



COMPLIANCE

Procedure to prevent corruption and bribery

Objective

The present procedure complements the Code of Conduct to further strengthen the basic principles to embed a corporate ethical culture on the norms governing any interaction conducted with stakeholders and employees. Additionally, it defines permitted activities and any situation that requires special attention, as well as previous analysis and approval.

Scope

The present procedure shall govern all employees with Industrias Peñoles S.A.B. de C.V. (Peñoles). Clients and suppliers shall comply with the [Procedure for Third Parties Due Diligence \(Third Party Due Diligence - TPDD\)](#); all interactions with public servants shall meet the [Government Relations Procedure](#).

Input	Output
<ul style="list-style-type: none"> Actual or presumable situations resulting in corruption or bribery. 	<ul style="list-style-type: none"> General guidelines to prevent corruption and bribery.

Operational Norms

Overview

Bribery and corruption harm free market dynamics and undermine public trust in corporations and governments as well; additionally, there is the reputation risk posed by negative corruption publicity and perceptions; that is why Peñoles cooperates with authorities responsible for conducting investigations on alleged offenses and punish them if proven true to strengthen its corporate vision that clearly sets forth ethics as a differentiator.

Peñoles corporate culture is embedded with the following principles:

- All government and company workers shall perform their functions objectively and in accordance with the law.
- There must be a general zero-tolerance stance towards unwanted situations, including bribery and corruption; additionally, all employees and officers shall refrain from giving or taking any present or privilege that might affect work behavior objectivity.
- All employees shall behave ethically to ensure that all interactions conducted with third parties, either commercial partners or public servants, foster a positive corporate image to keep all stakeholders' confidence and respect.
- All companies within the Group shall strictly comply with the law and all related obligations.

Basic Guidelines

Preventing all forms of corruption and bribery

To ensure an effective combat to bribery and corruption, all employees have to refrain from offering, promising, or giving anything of value that might negatively influence any people's professional objectivity to gain any benefit for themselves or for Peñoles. Additionally, all employees shall refrain from asking or taking anything valuable that might affect their objectivity while performing their work duties.

All Third Parties working with Peñoles shall comply with the same organizational norms and philosophy embedded in Peñoles corporate culture.

Some examples of bribery or corruption are promises or concessions in the form of:

- Illicit payments, contributions or fees;
- Any present, free entertainment and complimentary privileges (e.g. any meals, accommodation or transportation);
- Privileged treatment, favors or unlawful advantages;
- Free training, education or formation;
- Any complimentary products or services or any price reduction; and
- Confidential and/or privileged information.

Payments to public servants to speed up any procedures (*Facilitation Payments*)

Any illicit or facilitation payment, no matter the amount, to public servants is strictly prohibited, even though there might be any negative impact on the business. Any employee who is requested a facilitation payment shall report it to the Compliance Function. For further information, please refer to the [Government Relations Procedure](#).

Presents, complimentary privileges and entertainment

Giving or receiving any presents, complimentary privileges and entertainment are commonly accepted ways to show appreciation in our culture; however, the Code of Conduct sets forth that such practice is strictly prohibited; it is only acceptable giving or receiving corporate promotional items.

All employees shall comply with the [Promotional Expenses Procedure](#).

Illicit privileges, favors or advantages

All employees shall refrain from offering, promising, giving, taking or requesting any privilege, favour or any other illicit advantage that might influence or seem to influence their professional objectivity or that of their business counterparty. For any further information, please refer to the [Promotional Expenses Procedure](#).

Third Parties acting on behalf of Peñoles

All employees shall prevent Peñoles from being considered as responsible for any bribery or corruption actions performed by any Third Parties while interacting with any public servants and/or particulars on behalf of Peñoles. Some examples of Third Parties include: governmental relationships, immigration, legal, tax, and technical advisors, customs agents, security and logistics firms, equipment brokers and wholesalers as well as any Third Party conducting any business activities with Peñoles.

