

	SERVICE INSTRUCTION	No.: 01.000EFACEC-08030375-039-000-EN-00
		Issue Date: 2019-12-09
	Scope: Efacec	Review date: -
		Entry into Force: 2019-12-09
Subject:	Gifts and Hospitality Policy	

1. Introduction

In the conduct of their normal commercial activities, companies – willingly or by solicitation – exchange gifts and other forms of hospitality. Experience shows that such practice is an advantage to business relations: while it helps to enhance relationships, it inspires humanity in business transactions.

Although exchanging gifts and hospitality is not in itself contrary to legal and ethical standards, its frequency or excessive content can create – or seem to create – conflicts of interests or inappropriate influences, as well as legal, compliance and reputational risks.

2. Objective

Efacec's Gifts and Hospitality Policy ('Policy') works as a guide on what Employees may or may not offer¹ or receive, within business relations, ensuring that any Gift or Hospitality comply with the following Mandatory Requirements:

- It is permitted by local and international applicable laws (e.g., *UK Bribery Act* and *US FCPA*), as well as by the internal rules of the third party (e.g., codes of conduct or ethical codes);
- It is transparent and its disclosure inside or outside the company will not cause distrust from other employees or third parties;
- It is not provided or received in exchange of an improper advantage or action, e.g. to retain a business or grant a construction license;
- It is not improper to the occasion or circumstances, e.g. offering a Port wine bottle to an Islamic client or invitation to sexual entertainment;
- The frequency of prior benefits provided to the same recipient is not inadequate;

Special caution must be taken when the beneficiary of the offer has a direct or indirect decision-making responsibility over an anticipated or pending decision affecting Efacec's interests, namely tenders, adjudications to suppliers, contract negotiations, granting of licenses, where both the parties are involved.

3. Scope and exclusions

Efacec's Code of Conduct ('CC') sets forth the core principles entailed in the Policy, which are applicable whenever the latter is lacking. In case of conflict between the Policy and the CC, the former shall prevail. When an action or behaviour is simultaneously regulated by the Policy and the applicable law, the more restrictive norm shall prevail.

¹ For the purposes of this Policy, the words 'offer' and 'offering' shall include, respectively, the promise of the offer and the promise of offering.

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The Policy applies to all Efacec's Employees, pursuant to the definitions set forth below.

The content of the Policy (or an equivalent content) shall be communicated and implemented by anyone doing business with Efacec or in any way acting on its behalf.

The Policy applies in all countries Efacec (including its subsidiaries) operates and may be adjusted due to local Law's requirements.

4. Definitions

'Efacec' means every legal person, regardless of its structure, legal nature or country of incorporation, directly or indirectly controlled by at least 50% of its share capital or voting rights, by Efacec Power Solutions SGPS, S.A., a company incorporated by the laws of Portugal, with its headquarters in Lugar da Arroteia, parish of Matosinhos, and number of incorporation 513.180.966, or any other company succeeding in its rights and obligations, pursuant to the Law.

'Employee' means a person, regardless of his or her position in Efacec, having either a permanent or temporary employment relationship with Efacec, or in any way acting on its behalf. Thus, it is included in this definition not only Efacec's employees, but also its Directors, Executive Directors, agents, consultants and any third parties acting in Efacec's name and/or on its behalf. This definition also includes contractors providing services to Efacec through service agreements or temporary transfer of workers' agreements, as well as professional or academic trainees.

'Gifts' mean any facilities, gratifications, liberalities, presents or advantages, pecuniary or not, offered or received, with or without a direct or indirect compensation. Promotional gifts are excluded from the scope of the Policy.

'Hospitality' means all forms of meals, travel and accommodation, inherent to participation in commercial events, as well as invitations for entertaining events.

'Public Official' means any person voluntarily or mandatorily exercising public functions in a governmental entity, provisionally or not and remunerated or not. The following categories are included in this definition:

- Officials elected, nominated or at the service of a governmental entity, regardless of level, including national or local entities;
- Members of legislative, administrative and judicial bodies (including, judges, arbitrators, juries and experts) as well as lower level employees from governmental entities;
- Officials or employees of governmental entities or controlled by the state, including public companies operating in the commercial sector and companies providing public services;

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- Officials or employees of international public entities (namely, the United Nations, the International Criminal Court, the World Bank, the International Monetary Fund and the EBRD);
- Any person acting in an official capacity for foreign governments, foreign governmental entities or foreign public companies (namely, someone given the power to undertake official responsibilities); and
- Officials of a political party or candidates to a political position.

