



## **Policy on Business Conduct Tenigal**

## Introduction

This Policy on Business Conduct (the “Policy”) sets forth principles and procedures designed to ensure that Tenigal (“Tenigal” or the “Company”) complies with the requirements of the Tenigal Code of Conduct and various national laws prohibiting corruption which, in some cases, also criminalize bribery taking place outside their territories.

Tenigal expects its directors, officers and employees, its subsidiaries’ and Associated Persons’ directors, officers and employees, and any other person or entity representing the Company or its subsidiaries to conduct themselves properly in all business-related dealings with governmental agencies or entities, companies, or other governmental entities, and their respective officers, employees or other representatives. Tenigal will not authorize, participate in, or tolerate any business practice that does not comply with, or violates the intent of this Policy.

*Violation of this Policy can result in criminal penalties against Tenigal, large fines against, and imprisonment of, the responsible individuals, and Tenigal or its subsidiaries being barred from doing business with the State and other public entities. In addition, failure of employees and Associated Persons to comply with this Policy will be grounds for termination or other disciplinary action.*

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## 1. Definitions

- 1.1. **"ICBCO"** means Internal Control and Business Conduct Compliance Officer of Ternium.
- 1.2. **"Director"** means any Tenigal Executive Director, Chief Executive Officer, Regional Manager, Area Manager, Business Unit Director, Sub-Business Unit Manager or Director, Country Manager, Profit Center Director or Division Director.
- 1.3. **"Public Official"** means (A) any officer or employee, or any person, whether elected or appointed, who holds a legislative, administrative or judicial position or who represents or acts on behalf of any state, government, or public international organization (for example the World Bank or the United Nations), any division, department, ministry, agency, or instrumentality (including corporations or other entities owned, controlled or operated for the benefit) of such governmental authority, or (B) any political party, party official or candidate for public office.
  - a. Corporations or similar entities "controlled" by a state or government shall include any entity, regardless of its legal form, over which a state or government may, directly or indirectly, exercise a dominant influence. This is deemed to be the case, among others, when the state or government holds the majority of the entity's subscribed capital, controls the majority of votes attaching to securities issued by the entity or can appoint a majority of the members of the entity's administrative or managerial body or supervisory board.
  - b. "Public Official" also includes a child, spouse, parent or sibling of a Public Official. Whenever "Public Official" is used in this Policy, it should be understood as to include all of the above, and to include officials in any country where Tenigal does business or is represented.
- 1.4. **"Things of Value"** include, but are not limited to, any gratification, favor (such as, for example, the granting of permission to use vehicles or facilities), cash or cash equivalents, gifts, travel, lodging, meals, entertainment, kickbacks, loans, rewards, the provision of facilities or services at less than full cost, employment or retention of services and any other advantage or benefit of any kind (whether constituting, or derived from, corporate funds or assets, or personal or third-party funds or assets).
- 1.5. **"Associated Persons"** means all individuals or companies, which perform services, regardless the title, **that represent or act on behalf of Tenigal or a Controlled Subsidiary**, such as commercial intermediaries, non-commercial representatives, or joint ventures.

- 1.6. **“Controlled Subsidiary”** means any entity in which Tenigal owns, directly or indirectly, more than 50% of the voting stock or otherwise exercises control. For purposes of this Policy, the term “control” (and the verb “controls”) means the possession, direct or indirect, of the power to direct or cause the direction of, the affairs, management or policies of an entity (as used in this Policy, the verb “controls” has a meaning correlative to the foregoing).
- 1.7. **“Screening Source”** means a sanctions world-wide database approved by the ICBCO and retained by Tenigal to do on-line, searching and screening aimed at determining whether individuals or entities have been identified as being, or having been subject to proceedings, sanctions or prohibitions by governmental agencies in relevant jurisdictions.

## 2. Persons to whom this Policy applies

This Policy applies to:

- a. Tenigal,
- b. All Controlled Subsidiaries, except those subsidiaries with third party participation which have adopted similar policies;
- c. All directors, officers and employees of each of Tenigal and such Controlled Subsidiaries;
- d. All Associated Persons and all their respective officers, directors, managers and employees; and
- e. Any joint ventures which Tenigal controls and all officers, directors, managers and employees of any such joint venture.

