

Doing Business in
Brazil
2024

Now, for tomorrow



The Brazil of Today and the Future

Brazil has assumed a prominent position among the 10 largest global economies, as well as being the fifth largest consumer market and one of the world's main food suppliers.

Today, the country is also an example in the area of clean energy, as it has one of the most decarbonized energy sectors in the world, with renewable sources accounting for more than 45% of the national energy matrix and more than 80% of its electricity matrix. This is in contrast to the world average of around 15% to 27%.

The country has also a huge public health network and a social security system that are very important for the social protection of the Brazilian population.

In the last two years, Brazil has positively surprised investors by achieving higher than expected growth rates and also by making important progress on the economic agenda. Recently, Congress approved the consumption tax reform, which seeks to simplify the tax system and reduce the tax burden on companies and workers. Structural adjustments were also approved in the area of education, an increase in public investment and, in the area of sustainability, the new regulatory framework for the energy sector and the regularization of the carbon market.

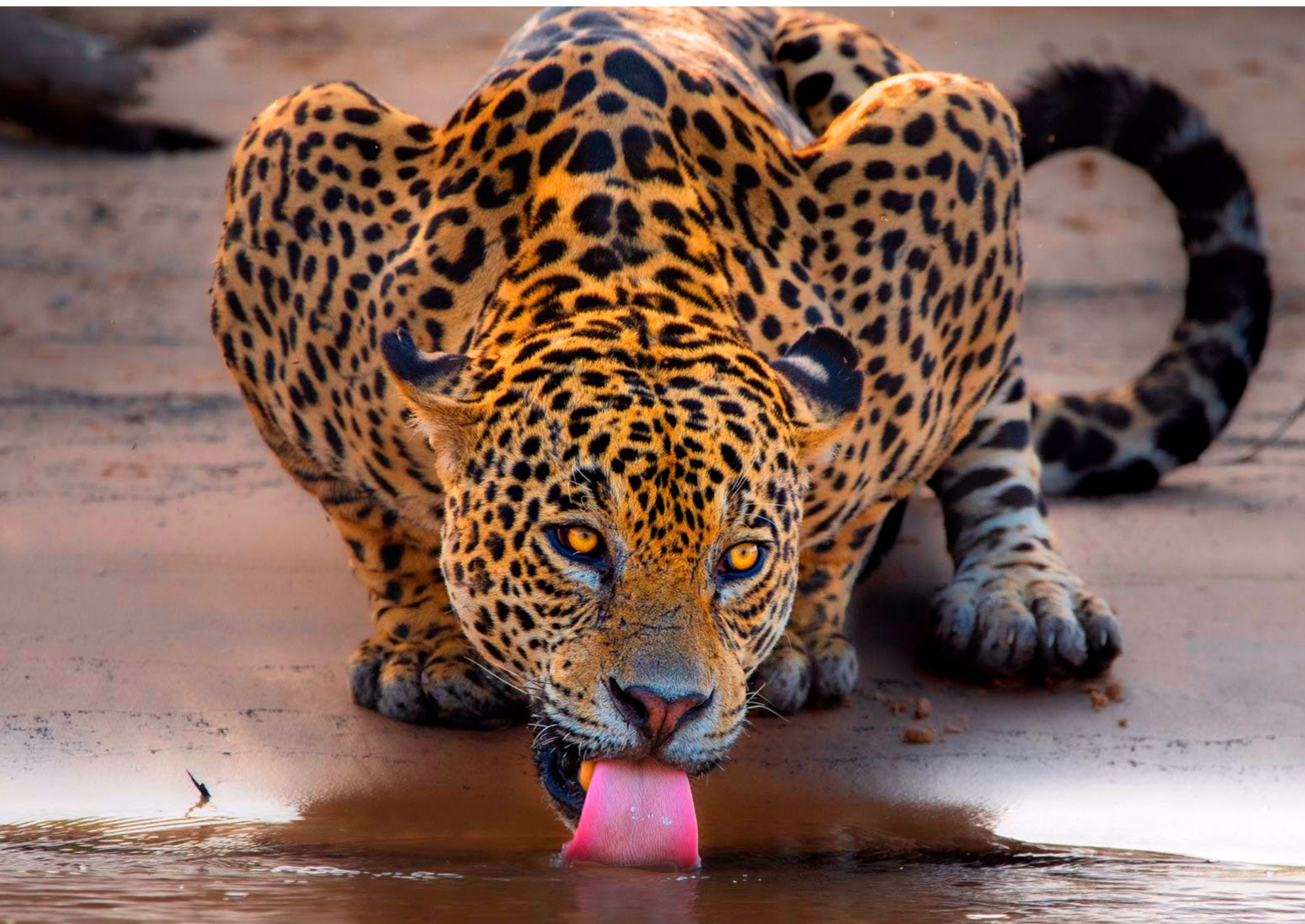
All these reforms have resulted in a better risk rating and the most renowned rating agencies have raised Brazil's rating to BB, which helps the country attract new investors. But that's not all, the Brazilian government has also just launched new programs to modernize Brazilian industry through digital transformation and innovation. The aim is to diversify, increase productivity and boost exports.

This set of changes, coupled with the democratic political model and growing confidence in Brazil's social contract - which involves relations with government and public institutions - constitute an increasingly mature and favorable legal and regulatory environment that will ensure the country a more prominent position on the global stage and an example of a prosperous, inclusive and sustainable economy in the coming years.

Welcome to Brazil and good business!

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Brazil Profile



Geography

Brazil's Strategic Geographical Position

Brazil, officially the Federative Republic of Brazil, is the largest country in South America and the Latin American region, being the 5th largest in the world in terms of territorial area, and the 7th in population, with approximately 203 million inhabitants. It is one of the world's most populous countries, after China, India, and the United States.

Located in the eastern region of South America, Brazil is bathed by the Atlantic Ocean and borders all South American countries except Chile and Ecuador. This gives the country unique connectivity with the continent, facilitating access to diverse markets and cultures. A commercial hub in Latin America with access to important sea and land routes.

With an extensive Atlantic coastline, Brazil has important ports for maritime trade, such as the Port of Santos, Itajaí and Rio de Janeiro, all vital for importing and exporting goods, facilitating Brazil's integration into global supply chains.

Therefore, from a logistical point of view, Brazil's location offers access to crucial trade routes, such as the Panama Canal and Cape Horn. This facilitates trade not only with the Americas, but also with Europe, Africa and Asia, expanding opportunities for Brazilian and foreign companies.

Brazil's vast territorial extension also contributes to the country's economic diversity. With biomes ranging from the Amazon to the Pantanal, passing through the Cerrado and the Atlantic Forest. A country blessed with a wealth of natural resources that support sectors such as agriculture, mining and energy.

Climate

Brazil's Climatic Heritage and Its Economic Potential

Brazil, with its vast territorial extension, has a unique climatic diversity that not only contributes to the country's ecological wealth and biodiversity, but also creates different business opportunities. Whether in tropical agriculture, livestock farming, the technology industry, textiles, tourism or renewable energies, Brazil offers a dynamic and favorable scenario for investments and successful ventures.

In the north of Brazil, especially in the Amazon region, the climate is predominantly equatorial, with high temperatures and abundant rainfall for much of the year. These conditions favor tropical agriculture, which has helped position the country as one of the world's largest producers of cocoa, manioc, beans, Brazil nuts, guaraná and tropical fruits such as Açaí.

In the Midwest, the climate varies from tropical to subtropical, favoring agricultural production and livestock farming. Mato Grosso is today one of the country's largest grain producers, while Mato Grosso do Sul stands out in beef production, occupying the position of one of the world's largest exporters of animal protein.

In northeastern Brazil, the climate is semi-arid in the center and the closer you get to the coast, the more it takes on the characteristics of a tropical climate. This is a region with large tropical fruit farms, such as coconut, cashew and passion fruit. It also stands out for its mineral production, as well as having one of the largest petrochemical centers in the country.

The northeastern coastline has a huge stretch of paradisiacal beaches, which is why it has also become an important tourist destination. It is a privileged region with high sunshine all year round and predominantly trade winds. Because of these natural characteristics, it has become a major center for the development of renewable sources of solar and wind energy, with high attractiveness and growing investment in the sector.

In the southeast and south, the heart of the country's largest cities beats, such as São Paulo, Rio de Janeiro, Florianópolis, Porto Alegre and Curitiba. These are areas with a subtropical and temperate climate, with well-defined seasons.

The southeastern region is home to a large, highly developed financial center, as well as industries operating in various segments such as oil exploration, chemicals, pharmaceuticals and processed foods. It has a large service sector, as well as a lot of commerce and tourism. In recent years, the technology sector has grown significantly through a significant number of start-ups and the emergence of important unicorn companies.



The south of the country is renowned for producing high quality grapes and wines, as well as large grain crops such as corn and rail. There are also large cattle ranches and many shoe industries that have been exporting their products abroad for decades. Recently, the state of Santa Catarina has also been making a name for itself as an important hub for the development of technology, as well as being an established region in the industrial sector, especially textiles, construct BRAZIL'S POPULATION

According to the latest Demographic Census of Brazil carried out in 2022 by the Brazilian Institute of Geography and Statistics (IBGE)*, Brazil currently has a population of 203,062,512 inhabitants, which represents a population growth of 6.45% since 2010.

An important aspect of the Brazilian population is its growing urbanization. More than 85% of Brazilians live in urban areas, which generates demand for infrastructure, transportation, housing, health and education, creating opportunities for investment in both the public and private sectors.

Brazil is the largest country in South America and also represents one of the 20 largest consumer markets in the world. With a growing middle class, the consumer market is dynamic and expanding. Large urban centers such as São Paulo, Rio de Janeiro, Brasília and Belo Horizonte are consumer hubs and offer opportunities for companies in sectors such as retail, technology and financial services.

According to studies carried out by the Getúlio Vargas Foundation*, by 2030 Brazil will rank fifth among the largest global consumer markets.

But that's not all, the Brazilian elite represented by around 30% of the population constitutes a highly qualified workforce in various sectors such as engineering, architecture, information technology and medical sciences. This makes Brazil an attractive destination for companies seeking talent and expertise for their global operations. tion materials and heavy machinery for agriculture.

Time Zone

Brazil Standard Time Zones



Population

More than 200 million people

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Demography

Brazil's demographics are a crucial element to consider for companies and investors wishing to understand the market and business opportunities in the country. By analyzing current trends and looking to the medium- and long-term future, it is possible to paint a comprehensive picture of the Brazilian population.

Current Trends (2024)

The country is one of the most populous in the world, but beyond the numbers, the characteristics of the population are a great differentiator. The country has been influenced by a unique mix of races, such as Indians, Europeans, Africans and Asians, which has given rise to a unique environment for the development of diverse and multicultural businesses.

In the current context, there is a trend towards an ageing population, driven by a falling birth rate and an increase in life expectancy. This has an impact on areas such as health, social security and the consumer market, with a growing demand for products and services aimed at the elderly.

In addition, urbanization continues to be a striking feature of Brazilian demographics, with the majority of the population living in urban areas. This influences consumption patterns, urban infrastructure and business opportunities in sectors such as transportation, housing, education and entertainment.

Medium-term Scenario (Until 2030)

For the next few years, Brazil's population is expected to continue to grow moderately, with a greater concentration in urban areas and metropolitan regions. The country is expected to maintain a diverse demographic structure, with different age groups and socio-economic profiles.

Digitalization and technology are expected to play an increasingly important role in Brazilian demographics, with an increase in connectivity and access to information throughout the country. This opens up opportunities for digital businesses, online services and innovation in various sectors of the economy.

Long-term Scenario (Up to 2050)

In the long term, it is estimated that the Brazilian population could reach around 230 million by 2050, with a more balanced distribution between the different age groups. The challenge will be to guarantee efficient public policies to deal with an ageing population, promote social inclusion and sustain economic growth.

Sustainability will also be a growing concern in Brazilian demographics, with greater environmental awareness and the need to develop sustainable practices and businesses. Sectors such as renewable energy, urban mobility and the green economy can present significant opportunities in this context.



Resident population in Brazil (%)

According to sex and age groups

Total



Source: Censo Demográfico 2022

*The Demographic Census is the main source of reference on the living conditions of the population in all of the country's municipalities and in their internal territorial cut outs. The results of the 2022 Demographic Census show the distribution of the country's resident population by ethnic-racial identification, according to age and sex. Demographic Census 2022 present the distribution of the country's resident population according to age groups and sex, as well as some indicators derived from this information, such as the median age of the population. derived from this information, the ageing index and the sex ratio, for Brazil, major regions, units of the federation, urban units, urban concentrations and municipalities and for the Legal Amazon.

** Source: FGV

*** The median age is what separates the youngest half of the population from the oldest half.

Religion

In Brazil, belief in God is greater than religiosity

Since colonization, Catholicism was imposed by the Portuguese and played a fundamental role in the construction of national identities.

