Statute for the “Incentive Regime for Major Investments”

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On June 28 2024, Congress passed the “Law of Bases and Starting Points for the Freedom of the Argentines” (the “Statute”). All that remains is the promulgation or veto of the President of the Nation.

The Statute includes a section called “Incentive Regime for Major Investments” (known as “RIGI” for its acronym in Spanish), a regime for holders of a single project that meet certain requirements and enjoy certain foreign exchange and tax incentives, as well as legal certainty and protection of acquired rights. The main aspects of the RIGI are the following:

1. Eligibility for the RIGI

Adherence to the RIGI may be requested by Single Project Vehicles (SPV) holding one or more phases of a project deemed a "Large Investment" within the forestry, tourism, infrastructure, mining, technology, steel production, energy, and hydrocarbons sectors. The term to request participation on the RIGI shall be 2 (two) years as of the date in which it becomes in force and effect. This term may be extended for another year by the Executive Branch.

The SPV shall have as its sole and exclusive purpose to carry out one or more phases of a single investment project admitted in the RIGI. Consequently, the SPV shall not carry out activities or own assets not related to said project, with the exception of temporary investments of its working capital that contribute to the prudent management of the company's funds.

In cases where a local company or a branch or a branch of a foreign-incorporated company wishes to adhere to the RIGI and engages in one or more activities or owns assets that will not be allocated to said project, it may choose to establish a branch solely for the purpose of its adherence. If so, the benefits of the RIGI will only be applicable in relation to said branch.

The incentives and benefits of the RIGI can only be used by the SPV exclusively in relation to the adhered project.

In addition, suppliers of goods or services with imported merchandise may apply to join the RIGI, in order to obtain the same import benefits. Only merchandise that was imported for the provision of goods or services to a participating SPV will be contemplated in this regime. Member suppliers must: i) invoice annually, for goods sold and/or services provided and intended for the member SPVs, a percentage in relation to their total billing not less than what is established by the authority and ii) report said percentage to the authority, by means of a sworn statement accompanied by a certification issued by a Certified Public Accountant.

In case of non-compliance, the supplier will be automatically and automatically suspended from RIGI benefits. In the event of a second suspension, the Authority may order the definitive withdrawal of the supplier.

2. Large Investments

Projects involving the acquisition, production, construction, and/or development of assets intended for activities meeting the following conditions will be considered as “Large Investments”:

- Minimum amount of the investment: USD 200MM. The National Executive Branch may increase the minimum investment amount by sector or production stage, up to a maximum of USD 900MM.
- The minimum amount of the investment shall be made within the first and second year, as of the date of approval of the investment plan and adherence to the regime.
- Investments shall be long-term, with a ratio not exceeding 30% between the present value of the expected net cash flow, excluding investments, during the first 3 years from the first capital disbursement; and the net present value of the planned capital investments during that same term.

Projects that may result in the positioning of the Republic of Argentina as a new long-term supplier in global markets in which it does not yet have a relevant participation and that involve capital disbursements in successive stages whose minimum investment in eligible assets per stage is equal to or greater USD 1,000MM may be considered as Strategic Long-Term Exports by the authority upon approval, and in such case shall enjoy special benefits and guarantees, such as faster access to the foreign exchange market and export duties only the first two years of the project.

3. Application for the RIGI

To request adherence to the RIGI, SPVs must submit an application form and an investment plan. The application authority shall analyze the request and approve or reject it within a maximum period of 45 days.

The rejection of the request must be justified and cannot be appealed. However, the SPV shall have the right to submit a new investment plan regarding the same project.

The approval of the application request and the investment plan entails the following:

i) Adherence to the RIGI, which confers the rights under the RIGI
ii) Date of adherence to the RIGI, which will be the date of submission of the adherence request.
iii) Investment to be made in the first 2 years, as of the notification of the adherence of the RIGI should be at least 40% of the investment amount.
iv) Deadline for compliance with the minimum investment amount in computable assets as proposed in the investment plan.

v) Assumption by the SPV of the commitments and essential compliance requirements set forth in the RIGI

The application authority shall issue a "Certification of Project Adhesion to the Regime" and notification to relevant authorities for tax and exchange rate incentives.

