Selected challenges and opportunities in LatAm.

A business consulting, tax, legal and labor perspective on the following industries:

- Renewable Energy
- Healthcare
- Agribusiness
- Logistics & Trade
- Industry 4.0

1st Semester 2022

LAV

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Introd

The EY's Latin America Business Centre (LABC) is formed by Latin American professionals based in Europe, that provide tax and legal advice to multinationals in Europe, Middle East, India, and Africa (EMEIA) on their operations and transactions in Latin America, and facilitate their activities, by building bridges between them and EY's teams in this region.

Latin America is, without a doubt, a source of business and investment opportunities in various economic sectors now that countries of the region are working in reshaping their economies in the post-pandemic era.

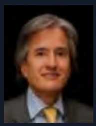
With this vision, we are happy to share with you this series of short articles prepared in collaboration with our Business Consulting, Tax, Law and People Advisory Services regional leaders, specifically directed to members and friends of the LAV who are assessing to initiate or expand their current operations in Latin America.

The articles address selected challenges and opportunities in Mexico, Brazil, Colombia, Chile, and Peru, in sectors that have significant growth potential in the region and that are of most interest to the LAV members: Renewable Energy, Healthcare, Agribusiness, Logistics & Trade, and Industry 4.0.

The content of this publication does not pretend to be exhaustive; it is aimed at providing a quick but comprehensive first look at the landscape, touching on aspects that, in our experience as advisors, have represented challenges or opportunities when structuring projects. Our goal is to give a current view of the region to German investors and to invite them to explore the opportunities available.

We express our deepest thanks to LAV and to our EY teams in Latin America for the joint effort made to prepare this publication. We invite you to contact us if you have any questions, and we wish you the best of successes when investing in Latin America.

Cordially,



Jaime Vargas
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The Lateinamerika Verein e.V. (LAV), is the networking and information platform for German and European companies with business interests in Latin America.

We support companies from all business sectors to establish and expand their business activities in Latin America and the Caribbean. In addition, we promote economic, political, and social relations between the regions.

A knowledge transfer and the formation of opinions count among our core tasks. We contribute our recognized expertise – and that of our members – to economic discussions on Latin America. Moreover, we promote and initiate professional movements, bring industry players from both sides together and reinforce contact between decision-makers.

We wanted to present a tool to our members and followers, with a hands-on approach, to show business opportunities in selected fields and in selected countries of the region. We are highly appreciative that EY – member of the LAV – supported this initiative, with the results we are presenting here. All the selected sectors and countries are currently very relevant and have significant growth potential. With a business perspective, information regarding taxation, selected legal topics and people and human capital, EY's Latin America Business Center for EMEIA presents us a good overview of opportunities and challenges for Renewable Energy, Healthcare, Agribusiness, Logistics & Trade, and Industry 4.0 in the selected countries.

We trust you will enjoy reading these articles and find the information useful. Latin America has many opportunities to offer, and our aim is to render first-hand professional insights to decisionmakers concerned. We are gladly looking forward to receiving any feedback, comments, questions, or requests for additional support needed.

We sincerely thank our friendly collaborators, the Team of EY's Latin America Business Center, for preparing and sharing their insights with all of us.

Cordially,

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Industry 4.0

Contents

back

1. Business consulting.

Introducing technology with a purpose strategy, identifying challenges and designing user-centric innovation models.

Traditional challenges remain the same, but the way to solve them is now significantly different. This approach enables the real potential for emerging technologies to design new business models and services. However, despite the technology capabilities, there is lack of real use cases misdirecting the efforts, driven by a refreshing trend but not by an innovating methodology.

Digital transformation needs to be guided by purpose. Building complex technology layouts will not change any industry and, instead, will discourage further initiatives. Unfortunately, this is a common mindset in Latin-America. Introducing technology with no strategy, without identifying real challenges or design apart from user-centric innovation models has shown large investments and low results.

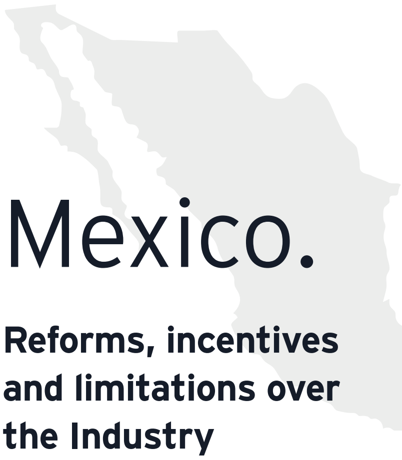
Industry 4.0 means considering a holistic scope and getting the best out of each item. Start not looking for further answers but instead for new industry questions, redesigning user journeys for a digital experience, adopting agile methodologies and then, just at this point, selecting the best set of technologies to become reality. This approach will scale the results in a proper transformation. By doing so, some transformational leaders, usually coming from other industries or startups, are using emerging technologies to find the industry Digital Twin and mark different paths of evolution.

