Doing Deals in Brazil

Helping you to pursue business success in Brazil

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Brazil is the world’s seventh largest economy. It keeps expanding its presence and influence in global markets. The country has a diversified economy powered by large and well developed agricultural, mining, manufacturing and service sectors with a broad industrial base.

The Brazilian economy is going through a difficult scenario. Low GDP growth results largely as a consequence of the impact from international market trends and economic imbalances driven by the fiscal and monetary expansionary stance of economic policy in the past few years. It nevertheless continues to indicate a high level of attractiveness with infrastructure demand and need for investment in sectors such as education and healthcare, among others.

Despite investors being more cautious about economic perspectives in the short run, optimism is strong around medium and long-term investment prospects due to the constant growth of the middle class and the vast domestic consumer market. Longer term investments also remain on the Government’s agenda even though there are immediate challenges to be faced as government goes about an intense effort geared to fiscal adjustments and institutional reforms.
The country has a democratic and stable economic and political environment as well as mature institutions. The business environment is going through a transformational period with some marked improvements in corporate governance.

Prospective investors still harbour some outdated perceptions of the country’s strengths and weaknesses. They continue to find it difficult to overcome complex regulatory and legal matters. In order to help improve the understanding of these perceived barriers and the ways to clear the path towards a successful investment, we are pleased to publish the 2015 edition of “Doing Deals in Brazil”.

This guide contains information on Brazil’s economic environment, financial and tax regulation and M&A activities, as well as information on Brazilian politics and culture. Our team of specialists has also identified some of the critical concerns and risks that a prospective investor may consider.

We believe that this guide will help investors and dealmakers to pursue successful and profitable business ventures in Brazil as it offers a summary of the legal and regulatory environment. Our experts at PwC Brazil would be delighted to provide more detailed information on any of the matters covered in this guide and to offer appropriate accounting and legal advice to help you get started.

Fernando Alves
CEO
PwC Brazil
Why invest in Brazil?

All four of the BRIC countries (Brazil, Russia, India and China) are globally perceived as offering huge opportunities and potential for growth. However, Brazil might be considered better positioned among the BRIC countries due to its richness in natural resources, its young workforce, largely unexploited domestic market and the fact that it has constructed, over the last two decades, a durable platform for growth made out of the twin pillars of economic and political stability. Brazil is a country with great potential.

Some of Brazil's attractions and challenges are shared with its fellow BRIC countries:

**BRIC: Opportunities**
- Economic growth potential
- Increasing market size across all sectors
- An expanding middle class
- Large and growing urban populations
- Increasing energy consumption

**BRICs: Challenges**
- Poor infrastructure
- Inefficient governance
- Ineffective law and challenges to societal order
- Widespread corruption
- High levels of inequality and poverty

**Brazil’s Key Advantages**

However, Brazil has a number of qualities that set it apart from other destinations for investment:

**Governance and finance:**
- Brazil is a settled democracy with well-established governmental and administrative institutions
Following the adjustment of its macroeconomic fundamentals and the improved stability of its political institutions, Brazil's economic climate is no longer volatile.

- There is increasing international trade and globalization and the government promotes policies favouring exports.
- There are new regulations in place favouring minority shareholders, and promoting corporate governance and better accounting practices.
- Brazil has strict, modern environmental legislation.
- Brazil has a sophisticated, resilient financial and banking system.
- Inflation has been under control for almost two decades.

The business environment:

- Brazil is currently the world's seventh largest economy and the largest economy in South America; it is expanding its presence in world markets.
- The country has large, well-developed agricultural, mining, manufacturing, and service sectors, with a broad industrial base: in short, it is a diversified economy.
- Brazil has been given an Investment-Grade rating by all the major risk agencies.
- Foreign investors are eligible for most available fiscal incentives, including tax deductibility of goodwill under certain conditions.
- There has been significant improvement in local capital and debt markets.
- Brazilian business is facing a transformational period with the introduction of better corporate governance and the full convergence of local accounting and auditing standards with International Financial Reporting Standards (IFRS).
- Whilst corruption remains widespread, problems of physical security have greatly improved in recent years.
- The recent introduction of the Brazilian anti-bribery law has raised awareness within the business community of very legitimate concerns related to governance, transparency in business, risk mapping, internal controls, and internal investigations, etc.
**Geography:**

- Brazil offers a business-friendly environment for US and European investors (there are no major cultural differences which affect the ability to do business there)
- Brazil is highly urbanized when compared to other emerging market countries
- The whole country speaks one language
- The country has a creative, flexible labour force
- Brazil is not frequently afflicted by severe natural disasters
- Brazil maintains peaceful relations with neighbour countries
- From Brazil, investors have tariff-free access to other members of the Mercosur free trade zone (Brazil, Argentina, Venezuela, Paraguay and Uruguay are permanent members and Chile, Bolivia, Colombia, Ecuador and Peru are associated countries)

**Resources:**

- Brazil has immense resources in energy, minerals and raw materials
- Brazil is close to becoming self-sufficient in oil and is a world leader in the development and production of low emission fuels and biofuels, especially ethanol

**The future:**

- Despite the two last year’s slow growth, Brazil is still a significant market for foreign companies to be present in, due to its more than 200 million population and its fast-growing consumer market with high growth potential, especially among the middle-classes
- Many local companies are undervalued and in need of restructuring, capital and technology
The main investment drivers

Long term strategies and investments (including related to overall infrastructure improvement) remain on the government’s agenda, even though this is now expected to be considered a priority from 2016. The 2015 top priorities on the government’s agenda include structural tax reforms and tight control on government expenses, to spur the country’s economic growth.

The long term investment initiative is expected to bring results in the medium to long term. Some regions, in particular the Northeast, now have the challenge of taking advantage of opportunities that are already available in the rest of the country. The country’s social inequalities are also being addressed. The government has made significant progress in recent years in attacking poverty (including through the “Bolsa Família” program).

Financial and strategic investors are seeing these opportunities and are finding Brazil to be a highly attractive investment destination. Cross-border mergers and acquisitions (M&A) and strong capital markets will also play an important role in driving future investment.

Brazil deserves close attention while it prepares itself for the future. The country has huge infrastructure demands and a need for further public and private investment in education and healthcare.

Brazil had the opportunity to host the FIFA World Cup of football in 2014 and will be hosting the upcoming Olympic Games in 2016. The legacy of the World Cup was not only the infrastructure and construction works but also the projected image of Brazil that delivered the event with excellence.
“Business as usual” is not the key to business success. That is why investors are looking for opportunities to expand their business interests among the emerging economies. If they rely on the low long-term growth of developed economies, businesses will only stagnate. Understanding the way businesses work beyond traditional home markets is key. Brazil provides a democratically stable economic/political environment structured around mature institutions operating in/with a single market/language comprising 203 million consumers, many of whom are new arrivals in the consumer markets. Investment grade emerging markets have long ceased to be viewed as fringe speculative investments. A well-managed investment in an economy like Brazil’s is part of a formula for success.

Investors are looking for opportunities in the emerging markets to benefit from the expected higher long-term growth from these economies.

### 2014

- **G7**: $34.5 trillion GDP
- **E7**: $37.8 trillion GDP

### 2050

- **G7**: $73.8 trillion GDP
- **E7**: $145.4 trillion GDP

(US, Japan, Germany, UK, France, Italy, Canada) (China, India, Brazil, Russia, Indonesia, Mexico, Turkey)

The main investment challenges

Despite significant progress, investors still face numerous challenges when they approach Brazil. There is a complex regulatory environment with regard to tax and labour, as well as high taxes and social charges on payroll, sales and income. Multiple taxes and fast-changing legislation can affect business plans and increase risks on contingent liabilities, potentially blocking the success of both asset and stock acquisitions. Brazil also has complex transfer pricing and foreign capital registration rules.

Brazilian companies do not always comply with internationally recognised corruption or anti-bribery laws, such as the Foreign Corrupt Practices Act and the UK Bribery Act 2010. However, the Brazilian regulatory system has shown significant improvements in this area with the implementation of Law No. 12,846/2013 which penalizes companies involved in corruption schemes. Companies also frequently have undisclosed off-balance sheet transactions and commitments, which can result in loose application of accounting rules.

On the whole, historical financial information of businesses in Brazil is generally of a low quality and does not always fully adhere to generally accepted accounting practices. A significant number of small and/or family-owned businesses may require post-deal investment in areas such as corporate governance, internal controls, integration of IT platforms, and HR related matters, among others.

Brazilian companies are not always organized optimally. There may be difficulties in reorganizing companies quickly, since there are high costs for the termination of a worker’s employment. There is also a considerable amount of bureaucracy and regulation in certain industries and with regard to certain kinds of businesses. In certain regions, and even in certain particular industries, nepotism can be a factor: “knowing who” is often more important than “knowing how”.

In some, less industrialized, areas of the country, there is also a need for further investment in distribution channels and infrastructure. Weaknesses in the education system can also impair the supply of a sufficiently skilled labour-force. This goes hand in hand with Brazil’s social inequality and uneven distribution of wealth.
More generally, Brazil still lags behind in investment in innovation and research and development, and Brazilian firms still suffer from poor brand recognition outside the country, although this is improving.

Presented below are examples of the usual difficulties faced by investors when doing deals in Brazil, both pre-investment and post-investment (in no particular order).

The main issues usually identified in due diligence processes involving Brazilian target companies

- Material tax, environmental and labour risks and contingencies. Significant related party transactions which have inadequate documentation
- A lack of controls environment or, inadequate controls and regular reporting (resulting in poor quality financial information)
- Inadequate accounting practices (mainly for small and privately owned companies), triggering significant accounting adjustments (e.g. to EBITDA, net income and net assets) and tax risks
- Inadequate cash management
- A certain level of informality in the operations (e.g. unrecorded transactions, two sets of books) which has reduced substantially in the last several years following the introduction of specific tax legislation requiring companies to deliver accounting and tax books through an electronic public system named SPED

The main factors behind unsuccessful business deals in Brazil

- Unexpected tax and labour problems
- Excessive legal formalities/bureaucracy
- Low quality of available information
- Market volatility
- Insufficient due diligence prior to investment
- Underestimation of time needed for deal execution
- Overestimated synergy/restructuring gains
- Low quality management
- Inefficient post-acquisition monitoring
The Economic Environment
2.1 An Overview of Brazil

Key Figures

Population estimated at 202.8 million

Language: Portuguese

26 states and one federal district (Brasilia)

Currency: Real
(rate of US$1 to R$3.21 as of March 31, 2015)

R$5.52 trillion
(US$2.18 trillion)

Political Organisation

Federative Republic of Brazil

Presidential and state elections were last held in October 2014 (for a four year term)

Current president Mrs. Dilma Rousseff (Workers Party) was re-elected for its second mandate in 2014
Economic Overview

**Facts and Figures**
- Brazil is the largest economy in Latin America and the seventh largest in the world.
- The GDP per capita was approximately R$27,229 (US$11,569 in 2014).
- Primary economic sectors are: agriculture, aerospace, automotive, oil & gas, energy, mining and technology products. Some main natural resources include bauxite, gold, iron ore, manganese, nickel, phosphates, platinum, tin, uranium, petroleum, hydropower and timber.
- Main agricultural products include coffee, soybeans, rice, corn, sugarcane, beef, pork, cocoa and citrus.
- Export items include minerals, soybean, automobiles, meats, chemicals, soybean oil and derivatives, sugar & ethanol, coffee and aircraft.
- Import items include petroleum, vehicle parts, mechanical equipment, electronic micro parts, iron & steel and chemicals.
- The main ports and harbours are Tubarão, Itaqui, Santos, Itaguaí, São Francisco do Sul, Paranaguá, Rio Grande, Vila do Conde, Suape, Rio de Janeiro and Pecém.

**Population**
- Brazil has the largest population in Latin America and the fifth largest in the world.
- Approximately 70% of the population are concentrated in the Southeast and Northeast.
- Life expectancy is approximately 75 years.
- Some 24% of the population is under 14 years of age and only 7% is over 65 years old.
- The country is highly urbanized: only 16% of the population lives in rural areas.