Close relatives of a Public Official (spouses, children and their spouses, parents and siblings, and spouses' parents and siblings) or those living in the same household, may be considered Public Official for the purposes of the Policy, should interaction between the Employee and them have the purpose or effect of giving an advantage to the Public Official at stake.

5. Public Officials

Offering Gifts and Hospitality to Public Officials entails a higher legal risk, thereby interpretation and application of the Policy in such cases shall be stricter. What is acceptable in the private sphere, may be considered illegal in the public sector.

Therefore, Employees must record data and provide it at request on any Gifts or Hospitality offered to Public Officials, including information on the value, name of the recipient, date and the motives justifying the offer.

6. How does the Policy apply?

6.1. Gifts

Employees are allowed to offer and receive Gifts of a nominal value that could not reasonably be perceived as improperly influencing the recipient's performance of his or her duties. Gifts costing up to €50,00 are considered of nominal value, namely books, stationary, modest design objects, wine bottles, fruit baskets and flowers.

If an Employee wants to offer a Gift surpassing nominal value, he or she must obtain pre-approval in writing from Legal & Compliance, pursuant to Section 7. Pre-approval in writing is also required when the offer is frequent, i.e. more than one offer to the same recipient within six months.

When refusing a Gift surpassing nominal value is not reasonable or even possible, the Employee must contact his or her Supervisor, whom, together with Legal & Compliance, shall decide the destiny of the Gift, which will preferably be given to charity.

N.B: It's strictly forbidden to offer or receive vouchers or other monetary gifts, unless such vouchers are of low-value, e.g. coffee vouchers.

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6.2. Hospitality

6.2.1. Meals

Employees are allowed to offer and receive a meal of a value within the limits established in *Annex II – Limits for meals with Invitees* attached to *Short Duty Travelling Policy*, and the meal has a clear business rationale (i.e., the meal takes place in the context of a business meeting and/or for the purpose of discussing business).

N.B: Snacks, light meals or meals taking place at the company's canteen do not require approval.

If it is unreasonable or impossible to refuse, the extension of the invitation to the invitee's guests is allowed. As an example, it is acceptable to extend the invitation to annual company events or events sponsored by the host company to the invitee's spouse.

If an Employee wants to offer or receive a meal surpassing the above-mentioned limits or which is not directly related to business, he or she must get approval in writing from Legal & Compliance, pursuant to Section 7.

6.2.2. Travel and accommodation

Business events such as trade fairs, conferences and seminars related to Efacec's activity, plant visits, meetings with clients or potential clients, all are natural elements of a company's marketing promotion. Many times, in order to attend such events, travelling is required.

The rule is that Efacec supports its Employees' travel and accommodation expenses when attending a business event hosted by a third party; on the other hand, Efacec's invitees shall support their own travel and accommodation expenses when attending Efacec's business events (see Section 6.2.2.1).

However, it is not always possible to abide by this rule, and the host of the event ends up paying its invitees' travel and accommodation expenses, which shall be allowed within certain limits.

Thereby, Employees are allowed to offer and receive travel and accommodation to or from third parties to attend an event with a clear business rationale (product demos, plant visits, etc) and the limits and rules set forth in *Short Duty Travelling Policy*, *Travelling – Rules and Proceedings*, *Travelling – Rules and Proceedings for the Market Units* and *Travelling and Accommodation – Rules and Proceedings in Portugal and Information and Good Practices Guidelines on flight bookings*, applicable to both Employees and Efacec's invitees.

If an Employee wants to offer or receive travel and accommodation surpassing the limits established in the previous paragraph, he or she shall obtain pre-approval in writing from Legal & Compliance, pursuant

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to Section. Without pre-approval from Legal & Compliance no travel and accommodation booking will be allowed, in accordance with Efacec's internal rules.

6.2.2.1. Contractual obligation to support travel and accommodation

Pursuant to this Policy, each party to a commercial agreement is responsible for its own travel and accommodation expenses, necessary to the execution of its contractual obligations.

Nevertheless, when it cannot be avoided, for business purposes, contractual obligations to support the other party's travel and accommodation expenses must abide by the requisites set forth in the previous Section.

If the Business Unit responsible for negotiating the agreement believes that such contractual obligation contemplates an inappropriate purpose, it shall promptly contact Legal & Compliance, to presentes.hospitalidade@efacec.com.

6.2.3. Entertainment

Invitation for exclusively entertainment events (music concerts, sport events, exhibition openings, etc) hardly have a business purpose, and may be seen as inappropriate. Thereby, offering or receiving invitations for entertainment always require written pre-approval from Legal & Compliance, pursuant to Section 7. Exception is made for entertainment events sponsored by Efacec.

