



COMPLIANCE

Donations, sponsorships, gifts, hospitalities and entertainment procedure

Objective Establish responsibilities and obligations for Peñoles employees and its subsidiary companies (hereinafter Peñoles) in order to operate, document and prevent risk of corruption and its possible legal and reputation consequences when giving and accepting donations, sponsorships, gifts, hospitalities and entertainment.

Scope This procedure is applicable to all Peñoles Group's companies, affiliates and subsidiaries, particularly in the areas in contact with third parties, community and public servants, and any other determined for granting donations or being susceptible of providing/receiving sponsorships, gifts, entertainment, hospitalities and rewards.

Input	Output
<ul style="list-style-type: none">• Justification for Issuing Donations with the General Management's Signature (F-JED).• Divisional or Direction Budget.• Amounts authorized by BAL Presidency.	<ul style="list-style-type: none">• Programmed or requested donation, duly documented and authorized.• Evidence of donation completion for the intended purpose.• Promotional expenditure granted or received in compliance to the applicable normativity.

Section 1: Donations and Sponsorships

General Dispositions

Peñoles is committed and looking for ways to contribute to the sustainable growth of the operations and stakeholders. In this sense, our donations are destined to organizations that satisfy the most important needs of our stakeholders with whom we work, considering the ethic in the way we do business and adherence to our institutional values CRIL, as fundamental pillars for the continuity of our operations; therefore, it is important for us to understand and analyze the context of each one of the places where we concentrate our donations in order to:

- a) Contribute to a sustainable growth.
- b) Create a culture of a socially responsible company.
- c) Address the needs of our stakeholders through our institutional mechanisms.

Our donations are generally focused on promoting and achieving harmonious relationships using five axes of action: environment protection; promoting education sports and culture; family health and integration; social infrastructure development and promoting productive activities.

Peñoles allows three kinds of donations:

1. Through corporate programs designed to satisfy specific community needs, which include plans and budgets assigned to guide our efforts to address the basic needs of the community.
2. Through direct requests from public or private organizations (authorized to receive donation according to the current law) o the community in general.
3. Directly authorized by Peñoles Administration Board's President.

The General Director is the only one authorized to approve:

- a) A donation under the name of Peñoles, both programmed as well as requested ones.
- b) Accepting a donation for Peñoles from an external organization.
- c) A General Development Plan for the community.
- d) Internal and external communication regarding donations and relevant information about them for different purposes.

Before to the authorization from the General Direction, the corresponding authorization from the Division Director is required.

Jeopardizing Peñoles integrity and independence must be always avoided, and its personnel must avoid getting involved in situations where a donation is made as part of a negotiation in exchange for a direct or indirect commercial benefit for Peñoles, wether that benefit is real or only perceived as existent.

Process to verify and approve a donation

In order to grant a donation, whatever the amount, and without exception, the Divisional Directors must have all the documents to support the following listed items, as well as filling out the [Justification for Issuing Donations with the General Management's Signature \(F-JED\)](#) with the following information:

1. What is the donation's purpose?
2. Who benefits from the donation?
3. Who will receive the donation?
4. The grantee organization has the permits to receive donations.
 - *Refer to the authorized grantee directory issued by the corresponding authority.*

Additionally, it is necessary to complete the identification file with the information established in the [Third Parties Due Diligence Procedure \(PR-CU-0003\)](#), in order to have a sense about a person or persons, or entity who will be receiving the donation, previous to its completion.

The type of file to be completed will be based on the type of donation to be made according to the following table:

Type of Donation	Type of file TPDD
In kind	Section 1: TPDD (Identification critique)
<ul style="list-style-type: none"> • Electronic transference • Time invested in a social activity 	Section 2: KYC (no identification critique)

Section 1 and Section 2 of the [Third Parties Due Diligence Procedure \(PR-CU-0003\)](#).

Every donation must be informed to the General Direction in a transparent and timely manner. In this respect, the General Director must communicate it to the Administration Board and is registered in the corresponding certificate.

Previous to completing the donation, Peñoles must:

1. Request to the grantee for **an invoice with fiscal information according to the fiscal regime as a third party**. This invoice will be required each time the grantee can issue it.

The fact that Peñoles rejects a donation request doesn't mean that its purpose is not necessary or valuable, but that it could not be adhered to the internal guidelines, the 5 axes of action or funds availability.