**Geography**
- São Paulo is one of the fastest-growing cities in the world. Twenty one other metropolitan areas have populations of more than 1 million.
- The population of the São Paulo, Minas Gerais and Rio de Janeiro states is approximately 44 million, 21 million and 16 million, respectively.
- The main economic regions are: São Paulo, Rio de Janeiro, Minas Gerais, Paraná and Rio Grande do Sul.
- The GDP per capita in the Southeast, South and Midwest regions is much higher than that in the North and Northeast.
Brazilian population per region

<table>
<thead>
<tr>
<th>Region</th>
<th>Population in millions</th>
<th>%</th>
<th>Land mass %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southeast</td>
<td>85.1</td>
<td>42</td>
<td>11</td>
</tr>
<tr>
<td>South</td>
<td>29</td>
<td>14.3</td>
<td>7</td>
</tr>
<tr>
<td>Midwest</td>
<td>15.2</td>
<td>7.5</td>
<td>22</td>
</tr>
<tr>
<td>North</td>
<td>17.2</td>
<td>8.5</td>
<td>42</td>
</tr>
<tr>
<td>Northeast</td>
<td>56.2</td>
<td>27.7</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>202.8</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: IBGE - Instituto Brasileiro de Geografia e Estatística (July, 2014)
2.2 A Summary of Recent Economic Activity

Some economies have already managed to overcome most of the negative effects of the 2008 crisis, such as the US and the UK, but others are still facing its wounds. European countries in general are still struggling with deflationary risks, high unemployment and low growth. The European Central Bank new quantitative easing program was needed to deal with these problems. Japan also suffers with a stagnation and deflation scenario, with its central bank providing liquidity to the markets with expansionary measures.

China, the most important emerging market, has been successful in avoiding a hard landing of its economy through targeted stimulus measures combined with gradual structural adjustments of its growth model. Yet, there are still plenty of imbalances posing risks to both short and long term Chinese scenarios.

In the majority of the emerging markets however, the current developments of the international economy have not been favorable. Those who are dependent on commodity exports are suffering the most, mainly due to the slowdown of Chinese raw material purchases. The positive trend for the supply of the major grains, metals and energy commodities have been contributing to the recent drop in the international prices of these products, keeping the exchange rates of these countries under serious pressure.

Moreover, the expected interest rate hikes by the US Federal Reserve in 2015 are leading to fears of substantial asset reallocation in the next months.
The strengthening of the US dollar in the global markets has been gaining attention and could anticipate a broader “flight to quality” trend. However, the US Federal Reserve has maintained a cautious tone and other major central banks, such as the European Central Bank and the Bank of Japan, maintain an easing bias that will likely prevent a more significant reallocation of financial assets.

In Brazil, the recent trends in the international markets have aggravated the domestic problems. The fiscal and monetary expansionary stance of the economic policy has led to economic imbalances shown by the high inflation and both current account and fiscal deficits. The failure of the demand-side oriented economic policies has caused consumer and business confidence to plunge, with a negative impact on the GDP growth.

It is worth mentioning that the FIFA World Cup of football had benefited some industries, but it also prevented the progress of the overall economy due to uncertainties related to the event, temporary manufacturing production shutdowns and the postponement of business decisions by companies. In the second half of the year, the country has faced the most uncertain presidential election in more than two decades, that along with a high degree of uncertainties regarding economic policies, led to volatility in the financial markets.

The long period of paralysis in decision making has aggravated the problem of low confidence in Brazil. Both government and private companies have delayed important decisions and prevented the country from dealing with structural challenges and needed adjustments.

As a consequence, a huge contraction in investments (around 8%) and a major slowdown in household consumption (to only 0.9%) took place. The overall GDP for 2014 recorded a small increase of 0.1%.
2.3 The Outlook

Some important changes in the GDP growth composition are expected for the coming years. Household consumption, once the relevant engine of the economy and which in 2014 still represents 62% of the gross domestic product, will be limited by the less favourable conditions in the labour markets, lower confidence and tighter credit standards of financial institutions. Fixed investments and net exports are likely to increase their shares in the GDP.

After eight years of surplus, in 2014 Brazil recorded a US$4 billion deficit in its international trade, due to a sharp increase of imports over the last years and lower exports in 2014. The recent substantial Brazilian Real (BRL) devaluation (34% in nominal terms when March 2015 is compared to December 2013) will favour exports and limit imports.

The importance of the external sector is likely to increase with the further expected depreciation of the local currency (BRL). The deterioration of Brazilian terms of trade and the high current account deficit sustain the expectation for a weaker local currency (BRL) in the coming years.

On the other hand, the recovery of investments depends on a boost in confidence. The economic team for Mrs. Roussef’s second term, headed by the Finance Minister, Mr. Joaquim Levy, has been paving a way for this by showing a determination to correct some of the most important economic imbalances. But the public accounts adjustments will demand tax increases and some harsh discretionary expenditure cuts.

These adjustments in the economic policies should weigh on economic activity and inflation in the short term, especially in 2015, but they are necessary to create a better environment for the economy and confidence in the following years. GDP growth is expected to be back on positive ground by 2016.
Consumer inflation has ended 2014 very close to the target ceiling, at 6.4%, despite the downturn in economic activity. Services inflation has been leading the upwards pressure on prices. Personal real incomes were still advancing at a strong pace last year, preventing any major slowdown in services inflation despite the monetary tightening cycle by the Brazilian Central Bank. The selic rate has been raised from 10.50% p.a. to 11.75% p.a. in 2014 (13.25% p.a. in April 2015).

The Brazilian Central Bank has big challenges in 2015, as the adjustments in regulated prices made by the new economic team are likely to take the consumer inflation above the target ceiling of 6.5%. Energy prices (gasoline, diesel and electricity) and public transport fares have already been raised and will be the main cause of the higher inflation in 2015. The Central Bank therefore, should act to prevent the shock of regulated prices from spreading to market prices, making sure that the inflation converges to 4.5% in the medium term. Interest rates are expected to remain high (currently at 13.25% p.a.) due to the current monetary tightening cycle.

Other major risks should be taken into account, such as the water and electricity restrictions, caused by the serious drought, and the effects from the corruption investigation conducted by the Brazilian Federal Police involving the country’s senior politicians. Companies involved in the investigation will reduce their investments because of limited financing by the financial market.

Moreover, the country still has to face structural problems in order to take advantage of the recovery in confidence expected after the macroeconomic adjustments. There is a need for a greater autonomy for the regulatory agencies and red tape reduction in many bureaucratic processes. Infrastructure investments would greatly benefit from measures to improve the business environment.

Also, other structural reforms, such as tax reform and labour market reform, seeking respectively to simplify the Brazilian tax system and to make the labour market rules more flexible, could have a significant positive impact on productivity and, consequently, on the potential growth.
### Summary of historical economic indicators

<table>
<thead>
<tr>
<th>Main Economic Indicators</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (US$ billion) (1)</td>
<td>664</td>
<td>882</td>
<td>1,089</td>
<td>1,367</td>
<td>1,651</td>
<td>1,626</td>
<td>2,143</td>
<td>2,475</td>
<td>2,247</td>
<td>2,243</td>
<td>2,176</td>
</tr>
<tr>
<td>Real GDP growth (% per year)</td>
<td>5.7</td>
<td>3.2</td>
<td>4.0</td>
<td>6.1</td>
<td>5.2</td>
<td>(0.3)</td>
<td>7.6</td>
<td>3.9</td>
<td>1.7</td>
<td>2.7</td>
<td>0.1</td>
</tr>
<tr>
<td>Unemployment rate (% of labor force)</td>
<td>11.5</td>
<td>9.9</td>
<td>10.0</td>
<td>9.3</td>
<td>7.9</td>
<td>8.1</td>
<td>5.3</td>
<td>4.7</td>
<td>4.6</td>
<td>4.3</td>
<td>4.3</td>
</tr>
<tr>
<td>General price index - IGP-DI (% per year)</td>
<td>12.1</td>
<td>1.2</td>
<td>3.8</td>
<td>7.9</td>
<td>9.1</td>
<td>(1.4)</td>
<td>11.3</td>
<td>5.0</td>
<td>8.1</td>
<td>5.5</td>
<td>3.8</td>
</tr>
<tr>
<td>Consumer price index - IPCA (% per year)</td>
<td>7.6</td>
<td>5.7</td>
<td>3.1</td>
<td>4.5</td>
<td>5.9</td>
<td>4.3</td>
<td>5.9</td>
<td>6.5</td>
<td>5.8</td>
<td>5.9</td>
<td>6.4</td>
</tr>
<tr>
<td>Exchange rate at year's end (R$/US$)</td>
<td>2.7</td>
<td>2.3</td>
<td>2.1</td>
<td>1.8</td>
<td>2.4</td>
<td>1.8</td>
<td>1.7</td>
<td>1.8</td>
<td>2.1</td>
<td>2.3</td>
<td>2.6</td>
</tr>
<tr>
<td>Exchange rate change (% per year)</td>
<td>(7.1)</td>
<td>(16.4)</td>
<td>(5.9)</td>
<td>(18.2)</td>
<td>29.2</td>
<td>(25.2)</td>
<td>(5.8)</td>
<td>7.3</td>
<td>13.2</td>
<td>16.6</td>
<td>10.5</td>
</tr>
<tr>
<td>Public sector deficit (% of GDP)</td>
<td>2.3</td>
<td>6.6</td>
<td>3.6</td>
<td>2.7</td>
<td>2.0</td>
<td>3.3</td>
<td>2.5</td>
<td>2.6</td>
<td>2.5</td>
<td>3.3</td>
<td>6.7</td>
</tr>
<tr>
<td>Public sector debt (% of GDP)</td>
<td>50.6</td>
<td>48.4</td>
<td>47.3</td>
<td>45.5</td>
<td>38.5</td>
<td>42.1</td>
<td>39.1</td>
<td>36.4</td>
<td>35.3</td>
<td>33.6</td>
<td>36.8</td>
</tr>
<tr>
<td>Goods exported</td>
<td>96.5</td>
<td>118.3</td>
<td>137.8</td>
<td>160.6</td>
<td>197.9</td>
<td>153.0</td>
<td>201.9</td>
<td>256.0</td>
<td>242.6</td>
<td>242.0</td>
<td>225.1</td>
</tr>
<tr>
<td>Goods imported</td>
<td>62.8</td>
<td>73.6</td>
<td>91.4</td>
<td>120.6</td>
<td>173.0</td>
<td>127.7</td>
<td>181.9</td>
<td>226.2</td>
<td>223.2</td>
<td>239.7</td>
<td>229.1</td>
</tr>
<tr>
<td>Trade balance</td>
<td>33.7</td>
<td>44.7</td>
<td>46.5</td>
<td>40.0</td>
<td>25.0</td>
<td>25.3</td>
<td>20.3</td>
<td>29.8</td>
<td>19.4</td>
<td>2.3</td>
<td>(4.0)</td>
</tr>
<tr>
<td>Current-account balance</td>
<td>11.7</td>
<td>14.0</td>
<td>13.6</td>
<td>1.5</td>
<td>(28.2)</td>
<td>(24.3)</td>
<td>(47.3)</td>
<td>(52.5)</td>
<td>(54.3)</td>
<td>(81.2)</td>
<td>(91.3)</td>
</tr>
<tr>
<td>International reserves</td>
<td>52.9</td>
<td>53.8</td>
<td>85.8</td>
<td>180.3</td>
<td>193.8</td>
<td>238.5</td>
<td>288.6</td>
<td>352.0</td>
<td>373.1</td>
<td>358.8</td>
<td>363.5</td>
</tr>
<tr>
<td>Foreign direct investment</td>
<td>18.1</td>
<td>15.1</td>
<td>22.8</td>
<td>34.3</td>
<td>44.5</td>
<td>31.7</td>
<td>52.6</td>
<td>69.5</td>
<td>60.5</td>
<td>49.3</td>
<td>56.1</td>
</tr>
<tr>
<td>Total foreign debt (2)</td>
<td>220.2</td>
<td>188.0</td>
<td>199.4</td>
<td>240.5</td>
<td>262.9</td>
<td>277.6</td>
<td>351.9</td>
<td>404.1</td>
<td>440.6</td>
<td>482.8</td>
<td>556.2</td>
</tr>
</tbody>
</table>

(1) Accumulated value in the year
(2) Including intercompany loans
Source: Banco Central do Brasil
Brazil’s interest rates have historically ranked amongst the highest in the world

**Interest rates**

Source: Diário Oficial da União
Brazil’s GDP is the highest in Latin America. GDP growth is expected to be back on positive ground by 2016 after changes in economic policies are implemented in 2015.