4. Continuity of the project. Force Majeure.

As a condition of remaining in the RIGI, the SPV undertakes to comply with all the essential conditions and requirements of this regime, which implies the continuity of the project and maintenance of the investment. Notwithstanding the foregoing, it is understood that the completion and continuity of such project depends on a variety of factors, the control of which is sometimes beyond the SPV's control. Therefore, the SPV may, at any time, upon the occurrence of a force majeure event, make the decision to suspend, restart and/or close the project on a temporary basis, without incurring liability, and must reasonably justify its decision by notifying the application authority.

The SPV shall refrain from using the incentives resulting from the RIGI during the duration of the suspension.

5. Tax and customs incentives

5.1. <u>Income Tax</u>

- Entities within the regime are subject to a fixed tax rate of 25% on profits, bypassing the standard progressive tax scale.
- They have the option to amortize investments over specific periods, with a specific amortization plan, providing flexibility in financial planning.
- Tax losses incurred by entities can be carried forward indefinitely to offset against future taxable profits, without temporal limitations. If tax losses are not offset during after five years, they can be transferred to third parties.
- The updates provided for in the Income Tax Law will be made on the basis of the percentage variations of the Consumer Price Index (*Índice De Precios al Consumidor,* “IPC”).

5.2. <u>Dividend Taxation</u>

- Net profit derived from dividend and profit distributions from regime-adherent entities to their shareholders are taxed at a reduced rate of 7%.
- For dividends paid to foreign beneficiaries, withholding tax obligations fall on the payer as a final and definitive payment.
- Upon 7 years of the adherence to the RIGI, dividends and profits will be subject to a rate of three point five percent (3.5%).

5.3. <u>Other taxes</u>

- <u>Value Added Tax (VAT)</u>: If SPVs are charged with VAT for the purchase, construction or importation of goods or for investments in infrastructure works and/or services necessary for their development and construction;

SPVs will be allowed to pay said VAT to their suppliers or to the Tax Authority through the delivery of Tax Credit Certificates.

– Debits and credits on bank accounts tax: SPVs may compute 100% of the amounts paid and/or received in respect of the tax on debits and credits in bank accounts, as a credit against income tax.

5.4. Custom benefits

- Imports for consumption of goods for the project shall be exempt from import duties, statistical and destination verification tax, and from any regime of collection, collection, advance payment or withholding of national and/or local taxes.
- Export for consumption of goods obtained under the project carried out by the SPVs, shall be exempt from export duties, after 3 years as of the date of adherence to the RIGI (after 2 years in the case of Strategic Long-Term Export projects).
- SPVs may freely import and export goods necessary for the project, without any prohibitions or restriction. Official prices nor any other official measure that alters the value of the imported or exported goods may be applied to the SPVs or supply priorities for the domestic markets.

6. Foreign Exchange Benefits

- The collection of exports of products of the adhered project shall be exempted from the obligation of entry and/or negotiation and settlement in the foreign exchange market in the following percentages:
  - 20% after 2 years from the date of adherence to the RIGI
  - 40% after 3 years from the date of adherence to the RIGI
  - 100% after 4 years from the date of adherence to the RIGI

  Said funds in the said percentages shall be freely available. For projects considered Strategic Long-Term Exports these periods shall be a year shorter.
- The SPVs shall not be obliged to enter and/or liquidate in the foreign exchange market the foreign currency and/or any countervalue corresponding to other items or concepts (such as capital contributions, loans or services) related to the project, which shall be freely available.
- No limitations on the holding of liquid and non-liquid end-assets imposed by foreign exchange regulations shall be applicable to a SPV.
- Exchange regulations that establish restrictions or prior authorisations for access to the foreign exchange market for the payment of (i) principal on loans and other financial indebtedness abroad, and/or the repatriation of direct investments by non-residents; or (ii) dividends or interest to non-residents; shall not be applicable to the SPV

7. Accounting and financial reporting.

SPV entities shall have the option to maintain accounting records and financial statements in US dollars, utilizing International Financial Reporting Standards (IFRS).

8. Other rights guaranteed to SPVs.

- Full availability of the products resulting from the project, with no obligation to sell them on the local market.
- Full availability of its assets and investments, which shall not be subject to confiscatory or expropriatory acts in fact or in law by any Argentine authority.
- The right to the continued operation of the project without interruption, unless there is a court order and the SPV has the opportunity to exercise its right of due process beforehand, recognizing that the viability and continued operation of the project throughout its useful life is essential.
- The right to pay profits, dividends and interest through access to the foreign exchange market without restrictions of any kind and without the need for prior approval by the Central Bank of the Republic of Argentina, to the extent that the investment has entered through the Single and Free Foreign Exchange Market;
- Unrestricted access to courts and other legal remedies available for the defense and protection of their rights related to the project.

