must be appraised by the shareholders. Issuing shares as compensation for a shareholder's work or services is not prohibited.

   The shareholders establish the manner of management, by one or more managers or a board of directors, in the bylaws, and they can be domestic or foreign individuals or legal persons. If the SpA is managed by a board of directors, its members can only be domestic or foreign individuals.

   Selling shares does not require authorization from the rest of the shareholders, except if they enter into an agreement restricting these transfers.

5. **Foreign companies' agencies in Chile:** A foreign company can establish an agency in Chile without incorporating a formal company. The Companies Act provides legal recognition to a foreign company so that it can operate in Chile without acquiring a formal legal personality.

   The agent or legal representative of the foreign company that has been appointed in Chile must formally execute the following documents before a notary public at the location of the intended domicile in Chile:

The Stock Company (SpA) allows more regulatory flexibility, and it has become the most popular in recent years

- proof that the company is legally incorporated under the laws of the country of origin and a certificate of the company's existence;
- certified copy of the foreign company's current bylaws; and
- a general power-of-attorney granted by the foreign company to the agent who is to represent it in Chile, specifying the legal status of the foreign principal. It must clearly and accurately state that the agent will act in Chile under the foreign company's direct responsibility. This agent will have broad powers to carry out operations on its behalf, as well as all ordinary and special powers required by law.

To be valid public instruments in Chile, these documents must originate from the country in which the foreign company was incorporated, translated into Spanish and certified or bearing an apostille, as appropriate.

A foreign company can establish an "Agency in Chile" to operate without acquiring a formal legal personality

At the time the foreign corporate documents are notarized, the representative of the agency or branch must sign a public document before the same notary public, making all legally required statements so that, on the company's behalf and with sufficient powers, the company *Agencia en Chile* can be created. The legally required statements are:

- a declaration that the foreign company is aware of the Chilean legislation and regulations that will govern the agency and its operations, contracts and obligations in Chile;
- a declaration that the company's assets are subject to the laws of Chile, especially with respect to fulfilling any obligations arising in Chile;
- a declaration that the company is required to maintain easily realizable assets in Chile to fulfill any obligations arising in Chile;
- the address of the main agency, which will be considered the main branch in Chile, although other domestic branches may be opened in other cities.

Subsequently, and within 60 days, a copy of the public deed of incorporation must be filed with the commercial registry and published in the Official Gazette.


45.6 %
42.5 %
35.7 %
32.9 %
30.2 %
28.5 %

2 Taxes

2.1. Income tax

Income tax in Chile is based on (i) the taxpayer's place of residence and (ii) the source of the income.

As an incentive for investing in Chile, any foreign person domiciled or resident in Chile will only be taxed on Chile-sourced income for the first three years in the country

Entities domiciled or resident in Chile are taxed on their worldwide income, regardless of whether it originates from domestic or foreign sources. Nonresident entities generally pay taxes only on their Chile-sourced income.

However, as an incentive for investing in Chile, any foreign person domiciled or resident in Chile will only be taxed on Chile-sourced income for the first three years in the country, although this period may be extended.

Income taxes in Chile are classified as follows:

1. **Category taxes**

- **First category income tax:** A 27% tax on company income generated from industry, trade, mining, real estate and other activities that involve the use of capital. This tax is calculated on all income earned or actually received during the fiscal year and can be deducted as a credit from final overall taxes. Expenses incurred by the company while carrying out its business can also be deducted from gross income to determine net income. However, some expenses may be denied if they are not considered tax deductible.

  Companies must make interim monthly payments that are applied to the mandatory first category tax. In April of the following year, interim payments are deducted from the total income tax to calculate the annual return or payment of first category tax.

- **Second category income tax:** A progressive tax up to 35% levied on employment income above 13.5 UTM (approximately USD 960). This tax must be withheld monthly by the employer.

2. **Overall taxes**

- **Complementary overall tax:** A progressive annual tax up to 35% applied on the total income from both categories received by individuals who are residents or domiciled in Chile. It does not apply to legal persons.

- **Additional tax:** A tax applicable to individuals and legal persons that are not residents or domiciled in Chile at a general 35% rate on attributed income, withdrawals, distribution or remittances of income abroad from a Chilean source. However, there are lower rates for some types of income. For example, fees paid

for engineering and technical work and for professional and technical services that a person or entity specialized in a science or technique provides through advisory services or reports may be subject to 15% withholding, while interest paid abroad for bank borrowings is subject to 4% withholding, provided certain conditions are met. In addition, some double taxation treaties allow lower rates than those indicated above.

2.2. Value added tax

Value added tax ("VAT") is a tax of up to 19% applied to recurring sales of goods and services rendered by, among others, commercial, industrial, mining and service companies, with certain exceptions. This tax is paid by the end consumer but is levied at every stage of the sale of the good or service.

The VAT structure allows for deducting all the VAT paid on the purchase of goods or services that are necessary for producing the product to be sold. Every seller or service provider is required to withhold and pay VAT. As an exception, when sellers and service providers are not residents or domiciled in Chile, or when for other reasons it is difficult for the Chilean Internal Revenue Service ("SII") to oversee payment of VAT, the responsibility for withholding and paying the tax is transferred to the buyer of the goods or the beneficiary of the service. The seller of the product or service, and exceptionally the buyer, must submit a monthly VAT return and pay the difference between VAT charged on sales and VAT paid on the goods purchased and the services necessary for producing the goods or services sold by the reporting party.

Exports are one of the VAT exceptions, although VAT paid on the purchase of goods and services necessary for the export can be deducted from any other VAT accrued or refunded by the SII. Similarly, import and export sea and air transportation services are exempt from VAT.

2.3. Capital gains tax

In general, capital gains are considered regular income. However, there is a special tax exemption system applicable to gains arising from the sale of shares on the stock market, when certain requirements are met.

2.4. Transfer pricing

In Chile, companies carrying out transactions with related parties that do not have a domicile or reside in Chile or with tax havens, and those that do not fall into one of these categories but carry out transactions with related parties abroad exceeding 500 million pesos (approximately USD 684,000), must report those transactions to the SII to demonstrate that they were at arm's length. If the SII determines that the transactions were not carried out at market prices, the difference in the reported value is taxed at 35%, plus a 5% fine.

2.5. Double taxation agreements

Chile has signed several international treaties for the avoidance of double taxation based on the Organization for Economic Cooperation and Development Model Convention. Currently, Chile has treaties signed with Argentina, Brazil, Canada, South Korea, Croatia, Denmark, Belgium, Colombia, Mexico, Norway, Ecuador, Peru, Spain, France, Poland, United Kingdom, New Zealand, Ireland, Malaysia, Paraguay, Portugal, Thailand, Sweden and Switzerland. Treaties have also been signed with the Russian Federation, the United States and Australia, but they have not yet entered into force.

2.6. Other taxes

Chile has signed international treaties for the avoidance of double taxation based on the Organization for Economic Cooperation and Development Model Convention with several countries

2.6.1. Stamp duty

Stamp duty is mainly levied on documents and transactions that involve a monetary credit transaction, and it is based on the amount of capital specified in the document.

It is levied at fixed and variable rates. Bills of exchange, promissory notes, ordinary or documentary credit, delivery of invoices or accounts in collection, discounting of bills by banks, loans and any other document, even those that are issued in intangible form, covering a monetary credit transaction are subject to a 0.066% rate applied to the sum for each month or fraction of the month between the issue date and the expiration date, up to a maximum of 0.8%.

Demand instruments and those without a maturity date are subject to a 0.332% rate.

2.6.2. Municipal tax

Annual municipal tax is calculated on the taxpayer's taxable capital (the sum of assets minus liabilities) at December 31 of each year. The rate is established by each municipality at a minimum of 0.25% and a maximum of 0.5%. This tax is levied on all activities carried out for consideration by a taxpayer in the municipality. However, companies with only passive investments in the municipality are not subject to municipal tax.