**GDP evolution - in US$ billion**

![GDP evolution chart]

Source: IBGE - Instituto de Geografia e Estatística
Consumer inflation has ended 2014 very close to the target ceiling, at 6.4%, despite the downturn in economic activity. Adjustments in regulated prices made by the new economic team are likely to take the consumer inflation above the target ceiling of 6.5% in 2015.

**Brazilian Inflation Index (IPCA) evolution**

*12 months to March 2015
Source: ipeadata (Presidência da República - Secretaria de Assuntos Estratégicos)
The recent substantial devaluation of the Brazilian currency follows the strengthening of the US dollar in the global markets and the deterioration of Brazilian terms of trade and the high current account deficit.

**Exchange Rate Evolution**

Source: Gazeta Mercantil
There has been a significant reduction in the perception of Brazil’s country risk over the last decade

**Country Risk (Brazil)**

Source: Bloomberg
Total exports have decreased since 2012 by about 8% to $225 billion in 2014, as a result of reductions in international-based commodities prices as well as a strong local currency.

In 2009 China has become the most significant destination for Brazilian exports, overtaking the United States

<table>
<thead>
<tr>
<th>Main export destinations - by country</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>CAGR %</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>10,749</td>
<td>16,403</td>
<td>20,191</td>
<td>30,786</td>
<td>44,315</td>
<td>41,228</td>
<td>46,026</td>
<td>40,616</td>
<td>20,91%</td>
</tr>
<tr>
<td>United States</td>
<td>25,314</td>
<td>27,648</td>
<td>15,740</td>
<td>19,462</td>
<td>25,805</td>
<td>26,849</td>
<td>24,862</td>
<td>27,028</td>
<td>0,94%</td>
</tr>
<tr>
<td>Argentina</td>
<td>14,417</td>
<td>17,606</td>
<td>12,785</td>
<td>18,523</td>
<td>22,709</td>
<td>17,998</td>
<td>19,615</td>
<td>14,282</td>
<td>-0,13%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>8,841</td>
<td>10,483</td>
<td>8,150</td>
<td>10,228</td>
<td>13,640</td>
<td>15,041</td>
<td>17,326</td>
<td>13,036</td>
<td>5,70%</td>
</tr>
<tr>
<td>Japan</td>
<td>4,321</td>
<td>6,115</td>
<td>4,270</td>
<td>7,141</td>
<td>9,473</td>
<td>7,956</td>
<td>7,964</td>
<td>6,719</td>
<td>6,51%</td>
</tr>
<tr>
<td>Germany</td>
<td>7,211</td>
<td>8,851</td>
<td>6,175</td>
<td>8,138</td>
<td>9,039</td>
<td>7,277</td>
<td>6,552</td>
<td>6,633</td>
<td>-1,19%</td>
</tr>
<tr>
<td>Others</td>
<td>89,796</td>
<td>110,836</td>
<td>85,684</td>
<td>107,637</td>
<td>131,059</td>
<td>126,231</td>
<td>119,834</td>
<td>116,787</td>
<td>3,83%</td>
</tr>
<tr>
<td>Total</td>
<td>160,649</td>
<td>197,942</td>
<td>152,995</td>
<td>201,915</td>
<td>256,040</td>
<td>242,580</td>
<td>242,179</td>
<td>225,101</td>
<td>4,94%</td>
</tr>
</tbody>
</table>

Source: Secretaria do Comércio Exterior (Brazilian Trade Balance Consolidated Data Report)
United States and China have historically been the main providers of Brazil’s imports. Total imports in 2014 reached US$229 billion, approximately 3% higher than 2012

<table>
<thead>
<tr>
<th>Main import sources - by country</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>CAGR %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country imports (US$ Millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>12,618</td>
<td>20,040</td>
<td>15,911</td>
<td>25,593</td>
<td>32,788</td>
<td>34,248</td>
<td>37,302</td>
<td>37,341</td>
<td>16.77%</td>
</tr>
<tr>
<td>United States</td>
<td>18,887</td>
<td>25,810</td>
<td>20,183</td>
<td>27,249</td>
<td>33,962</td>
<td>32,603</td>
<td>36,280</td>
<td>34,999</td>
<td>9.21%</td>
</tr>
<tr>
<td>Argentina</td>
<td>10,410</td>
<td>13,258</td>
<td>11,281</td>
<td>14,426</td>
<td>16,906</td>
<td>16,444</td>
<td>16,463</td>
<td>14,143</td>
<td>4.48%</td>
</tr>
<tr>
<td>Germany</td>
<td>8,675</td>
<td>12,025</td>
<td>9,866</td>
<td>12,552</td>
<td>15,213</td>
<td>14,209</td>
<td>15,182</td>
<td>13,837</td>
<td>6.90%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>5,273</td>
<td>6,706</td>
<td>4,760</td>
<td>5,920</td>
<td>8,386</td>
<td>8,012</td>
<td>9,648</td>
<td>9,495</td>
<td>8.77%</td>
</tr>
<tr>
<td>South Korea</td>
<td>3,391</td>
<td>5,412</td>
<td>4,818</td>
<td>8,422</td>
<td>10,097</td>
<td>9,098</td>
<td>9,491</td>
<td>8,526</td>
<td>14.08%</td>
</tr>
<tr>
<td>India</td>
<td>-</td>
<td>-</td>
<td>2,191</td>
<td>4,242</td>
<td>6,081</td>
<td>5,043</td>
<td>6,357</td>
<td>6,635</td>
<td>0.00%</td>
</tr>
<tr>
<td>Italy</td>
<td>3,347</td>
<td>4,612</td>
<td>3,664</td>
<td>4,838</td>
<td>6,222</td>
<td>6,199</td>
<td>6,717</td>
<td>6,310</td>
<td>9.48%</td>
</tr>
<tr>
<td>Japan</td>
<td>4,610</td>
<td>6,807</td>
<td>5,368</td>
<td>6,982</td>
<td>7,872</td>
<td>7,735</td>
<td>7,082</td>
<td>5,902</td>
<td>3.59%</td>
</tr>
<tr>
<td>France</td>
<td>3,525</td>
<td>4,678</td>
<td>3,615</td>
<td>4,800</td>
<td>5,462</td>
<td>5,910</td>
<td>6,498</td>
<td>5,698</td>
<td>7.10%</td>
</tr>
<tr>
<td>Others</td>
<td>49,885</td>
<td>73,849</td>
<td>45,990</td>
<td>66,625</td>
<td>91,640</td>
<td>83,648</td>
<td>88,601</td>
<td>86,174</td>
<td>8.12%</td>
</tr>
<tr>
<td>Total</td>
<td>120,621</td>
<td>173,197</td>
<td>127,647</td>
<td>181,649</td>
<td>226,243</td>
<td>223,149</td>
<td>239,621</td>
<td>229,060</td>
<td>9.59%</td>
</tr>
</tbody>
</table>

Source: Secretaria do Comércio Exterior (Brazilian Trade Balance Consolidated Data Report)
Despite exporting a diversified range of products, commodity-based items have historically played an important role in Brazil's foreign sales.

**Brazilian Exports - Top Product categories**

<table>
<thead>
<tr>
<th>Main exports - by product</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports (in US$ million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soybeans &amp; produce</td>
<td>17,251</td>
<td>17,115</td>
<td>24,154</td>
<td>26,122</td>
<td>30,965</td>
<td>31,408</td>
</tr>
<tr>
<td>Mineral (Ores)</td>
<td>14,453</td>
<td>30,839</td>
<td>44,217</td>
<td>33,244</td>
<td>35,083</td>
<td>28,402</td>
</tr>
<tr>
<td>Oil and fuel</td>
<td>14,497</td>
<td>22,890</td>
<td>31,008</td>
<td>30,986</td>
<td>22,398</td>
<td>25,175</td>
</tr>
<tr>
<td>Transport material</td>
<td>16,160</td>
<td>21,748</td>
<td>25,120</td>
<td>24,594</td>
<td>31,584</td>
<td>20,374</td>
</tr>
<tr>
<td>Meats</td>
<td>11,471</td>
<td>13,292</td>
<td>15,357</td>
<td>15,266</td>
<td>16,272</td>
<td>16,891</td>
</tr>
<tr>
<td>Chemicals</td>
<td>-</td>
<td>13,477</td>
<td>16,234</td>
<td>15,189</td>
<td>14,635</td>
<td>15,051</td>
</tr>
<tr>
<td>Metallurgical products</td>
<td>11,104</td>
<td>12,948</td>
<td>17,387</td>
<td>15,556</td>
<td>13,262</td>
<td>14,423</td>
</tr>
<tr>
<td>Sugar &amp; Ethanol</td>
<td>9,716</td>
<td>13,776</td>
<td>16,432</td>
<td>15,031</td>
<td>13,711</td>
<td>10,357</td>
</tr>
<tr>
<td>Machines &amp; equipment</td>
<td>6,256</td>
<td>8,187</td>
<td>10,457</td>
<td>10,573</td>
<td>8,979</td>
<td>8,671</td>
</tr>
<tr>
<td>Paper &amp; Pulp</td>
<td>5,001</td>
<td>6,769</td>
<td>7,189</td>
<td>6,656</td>
<td>7,155</td>
<td>7,218</td>
</tr>
<tr>
<td>Coffee</td>
<td>4,251</td>
<td>5,739</td>
<td>8,700</td>
<td>6,439</td>
<td>5,248</td>
<td>6,616</td>
</tr>
<tr>
<td>Footwear &amp; Leather</td>
<td>2,764</td>
<td>3,513</td>
<td>3,659</td>
<td>3,467</td>
<td>3,870</td>
<td>4,287</td>
</tr>
<tr>
<td>Electrical equipment</td>
<td>4,694</td>
<td>4,815</td>
<td>4,811</td>
<td>4,599</td>
<td>4,432</td>
<td>3,965</td>
</tr>
<tr>
<td>Others</td>
<td>35,377</td>
<td>26,807</td>
<td>31,315</td>
<td>34,858</td>
<td>34,585</td>
<td>32,263</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>152,995</td>
<td>201,915</td>
<td>256,040</td>
<td>242,580</td>
<td>242,19</td>
<td>225,101</td>
</tr>
</tbody>
</table>

Source: Secretaria do Comércio Exterior (Brazilian Trade Balance Consolidated Data Report)
## Brazilian Imports - Top Products categories

<table>
<thead>
<tr>
<th>Imports (in US$ million)</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel and oil</td>
<td>18,865</td>
<td>29,958</td>
<td>41,968</td>
<td>40,187</td>
<td>45,694</td>
<td>45,040</td>
</tr>
<tr>
<td>Mechanical equipment</td>
<td>21,022</td>
<td>28,537</td>
<td>33,703</td>
<td>34,674</td>
<td>35,758</td>
<td>31,874</td>
</tr>
<tr>
<td>Electrical and electronical equipment</td>
<td>15,581</td>
<td>22,246</td>
<td>26,395</td>
<td>25,489</td>
<td>28,274</td>
<td>27,013</td>
</tr>
<tr>
<td>Motor vehicles and parts</td>
<td>11,456</td>
<td>17,276</td>
<td>22,621</td>
<td>21,309</td>
<td>22,419</td>
<td>19,470</td>
</tr>
<tr>
<td>Organic and inorganic chemicals</td>
<td>8,631</td>
<td>10,235</td>
<td>11,765</td>
<td>12,441</td>
<td>13,111</td>
<td>12,834</td>
</tr>
<tr>
<td>Plastics and related products</td>
<td>4,790</td>
<td>6,521</td>
<td>8,104</td>
<td>7,968</td>
<td>8,885</td>
<td>8,849</td>
</tr>
<tr>
<td>Fertilizers</td>
<td>3,903</td>
<td>4,943</td>
<td>9,138</td>
<td>8,584</td>
<td>8,849</td>
<td>8,443</td>
</tr>
<tr>
<td>Iron, steel and related products</td>
<td>4,592</td>
<td>7,882</td>
<td>7,583</td>
<td>7,573</td>
<td>7,805</td>
<td>7,468</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>4,478</td>
<td>6,093</td>
<td>6,499</td>
<td>6,841</td>
<td>7,420</td>
<td>7,427</td>
</tr>
<tr>
<td>Optical and precision equipment</td>
<td>4,874</td>
<td>6,093</td>
<td>6,302</td>
<td>6,467</td>
<td>7,137</td>
<td>6,761</td>
</tr>
<tr>
<td>Rubber and related products</td>
<td>2,294</td>
<td>3,990</td>
<td>5,103</td>
<td>4,540</td>
<td>4,971</td>
<td>4,091</td>
</tr>
<tr>
<td>Cereals and milling products</td>
<td>2,538</td>
<td>2,785</td>
<td>3,245</td>
<td>3,224</td>
<td>4,751</td>
<td>3,183</td>
</tr>
<tr>
<td>Airplanes and parts</td>
<td>2,213</td>
<td>2,293</td>
<td>2,516</td>
<td>2,893</td>
<td>3,831</td>
<td>2,571</td>
</tr>
<tr>
<td>Synthetic and Artificial filaments and fibres</td>
<td>1,512</td>
<td>1,949</td>
<td>2,342</td>
<td>2,409</td>
<td>2,870</td>
<td>2,503</td>
</tr>
<tr>
<td>Copper and related products</td>
<td>1,314</td>
<td>2,464</td>
<td>2,775</td>
<td>2,683</td>
<td>2,454</td>
<td>1,986</td>
</tr>
<tr>
<td>Others</td>
<td>19,584</td>
<td>28,384</td>
<td>36,184</td>
<td>35,867</td>
<td>35,392</td>
<td>39,547</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>127,647</td>
<td>181,649</td>
<td>226,243</td>
<td>223,149</td>
<td>239,621</td>
<td>229,060</td>
</tr>
</tbody>
</table>

Source: Secretaria do Comércio Exterior (Brazilian Trade Balance Consolidated Data Report)
In 2014 Brazil recorded a trade balance deficit due to the growth in imports over the last decade.