That's why, for a long time, Catholics were the predominant religion in the country. Other religions such as Spiritism and Candomblé, of African origin, were persecuted for years and had to adapt, generating a great deal of religious syncretism that still characterizes Brazilian behaviour today. A large part of the Brazilian population call themselves Catholics, but they are also influenced by and follow other beliefs, as well as adopting customs and rituals from other religions.

In 2023, the renowned Ipsos Institute carried out a worldwide survey on religion entitled, Global Religion, which interviewed 19,731 people around the world, with a Brazilian sample of 1,000 respondents. The results showed that nine out of ten Brazilians believe in God.

This 89% belief in a higher power puts Brazil at the top of the ranking of 26 countries. Brazil and South Africa are tied with 89% belief. In contrast, the Netherlands, South Korea and Japan were the countries with the highest percentages of agnostic people in the world.

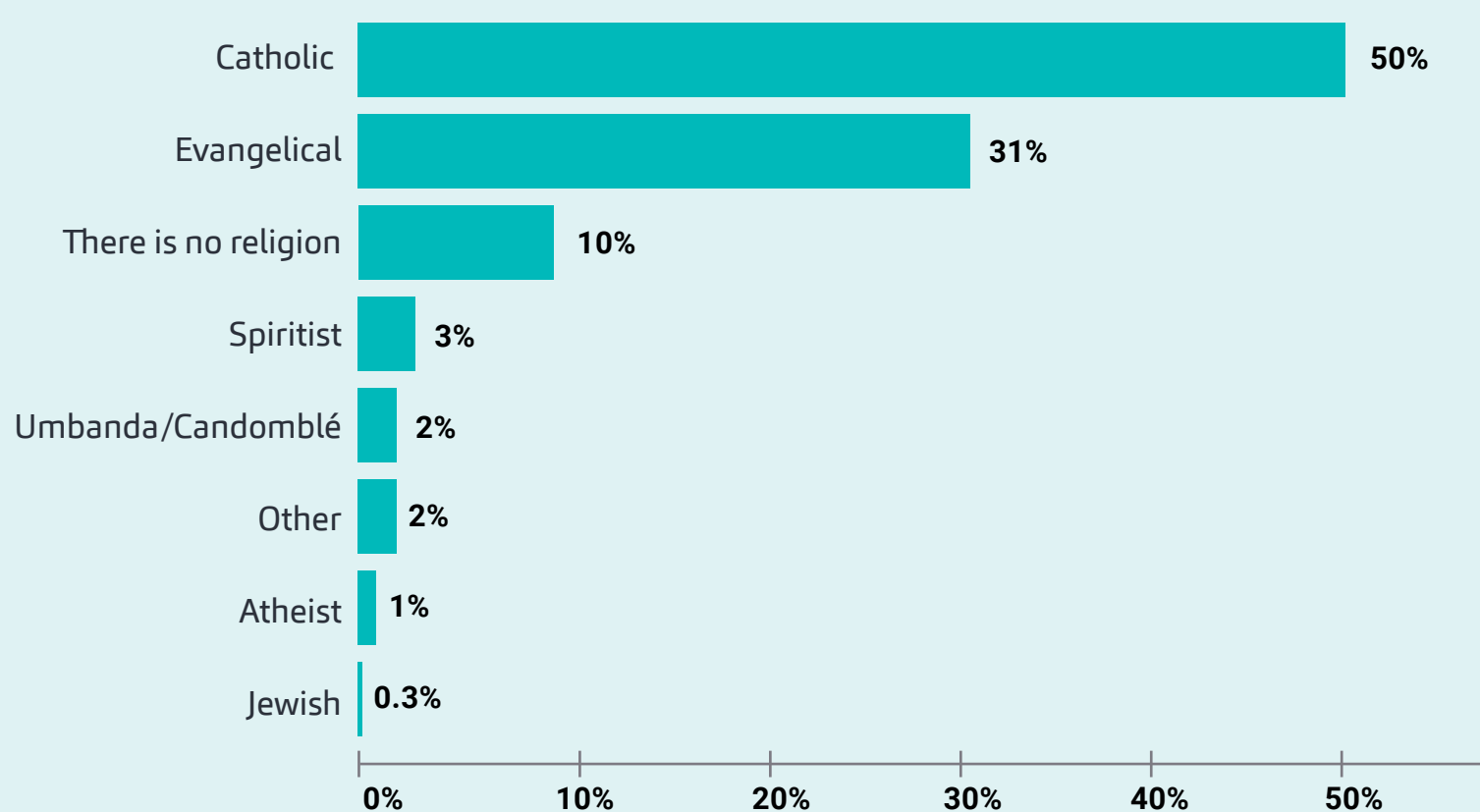
The survey of the Brazilian group also shows that of the 89% who say they believe in a higher power, only 76% have a religion. And in this group the distribution is 70% of people who say they are Christians (Catholics and Evangelicals); 5% who follow other religions; 20% who have no religion; and 5% who didn't want to answer.

Another study carried out in 2022 by the Datafolha Research Institute reveals that in the group of people who say they are Christians in Brazil, Catholics represent 50% and Evangelicals 31%. Other data revealed by Datafolha indicates that the number of people with no religion in Brazil has increased to 34% of the population, which is in line with a global trend.



Differences in religiosity also vary greatly by age group. For example, among young Brazilians from generation Z (up to 23 years old), only 20% say they follow a religion and the vast majority are evangelicals. Even so, it can be said that Brazil is one of the countries in the world with the highest levels of religiosity and belief in God.

Distribution of Religions in Brazil



Language

Language in Brazil

In Brazil, the official and predominant language is Portuguese. Brazilian Portuguese is a variant of European Portuguese, with its own peculiarities and idioms. Despite this, mutual understanding between Portuguese speakers from different regions is facilitated by the common linguistic basis, making communication efficient and fluid.

In addition to Portuguese, English and Spanish are widely understood in business and urban environments, especially among younger professionals and in sectors such as technology, tourism and international business.

For foreign companies wishing to do business in Brazil, knowledge of Portuguese is desirable and can represent a significant advantage. Not only does it facilitate communication with local business partners, clients and employees, but it also demonstrates commitment and respect for the country's culture, as is often the case in other places in the world where businesspeople go to do business.

As the fifth largest nation in the world in terms of population and one of the largest markets in Latin America, mastery of the Portuguese language is important for those looking to settle in the country for a longer period of time in order to develop business, help and understand cultural nuances, establish personal connections and build solid relationships.

Government

About the Government of Brazil

Its current Constitution, promulgated in 1988, conceives of Brazil as a presidential federative republic, formed by the union of 26 states and the Federal District. Each state has its own governor, legislature and government bodies. In turn, the states are made up of 5,571 municipalities, each with its own mayor, city council and administrative structure.

Democratic Participation: The Brazilian political system is multi-party and democratic, with several political parties represented in the National Congress and at state and municipal levels. Elections are held periodically. Citizens vote for their preferred political parties and the candidates who represent them to hold public office.

The political structure is divided into three branches:

- 1. Executive branch:** The head of state and government is the President of the Republic, elected by direct popular vote every four years. The president exercises executive power and is responsible for conducting public policy, administering the country and representing it internationally.



2. Legislative Power: The National Congress is made up of the Federal Senate and the Chamber of Deputies. Senators are elected for eight-year terms.

Federal deputies are elected for four-year terms. The Legislative Branch is responsible for creating and approving laws, as well as overseeing the Executive.

3. Judiciary: It is made up of various courts and instances, with the Federal Supreme Court (STF) being the highest court in the country. The Judiciary is responsible for interpreting laws, guaranteeing the application of the Constitution and judging legal and constitutional issues.

Foreign Relations

The country has a tradition of good diplomatic relations with practically every country in the world.

Brazil is a founding member of the United Nations (UN), G20, BRICS, Community of Portuguese Speaking Countries (CPLP), Latin Union, Organization of American States (OAS), Organization of Ibero-American States (OEI) and the Common Market of South (Mercosur)."

Latin American and Caribbean countries: It maintains close relations with Latin American and Caribbean countries with which it seeks to promote regional integration, economic development and cooperation on issues such as security, the environment and human rights. It is a member and actively participates in regional organizations such as Mercosur, the Community of Latin American and Caribbean States (CELAC) and the Union of South American Nations (UNASUR), contributing to the region's representation on the international stage.

Emerging countries: With the emerging countries, Brazil values its participation and broad relationship in the commercial and cultural areas and is increasingly seeking to increase its contribution to a cooperative international environment with India, China, Russia and South Africa, seeking to strengthen its active participation in forums such as BRICS (Brazil, Russia, India, China and South Africa), where issues of common interest are discussed and joint actions promoted.

China: has exchanges in areas such as trade, investment, infrastructure and cooperation in international forums.

India: growing relations, especially in the areas of trade, technology, energy and cooperation in multilateral forums such as BRICS.

Russia: partnership in areas such as energy, defense, science and technology, as well as collaboration in forums such as BRICS.

South Africa: developing partnerships, especially with countries such as Angola, Nigeria, South Africa and Mozambique, aimed at economic cooperation, investment and sustainable development.

Portuguese-speaking African States (PALOP): historical relations and cooperation in areas such as education, health, infrastructure and economic and social development.

Asia-Pacific: growing interaction with countries such as Japan, South Korea, Australia and Southeast Asian countries, covering trade, investment, cooperation in science and technology, as well as participation in regional forums.

Middle East: bilateral relations and cooperation in areas such as energy, trade, agriculture, defense and culture, with countries such as Israel, Saudi Arabia, the United Arab Emirates and Iran.

United States: strategic partner in various areas, including trade, investment, science and technology, security and regional cooperation.

European Union: important economic and political relations, especially with countries such as Germany, France, the United Kingdom and Spain.

Economy

GDP in Brazil

The Brazilian economy is considered large by almost any standard. Brazil is the eighth largest economy in the world in terms of gross domestic product (GDP) derived from purchasing power parity (PPP) calculations, being the largest in Latin America and the South hemisphere.

In recent years, Brazil's economy has surprised analysts and achieved better than expected growth. In 2023, Brazil's GDP was 2.1% according to data from the Inter-American Development Bank (IDB). This result was driven mainly by the agricultural sector, which together with other factors such as a warmer labor market, inflation under control and rising wages have been favoring the Brazilian economy.

For 2024, scenario analyses drawn up by the IDB indicate that Brazil is likely to grow less than last. Estimates indicate that the country's growth will be 1.6% as a result of international conflicts and lower global growth, coupled with interest rates that are still high - around 10% a year -, stabilization of commodity growth and gradual fiscal consolidation, coupled with higher indebtedness. For 2025, the IMF's projections for GDP growth in its Global Economic Outlook report point to growth of 2.1%.



Projections and analyses developed by Tendências, a renowned Brazilian consulting firm, for the period from 2024 to 2033, point to an average growth in Brazil's GDP of 2.4%, with more significant increases from 2026 onwards.

However, the ideal GDP growth rate for Brazil, with a view to reducing social inequality more quickly, would be a minimum growth rate of 3%, which is quite feasible if we consider some variables such as the consolidation of the recently approved tax reform, which favors an increase in international investment in the medium and long term. And also the reforms already planned by the government in the education program, which will increase productivity. This is the way for Brazil to reaffirm its importance on the global economic stage, as an important player in meeting world demand in critical sectors such as food security, renewable energies, climate change and the green economy.



Brazil's Financial and Economic Profile



Brazil's Financial and Economic Profile

Macroeconomic Stability:

In recent years, Brazil has sought to strengthen its macroeconomic stability, with policies aimed at controlling inflation, reducing interest rates and improving the investment environment. The measures that have been adopted in recent years have contributed to reducing bureaucracy and to a more favourable and predictable regulatory and legal environment, helping to attract a growing number of domestic and foreign investors operating in different segments of the economy, such as Asians, especially Chinese, Koreans and Japanese; Europeans (Israelis, Spaniards, Italians, French and Germans), Latinos and North Americans.

Diversification:

Brazil has great potential for economic expansion and diversification, but today the economy is still very much supported by agribusiness and the financial services; information technology and energy sectors. However, the opportunities and scenario are very promising, especially in areas such as innovation, technology, the digital economy, energy and the green industry. With the aim of further strengthening the economy and leveraging incremental growth in other sectors, the government has made great efforts on issues that were previously considered obstacles to business development, with the aim of improving the attractiveness of investments in high value-added segments, as well as encouraging the creation of startups, the development of technology clusters and the adoption of sustainable practices.

Infrastructure and Logistics:

Above all, the infrastructure sectors (sanitation, transportation and energy), as well as the logistics area, have been a priority for the Brazilian government, with the aim of improving the country's efficiency and competitiveness. Concession projects and public-private partnerships have boosted the development of ports, airports, highways and railroads.

