



## ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

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Sierra Metals Inc. (the “**Company**” or “**Sierra Metals**”) is committed to conducting its activities free from the illegal and improper influence of bribery and to ensuring compliance with all anti-bribery and anti-corruption laws and regulations that may be applicable to its business (collectively, “**anti-bribery laws**”), including, but not limited to, the Canadian *Corruption of Foreign Public Officials Act* (“**CFPOA**”) and the US *Foreign Corrupt Practices Act* (“**FCPA**”), Peruvian Law 30424 (“**Ley No. 30424**”), and others in the jurisdictions in which the Company operates. For the purposes of this *Anti-Bribery and Anti-Corruption Policy* (“**Anti-Bribery Policy**”), the Company or Sierra Metals refers to Sierra Metals Inc. and all of its subsidiaries.

Many jurisdictions in which the Company does business have anti-bribery laws which are aggressively enforced and have broad application in terms of the types of activities covered and their jurisdictional scope.

This Anti-Bribery Policy applies to all of the Company’s officers, directors, employees and members, and forms part of the Company’s *Global Anti-Bribery and Anti-Corruption Policies and Procedures*. Anyone doing business for or on behalf of the Company, including the Company’s advisors, agents, consultants, contractors, distributors, lawyers, partners, sales representatives, suppliers and other third parties (collectively, “**Third Parties**”) must comply with the terms of this Anti-Bribery Policy.

Agents and contractors are subject to corporate policy as established by the management of Sierra Metals. Agents and contractors do not have power to manage an important part of the Company’s business in the sector assigned to them unless explicitly provided for in the engagement contract and subject to full and independent audit rights by the Company to be exercised at any time.

It is important to note the following critical definitions:

- “**Government Entity**” includes any government or government department, agency, military organization, international governmental organization, entity owned or controlled by any government or international governmental organization, political party or party official;
- “**Government Official**” includes any (a) officer, employee, representative or any other person acting in an official capacity on behalf of a government or any department, agency, or body thereof; (b) legislative, administrative, or judicial official; (c) candidate for political office or an official of a political party; (d) official of a supra-national or international organization; or (e) employee or officer of a state-owned or controlled enterprise; and
- “**payments**” includes money; credit; travel and accommodation expenses; gifts; meals; entertainment; loans; political contributions; charitable donations; free use of company services, facilities or property; favors that are of value to the recipient (e.g. offering a job to a member of a Government Official’s family); or anything else of value.

### WHAT CONSTITUTES BRIBERY

Bribery is the offering, giving, receiving, or soliciting of any item of value to influence the actions of a Government Official or a private person in order to obtain or retain business or an advantage in the conduct of business; or to induce or reward improper conduct. "Kickback" is another term for bribery. Bribery can arise in both the public and the private sphere.

Any commissions payable to agents in the private sector must be transparent and disclosed to both principal and agent and subject to audit.

Bribery can take place directly or indirectly (e.g. through a Third Party). It can take many forms and can be difficult to distinguish from legitimate business.

Bribery is a crime. The Company's officers, directors, employees and members should not engage in any form of bribery. Except as otherwise permitted under applicable law and Sierra Metals policy, no payment, may be made, promised or offered to any person, whether a Government Official or a private person. Whenever you are asked to approve or make a payment, you should ensure that you fully understand the reason for the payment and that the payment is legitimate. If in doubt, do not make or agree to the payment and contact the Chief Compliance Officer (the "CCO") for guidance. The name and contact information of the Company's current CCO is set out at the end of this Anti-Bribery Policy.

### **THIRD PARTIES**

Most anti-bribery laws impose liability on companies which become involved in direct or indirect bribery. This means that the Company may incur liability where a Third Party (engaged to represent or provide a service to Sierra Metals) makes or receives an improper payment or otherwise engages in improper conduct in the course of their work on the Company's behalf. This exposure may arise notwithstanding that the payment or conduct in question is prohibited by the Company and/or if the Company had knowledge of this payment and did not take all reasonable steps to stop the payment from occurring. Under Canadian law, the taking of all reasonable steps by the Company to perform adequate due diligence with respect to Third Parties is essential.

The Company must ensure that the risks associated with all Third Parties it engages with are identified and assessed, and that appropriate due diligence is undertaken where necessary. Professional integrity is a prerequisite for the selection and retention of Third Parties.

Schedule A to this Anti-Bribery Policy identifies a non-exhaustive list of "red flags", the existence of one or more of which could be sufficient to alert the Company to the likelihood of improper conduct by a Third Party. If one or more of these factors exists, or if there is other cause for suspicion of a prospective or existing business relationship, obtain advice from the CCO before proceeding further with the relationship.

### **ACCOUNTING STANDARDS AND RECORD KEEPING**

Under the Canadian Extractive Sector Transparency Measures Act ("ESTMA") and other transparency initiatives, any and all payments to Government Entities and Government Officials are subject to possible disclosure and therefore careful record keeping must be performed.