Previously to hiring or renewing any agreement involving any Third Party who presumably will interact with any public servants on behalf of Peñoles, all employees shall:

- Refer to the [Government Relations Procedure](#).
- Comply with all hiring processes applicable along with the Legal Department.
- Comply with the [Procedure for Third Parties Due Diligence \(Third Party Due Diligence - TPDD\)](#).
- Devise and sign an agreement, with the assistance of the Legal Area, to clearly define the services nature and scope, invoicing requirements, anti-bribery norms, approval requirements to give any presents, privileges and entertainment to public servants on behalf of Peñoles, including a termination clause in case of any breach to terms and conditions therein.
- Make sure that all payments to any Third Party are fully supported by the services rendered and that the price is competitive in the marketplace.

All employees responsible for managing relationships with Third Parties who, in turn, interact with any public servant on behalf of Peñoles, shall ensure that all relevant staff working for such Third Party are aware of and understand all requirements set forth by Peñoles and act accordingly.

Commercial interactions

There are other commercial practices and social activities that employees or Third Parties might perform on behalf of Peñoles that have to be closely monitored.

Political Lobbyists

Peñoles maintains regular communication with public servants to provide them with information for political debate and support them in their decision-making processes related to business matters relevant to Peñoles. Consequently, the CEO and the Compliance Function shall previously authorize all Peñoles' employees performing lobbying activities that, in turn, shall act with transparency and equity and comply with all laws and regulations applicable to such activities.

All employees and Third Parties staff responsible for lobbying activities or public policies promotion shall perform in accordance to guidelines set forth in the [Government Relations Procedure](#).

Donations, sponsorship and social development

Social development projects and any sponsorships or donations (referred to as «contributions») are a part of Peñoles contribution to the environment and surrounding communities welfare aimed at positioning Peñoles as a Socially Responsible Corporation; therefore, all employees shall refrain from promising, offering or granting anything that can be perceived as aimed at getting or keeping any commercial advantage or any other illicit purpose. For any further information, please refer to the [Donations Procedure](#).

Political contributions and donations related or in connection with any public servants

Peñoles shall refrain from granting, directly or indirectly, any contribution or donation to any political parties, electoral campaigns or any individual or company, association, body, union or any other public or private entity involved in political activities either in México or abroad on behalf of the companies in the Group, e.g.:

- Payments in kind;
- Free of charge use of any premises, equipment or other resources property of Peñoles; and

Any other kind of contribution involving public servants. Only those payments or sponsorships allowed by the law are permitted; prior analysis and approval by the CEO along with the Compliance Function are mandatory.

Any contribution or sponsorship made by any Peñoles' collaborators or representatives using their own personal resources shall comply with the corresponding law in force.

Hiring former public servants, public servants presently in office or any members of their families

When hiring any former public servant, any public servant in office or any member of their families as an employee, Board member or contractor/supplier, the organization shall make every effort to prevent any type of corruption, conflict of interest or unlawful practice.

Any employment relationship in the category described above shall comply with the applicable law in force. Additionally, all hiring procedures and regulations as well as the qualifications requirements shall be strictly observed and documented; compensation packages shall meet the market conditions and Peñoles' Code of Conduct awareness statement shall be dully signed.

Participation in trading unions

All trading unions that interact with public servants or conduct any lobbying activities on behalf of Peñoles shall act ethically to prevent any reputation risk or liability to the Group. Prior to initiating or renewing any membership of Peñoles in any trading organization, all employees in charge of such procedures shall comply with all requirements set forth in the [Third Party Due Diligence - TPDD](#).

Whistle-blowing and related records

Any activity mentioned in the «basic guidelines» or «commercial interactions » in the present procedure shall be identifiable and properly recorded and documented.

Any employee requested, directly or indirectly, to perform any unwanted activity in breach of the present procedure shall immediately report the facts to the Compliance Officer or via the whistle-blowing hot line at: penoles.lineacorrecta.com.

Training

All employees shall behave according to the ethical principles set forth in Peñoles' Code of Conduct. Highly exposed employees shall attend additional specialized training conducted by any member of the Compliance Function or any employee trained for that purpose to keep their competencies and skills current enabling them to effectively perform their activities; training shall be documented and supported by the respective certificate.

Consultation, analysis and approval

All consultation, analysis and approval related to the present procedure shall be submitted to the Compliance Function.