Regulatory and tax environment:

Although Brazil offers attractive business opportunities, the regulatory and tax environment is complex due to the characteristics of each state/region and the continental dimensions. Finally, in 2023, after years of discussion, the government managed to approve the national tax reform, which will simplify taxation and reduce payments that previously burdened companies, especially in sectors considered essential for the country's economic development.

Companies, Investments and Sectors

Important Sectors

The main sectors for investment in Brazil that have historically been attractive to investors include:

Agriculture and Agroindustry: Brazil is one of the world's largest producers and exporters of agricultural commodities, such as soybeans, beef, coffee, sugar and orange juice. Investments in this sector can involve agricultural production, food processing, logistics and agricultural technology.

Renewable Energy: With vast natural resources such as sun, wind and water, Brazil has enormous potential for renewable energy. Investments in solar, wind, hydroelectric and biomass energy projects are increasingly attractive due to concerns about sustainability and government incentive policies.

Information and Communication Technology: The technology sector in Brazil is booming, with an increasingly vibrant start-up scene and a consumer market eager for digital solutions. Investments in technology companies, software, internet services and fintechs can be lucrative.

Infrastructure: Brazil needs significant investment in infrastructure to support its economic and social growth. Transportation projects (roads, railroads, ports, airports), energy, basic sanitation, telecommunications and housing offer opportunities for investors in construction, engineering, logistics and project finance.

Education: With a young population and a growing demand for quality education, investments in educational institutions, educational technology, professional training and education-related services can be attractive.

These are the main sectors for investment in Brazil, and the choice of where to invest will depend on the investor's objectives, risk appetite, time horizon and specific market conditions. It is always advisable to carry out a detailed analysis and consult experts before making significant investments.



Foreign Investment

Foreign investments in Brazil cover a variety of sectors and areas of activity. Some of the main foreign investments in the country include:

Energy Sector: Foreign companies have made significant investments in the energy sector in Brazil, including oil and gas projects, renewable energy (such as solar, wind and biomass) and energy infrastructure (such as transmission and distribution networks). For example, multinational oil and gas companies have a stake in oil exploration and production operations in the Santos Basin. In addition, foreign investors have a stake in wind energy projects in the Northeast of Brazil and solar energy projects in various regions of the country.

Financial Sector: Foreign financial institutions have a significant presence in the Brazilian financial sector, including investment banks, insurance companies and asset managers. Many of these institutions operate in Brazil through local subsidiaries or joint ventures with Brazilian companies.

Technology Sector: Foreign investors have shown growing interest in the Brazilian technology sector, especially in software, e-commerce, fintech and information technology companies. Many Brazilian startups have received investments from foreign venture capital funds.

Automotive Industry: Brazil is one of the largest automotive markets in the world, attracting investment from foreign automakers who have established factories in the country to produce vehicles for the domestic market and for export.

Agribusiness Sector: Foreign investors are interested in the Brazilian agribusiness sector, which is one of the largest in the world. This includes investments in agriculture, livestock, food processing and the export of agricultural commodities.

Infrastructure: Foreign investors have a stake in infrastructure projects in Brazil, such as road, port, airport and basic sanitation concessions.

Real Estate: Foreign investors have a stake in the Brazilian real estate market, including the development of residential, commercial and industrial projects, as well as in real estate funds and investments in commercial properties.

These are just a few examples of the main foreign investments in Brazil. The country continues to attract foreign capital in a variety of sectors, taking advantage of its vast market, natural resources and economic growth potential.

Incentivized Investments and Restrictions

In Brazil, there are several types of incentivized investments, which are encouraged by the government to promote the country's economic and social development. Some of the main incentivized investments include:

Investments in Infrastructure: The Brazilian government offers incentives for investments in infrastructure, such as the construction of roads, railroads, ports, airports, energy and basic sanitation. These incentives can include concessions, subsidies, subsidized financing and tax breaks.

Investments in Technology and Innovation: The Brazilian government offers incentives to companies that invest in research, development and innovation (R&D&I). This includes tax incentives, such as the Lei do Bem (Good Law), which allows R&D&I expenses to be deducted from income tax, and subsidized financing through development agencies, such as Finep and BNDES.

Investments in Specific Sectors: The Brazilian government also offers incentives for investments in specific sectors of the economy, such as agribusiness, renewable energy, tourism, health, education and the creative industry. These incentives can include tax exemptions, subsidies, subsidized financing and public-private partnerships.

Venture capital investments: The Brazilian government offers incentives for investments in startups and small businesses through equity investment funds (FIPs) and other venture capital investment vehicles. These incentives can include tax exemptions for investors and fund managers.

Stock market investments: The Brazilian government offers incentives for investments in shares and other securities through tax breaks, such as income tax exemption on capital gains for foreign investors and income tax exemption on dividends for individual investors.



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Doing Business in Brazil



Doing Business in Brazil

Companies

The most common forms of business entities in Brazil are the Corporation, divided in two types: Public Held Companies or Privately Held Companies (sociedade anônima, or SA) and the limited liability company (sociedade limitada or limitada). The main driver when electing one or the other form is that only Public Held Corporations are entitled to issue shares to be publicly traded in the stock exchange while limitadas tend to be a more appropriate vehicle for structuring foreign direct investments in Brazil to the extent that management and other requirements would be more simple when compared to a corporation. With respect to responsibility of the investors, while in a corporation it is limited to the amount subscribed by the individual or company, in a limitada the quotaholders are liable for the full amount of the company's legal capital until it has been paid in.

Corporations are similar in form to both US and European corporations. Limitadas are similar in form to European limited liability companies (such as French SARLs and German GmbHs).

a) Corporation

1) Requirements of a Corporation

The main preliminary requirements for the constitution of a Corporation are as follows:

- The share capital must be subscribed by at least two original subscribers. They may be Brazilians or foreigners, individuals or legal entities. For Public Held Corporation, this number must be at least three individuals to attend the installment of administrative counsel. In case the foreigners are not resident in Brazil, they shall be represented by a Brazilian citizen empowered to receive subpoenas.
- Nonresident shareholders must obtain the tax identification number before the Brazilian Internal Revenue Services (called "CNPJ" or "CPF").
- For purposes of payment to the capital, subscribers can offer cash or any other tangible goods (machines, products...). In this case, there must be an evaluation prepared by three experts or a specialist firm. The payment can also be total or partial, but the first deposit in cash must be, at least 10% of the issue price of shares subscribed, deposited in a bank authorized by CVM- Brazilian Securities and Exchange Commission.
- An application for registration the bylaws of the company and other related documents must be filed with the local Board of Trade.
- Depending on the activities a Corporation will perform, other registrations might be required.
- A Corporation must publish its documents and the certificate of registration in a wide circulation newspaper within thirty days of its registration. This requirement must be complied with, before the Corporation starts its business.

Publicly Held Corporations are required to be audited by independent auditors every year. Privately Held Corporations do not face the same requirement, except if it is considered a large entrepreneur (assets higher than R\$ 240 million or turnover higher than R\$ 300 million).

2) Capital of a Corporation

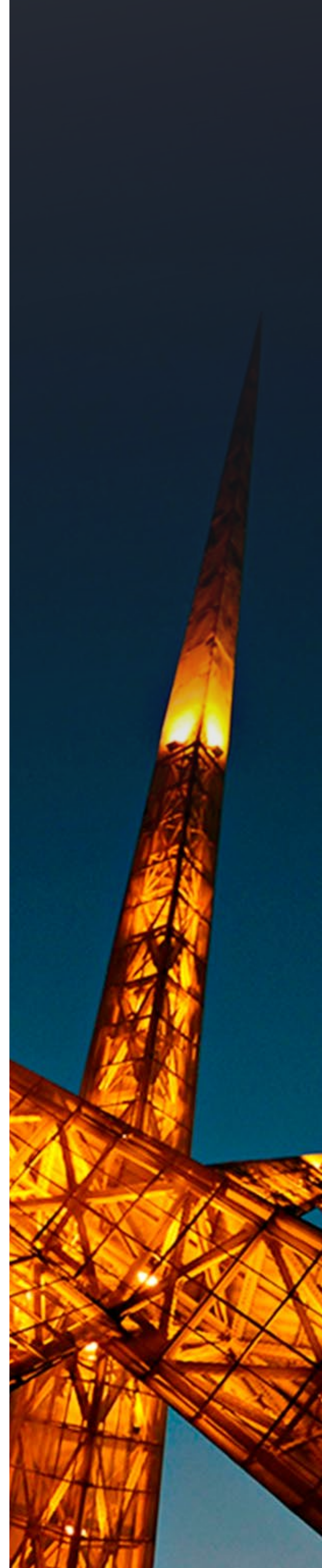
In addition to the information mentioned above, the bylaws shall state the value of the share capital in local currency, which may contain a provision authorizing capital increases independently of any amendment to the bylaws, after the initial issuance of shares has been subscribed, up to a limit expressed as a number of shares or an amount of capital (the authorized capital).

3) Dividends

Dividends refer to the profitable portion of each share. Dividends may be paid from the net profit of the company during the fiscal year or as contemplated in its bylaws, based on a percentage of profits, share capital or any other criteria established, observed that the minor shareholders must not be subjected to any abuses from the major shareholders.

The law requires an annual payment of dividends with reference to the minimum portion established in the bylaws, considering the minimum limit of 25% of the net profit of the year or, if not prescribed, 50% of the year's net profits adjusted with the following: appropriations to the legal reserve, contingency reserves, and reserves for unrealized profits. The minimum dividend payment is also avoidable when proven to be incompatible with the company's financial situation. The limits mentioned above will not prejudice the right entitled by the preferred shareholders to receive their dividends, fixed or minimum, as it has been established in the bylaws.

Payments of interim dividends out of year profits or existing profits reserves from previous years are also possible, as long as provisioned in the bylaws.



4) Shares

Shares must be determined in Brazilian currency. The bylaws shall indicate the number of shares of the Corporation and whether they are to be issued with or without a nominal (par) value. Common (ordinary) and preferred shares may be issued. Ordinary shares usually grant voting rights while preferred shares may carry preferential rights to receive dividends, a refund of capital, or both (which shall be also established in the bylaws of the company). It is important to mention that preferred shares without voting rights or any other restriction cannot exceed 50% of total capital.

5) Shareholders' Rights

The fundamental rights of the shareholders, which cannot be denied by either the bylaws or shareholders agreements, are the following: (i) participation in yearly profits; (ii) participation in the net assets in case the investment is liquidated; (iii) supervision of the business conduction; (iv) preference in subscribing for new shares and beneficiary parts, as well as debentures to be converted in shares and subscription bonuses; and (v) withdrawal under certain circumstances, with reimbursement of shares.

6) Management of a Corporation

A Corporation is administered by one director or by a Board of Directors (diretoria) and, optionally, an administrative council (conselho de administração). It is important to mention that an administrative council is mandatory for a Corporation with authorized capital or a Publicly Held Corporation.

The board of directors must be composed of at least two directors, who may or may not be a shareholder of the company. They are elected and dismissed by the administrative council or, if there is none, by the shareholders in a general shareholders meeting. Those mandates shall not exceed three years, being allowed reelection. Directors shall be foreigners or residents of Brazil but not necessarily Brazilian citizens.

The board of directors is responsible for representing the Corporation in its dealings with third parties, day-to-day management of the business, and implementing resolutions of the administrative council (if any).

The administrative council must have at least three members. They must be shareholders of the Corporation and are elected and dismissed by the shareholders in a general meeting. Unlike the directors, members of the administrative council may be foreign individuals not resident in Brazil. In this case, they must be represented by a Brazilian citizen empowered to receive subpoenas. Responsibilities of the administrative council include defining the Corporation's overall strategy, electing and dismissing directors and supervising their performance, calling shareholders' meetings, and choosing and dismissing the independent auditors, if any, among others.

Another body that may be appointed at a general meeting of shareholders is the fiscal council (conselho fiscal), an internal audit committee which may function permanently or not. It must be composed by three up to five Brazilian residents. The fiscal council basically oversees administrative acts performed on behalf of the Corporation to ensure that they are in accordance with the articles of incorporation and current legislation, providing an analysis of the Corporation balance sheet.

7) Meetings and Votes in a Corporation

An annual general meeting of the shareholders must be held within four months after the end of the Corporation's financial year to review the financial statements presented by officers of the Corporation; decide on the dividend distribution and elect members of administrative council or board of directors and of the Fiscal Council.