9. Regulatory stability. Other incentive or promotional regimes.

SPV adhering to the RIGI shall enjoy regulatory stability with regard to their projects concerning tax, customs, and exchange matters. The benefits granted by the RIGI may not be affected either by the repeal of law or by the creation of tax, customs or foreign exchange regulations that are respectively more burdensome or restrictive than those provided for in the RIGI.

This stability lasts for 30 years from the SPV's adherence date.

New taxes created after the date of adherence, as well as increases to existing taxes, shall not apply to the SPV.

Regarding import and export, the applicable tax regime tax rate, and taxable base shall be the one in force at the time of adherence to the regime.

In the event of reductions or elimination of exchange restrictions which imply a more beneficial exchange rate treatment than that provided for the RIGI, the SPV may benefit from them by applying them immediately.

The benefits provided for in the RIGI may not be accumulated with incentives of the same nature existing in other pre-existing promotional regimes. However, adherence to the RIGI does not imply waiver or incompatibility with other promotional regimes with which incentives of a different nature may be combined, provided that they do not overlap, accumulate or reiterate with the incentives provided for in the RIGI.

10. Termination of the incentives under the RIGI

The incentives and rights of a SPV adhered to the RIGI shall cease without retroactive effect for the following reasons:
a) Completion of the project due to the end of its useful life;
b) Bankruptcy of the SPV;

c) Voluntary termination requested by the SPV, once certain requirements have been met, from the date of its approval by the enforcement authority; or
d) Termination as a sanction for infringement of the RIGI.

11. Termination of the incentives under the RIGI
The following breaches shall be penalized:

a) Omitting or delaying the provision of information required by the authority;
b) Providing false or inaccurate information or affidavits
c) Failure to obtain the prior and express approval of the authority in cases where such approval is required under the provisions of the RIGI;
d) the removal (either by sale or re-export), before the expiry of the periods, of goods imported under the exemptions established by the RIGI;
e) engaging in activities which do not correspond to the sole object of the SPV:
f) unjustified failure to comply with the investment obligations provided for in the RIGI; and
g) unjustified use of the tax, customs and exchange rate exemptions provided for in the RIGI.

11. Jurisdiction and arbitration
All disputes arising out of or relating to this regime between the National State and a SPV shall, in the first instance, be resolved by amicable consultation and negotiation.

If the dispute cannot be settled amicably within 60 calendar days of the SPV notifying the National State of the existence of the dispute, the SPV shall submit the dispute to arbitration in accordance with - at the SPV's option: The Arbitration Rules of the Permanent Court of Arbitration of 2012; The Arbitration Rules of the International Chamber of Commerce (excluding the Expedited Procedure Rules); The Convention on the Settlement of Investment Disputes between States and Nationals of Other States of March 18, 1965 (ICSID Convention), or if applicable, the Arbitration Rules (Supplementary Facility) of the International Centre for Settlement of Investment Disputes (ICSID).

- In principle, the arbitration panel will decide on the seat of arbitration, which will be established outside Argentina.
- The arbitration panel shall consist of 3 arbitrators to be selected in accordance with the applicable rules of procedure. None of the arbitrators may be nationals of Argentina or of the home state of the SPV.
- Except in certain cases, the language shall be Spanish.

The National Executive Power is authorized to establish specific dispute resolution mechanisms for each project in the administrative act approving the adherence request and the investment plan.

The rights and incentives acquired under the terms and conditions of this regime are considered protected investments as defined in applicable bilateral investment treaties on the promotion and reciprocal protection of investments. Any infringement on these rights may result in the international responsibility of the national State in accordance with the provisions of these treaties, without prejudice to the remedies provided for in this regime.

12. Local Jurisdictions.
The provinces, the Autonomous City of Buenos Aires, and the municipalities are invited to adhere to the RIGI under all its terms and conditions.

It is established that the provinces, the Autonomous City of Buenos Aires, and the municipalities that adhere to the RIGI may not impose new local taxes on the SPV, except for fees for services effectively rendered.

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