Once the due diligence is completed, Compliance Direction must be notified through the email: conocimiento_terceros@penoles.com.mx

Making the donation

Peñoles will only make donation under the following conditions:

- When the donation is monetary, the payment will be made via bank transference.
- For any other type of donation, including a donation in kind, and acknowledgment of receive has to be obtained in order to register the transaction correctly in the accounting books and internal records.
- All donations are disclosed in a transparent and timely manner; por example, in the financial statements.

Sponsorships

Jeopardizing Peñoles integrity and independence must be always avoided, and its personnel must avoid getting involved in situations where a sponsorship or a concession is made as part of a negotiation in exchange for a direct or indirect commercial benefit for Peñoles, wether that benefit is real or only perceived as existent.

Sponsorships must be supported by a written contract, comply with the established requirements in the [Third Parties Due Diligence Procedure](#) regarding the beneficiaries and have the appropriate authorization granted in the following order:

1. Approval from the Corporate Ethics and Values Committee, which must be documented in the Committee's minutes.
2. Final Approval from the General Director.

The record that the areas that manage any sponsorship, must create is the following:

Type of operation	Type of record TPDD	Donation management
Sponsorship	Section 2: KYC (not critical for identification)	Can be managed by the Divisions conforming Peñoles

Section 2: Interactions with third parties: gifts, hospitalities and entertainment

Gifts and courtesies

Based on our work philosophy and the way we conduct ourselves, outlines in our Code of Conduct, it's our duty to tactfully and courteously reject any kind of gift that clients, suppliers or any third party with which Peñoles interacts, intend to give. A statement will be sent to the third party ([Annex 1](#)), to inform them of our position. It is also our obligation to abstain ourselves from giving any kind of gifts to any third party.

If by any cultural situation the third party insists on giving us a gift, we must reject it and explain the philosophy of our company. We can only accept promotional items with a symbolic value like planners, calendars, pens, among other items in this category that are given in a general way to any person; in case of receiving any gift that is not in this category, a letter to the third party has to be sent in order to give back the gift ([Annex 2](#)).

Interaction with third parties:

Type of interaction	Criteria to give gifts	Criteria to receive gifts
Public servants	Not allowed	Not allowed
Third parties (except public servants)	Promotional Items	Promotional Items

No employee will be able to give or accept money in cash or any equivalent to cash, such as gift cards, redeemable coupons, gift certificates, stock options, loans or any benefit that jeopardizes the integrity and independence of impartially exercising his/her functions.

Hospitality and travel expenses

Any form of hospitality given to or received from Peñoles must be legitimate, reasonable, adequate and proportional to the objective of the business in question. Also, hospitality must be according to the corporate ethic and preferably related to one of the following objectives:

- Improve Peñoles commercial image.
- Present Peñoles products or services.
- Establish cordial company relationships.

Granted by Peñoles:

For hospitality expenses and travels incurred, personnel must comply with the norms established in the [Authorization and verification of travel and local expenses procedure](#). Part of these documents define the reason for which the coverage of these expenses to third and involved parties and must be clearly documented.

Received by Peñoles personnel:

According to Peñoles Code of Conduct, travels and/or training events and expenses associated, must be paid fully by Peñoles, even if the invitation to such events is made by a Third party.

Type of interaction	Criteria to grant hospitality	Criteria to receive hospitality
Public Servants	Must be for a legitimate commercial purpose, must be adequate and according to the national and international applicable normative framework.	Must be for a legitimate commercial purpose, must be adequate and moderate
Third parties (except public servants)	Must comply with the norms established in the Process for authorization and verification of travel and local expenses.	

Type of Interaction	Criteria for giving meal invitations	Criteria for accepting meal invitations
Public servants	Not allowed	Not allowed
Third parties (except public servants)	<ul style="list-style-type: none"> With a commercial purpose and a reasonable cost in direct relationship with the place and diners, considering established amounts in the Process for authorization and verification of travel and local expenses. 	

Conferences, entertainment and training offered/received by third parties

Any conference or event that Peñoles facilitates or receives from third parties must comply with the following criteria:

- Must satisfy a legitimate business need for Peñoles.
- The contents must mainly be educational, informative and related with Peñoles business.
- The place and conditions under which they take place must be adequate for educational purpose or to promote products or services related to the industry.
- When the events are organized by Peñoles, the profile of the participants must be consistent with the general objective of the event.
- The norms established in the [Authorization and verification of travel and local expenses procedure](#) must be met.
- Attendance to any conference or training course must be pre-authorized by the immediate superior manager and then reported to the Human Resources department according to the [Request external training and academic studies procedure](#).