3

Labor and employment

Labor relations between employers and employees are regulated by the Labor Code and supplementary laws

3.1. General hiring characteristics

Labor relations between employers and employees are regulated by the Labor Code and supplementary laws.

An individual employment contract is consensual and mutually binding between the employer and the employee. The latter is required to provide personal services under the supervision of, and subordinate to, the employer, who is required to pay a specific amount for those services.

An employment contract must include, at least, the following information:

- Place and date of the contract;
- Identification of the parties, indicating nationality and dates of birth and the remuneration payable to the employee;
- The nature of the services and the place where they are to be provided;
- Amount, manner and frequency of the agreed remuneration;
- Duration and distribution of the working day; and
- Term of the contract.

3.1.1. Types of employment contracts

Based on their length and duration:

- **Fixed-term:** An employment contract that may not exceed one year, although it becomes indefinite when:
  a. The employer knowingly allows an employee to continue providing services after the agreed termination date;
  b. It is renewed for a second time; and
  c. The employee is presumed to have been hired indefinitely, having provided discontinuous services for the same employer under more than two fixed-term contracts for 12 months or more, within a total of 15 months.
- **Indefinite:** An employment contract with an indefinite term, without establishing a termination date for the employment relationship.
- **Specific job or task:** An employment contract under which an employee agrees to carry out specific and defined material or intellectual work, with specified start and end dates, and which remains in force only during that time.

3.1.2. Special contracts and main features

Apprenticeship contract

- Specific length and conditions
- Knowledge and skills relating to a qualified trade taught
- Only available to those under 21 years of age
- Expressly indicating the plan to be followed by the apprentice
- Two years maximum duration

Agricultural worker contract

- Land cultivation work and agricultural activities
- Employer cannot be part of a derivative agricultural commercial or industrial company
- Agricultural workers who cannot work because of weather conditions are entitled to full monetary and in-kind remuneration, provided they have not missed work the previous day without justification.
- Pay can be monetary or in kind, but under no circumstances may more than 50% be in-kind payment.

Maritime or sea worker contract

- For the professions, trades and occupations aboard ships or naval vessels
- Workers must hold a certificate and a license or registration granted by the competent authority

Temporary port worker contract

- Stevedoring and other tasks typical of port activities on board ships and naval vessels and in port areas
- Basic port operations safety course required

Arts and entertainment worker contract

- Specific term, either a fixed term or for one or more events, jobs, seasons or projects
- Exempt from mandatory rest on Sundays and holidays

Private home worker contract

- Continuous engagement for typical home cleaning and household work
- Applicable to private household drivers

Temporary worker contract

- Seasonal agricultural workers are all those who carry out temporary or seasonal tasks involving land cultivation, derivative agricultural commercial or industrial activities, sawmills and logging plants and other related activities.
- Must be executed in four copies
- Employer must provide workers with adequate, sanitary accommodation according to the characteristics of the area, the climate conditions and other conditions typical of the seasonal task, unless workers can have access to their homes or to adequate, sanitary accommodation that, given the distance and means of communication, allows them to carry out their tasks.

Sports contract

- Between employers and professional football players and those who perform related activities
- Renewal must have the express and written consent of the employee each time and be for a minimum of six months

Commercial passenger and cargo aircraft flight and cabin crew contract

- Monthly work schedule cannot exceed 160 hours.
- Ordinary day schedule cannot exceed 12 continuous hours.

3.2. Possibility of subcontracting

3.2.1. Requirements

La subcontratación está sujeta a los siguientes requisitos:

- An employment contract between an employee and an employer, i.e., a contractor or subcontractor, that is responsible for executing works or services, at its own risk and with its own employees, on behalf of a third party.
- That third party, whether an individual or legal person, is the principal company and the owner of the work, company or task for which

the contracted work or service is performed.

- A non-labor contractual agreement between the principal company and the contractor under which the contractor is required to perform work or provide services for the principal company.
- The work or the services must be carried out by the contractor's employees.
- The services provided must be habitually continuous, i.e., permanent or regular, not sporadic.

If these requirements are not met, the principal company may be fined.

3.2.2. Principal company liability

Joint and several liability: The principal company and the contractor will be jointly and severally liable for employee-related labor and social security obligations that apply to contractors and subcontractors, where appropriate, including any legal severance pay at the end of the employment relationship.

Subsidiary: The principal company or the contractor, as applicable, will be secondarily liable for employee-related labor and social security obligations that apply to contractors and subcontractors when:

- The principal company or the contractor effectively comply with the right to information regarding the sum and compliance with employee labor and social security obligations and, if compliance is not demonstrated, exercise the retention right; and
- The principal company or the contractor have been notified by the labor authorities of a breach of employee labor and social security obligations, as appropriate, and have effectively applied the retention right.

3.3. Legal benefits

Minimum wage

All workers are entitled to a minimum wage. The minimum wage is currently USD 442. A bill adjusting the minimum wage to USD 456 gross is currently being debated in Congress.

Legal bonuses

The law provides that a bonus is an annual benefit and must be paid to employees every year in April, provided the company has made a profit.

For the employer to be required to pay the legal bonus, it must meet all the following requirements simultaneously:

- It is a mining, industrial, commercial, agricultural or any other establishment, or a cooperative.
- The establishment or company pursues a profit, i.e., for-profit companies, except cooperatives.
- It keeps accounting records.
- It obtains net profits (earnings) in the year, i.e., the profit (based on income tax paid) minus 10% of the value of equity, excluding any deduction of losses from prior financial years.

Vacations

Employees with more than one year of service are entitled to an annual paid vacation of 15 business days.

The vacation time will be granted preferably in the spring or summer, taking into consideration the needs of the service concerned.

The vacation must be continuous, but the excess over ten business days may be broken up by mutual agreement.

The vacation time may also be accumulated by agreement of the parties but only for up to two consecutive periods.

45 hours per week

The ordinary working schedule is established by the Labor Code for all employees, with some exceptions. The maximum work schedule is 45 hours per week, which may not be distributed over more than six days or less than five, and in no case may it exceed 10 hours per day.

Overtime

Daily overtime is limited to two hours, and the weekly maximum is 12 hours, provided the weekly work schedule can be distributed over a maximum of six business days (6 days x 2 overtime hours = 12 overtime hours per week). The labor authorities have established a maximum of seven hours of work plus 30 minutes of overtime on Saturdays. The overtime worked from Monday to Friday must be added to these 30 minutes so that it will not exceed the weekly limit of 12 overtime hours.

To calculate overtime payment for an employee hired for a 45-hour working week and receiving a monthly salary, the salary must be divided by 30 and then multiplied times 28, dividing the result by 180 to obtain the value of a regular work hour.

Unemployment insurance

The Unemployment Fund Administrator (AFC) provides insurance that protects all employees with an indefinite, fixed-term contract and those with a per-job or service contract, if these jobs are governed by the Labor Code.

Every employee enrolled with the AFC has an individual unemployment account to which the employer must contribute 3% of the taxable monthly wages paid to the employee. This contribution is mandatory in different percentages by the employee and the employer, depending on the type of contract.

Remote work

The law that regulates remote work and teleworking entered into force on April 1, 2020. Employment contracts governed by this law must include the following:

- Express indication that the parties have agreed to remote work or teleworking, specifying whether it will be full-time or part-time work and, in the latter case, the formula for combining office work and remote work or teleworking;
- The place or places where the services will be rendered, unless the parties have agreed that the employee can freely choose that location, which must be identified;
- The term of the remote work or teleworking agreement can be indefinite or for a specified time;
- The supervision or control mechanisms that the employer will use with respect to the services agreed with the employee;

- The agreement that the remote employee will be able to distribute working hours as needed, or that the employee is excluded from the limitation of working hours; and
- The time of disconnection from work.

COVID insurance

Mandatory individual insurance for private sector employees with contracts subject to the Labor Code and who are performing all or part of their work at a worksite.