The Company must make and keep books, records and accounts that accurately, fairly and in reasonable detail reflect all payments, expenses, transactions and disposition of the Company's assets. The Company must maintain an adequate system of internal accounting controls.

All transactions must be recorded completely and accurately so that the purpose and amount of any such payment is clear. No undisclosed or unrecorded funds or assets of the Company should be established for any purpose. False, misleading or artificial entries should never be made in the Company's books or records for any reason.

The Company's personnel and agents shall have the proper authorizations in accordance with the Company's internal controls for each business transaction or payment made by the Company.

## **FACILITATION PAYMENTS**

The CFPOA prohibits the making of Facilitation Payments. “**Facilitation Payments**” are payments made to secure, facilitate or expedite routine, non-discretionary government actions (e.g., payments for speeding up customs clearance, loading and unloading cargo, scheduling government inspections, or issuing government licenses or port documentation). They may also be referred to as “speed” or “grease” payments.

The Company **prohibits** its personnel from making **any** Facilitation Payments. Company personnel who are requested to make a Facilitation Payment in the context of the Company’s business must report this to the CCO **immediately**.

## **GIFTS AND HOSPITALITY**

Though hospitality is recognized as an appropriate way of developing business relationships and promoting the Company, it must be ensured that the offering and receipt of hospitality does not give rise to even an appearance of impropriety. Particular vigilance must be exercised where hospitality is extended to Government Officials.

All such hospitality and gifts must (i) be permitted under local law and conform to generally accepted local customs; (ii) have a clear business purpose which is directly related to the Company’s objectives; (iii) be reasonable in amount and bona fide; and (iv) be offered only in connection with the promotion, demonstration, or explanation of the Company’s products or services or the execution or performance of a contract. Gifts may not in any case be in the form of cash or cash equivalents.

## **CHARITABLE, POLITICAL AND SOCIAL DONATIONS**

Monetary and other contributions to charities, social projects and funds, including schools, educational funds and infrastructure projects, should be handled with caution because they can be conduits for corrupt payments. In order to minimize this risk, the Company requires that an appropriate investigation be conducted into such charities and projects prior to the approval of any charitable contributions. Any such contributions require the prior review and approval of the CCO and must otherwise be made in accordance with the Company’s policies and procedures. In no event shall any charitable donations be made for the purpose of gaining any improper business advantage.

If Government Officials or private sector officials make a request for a charitable donation to be made in conjunction with the awarding of a new contract, this is a red flag that should be referred to the CCO for review.

It is not the Company’s practice to make contributions to political parties. Any such contributions require the prior review and approval of the CCO and must otherwise be made in accordance with the Company’s policies and procedures.

## **ANTI-MONEY LAUNDERING**

Money laundering is the process by which one conceals the existence of an illegal source of income and then disguises that income to make it appear legitimate. Use by the Company of proceeds tainted by illegality can give rise to liability in the countries in which the Company operates. Employees should contact the CCO if they are aware of suspicious circumstances leading them to believe that any transaction might involve the payment or the receipt of proceeds of any unlawful activity.

## **TRAINING AND MONITORING**

In furtherance of the Company’s commitment to compliance with the law, this Anti-Bribery Policy is communicated to all of Sierra Metals’ directors, officers, contractors, employees, (including as part of the induction process for new employees). This Anti Bribery Policy is available on the Company’s website. Upon request, employees, directors and senior officers of the Company may be required to complete and

sign an Acknowledgment Statement (in the form attached hereto as Schedule B), confirming that they fully understand and have committed to complying with this Anti-Bribery Policy.

The Company will conduct regular anti-bribery and anti-corruption training, as well as specialized training for all Sierra Metals' personnel, directors and/or officers with significant compliance responsibilities or those performing high-risk functions. The Company will also provide training on this Anti-Bribery Policy to specific agents and contractors in accordance with a risk management matrix that identifies the level of training required.

The Company will periodically audit and monitor compliance with this Anti-Bribery Policy. The level of auditing and monitoring will be determined by the following matrix:

Legal audit levels and priorities		Potential Gravity of Harm				
		Level 1 (Low)	Level 2	Level 3	Level 4	Level 5 (High)
Likelihood of Compliance (compliance history/willingness and capacity to comply)	Category A (High)	Compliance training				
	Category B		Legal review of financial and compliance audits			
	Category C			Legal audit of due diligence systems		
	Category D				Internal investigation Immediate and Comprehensive Rectification	
	Category E (Low)					Self-reporting to Regulator: negotiating immunity or leniency

### CONSEQUENCES OF VIOLATIONS

The consequences of violating applicable anti-bribery laws are potentially very serious for the Company and its individual employees. The Company will vigorously enforce compliance with this Anti-Bribery Policy. Violation may subject directors, senior officers and employees to disciplinary action, including in serious cases termination of employment and/or director disqualification. Violations may also result in criminal and civil exposure for the Company and any individuals involved, including imprisonment, fines and damages actions, and can cause significant damage to the Company's reputation in the market place.