In principle, offering or receiving an invitation for entertainment will be pre-approved if:

- The event does not appear to be overly expensive;
- The invitation has a legitimate purpose that may be linked to business; and
- The recipient does not have direct or indirect decision-making responsibility over an anticipated or pending decision that affects Efacec's interests.

7. How to get approval?

Legal & Compliance is the competent body to analyse and document approval and pre-approval requests for offering or receiving Gifts and Hospitality, as necessary under this Policy. Legal & Compliance analysis shall take into account the actual circumstances in which the Gift or Hospitality is offered and Efacec's legitimate interests, ensuring compliance with the Mandatory Requirements (see Section 2).

Pre-approval requests for the offering or receiving of Gifts, travel and/or accommodation or entertainment events, if mandatory under this Policy, shall be sent to Legal & Compliance, to presentes.hospitalidade@efacec.com until five (5) business days prior to the offering/ receiving.

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Approval requests for the offering or receiving of meals, if mandatory under this Policy, shall be sent to Legal & Compliance, to presentes.hospitalidade@efacec.com within the fifteen (15) business days after the meal.

Pre-approval and approval requests must include the following information:

- Name of the person offering the Gift or Hospitality and the company he or she represents;
- Name of the recipient of the Gift or Hospitality and the company he or she represents;
- Description of the Gift or Hospitality, including its approximate value;
- Reasons behind the offer; and
- Date of the offer.

Any expenses incurred by the Employee with Gift or Hospitality shall be submitted via Efaexpenses, pursuant to Efacec's internal rules. If the offer requires written pre-approval or approval from Legal & Compliance, it shall be submitted together with the expense's reimbursement request.

The lack of pre-approval or approval required under this Policy may result in no reimbursement of expenses and/or disciplinary action.

8. How to clarify your doubts?

Legal & Compliance is the competent body to clarify any doubts and reply to questions necessary to the correct application of this Policy. Thereby, any request for clarification shall be sent in due course to presentes.hospitalidade@efacec.com.

9. How to report misconduct?

In case of violation or suspicion of violation of this Policy, Employees may contact Legal & Compliance or use the *Linha Ética*. If a third-party knows or suspects of a violation of this Policy, he or she shall speak to their Efacec's contact person, who shall forward the report to Legal & Compliance, or use the *Linha Ética*, as soon as possible.

10. Responsibilities

For the correct and efficient application of this Policy, the following responsibilities will be assumed:

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Employees	• Document any offer made to Public Persons • Request pre-approval or approval for the offering or receiving of Gifts and Entertainment
Assets & Services	• Crosscheck reimbursement requests on Efaexpenses or travel and accommodation booking requests with mandatory approvals, ensuring respect for the Policy • Crosscheck credit cards financial extracts with mandatory approvals ensuring respect for the Policy • Inform Legal & Compliance of irregularities in the application of the Policy
Legal & Compliance	• Approval requests for offering and receiving Gifts and Hospitality • Training on the Policy • Monitoring of the Policy • Clarification of doubts on the Policy
Administrative & Finances	• Payment of the expenses approved under this Policy • Accounting records and supporting documents of the expenses

11. Personal liability

Failure to comply with this Policy shall trigger, as applicable:

- With regard to members of Administration or Supervisory bodies and Employees earning variable remuneration, possible withdrawal of such remuneration (if foreseen in the applicable remuneration policy) as well as possible clawback to the variable remuneration paid with regard to previous years;
- Disciplinary action as set forth in the applicable labour law;
- With regard to contractors, possible termination of the respective agreement by Efacec.

12. References

- Efacec Code of Conduct
- Short Duty Travelling Policy (01.000EFACEC-08030375-025-000-PT)
- Travelling – Rules and Proceedings for the Market Units (01.000EFACEC-07060201-002-000-PT)
- Travelling and Accommodation – Rules and Proceedings in Portugal (01.000EFACEC-07060318-009-000-PT)
- Information and Good Practices Guidelines on flights booking (01.000EFACEC-07060239-001-000-PT)

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	Nominal value (50€)	Surpasses nominal value
	- Within the limits set forth for meals with invitees in <i>Short Duty Travelling Policy</i> - Business rationale; and - Invitation is not extended to invitees unless refusal is inappropriate	- Surpasses the limits set forth for meals with invitees in <i>Short Duty Travelling Policy</i> - No business rationale; or - Invitation extends to invitees
	- Business rationale; and - Within the limits set forth in internal rules on employees' travelling	- No business rationale; or - Surpasses the limits set forth in internal rules on employees' travelling
	Contractual obligation to pay for third parties' travel and accommodation expenses does not require pre-approval provided the terms of this Policy are foreseen	
	Offering or accepting invitation for entertainment requires pre-approval	
		