The purpose of this insurance is to finance or reimburse the costs of the employee's hospitalization and rehabilitation associated to COVID-19, as well as compensation in case of natural death of the insured.

3.4. Social security contributions

The employer must deduct from the employee's gross salary:

- 10% for pension contribution;
- 7% for health care coverage; and
- 1.53% for Disability and Survival Insurance (SIS), which covers employees in case of disability or death.

3.5. Termination of the work contract

3.5.1. Grounds

The grounds for termination of an employment contract are set out in articles 159, 160 and 161 of the Labor Code and are as follows:

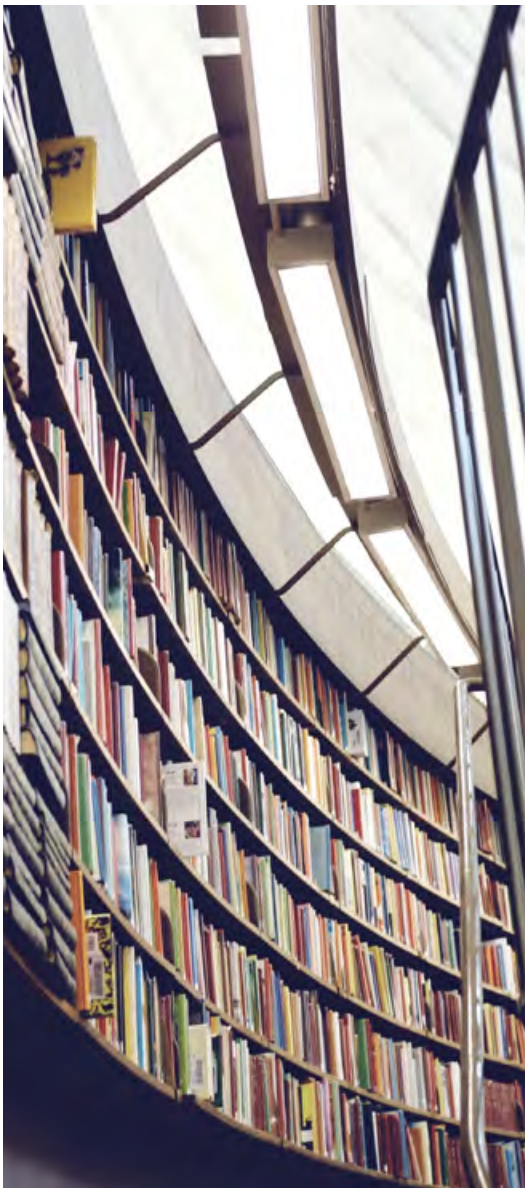
Grounds under article 159:

- Mutual agreement of the parties
- Resignation of the employee
- Death of the employee
- Expiration of the term agreed in the contract
- Conclusion of the work or service that gave rise to the contract
- Act of God or force majeure

Grounds under article 160:

- Any case of duly verified serious misconduct, as indicated below:
  - Lack of probity on the part of employees when performing their duties
  - Sexual harassment
  - Any action taken by the employee against the employer or any employee working at the same company
  - Insults to the employer
  - Immoral behavior affecting the company

- Negotiations that the employee carries out during the course of business that have been prohibited by the employer in writing in the employment contract.
- Employee's failure to appear at work without just cause for two days in a row, two Mondays in a month or three days during the same period of time. Similarly, any unjustified absence or absence without prior notice from the employee who is responsible for an activity, task or machine when abandonment or stoppage results in serious disturbance of work efficiency.



- Abandonment of the job by the employee, i.e.,:
  - the employee's untimely and unjustified departure from the worksite during working hours, without permission from the employer or its representative; or
  - refusal to work without just cause on the tasks agreed in the contract.
- Reckless acts, omissions or recklessness that affect the safety or operation of the establishment, the safety or the activity of employees or their health.
- Material damage intentionally caused to facilities, machinery, tools, equipment, products or merchandise.
- Serious breach of the obligations imposed by the contract.

Grounds under article 161:

- Needs of the company, establishment or service such as those arising from streamlining and modernization, declines in productivity, and changes in market or economic conditions that make it necessary to dismiss one or more employees.
- Employer eviction.

Grounds under article 161 bis:

- Total or partial disability is not just cause for termination of an employment contract. Employees dismissed for this reason will be entitled to the compensation established in paragraph one or two of article 163 of the Labor Code, as appropriate, with the increase indicated in article 168 b) of the same law.

3.5.2. Compensation system for termination of an employment contract:

As a rule, when an employment contract is terminated, any amounts owed due to termination must be paid as determined in the final settlement document (*finiquito*).

Some of those payments at the end of the employment relationship include:

- **Outstanding remuneration:** for the days worked in the month in which the contract ends, if any.

- **Accrued holidays:** compensation for the time between the hiring date or the date of the last work anniversary and the employment end date.

- **Length of service indemnity:** compensation if the contract has been in force for one year or more and has ended due to any of the causes set out under article 161 of the Labor Code, i.e., the needs of the company, establishment or service, or employer eviction.
- **Indemnity *in lieu* of notice:** compensation if the dismissal took place for any reason set out under article 161 without at least a 30-day notice to the employee.
- Any other amount owed to the employee by the employer.

4 Data protection

The LPD establishes certain obligations regarding the use of personal data and, in general, requires that the processing of personal data take place with consent of the owner or a legal authorization

4.1. Legal framework

Article 19 (4) of the Political Constitution of the Republic of Chile guarantees "respect and protection of private life and honor of a person and his or her family." Law 19628 on Protection of Private Life (the "LPD"), in addition to other special regulations, regulates the processing of personal data in registries and databases by public or private entities, establishing obligations regarding the use of personal data, rights of data owners, responsibility for breaching the law, and certain special regulations applicable to data of economic, financial, banking or commercial nature and to the processing of data by public entities.

In general, the LPD requires that the processing of personal data take place with consent of the owner or a legal authorization. There is no public control authority in this area, except that granted to the Transparency Board with regard to public administration bodies.

A bill that substantially modifies the regulatory framework of the LPD is currently before Congress, and among other novelties, it establishes (i) new rights for data owners, (ii) new legal ways of data processing and (iii) an authority responsible for ensuring data protection. It also regulates the international transfer of personal data and breach prevention models.

The LPD requires, among other obligations, consent from the owner, use of the data exclusively for the purpose for which it was collected and registration of databases with a public registry

4.2. Main obligations

The main obligations covered by the LPD are as follows:

- Express, written and informed consent from the owner must be obtained for the processing of personal data, with certain exceptions such as the processing of data by public bodies under certain conditions.
- Use of the data exclusively for the purpose for which it was collected.
- Due diligence when in possession of the data, establishing liability for any damages caused.
- Confidentiality of personal data.
- Guarantee for exercising the rights (a) to information or access, (b) to modification or correction, (c) to cancellation or elimination and (d) to blocking data.
- Registration of databases with a public registry run by the Civil and Identification Registry in the case of public bodies.

5 Public procurement

5.1. Legal framework

The ways of contracting with the State are framework agreements, public tenders and, exceptionally, private tenders and direct awards

Law 19886 of 2003 on Administrative Contracts for the Supply and Provision of Services and their Regulations (Decree 250 of 2004) sets out the rules that govern the State's contracting for the supply of goods and services. This without prejudice to other public bodies of specific sectors that regulate, for example, contracts for concessions of public works and their execution.

There are different ways of contracting with the State: framework agreements, public tenders, private tenders and direct awards. In general, State agencies use framework agreements, regularly tendered and awarded by the Directorate of Public Procurement and Contracting, regardless of the amount of the contract, which can be found in a catalog of framework agreements published by the Directorate on the Transactional Platform. When this type of contracting is not appropriate, a public tender is held. Private tenders and direct awards are held exceptionally in certain circumstances. As a rule, to formally acquire goods and services for a certain amount, a contract must be signed.