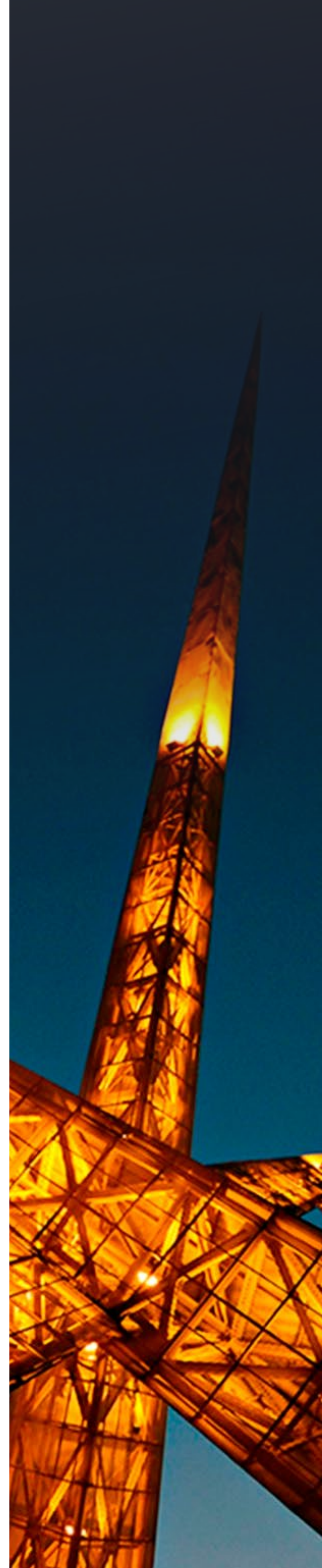
Extraordinary general meetings of shareholders may be called to discuss matters other than those that are dealt with in the annual general meeting. All general meetings of shareholders must be held in Brazil. Each common share normally carries one vote.

Resolutions at a general meeting of shareholders usually require approval by a simple majority of the votes present or represented; absentees are not counted. However, changing certain important provisions in the bylaws, such as those dealing with the Corporation's objectives and other prescribed by the law, may require a higher voting quorum.

b) Limited Liability Companies

A Limited Liability Company (limitada) is a useful form for businesses for few owners with no intention to raise public funds (by issuance of shares or titles). Members may be foreign or resident individuals or corporate entities. Limited liability companies are regulated by Brazilian Civil Code (Law 10.406/02), and can be subsidiary governed by the provisions set forth in the Corporation Law (in the absence of proper regulations in the Civil Code). In general, a Limited Liability Company is subjected to fewer legal formalities than a Corporation. The most important features of a Limited Liability Company are:

- Minimum of one partner (which in a Limitada are so-called "quotaholders") while capital is divided into quotas (instead of shares).
- Nonresident quotaholders must grant a power of attorney to Brazilian citizen or residents with power to receive subpoenas.
- Nonresident quotaholders must obtain the tax identification number before the Brazilian Internal Revenue Services (called "CNPJ" or "CPF").
- The administration of the limitada must be held by Brazilian residents or citizens.
- The denomination must make reference to the core business of the company. This means that company name may no longer be simply XYZ do Brasil Ltda., but must mention its main business purpose such as, for example, XYZ do Brasil Information Technology Equipment Ltda.



- In general, amendments to the articles of incorporation requires the approval of votes representing 50% plus one quota (share) of the corporate capital.
- Quotaholders Meetings – The articles of association must disclose whether approval of accounts (annual financial statements), election, removal and resignation of company officers, definition of remuneration, amendments to the articles of association, take-over, mergers or spin-offs, among others, shall be resolved in a quotaholders meeting. In practice, if the company has more than ten quotaholders, resolutions must be made in a quotaholders meeting. The articles of incorporation must also provide for the form of convening partners as well as quorum for validity of meetings and resolutions thereof. What used to be made through a simple contractual amendment must now be made through a quotaholders meeting.
- In case the limitada has more than ten quotaholders, it will be required to publish the calls for the quotaholder's meeting, as well as the minutes of certain meetings in the Official Gazette (Diário Oficial) and in another wide circulation newspaper.
- The entire capital must be subscribed on incorporation of the company, but no minimum percentage has to be paid upon the subscription.
- Until the full capital is paid in, the quotaholders are jointly and severally liable for the total capital subscribed.
- No legal reserve or minimum dividend is required.
- Members may withdraw and receive the repayment of their quotas in case of disagreement.
- A Limited Liability Company does not need to publish its articles of incorporation, financial statements or all minutes of quotaholders' meetings in a newspaper, as required for the Corporations.

A Limited Liability Company may easily and inexpensively be converted into a Corporation without triggering any corporate tax consequences.

Partnerships

Brazilian corporate legislation provides for different types of partnership. However, other than for professional partnerships, the partnership form is not often used.

General Partnerships

A general partnership (*sociedade em nome coletivo*) is an association of two or more individuals under a collective name. All partners participate actively and each bears unlimited liability for the partnership's debts.

Limited Partnerships

In a limited partnership (*sociedade em comandita simples*), one or more partners' individuals are fully liable for the company's obligations, and others (who may not take part in its day-to-day operations) are liable only to the extent of their investments.

Partnerships Limited by Shares

A partnership limited by shares (*sociedade em comandita por ações*) issues certificates of transferable shares representing the partners' ownership interests. The partnership's activities are governed by the Corporation Law. Like partners in a limited partnership, partners in a partnership limited by shares include those with full liability for the partnership's debts and those with liability limited to the extent of their contributions.

Partnerships in a Partnership Account

A partnership in a partnership account (*sociedade em conta de participação*) is not considered a corporate entity (legal status) and has a silent partner that is not responsible for the partnership's obligations. Although not a legal entity, this type of partnership is often established for specific projects (for example, forest development projects). Taxation generally is pro rata.

De facto corporation

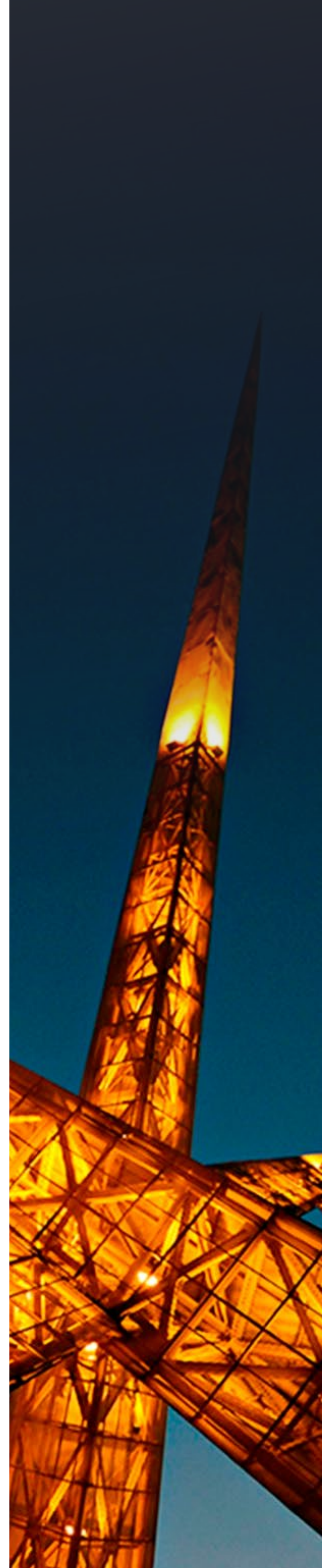
Brazilian doctrine and jurisprudence also recognizes the concept of a "de facto" corporation. Accordingly, under certain circumstances a group of persons which is not organized according to a formal contract (e.g. by laws not duly registered with the competent authorities) and who jointly perform business can be regarded as a legal entity for tax purposes.

Joint Ventures

Joint ventures may take either the Corporation or limitada form or the form of a consortium agreement which is generally adopted in case of significant infra-structure projects in Brazil.

Trusts

Trusts are not recognized as entities under Brazilian law.



Branches of Foreign Companies

Foreign companies may not operate branches in Brazil unless they submit a special request to the Ministry of Development of Industry and Foreign Trade. Because of the bureaucratic difficulties in obtaining such authorization, few branches of foreign companies operate in practice in Brazil.

A branch must be registered with the Commercial Register and adopt the same name of its head office. A permanent representative of any nationality, fully authorized to act on behalf of the branch, must be resident in Brazil. No minimum capital requirement is imposed. Liability is not limited to the capital of the branch, but extends to that of the head office.

Branches of foreign companies must publish their annual financial statements and are subject to requirements similar to those applicable to Corporations.

If losses are recognized during the first years of operation, the branch form may be advantageous for companies that can consolidate such losses with income derived from other sources.

Establishing a Limited Liability Company

Time Required

As a general rule, a Brazilian limited liability company (limitada) may be established within a sixty (60) day-period.

Number of Quotaholders

Just one (1) quotaholder is necessary which do not necessarily must be a Brazilian citizen or resident. A resident in Brazil is required as the legal representative of the foreign quotaholder, empowered to receive subpoenas.

Permissible Types of Quotas

A limitada has usually only one type of quotas, however, different values can be attributed to each quota.

Directors

A limitada is not required to have directors. It may be managed by one or more quotaholders if they are nominated in the articles of incorporation or by a general manager or director appointed by the quotaholders through a power-of-attorney or directly in the bylaws.

The management of the company must be conducted by a Brazilian resident. A corporate entity with the responsibility for managing a limitada may transfer the responsibility to manage the company to an individual through a limited power-of-attorney.

Initial Capital Requirements

In general, no minimum capital requirements are imposed on Brazilian companies (limitadas or Corporations). Capital must be denominated in Brazilian currency.

Foreign Capital Registration

Foreign equity investment must be registered with the BACEN within a 30-day period in order to allow future repatriation of the original amount invested as well as dividends in foreign currency in the future.

Trademarks and Trade names

Trademarks are words, names, stylized representation of letters, symbols or devices that are adopted and used by manufacturers or merchants to identify their goods and distinguish them from those manufactured by others. In contrast, trade names identify particular manufacturers or dealers.

Trademarks are registered with the INPI according to the Industrial Property Code. Trade names are registered with the local Board of Trade ("Junta Comercial") upon incorporation of a company.

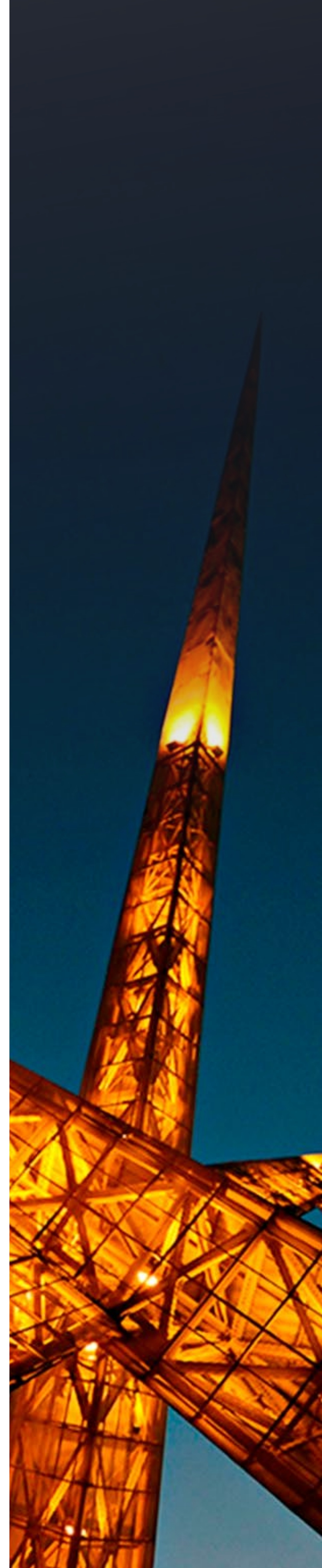
Eligible Marks

The following kinds of marks are legally protected in Brazil:

- Industry marks: used by manufacturers to distinguish their products;
- Certificate mark: used to attest the conformity of a product (as well as to the raw material utilized) or service with a technical standard, related to quality or methodology performed;
- Collective mark: used to demonstrate that a same mark's owner acts in different businesses, that is, different products and services might be made/executed by the same entity.

Duration, Fees and Procedures

Owners of trademarks have the exclusive right to use particular names, symbols, devices or any combination thereof in connection with products or services for a period of 10 years. Limitless extensions are available for successive periods of the same duration. Owners may dispose of trademarks or license them to others, but the resulting royalties may be paid only during the first 10-year period and only if the licence application is made within the priority term of the Paris Convention whose rules are accomplished by INPI.



Usually, the right of trademarks exclusiveness arisen from registrations that involves only the particular business whereof the mark's holder acts. However, in case of the INPI recognizes a "well-known mark" ("marca de alto renome"), later requirements in order to obtain the registration for this mark shall not be conceded, no matter the business is completely different. In accordance to the established by the Paris Convention, widely known marks are protected in Brazil even if not registered on the INPI.

Licensing Arrangements

In the past, some companies encountered difficulties when attempting to transfer technology from abroad because of strict registration requirements for licensing agreements and limitations on the remittance of royalty payments abroad (especially between related companies). However, these restrictions were partially minimized when Brazilian legislation was modified in 1991 in order to be in line with international standards.

Royalty payments may not be remitted abroad unless the underlying contracts for transfer of technology are approved by the INPI and registered with the BACEN.