*Every joint venture which Tenigal controls should adopt a policy on business conduct aligned with this Policy. Where Tenigal participates in, but does not control, a joint venture or a legal entity, it will encourage such joint venture or legal entity to meet the requirements of this Policy.*

Associated Persons shall be required to agree to undertake any representation or action on behalf of Tenigal or the relevant Controlled Subsidiary, in a manner consistent with this Policy, by inclusion in their respective contracts of language substantially in the form set forth in Schedule A or such other language as may be contemplated in the applicable Tenigal procedure, policy or standard. As set out in more detail in Section 7.1, managers should make certain that the selection of Associated Persons includes a review of their background and credentials, political exposure and careful considerations of their proposed activities, particularly when any “red flags” listed in Section 7.2 are present.

## 3. Persons responsible for implementation of this Policy

This Policy has been reviewed and approved by the Board of Managers of Tenigal (the “Board”) and includes the cooperation for its implementation of various company officers of Ternium S.A. or from certain subsidiaries of it (Ternium S.A. and its subsidiaries, hereinafter “Ternium”), such as Ternium Mexico S.A. de C.V. (shareholder of Tenigal), who have agreed to provide such assistance.

The Internal Audit Department of Ternium (the “Internal Audit Department”) is responsible for monitoring compliance with this Policy. The Board of Managers of Tenigal may request a periodic management report on that responsibility.

### 3.1. Management responsibilities

**The Chief Executive Officer of Tenigal (“CEO”) has primary responsibility for the administration and implementation of this Policy and for ensuring that Tenigal and its Controlled Subsidiaries conduct business in accordance with it.**

The CEO and Directors shall communicate the strong support of senior management for this Policy and shall endeavor to foster a strong “culture of compliance”.

In addition, the following Ternium’s Officers shall cooperate in implementing this policy, as detailed below (for which they may request the cooperation of some Officers and employees of Tenigal and its Subsidiaries when deem it necessary):

- its ICBCO, who will collaborate with the CEO in (i) communicating this Policy, and any amendments thereto, to all persons subject to it, (ii) establishing, updating, designing, and supervising Tenigal’s business conduct compliance program, including training of all persons subject to this Policy in accordance with Section 8.2, (iii) providing consultation, guidance and advice with respect hereto; (iv) exercising risk prevention activities, verifications or monitoring; (v) with the assistance of the Internal Audit Department, investigate, in accordance with Section 9 possible violations of this Policy brought to the CEO and/or ICBCO’s attention; (vi) reporting to the CEO and the Board of Managers of Tenigal regarding compliance with this Policy, and (vii) exercise all other functions and responsibilities recognized in this Policy.
- its Chief Financial Officer (CFO) who will have the primary responsibility for this Policy as it relates to financial controls and accounting.
- Ternium Legal Services, that will provide legal advice and assistance regarding this Policy.

**In keeping with these responsibilities, Tenigal will maintain a system of internal controls and make and keep books and records that accurately and fairly reflect transactions.**

*Every person subject to this Policy is charged with knowledge of this Policy and is responsible for conducting himself or herself in accordance herewith, and for doing all things reasonably necessary to cause all persons he or she supervises to conduct themselves in accordance herewith.*

## 4. Compliance with Law

As stated in the Tenigal Code of Conduct, all persons subject to this Policy shall comply with all applicable laws, regulations and rules. This Policy has been designed so that compliance with this Policy will result in compliance with the relevant anti-bribery statutes in the various countries where Tenigal or its Controlled Subsidiaries and Associated Persons operate or do business or to which it or they may be subject.

However, all persons subject to this Policy are required also to comply with all local laws in the jurisdictions where they are conducting business, and in the case of any proposed expenditure or transaction should take advice from the ICBCO to assure that such expenditures or transactions also comply with all applicable local laws.

## 5. Giving or receiving payment for improper conduct is prohibited

Except as permitted in Section 6, no person subject to this Policy shall propose, offer, promise, pay, or deliver or authorize any other person to propose, offer, promise, pay, or deliver, directly or indirectly, any Thing of Value to any Public Official in order to induce such Public Official to perform or incur in an improper conduct.

No person subject to this Policy shall request, accept, or agree to accept, directly or indirectly, any Thing of Value from any Public Official, for the purpose of performing, directly or through a third party, an improper conduct.