5.2. National Providers Registry

Domestic and foreign individuals and legal persons that have not been barred from contracting with State agencies can be entered into the official electronic registry of State contractors

The Public Procurement and Contracting Directorate (ChileCompra) is responsible for an official electronic registry of State contractors. All domestic and foreign individuals and legal persons that have not been barred from contracting with State agencies can be entered into that Registry, whose purpose is registering and accrediting past activities, hiring history, legal and financial situation, technical suitability, as well as any situation precluding entering into contracts with the State.

5.3. Transactional Platform for State Procurement - Public Market

ChileCompra manages a transactional platform (www.mercadopublico.cl), in which public entities carry out the process of acquiring and contracting for the supply of goods, services and works. They must use this platform to price, tender, contract, award, request dispatches and, in general, carry out all their processes for acquiring and contracting for goods, services and works.

6

Conflict resolution: Arbitration

The use of arbitration has increased significantly in Chile in recent decades. The Chilean Law on International Commercial Arbitration is based on the United Nations Commission on International Trade Law model. Chile is a member of the New York Convention, the Panama Convention and the ICSID Convention

The use of arbitration as a method of conflict resolution has increased significantly in Chile in recent decades, and that increase has been boosted since 2004 with the enactment of Law 19971 on International Commercial Arbitration (LACI) based on the United Nations Commission on International Trade Law (UNCITRAL) model.

6.1. Domestic and international arbitration

Chilean law recognizes domestic and international arbitration and regulates them through a dual system, i.e., they are governed by different regulatory bodies.

Domestic arbitration is regulated by the Organic Code of Courts (articles 222 to 243) and the Code of Civil Procedure (articles 628 to 644).

International arbitration is regulated by the LACI, although other international regulatory bodies of which Chile is a member may influence the regulation of arbitration. Such is the case of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitration Awards and the Inter-American Convention on Arbitration International Commercial, also known as the Panama Convention.

Chile is a member of the 1965 Convention on the Settlement of Investment Disputes (ICSID Convention); therefore, under certain conditions, ICSID arbitration can be applied with foreign investors.

Under the LACI, arbitration is international if:

- The parties to an arbitration agreement are established in different States when the agreement is reached;
- One of the following places is located outside the State in which the parties have their establishments:
  - The place of arbitration, if it has been determined in the arbitration agreement or under the arbitration agreement; or
  - The place of fulfillment of a substantial part of the obligations of the commercial relationship or the place with which the object of the dispute has a closer relationship; or
- The parties have expressly agreed that the matter that is the subject of the arbitration agreement involves more than one State.

The LACI expressly recognizes the autonomous will of the parties, allowing them to classify a particular arbitration process as international.

6.2. *Ad hoc* and institutional arbitration

Arbitration can be institutional or *ad hoc*. Institutional arbitration is handled by an institution that provides support to both parties and the arbitrators during the course of the arbitration.

In this case, arbitration is governed by the regulations of the arbitration entity selected by the parties in the arbitration agreement.

In ad hoc arbitration, the parties choose not to go to an arbitration institution and leave the procedure mainly in the hands of the arbitration court.

They may (i) select an arbitration rule developed for non-administered arbitration, e.g., the Arbitration Rules of the United Nations Commission on International Trade Law ("UNCITRAL") or (ii) create their own.

In Chile, the main arbitration institutions are the Arbitration and Mediation Center of the Santiago Chamber of Commerce and the National Arbitration Center.

6.3. Judicial oversight

A distinction must be made between domestic and international arbitration with respect to judicial oversight of arbitration awards issued in Chile.

A broad system of appeals applies to domestic arbitration awards, since an appeal and an appeal for reversal can be filed in the same manner as against final judgments issued by the ordinary courts. However, the parties can (i) submit appeals to arbitration so that they may be heard by a higher arbitration court or (ii) waive the available appeals. Both academic doctrine and case law have established that an appeal for reversal cannot be waived if the court is not competent or in the case of ultra petita (granting more than what was sought by the parties). A complaint appeal cannot be waived either, given its disciplinary nature.

Only an appeal for annulment, established by the LACI, can be filed against international awards issued in Chile. The appeal for annulment does not consist of raising the matter to a higher court to decide on the merits of the matter submitted to arbitration, but rather its purpose is the annulment of the arbitration award on certain specific grounds.

These grounds are established in article 34 of the LACI and are as follows:

- One of the parties to the arbitration agreement was affected by some incapacity, the agreement is not valid by virtue of the law to which the parties have submitted it, or if nothing has been indicated in this regard, by virtue of the law of Chile.
- One of the parties has not been duly notified of the appointment of an arbitrator or of the arbitration proceedings, or it has not been able to assert its rights for any other reason.
- The award refers to a dispute not covered by the arbitration agreement or contains decisions that exceed the terms of the arbitration agreement. However, if the provisions of the award that refer to the issues submitted to arbitration can be separated from those that are not, only the latter may be annulled.
- The composition of the arbitration court or procedure has not been adjusted to the agreement between the parties, unless that agreement was in conflict with a provision of this law from which the parties could not deviate or, in the absence of such agreement, that did not comply with this law.

- Under Chilean law, the object of the dispute is not subject to arbitration.
- The award is contrary to public policy in Chile.

6.4. Recognition and enforcement of international arbitral awards in Chile

All international arbitration awards to be recognized and enforced in Chile must be approved through the exequatur process. Exequatur is an authorization granted by the Supreme Court for the enforcement in Chile of judgments issued abroad.

Foreign arbitration awards in Chile will have the force attributed, first of all, to existing international treaties between Chile and the country where the arbitration award is issued. In the absence of a treaty, the award will have the same force given to Chilean arbitration decisions by the country where it originates.

If it is not possible to demonstrate reciprocity, the exequatur will be approved if (i) the award does not contravene public policy in Chile; (ii) domestic courts are not competent for hearing the matter; (iii) there is due summons; and (iv) the award has been enforced in the jurisdiction where it was issued.

6.5. Arbitration proceedings in which Chile is a party

Chile can be a party to investment arbitration and international commercial arbitration.

It has developed a strong negotiating policy in the investment arbitration area for agreements for promoting and protecting foreign investments and free trade agreements that include chapters on investments.

In most of these instruments, Chile has decided to apply friendly solutions as the first step in conflict resolution and subsequently offer the investor the option of a forum. The investor will be able to decide whether to submit the dispute to Chilean jurisdiction or to international arbitration. However, the applicable regulatory instruments in each specific case must be analyzed.

Chile, its agencies, institutions and companies are empowered to submit to foreign courts, including arbitration courts, any disputes arising from the international contracts into which they enter.

However, the following requirements must be met: (i) the contract must be international (the parties must have their establishments in

different countries or one of them must have its main center of business abroad); (ii) the State, its agencies, institutions or companies must participate; and (iii) the contract must be of an economic-financial nature.

6.6. Arbitration when contracting with the State

The Public Works Concession Act considers arbitration one of the possible dispute resolution mechanisms between the State and a contractor.

Disputes or claims that arise as a result of the interpretation or application of the concession contract or its performance may be initiated by the parties before an arbitration commission or the Court of Appeals of Santiago.

Disputes of a technical or economic nature between the parties during the performance of the concession contract must be submitted for the consideration of a technical panel at the request of any of the parties. The technical panel does not have jurisdiction and only issues a technical and duly founded recommendation that does not curtail the parties' power to submit the same dispute to an arbitration commission, but only when such matters have been previously submitted to a technical panel to obtain a recommendation.

The Ministry of Public Works may only file an appeal with the arbitration commission once the final launch of the works has been authorized, unless it requests the declaration of serious breach of the concession contract by the contractor, which can be requested at any time.