**Brazilian trade balance evolution - 2004 to 2014**

Source: Banco Central do Brazil - Secretaria do Comércio Exterior
Europe and the US have been the main foreign direct investors in the last five years, with the services and manufacturing sectors being the main drivers, followed by agriculture. Leading countries investing in Brazil have historically been the Netherlands, the US, Spain, Germany, France and Japan. Foreign direct investors have increased significantly in recent years, peaking in 2011 at US$67 billion.

**Foreign direct investment (in USD Billion)**

Source: Banco Central do Brasil
M&A and Private Equity Activity
3.1 2014 M&A Activity

After a new level of M&A activity was established in 2010, changing levels previously seen to a new baseline, the year of 2014 maintained this robust pattern, with an all-time record of 879 transactions (an average of 73 deals announced on a monthly basis and 8 percent higher than 2013). The period of 2010 to 2014 had on average, 803 announced deals per year.

Despite the feeling that Brazil would not be able to rebound from the global downturn started in 2008, the M&A levels seen over the past 5 years show that the Brazilian M&A market continues to indicate a high level of attractiveness. Considering that even before it started, 2014 was a year marked by the FIFA World Cup of football and Presidential elections, it is logical that 2014 was a remarkable year for deal making.

While strategic investors have reached historical record levels of deals, financial investors (private equity) have become more cautious (decrease of 23 percent in comparison to 2013).

Considering that only approximately 30 percent of announced deals have their values disclosed, it is known that middle market remains the focus of M&A activity – transactions involving up to US$100 million lead M&A activity in 2013 with a 63 percent share of the announced deals.

Disregarding the minor economic growth in Brazil, the 2014 FIFA World Cup of football, Presidential elections and multiple political and economic uncertainties, the supporting factor of high M&A levels seen in 2013 was observed again through 2014 with a return to deal multiples more in-line with global markets (which for a few years had been the subject of lengthy discussions and misalignment). This does not mean that certain industries will not demand premium EBITDA multiples, but the market now understands
that the price of doing business in Brazil through M&A is no longer at those mountain-high levels once seen. The combination of these factors present an opportunity for investors willing to enter the Brazilian economy or consolidate sectors, picking up assets at a discounted price.

With a minor change in the typical transaction characteristics, majority stake negotiations represent 49 percent of all announced deals in 2014 (in comparison to the previous year’s 55 percent), while non-controlling positions account for 38 percent (versus 32 percent in 2013). Both levels indicate a long-term investment strategy.

The multi-sector and multi-region deal characteristic initially observed in 2012, continued through 2013 and 2014. In 2014, the leading sectors by deal volume were: IT, services (healthcare, education and general services), financial services, consumer products (including food/agribusiness & beverages, healthcare and cleaning products) and mining. Next in relevance are public services, food, oil & gas and chemicals. It is worth noting that IT holds 16 percent of total deal volume, followed by general services and financial services, both with 9 percent.

### Number of transactions

![Graph showing number of transactions from 2004 to 2014](Image)

*Source: PwC Corporate Finance*
Additional information on the profile of the Brazilian M&A market

**Buyers**
- Local and multinational firms
- Private equity and buy-out funds
- Government and private pension funds
- Distressed debt conversions

**Targets**
- Private companies
- Family owned
- Carve-out of acquired non-core businesses
- Non-core or distressed businesses of multinational companies
- Public concessions

Foreign and domestic capital participation in M&A activities

Brazilian investors participated in 427 business deals in 2014, 87% of these being acquisitions (controlling and minority stake deals). The increasing number of deals has been seen since 2011.

Foreign investors took part in 337 transactions (a record number for foreigners), or 44% of all business deals. With a notable increase in transaction volume, foreign investors maintained their focus on the M&A market in Brazil. Signs of the financial crisis appear less pronounced over time: there has been a 130% increase in the volume of deals involving foreign buyers, as compared to 2008.

Transactions with deal volume over US$ 100 million

Source: PwC Corporate Finance
IPO activity

Only 2 Brazilian companies came to market in 2014 (including follow-ons), as compared to 12 in 2012. Brazil’s record year for IPOs was 2007, when 76 companies raised R$55.6 billion ($33.3 billion).

IPOs and follow-ons by year

Source: BMF/Bovespa
3.2 Private Equity

Private equity in Brazil continues to be optimistic about Brazilian long-term investments

Unlike what was seen in the past four years, even though private equities maintained a high level of activity (36 percent of the deals announced in 2014), this share suffered a decrease of 23 percent as compared to 2013. This demonstrates that, once aggressive and confident about Brazilian economic perspectives, financial investors were more cautious and unsure; yet for the upcoming year, despite global economic uncertainties, financial investors seem somewhat optimistic about Brazilian long-term investments due to the constant growth of the middle class and the vast consumer market. However, it is worth considering if the market conditions that fuelled 2014’s activity will continue to push middle market M&A in 2015.

Capitalized with some US$ 12bn available for investments, a significant part of the private equity activity in Brazil has involved consolidation opportunities in “capital for growth” deals.

Brazil has a multi-sector profile in M&A

Strengthened by the dimensions of its resources and the extensive possibilities in the country, M&A activity is spread across several sectors in Brazil.

The largest investments this year have been in the IT, food and beverage, retail and consumer segments, with consolidation in all these sectors continuing to be a key driver.

The consolidation of companies will continue to be a key driver for transactions. The prime sectors to see investments in 2015 will continue to be IT, general services, finance, retail, food and consumer goods, and healthcare.

Who is already investing?

Approximately 180 private equity and venture capital firms have invested in Brazil, through over 236 investment vehicles. Some of the private equity investment highlights of recent years were:
• Tarpon Investimentos purchased for an undisclosed value, 7.23% of the common shares of Cremer SA (2012)
• Carlyle bought for US$ 200 million, a 24% stake in Orguel, a manufacturer of heavy equipment (2012)
• Actis Capital made an investment of R$ 135 million in CNA, a language teaching network (2012)
• GP Investments purchased two thousand transmission towers (2012)
• Black Rock acquired shares in the engineering company - MRV (2012)
• Pinnacle Ventures, Redpoint eVentures and Qihoo 360 Technology invested US$ 30 million in the antivirus platform PSafe (2013)
• Patria Investimentos acquired, for an undisclosed amount, a majority stake in MDT (2013)
• Great Hill Partners and Banco Itaú BBA invested an additional R$ 325m in Ascenty (2014)
• Actis invested US$ 100 million in IT’sSEG (2014)

What to expect in the Brazilian M&A market in the near future?

So far, it seems that 2014’s dynamic mergers & acquisition market is charging at full pace right into 2015. Besides high levels of M&A activity, foreign multinationals will continue to invest in Brazil (in 2014 they accounted for 44% of deals announced). Over the past two years, international large retailers, fashion lines and family-friendly dining chains opened locations in Brazil and this trend has not ended yet.
This section presents an overview of Brazil’s culture, from the point of view of investment.

Language
Brazil’s official language is Portuguese. There are no significant local dialects or other derivations from the official language, but a number of words and phrases vary from those used in Portugal. English is the foreign language most commonly used by the business community.

Religion
The predominant religion is Roman Catholicism. Many other religions are also practiced, since immigrants of different creeds have settled in Brazil. The constitution guarantees freedom of religion.

Education
The government offers free state and subsidised private educational facilities, from primary school through university, with full- or part-time curricula. The government also subsidises national apprenticeship training programs as preparation for various industrial and commercial sectors, as well as an educational program to reduce illiteracy among adults. About 92 percent of the adult population is considered to be literate. The general level of education requires considerable improvement. Approximately 10.7 percent of the working population have attended higher education.

Improvements in the education levels have been observed in the last decade.
Living standards
The standard of living of a large proportion of the population is very low, while that of the top stratum is extremely high. Whilst improving, this income gap between the rich and poor has been a constant preoccupation of successive governments. Basic social indicators underscore the differences in regional development.

Cultural and social life in Brazil
With its mixed background of Portuguese, Italian, German, Japanese, East European, Middle Eastern and African immigrants, Brazil offers a wide diversity of cultural and social activities, depending on the region of the country. Most major cities support cultural institutions.

Leisure and recreation activities are mainly outdoors, taking advantage of the favourable climate. Many social clubs in Brazil offer extensive sports and social facilities.

The GDP per capita was approximately R$27,229 (US$11,569) in 2014.
The attitude of the local business community towards foreign investment

In general, the attitude of local businesses towards foreign investment is welcoming. Certain sectors have exerted strong lobbying pressure in order to protect their activities, including the imposition of trade barriers and the establishment of restrictions on foreign investment. In the past, such political pressure was quite successful but since the early nineties, the government has gradually improved this situation as it seeks to generate more efficiency and competitiveness in the business environment.

Workforce attitude towards foreign investment

If foreign investment and management can be seen to bring jobs and to be competing on an equal basis with Brazilian businesses, the attitude of the workforce tends to be welcoming.

Cultural perception of due diligence

The need for a potential investor to perform detailed analysis and due diligence is accepted by sellers of local businesses in Brazil. However, the purposes of due diligence are not always clear in the minds of local business people or of the staff of target companies. It is sometimes thought to be some form of audit work or to be limited to an analysis of the company’s financial, tax and legal positions. The existence of generally less homogeneous accounting and reporting systems, and less sophisticated financial and accounting departments in medium and small sized Brazilian companies, renders the preparation of due diligence information and the execution of due diligence exercises generally more difficult and time-consuming than in more developed countries.
Accounting and Audit Requirements
Investor considerations

- Public/listed “S.A.” corporations are required to publish their annual financial statements.
- The annual financial statements of all listed companies and all “large companies” (entities with total assets of over R$ 240 million or annual revenue over R$ 300 million) must be audited by an independent auditor registered with the Brazilian Securities Commission (CVM).
- Financial institutions and other entities under the jurisdiction of the Central Bank, as well as insurance companies, are required to publish annual and semi-annual audited financial statements.
- The quarterly financial information of listed corporations must be filed with the appropriate regulator (the CVM or Central Bank) and, in certain cases, reviewed by an independent auditor.
Statutory requirements

Digital books and records

In January 2007, Federal Decree 6022 instituted the Public Digital Bookkeeping System – SPED, a tool that unifies the activities of receipt, validation, storage and authentication of documents and books which integrate the taxpayer’s commercial and tax records, through a single, computerized flow of information and the use of digital certification.

SPED is an integrated initiative of the federal government across three different areas: Tax Records (Escrituração Fiscal Digital - EFD), Digital Accounting Records (Escrituração Contábil Digital - ECD) and Electronic Invoices (Nota Fiscal Eletrônica - NF-e).