Things of Value should not be offered or provided to a Public Official for the purpose of:

- a. influencing an act or decision by such Public Official (or as consideration therefore);
- b. inducing such Public Official to do or omit to do any act;
- c. inducing such Public Official to use his or her influence to affect or influence, for the benefit of Tenigal or any of its Controlled Subsidiaries, any act, decision or resolution; or
- d. securing any other improper advantage;

in each case in order to (i) obtain (whether from such Public Official, his/her employer or any other person or entity) a contract or other business, (ii) direct a contract or other business to any person or entity, (iii) retain business, or (iv) obtain or retain any advantage in the course of business.

Any such offers, gifts, payments, promises, agreements and authorizations made indirectly through a Public Official are also prohibited.

Any Things of Value provided by a person subject to this Policy to a person other than a Public Official, are also prohibited if such person subject to this Policy knows that the Thing of Value is for the benefit of a Public Official. A person subject to this Policy will be deemed to “know” that the Thing of Value is for the benefit of a Public Official if he or she has acted with conscious disregard or avoidance of warning signs or grounds for suspicion, or with deliberate ignorance (meaning a failure to conduct reasonable inquiry and diligence in the circumstances). A payment to a known relative<sup>1</sup> or known close friend of a Public Official shall raise a rebuttable presumption that the payment is for the benefit of the Public Official, and is thus prohibited under this Policy, unless reasonable inquiry and due diligence ascertain that the payment will not be for the benefit of the Designated Person.

*No employee or Associated Person will suffer demotion, sanction, termination or any other adverse consequence for refusing to make a prohibited payment, even if such refusal results in a loss of business or other adverse consequence to the business of Tenigal or its Controlled Subsidiaries.*

## **5.1. No Facilitating Payments**

This Policy does not allow “facilitating payments,” or payments to Public Officials intended to expedite or secure performance of a routine administrative action from the Public Officials who ordinarily perform such actions.

## **5.2. No Cash Payments**

Unless previously approved in writing by the CEO and ICBCO , (a) no payments for services or goods to any third party shall be made in physical cash other than documented petty cash<sup>2</sup> disbursements and the permitted payments under the Charitable Contributions Authorization Manual; (b) no corporate checks shall be written to “cash,” “bearer” or third party designees of the party entitled to payment (only checks payable to the party entitled to payment and assuring that it is non-endorsable in accordance with the applicable laws of each country are admitted); and (c) no payments should be made to bank accounts held in a name other than the name of the party to which the payment is owed (except that the beneficiary of the payment right assigned the credit under the documentation required under the laws of each country).

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<sup>1</sup> This applies to relatives of Public Officials other than children, spouses, parents or siblings. A child, spouse, parent or sibling of a Public Official is to be treated as a Public Official himself or herself under the Policy.

<sup>2</sup> The use of petty cash funds should be minimized and applied exclusively to cover minor expenses of each department or expenses that must be paid in cash because of their particular nature. In any event, all payments of minor expenses through the use of petty cash should met this Policy and the applicable procedures for Petty Cash Fund Administration.



**Examples of purposes for which payments to Public Officials are prohibited include (but are not limited to):**

- a. obtaining a needed permit or approval (except as provided below under “Permissible Payments”);
- b. obtaining, renewing or amending any license;
- c. obtaining the vote or approval of a government representative;
- d. winning a bid;
- e. having a contract approved or signed;
- f. having a tax or other fine, claim or proceeding withdrawn, compromised or settled;
- g. obtaining confidential information; and
- h. obtaining the vote, approval or cooperation of a Public Official to promote Tenigal or any Controlled Subsidiary.

## 6. Permissible Expenditures

Despite the general prohibitions described above, certain expenditures related to Public Officials are permissible. However, such expenditures are to be made with the prior written approval of the CEO of Tenigal. In extending such approval, the CEO may rely on the opinion of the ICBCO but in any event, the decision making will be made by the CEO of Tenigal.

The Board of Managers has the authority to issue regulations concerning this matter.