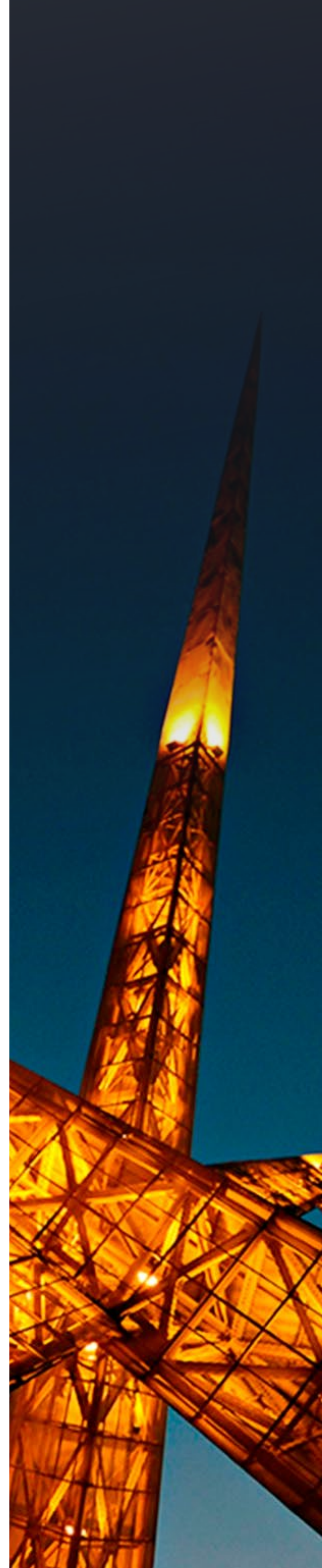
The INPI observes the following guidelines for approval of contracts for the transfer of technology:

- Generally, contracts that concern transfers of technology aimed at encouraging technological innovation are approved.
- The contract must clearly state its objective, specify in detail the process through which the technology will be transferred and indicate the industrial property rights involved.
- Contracts for technical and scientific assistance must state the conditions for obtaining the technique, planning and programming methods, as well as research, study and project activities aimed at the rendering of specialised services.
- The patent license agreement must stipulate the conditions for the effective exploitation of the patent, which must be registered in Brazil.
- Technical and scientific assistance contracts must define the period during which services will be rendered, specifying the technical activities and training programmes involved and the terms of remuneration.
- The contract should specify the following details, which concern the payment of technicians abroad in foreign currency:
 - The number of technicians;
 - The amount of daily remuneration, which should conform to normal standards in the home countries of the contracting parties, considering the specialty and level of each technician and the type of service to be rendered;
 - An estimate of the time necessary to carry out the technical assistance and training programmes;
 - The expenses to be incurred by foreign technicians when present in Brazil, such as transportation, daily expenses and allowances, must be specified for each individual and must be paid directly to each technician in local currency; and
 - The remuneration must be stated as a fixed price.
- The patent license agreement must define the possible rights to exclusive use as well as possible subcontracting rights. The period of the license agreement may not exceed the period of the patent's validity.
- In the contract, the licensor must specify to the licensee all data and technical information involved, as well as the technical assistance necessary for the implementation and updating of the objective to facilitate local implementation of the technology.
- The technology transfer contract must state the responsibility of each party to the contract concerning financial and tax obligations.

The remuneration of the licensor may be calculated in the following ways: as a fixed price; as a percentage of the licensee's net sale price or profit; or as a fixed price for each unit produced. For this purpose, net sale price is defined as the sales price less tax, duties and other charges as agreed between the parties. In determining the remuneration, the contracting parties must consider compensation provided in similar contracts in Brazil and abroad.

A request for approval of a licensor contract must be made on a separate form and submitted with the original license contract or a substitute document. The INPI has the power to request additional documentation. A justification letter is also required, explaining the objectives of the technology transfer contract and stating any possible share ownership arrangement between the parties to the contract.

If the parties do not satisfy an INPI request for additional information, the approval request will be suspended. Rejected approval requests may be submitted for reconsideration if the parties can prove that the INPI's decision was unlawful.



Patents

Patents are regulated by Law 9.279, of May 14, 1996, known as the Industrial Property Code (“Código de Propriedade Industrial”). Holders of patents possess ownership rights to the patented item under Brazilian legislation and international conventions. Titles to patents are transferable.

Eligible Property

The INPI issues patents for inventions and utility models as well as registry for industrial designs and trademarks. Protection is also granted to medicines of any kind, to chemical-pharmaceutical products or preparations and to processes for research or alteration of substances, with prior approval granted by Anvisa- Brazilian Regulatory Agency of Pharmaceutical/Cosmetics Affairs. To be eligible for patent protection, the inventions, utility models and industrial designs must meet the following requirements:

- Be novel and not yet patented;
- Be of industrial use, that is, capable of being produced or applied in an industrial process; and
- Not be obvious from a technical development perspective.

Duration and Fees

Patents are granted for the following periods, which will start on the day the registration is filed with the INPI:

- Inventions: 20 years;
- Utility models: 15 years; and
- Industrial design rights: 10 years, extendable for 3 (three) consecutive periods of 5 years each.

Fees vary for the initial filing, request for examination, issuance and maintenance.

Annual Requirements

Financial Statements

Corporations must prepare and publish their financial statements, in general. Although limitadas must prepare financial statements, they are not required to publish them.

Corporations with turnover until R\$ 78 million can perform the financial statements publication by electronic way instead of publication at the local newspapers.

Annual Meetings

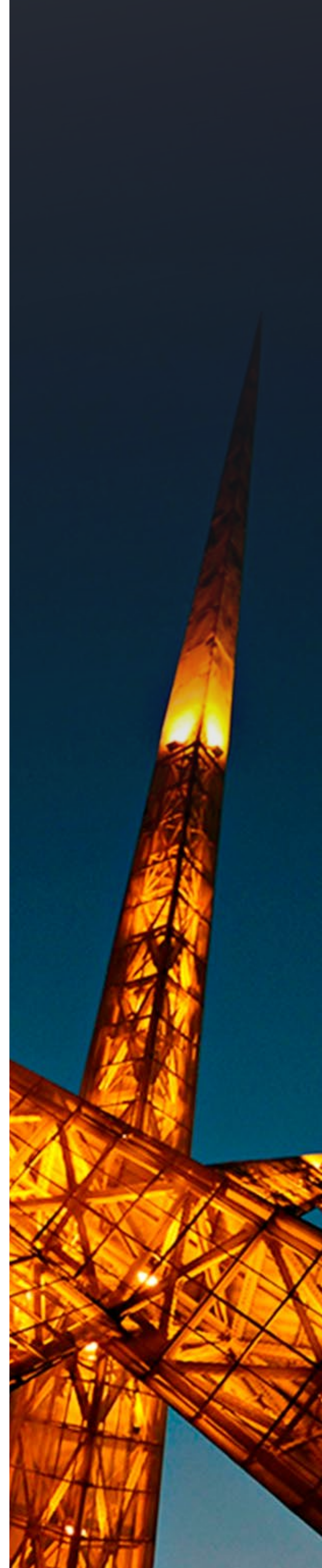
Both corporations and limitadas must hold annual general share/quotaholders’ meetings within four months of the end of their fiscal year, to discuss and approve the financial statements.

Income Tax Filing

Brazilian companies must file annual tax returns based on their consolidated results for the calendar year.

Audit Requirements

Public Held Corporations must have their financial statements audited once a year by independent auditors. Limitadas and Privately Held Corporations are not subject to audit requirements, unless if considered large entrepreneurs (assets higher than R\$ 240 million or turnover higher than R\$ 300 million).



Tax Environment



Tax Environment

Taxation in Brazil for Medium and Large Companies

Brazil has a complex tax system and the main taxes borne by companies established in the country can be summarized as follows:

| Classification | Denomination | Incidence | Competence |
|----------------|--------------|--|--|
| Direct Taxes | IRPJ/CSLL | Profit and income | Union |
| Indirect Taxes | PIS/COFINS | Turnover and other income | Union |
| | IPI | Output of industrialized and imported products | Union |
| | ICMS | Circulation of goods and provision of interstate and intercity transportation and communication services | States and Federal District Municipalities |
| | ISSQN | Provision of services provided for by law | and Federal |

Taxes on income

In Brazil, the profit and income of legal entities is taxed by the Corporate Income Tax (IRPJ) and the Social Contribution on Net Profit (CSLL). Currently, there are two (2) main systems for calculating IRPJ and CSLL for medium and large companies:

| Systematic | Maximum Revenue | Main features | IRPJ tax rate | CSLL tax rate |
|-----------------|-------------------|---|------------------------|---------------|
| Presumed Income | R\$ 78.000.000,00 | Quarterly calculation - Calculation on billing and other revenues with presumption of profit. | 15% + 10% (additional) | 9% |
| Real Income | There's no limit | Annual or quarterly calculation - Calculation of the adjusted net result. | 15% + 10% (additional) | 9% e 20% |

Presumed Profit - Medium level of complexity

System for calculating IRPJ and CSLL on a quarterly basis, where the IRS presumes the company's profit through a certain percentage applied to billing and other revenues. By applying this presumption percentage, it is no longer necessary to prove to the tax authorities whether or not there was a profit in the tax assessment period.

In general, the majority of companies in Brazil can opt for presumed profit, as it is only necessary for turnover to be equal to or less than R\$78 million per year and for operations not to be in specific sectors, such as banks and public companies.

Companies that use this system have presumption rates depending on their activity, which can vary from 1.6% to 32% of turnover.

Deadline and form of payment - IRPJ and CSLL can be paid in a single installment or in 03 monthly installments, plus Selic interest.

Real Profit - High level of complexity

The real profit system has specific characteristics that make it the most complex.

Taxes are calculated on the net profit for the year, adjusted by the required additions and exclusions authorized by law, in the calculation period: annual or quarterly.

Tax benefits and the offsetting of tax losses may be used to reduce the taxes due.

Deadline and form of payment - IRPJ and CSLL can be paid in a single installment (annual real profit) or in 03 monthly installments, plus Selic interest (quarterly real profit).



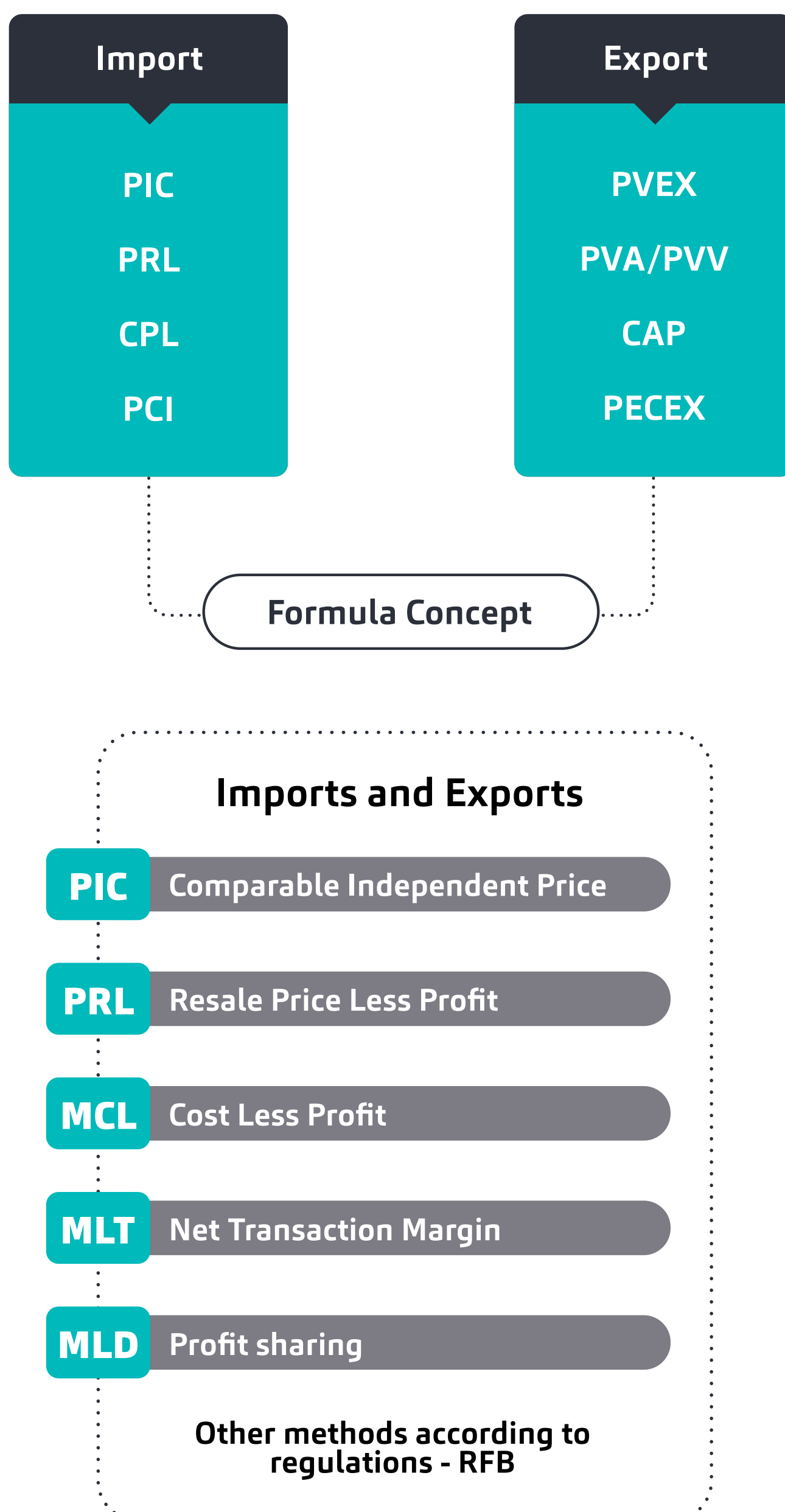
Transfer Pricing - New methodology - OECD International Rules

Brazil has been obliged to adopt the methodology for calculating transfer prices based on the OECD's international rules, as of 01/01/2024.