To complement this scenario, governments' regulations are usually running behind innovations. Legal, surveillance and ethics must prove to be flexible enough to be up to date. Some governments, opening their minds, are officializing crypto currencies or establishing technology sandboxes to learn by doing. However, progress that may turn into regulations needs an agile focus and thereby growth creating ecosystems with industry, academy and technology experts.

Technology offer is no longer a concern; in addition, cost of implementation is lower and new business models like pay-as-a-service allow technology adoption easier and faster. What industry 4.0 needs is an increasing number of leaders willing to transform the core business with revolutionary ideas, a change in organizational mindsets turning to digital and government regulations moving at technology evolution speed.

2. Taxation.

Selected topics on the industry.



Mexico.

Reforms, incentives and limitations over the Industry

Despite the COVID-19 pandemic, the Mexican industry has expanded rapidly in recent years, primarily boosted by the automotive industry. In order to keep up with the global markets, Mexico relies more than ever on the Industry 4.0 as an option to increase its competitiveness.

Industry 4.0 enables the manufacturing industry to increase its production up to 25%. A significant amount of companies from the automotive, electronic, medical and agroindustry sectors have been able to upgrade their production with processes automation, artificial intelligence, robots and networked machines. In this regard, an important number of international manufacturers and operators of Industry 4.0 have placed their investments in Mexico. While the implementation of Industry 4.0 in the country is not expected to substitute of human workforce being by machines, it is expected, however, to require workers to be trained in a wide variety of new technical competencies.

Aware of the new opportunities and possibility of development, the Mexican Government introduced tax reforms in previous years in order to incentivize the industry, such as: (i) immediate investment tax depreciation; (ii) tax credit equal to 30% of current year research and development (R&D) taking into account the average R&D expenses incurred in the previous three years; and (iii) continuance of the preferential regime for the manufacturing and further exportation of goods in Mexico (the "Maquila" regime)[1].

Notwithstanding the above, Mexican Tax Authorities have been implementing major tax limitations on deductions, compliance requirements and digital oversight on the taxpayers in Mexico, attending to current worldwide tax environment and in line with the OECD BEPS Plan which aims to put in place measures to avoid tax erosion mechanism by taxpayers.

Furthermore, as part of the Tax Reform for 2022 recently approved, taxpayers operating under the Maquila Regime may no longer be granted with the possibility to request for an APA to the Mexican Tax Authorities (i.e., only the safe harbor option will be available), which may cause a relevant increase on their taxable margins for the upcoming years.

In this order of ideas, it is important for organizations to be prepared and fully aware of the challenges that will be facing for the investments on technology projects in Mexico, but also to consider that Industry 4.0 should result essential in order to achieve a proper compliance with all Mexican tax formalities.

Industry 4.0 is expected to have a significant growth, and, by consequence, investors should manage and consolidate all this tax factors to plan and coordinate the approaches of the investments comprehensively, including taking the following actions:

- Review of financial models including tax impacts on project finance caused by limitations over interest deductions, including manufacturing projects.
- Review current and estimated cash distributions from Mexican investments and seek for enhancing opportunities.
- If the case, perform a comprehensive due diligence (upon investment or exit strategy) of technology projects in Mexico.
- Introduce digital tools (including artificial intelligence and robots) for overview and automatization of the heavy tax compliance.

1 In general, the Maquila regime entitles taxpayers to, mainly: (i) pay income tax upon the "toll fee" charged for the manufacturing of the goods, based on safe-harbor rules or Advance Pricing Agreements "APA" to be requested to the tax authorities; (ii) deduct the 100% of social welfare paid to the employees; and (iii) obtain immediate VAT refunds from the tax authorities.

Brazil.

Tax-incentivized debentures for Industry 4.0 projects

Access to internet in Brazil has been growing over the last years, and mobile broadband use is currently the major means of access in Brazilian households. With the COVID-19 pandemic, internet access (and the relevant quality of the connection provided) became even more relevant, with increased remote work arrangements, online shopping and other appointments/social activities being now done remotely.