The arbitration commission must be made up of three university professionals, two of whom, at least, must be lawyers, and one must preside over the arbitration commission. The members are appointed by mutual agreement of the parties based on two lists of experts: the first one made up of lawyers and drawn up for this purpose by the Supreme Court, and the second one made up of professionals appointed by the Competition Defense Court through a public competency tender, during which it must verify the suitability of the chosen professionals and the absence of any barring issues or incompatibilities.

The arbitration commission will have the authority of an arbitrator with respect to the proceedings and will review the evidence under the rules of sound analysis, allowing any source of evidence or background that, in the commission's opinion, can establish the substantial and pertinent facts in dispute.

The commission will have 60 business days from the date the parties are summoned to issue a final judgment in accordance with the law, which will be justified and state the factual, legal, technical and economic considerations on which the decision has been made. The final decision cannot be appealed.

7 Inside information

Persons who are presumed to have inside information must maintain confidentiality and cannot use the information for their own benefit or that of others

7.1. Definition

"Inside information" is:

- Any information on one or more issuers of securities, their businesses or one or more securities they have issued, not disclosed to the market and whose knowledge, due to its nature, can influence the price of the issued securities.
- Information on certain facts or background that refers to pending negotiations that, when known, could harm the interests or the business and that has been classified as confidential information through the approval of three-quarters of the company's directors.
- Any information on decisions involving the acquisition, sale and acceptance or rejection of specific investment offers by an institutional investor in the stock market.

7.2. People who are presumed to have inside information

It is presumed that the following persons have inside information:

- The directors, managers, administrators, senior executives and liquidators of the issuer or institutional investor, if appropriate.
- The persons indicated above, who act as controller of the issuer or institutional investor, as the case may be.
- The controlling persons or their representatives who carry out transactions or negotiations intended to transfer that control.
- Directors, managers, administrators, legal representatives, senior executives, financial advisers and securities broker-dealers, with respect to any information on decisions involving the acquisition, sale and acceptance or rejection of specific investment offers by an institutional investor in the stock market and any information relating to the placement of securities that has been entrusted to them.

It is also presumed that the following persons possess inside information, to the extent that they had direct access to the facts contained in the information:

- The main and dependent executives of the external auditing companies of the issuer or institutional investor, as the case may be.
- The partners, managers, administrators and main executives and members of the rating boards at the rating agencies that rate the issuer's securities or the issuing company.

- Employees working under the direct direction or supervision of the directors, managers, administrators, main executives and liquidators of the issuer or institutional investor, as the case may be.
- Persons who provide permanent or temporary advisory services to the issuer or institutional investor, as the case may be, insofar as the nature of their services may allow them access to that information.
- Public officials working at institutions that supervise issuers of publicly offered securities or funds authorized by law.
- The spouses and partners of the persons indicated in the first paragraph of this section 7.2, as well as any person living at the same residence.

7.3. Obligations and prohibitions for individuals with inside information

Persons who, through their job, position, activity or relationship with the issuer of securities or with persons who are presumed to have inside information, have the following obligations:

- They must maintain confidentiality and cannot use the information for their own benefit or that of others, or acquire or sell, for themselves or for third parties, directly or through other people, the securities regarding which they have inside information.
- They are prohibited from using inside information to obtain profits or avoid losses, through any type of transaction involving the securities to which the information refers or with instruments whose returns are affected by those securities.

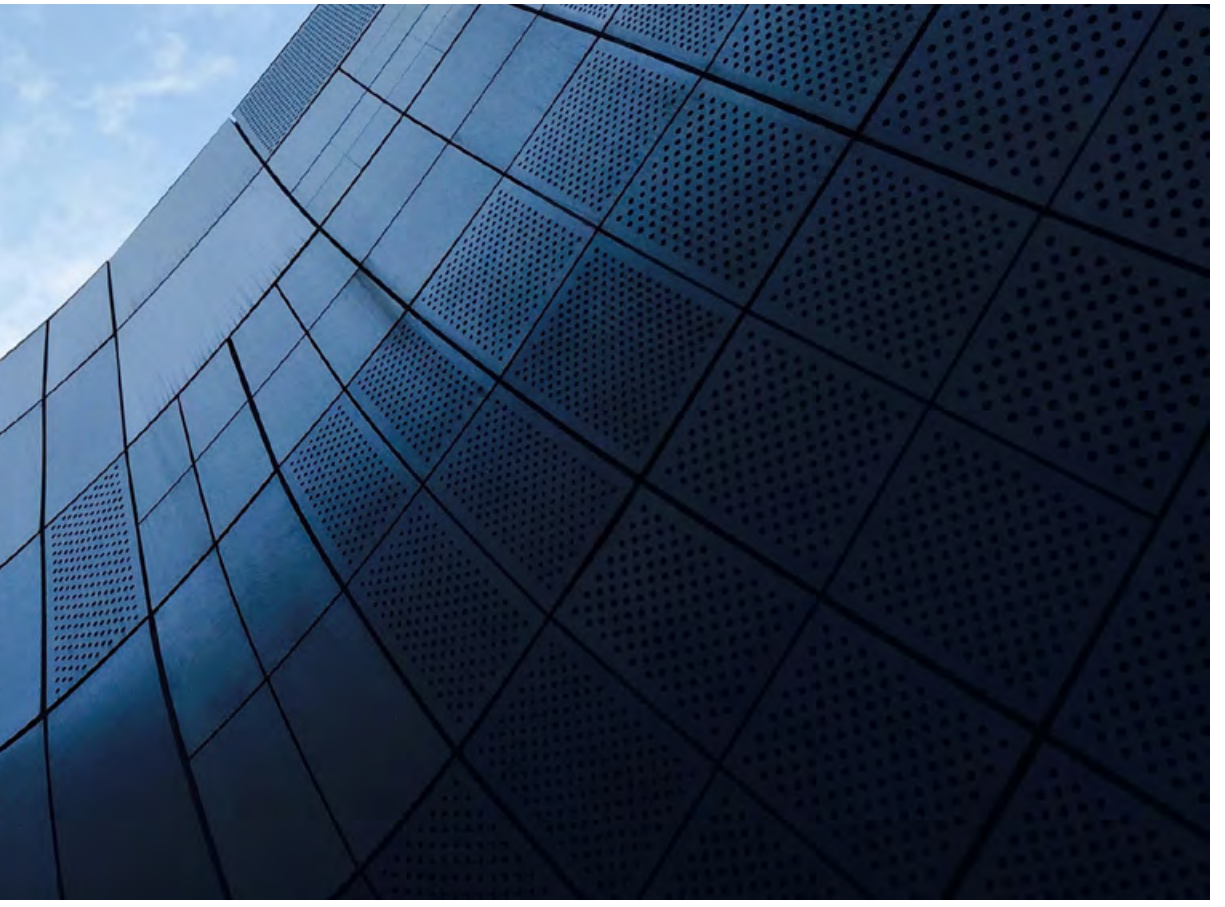
The use or disclosure of inside information carries criminal penalties and the obligation to compensate anyone harmed

- They must refrain from communicating the information to third parties or from recommending the acquisition or sale of the securities concerned, and ensure that no such action occurs through subordinates or trusted third parties.

7.4. Penalties for noncompliance

Anyone who reveals or uses inside information, for his or her own benefit or that of others, or acquires or sells, on his or her own behalf or for third parties, directly or through other people, the securities for which they have inside information will be subject to ordinary imprisonment of a minimum to medium term (from 541 days to 10 years).

In turn, anyone harmed will be entitled to demand compensation from the offender within four years from the date the inside information was disclosed to the market and the investing public.



8 Free market competition

Chilean regulation penalizes actions that hinder free market competition and includes a mandatory prior notification mechanism regarding certain transactions that have effects in Chile

8.1. Overview

The regulation of free market competition in Chile is essentially set out in Decree-Law 211 of 1973 and its amendments ("DL 211"), and its main purpose is to promote and defend free market competition. In general, DL 211 penalizes any event, action or agreement that impedes, restricts or hinders free market competition or that tends to produce such effects Basically, the main entities responsible for promoting and protecting free market competition are the Free Market Competition Defense Tribunal ("TDLC") and the National Economic Prosecutor's Office ("FNE").