The Accounting SPED – ECD tool is intended to replace the hard copy accounting books with soft copies. The general journal (livro diário), general ledger (livro razão), auxiliary books and the trial balances and balance sheets are generated as part of a set of digital documents. The SPED tool includes the presentation of information for the federal, state and, municipal tax authorities, as well as for the National Commerce Registration Department (Departamento Nacional de Registro de Comércio), the Central Bank (BACEN), the Private Insurance Superintendence (SUSEP) and the CVM. These accounting books must still be delivered in accordance with the current deadlines.

The Fiscal SPED - EFD tool encompasses the preparation and the delivery of comprehensive tax information to both Federal and State tax authorities, aiming to provide detailed information regarding tax computations and invoices issued/received by corporate taxpayers.

The whole SPED initiative is becoming increasingly sophisticated, with the inclusion of additional information such as information on revenue taxes (PIS and COFINS), electronic service invoices, electronic freight invoices and the electronic taxable income control register (E-LALUR), among other significant tax information.
Audited financial statements
The annual financial statements of the following entities must be audited by independent auditors registered with the CVM, the Central Bank and other government agencies, as applicable:

- Listed corporations
- “Large companies” (as defined in investor considerations above)
- Financial institutions and other entities under the jurisdiction of the Central Bank
- Investment funds
- Stock exchanges
- Insurance companies
- Private pension funds

Financial institutions and insurance companies must also have their semi-annual financial statements audited. The quarterly financial reports (ITR) of listed entities supervised by the CVM must be reviewed by independent auditors.

When a private corporation is not required to have, and does not have, independent auditors, the company’s audit committee (conselho fiscal) may appoint them at the corporation’s expense if it is believed that this is necessary for the fulfilment of its responsibilities.

Even when not required by regulation or bylaws, banks and other financiers frequently require audited financial statements from borrowers.

The tax authorities do not directly require audited financial statements, although companies must provide the name of their independent auditor in the annual tax form, particularly in the case where the financial statements are required to be audited as above.

Internal auditors cannot be used as statutory auditors.
Auditing standards
In 2010, Brazilian auditing standards were converged with the International Standards on Auditing (ISAs) issued by the International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB).

The information we provide here is not a comprehensive source for assessing and understanding audit requirements and practices in Brazil. We strongly advise you seek help from your accounting consultants when assessing these matters.

Accounting principles and practices

Investor considerations

• Law 11,638 enacted in 2007, modified the Brazilian Corporate Law of 1976 and legislation regarding the Brazilian securities market and the CVM. Although the accounting professionals, standard setters and regulators were already committed to seeking convergence with IFRS, these modifications to Brazilian Corporate Law were necessary to provide the flexibility and agility to move forward in that direction.
• Several new Brazilian accounting pronouncements were issued in 2010 and full convergence with IFRS was achieved for consolidated financial statements. Individual financial statements are prepared in accordance with accounting practices adopted in Brazil. Nowadays, these practices differ from IFRS as applicable for separate financial statements only in relation to the measurement of investments in subsidiaries, associates and jointly-controlled entities, which are based on equity accounting while IFRS requires measurement based on cost or fair value. However, due to a recent amendment in IFRS, the equity method was reinstated as an acceptable method and, therefore, this difference will disappear. Early adoption of new or revised standards and interpretations is usually not allowed in Brazil.

• Financial institutions must prepare their financial statements in accordance with Brazilian Central Bank regulations. When these financial institutions are listed companies or are obliged to have an audit committee, they must also prepare consolidated financial statements in full compliance with IFRS as issued by the IASB.

• Small and medium sized entities in Brazil may apply the accounting practices adopted in Brazil for small and medium sized entities, which are in compliance with the IFRS for SMEs. Alternatively they may apply the “full” accounting practices adopted in Brazil, which have now converged with IFRS.

• As various industries are undergoing individual transitions, we strongly advise prospective investors to seek help from their accounting consultants during due diligence investigations.
Preliminary comments regarding the tax environment in Brazil

The tax system is highly regulated, complex and therefore requires attention when structuring a transaction in order to mitigate succession liabilities.

There are also a number of other factors which affect the tax risks companies in Brazil are subject to, including the nature of the legislation, the frequency of tax audits performed by Federal, State and Municipal authorities (a company can be audited by the relevant authorities more than once during the statute of limitations), the incidence of relatively high penalties and interest charges in the event of non-compliance and an enforcement process which is difficult to predict.

The statute of limitations for most taxes and social charges in Brazil is five years (depending on the starting date for counting the statute of limitations period it can reach six years under certain conditions). During the statute of limitations period, a company can be inspected by the federal, state and municipal tax authorities regardless of the fact that there might already have been an audit or examination of a given tax or fiscal period. Even though a certain tax or period may have been already submitted to inspections, a taxpayer can still be inspected and assessed by the tax authorities, to the extent that the statute of limitations period is still in place.
With respect to succession liabilities in Brazil, the responsibility to pay current and previous tax and labour liabilities, both known and unknown, generally follows the legal entity, based on the concept that the owner of the operating assets or the acquirer of the business unit retains the capacity to generate income and, hence, pay the tax and labour liabilities. As a result, regardless of whether or not the transaction is structured as a stock acquisition, the buyer steps into the shoes of the previous owner with respect to all tax and labour liabilities and contingencies.

Unlike the situation of a stock acquisition, in the case of an asset deal, if the company from where the assets are sold/transferred continues to operate (or ceases its operations but restarts them up to six months after the deal), the responsibility for the past tax liabilities remains with the seller. The buyer may be considered as responsible for paying the contingences which originated prior to the deal only if the seller party has no financial resources to liquidate its tax liabilities (and this conclusion is reached after an execution process).

If the seller ceases its operations after the deal, the buyer will be primarily liable for all past tax contingencies of the seller company.

Also, in the case of an asset deal, if the set of assets which are sold or transferred comprises one or more of the seller’s business units, there would be a risk of the buyer being challenged/assessed by the Tax Authorities in regards to the tax contingencies generated prior to the asset acquisition, specifically in regards to the ICMS (State VAT) and, potentially, to the IPI (Federal Excise Tax). In addition, if most of the seller’s operational assets are transferred or sold to the buyer (i.e. if a share deal is presented as an asset deal in order to avoid the succession risks), there is still a risk of the tax authorities challenging the buyer for the past contingencies and considering the buyer as subsidiarily liable for all past tax contingencies of the seller company.

**New Tax Rules**

To ensure that this accounting change was tax neutral, transitional tax rules (the so called “RTT”) were introduced by Law 11,941, from May 2009.

In September 2013, the Brazilian Revenue Service (RFB) issued Normative Instruction (NI) 1,397, which required taxpayers to maintain two sets of books, one for accounting purposes and another prepared in accordance with the old accounting principles (referred to herein as the ‘Tax Balance Sheet’). NI 1,397 also explained how certain differences between the two sets of books should be treated for tax purposes.

On November 12, 2013, the Executive Branch of the Brazilian government published PM 627, which revoked the RTT and amended other important aspects of the tax law. During the extensive legislative approval process, several amendments were made to PM 627 before its conversion into Law No. 12,973/2014.

On May 14, 2014 Law 12,973/2014 was issued, converting into law the PM 627. The key provisions of the enacted law are the revocation of RTT, new rules regarding the treatment of dividends, interest on net equity (INE), tax amortization of any goodwill generated from a company’s acquisitions and controlled foreign corporations rules (CFC rules). The new law also contemplates other important changes to the Brazilian tax laws regarding Corporate Income Taxes (“IRPJ” and “CSLL”) and the contributions levied on gross revenues (“PIS” and “COFINS”). These changes and the new tax rules essentially aimed to align the Brazilian tax rules with the Brazilian accounting standards (almost 100% aligned with IFRS since Law 11,638).

Amongst others, the main issues specifically addressed by the tax rules changed or introduced by Law 12,973 include the tax treatment for:

- business combinations and the fair value adjustments derived from them
- present value adjustments
- amortization of intangibles
- interest expenses and financial instruments
- depreciation rules (subject to different periods and rules since Law 11,638)
- stock options and share based payments
- impairment effects
- operational and financial leasing contracts and concessions
In general, the changes introduced by Law 12,973 provide that the legal and contractual nature of transactions must prevail for tax purposes, irrespective of their formal treatment and classification. The law specifically provides and regulates conditions for tax neutrality and tax deferral in connection with the Brazilian accounting standards and the exceptions that may apply. In this context, the new law imposes additional obligations on taxpayers in respect of their tax and accounting reporting and compliance obligations, such as requiring taxpayers to maintain sub-accounts in their balance sheets and books where adjustments derived from any differences between tax and accounting rules must be recognized and controlled.

The new tax rules are effective as of January 1, 2015, but taxpayers may have elected to apply these effective January 1, 2014. This election could be made in October 2014, through the DCTF (a specific tax form).

**Penalties**

Tax debts may be subject to penalties ranging from 20% to 225%. For federal taxes, if the taxpayer voluntarily pays the tax debt before any tax inspection is initiated, the penalties will be 20% of the tax debt and under certain circumstances and provided that specific requirements are met, these may even be 0% in the case of self-assessment. The penalties are increased to 75% in cases where the payer is assessed by the relevant tax authorities and to 225% in cases of fraud. Both penalties (75% and 150%) can be reduced to 37.5% and 75% respectively, if the taxpayer decides not to challenge the assessment made by the tax authorities and pays the tax debts assessed. There is a 225% penalty in the case of fraud where the tax payer does not submit the required information to the tax authorities.

**Tax treatment for foreign investors**

As a general rule, local and foreign investors are treated equally as regards investment and tax benefits.
There are no special Federal tax incentives to attract foreign investors, with a few exceptions such as with regard to the taxation of capital gains and investments through the Brazilian stock market and through private equity investment funds (“FIP”).

Types of investment mechanisms in Brazil

Besides private deals, a foreign investor has two other major alternatives for investing in a Brazilian company, which are often used. These are: (i) acquiring shares directly on the Brazilian stock exchange market and (ii) investing in an FIP (Equity Investment Fund). The capital gains on the disposal of investments made in Brazilian companies in this way are not subject to local taxation.

Capital gains derived from the sales of shares of listed companies on the Brazilian Stock Exchange (Bovespa) are not subject to taxation when the foreign investor is not located in a jurisdiction considered by the Brazilian tax authorities to be a low tax jurisdiction (a “tax haven”) and when the investment was made in accordance with the rules of the Brazilian National Monetary Council.

This exemption is valid only for foreign qualified investors registered with the Brazilian Central Bank under the rules of Resolution 2,689, issued by the National Monetary Council (as from March 2015, this Resolution will be replaced by Resolution 4,373).

Private equity investment funds (“FIP”)

A FIP (Fundo de Investimento em Participações) is a fund that provides foreign investors with an efficient vehicle for investing in the Brazilian Private Equity Market.

A FIP is not a legal entity, rather it is a closed-end investment fund incorporated by investors as a co-ownership vehicle aimed at investing in securities. The FIP can only invest in shares, debentures, warrants or other securities that are convertible into shares issued by a Brazilian Corporation (S/A). FIPs are subject to the Brazilian SEC (“CVM”) rules and qualified investors must have a net worth greater than R$300,000 (approximately US$100,000).

The FIP is not subject to corporate income taxes on interest, capital gains and income (the taxation is deferred to the moment the FIP income is paid to its shareholders).
The FIP is transparent for Brazilian Tax purposes. The Brazilian companies below the FIP however will continue to be subject to normal corporate tax in Brazil at the rate of 34%.

There are no IOF (a tax on financial operations) charges on the FIP investment or on the exit by foreign shareholders.

To the extent that the foreign investor holds less than 40% of the FIP (economic and governance rights), any income (dividends, capital gains, interest, etc.) arising from the FIP should be exempt from Brazilian taxes.

There are a number of conditions that an FIP needs to fulfil in order to be exempt from Brazilian taxes. In summary they include:

- 90% or more of the portfolio must consist of shares, convertible debentures or warrants issued by Brazilian companies
- FIP quota holders (individually or together with related parties) must not hold 40% or more of the total quotas issued by the FIP
- A direct foreign quota holder of the FIP cannot be domiciled in a tax haven

As mentioned above, if investments of the FIP are sold there is no immediate tax charge. Tax is only potentially triggered when the quotas are amortized (at the rate of 15% on quota holders not qualifying for the FIP benefits). If the capital gains are reinvested effectively in the FIP the 15% taxation is deferred. The by-laws of the FIP would however, have to allow for reinvestment.

