

**Tenigal**

Code of Conduct  
Guidelines and Standards of Integrity and  
Transparency

## Contents

Letter from the CEO	3
<b>1. Introduction</b>	<b>4</b>
<b>2. Implementation of this Code of Conduct</b>	<b>6</b>
<b>3. Compliance</b>	<b>7</b>
<b>4. Reporting Violations</b>	<b>8</b>
<b>5. Guidelines</b>	
5.1. Compliance with the Law	9
5.2. Transparent Management	10
5.3. Conflict of Interest and Duty of Loyalty	11
5.4. Gifts and Entertainment	12
5.5. Use of Assets	14
5.6. Security and Confidentiality of Tenigal's Information	15
5.7. Use of Technological Resources	17
5.8. Insider Trading	18
5.9. Intellectual Property Rights	19
5.10. Internal Control Environment	20
5.11. Accurate Records and Reporting	21
5.12. Commercial Incentives; Bribery Prohibited	22
5.13. Workplace Environment	24
5.14. Relations with the Community	25
5.15 Respect for environmental legislation is promoted	26
<b>6. Validity</b>	<b>27</b>



Dear Colleague,

We are now presenting an update of our Code of Conduct.

In updating and revising our Code, we drew upon the experience we have accumulated during recent years.

As our company expands the frontiers of its business, it is constantly meeting new complex realities and challenges and it is important that our organization responds effectively and in accordance with its fundamental management values.

Tenigal is committed to building a corporate culture of transparency and integrity based on ethical behavior and compliance with law. This is essential for the long-term sustainability of our business in a competitive market environment.

The reputation of our business is the result of the actions each of us carries out every day. It is also a source of value for our customers and the communities where we operate, and one of the greatest assets we have. I count on each of you to proactively join our drive to promote best practices throughout our operations and reinforce the sustainability of our company.

November 2014

Hugo Solís  
CEO

## 1. Introduction

**The Code's guidelines apply to Tenigal's and its subsidiaries's employees, contractors, subcontractors, commercial intermediaries, suppliers, and anyone who performs services for or on behalf of Tenigal who might be capable of engaging in unethical behavior on Tenigal's or its subsidiaries' behalf.**

This Code of Conduct defines guidelines and standards of integrity and transparency which must be complied with by all employees at all levels within Tenigal. However, neither this nor any code can address every situation or be a substitute for applying common sense and good judgment. When in doubt, seek advice from your direct supervisor, Ternium's Internal Audit Department, Ternium's Internal Control and Business Conduct Compliance Officer ("ICBCO") or Ternium's Legal Services, as appropriate.

As far as the nature of each relation permits, all principles detailed herein shall apply also to the relations that Tenigal has with contractors, subcontractors, suppliers, associated persons, such as commercial intermediaries, non-commercial representatives, consultants, joint ventures (to the extent controlled by Tenigal) or business partners, or anyone who performs services for or on behalf of Tenigal, whether paid or unpaid, all of whom might be capable of engaging in unethical behavior on Tenigal's behalf.

Within the labor relationship within Tenigal, all employees must abide by the applicable laws, the external and internal regulations, the guidelines of this Code, and any applicable internal policies and procedures, with a personal commitment to honesty, loyalty and transparency in all work-related actions.

**The Code calls for personal commitment to laws, honesty, company loyalty and transparency.**

Tenigal's employees are all expected to: (1) learn about and comply with the laws, regulations and Tenigal's policies and procedures that apply to their job; (2) seek prompt advice and guidance if unsure about the course of action to take and encourage others to do the same; (3) be alert to and report any issues or potential violations to their direct supervisor, Ternium's Legal Services, Ternium's Internal Audit Department, or the ICBCO with respect to the matters covered by the *Policy on Business Conduct* or contact the Compliance Line; and (4) never judge or retaliate in any way against an individual who raises an issue, reports a violation or participates in an investigation.