AS for entertainment, it must be according to the following table:

Type of Interaction	Criteria to invite to an entertainment	Criteria to accept the entertainment
Public servants	Not allowed	Not allowed
Third parties (except public servants)	You will be able to offer/accept entrance to recreational or sport events when the cost doesn't exceed 100 USD and are appropriate in relation with the business occasion.	

Lobbying and industrial advice

Peñoles maintains a constant dialog with public servants to contribute information to the political debate, or to try to configure it; as well as to help public servants in their decision-making process regarding important company's issues. Peñoles participates in lobbying activities in an ethical and responsible way as part of its legitimate interest to perform commercial activities in the mining, metallurgic, chemical and energy industry, for instance, government or through industrial chambers and councils.

The General Director must authorize all lobbying activities performed in Peñoles name. Consequently, all Peñoles employees previously authorized by the General Direction must commit to all the applicable norms for such activities.

The expected behavior of the employees and of the third parties who performed lobbying activities or promoted public politics in Peñoles name, can be found in the [Government relationships procedure](#).

Public relationships and publicity

These activities must be carried out with due ethical care, avoiding any participation in relationships that jeopardize Peñoles integrity and independence. The General Direction is the only authority that can authorize activities and public relations in Peñoles name and the following personnel:

1. At corporate level: The Executive assigned for each case.
2. External communication.
3. Corporate/Divisional liason.
4. In the Business Units: The Manager of the Business Unit.

General rules

Prohibitions

About Donations and Sponsorships:

Peñoles doesn't accept, under any circumstance, granting and/or receiving donations, sponsorships that in any way jeopardize or seem to jeopardize its independence with external companies or public bodies.

In this process, Peñoles can't:

- Make donations and/or sponsorships that jeopardize the integrity and independence of the company as part of the commercial negotiations, in such a way that influence the decisions of our stakeholders and can be understood as an act of bribery, i.e.: Make donations and/or sponsorships to political parties.
- Accept or grant money or cash donations and/or sponsorships.
- Distribute donations and/or sponsorships with the objective to, in an inappropriate manner, some kind of benefit, either personal or for Peñoles, i.e.: a contract, or a license.
- Grant donations and/or sponsorships in a personal capacity using Peñoles resources.
- Request or suggest that a person's name be mentioned or be acknowledge in exchange for donations and/or sponsorships.

About Bribes, Undue Advantages or Inappropriate Attentions:

No employee shall offer, give, solicit or accept a gift, entertainment or hospitality that falls under the following categories:

- Is offered or given as a bribe.
- It's ilegal.
- Threatens CRIL institutional values.
- Generates possible risk to Peñoles reputation.
- Genere posible riesgo reputacional a Peñoles.
- Commissions or any other tangible or intangible value to obtain or maintain any business or other advantage (i.e., secure a business, a favorable tax treatment, or obtaining information about a competitor's offer).

Some examples of these situations, without being limited, can be those that involve providing or accepting entertainment with a sexual connotation, bets or draws, or invitations to events lasting several days.

For more information, refer to the [Anticorruption and Bribery Procedure \(PR-CU-0009\)](#).

It is the responsibility of Peñoles personnel to report any breach to this procedure through the institutional mechanisms for denunciation (Línea Correcta):

e-mail: penoles@lineacorrecta.com
web page: <https://penoles.lineacorrecta.com>
Toll calls: 800 002 8477 (México)
Instant messaging: (55) 6538 5504

Guidance

Please refer to the Compliance Officer or to the Corporate Integrity Coordination via email, Orientacion_Eticacomplimiento@penoles.com.mx, if you have any questions about:

- Granting and receiving donations.
- Sponsorships.
- Permitted gifts.
- Reasonable, adequate and proportional hospitality and entertainment.
- Any other issue related to the items in this procedure that should need guidance.

Definitions

Promotional Items

The promotional articles contain the logo of a company for promotional purposes; they are of low value and are given in an evident way. i.e., planners, calendars, pencils, pens, cups, keyholders, or similar. Therefore, promotional items are the only gifts that Peñoles gives to clients, suppliers and third parties with who business relations are maintained.