This procedure will allow (i) Brazil to take another step towards the international stage and (ii) international investors to have more clarity and security regarding transfer pricing calculations that directly impact their investments in companies in Brazil.

Overview:

| Until 31/12/2023 - TP Brazil | From 01/01/2024 - TP OECD |
|---|--|
| Calculations based on formulas, profit margins and percentages established by the RFB, the purpose of which is to determine/limit costs and revenues for the purposes of calculating IRPJ and CSLL. | Arm's Length Principle (ALP). Comparability analyses: will be carried out with the aim of comparing the actual terms and conditions of the transactions that have taken place; seeking to (i) ensure a correct determination of the tax base in the different countries, (ii) avoid double taxation in the different countries and (iii) minimize conflicts between Tax Administrations. |
| Calculation Methods: | Calculation Methods: |



Tax on Consumption

In Brazil, the taxes on consumption are:

- a) Contribution to PIS/PASEP
- b) Contribution to Social Financing - COFINS;
- c) Tax on Industrialized Products - IPI;
- d) Tax on the Circulation of Goods and Services - ICMS; and
- e) Tax on Services of Any Kind - ISSQN.

a) and b) PIS/PASEP and COFINS contributions

Contributions to PIS/PASEP and COFINS are due by legal entities and are levied on the total revenue earned in the month, regardless of its name or accounting classification. Total revenue comprises: a) the proceeds from the sale of goods in own account operations; b) the price of services rendered in general; c) the result earned in third-party account operations; and d) revenue from the main activity or purpose of the legal entity not included above.

Currently, there are two (2) main systems for calculating PIS/PASEP and COFINS contributions by medium and large companies, linked to the system for calculating IRPJ and CSLL:

| Option for IRPJ/CSLL taxation | PIS and COFINS Contribution Calculation System | PIS/PASEP and COFINS rates | Possibility of appropriating credits on certain expenses |
|-------------------------------|--|----------------------------|--|
| Presumed profit | Cumulative | 0,65% e 3%, specifically | No |
| Real Profit | Non-cumulative | 1,65% e 7,6%, specifically | Yes |

Possibility of appropriating credits in the non-cumulative system

Legal entities subject to the non-cumulative calculation of PIS/PASEP and COFINS contributions may deduct credits by applying the rates of 1.65% and 7.6%, respectively, calculated on:

- Goods acquired for resale;
- Goods and services used as inputs in the provision of services and in the production or manufacture of goods for sale, including fuels and lubricants;
- Electricity and thermal energy, including in the form of steam, consumed in the legal entity's establishments;
- Rents for buildings, machinery and equipment, paid to legal entities, used in the company's activities;
- Value of the consideration for leasing operations of legal entities, except those opting for the Integrated System for the Payment of Taxes and Contributions of Micro and Small Companies - SIMPLES;
- Depreciation of machinery, equipment and other goods incorporated into fixed assets, acquired or manufactured for leasing to third parties, or for use in the production of goods for sale or in the provision of services;
- Depreciation of buildings and amortization of improvements to own or third-party properties used in the company's activities;
- Goods received in return whose sales revenue is part of the billing for the month or the previous month, and taxed by the non-cumulative system of contributions to PIS/PASEP and COFINS;
- Storage of goods and freight in the sales operation, when the burden is borne by the seller;
- Expenses with transportation vouchers, meal vouchers or food vouchers, uniforms or uniforms provided to employees by legal entities that provide cleaning, maintenance and upkeep services;
- Depreciation of goods incorporated into intangible assets, acquired for use in the production of goods for sale or in the provision of services.



Exceptions to the non-cumulative system

The following revenues, even when earned by legal entities opting for IRPJ and CSLL taxation by the Real Profit method and, consequently, subject to the calculation of PIS/PASEP and COFINS contributions by the non-cumulative system, must be taxed by the cumulative system (rates of 0.65% and 3%, respectively, without the right to appropriation of credits):

- Revenues earned by commercial banks, investment banks, development banks, savings banks, credit, financing and investment companies, real estate credit companies, brokerage firms, securities distributors, leasing companies and credit cooperatives;
- Revenues from the provision of services by journalistic and sound and image broadcasting companies;
- Revenues from the sale of newspapers and periodicals and from the provision of services by journalistic companies and radio and sound broadcasting companies;
- Revenue from the provision of collective road, metro, rail and water passenger transport services;
- revenue from services provided by hospitals, emergency rooms, health and recuperation centers under medical supervision and blood banks;
- Revenue from services:
 - A)** provided by a hospital, emergency room, medical, dental, physiotherapy and speech therapy clinic, and pathological anatomy, cytology or clinical analysis laboratory; and
 - B)** dialysis, X-ray, radiodiagnosis and radiotherapy, chemotherapy and blood banks;
- Revenue from the provision of early childhood education, primary and secondary education and higher education services.
- Revenues from the provision of collective passenger transportation services by scheduled domestic airline companies and those from the provision of personal transportation services by air cab companies;
- Revenues earned by legal entities from the publication of periodicals and information contained therein relating to subscribers to public telephone services;
- Revenues from the provision of services with agricultural aircraft registered with the Brazilian Aeronautical Registry (RAB);
- Revenues from the provision of services by call center, telemarketing, telecollection and customer service companies in general;
- Income from the execution of civil construction works by management, contract or subcontract;
- Revenues earned by theme parks, and those arising from hotel services and the organization of fairs and events, as defined in a joint act by the Ministries of Finance and Tourism;
- Revenues from the provision of public services by highway concessionaires;
- Revenues from the provision of services by travel and tourism agencies.
- Revenues earned by computer services companies, arising from software development activities and their licensing or assignment of the right to use, as well as analysis, programming, installation, configuration, advisory, consulting, technical support and maintenance or updating of software, also included as software are electronic pages (software developed in Brazil);
- Revenue from the sale of crushed stone, construction sand and gravel;
- Income from the sale of shareholdings.

c) Tax on Industrialized Products – IPI

Legal entities established in Brazil that import or industrialize domestic or foreign products are subject to the Industrialized Products Tax (IPI). The IPI rate varies according to the essentiality of the product and is defined in the TIPI (Table of Incidence of the Tax on Industrialized Products), according to the Mercosur Common Nomenclature (NCM).

Industrialization is any operation that modifies the nature, functioning, finish, presentation or purpose of the product, or perfects it for consumption, such as:

- Which, when carried out on raw materials or intermediate products, results in the production of a new species (transformation);
- Which involves modifying, perfecting or in any way altering the functioning, use, finish or appearance of the product (processing);
- Which consists of assembling products, parts or pieces, resulting in a new product or autonomous unit, even if under the same tax classification (assembly);



- Which involves altering the presentation of the product, by placing packaging, even if it replaces the original, except when the packaging placed is only intended for the transportation of the goods (packaging or repackaging); or
- Which, when applied to a used product or remaining part of a deteriorated or unusable product, renews or restores the product for use (renovation or reconditioning).

The process used to obtain the product and the location and condition of the facilities or equipment used are irrelevant to characterize the operation as industrialization.

The Tax on Industrialized Products - IPI is non-cumulative, i.e. its taxpayers may deduct from the total due for each assessment period, tax on raw materials, intermediate products and packaging material acquired for use in the industrialization of taxed products, including, among raw materials and intermediate products, those which, although not integrated into the new product, are consumed in the industrialization process, unless they are included among permanent assets.

d) Tax on the Circulation of Goods and Services - ICMS;

Legal entities established in Brazil that promote the movement of goods or provide interstate and intercity transport and communication services are subject to ICMS (state tax).

ICMS rates vary according to the movement of goods and the provision of interstate and intercity transport and communication services:

- Operations within the state - between 7% and 25% (internal operations), varying according to the state and the product;
- Operations between states - between 4% and 12% (interstate operations), depending on the sending and receiving state and the origin and composition of the goods.

ICMS is also a non-cumulative tax and, in order to offset the amount due, the taxpayer will be guaranteed the right to claim credit for the tax previously levied, in relation to goods actually or symbolically brought into their establishment, or services provided to them, as a result of regular and taxed transactions or services.

e) Tax on Services of Any Kind - ISSQN

Legal entities established in Brazil that provide services under the law (single annex to Complementary Law 116/03) are subject to the Tax on Services of Any Nature - ISSQN, which is the responsibility of the Municipalities and the Federal District.

ISSQN rates vary according to the type of service provided and the municipality where the provider is established or where the services are carried out, and cannot be lower than 2% or higher than 5%.

Consumer Tax Reform

The great tax complexity that exists in Brazil, with an exacerbated number of taxes and ancillary obligations, combined with a high tax burden, represents a major challenge for companies and investments.

After more than 30 years of discussion about a reform to modernize and simplify the national tax system, the tax reform was approved through Constitutional Amendment No. 132, enacted on December 20, 2023. This reform lays the foundations for a long transition to unite taxes on consumption by the Union, states and municipalities, end the fiscal war and give more transparency to the taxes paid. The tax reform is the result of Proposed Amendment to the Constitution (PEC) No. 45/2019.

The main aim of the reform is to stimulate the economy with a simple and efficient tax system to attract investment and increase business competitiveness. To this end, it will simplify and unify the following taxes on consumption:

| Taxation | Competence | New taxes |
|----------------|---|--|
| PIS/COFINS/IPI | Union | Contribution on Goods and Services - CBS |
| ICMS/ISS | States, Federal District and Municipalities | Goods and Services Tax - IBS |

According to Constitutional Amendment No. 132, the Consumption Tax Reform will replace 5 taxes (PIS, COFINS, IPI, ICMS and ISS) with a dual Value Added Tax (VAT) (CBS and IBS), with the following main characteristics:

Dual VAT - the Union will administer the CBS exclusively; and the States and Municipalities will share the administration of the IBS, in a Federative Council.

Calculation base - the CBS and IBS will be broad-based and will be levied on transactions involving tangible or intangible goods, including rights and services, both for domestic transactions and imports.

Rates - CBS will have a single rate, set by the Union, which will be applied throughout the national territory. The IBS will also have a single rate per state, which will be defined in The tax rate is agreed between the state and its respective municipalities, and is applied to the territorial extent of its federated unit. The rates have not yet been defined, but it is speculated that they will be between 25% and 27%.