Permissible expenditures under this Policy include:

### 6.1. Reasonable and bona fide expenditures or reimbursements

This Policy does not prohibit the payment of or reimbursement for reasonable and bona fide expenditures, such as work travel and lodging expenses incurred by or on behalf of a Public Official<sup>3</sup> (including employees, consultants and inspectors of, or designated by any Public Official) provided that (i) such expenses were directly related to legitimate business purposes such as the promotion, exhibition or explanation of products or services or meetings for the negotiation, signature or performance of contracts with a governmental entity and (ii) the payment or reimbursement by businesses for such expenses is widely accepted, customarily practiced and permissible under local law.

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<sup>3</sup> For example, if Tenigal or any Controlled Subsidiary were negotiating an agreement and meetings were being held outside of the relevant country, the persons subject to this Policy could organize and pay for reasonable travel, hotel and food costs, provided that (i) there is a legitimate business purpose for holding the meetings outside of the relevant country; (ii) it is legal under local law for Public Officials to have such costs paid by a company with which the entity to which the Public Official belong to is negotiating, (iii) the costs are reasonable and not excessive, and (iv) such payment does not violate internal policies and procedures of the Public Official with which the agreement is being negotiated. In any case, the persons subject to this Policy shall not, for example, pay for a vacation by such Public Official, whether as part of such a trip or not, or pay for purchases of personal items by such Public Official while on such a trip.

Such payment or reimbursement should preferably be made pursuant to an agreement with the relevant entity to do so, or if not, should be disclosed to the Public Official's employer. The persons subject to this Policy should never agree to a request to keep such payments or reimbursements confidential.

Expenses incurred for spouses and family members should not be paid or reimbursed, except in exceptional situations or emergencies after prior consent of the CEO or in accordance with approved procedures or rules by the Board of Managers.

To the extent possible, direct payments to a Public Official for such expenses should be avoided. Where reimbursements are unavoidable, the Public Official should only be reimbursed upon receipt of appropriate invoices or receipts. If the expense has been incurred by the Public Official's employer, the employer and not the Public Official should be reimbursed.

Determination of the reasonableness of bona fide expenditures shall be made taking into account internal policies and industry practice and standards. While different thresholds are acceptable, expenditures offered to Public Officials must always be incurred in good faith, reasonable in amount, lawful, proportionate, transparent and consistent with the policies or regulations of the entity that the Public Official represents or works for.

### **6.1.1. Payment or reimbursement for government or private company consultants or advisors**

It is proper for Tenigal or its Controlled Subsidiaries to agree, as part of an arm's-length legal business arrangement or contract negotiation, to pay, or reimburse a government or a private company for, the cost of technical consultants or other advisors. However, particular care must be taken to assure that no part of any such payment or reimbursement is being applied to make any improper payment. This requires, without limitation, the making by any such consultant or advisor of representations and agreements regarding compliance with applicable law and the absence of any improper payment, substantially in the form of Schedule A. In each case, the CEO must be informed in advance of entering into any contract to make any such payment or reimbursement and consulted with respect to what additional procedures, if any, are required under the circumstances. The CEO shall be consulted again prior to committing or making of any such payment and shall specify procedures required under the circumstances, including, for example, inquiries into the registered and beneficial ownership of any bank accounts to which payments are proposed to be made.

## **6.2. Payments required or permitted by Local Law**

An otherwise prohibited expenditure may be permissible if it is required or explicitly permitted under the written laws and regulations of the relevant country (and, where applicable, the rules of the relevant political party or international organization).

Such kind of expenditures can be made (or offered, promised, agreed or authorized) only if the CEO has, following receipt of local law advice satisfactory to him or her, confirmed that he or she agrees that such payment is required or permitted by local law and that the payment has been approved in accordance with applicable internal controls.

## **6.3. Political contributions**

In certain countries, political contributions are lawful and expected as a matter of good corporate citizenship. Tenigal and its Controlled Subsidiaries may make political contributions in countries in which they conduct business activities, provided that such contributions are not unlawful, conform to local practice, are appropriate in amount, and are properly recorded in accounting records. The appropriateness of the amount of any contribution shall be determined with reference to accepted business practices in the relevant country, and by reference to the amounts commonly contributed by other corporations of similar size.

Use of funds or assets of Tenigal or any Controlled Subsidiary to make political contributions, directly or indirectly, must be approved in advance and in writing by the Board of Managers and then formalized by the CEO.