The need for increased speed and more data being transferred remain fundamental, and the implementation of the 5G technology should be able to ensure this – as well as unlock new means of connecting people and doing business.

Brazil currently has an infrastructure challenge to meet 5G demands and to properly roll-out the next generation of technologies, particularly considering the large Brazilian physical territory and the complex regulatory regulations in place. Building such infrastructure is also a capital-intensive activity and specific flexible funding alternatives have not been created and/or extended to such a relevant segment, until recently.

As of late 2020, the list of segments which are deemed to be priority has been expanded to include several projects connected with Industry 4.0 initiatives. These projects now may be financed through the issuance of incentivized debentures which are deemed to be attractive to investors (particularly individuals, which are taxed at 0% on the income derived from them). This may present an opportunity for the players in this key economic segment to seek additional funding for the necessary infrastructure investments.

Colombia.

Incentives for the Orange Economy

Colombia has been signing public policy documents to encourage e-commerce transactions, and issued regulations for electronic commerce, which makes the country one of the pioneers in the region in creating a legal framework regulating, but at the same time, stimulating electronic transactions. Moreover, the country has a structured trade union body: the Colombian Chamber of Electronic Commerce (CCCE), a private, non-profit entity that seeks to promote and strengthen this industry in Colombia, using data to determine the behavior of electronic commerce in the country, the impact on public policies and the promotion of knowledge and trust in the sector.

Notwithstanding, these positive milestones, have been embedded with certain tax complexities, which has impacted adversely in the deepening the market. One of these complexities is that the recently approved tax reform by the Congress (Law 2155 of 2021), includes a provision (Article 51) which places 19% VAT on imports of postal traffic goods or urgent shipments equal to or less than USD $200.

In this way, Colombia's tax policy has been somehow contradictory in terms of stimulating and deepening this market, while on the one hand, has created agreements and policies to add flexibility to imports and exports, but on the other hand, has extended tax obligations in certain cases.

Despite the challenges derived from the contradictory measures that seek to boost e-electronic commerce in general, companies can rely on the foreign trade agreements (FTA) signed by Colombia to reduce the impacts of new provisions, considering that international purchases covered under the scope of a FTA should not be subject to taxation in Colombia. Under the new tax regulations, this exemption should remain in force for countries with which a free trade agreement is signed.

Companies should also be able to benefit from the tax incentives that Colombian Government issued to promote the Orange Economy, through which new orange economy companies (i.e., those new businesses that produce goods and services that add value to creative industries) would be granted to certain benefits such as the following:

- Income tax exemption for up to 7 years
- VAT exemption on production, purchase or importation of fixed assets
- Favorable conditions for access to credit or seed capital

In the case of Colombian entities carrying out industry 4.0 activities, they should consider the investment strategy looking to enhance exit (cash out) and repatriation alternatives, also to attract new investors. This will involve considerations on capital gains taxation, tax havens rules, indirect transfer provisions, tax treaties application, among others.

Chile.

Major political events may influence the sector

During the last quarter of 2019, Chile went through a social outbreak that reformulated the course and priorities of the country. Likewise, in the first quarter of 2020, the country began to experience the different repercussions of the COVID-19 pandemic. Both contingencies triggered a series of changes, that carried out an impact on legislative matters, including taxes.

In response to the social outbreak and to attend one of their claims, Chile started a discussion to draft a new political Constitution, which is expected to apply in Chile and influence public policies in the coming years, once final text is approved by the majority of citizens through a plebiscite.

At the beginning of 2020, a comprehensive tax reform was enforced modifying the Chilean tax regime to a large extent. Additionally, a series of partial reforms were enacted incorporating tax incentives for investment and financing (available for all local taxpayer up to CY2022), deferring the payment of taxes, and granting temporary exemptions for small and medium entrepreneurs, in order to promote the economy and counterbalance the impacts of COVID-19.

Moreover, a significant number of bills were introduced by Chilean Congress (the constitutionality of those bills was in many cases, challenged) seeking to incorporate a wealth tax, and establish a new royalty for the mining industry, at the time that Government eliminated tax exemptions and increased tax collection (this Bill is at the congress and waiting to be updated based on several hearing that happened during the discussion process).