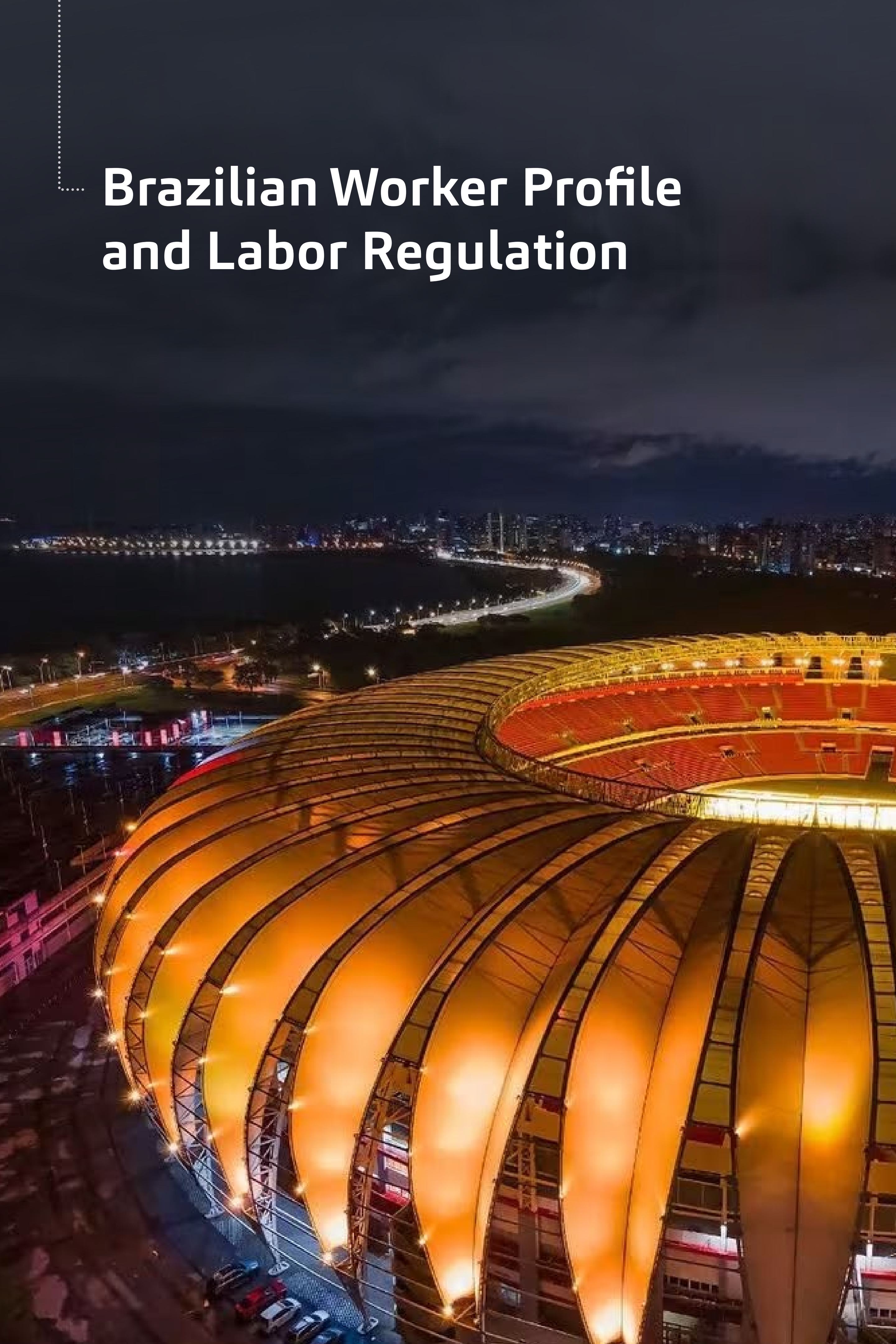
Reduced rates - a 60% reduction in the rate for education services, health services, agricultural products, food intended for human consumption, medical and accessibility devices for people with disabilities, medicines, personal hygiene products, public transport services, national artistic, cultural, journalistic and audiovisual productions, goods and services related to national security and sovereignty, information and cyber security; and a 100% reduction in the rate for horticultural products, fruit and eggs, integrated products, higher education services - PROUNI.

Full non-cumulativeness - with a view to observing the principle of neutrality, CBS and IBS will be non-cumulative, with the tax due by the taxpayer being offset against the amount charged on all transactions in which they acquire goods (material or immaterial), including rights, or services, with the sole exception of those considered to be for personal use or consumption.

It is important to note that the reform still needs to be regulated by means of complementary laws for all the changes to be effectively implemented. The Brazilian government is currently working on drafting and approving complementary laws that will define the application of various provisions of the reform.



Brazilian Worker Profile and Labor Regulation



Brazilian Worker Profile and Labor Regulation

Labor Relations

Labor relations are governed by the Federal Constitution, the Consolidated of Labor Laws – CLT - and numerous other laws and regulations.

The Constitution guarantees employees a large number of employment rights and benefits. The basic rights of workers can be increased or negotiated through collective agreements or conventions signed between employers and employees, provided they are always assisted by unions or representatives. All workers must have a work permit (Carteira de Trabalho e Previdência Social - CTPS), on which the terms of their employment contract must be recorded.

Employers must keep detailed records on each employee that can be reviewed by the labor authorities.

There are various possibilities for hiring employees, such as temporary work contracts, fixed-term contracts and internship contracts.

There are no restrictions on an employer terminating an employee's contract as long as the settlement is made in accordance with current legislation and all the employee's rights are respected.

Employment contract

The weekly working day in Brazil should be a maximum of 44 hours. The current minimum wage for 2024 is R\$1,412.00.

Wages are generally paid monthly, with a fortnightly advance, and cannot be reduced or withdrawn. Regular and customary payments such as prizes and bonuses should be considered part of the salary for labor and tax purposes.

Employee benefits

The benefits granted to employees, when provided in accordance with the law, are exempt from taxes and contributions. Some benefits are mandatory under legislation or collective agreements and others are granted at the discretion of the employer.

Mandatory benefits provided for in legislation:

- Transportation vouchers;
- 30 days paid vacation (after a full year's work);
- 13th salary;
- FGTS (8% of pay);
- Social security benefits (maternity, sickness, accident);

Benefits granted by liberality or by collective agreement:

- Food vouchers or meal vouchers;
- Medical assistance;
- Life insurance
- PLR;
- Dental care;
- Parking;
- Culture voucher;
- Fuel voucher;
- Gym allowance, among others.

Dismissal or Termination of Employment

A dismissal or termination of employment can occur in 4 ways:

Employee request - the employee chooses to terminate the contract;

By mutual agreement - the employee and employer agree to terminate the contract.



Dismissal without cause - the employer decides to dismiss the employee;

Dismissal for just cause - the employer decides to dismiss the employee for an act of infringement of the company's laws or internal rules.

It should be noted that for each type of contractual termination, the employee and employer must respect their rights and duties as laid down in current legislation.

Labor and Social Charges

Labor charges

Wages arising from employment contracts are an obligation for companies. Employees must be paid by the fifth working day of the month. But in addition to current salaries, it is also an obligation to provide for labor and social charges.

These charges need to be accounted for and planned for, so as not to cause any surprises when you receive the payroll.

The main payroll taxes are:

Paid vacation

Employees are granted 30 days of vacation plus 1/3 of their salary after 1 full year of employment. The employer has another 1 year to grant this vacation period. If this period is not respected, the vacation must be paid double.

13th salary or Christmas bônus

Payment of remuneration proportional to the length of service worked for the company in the calendar year, always in the proportion of 1/12th. This payment must be made by December 20th of each year and its advance (50%) must be made by November 30th.

Transport vouchers

An amount intended for the daily commute from home to work. This amount can be granted through agreements with public transport, chartered transport or fuel reimbursements (as long as the legal requirements are met).

This amount must be granted to the worker in advance to cover the cost of their daily transportation.

Social Charges

IRRF

Workers' income is taxed directly at source at the following rates:

| Calculation Basis | Rate (%) | Part to be deducted from income tax |
|---------------------------|----------|-------------------------------------|
| Up to 2.259,20 | 0 | 0 |
| From 2,259.00 to 2.826,65 | 7,5 | 169,44 |
| From 2.826,66 to 3.751,05 | 15 | 381,44 |
| From 3.751,06 to 4.664,68 | 22,5 | 662,77 |
| Above 4.664,68 | 27,5 | 896,00 |

The simplified discount is R\$ 564.80.

INSS

Employers generally pay a social security contribution (INSS) of 20% on their employees' payroll, in addition to the usual 5.8% contribution to other entities (third parties).

There is also another form of social security contribution for some companies, which is paid on turnover. For these companies, a variable rate of between 1 and 4.5% is usually payable. This option must be formalized by the first employer payment of the calendar year.

Employees, on the other hand, are subject to having their social contribution withheld directly from their payroll up to a limit of R\$7,786.02, as shown in the table below:

| Contribution Salary (R\$) | Rate (%) | Deductible portion |
|-----------------------------------|----------|--------------------|
| Até R\$ 1.412,00 | 7,5 % | - |
| Up to R\$ 1,412.00 | 9,0 % | 21,18 |
| From R\$ 1,412,01 to R\$ 2,666.68 | 12,0 % | 101,18 |
| From R\$ 2,666.69 to R\$ 4,000.03 | 14,0 % | 181,18 |
| From R\$ 4,000.00 to R\$ 7,786.02 | | |



FGTS

The Severance Indemnity Fund (Fundo de Garantia por Tempo de Serviço - FGTS) is a kind of reserve fund, in which the employer is obliged to deposit a monthly percentage of 8% of the worker's pay in a specific account managed by the Federal Government.

These amounts can only be withdrawn in cases of termination without just cause (dismissal by decision of the employer) or in some other specific cases, such as identification of serious illnesses or use in the purchase of a first home.

Outsourcing labor

Outsourcing labor is the process of hiring a company to provide services and delegating to it the performance of specific activities, functions and tasks within your production chain. Currently, both end activities and middle activities can be outsourced. In this way, an organization can hire specialized labor and services without necessarily entering into an employment relationship.

Hiring an outsourced company must be formalized through a service contract, which must contain all the information about the services to be provided, such as remuneration, time and purpose of the service contract, as well as the obligations and rights of the contracting company and the outsourced company.

Outsourced services must be charged for by issuing a service invoice and, depending on the type of service provided, INSS and other federal taxes may be withheld from this invoice.

In order to maintain the provision of services, if employees are provided, the contracted company must present the contracting company with documents proving that its employees have been discharged, such as payrolls and FGTS payments.



..... Foreigners in Brazil



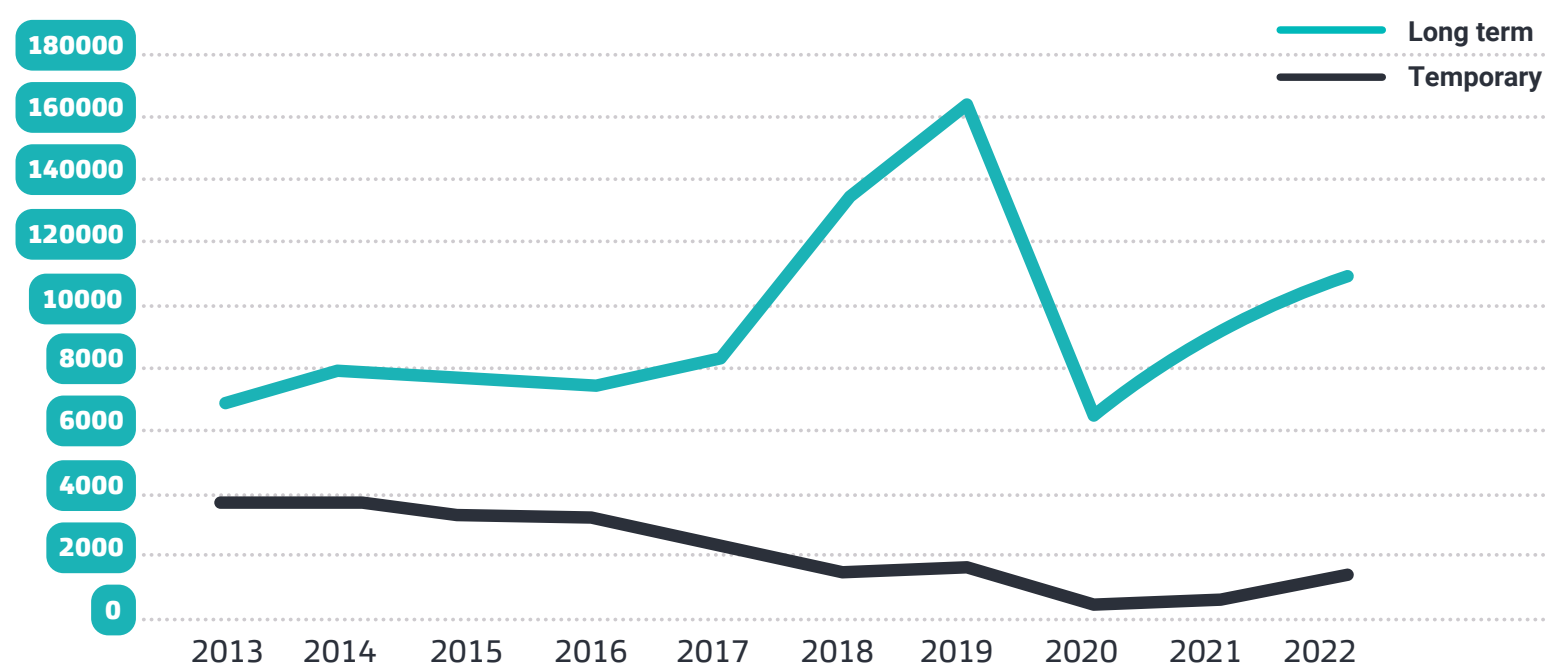
Foreigners in Brazil

Growth and Changing Profile

In 2022, the latest consolidated data available, the Federal Police (PF) registered 1.2 million applications for residence permits, ten times more than in 2013, when 105,094 applications were made, of which 67,535 were long-term and 37,559 temporary. Venezuelans, Haitians, Argentinians and Colombians have become the main nationalities to apply for residency, leaving the previously prevalent Portuguese, Spanish, Germans and Italians in the background.

The share of long-term migrants rose from 64.2% to 80.8% in the ten-year period, suggesting that Brazil is indeed the place of choice for these people, says the report.