## **6.4. Charitable Contributions**

Tenigal or the Controlled Subsidiaries are regularly solicited for charitable contributions in countries in which they operate. As part of their commitment to good corporate citizenship and sustainable development, executives of Tenigal and its Controlled Subsidiaries are authorized in certain circumstances to make such contributions. These contributions may take the form of goods or services, technical assistance or training, or financial support. However, particular care must be taken to assure that the recipient charity is a bona fide charity, regulated and supervised as such in the jurisdiction, and that they have no reason to believe that the charity itself may be operated directly or indirectly for the private benefit of any Public Official.

If any Public Official is a director or officer of the charity, or is otherwise closely associated with the charity, the CEO shall be informed, and shall advise the responsible executive what inquiries or other procedures shall be required in order to obtain a high level of assurance that the contribution will not be used to make a prohibited payment. The Board of Managers has the authority to issue regulations on charitable contributions in the form of internal procedures, standards or authorization manuals.

## 6.5. Possibility of consultation with regulators

In case of uncertainty about the legality of certain payments, the CEO and the ICBCO may decide to request a statement from the competent authorities regarding the proposed business conduct.

## 7. Diligence required when hiring employees or engaging other Associated Persons

### 7.1. Guidelines for engaging employees and Associated Persons

Strict compliance with Tenigal policies, procedures and standards is required when selecting any employee or an Associated Person. For these purposes, the following factors should be taken into consideration:

- a. Employ and deal with only qualified individuals or firms by identifying candidates' qualifications and legitimate business reasons for choosing an employee or an Associated Person, interviewing and meeting such employee or Associated Person and reasonably investigating the reputation, credentials and experience of such employee or Associated Person. The key stages of the due diligence investigation should be documented.
- b. Ensure that compensation is reasonable in light of the services to be rendered by such employee or Associated Person
- c. Obtain appropriate internal approvals for activities and transactions.
- d. Always keep in mind that Tenigal, the Controlled Subsidiaries and their respective directors, officers and employees may, in some circumstances, be held responsible for actions of employees or Associated Persons.
- e. Ensure that all employee or Associated Person representing or acting on behalf of Tenigal or the Controlled Subsidiaries understands and agrees to comply with the principles and procedures of this Policy.
- f. Review information collected taking into consideration the red flags.
- g. As a general rule, and unless an exceptional waiver from the Board of Managers is sought and is obtained, the candidate should not be (i) a Public Official who has (or had in the 12-month period immediately preceding retention) exercised any authority or influence over the activities, business, operations, petitions or transactions of had business-related dealings or interactions with Tenigal or any of its Controlled Subsidiaries, including the Public Official to whom such first Public Official (whose retention is intended) reports or reported; or (ii) a physical person who has been employed by or has performed services exercising some authority or influence over the activities, business, operations, requests or transactions of Tenigal or any of its Controlled Subsidiaries, within the 12-month period immediately preceding retention.

When entering into agreements with commercial intermediaries or other representatives that are likely to result in contact with Tenigal's or any of its Controlled Subsidiaries' clients, compliance with certain applicable standards of Tenigal is required, to be defined by the CEO.

**Agreements to be entered into with Associated Persons must meet the requirements imposed by the applicable Tenigal policies and procedures or other recommendations made by the Board of Managers, the CEO and/or Ternium Legal Services.**

## 7.2. Red Flags

Employees responsible for engaging or supervising Associated Persons should be alert to the following red flags, and seek the assistance of counsel and management in resolving any doubts before proceeding or continuing with the transactions or activities to which the concerns relate, and document the investigation or due diligence conducted, and the resolution of concerns. Such red flags must also be considered, *mutatis mutandis*, when engaging prospective employees.