On May 13, 2014, Law 12,973 brought several changes to the Brazilian tax legislation. Amongst several other elements, Law 12,973 approved a 0% (zero per cent) Brazilian capital gains tax (CGT) on the direct sale or amortization of FIP quotas by foreign investors that hold no more than a 40% interest in a FIP, amongst the other requirements stated above. Before Law 12,973, such 0% taxation was limited to transactions involving the withdrawal of the FIP income; with any gains involving the direct sale of FIP quotas being subject to the Brazilian CGT at a 15% rate.
**Stock acquisition**

The most common means used by foreign companies to invest in Brazil is through the acquisition of a Brazilian target entity through the purchase of its shares. This has several tax and labour implications for the buyer.

From a legal standpoint, the business unit will retain its identity in all respects including its taxpayer identification number. As a result, the buyer will step into the shoes of the former owner, and become liable for any known and unknown tax and labour contingent liabilities. In addition to this, the buyer will also be liable for any fines and penalties imposed by the tax authorities, regardless of whether such fines or penalties relate to target activities prior to or after the transaction. When acquiring the stock of a Brazilian target company, caution must therefore be exercised so that the major tax and labour contingent liabilities can be identified, measured and analysed, so that the buyer can factor the cost of the liabilities into the overall investment decision. The parties can also manage this situation by inserting a tax indemnity, and representations and warranties clauses in the Stock Purchase Agreement, with proper counter-guarantees being given by the seller.

Due to tax and labour succession risks, the statute of limitations and the tax and labour exposures, transactions in Brazil, particularly stock acquisitions, usually demand that buyers also seek stronger protections (strong guarantees and retention of part of the purchase price through escrow accounts).

**Investing directly from abroad versus investing through a Brazilian vehicle**

The main advantage of investing in Brazil through a Brazilian vehicle is that this may allow a potential tax deduction in Brazil of the goodwill or premium paid upon the acquisition. This is not possible if the acquisition is made directly from a company abroad. Note that, in theory, the existence of an intermediary holding company is neutral from a pure tax perspective, as dividends distributions are not subject to taxation.

However, such an arrangement may naturally incur additional administrative costs for the group as well as determine an additional taxation of any interest on net equity paid by the operating company to the holding entity for the PIS and COFINS taxes (two social contributions on revenues levied at a combined rate of 9.25%).
Note that Complementary Law 104/01 (still pending regulation) allows administrative authorities to “disregard” legal acts or transactions effected with the objective of dissimulating the occurrence of a taxable event or the nature of the elements that constitute the tax obligation.

**Tax goodwill amortisation**
As from January 2008, the definition of “goodwill” changed for local accounting purposes as a result of the Brazilian new accounting rules (Law 11,638/2007, referred to above). According to these new rules, the cost of an investment acquired has to be allocated to the fair value of the assets and liabilities of the acquired company and, if part of such acquisition price cannot be allocated, only this remaining amount would be recorded as (accounting) “goodwill”, an intangible asset not subject to any amortization. This is consistent with current Brazilian accounting standards based on IFRS.

**Old rules**
Under the Brazilian old rules regarding the tax goodwill amortization, when the cost of a share acquisition was higher than the net equity value of the acquired company, taxpayers typically booked the difference as goodwill, provided the nature and economic reason for the goodwill were properly documented. Following a merger between the purchaser and the acquired company, the full amount of any goodwill allocated to future profitability was then amortized over a period of not less than five years.

**New rules**
Under the new tax rules, which are consistent with current Brazilian accounting standards based on IFRS, the acquisition cost of investments must be separated into:

- (i) the net equity of the acquired company
- (ii) the fair market value of the net assets
- the goodwill derived from future profitability, which is the remaining balance after deducting items (i) and (ii)

As under the old rules, the goodwill amount, following a merger between the acquiring and acquired entities, can continue to be amortized for tax purposes over a period of not less than five years.
The main requirements for this treatment are that:

- an independent report be prepared and filed with the RFB/Register of Deeds and Documents to support the fair value of the net acquired assets
- the transaction be carried out among unrelated parties

One relevant requirement that has to be observed where using this kind of tax structure is that of providing evidence that the acquisition structure has been chosen for consistent economic reasons (business purposes). Evidence that the structure was established for the sole purpose of reducing the tax burden may jeopardize the tax goodwill deduction.

**Goodwill transition rules**

Taxpayers wishing to apply the prior rules for goodwill amortization to acquisitions made on or before December 31, 2014, will have until December 31, 2017 to complete the merger. The acquisitions made on or after January 1st, 2015, will follow the new rules for the tax goodwill amortization.

**CFC rules**

The taxation of undistributed profits derived by foreign controlled or affiliated companies of Brazilian resident entities (CFC rules) has been introduced to Brazilian tax legislation in 2001. The Brazilian CFC rules differ from CFC legislation in other jurisdictions.

The old Brazilian CFC rules imposed the taxation of the Brazilian Corporate Income Taxes on undistributed profits earned by foreign controlled or affiliated companies that were available to the Brazilian parent company (irrespective of whether the profits were actually distributed or not) on December 31 of each calendar year. The new rules keep the same general treatment of imposing taxes over undistributed profits from controlled and affiliated foreign companies however, make an important distinction between them when profits are considered to be made available.

**Controlled companies**

For controlled subsidiaries, the profits should be considered to be made available based on the controlled subsidiary’s local corporate legislation and should be made available to the
Brazilian entity on 31 December of the year the profits are earned. Other provisions are set forth by the new tax legislation determining when the profits should also be considered as available, such as in the case of liquidation and merger of the company. The new law applies to both directly and indirectly controlled entities (i.e. the “top-down look-through approach”).

**Affiliated companies**

The new law imposes a tax charge only on actually distributed profits of affiliated companies. Profits earned by a Brazilian entity through a foreign affiliate therefore will be taxable in Brazil only on December 31 of the year in which they were actually distributed to the Brazilian entity, provided that the affiliate satisfies certain conditions set forth in the new law. In respect of foreign affiliates, profits should be considered available to the Brazilian company when actually credited or paid.

**Consolidation of foreign profits and losses**

Taxpayers are allowed to consolidate profits and losses until 2022. Taxpayers that do not choose to consolidate their foreign profits and losses may offset losses only against future profits of the same foreign entity.

Also, taxpayers may choose to postpone income tax payments due on the foreign profits to when the profits are actually distributed to the Brazilian parent or affiliated entity. In the first year, however, even when there is no distribution of profits, 12.5% of the profits will be deemed to be distributed to the Brazilian parent. If no further profits are distributed, the remaining profits need to be deemed to be distributed in the eighth year.

Taxpayers choosing to postpone income tax payments should consider the impact of interest rates and foreign exchange fluctuations on their tax liabilities.

Under the old CFC rules, taxpayers normally mitigated double taxation through the use of foreign tax credits granted in Brazil for income tax paid on the foreign entities’ profits. The new law expressly extends such foreign tax credits to withholding income tax paid abroad on profits distributed to the Brazilian parent, with no time limitation.

**Other aspects**

The new CFC rules will not apply to activities related to oil and gas exploration in Brazil undertaken by directly or indirectly controlled foreign entities and affiliates.
Finally, taxpayers may elect for the early adoption of the new law only in relation to the CFC rules, in which case the taxpayers would apply the remainder of the measures from January 1, 2015.

**Thin cap rules**

Interest paid or credited by a Brazilian entity to a related party abroad (an individual or a legal entity), which was not constituted in a tax haven or subject to a privileged tax regime, may be deducted for income tax purposes if the interest expense is viewed as necessary for the activities of the local entity and the following requirements are met:

- the debt amount granted by the foreign related party (which has a direct participation in the Brazilian entity) does not exceed twice the amount of its participation in the net equity of the Brazilian entity
- the debt amount granted by a foreign related party (which does not have a direct participation in the Brazilian entity) does not exceed twice the amount of the total net equity amount of the Brazilian entity
- the overall debt amount granted by foreign related parties as per (I) and (II) does not exceed twice the sum of the participation of all related parties in the net equity of the Brazilian entity

In the case where the foreign related parties do not have a direct participation in the Brazilian borrower entity, the overall debt amount granted by all of these related parties must not exceed twice the amount of the Brazilian entity’s total net equity amount. If one of the mentioned 2:1 ratios is exceeded, the portion of interest related to the excess debt amount is not deductible for Brazilian income tax purposes.

Similar provisions are also applicable to interest paid or credited by a Brazilian entity to an individual or legal entity (whether or not this entity is a related party) resident or domiciled in a tax haven or in a jurisdiction which has a privileged tax regime. In this case, the interest expense is deductible for Brazilian income tax purposes if it is viewed as necessary to the company’s activities and the total amount of the Brazilian entity’s debt with any foreign party resident or domiciled in a tax haven or in a jurisdiction with a privileged tax regime does not exceed 30% of the Brazilian entity’s net equity.
The two above-mentioned limits (2:1 and 0.3:1 debt to equity ratios) also apply to cases where a guarantor, representative or any other intervening party is a foreign related party or resident of a tax haven / privileged tax regime jurisdiction (respectively). The Brazilian Legislation also provides that amounts paid, credited, delivered, used or remitted under any title, directly or indirectly, to related or unrelated individuals or legal entities which are resident or domiciled in a tax haven or in a jurisdiction under a privileged tax regime, are deductible for Brazilian income tax purposes if all of the following conditions are met: (i) the effective beneficiary of the payment is identified; (ii) there is evidence that the beneficiary has operational capacity (i.e. substance); and (iii) there is adequate documentation to support the relevant payments and the corresponding supply of goods, rights or utilization of services.

**Transfer pricing on intercompany loans**

Interest expenses payable to related parties outside Brazil are subject to transfer pricing deduction limits, apart from the thin capitalization rules above as of January 2013. If the recipient is located in a tax haven or privileged tax regime jurisdiction, thin capitalization and transfer pricing rules apply even if the lender is not a related party.

For transfer pricing purposes, interest paid or credited to a related party located abroad will be deductible up to an amount that does not exceed the rate determined based on the following rules, plus a 3.5% spread:

- in the case of a loan denominated in US dollars and subject to a fixed interest rate: the rate corresponding to the Brazilian sovereign bonds issued in US dollars in foreign markets
• In the case of a loan denominated in Brazilian Reais and subject to a fixed interest rate: the rate corresponding to the Brazilian sovereign bonds issued in Reais in foreign markets
• In all other cases, LIBOR for the period of six months

Brazilian Double Taxation Treaties Network
Brazil has a limited network of double taxation treaties which it has entered into with other countries (around 30 treaties). These include Austria, Belgium, Canada, China, South Korea, Denmark, Spain, France, the Netherlands, Italy, Japan, Luxembourg, Norway, Portugal and Sweden, among others. Brazil does not have tax treaties with the USA and the UK, but the Reciprocity Agreements with these countries allow, in theory, the utilization of tax credits derived from the payment of income tax in the other country.

In terms of potential reductions on the withholding income taxation, the benefits allowed by the treaties are limited. The advantages relate instead to the tax credit allowed in one and the other country.

The adoption of a determined country to be used as the location of a holding company for a Brazilian investment varies from case to case, depending on the specific details of each case. However, in general terms, the Netherlands, Spain, Luxembourg and Austria are considered to be advantageous jurisdictions mostly because of the tax treaties between them and Brazil and the specific clauses related to tax credits availability.