In this context, as cash is needed to cover the high social spending and counterbalance the deficits left by the pandemic, it is expected that changes to the tax system will occur. It is worth mentioning that Chile, except for specific provisions applicable to the mining industry, in general doesn't have special tax regimes, incentives or rules designed for a specific industry or business. In this sense, regardless of the type of business, companies should monitor the following issues:

- **New taxes.** Potential new taxes could be introduced, (i.e., mining royalty), at the time there could be an increase of the existing ones (i.e., higher corporate tax rate and increase of the activities subject to VAT) as well as the historical tax exemptions (e.g., capital gain on transfer of publicly traded stock) could be eliminated.
- **Financing structures.** Worldwide markets volatility and the economic challenges caused by the pandemic are generating more expensive financing from financial institutions, which leads to companies seek for internal financing to fund new investments, businesses, or cash needs for their respective operations. In this regard, the investors should be aware of the different special tax regulations that exist for financing structures (e.g., back-to-back, thin cap rules), as well as the possibility to manage the debt arrangements efficiently (e.g., finance from foreign financial entities, subject to certain conditions).
- **Remote work and international mobility.** The newly enacted regulations on remote work will require a greater connection with the rest of the countries regarding tax, social security, and immigration issues. Challenges are expected, such as increase in the tax compliance requirements, potential double taxation — and application of international tax treaties as a way to mitigate them — as well as additional requirements to grant social security rights to international remote workers.

In summary, the outcome of the two major events happening in Chile (i.e., new constitution and presidential election), would impact the upcoming developments from a tax perspective. Based on the presidential election happened during November 2021 the two major blocks of political parties (e.g., Left – Right) got 50% of the spots' congress, meaning that any tax bill needs to be thoroughly negotiated before being enacted. Industry players should monitor them and be up to date of the legislative changes, to evaluate their impact on business plans and projects, remain compliant and where possible, enhance their tax positions.

Peru.

Limited infrastructure and technology gaps could accelerate the arrival of the Industry 4.0

The development of Industry 4.0 is very incipient in Peru. Although some manufacturing and mining companies have already implemented the digitalization of some operational processes, investment is still well below the average for the region. In this way, even though the Government has sought to promote this sector — for example, by recognizing the income tax deduction of up to 115% of expenditures on scientific research, technological development and technological innovation projects — there is still a need for greater incentives for companies.

Perhaps one of the main problems for the development of Industry 4.0 in Peru is the lack of adequate infrastructure in the field of telecommunications, the reduced bandwidth, and the absence of trained professionals in the field. However, the new normality introduced by the arrival of COVID-19 pandemic has accelerated changes in the sector and has increased the number of companies willing to invest in new technologies and process automation as a step to avoid further stoppages in the future due to human factors.

This new scenario has opened a new market full of opportunities in the sector and a greater interest in overcoming the connectivity and technology gaps in the country that could accelerate the arrival of the fourth industrial revolution in the country.

The potential creation of the Ministry of Science and Technology represents a valuable opportunity to achieve greater development of the sector, as well as a new regulatory framework in which tax incentives could be a main topic.

The extension of the tax benefits contained in the Law that Promotes Scientific Research, Technological Development and Innovation is an important step forward, but new incentives and guarantees for investors will also be required order to improve the country's competitiveness in this industry.

In this sense, it is important for companies and new investors to be in a position to adapt to the new scenario that is approaching, both in terms of the country's reality and the legal aspect.

back

3. Legal.

Selected topics on the industry.

Mexico.

Opportunities for new technologies and electronic signatures in legal documents

Since more than 10 years ago, Mexico legislation has been allowing and regulating the digitalization of documents and the electronic signature, with the purpose of becoming paperless and digital.

Yet, the legislation hasn't been as effective, since most Mexican Federal and State courts and authorities, including public notaries, do not fully accept documents with electronic signatures. Due to its formalistic civil-law legal tradition, Mexico is still very skeptical about digital documents and the electronic signature, particularly since State and Federal courts have barely issued legal precedents supporting its legal validity. Also, many organizations are still not aware of the possibility of digitalizing documents and the electronically executing (signing) them.

Mexico should be better prepared to become paperless; yet regardless that the legislation exists, there is much is still left to do to achieve a collective acceptance, particularly by courts, authorities, and public notaries. Actions towards the acceptance of this new path going forward should include, for instance, (i) lobbying actions with the different authorities in order to promote that courts should rule in favor of the digitalization of documents and electronic signature; (ii) promote that electronically signed documents can effectively provide legal certainty an thus, legal validity; (iii) identify technical experts that can certify, that any digital document is legitimate and its electronic signature valid, when needed.

Finally, even though a large part of the population is not aware of these technologic tools and the advantages they can provide, there is global momentum for these technologies to be applied by legal profession in Mexico. Sooner than later, public notaries should be bound to accept them and adopt them, thus formalizing documents that have been electronically signed, and providing them with notarial attestation (*fé pública*).