## Red Flags

- a. Unusual payment requests (for example, payments are requested to be made in countries other than where services are rendered, or payments are requested to be made to a person that is not the Associated Person, or payments requested to be made other than by bank transfer or in another concealed fashion).
- b. Abnormal commissions or unusually high fees are requested or payment of a commission is requested before the activity which entitles the payment of such commission is performed.
- c. An employee or any person related to the Associated Person has influence over the decision-making process.
- d. An employee or any person related to the Associated Person has a family or other relationship that could improperly influence the decision-making process (e.g. an apparent affiliation or close relationship with a Public Official).
- e. Unfavorable reference checks.
- f. Request to keep the agreement with the Associated Person secret.
- g. Request to record payments inaccurately (for example, as "referral fees", "rewards", "special project discount" and the like)
- h. Past accusations or instances of improper business practices involving the Associated Person.
- i. The Associated Person has a reputation for bribery or kickbacks.
- j. Specific recommendation of the Associated Person by a Public Official.
- k. The Associated Person suggests that it has or can make "special arrangements" with regards to the decision-making or action process at issue.
- l. An employee or any person related to the Associated Person suggests that bids or other requests or applications be made through a specific individual, firm or other specific entity different from the usual or normal channel.
- m. The Associated Person is reluctant to provide information requested in connection with Tenigal's standards, procedures and policies.
- n. An intermediary, other than the Associated Person engaged in accordance with Tenigal's standards, procedures and policies, is involved for no apparent reason.
- o. The Associated Person is unwilling or reluctant to sign a contract or make any of the representations required by Tenigal's policies, procedures and standards.
- p. Upon a verification performed through a Screening Source as required by the Tenigal's policies or the procedure applicable for the retention of the Associated Person, the name of the Associated Person and/or the name of one or more of its directors, employees, contact persons, shareholders, owners or beneficial owners or affiliates matches with any name identified by the Screening Source as being or having been subject to investigation, proceedings, sanctions or prohibitions by governmental entities.
- q. Any information provided by a candidate to become an Associated Person or obtained by Tenigal by any other means, reveals any family or close relationship with a Public Official.

Whenever the Associated Person will operate in a country or territory with substantial levels of corruption (to be determined by reference to a country list obtained from a reliable source, such source approved by the CEO with the opinion of the ICBCO), or whenever indicated by the CEO or by the manager proposing the retention with the opinion of the ICBCO, the potential Associated Person must be checked through the Screening Source.

Whenever a red flag has been identified, prior to concluding the investigation thereof and/or prior to entering into any agreement with the selected Associated Person and/or during the performance of an existing agreement, the proposing manager should contact the CEO for final analysis and resolution.

## 8. Compliance and training

### 8.1. Consequence of Failure to Comply

Failure to comply with this Policy will be grounds for termination or other disciplinary action. Tenigal or the relevant Controlled Subsidiary will terminate contracts with employees and Associated Persons who are unwilling or reluctant to represent Tenigal or the relevant Controlled Subsidiary in a manner consistent with Tenigal's policies, procedures and standards.

### 8.2. Training

Tenigal and each Controlled Subsidiary shall conduct training of officers, directors, managers, employees and, when necessary, Associated Persons reasonably designed to inform them of this Policy and/or relevant legislation, assist them in understanding how this Policy would apply to situations and fact-patterns applicable to them and to instruct them on how to deal with situations in which conduct prohibited by this Policy may be solicited or encountered.

The CEO and the ICBCO shall identify (by job classification, business unit and/or location) those officers and employees who shall receive such training and determine, for each job classification, business unit, or location when such training shall occur, as well as disseminate, collect, and maintain completed periodic certifications in the form to be defined by the ICBCO.

### 8.3. Questions and compliance assistance

If you have questions regarding compliance with this Policy, or you require assistance in complying with this Policy, seek counsel from any person designated by the manager and the ICBCO for such purpose.

The ICBCO shall be available to give advice on compliance with the principles and procedures outlined above.

**The key to compliance is consultation. When in doubt, consult. Do not make difficult judgment calls alone.**

## 9. Dealing with suspected violations

### 9.1. Reporting and complaints

All employees of Tenigal or the Controlled Subsidiaries shall report violations of this Policy of which they become aware. The report must be submitted in accordance with, and subject to the protections afforded by Tenigal's whistleblower policy contained in the "Reporting Violations" section of the Tenigal Code of Conduct. Neither Tenigal nor any Controlled Subsidiary will discharge, demote, suspend, threaten, harass or in any manner discriminate against any employee in the terms and conditions of employment based upon any lawful actions of such employee with respect to good faith reporting of concerns regarding compliance with this Policy.

Employees should address information on possible violations of this Policy (a) to their respective direct supervisor, or (b) directly to the CEO and the ICBCO, or (c) directly to the Internal Audit Department, or (d) using the Compliance Line described in the "Reporting Violations" section of the Tenigal Code of Conduct. All complaints or concerns received by persons other than the ICBCO shall promptly be reported in writing to the ICBCO and to the Internal Audit Department. Such persons and Department shall keep proper records of all reports and complaints received, regardless of whether formal investigations are initiated.