In addition to the specific analysis and approval requirements mentioned above, in case of any further question about the criteria to categorize any transaction as bribery, corruption or unlawful advantage, the Compliance Function shall be consulted at:

- Orientacion_Eticacumplimiento@penoles.com.mx
- Cristobal_Mariscal@penoles.com.mx

Definitions

Corruption:

Abusing power conferred for his/her own benefit or that of any third party. Corruption includes a wide variety of situations, such as bribery, nepotism, collusion, influence peddling, illicit payments to facilitators or for speeding up any procedure, conflicts of interest, robbery, extortion, embezzlement, illicit use of resources, among others.

Corruption might occur when dealing with public servants, entities responsible for managing public resources and which are authority for individuals, companies' officers and private organizations to gain a business advantage or a favorable decision that otherwise would not have been made that way if not influenced by those activities, conducts or omissions.

Donations

Donations are free and voluntary payments either in cash or kind, using resources belonging to Peñoles, time or any other financial benefit to a third party with no demand for any favor or compensation in exchange.

Employee

Any person whose job is provided and controlled by Peñoles.

Highly exposed

All personnel in the following positions: Peñoles Group's CEO, Directors, Deputy Directors,

employees	Managers, Superintendents, every employee who interacts with public servants and all employees responsible for any purchasing or selling procedure involving either clients or providers.
Entertainment	The act to invite any Third Party to attend a show, play or sport match with the purpose of influencing his/her business decision. To be categorized as entertainment, the person who invites must be present during the performance or activity, otherwise it shall be categorized and dealt with as a present.
Family member	Any direct member of the person's family (spouse, partner, parents, grandparents, sons, daughters, step children and brothers or sisters), partners who are engaged to marry (fiancé or fiancée) or extended family (father/mother in law, spouse's brothers and sisters, people with a religious bond). For the purpose of the present procedures family members include: <ol style="list-style-type: none"> 1. By blood: Father, mother, grandfather/mother, son/daughter, brother/sister, half-brother/sister, grandson/daughter, uncle/aunt, cousins, nephew/niece, 2. By law: husband/wife, concubine, father/mother in-law, any spouse's brothers or sisters, step son/daughter, adopted son/daughter. 3. By tradition: Godfather, Godmother, and Godson/daughter. 4. By closeness: Any person with whom any employee might hold any close and unconditional personal relationship based on confidence whose nature might interfere with his/her capability to make objective and fair business decisions, including girlfriends, boyfriends, friends (e.g. childhood, university or recently acquired friends) and every person employees frequently spend time with.
Public servants	Any servant, employee or other people acting on behalf of any government, government office, agency or body.
Political Lobbyists	Individuals or firms directly or indirectly communicating to public servants to exert any influence on policies, laws, programs, norms or stances, either related to politics or other official engagements, or responsible for advising Peñoles on political matters.
Hospitality	Act of facilitating trips, transportation, accommodation or entertainment to any Third Party, including meals as part of any entertainment or any other form of courtesy. To be categorized as Hospitality, the person who invites must be present, otherwise it will be categorized and dealt with as a present.
Governmental Organization	Any entity controlled by the Government including some governmental universities, hospitals and commercial entities. The Government controls any entity if it owns or controls 50% or more of the entity's controlling stock or interest or is in charge of their management.
Sponsorship	Any monetary or in-kind contribution to any charity or non-for-profit organization in exchange of the right to be associated to any specific activity, any item, any person, any organization or any property or in exchange of any reputational advantage.
Present	Anything valuable, favor or influence.
Bribery:	The action performed by any collaborator or third party aimed at promising, offering or providing any illicit benefit to one or more public servants, public entities or any particular, directly or via a third party in exchange for those public servants, public entities or particulars, to perform or prevent them from performing specific actions related to their duties or the duties of any other public servant, entity or particular or abuse their actual or alleged influence to get or maintain, for himself/herself or for any third party, any benefit or advantage, independently if such benefit or result is accepted or received.
Unlawful advantage	Anything on which any business or person have no clear or legitimate right such as a license to operate a factory that does not comply with the related regulations.
Promotional Items	Any item showing a specific company's logo for advertising purposes, normally low-cost that are publicly and openly given such as address books, calendars, mugs, key rings, pens or any item of the sort.

Procedure Flowcharts

Templates

Annexes

• [N/A](#)

• [N/A](#)

Document Updating Information

Issuance Date	Next revision	Version
January 2019	January 2021	0