The following questions should be considered before making any work-related decision:

- Does the proposed action comply with applicable law and Tenigal's internal policies and procedures?
- Does the proposed action comply with the letter and spirit of the Code of Conduct?
- Can the decision be justifiably viewed as the most appropriate course of action?
- Could the proposed action, if made public, compromise Tenigal or be harmful to its reputation or its standing in the community?

## 2. Implementation of this Code of Conduct

**The Code is applied by officers, directors and managers, Ternium's Internal Audit Department and the Chief Executive Officer.**

The Chief Executive Officer will be the top-level decision making body for the implementation of this Code of Conduct by Tenigal.

Ternium's Internal Audit Department under the supervision of the Chief Executive Officer, will resolve any question relating to the implementation or interpretation of the Code which cannot be satisfactorily resolved at the usual supervisory levels.

Whenever appropriate or necessary, the Human Resources Department shall propose or implement rules and procedures in order to ensure full compliance with the Code.

Tenigal management shall take the necessary measures to ensure that all Tenigal's staff, and all suppliers, agents, representatives, subcontractors, consultants and anyone who performs services for or on behalf of Tenigal (all of whom might be capable of engaging in unethical behavior on Tenigal's behalf) know and understand the provisions of this Code and understand how it will apply in their workplace environment. Tenigal's management in consultation and with the assistance of Ternium's Internal Audit Department and Ternium's Legal Services will ensure that training on the Code and on Tenigal's policies and procedures is provided to all Tenigal employees.

Tenigal's employees requiring further information than that provided by their supervisors may contact Ternium's Internal Audit Department by e-mail at [Auditoria\\_Responde@Ternium.com](mailto:Auditoria_Responde@Ternium.com).

### 3. Compliance

**The guidelines set out in the Code take precedence over obedience to higher-ranking officials.**

Agreement to comply with the provisions of this Code is a condition for employment in Tenigal.

Compliance with this Code of Conduct shall be the exclusive and personal responsibility of every employee. In the event of any transgression, employees -once informed of the Code's application- may not plead ignorance or obedience to higher ranking officials.

Employees should adopt a proactive attitude; avoiding an attitude of nonintervention in light of suspected violations, and act on their own initiative should they discover incidents of non-compliance with the Code in any kind of process.

Every employee should comply with the guidelines in this Code and cooperate with internal investigations when required.

Supervisors shall not approve or tolerate violations to this Code and, in case of awareness of such incidents, they shall report them immediately.

Depending on the seriousness of the violation and applicable laws, disciplinary sanctions may lead to dismissal and to legal action being initiated even after dismissal.

## 4. Reporting Violations

**The Code regulates the development of a Compliance Line, with an option to keep reporters' identities confidential, and respects the right of defense of the staff involved.**

Tenigal established and encourages the use of a Compliance Line for any questions, requests for guidance or reports of situations or conduct contrary to this Code.

This communication channel will ensure the mechanisms to prevent any punitive measures against employees who contact the Compliance Line.

The Compliance Line will operate according to procedures designed by Ternium's Internal Audit Department.

Callers to the Compliance Line may ask that all records regarding their report use an assumed name in order to safeguard the confidentiality of their identity.

Tenigal's management will take the necessary measures to ensure complete confidentiality of the information received, a fair treatment for the personnel involved in violations of the Code, and the right of defense of any such personnel.

## 5. Guidelines

### 5.1. Compliance with the Law

#### Employees must comply with applicable laws

All employees shall abide in all cases by the laws to which Tenigal is subject, including the laws in force in the different countries in which Tenigal has operations or dealings. Employees should be aware that, because of Tenigal's global operations, inappropriate conduct in one country can subject Tenigal or its employees to legal liability not only in the country where the misconduct occurs, but potentially in other countries. If there is any question whether a proposed action or other occurrence may subject Tenigal to legal liability in any country, employees should immediately present the issue to their direct supervisor, Ternium's Legal Services, Ternium's Internal Audit Department and/or the ICBCO in relation to the subject matter of the *Policy on Business Conduct*.

From time to time, Tenigal issues policies, regulations and guidelines to better achieve its business purposes follow best practices and comply with regulations imposed by the various jurisdictions in which it conducts business. While Tenigal always strives to effectively communicate such policies, regulations and guidelines, employees are also expected to determine which ones are applicable to them. Employees can consult the Company's Intranet or Ternium's Legal Services for assistance in this regard.