Brazil.

Data regulation in the midst of a data-driven economy supported by new technologies

The new industrial revolution has created unique business in many sectors of the economy, which together with cutting edge technology has opened new opportunities in the market. However, even though the trend is the amplification of the usage of data in business, there is also the concern of data usage abuse. The world has seen a rise in cyberattacks and data violations in the last year, the number of individual data leaked in the first six months of 2021 in the world was of 4.6 billion which represents an increase of 387% in relation to the number in the same period of 2019.

To combat this trend, Brazil has passed the General Data Protection Law (LGPD), which was based in the European General Data Protection Regulation. LGPD has created a new set of regulatory obligations and specific regulatory agency (National Authority of Data Protection ANPD), designed to supervise, regulate and punish eventual misconducts. If not properly observed, this regulation can result in fines up to 2% total gross revenue of a company or economic group, not to mention the reputational damage to the brand and business itself.

Considering the heavily enforced regulatory requirements in Brazil, companies should be able to navigate through this environment of Brazilian legislation without losing focus in the development of their businesses. Conducting technical analysis focused in regulatory aspects and applicable rules in Brazil focused in contract forms & amendments, on corporate and technology perspectives, and implementing best practices related to both LGPD and GDPR becomes crucial for a successful development of technology projects in Brazil.

Colombia.

Scarce regulatory framework

The fourth industrial revolution brings new technologies that promote productivity and industrial development, permeating all sectors of society. The health contingency caused by COVID-19 pandemic accelerated the implementation of 4.0 technologies in the economy. Latin America is a leader in the development of platforms and applications based on collaborative economy; this has attracted foreign investment and has allowed the entry of new business models that transform supply chains, labor relations and the exchange of intellectual property rights. However, the development of new technological products and the offer of innovative services exceed the regulatory scope of the State.

This scenario faced by today's legal operators presents challenges and opportunities that must be managed responsibly; this is to encourage the use of technology in the service of solutions that generate economic and social value, without unprotecting the individuals involved in the new dynamics.

In Colombia, most Industry 4.0 technologies are deregulated. The objective of developing laws on these new industries should be guided by the issuance of a flexible regulatory framework that focuses on (i) guaranteeing respect for minimum legal requirements that protect the rights and freedoms of individuals; and (ii) promote the development of technology and foreign investment. The legislation should prevent restrictive regulations that could create obstacles and isolate the region from the global innovation environment, distancing ideas and new businesses that are now a reality in the rest of the world.

Companies should carefully analyze and when appropriate, design new alternative models and use of new technologies, that may allow to adapt them to existing legislation as well as to the interpretation made by authorities. Due to the lack of existing substantial legal framework, companies could be actively involved in promoting new regulations, to prevent legal and reputational risks in their operations.

4. Labor and Human Capital.

Mexico.

Reforms impacting unions' collective agreements and labor subcontracting

In recent years, México has experienced two significant legal reforms that have reshaped the way of doing business for several companies across different industries.

In 2019, pursuant to Chapter 23 and Annex 23-A of the United States, Mexico and Canada Agreement ("USMCA", which replaced the North America Free Trade Agreement), a "Labor Justice Reform" was published. This reform changed the rules in terms of freedom of association and collective bargaining. The entry into force of this new labor model means left behind the so called "protection contracts", where it was not necessary for the union leader to prove actual representation of the workers, nor that the workers agreed with the terms of the negotiated in collective contracts. With this reform, workers must express support of the content of their corresponding Collective Bargaining Agreement ("CBA") and Union, through personal, free, direct and secret vote.

Later, in April 2021, the "Outsourcing Reform" was published. This reform amended, among others, the Federal Labor Law, Income Tax Law, Value-Added Tax Law and Federal Tax Code, primarily to ban the use of outsourcing structures in Mexico. Some of the key aspects of this reform, are:

- Prohibition of subcontracting of personnel.
- Profit sharing is limited.
- Contracting specialized services that are not part of the corporate purpose or the main economic activity of the service recipient are allowed, provided the contractor registers before the labor authorities.
- A fine of USD 8,500 to USD 220,000 shall be imposed on anyone who provides or receives unauthorized subcontracted or specialized services.

The implementation of these legislative changes, along with to the problems brought by the COVID-19 pandemic have been challenging both to the companies creating jobs and providing services, as well to the work force. For instance, in the specific case of the Outsourcing Reform, companies have faced as an important challenge the fact that in most cases they have need to implement complete corporate restructures (e.g., employer substitutions, mergers, etc.) in order to align their legal structures to the new regulations.