8.1.1. TDLC

The TDLC is an independent body, subject to the supervision of the Supreme Court. It is made up of five regular members, three of whom, at least, must be lawyers and two must be graduates or have postgraduate degrees in economics, plus two alternates. The role of the TDLC is to prevent, correct and penalize any action against free market competition. It has the authority to hear both contentious and non-contentious matters, issue general instructions and rule on certain special appeals.

8.1.2. FNE

The FNE is a decentralized, independent public service, subject to the supervision of the President of the Republic through the Ministry of Economy, Development and Reconstruction and headed by the National Economic Prosecutor.

Within the defense and promotion of free market competition, the FNE has the following powers:

- It is endowed with broad powers to investigate any events, actions and agreements that prevent, restrict or hinder free market competition, or that tend to produce such effects.
- It acts as a party, representing the general interest, before the TDLC and the courts of justice, and it may require the TDLC to exercise its authority.
- It signs out-of-court agreements with economic agents involved in its investigations to safeguard free market competition.
- Supervises compliance with its resolutions and the judgments reached by the courts of justice with respect to free market matters.

8.2. Anticompetitive behavior

Under article 3 of DL 211, any event, action or agreement that prevents, restricts or hinders free competition, or that tends to produce such

effects, constitutes anticompetitive practices.
In addition to this generic offense, article 3 establishes certain special cases of anticompetitive behavior. We highlight the following:

8.2.1. Collusion

In general, agreements between competitors that have the effect or potential effect of preventing, restricting or hindering free competition are considered especially harmful to market competition.

Article 3 a) of DL 211 includes certain behaviors known as "hard cartels" that refer to anticompetitive agreements on price setting, limitation of production, allocation of zones or market quotas, and the distortion of bidding processes, and whose anticompetitive nature is independent of the market power held by the parties, their intention or the anticompetitive effects of the behavior. This article also penalizes agreements or concerted practices that, by granting market power to competitors, consist of determining marketing conditions or excluding current or potential competitors.

8.2.2. Abuse of dominant position

Article 3 b) of DL 211 penalizes the abusive exploitation by an economic agent, or a group of them, of a dominant position in the market, either by setting purchase or sale prices, imposing another product in a sale, assigning zones or market shares or imposing other similar abuses. It should be noted that it is abuse of the dominant position that is illegal and not the dominant position itself.

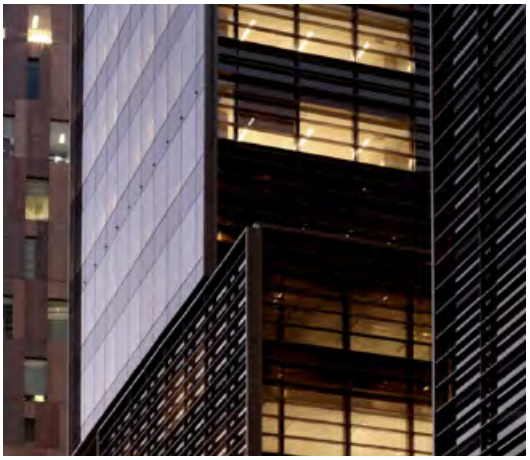
There is no legal definition of what it means to have a dominant position or a pre-established defining threshold, so analysis is carried out on a case-by-case basis, depending on the market's characteristics.

Within the definition of illegal abuse of a dominant position, the FNE investigates the behavior that constitutes vertical restrictions (including price setting or suggestions, exclusive territories, preferred customer clauses and linked sales). It has indicated that its acceptance of the regulations on free market competition will depend on weighting the efficiencies, risks and anticompetitive effects inherent to those regulations, taking into consideration (i) the market share of economic agents, (ii) the anticompetitive effects of the restriction, and (iii) the efficiencies arising from the law that cannot be achieved through less restrictive free market measures.

8.2.3. Predatory practices

Article 3 c) of DL 211 penalizes predatory practices and unfair competition to achieve, maintain or increase a dominant position.

Predatory practices seek to exclude a competitor or impede the entry of a new competitor (e.g., predatory pricing). Unfair competition refers to any conduct contrary to good faith or good practices that, through illegitimate means, seeks to divert customers from a market agent as defined by Law 20169 on Unfair Competition, such as misappropriation of the reputation of others and misleading advertising.



8.2.4. Cross participation or interlocking

Article 3 d) of DL 211 refers to the simultaneous participation of a person in executive or director positions in two or more competing companies, provided that the business group of each of these has an annual income that exceeds 100,000 UF (approximately USD 3,960,625) in the last calendar year. DL 211 requires the FNE be notified of certain acquisitions of capital in a competing company.

8.3. Sanctions

If violations of free market regulations are detected, the TDLC may impose the following penalties:

- Fines for the legal person and its directors, managers and any other party involved up to (i) 30% of the violator's sales in the line of products or services associated with the violation during the period of violation; (ii) twice the economic profit arising from the violation; and (iii) 60,000 UTA (approximately USD 50,000,000), in the event that the aforementioned penalties cannot be applied.
- Modification or termination of actions, contracts, covenants, systems or agreements contrary to the law may be ordered, as well as the modification or dissolution of legal entities of private law participating in the action.
- For the behavior described in article 3 a), a ban on contracting with the State can also be ordered, as well as a ban on being awarded any concessions granted by the State. Behavior that constitutes hard cartels may also be penalized (imprisonment between 3 years and one day and 10 years), together with disqualification from holding management positions. It should be noted that there is a compensated whistleblower procedure that allows the penalties associated with collusion to be waived or reduced in the event of cooperation, under certain conditions.
- The above does not preclude any action for compensation of damages initiated by affected parties.

8.4. Control of concentration of operations

DL 211 includes a mandatory prior notification mechanism with the FNE regarding certain concentrations of operations that have effects in Chile.

8.4.1 Requirements

The notification obligation is subject to two related requirements:

- The transaction represents a concentration of operations under article 47 DL 211, defined as any event, act or agreement, or a group of them, constituting a concentration of operations that has the effect of two or more economic agents that are not part of the same business group, and previously independent from each other, ceasing to be independent in any of their business areas, through any of the following means: (i) merger, (ii) acquisition of rights that grant decisive influence over the management of another company, (iii) association to set up an independent and permanent economic agent, or (iv) acquisition of control over the assets of another.
- When certain thresholds defined by the FNE are exceeded, although voluntarily notification of transactions that do not exceed those thresholds is allowed. This requirement means, in turn, the fulfillment of the following related requirements: (i) sales in Chile by the economic agents that plan to concentrate are, during the year before the year notification is verified, equal to or greater than the threshold established by the resolution issued by the

The notification procedure has two phases

FNE (currently, UF 2,500,000, or approximately USD 100,000,000); and (ii) at least two of the economic agents planning to concentrate have individually generated sales in Chile equal to or greater than the threshold established by the resolution issued by the FNE (currently, UF 450,000, or approximately USD 18,000,000).

8.4.2 Procedure

The requirements that the notification must meet are regulated by Decree 33 of March 1, 2017 issued by the Ministry of Economy, Development and Tourism, which approves the Regulation on the Notification of a Concentration Operation.

In general, a two-phase procedure is established as follows:

- **Phase 1.** The FNE must issue a resolution within 30 business days after the beginning of an investigation, either by simply approving the operation, approving it subject to certain conditions presented by the notifying party, or extending the investigation for an additional 90 business days when it considers that the operation could substantially reduce competition.
- **Phase 2.** It includes an extension of the phase by an additional 90 business days. Once this additional period has elapsed, the FNE can approve the operation (purely and simply, or subject to compliance with the conditions presented by the notifying party) or prohibit it. An appeal for review against the resolution that prohibits the operation can be filed with the TDLC.