Lobbying

This refers to a planned communication process with a predominantly informative content, in the framework of public relationships of the company with public authorities, exercised directly or through a third party by means of a compensation, that has the function to directly intervene about a public decision (norm or juridical act) or promote a new one, transmitting a positive image based in the credibility of the arguments defended that generate a normative and socially favorable environment with the purpose of orienting it in the desired direction and favorable to the interests of the represented party.

Conflict of Interests

The possible affectation of the impartial and objective performance of Peñoles employees' functions, due to personal, family, economic, business or any other nature, interests.

Meals

Consists of an expenditure with the concept of meals in restaurants or private corporate rooms where the attendees (guests) get together to serve a legitimate business purpose.

Social Commitment with the community

It's an obligation or agreement made by negotiations with the community and constitutes a compensation.

Corruption

It's the abuse of power for the benefit of oneself or a third party. Corruption encompasses a variety of situations, like bribery, nepotism, collusion, traffic of influences, giving payments to ease or accelerate processes, bribery, conflict of interests, theft, extortion, misappropriation, embezzlement, ex, misuse of resources, among others.

Donation

Freely and voluntary granting or receiving goods by Peñoles with the genuine interest to contribute to a specific purpose, wether monetary or in kind, in manner and time or any other material benefit and genuine interest to contribute to a specific purpose or to a combination of these, without demanding any favor or compensation.

Entertainment

It's an activity with the purpose to provide enjoyment, entertainment and recreation, like a show or a play or a sport match, to a Peñoles employee with the company of a third party (like an existing or potential client, commercial partner, supplier or public servant). If in this activities or meals there are no Peñoles employee and a third party, these activities and considered a Gift and the appropriate norms must be applied.

Public servants

It's any person who exercises a position inside the Mexican State structure, or a foreign government. Among others:

- a) National, state or local public entities employees.
- b) Elected, designated, or in process to be appointed public servants and members of their family.
- c) Ex public servants that can't be hired by the company because they posses privileged information that was directly acquired because of their job, position or public service commission.
- d) Party and political leaders and party and political employees.
- e) Candidates for positions by popular election.

Employees of Organizations that are contemplated in international agreements, especially in respect

to those in which Mexico is part of, i.e., European Union, United Nations, Inter-American Court of Human Rights, Organization for Economic Cooperation and Development, World Bank, International Labor Organization, World Health Organization, International Monetary Fund, among others.

Hospitality	This refers to the act of facilitate business trips, they are national or international trips (including flights, transportation, lodging and other related expenses) provided by Peñoles employees to third parties or trips accepted by any Peñoles employee, third party or representant to do a job for Peñoles, that obeys a business legitimate purpose beyond developing commercial relations. To be considered Hospitality, the person who facilitates it must be present and there must exist a legitimate business. Otherwise, the hospitality must be considered as a Gift and the appropriate norms must be applied.
Sponsorship	Support the needs of a third party to promote business with Peñoles. It involves a monetary or in-kind contribution to a charity organization or to a non-profit body in exchange of the continuous rights to seem associated to an activity, an article, a person, an organization or a property or in exchange to build a reputation.
Gift	Any object of value (except hospitalities) granted or offered to a person, such as a material gift, a benefit, a gratification, a loan, a discount or a scholarship. It also includes anything without economic value like a favor or benefit, or intangible feature that is of value to the recipient.
Bribe	When the collaborator or third party, promises, offers or gives any improper benefit to any or several public servants, public or particular entities, directly or through third parties, in exchange that these public servants, public or particular entities, perform or reframe from performing an act related to his functions or with other public servants, entity or individual, or that they abuse their influence real or alleged with the purpose to obtain or maintain, for him/herself or for a third party, a benefit or an advantage, wether the benefit or the result is accepted or received.
Thir party	Any legal entity or person that has any interest with Peñoles.
Improper advantage	This refers to something that the company or person in question has no clear or legitimate right, like

	Procedure flow	Formats
Annexes	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Annex 1 – Notification to inform third parties • Annex 2 – Letter to return a gift. • Format to Justify Issuing Donations with the General Management's Signature (F-JED).

Information to update the document

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October 2014 / November 2020	November 2022	0