## 5.2. Transparent Management

### **Information furnished must be accurate and decisions transparent.**

Employees should take the necessary steps to ensure the transparency of information and decision-making.

For the purposes hereof, information is transparent when it accurately reflects reality.

A decision is defined as transparent when it meets all of the following conditions:

- It has approval at the appropriate level as set forth in the applicable policy or procedure.
- It is based on a reasonable analysis of the risks involved.
- It leaves records of its rationale.
- It places the best interests of Tenigal ahead of personal interests.

### **5.3. Conflict of Interest and Duty of Loyalty**

#### **Conflicts of interest must be disclosed.**

A real or potential conflict of interest exists when a relationship between the employee and a third party might affect the interests of Tenigal.

In their relationship with customers, suppliers, commercial intermediaries, contractors, and competitors, employees shall prioritize the interests of Tenigal over any situation that may lead to a real or potential personal benefit, for themselves or any of their relatives or associates.

Conflicts of interests involving Tenigal personnel must be fully disclosed in writing as required by ad hoc Tenigal's regulations. This disclosure must be made in accordance with internal policies and procedures or when Tenigal might consider it appropriate.

Any work-related conduct that brings to employees or their relatives and associates, any unauthorized personal benefit that would harm Tenigal or any of its stakeholders (shareholders, customers, suppliers, other employees, or the community), shall be considered contrary to the principles of this Code.

Employees are expected to act fairly, loyally and honestly, always in accordance with Tenigal's commercial purposes and core values.

#### 5.4. Gifts and Entertainment

##### **Promising, giving and acceptance of gifts is restricted.**

Promising, giving and receiving gifts, meals and entertainment can be a part of building business relationships. However, no Tenigal employee, nor any person who performs services for or on behalf of Tenigal, should offer, promise, give, request, agree to receive or accept excessive or inappropriate invitations, gifts, meals or entertainment that could create or imply improper influence or obligate any recipient.

Employees may give and accept courtesy gifts, meals or entertainment of modest value, such as small presents or hospitality gifts, only when such is not intended to bring about improper performance and could not be construed by an impartial observer as aimed at providing or obtaining undue advantages.

Tenigal's employees should exercise care in dealings with employees or officials of government agencies, and government-affiliated entities, including government-affiliated commercial entities, to ensure there can be no suggestion of impropriety. If employees have any question regarding rules related to giving and accepting gifts or courtesies to or from officials of government agencies and government-affiliated entities, they should always consult the ICBCO.

Tenigal's employees must inform their direct supervisor if, they are offered, or expected to receive, invitations, gifts, meals or entertainment exceeding the amount defined by the Executive President (upon recommendation of Ternium's Internal Audit Department) from one entity or individual. Employees receiving or being offered gifts, meals or entertainment or special treatment which exceeds normal courteous relations must inform their direct supervisor of the facts in order to request instructions regarding the appropriate response.

Under no circumstances may cash or goods easily converted into cash be given or accepted.

Invitations to business-related events, conferences, conventions, commercial presentations or technical courses shall be authorized at the appropriate supervisory levels.

These restrictions on the receipt or provision of invitations, gifts, meals or entertainment are equally applicable to relatives or associates of any person with whom any Tenigal employee may be dealing or interacting with in any Tenigal-related matter.

No meals, gifts, travel or entertainment may be promised, given to, paid for, or accepted, directly or indirectly, without complying with the Policy on Business Conduct and rules that Tenigal adopts to ensure adherence to the Code.

## 5.5. Use of Assets

**Tenigal's assets must be used with care and responsibly.**

Employees shall ensure that Tenigal assets are used exclusively for the benefit of the Company for their intended purposes and by duly authorized persons.

According to national laws in force, every employee has a responsibility to protect Tenigal's property and other tangible and intangible assets against any unauthorized use, breach of trust, damage or loss through negligence or criminal intentions.