Concentration operations cannot be completed until the final resolution ending the proceedings has been issued

8.4.3 Effects

Economic agents cannot complete concentration operations (which are suspended) until the final resolution or judgment ending the proceedings concerned has been issued.

8.4.4 Penalties

Failure to comply with the duty to not complete a concentration operation reported to the FNE that has been suspended, or with the obligation to report a concentration operation, is subject to the penalties established under Section 8.3 above, regardless of the fact that, in the second case, the TDLC can impose fines of up to 20 UTA per day (approximately USD 16,500) for each day of delay from the transaction completion date.


80.08.1
36.5.2

9

Public offer for the acquisition of shares

Acquiring control over a public limited liability company in which a premium is paid to the controlling entity is subject to the regulations established by the Securities Market Law on Public Offers for the Acquisition of Shares

9.1. Overview

Acquiring control over a public limited liability company incorporated in Chile in which a premium is paid to the controlling entity is subject to the regulations established by the Securities Market Law on Public Offers for the Acquisition of Shares. The purpose of these regulations is to protect minority shareholders by distributing among all of them the indicated "premium" that the buyer is willing to pay to gain control of the company in question.

A public offering is prepared to acquire shares in public limited liability companies or securities convertible into shares, through which its shareholders receive an offer to acquire their shares under conditions that allow the bidder to obtain a certain percentage ownership of the issuing company, within a specified period.

9.2. Voluntary and mandatory public offering

The offer may be voluntary, if the bidder presents it without being legally required to do so, or mandatory if required by law.

The Securities Market Law describes the cases in which a public offering must necessarily be carried out:

- Those that allow obtaining control of a company;
- If, as a result of an acquisition, control of two thirds or more of the capital of a company is obtained, an offer for the remaining shares must be made within 30 days after the previous offer (known as a "secondary offering"); and
- If the intention is to acquire control of a company that, in turn, controls another public limited company, when representing 75% or more of the value of its consolidated assets, an offer must be previously made to the shareholders of the latter for an amount not less than the percentage that allows control to be obtained.

The following situations are exempt from the above:

- Acquisitions resulting from a capital increase consisting of the first issue of shares which, due to their number, allows the buyer to obtain control of the issuing company;
- Acquisitions of shares that are sold by the company's majority stakeholder, provided that it is listed on a stock market and the

price of the sale is paid in cash, and it is not substantially higher than the market price (for these purposes, a premium is deemed to exist if the price is 10% higher than the market price of the shares);

- Those that occur as a result of a merger;
- Acquisitions due to death; and
- Those originating from forced sales.

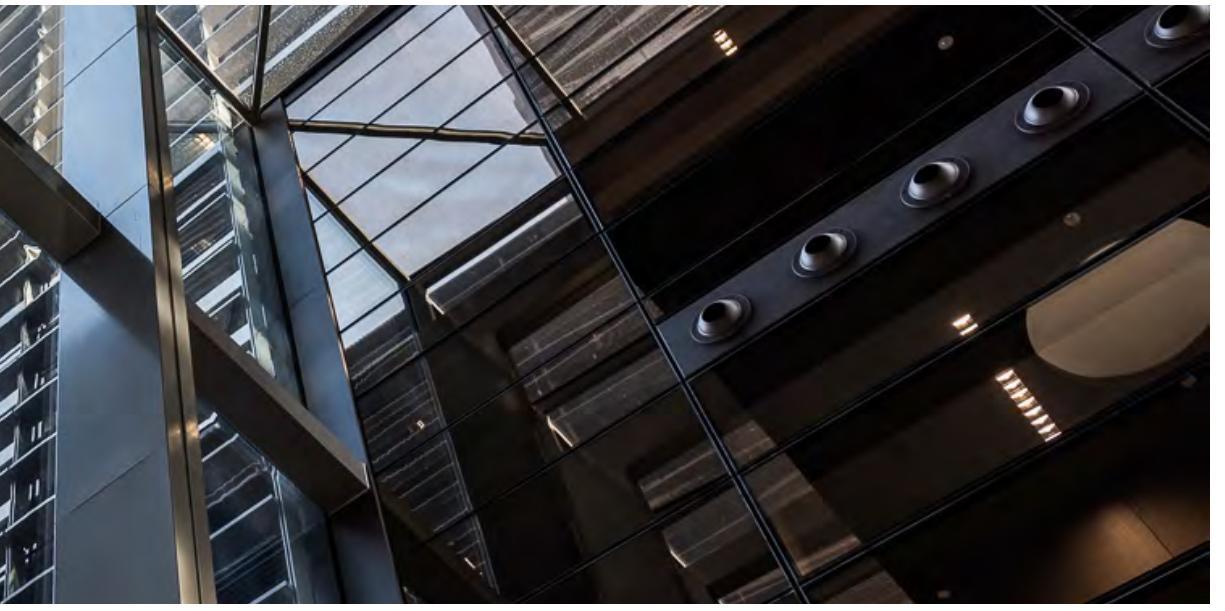
9.3. Restrictions on the bidder

- The public offering must involve all shareholders and must be irrevocable, but it may be subject to objective expiration conditions.
- If the number of acceptances exceeds the number of shares offered for acquisition, the bidder must buy them on a pro rata basis from each of the accepting shareholders.
- The public offering can be valid for 20 to 30 days, although in some cases the period must be 30 days, and it can be extended only once for a period of 5 to 15 additional days.
- The public offering can only be modified during the validity period to improve the price offered, in which case the shareholders that have previously accepted the offer have the right to receive the increase, or to increase the number of shares offered for purchase.
- Shareholders that agree to sell in a public offering may withdraw during the period and recover their shares.
- During the period the offer is valid, the buyer cannot acquire shares in the target company through private transactions or on national or foreign stock exchanges.
- If, within the 30 days prior to the effective date of the offer and up to 90 days after the date the public offering takes place, the buyer directly or indirectly acquires shares included in the offer under more beneficial price conditions than those set out in the public offering, the shareholders that have sold the shares are entitled to demand the difference in price or the benefit in question, taking into consideration the highest value paid. In such cases, the buyer and the persons who have benefited are jointly and severally obligated to pay.
- A shareholder that has acquired control cannot, within 12 months following the transaction date, acquire additional shares in the target company for an amount equal to or greater than 3%, without making a public offering, and the unit price per share cannot be less than that paid in the takeover transaction.

The issuing company and the members of its board of directors are prohibited from acquiring treasury shares and from other actions during the entire term of the public offering period

9.4. Restrictions and obligations of the issuing company and its board of directors

- During the entire term of the public offering period, the issuing company and the members of its board of directors are prohibited from acquiring treasury shares, creating subsidiaries, disposing of assets that represent more than 5% of the company's total value, or increasing its debt by more than 10% with respect to the debt before the start of the public offering.
- The issuing company must provide the buyer an updated list of its shareholders within two business days from the start of the public offering.
- The directors of the issuing company must individually issue and make available to the public a written report containing their informed opinion regarding the suitability of the public offering for shareholders.



10

Consumer Protection

The Law on the Protection of Consumer Rights regulates the relationship between suppliers and consumers of goods and services, establishes a series of rights for consumers and regulates adhesion contracts to prevent suppliers from including abusive clauses

The relationship between suppliers and consumers of goods and services is regulated in Chile by Law 19496 on the Protection of Consumer Rights ("**LPDC**").

10.1. Consumer and supplier definitions

Article 1 of the LPDC defines consumers and suppliers in the following terms.

Consumers or users: natural or legal persons that, by virtue of any onerous legal act, acquire, use, or enjoy goods or services as the final recipients. Under no circumstances may suppliers be considered consumers.

Suppliers: natural or legal persons, of a public or private nature, that habitually carry out production, manufacturing, import, construction, distribution or marketing activities involving the supply of goods or services to consumers, for which a price or fee is charged. Persons that have a professional degree and carry out their activity independently will not be considered to be suppliers.