Third Parties will be provided with a copy of this Anti-Bribery Policy and will be expected to comply with it. The Company will vigorously enforce its compliance. Violation of this Anti-Bribery Policy may subject Third Parties to termination of the Third Party contract and if there is any breach of applicable anti-bribery laws, the contract will be terminated immediately.

## **REPORTING VIOLATIONS**

If you become aware of possible bribery or related record-keeping issues, you should immediately notify your supervisor or the CCO. In addition, please raise questions or uncertainty regarding compliance with anti-bribery laws with the CCO.

This Anti-Bribery Policy has been re-approved by the Board of Directors of Sierra Metals Inc. this 8<sup>th</sup> day of November, 2018.

### **Current Chief Compliance Officer (“CCO”):**

Ed Guimaraes, Chief Financial Officer of Sierra Metals Inc.

Phone: 1 (416) 366-7777

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## SCHEDULE A

### “RED FLAGS”

The following is a non-exhaustive list of factors that may indicate a risk of bribery and/or circumstances which could place a reasonable person on notice that illegal or improper conduct has or may occur. If you learn of or suspect the existence of any of these factors while negotiating, conducting due diligence or working with a Third Party, you should immediately bring the matter to the attention of the CCO.

#### a) Financial Irregularities

- The Third Party requests remuneration (including commission or fees) that is excessive in light of the services provided or the country of operation.
- The Third Party requests unusual payment terms, such as payment in cash, payment upfront, or payment to a bank account not in the Third Party representative's name or the country in which it operates.
- The Third Party makes statements that give rise to suspicion, such as the remuneration level or payment arrangements are necessary to "get the business" or "make the necessary arrangements".
- The Third Party appears to be in financial difficulties or has a history of insolvency.
- The Third Party does not keep proper books and records.

#### b) Legal / Structural Concerns

- The Third Party was terminated by another company without an adequate explanation.
- The Third Party previously requested another company to prepare false invoices or others types of false documentation.
- The Third Party has been convicted of or charged with violations of local or foreign laws related to the award of government contracts.
- The Third Party acts through a complex corporate structure that may be used to hide its identity, such as an offshore company, without any other apparent justification.
- The Third Party requests that the Company prepare false invoices or otherwise falsify documentation.
- The Third Party refuses to provide information requested by the Company for the purposes of its due diligence (e.g., into the ownership, personnel or business of the Third Party) or to respond adequately to other due diligence inquiries made by the Company.
- The Third Party refuses to sign warranties and representations relating to compliance with anti-bribery laws.
- The Third Party is located/based in a country different from where the services are performed.
- The Third Party has not historically worked in the area that it now purports to have expertise.

**c) Third Party Relationship**

- The Third Party provides no obvious service.
- The reasons for the appointment of the Third Party are vague.
- The Third Party lacks the necessary skills or experience to provide the services.
- The Third Party has had business problems with other foreign companies.
- The Third Party desires to keep the representation secret.
- The Third Party refuses or is unable to develop or implement a market development program.

**d) Links with Customers**

- The Third Party has ownership or management connections with the customer.
- The customer or other decision maker recommends or requires that the Company use the Third Party.

**e) Government-related**

- The Third Party is related to a Government Official in the country where the services are to be provided.
- The Third Party is owned in whole or in part by a Government Official or Government.
- The Third Party relies heavily on political/government contacts as opposed to knowledgeable staff and investment of time to promote the Company's interests.
- A Government Official or government department involved in the relationship has a reputation for corruption.

## SCHEDULE B

### RECEIPT AND ACKNOWLEDGEMENT

1. I acknowledge that I have received my personal copy of Sierra Metals' *Anti-Bribery and Anti-Corruption Policy*. I understand that I am responsible for knowing, understanding, and adhering to the standards and requirements of the Policy and that a violation may constitute a disciplinary offence and may also result in prosecution. I understand that I must report, without delay, any suspected breach of this Policy and that if in doubt I should seek guidance on the Policy.
2. In connection with any matters undertaken on behalf of Sierra Metals or in connection with Sierra Metals' business, I will not take any action in violation of anti-bribery laws. I will not accept or solicit any bribes and will not pay, offer, promise, or authorize the payment of money or anything of value, directly or indirectly, to any Government Official<sup>1</sup> or any other person in order to obtain or retain business or an advantage in the conduct of business; or to induce or reward improper conduct.

Signature

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Print Name

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Date

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<sup>1</sup> "**Government Official**" includes any: (a) officer, employee, representative or any other person acting in an official capacity on behalf of a government or any department, agency, or body thereof; (b) legislative, administrative, or judicial official; (c) candidate for political office or an official of a political party; (d) official of a supra-national or international organization; or (e) employee or officer of a state-owned or controlled enterprise.