## 9.2. Internal investigation

The ICBCO, assisted by the Internal Audit Department and Ternium Legal Services, shall take swift action to investigate all allegations or suspicions of violations of this Policy. The ICBCO shall be provided with all resources reasonably necessary for such investigation.

Promptly following the receipt of a complaint or report of an alleged violation of this Policy, the ICBCO, with the assistance of the Internal Audit Department and Ternium Legal Services, shall complete his or her evaluation and reach a conclusion as to whether or not a violation of this Policy has occurred. The ICBCO shall notify its conclusions to the officer to whom the investigated person reports for it to adopt proper remedies. The ICBCO shall also report its findings to the CEO and, whenever the circumstances warrant, to the Board of Managers of Tenigal.

## 9.3. Avoidance of recurrence

Following any discovered violation of this Policy, the ICBCO with the assistance of Ternium Legal Services shall review the Tenigal Code of Conduct, this Policy and all related compliance practices and procedures with a view to identifying changes that are necessary or desirable to avoid a recurrence of such, or a similar, violation. Any such changes must be approved by the Board of Managers. Such review, and the ICBCO's recommendations, shall be submitted for review and action to CEO.

## 9.4. Discipline and Remediation

Subject to and in accordance with applicable laws, whenever a breach of this Policy occurs, and depending on the seriousness of such breach, one or more of the following remedies may be applied:

- a. Verbal warning (minor breaches);
- b. Formal warning in writing, which can affect later decisions regarding promotion;
- c. Professional adjustments, including transfer to another position;
- d. Denial or reduction of performance-based compensation;
- e. Suspension;
- f. Employment dismissal or termination; or
- g. Other appropriate remedies to the case or circumstances as may be defined by the CEO and ICBCO.

## 10. Validity

This revised version of the Policy on Business Conduct Tenigal was approved by the Board of Managers of Tenigal on November 5, 2014, and replaces in its entirety the Policy in force since November 13, 2012.

## Schedule A

### Provisions applicable to agreements with government or private consultants or advisors<sup>4</sup>

1. [Consultant] shall not, and shall use all reasonable efforts to cause its subsidiaries, directors, officers, agents, subcontractors or employees (“Personnel”) not to:
  - a. in performing its obligations under this contract, give or pay, or offer, promise or agree to give or pay, or authorize the giving or payment, directly or indirectly, of money or anything of value or any advantage to any Public Official, for purpose of:
    - i. influencing an act or decision by such Public Official;
    - ii. inducing such Public Official to do or omit to do any act,
    - iii. inducing such Public Official to use his or her influence to affect or influence, for the benefit of [Tenigal party], any act, decision or resolution, or
    - iv. securing any other improper advantage,in each case in order to (i) obtain (whether from such Public Official (as defined in section 2 of the present document), his/her employer or any other person or entity) a contract or other business, (ii) direct a contract or other business to any person or entity, (iii) retain business, or (iv) retain or obtain any advantage in the course of business.
  - b. give or pay, offer, promise or agree to give or pay, or authorize the giving or payment, directly or indirectly, of (i) all or any part of the fee, reimbursements, expenses or other funds paid or payable to [Consultant] hereunder, to any such Public Official, for any reason whatsoever, or (ii) anything of value or any advantage to any such Public Official as a kick-back, bribe, commission or any payment of any kind.
  - c. in performing obligations, accept or agree to accept, or authorize the acceptance of payment, directly or indirectly, of money, anything of value or any advantage from anyone in exchange for agreeing to perform a function or activity improperly.
2. “Public Official” means (A) any officer or employee, or any person, whether elected or appointed, who holds a legislative, administrative or judicial position or who represents or acts on behalf of any state, government, or public international organization (for example the World Bank or the United Nations), any division, department, ministry, agency, or instrumentality (including corporations or other entities controlled, owned or operated for the benefit) of such governmental authority, or (B) any political party, party official or candidate for public office.