Background information on the main taxes and contributions in Brazil
The main Federal, State and Municipal taxes are as follows:
<table>
<thead>
<tr>
<th>Tax</th>
<th>Rate</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Income taxes – Corporate</td>
<td>25% and 9%</td>
<td>IRPJ and CSL are determined based on the calendar year, with monthly tax payments, and are generally computed on the basis of annual or quarterly taxable income.</td>
</tr>
<tr>
<td>Income tax (IRPJ) and Social Contribution</td>
<td></td>
<td>IPRJ is charged at a rate of 15% plus a surcharge of 10% on annual taxable income in excess of R$240 thousand.</td>
</tr>
<tr>
<td>on Net Income (CSL)</td>
<td></td>
<td>The Presumed Profit Methodology can be used alternatively to the Taxable Income, for companies with annual revenue of less than R$78million/year.</td>
</tr>
<tr>
<td>Taxes on revenues - Contribution for the</td>
<td>1.65% and 7.6% (higher rates</td>
<td>Levied on gross income. Possibility of PIS and COFINS credits on the acquisition of certain inputs and services (non-cumulative methodology similar to a VAT).</td>
</tr>
<tr>
<td>Social Integration Program (PIS) and</td>
<td>are imposed in certain</td>
<td>Also apply on the imports of goods and services to non-residents.</td>
</tr>
<tr>
<td>Contribution for Social Security</td>
<td>sectors)</td>
<td></td>
</tr>
<tr>
<td>Financing (COFINS)</td>
<td></td>
<td>Export revenues are tax exempt.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Certain companies pay PIS and COFINS under the cumulative system, which imposes a lower combined rate of 3.65% but does not enable the taxpayer to record any tax credits on acquisitions.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>As from July 1, 2015, according to Federal Decree nº 8,426, PIS and COFINS levied on financial revenues - earned by companies subject to the non-cumulative method – are subject to a 0.65% (PIS) and 4% (COFINS) tax rate accordingly. These taxes, which used to be charged at a 0% rate, apply over any sort of financial revenues, including those derived from hedging transactions.</td>
</tr>
<tr>
<td>Tax</td>
<td>Rate</td>
<td>Description</td>
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<tr>
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</tr>
<tr>
<td>Federal Excise Tax (IPI)</td>
<td>Various rates</td>
<td>Paid by manufacturers on behalf of their customers at the time of sale. Sale of manufactured products between producers - IPI is imposed, but there is an IPI tax credit equal to the IPI paid to its suppliers (non-cumulative tax). IPI is also imposed on the import of goods. Export revenues are tax exempt.</td>
</tr>
<tr>
<td>Import tax (II)</td>
<td>Various rates</td>
<td>Levied on the CIF price and is a cost to the company (not recoverable).</td>
</tr>
<tr>
<td>Service Tax (ISS)</td>
<td>2% to 5%</td>
<td>Municipal tax on gross revenues for certain services (listed by the Federal Government). ISS is payable to the municipality where the Company is headquartered. Some exceptions apply and the tax will be due to the municipality where the services are performed. ISS applies on the import of services but is not levied on exports of services, except when the services are rendered in Brazil or the results of these services are applied in Brazil.</td>
</tr>
<tr>
<td>Tax</td>
<td>Rate</td>
<td>Description</td>
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<td>------------------------------------------</td>
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</tr>
<tr>
<td>Value-added tax on sales and services (ICMS)</td>
<td>17% to 19% internal rate</td>
<td>State tax on the circulation of goods and on the rendering of interstate and inter-municipal transportation services, communications and on energy (even where the services start in another country). The ICMS internal rate corresponds to 17%, except for the States of São Paulo, Minas Gerais and Paraná, for which the tax rate is 18% and Rio de Janeiro, for which the rate is 19%. Some products exceptionally trigger a higher rate (in the case of the cosmetics industry) or a lower rate (in the case of the automotive industry). The tax is only assessed on the increase in the price of the product in each part of the circulation process. ICMS is also imposed on imports. Export revenues are tax exempt from ICMS.</td>
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<tr>
<td>Internal transactions</td>
<td>17 to 18</td>
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</tr>
<tr>
<td>Interstate transactions</td>
<td>4 to 12</td>
<td></td>
</tr>
<tr>
<td>Most imports</td>
<td>17 to 18</td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td>Rate</td>
<td>Description</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Financial Transactions Tax (IOF)</td>
<td>Various rates</td>
<td>Foreign exchange transactions considering royalties, technical services, interest, dividends or any other payment, including the reimbursement of costs, are subject to IOF. The regular IOF rate for foreign exchange transactions (both inbound and outbound) currently applied corresponds to 0.38%. IOF is also levied at various rates, on loans and credit operations, securities transactions, foreign exchange transactions and insurance policies.</td>
</tr>
<tr>
<td>Economic Domain Intervention Contribution (CIDE)</td>
<td>10%</td>
<td>Levied on royalty, license or service agreements payments to foreign entities.</td>
</tr>
<tr>
<td>Withholding Income Tax (IRRF)</td>
<td>15% or 25%</td>
<td>WHT is levied on various payments such as interest, royalties and services. General rate is 15%, but is 25% if recipient is located in a tax haven.</td>
</tr>
</tbody>
</table>
Tax Consolidation

The Brazilian tax laws do not contemplate the possibility of consolidated returns and/or group relief. Therefore, entities that are part of the same group are not allowed to consolidate the income and deductions of the members in order to submit for taxation purposes, the net income of the group. Each company of the group must separately file its annual income tax returns with the local authorities.

Tax losses carry forward (IRPJ and CSL)

There is no time limit for the carry forward of tax losses. However, the taxable profit of each year can only be reduced by tax losses up to a maximum of 30%. Tax losses of an acquired company cannot be carried forward to be offset against the taxable income of a new activity if the following two conditions are simultaneously met:

- modification in the ownership of the company
- modification in the activity of the company

Furthermore, it is neither possible to carry back tax losses nor transfer tax losses to other Brazilian companies, except in the very specific scenario below.

According to Law 13,043 from November 13, 2014, there is the possibility of using tax credits derived from tax losses for the purpose of the early settlement of tax debts that were previously included in special payment instalment processes resulting from tax amnesty programmes. In this situation, those NOL credits could also be transferred between controlling and controlled companies or among entities that are directly controlled by the same company. Note that there are some requirements that must be met, such as both companies being domiciled in Brazil; maintaining this condition up to the date of the early settlement of the debts, among other requirements.

Interest on capital

Entities are allowed to remunerate their shareholders by way of interest on capital payments, subject to certain limitations (i.e. limited to the Long Term Interest Rate – TJLP, and limited to 50% of current or accumulated profits).

This payment is deductible for corporate income tax purposes and in relation to social contributions on net income. These payments are subject to a 15% withholding tax (or 25% when paid to tax haven jurisdictions).

During January to March 2015, the applicable TJLP rate was 5.5%.
Payments made to beneficiaries in a tax haven
Any payments directly or indirectly made to beneficiaries resident or incorporated in tax havens are not tax deductible, except when the following requirements are cumulatively observed: (i) the beneficiaries are identified as beneficiaries; (ii) the non-resident has the operational capacity to perform the transaction; and (iii) payments, receipt of goods, rights and use of services are evidenced with proper documentation.

Capital gains
Capital gains derived from the sale of Brazilian assets (including shares) by non-resident shareholders are subject to the withholding income tax at a rate of 15% (unless otherwise specified by an international tax treaty), even if both vendor and buyer parties are domiciled abroad.

In the case of the sale of shares, the capital gain will correspond to the difference between the purchase price of the shares and the amount of foreign capital, in foreign currency, registered with the Brazilian Central Bank.

As a general rule, the local buyer is responsible for withholding and paying the withholding income tax levied on the capital gain earned by a foreign vendor. When both parties, buyer and vendor, are not located in Brazil, the local attorney-in-fact representing the foreign buyer in Brazil is responsible for withholding and paying the withholding income tax.

Capital gains earned by foreign parties located in low tax jurisdictions (tax havens) are subject to withholding income tax at a 25% rate.

Repatriation of capital in excess of the cost of the non-residents’ investments in Brazil is subject to capital gains tax at a rate of 15% (or 25% for tax haven jurisdictions).

Capital gains derived from the sale or transfer of shares by a Brazilian resident company is subject to Brazilian Income taxes (IRPJ and CSLL) at a combined rate of 34%.
Provided that certain requirements are fully met, there are capital gain exemptions in cases where the transactions are carried out by foreign investors, such as: i) in the Brazilian stock exchange; and ii) in private deals when these are structured through a local FIP (equity investment fund).

Individuals domiciled in Brazil are taxed at the rate of 15% on their capital gains.

**Financial Transactions Tax (IOF)**

As a general rule, foreign exchange transactions made in order to allow payments to non-residents, including royalties, technical services, and other payments, including the reimbursement of costs, are subject to IOF.

The regular IOF rate for foreign exchange transactions (both inbound and outbound) currently applied is 0.38%.

Equity contributions to Brazilian companies (except those made through the Brazilian stock market) are subject to IOF at 0.38%. The 0.38% IOF is also imposed on the return of equity from Brazil.

Investments made through the Brazilian stock market or via a FIP are currently taxed at a 0% IOF rate, only applicable on the inflow of foreign capital into Brazil. The return of the investment in this case, is not subject to IOF.

The IOF may not be avoided if the payment requires a foreign exchange transaction from Brazilian Real to a foreign currency, or from a foreign currency into Real.

IOF is also levied at various rates, on loans and credit operations, securities transactions, foreign exchange transactions and insurance policies.

IOF at a 6% rate is charged on foreign loans with an average maturity of less than 180 days. All other long-term foreign loans (more than a 180 days average maturity loan) are subject to IOF at a 0% rate. The average maturity is determined based on the balance of the loan relative to the number of days of the outstanding balance of the related loan.
Other taxes on payments to non-residents

A Brazilian company with royalty, license or service agreements with foreign entities, where these relate to the transfer of technology, must pay a 10% Economic Domain Intervention Contribution (CIDE), based on the amounts paid abroad.

PIS and COFINS contributions, ISS and withholding income tax also apply on the payment of services to non-residents.

Tax havens and privileged tax regimes

Most payments (except dividends) made to tax havens, which are defined as jurisdictions that do not tax income or which tax income at a rate lower than 20%, are subject to a withholding income tax at a rate of 25%.

Brazilian local tax authorities periodically issue a “Blacklist”, listing countries/jurisdictions which are classified as tax havens.

The Brazilian IRS released (on June 4, 2010) a Normative Instruction (IN 1,037/2010) changing the Brazilian tax havens Blacklist.

Tax Havens Blacklist (according to IN 1,037/2010)

Andorra, Anguilla, Antigua and Barbuda, Aruba, Ascension Island, Bahamas, Bahrain, Barbados, Belize, Bermuda, British Virgin Islands, Brunei, Campione D’Italia, Canal Islands, Cayman Islands, Cook Islands, Costa Rica, Cyprus, Djibouti, Dominica, French Polynesia, Gibraltar, Grenada, Hong Kong, Isle of Man, Kiribati, Labuan, Lebanon, Liberia, Liechtenstein, Macau, Madeira Island, Maldives, Marshall Islands, Mauritius, Monaco, Montserrat, Nauru, Netherlands Antilles, Norfolk Island, Niue, Pitcairn Islands, Panama, Queshm Island, Saint Helena, Saint Kitts and Nevis, Saint Pierre and Miquelon, Samoa, Samoa Island (American), San Marino, Seychelles, Singapore, Solomon Islands, St. Lucia, St Vincent and Grenadines, Sultanate of Oman, Swaziland, Tristan da Cunha, Tonga, Turks and Caicos, United Arab Emirates, US Virgin Islands and Vanuatu.

A second list of “Privileged Tax Regimes” has been created. This list encompasses the following regimes/entities:
• Uruguayan SAFIs
• Danish holding companies which do not perform significant economic activities
• Dutch holding companies which do not perform significant economic activities (these Dutch holding companies were suspended from the “Privileged Tax Regimes” list in 2010. Therefore, currently the tax rules derived from this list are not applicable to these)
• ITCs (Iceland)
• US State LLCs, where interests are owned by non-US residents
• Spanish ETVEs (suspended from the list)
• ITC and IHC (both Malta)
• Swiss holding companies, domiciliary companies, auxiliary companies, mixed companies and administrative companies paying taxes with rates lower than 20%

Before the Normative Instruction (IN 1,037/2010) there was no Blacklist of privileged tax regimes. After IN 1,037/2010 it has been necessary for parties subject to the foreign privileged tax regimes listed above to consider certain potential adverse tax consequences.

In summary, the current understanding of the consequences of IN 1,037/2010 is that the rules regarding the non-deductibility of payments (interest, services, royalties etc.), transfer pricing and thin cap rules are applicable to payments made to and transactions performed with companies or persons located in the jurisdictions listed in the updated tax havens Blacklist and also to foreign beneficiaries subject to the privileged tax regimes listed.