Graph 1. Number of long-term and temporary residence applications, by year - Brazil, 2013-2022

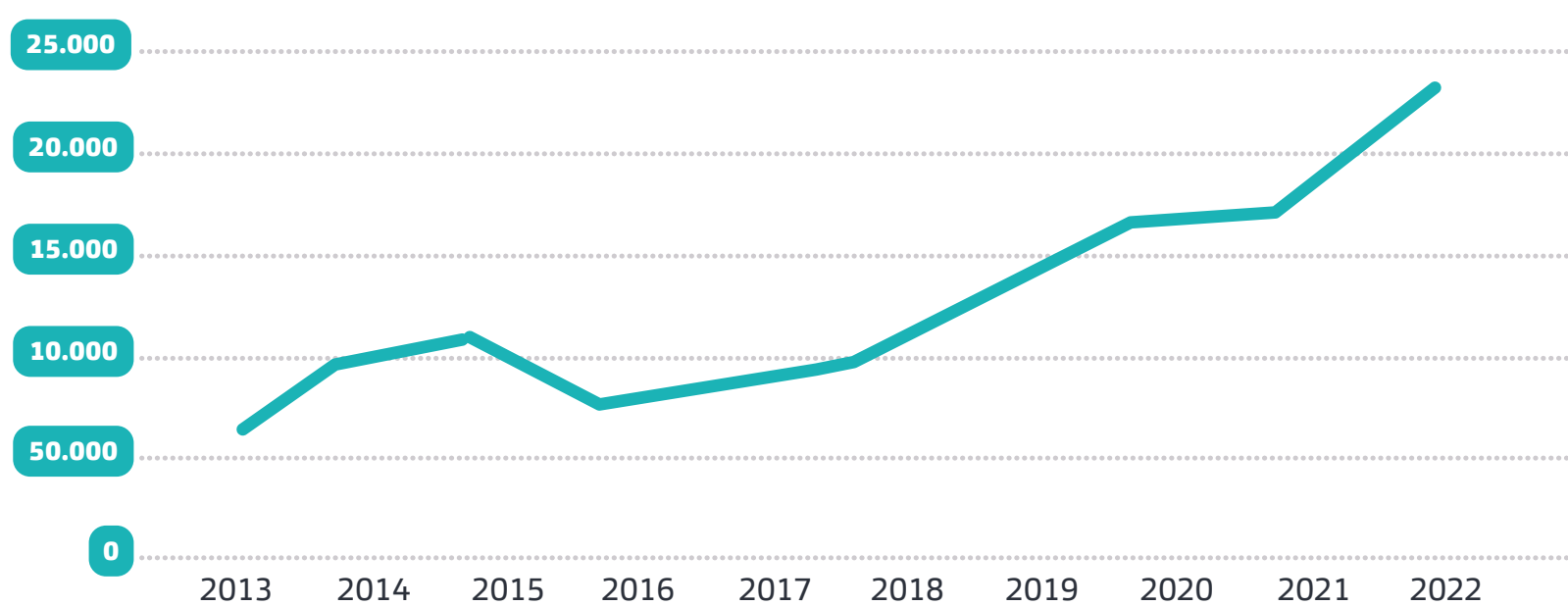


Source: Prepared by OBMigra, based on data from the Federal Police - SisMigra, 2022.

A significant change in the profile of immigrants who chose Brazil as their new home occurred between 2013 and 2022, according to the Annual Report 2023, a publication prepared by researchers from the Observatory of International Migration (OBMigra), in partnership with the Department of Migration (DEMIG) of the National Secretariat of Justice (SENAJUS). This is the official survey that provides information on relevant aspects of migrants and refugees in Brazil and helps public bodies to promote public policies and care for this public.

In the formal job market, the total number of immigrants rose from around 90,000 in 2013 to 200,000 in 2022, according to the report. The main nationalities seeking work in Brazil were Venezuelans, Haitians and Paraguayans. The agribusiness production chain is the sector that most formally employs immigrants, according to OBMigra. The poultry slaughter sector, for example, was the one that employed the most immigrants between 2013 and 2022. In this period, more than 90,000 jobs were created. The second sector with the most formal jobs is also in the primary sector and refers to the occupation of slaughtering pigs in slaughterhouses. In the period calculated by the report, there were around 60,000 formal jobs.

Graph 2. Number of immigrants in the formal market per year - Brazil, 2013-2022



Source: Prepared by OBMigra, based on data from the Ministry of Economy, harmonized RAIS - CTPS stock base 2013-2021 and RAIS-CTPS-CAGED harmonized base, 2022



The list goes on to show vacancies in the areas of food and restaurants and construction. In the tertiary sector, between 2013 and 2022, around 60,000 immigrants were employed. The construction sector accounted for more than 30,000 formal jobs.

In 2023, until August, the labor market had a net hiring balance (hires minus dismissals of immigrant workers) of 26,424 people, 13.5% higher than in the same period in 2022, when there were 23,287 net hires. In the second four months of 2023, there were a record 18,800 net hires, the highest number since the beginning of the historical series in 2011. The data comes from OBMigra, linked to the Ministry of Justice and Public Security.

The Chinese obtained the highest number of permits for skilled workers in the second four months of 2023, but with a drop of 10.6% compared to the previous four months. The Americans (USA) came next, with growth of 135% in the last four months, followed by the Japanese, who had a reduction of 39.3% in the period.

According to Internationals, an organization that has been interviewing expats around the world for a decade and has created a ranking of the best places to live, Brazil ranks 15th out of 53 countries analyzed. In the 2023 edition of Expat Insider, Mexico is the best-rated country, followed by Spain and Panama.

The study interviewed almost 12,000 participants of 177 nationalities living in 181 countries or territories. The report ranks 53 countries by analyzing factors such as quality of life, ease of adaptation, personal finances, among other topics.

Aware of the growth of migrants and also of those seeking refuge in the country, in August 2022 the Brazilian Institute of Geography and Statistics (IBGE) signed two technical cooperation agreements with United Nations (UN) agencies for the census of refugees and immigrants. The partnerships were signed with the International Organization for Migration (IOM) and the United Nations High Commissioner for Refugees (UNHCR) at the IBGE headquarters in Rio de Janeiro.

Preferred destinations: São Paulo and Rio

With regard to the destination of foreigners, in 2013, more than 50% indicated São Paulo and Rio de Janeiro as their states of residence. At the end of 2022, São Paulo remained the main destination for immigrants, but with a lower relative share. Rio de Janeiro lost second place to Roraima, and the Southern Region gained more relevance in its three states.

The cities of São Paulo, Rio de Janeiro, Porto Alegre, Florianópolis, Curitiba, Boa Vista and Pacaraima (RR) are among the top ten preferred cities for immigrants to live. They are joined by Manaus, Brasília and Belo Horizonte. It's worth noting that only in Rio de Janeiro did temporary registrations outnumber long-term ones.

Table 1. Number of immigrants by classification, according to Brazil's main cities, 2013-2022

| Major cities | Long Term | Temporaries |
|---------------------|-----------|-------------|
| SP - São Paulo | 158.478 | 38.799 |
| RR - Boa Vista | 130.747 | 308 |
| AM - Manaus | 60.370 | 3.253 |
| RJ - Rio de Janeiro | 29.821 | 38.816 |
| RR - Pacaraima | 25.351 | 2 |
| PR - Curitiba | 23.887 | 5.305 |
| DF - Brasília | 23.027 | 2.507 |
| SC - Florianópolis | 12.700 | 4.389 |
| RS - Porto Alegre | 12.587 | 5.342 |
| MG - Belo Horizonte | 7.458 | 6.570 |
| Others | 458.554 | 118.33 |

Source: Prepared by OBMigra, based on data from the Federal Police - SisMigra, 2022

Women increase their participation in the market

Table 2. Number of immigrants by sex, according to age groups - Brazil, 2013-2022 (1)

| Age Groups | Sex | |
|-------------------------------|------------------|----------------|
| | Male | Female |
| TOTAL | 1.024.606 | 437.648 |
| Less than 20 years old | 17.997 | 12.194 |
| From 20 to under 40 years old | 626.552 | 276.573 |
| From 40 to under 65 years old | 348.606 | 137.037 |
| 65 years and over | 31.389 | 11.815 |

Source: Prepared by OBMigra, based on data from the Ministry of Economy, harmonized base harmonized RAIS-CTPS stock 2013-2021 and harmonized RAIS-CTPS-CAGED stock, 2022



Breaking it down by gender, the relative share of women among temporary residents increased slightly from 23.7% to 26.9% between 2013 and 2022, while for those staying longer, it rose from 34.1% to 42.9%. As many of these women were accompanied by their children, the relative share of children and teenagers also increased, producing a slight rejuvenation among those applying for residence. As a result, the number of children under 15 almost doubled between 2013 and 2022, from 6.5% to 12.2%, while the working-age population fell by almost seven percentage points, with a slight increase in the elderly population, considered here to be those aged 60 or over.

Refugees

Between 2013 and 2022 there were 1.6 million applications for residence and recognition of refugee status, almost three times the number of immigrants living in Brazil, according to the results of the 2010 Demographic Census (IBGE, 2010). In 2022, Brazil received applications from immigrants from 139 countries. Most of the applications were made by Venezuelans (67%), followed by Cubans (10.9%) and Angolans (6.8%). Of the total, 54.6% are men and 45.4% are women. Venezuelan men accounted for 64.4% of all male applicants, while Venezuelan women accounted for 70.2% of all female applicants.

Tourists

Brazil received 5.91 million tourists from other countries in 2023 - an increase of 62.9% on the 3.63 million of the previous year. The data was compiled by Embratur (Brazilian Agency for International Tourism Promotion) based on information from the Federal Police.

Data from the Central Bank shows that foreigners left US\$ 6.9 billion in the country last year, an increase of 39.5% compared to 2022. The 2023 figure represents a nominal record in the historical series, which began in 1995.

The state of São Paulo was the gateway for the largest number of foreigners last year. It received 2.11 million - 40% more than the 1.51 million in 2022. Rio de Janeiro received 1.19 million tourists in 2023 and was the country's 2nd largest gateway. The annual increase was 82.7% compared to 2022.



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Auditing of Financial Statements
Accounting and Financial Consulting Services
Accounting Valuation Report for Mergers, Incorporations, Spin-offs and Others
Consulting on Convergence or Adoption of IFRS
Accounting Advice on Preparing IPO Processes
Previously Agreed Procedures IT Law Rota 2030

BPO

Accounting
Taxes
Treasury Payroll
Corporate Secretary

Business Consulting Services

Business Diagnosis
Strategic and Budget Planning
Change Management and Operational Efficiency
Innovation Management and Project Efficiency
Financial Analysis and Performance
IPO Preparation

Corporate Recovery and Turnaround

Current Situation Analysis
Innovation and Technology
Financial Restructuring and Risk Management
Business Model Review
Transparent Communication
Human Resources Management
Continuous Evaluation

Corporate Services

Corporate

- Drafting all types of corporate documents.
- Incorporation/liquidation/amendments to articles of association/shareholder and board meetings.
- Compliance with day-to-day corporate life.

Corporate restructuring

- Corporate and regulatory feasibility study (merger, asset/share agreements, JV, spin-off, carve-outs).
- Corporate implementation.

Our Services

Regulatory compliance

- Application and "sanitization" of all tax registrations (CNPJ, IE, IM) and operating licenses, including registrations and compliance with the Central Bank of Brazil (SCE-IED)

Wealth Planning

- Advance of inheritance to heirs.
- Wills/Properties.

Data privacy

- Feasibility.
- Implementation.
- Compliance program.

Mergers and acquisitions

- Due diligence (sell and buy-side) - "compliance check".
- Corporate implementation.

Registration of intellectual property with the INPI

- Royalties, patents, know-how agreements.
- Contract review.
- Restructuring/Deals/M&A/Daily transactions.

Digital Management of Registrations and Licenses

Digital Process Audit
Document Management Systems
Training and Capacity Building
Ongoing Advice

ESG and Sustainability

ESG Diagnosis
ESG Information Reporting
Planning and Materiality
Assurance in Sustainability Reports

Governance, Risks and Compliance

Corporate Risk Assessment
Diagnosis of compliance with LGPD
Legislation Risk Management and Internal Controls
Assurance and Previously Agreed Procedures
Development and Review Integrity Program (Anti-Corruption Law)
Internal Audit (Co-sourcing, outsourcing and Staff loan)

Our Services

Risk Management of Labor and Social Security Obligations

Labor and social security reviews
Survey of tax and social security debts and credits
Review of Outsourced Services Management
Review of Benefit and Payment Controls
Payroll review
Advice on tax assessments
eSocial Review
EFD-Reinf Construction Control and Regularization

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Strategic Tax Planning
Tax Compliance
Risk and Opportunity Analysis
Assistance in Mergers and Acquisitions

Transaction Advisory Services

Due Diligence
Transaction Structuring
Company Valuation

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