Corporations or similar entities “controlled” by a state or government shall include any entity, regardless of its legal form, over which a state or government may, directly or indirectly, exercise a dominant influence. This is deemed to be the case, among others, when the state or government holds the majority of the entity’s subscribed capital, controls the majority of votes attaching to securities issued by the entity or can appoint a majority of the members of the entity’s administrative or managerial body or supervisory board.

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<sup>4</sup> Unless otherwise agreed by the ICBCO, these provisions (adapted as may be required by the circumstances) are to be included in any agreement with a consultant, advisor or agent of a government or a private company where Tenigal or a Controlled Subsidiary agrees to pay or reimburse the fees or expenses of such consultant, advisor or agent.

“Public Official” also includes a child, spouse, parent or sibling of a Public Official. Whenever “Public Official” is used, it should be understood as to include all of the above, and to include officials in any country where Tenigal does business or is represented.

3. [Consultant] shall comply with all applicable laws and regulations of [relevant country], and with all requirements of Tenigal’s Policy on Business Conduct (receipt of which is hereby acknowledged, and, together with the provisions of section 1 above, hereinafter collectively referred to as the “Anti-Bribery Provision”).
4. [Consultant] represents and warrants to [Tenigal party] that neither [Consultant] nor any of its personnel has taken or omitted any action in connection with seeking, negotiating, obtaining, or performing its services to the government or private company for [Tenigal party] that would have violated the agreements in paragraph 1 had this agreement then been in effect.
5. [Consultant] shall maintain, and upon request provide to [Tenigal party], complete and accurate records identifying the amount and the recipient(s) of any payments made by [Consultant] on [Tenigal party]’s behalf.
6. [Consultant] shall monitor compliance by it and its personnel with the Anti-Bribery Provision and will disclose in writing to [Tenigal party] details of any breach or suspected breach of the Anti-Bribery Provision promptly after learning of such breach. [Consultant] further agrees that if subsequent developments cause any of the representations herein to become inaccurate or untrue, [Consultant] will immediately so advise [Tenigal party].
7. [Consultant] agrees to provide full disclosure of the existence of the terms of this contract at any time and for any reason to whomever [Tenigal party] decides has a legitimate need to know such terms for purposes of complying with this provision including, without limitation, the respective governments of the United States and the United Kingdom.
8. [Consultant] consents to [Tenigal party] reporting to any governmental authority any violation or suspected violation of the Anti-Bribery Provision by [Consultant] or its personnel and agrees to comply and cooperate with any inquiry or investigation conducted by or on behalf of [Tenigal party] or any governmental authority relating to compliance with, or a breach of, the Anti-Bribery Provision or any other applicable law or anti-corruption provision.
9. [Consultant] and [Tenigal party] represent, that no agent or employee of [Tenigal party] has or will have authority to direct, directly or indirectly, whether written or oral, authorizing [Consultant] to make commitments of any kind to any third party on behalf of [Tenigal party] in violation of the terms of this agreement.
10. [Consultant] shall ensure that its personnel, including any sub-contractors, are engaged on terms which are consistent with this agreement, including without limitation terms relating to confidentiality and ownership of information, data, documentation, materials, intellectual property, prohibitions and the Anti-Bribery Provision. [Consultant] will ensure that its personnel and sub-contractors perform the services in accordance with this agreement.

11. Violation of the Anti-Bribery Provision by [Consultant], its personnel or its affiliates may be deemed by [Tenigal party] to be a substantial/material breach of this agreement. [Tenigal party] and any of Tenigal's affiliates may suspend this agreement or any other contract or agreement between [Consultant] or any of [Consultant]'s affiliates with either [Tenigal party] or any of Tenigal's affiliates, if [Tenigal party] or any of Tenigal's affiliates knows of, or suspects, any violation of the Anti-Bribery Provision and [Tenigal party] and any of Tenigal's affiliates shall be entitled to terminate this agreement and any other contract or agreement without any further obligations towards [Consultant] or any of [Consultant]'s affiliates (including any obligation to pay any fees or expenses otherwise due and owing to [Consultant] or any of [Consultant]'s affiliates) upon learning of any violation of the Anti-Bribery Provision.

Termination or suspension by [Tenigal party] under the preceding paragraph will be without prejudice to any claim that [Tenigal party] may have against [Consultant] or any other person, whether in relation to the breach of the Anti-Bribery Provision of this agreement or otherwise.