For the purpose of the taxation of the Brazilian withholding income tax (including the withholding income tax levied on capital gains), only the companies or persons located in the foreign jurisdictions included in the Blacklist (not the privileged tax regimes) would be affected.
Work Force and Labor Charges
Labour Relations

Labour and management relations

Employer and employee relations are dealt with principally under the labour laws (CLT) enacted in 1943 and subsequent legislation. The labour laws are applicable to all employees in regular registered employment, except for individuals in public employment or domestic labour, who have separate regulations. The labour laws make no distinction between skilled and unskilled workers or between those engaged in manual, office or professional work. Therefore, all types of workers are referred to as employees. A change in the legal structure or ownership of an employer does not affect the rights acquired by employees under the labour laws.

Extensive social security laws and labour regulations govern employer-employee relations. However, foreign investors have not experienced much difficulty in the way of labour problems, mainly because they follow local standards and practices.
Background information on labour practices and the main social charges in Brazil

Salary and labour rights
Employees are entitled to a monthly salary, which may be increased by additional payments for overtime or night shifts and unhealthy working conditions, among others.

After a 12-month period, employees are entitled to a 30-calendar day paid annual vacation, which must be taken within the subsequent 12 months and compensated at an amount equivalent to one month’s salary plus 1/3 bonus.

At the end of each year, employers must pay employees a Christmas bonus (called “13th salary”) annual bonus equivalent to one month’s salary.

In addition to the amounts paid to employees as salary, any other amounts which are paid on a regular basis are, for all legal purposes, considered as part of the employee’s salary and are, in general, taken into account in the calculation of vacation, 13th salary and the amount that must be deposited in the FGTS (the Mandatory Severance Indemnity Fund for Employees), as well as termination payments.

A fringe benefit is an additional item granted to an employee in excess of the employee’s regular salary. Pursuant to the applicable labour legislation, the grant of an award or of any other benefit (such as the provision of a vehicle) to an employee may be considered a fringe benefit, for the reason that any incentive award or benefit may represent an additional payment and, consequently, compensation given to the employee. In such cases, the total amount of the employee’s earnings (including taxable fringe benefits) shall form the taxable basis for the contributions that should be borne by the employer.

Taxes and contributions on payroll

Social Security Contribution (INSS)
Employers’ social security contributions usually correspond to 20% of the gross payroll (monthly compensation paid to all employees).

Since December 2011, the Social Security Contribution for certain industries (such as IT and call centre companies, construction, passenger transportation companies, hotels and companies in the automotive sector, among others) has been paid at a 1% and 2% rate levied on the company’s
net revenues (the precise rate depends on the type of product manufactured and type of services provided by the company), and not through a 20% rate on the company’s payroll amount.

The INSS payment through this regime (the 1% and 2% rate on the company’s net revenues) should be calculated proportionally to the company’s net revenues related to the sale of products and services listed in Law 12,715 (the Law which introduced this regime). If not all the company’s revenues are related to products and services included in this list, the 20% INSS contribution levied on the payroll amount should still be paid considering the same percentage of net revenues not encompassed in the list above.

Payment of obligatory insurance by employers against labour accidents is normally due at rates which vary from 0.5% to 6% of the total remuneration paid to employees, depending on the “level of risk” presented by the type of activity the company undertakes.

Additionally, employers have also to contribute to other governmental entities, such as: FNDE, Incra, SESC, SESI, among others. Respective contributions may be up to 5.8%.

In addition, employers are also responsible for withholding and collecting the INSS on behalf of their employees (who are also subject to INSS at lower and progressive rates).

**FGTS**

Under the FGTS system, employers must make monthly deposits on the employees’ behalf, in a blocked bank account, of an amount equivalent to 8% of the remuneration of each employee. The 8% FGTS is borne by the employer, without any discount in respect of the employee’s salary. In the case of an employee’s dismissal, a company must bear an additional 50% cost calculated on the balance of the employee’s FGTS deposit related to his period of employment.
Brazilian Clean Company Act highlights
Brazil implemented an anti-bribery act (Law n.12.846/2013) that came into force in January 29, 2014 better known as the “Clean Company Act”. The law does not have a criminal perspective for companies as FCPA or UK Bribery Act, but provides for severe civil and administrative responsibility and consequences for a company who is found to have committed or been involved in acts of fraud or corruption involving a public official in Brazil or abroad. Additionally, the law includes a successor liability clause in which an acquiring company can be responsible for the misdeeds of an acquired company.

This law has raised awareness within the Brazil business community of very legitimate concerns related to governance, transparency in business, risk mapping, internal controls, hot lines, internal investigations and several other elements that together represent effective compliance programs, as required by internal regulators, such as the Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) in the US and the Serious Fraud Office (SFO) in the UK. Considering the past experience of these international anti-corruption authorities and while the Clean Company Act lacked regulation, some Brazilian companies adopted a proactive approach and have been implementing anti-corruption compliance programs in accordance with international standards and guidance. On the other hand, there are other companies that are in the very early stages as it pertains to understanding the requirements of the law and taking the necessary steps to ensure compliance.

Naturally, what is of most concern to companies is the potential for high fines, reputational damage, and other sanctions. To date, no major sanctions have been applied, but there is no reason to believe that this could not happen at any point in the future, as the Brazilian federal authorities have
now enacted on March 18, 2015 the Clean Company Act regulation through Decree nº 8.420/2015, Ordinances nº 909 and 910 and Regulatory Instructions nº 1 and 2. These rules detail the administrative procedure to investigate and determine the responsibility and penalties of companies; list the expected elements of effective compliance programs, or integrity programs accordingly to the act’s wording; establish criteria to evaluate integrity programs; set leniency agreement rules for companies and define the aspects that are going to be considered when deciding to include a company on the federal government black list website (Transparency Portal). Any company operating in Brazil should consider incorporating such lists into their third party due diligence vetting process.

According to a PwC survey carried out in 2012 on over 200 deals, including publicly announced deals and a broader set of private deals that PwC has advised on, difficulty in justifying valuation is cited as the most common reason for a deal failing to go through in Brazil, followed by non-compliant business practices and the transparency of financial information. In a scenario where the deal has been completed however, partnering conflicts followed by justifying non-compliant business practices are cited as the most common problems experienced by companies.

Given the requirements of the new law and the occurrence of post-deal compliance problems, companies are starting to place more emphasis on the compliance aspect of their due diligence.
Heatmap: The root causes of failed deals across BRIC

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<th>China</th>
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<th>Brazil</th>
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<td>Justifying valuations</td>
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<td>Negotiation and contracting difficulties</td>
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<tr>
<td>Partnering conflicts</td>
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<td></td>
<td>11%</td>
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<tr>
<td>Government interference</td>
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<td>8%</td>
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<tr>
<td>Post completion people issues</td>
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Note: Based on a sample of 240 failed deals across BRIC

Assessment of deal issues in emerging markets

Source: PwC publication ‘Getting on the right side of the delta’, January 2012
This section discusses the environment in Brazil. In general, environmental rules are strict but there are significant opportunities for business.

Environmental impact on businesses
Business in Brazil has to take into account several environmental issues. These may become relevant risks if they are not adequately managed. On the other hand, there are many environment-related aspects in Brazil that offer real opportunities, such as the abundance and quality of natural resources, the country’s climate, the overall concern with environmental protection and the corresponding Brazilian environmental legislation, which is among the most advanced in the world.

Protecting the environment
Key “green” concerns in Brazil include the deforestation of the native and old-growth forests in the biologically rich Amazon rain forest and other regions, and soil loss due to erosion. The main areas of attention are the lack of sewage collection, solid waste management, urban, industrial and non-point-source pollution of rivers, lakes, estuaries and the shoreline, air pollution in and around some major cities, and questions related to the recovery of mining areas.
Main legislation and regulations

Brazilian legislation extends over a wide variety of environmental issues concerning licenses, zoning, pollution prevention and control and inspection procedures.

Environmental crimes are subject to fines of up to R$50 million (approximately US$16 million)

Doing deals and carrying out business in Brazil has to take into account several environmental issues, which may become relevant risks if not adequately managed.

Environmental legislation was effectively introduced in 1981, with the National Environmental System. This established the responsibility of natural and juridical persons in the civil, criminal and administrative sphere for environmental illegalities. In 1988, the Federal Constitution established that present and future generations have a right to a healthy environment.

More recently, in 1998, new legislation was passed (the “Environmental Crimes Law”) defining pollution and forest destruction as crimes punishable with heavy fines and, in some cases, jail sentences. Furthermore, an acquirer of a Brazilian company or business might become fully or partially responsible for present and past environmental liabilities attached to the acquired asset. Penalties can include not only fines but also the cancellation of operating licenses and obligations for the recovery of an impacted area. Additionally, in many cases, environmental issues are made public, thus affecting a company’s reputation. Given this scenario, environmental due diligence prior to acquisition is highly recommended.

Projects involving the construction of a new plant or production site must be submitted for approval to the Brazilian environmental authorities. The location and activity will determine what environmental license(s) should be obtained at federal, regional or local levels. For activities considered as having a high environmental impact, a more detailed study of environmental impacts and mitigation (an EIA-RIMA) is required before installation is allowed.
Every plant in operation must obtain an environmental license issued by the competent environmental agency. The license has to be periodically updated and the company must also comply with the technical conditions established in its license.

CONAMA Resolution nº 237/97 details the projects and activities which are subject to licensing at the federal, state and municipal levels. According to the rules of this Resolution, the Environmental Licensing Process includes the following activities and deadlines:

- **Feasibility**
  - Conceptual Design
  - Feasibility Study
  - Previous Licence
  - Up to 02 years

- **Development**
  - Basic Project
  - Executive Project
  - Installation Licence
  - Up to 03 years

- **Installation**
  - Construction
  - Operation Licence

- **Operation**
  - Operation and Maintenance

- **Study of Environmental Impact (EIA/RIMA)**
- **Study of Risk Assessment**
- **Public Audit**
- **Basic Project**
- **Complementary studies**
- **Environmental Compensations**
- **Plan for Risk Management**
- **Installation Licence (LI)**
  - technical requirements
- **Monitoring and Controls**
- **Risk Management**
- **Emergency Actions**

Also, the incorporation of an Environmental Impact Assessment and instruments such as the EIA – RIMA in the licensing process, demonstrate regulatory control and supervision in respect of projects which cause environmental degradation.
Pollution control

Pollution has become a serious concern in many areas and consequently it is now one of Brazil’s main issues, both politically and economically. Federal and State governments have developed programs and controls aimed at preventing or reducing pollution, mainly in the more industrialized areas.

The treatment of waste, with the purpose of avoiding or reducing pollution, must be considered in the installation of new production sites in Brazil or evaluated when acquiring a business.

CONAMA is the federal agency responsible for establishing federal criteria for pollution control. Other state agencies are required to take environmental regulations into account when examining applications for incentives and financing of investment projects. Non-compliance with pollution control regulations may result in the suspension of tax benefits, credit restrictions or even the closing-down of operations.

The new rules on Solid Waste

In the face of a lack of resources in respect of urban cleaning services, Brazil’s recent National Basic Sanitation Policy (Law nº 11.445/07) and National Policy on Solid Waste (Law nº 12.305/10) represent strong steps on the part of the government to tackle the problem of pollution in Brazil’s cities.

The National Policy on Solid Waste Plan established that the Municipal Integrated Management of Solid Waste must be consistent with local realities and also stimulate reductions in the volume of waste for landfill, through selective collection programs and reuse/recycling of materials. Due to Brazil’s preoccupation with social inclusion, this document recommends the use of cooperatives in cases involving low-income individuals.
Sustainability: a growing issue in Brazil

After the Rio Environmental Summit in 1992, good environmental management became a major business issue. The concept of sustainability (i.e. the adequate integration of environmental management, social responsibility and the related economic factors/add value) gained a higher presence in the agenda of the public and private sectors, as well as of a major part of the global population.

In many sectors, good environmental management is no longer a competitive advantage but a pre-requisite for being able to compete not only in the global market but also in the Brazilian market.

An environmental audit is a sustainability tool that helps a company ensure it has good environmental management.

This mechanism is used to analyse environmental documentation (such as operational licenses, water resources documentation, solid residues management) in order to show the company’s exposure to possible risks (legal sanctions) if they are not in compliance with legislation.
Our M&A Specialists and Post-Deal Services in Brazil
PwC in Brazil

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- Our partners, directors and staff specialise in various industry sectors: Financial Services, Consumer and Industrial Products, Agribusiness, Telecom, Media, Technology, and Government Services
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