An "act of consumption" must be carried out to be considered a consumer. An act of consumption must fulfill three requirements: (i) a payment is made (ii) within the context of a contract for which a good or service is received; and (iii) the good or service is acquired by the consumer as the final recipient.

The LPDC establishes that those who should be considered suppliers cannot be considered to be consumers. However, Law 20146, which sets out standards for smaller companies ("SME Statute"), makes certain LPDC standards applicable to micro and small companies, including consumer rights and obligations, supplier obligations, adhesion contracts, liability for noncompliance, information and advertising

10.2. Scope of the LPDC

Article 2 of the LPDC establishes its scope of application, stating that the rules relating to consumer protection apply to the following relationships:

- Legal acts that are commercial in nature for the supplier and civil in nature for the consumer.
- Selling tombs or burial locations.
- Acts or contracts in which the supplier is required to provide the consumer or user with the use or enjoyment of a property for specified, continuous or discontinuous periods not exceeding three months, provided that they are furnished and for the purpose of rest or tourism.

- Education contracts for basic, secondary, technical, professional and university education, but only in relation to the rules of equity in the stipulations and in the fulfillment of adhesion, information and advertising contracts and to file a claim with the courts to enforce those rights. The right to file an appeal with the courts regarding the quality of education or the academic conditions set by educational establishments is excluded.
- Contracts for the sale of homes built by construction companies, real estate companies and by the Housing and Development Services, excluding construction quality.
- Contracts entered into or executed to obtain health services, excluding health benefits. Those regarding matters relating to the quality of those services and their financing through health funds or insurance. Those regarding the accreditation and certification of public and private individual or institutional suppliers and, in general, those regarding any other matter that is regulated by special laws.

10.3. Consumer rights and obligations

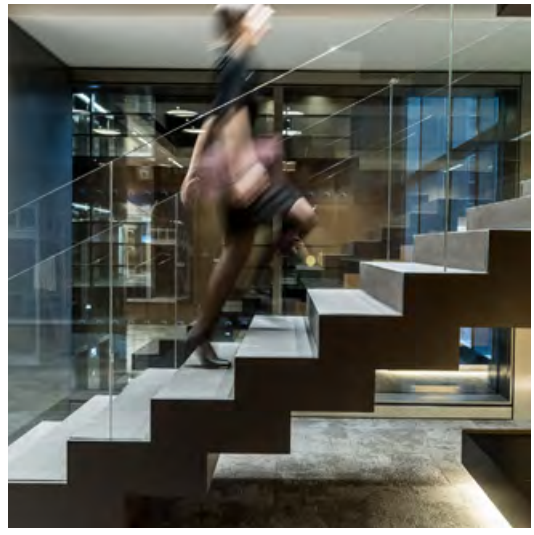
- The LPDC establishes a series of rights and obligations for consumers that cannot be waived in advance.

The main consumer rights and obligations are as follows:

- Freedom to choose goods or services. Silence does not constitute acceptance by consumers.
- A right to accurate and timely information regarding the goods and services offered, their price, contract conditions and other relevant features, and the obligation to duly become informed of those items.
- No arbitrary discrimination by suppliers of goods and services.
- Safety when consuming goods or services, protection of health and the environment and the obligation to avoid risks that may affect those items.
- The right to adequate and timely repair and compensation for all material and moral damages in the event of breach of any of the obligations set out in the contract with the supplier, and the obligation to act in accordance with the means afforded by the law.
- Education for responsible consumption and the obligation to carry out consumer transactions with an established business.
- Possibility of unilaterally terminating the contract within 10 days after receiving the product or contracting for the service, in case of acquisition of goods and contracting of services at meetings with the supplier or electronically

The LPDC also establishes **specific rights for consumers of financial products**:

- To receive information on the total cost of the product or service.
- To know the objective conditions previously and publicly established by the supplier to access credit and for other financial transactions.
- The timely release of the guarantees established to ensure compliance with obligations, once they have been satisfied.
- Choice of an appraiser of the assets offered as collateral from among the alternatives presented by the financial institution.
- Information, when requested, regarding the total settlement of credit facilities.



10.4. Regulation of adhesion contracts

The LPDC regulates the rules of equity in the stipulations and in the fulfillment of adhesion contracts to prevent suppliers from including abusive clauses in adhesion contracts.

Although the LPDC does not define abusive clauses, it is understood that clauses are abusive when they can give rise to hidden damages to consumers in such a way that, if they had been aware of the possibility of damages, they would not have purchased the good or contracted the service.

The penalty for abusive clauses is their nullity.

The LPDC establishes specific grounds that constitute unfair clauses and a general rule.

Specifically, unfair clauses are those that:

- Grant one of the parties the power to terminate or amend the contract at its sole discretion or to unilaterally suspend its execution.
- Establish price increases for services or surcharges, unless they relate to additional benefits that may be accepted or rejected in each case and that are specifically defined separately.
- Place on the consumer the burden of defects, omissions or administrative errors, when not responsible for them.
- Invert the burden of proof to the consumer.
- Contain absolute limitations of liability that may deprive the consumer of the right to compensation for defects that affect the usefulness or essential purpose of the product or service.
- Include blank spaces that have not been filled in or blocked off before the contract is signed.

In general, abusive clauses are considered those that are contrary to the requirements of good faith, taking into account objective parameters for these purposes and causing, to the detriment of the consumer, a significant imbalance in the rights and obligations that result from the contract between the parties.

10.5. Liability for noncompliance and actions

As a result of violations of the LPDC, consumers may submit complaints and file claims for any actions, omissions or behavior that affect the exercising of any of their rights.

These complaints or actions may be aimed at penalizing the supplier responsible for the violation, canceling the abusive clauses included in adhesion contracts, obtaining the supply of the unfulfilled obligation, stopping the action that affects the exercising of consumer rights, or obtaining due compensation for damages or the appropriate repair.

Filing complaints and actions can be done individually, and individual interests are those that exclusively promote the defense of the affected consumer's rights.

Exercising actions can also be done for the benefit of the interests of a group or the broad interest of consumers in general. Interests of a group are those promoted to defend the common rights of a certain or ascertainable group of consumers linked to a supplier through a contractual relationship. Broad interests of consumers are those that promote the defense of an undetermined group of consumers whose rights have been affected.

Complaints or actions presented in defense of individual interests may be filed, at the choice of the affected consumers, with the local police court with jurisdiction over their residence or the supplier's address.

Actions in defense of interests of a group or broad interests of consumers in general can be filed with (i) the National Consumer Service; (ii) a Consumers Association; and (iii) a group of affected consumers with the same interest. These actions fall within the authority of the respective civil courts, under the general rules of court competencies.

10.6. The National Consumer Service

The National Consumer Service ("SERNAC") is the agency responsible for ensuring compliance with the LPDC, providing information regarding consumer rights and obligations, and carrying out consumer information and education actions.

Its main functions include the following:

- Supervising compliance with the provisions of the LPDC and all consumer protection regulations;
- Administrative interpretating of consumer protection regulations for which it is responsible for monitoring;
- Proposing the issue, amendment or repeal of legal and regulatory precepts when necessary to adequately protect consumer rights;
- Initiating actions to defend the interests of groups or the broad interests of consumers in general; and
- Preparing, publishing and promoting consumer information and education programs.

To ensure that adhesion contracts comply with the law, SERNAC grants the "SERNAC Seal"

Among the SERNAC'S obligations and powers is granting the "SERNAC Seal" to adhesion contracts by banks and financial institutions, commercial establishments, insurance companies, clearing houses, savings and credit cooperatives and other suppliers of credit, insurance and, in general, any financial products.

The purpose of granting the SERNAC Seal is to ensure that these contracts comply with the law, that suppliers have customer service resources and that the consumer is allowed to use an arbitrator or mediator to resolve financial disputes, in the event of not receiving a satisfactory solution from the financial supplier's customer service.

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