Brazil.

Relying in outsourcing providers with certainty

During the COVID-19 pandemic, many companies adopted the remote work regime, especially for back-office employees. Considering gains and lessons learned so far, some companies are considering and designing the work regime to be adopted on a regular basis.

In addition to a sustainable return to office plan and defining the procedures and policies to be implemented, companies are assessing to implement other types of work contracts, taking into consideration the employee experience, compliance, and productivity.

Many companies' workforce in Brazil are usually formed by directly hired employees and third-party service providers (i.e., outsourcing). Although it seems to be a very common model of hiring, it may increase the complexity of workforce management.

For instance, the hiring of third-party service providers (including core business activities), implies a subsidiary liability of the hiring company. This means that in case the provider does not comply with the labor law, the hiring company may be subject to the payment of debts. The absence of sufficient and robust compliance and controls of the third-party service providers labor obligations may expose the hiring company from a financial perspective; in accordance reputational risks that may damage their image and prestige in the market.

Companies should analyze the benefits of relying in outsourcing services, at the time they reduce the labor risks associated with them. Having timely analysis and full visibility of the compliance status of the service providers regarding the local labor and social security legislation through automated platforms is becoming more popular and demanded.

Colombia.

Industry 4.0 demands highly specialized workforce

There has been a steady growth of investment in the Industry 4.0 sector. Nonetheless companies may be limited by the lack of specialized workforce, considering the competencies and knowledge required. The developing and training of local workforce may require preparation and additional costs in time and economic resources.

Companies from the industry 4.0 seeking to grow in Colombia with the existing personnel resources, should follow comprehensive recruitment processes, which focus in a variety of abilities that need to be tested beforehand. Special interview techniques may be automatized and personalized in certain aspects to have a better prediction of the workers development in the future, and the help of chat-bots with artificial intelligence may contribute to have a better interpretation of the candidate's responses.

Additionally, companies that opt to bring some of their specialized workforce from other countries, should be able to meet the labor and migratory requirements and seek for professional advice regarding the certificates of coverage which could apply to employees coming from some Latin American countries and Spain.

Chile.

Pandemic-related labor measures

During the health alert decreed by the Government, Law N° 21.342 was issued establishing special obligations related to, among others, health and safety measures, working schedule, working tools, disconnection rights that had to be implemented by the employers. Obligations included that all employers had the obligation to implement telework regarding employees that are at high risk of getting infected with COVID-19, according to terms established in Law N° 21.342.

In addition, companies must implement a special Health and Safety Protocol in order to have employees working physically, as well as a special health insurance in case of COVID-19.

Under the obligations, the health and safety conditions associated to telework must be addressed by the employer, and their obligations would depend on the specific place and location where the services will be executed, unless the parties have agreed that the place will be freely chosen by the employee. Additionally, if the teleworker is subject to a working schedule, the employer would have to establish a mechanism for the registration of attendance and the hours control.

The way in which telework is regulated by the parties would have a strong impact on its implementation, so it is very important to identify the different obligations that may be caused by its agreed terms in order to comply with the current labor legislation. In this regard, the special regulations related to health and safety measures must be duly analyzed by companies that require physical working in order to avoid non-compliance situations in the context of the COVID-19 pandemic and post-pandemic.

Peru.

Challenges to set proper compensations in the sector

There are difficulties in the sector that have been exacerbated by the current political reality in the country.

The main problem for a foreign investor is lies in compensation system in the sector. Thus, it is possible to find two very marked perspectives in the sector related to compensations: on one hand, the compensation is regulated by collective agreements concluded with unions, and on the other hand, compensation is freely agreed by the parties of the employment relationship.

This situation generates a challenge for a foreign investor, as far as in the case of collective agreements, high levels of conflict are generated and, in many cases, also instability. However, in the case of compensation regulated by the parties, the main difficulty is low specialization of employees, high employee turnover and in many cases below-market compensation.

Thus, it is necessary to address this challenge in both cases, generating solid and fluid relationships with the unions and, on the other hand, arrange the compensation system based on specialization, variables and objectives in order to generate efficiency. This will allow to be able to adequately manage the labor costs of the personnel in the sector and not incur in cost overruns that may impact the operation.

Generate adequate management of union relations to avoid conflict, labor cost overruns and an adverse impact on the operation of the company. On the other hand, it will be necessary to program an adequate compensation system based on objectives.

back

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back

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