## 5.6. Security and Confidentiality of Tenigal's Information

**Information must only be accessed by authorized personnel and protected from undue disclosure. Information that must not be legally disclosed should be kept confidential.**

Only duly authorized persons and subject to any restrictions imposed by applicable law and Tenigal's regulations, may have access to the information regarding operations (whether in physical, magnetic, electronic or optical form) which may only be used strictly to discharge such persons responsibilities and duties and for the periods specified in the authorization.

The password is equivalent to an employee's signature. It may only be known by its owner and disclosure to third parties is not permitted.

Employees are directly responsible for taking the necessary steps to safeguard Company information from damage or loss and to ensure safe custody in accordance with internal rules and regulations.

Tenigal's employees must keep confidential all the information to which they have access in the performance of their work for Tenigal, even if such information is not classified or is not specifically about Tenigal (for example, information about shareholders, customers, competitors, suppliers, markets public organizations, etc.) and regardless of the manner in which such information is obtained or communicated. Such obligation includes, without limitation, information obtained or communicated orally, in writing, electronically, by way of inspection of books and records, through voice or image recordings or in any other form, as well as information maintained on paper or digital documents or files, images, sound, voice and video recordings or in any other format.

Some employees have access, either on a regular basis or only in certain occasions, to confidential information through the work they do. This could include, for example, information related to sales, marketing and business plans, financial data, technical product information, merger or acquisition activity, senior management changes, trade secrets, current and future products or services, research and development activities, inventions, potential contracts, market research, not-yet-released financial results or information, financial projections, organizational charts and information, information stored in Tenigal's data storage systems, or a range of other information.

Tenigal's confidential information should never be shared with any person who does not need to know such information to perform work or a service for Tenigal. As a general rule, confidential information can only be shared with authorized parties. Even within Tenigal, confidential information should be shared only on a need-to-know basis. Personnel should follow all security procedures and be on the lookout for any instances that could lead to loss, misuse, or theft of Tenigal's information or property. Confidential information of others with whom Tenigal does business or interacts with must also be respected.

In case of doubt, all information should be presumed confidential and treated carefully. Tenigal's confidential information should always be protected to avoid improper or inadvertent disclosure. Confidential information should not be used to benefit another employer or outside business or inventions not sponsored by Tenigal.

Non-disclosure shall be maintained until the corresponding information is made public. The obligation to protect confidential information continues for the employee even after the employment relationships ends.

Non-compliance with the obligation of confidentiality will be considered a serious violation, if it involves disclosure or facilitating the disclosure of non-public information related to Tenigal's undertakings or activities.

## 5.7. Use of Technological Resources

**Hardware and software must be used only for corporate purposes or other expressly authorized uses. Use of non-licensed software is strictly prohibited.**

Employees may not use Tenigal's equipment, systems and technological devices for purposes other than those authorized by Tenigal.

The use of software that does not comply with official Tenigal's standards is not permitted, unless authorized in writing by the respective technical areas. Employees must refrain from bringing into Tenigal's technological environment illegal copies of software.

Employees operating technological resources shall be informed about user restrictions and shall not violate licensing agreements or do anything to compromise Tenigal's responsibility or subject Tenigal to liability to any third party or governmental authority.

Technological resources shall be handled in accordance with the operating policies and procedures defined by the corresponding departments.

Tenigal has the right to monitor, at any time and without any notice, the use of its information technology resources, and therefore to access, review, copy or retrieve, files, documents, records, databases, electronic messages (including both business and personal messages), internet activity and any other information generated through the use of Tenigal's information technology resources.

Accordingly, users of Tenigal's information technology resources should not have any expectations of privacy over information or communications generated or transmitted through, or stored in, Tenigal's information technology resources.

Conversely, Tenigal will not access or monitor employee communications made through the use of third-party electronic web based message systems (such as Hotmail, Gmail, Yahoo; etc.) accessed through Tenigal's computers.

Information and data stored on Tenigal's premises and information technology resources (including Tenigal's computers) belong to Tenigal and, accordingly, Tenigal may choose to provide this information to regulators or other third parties if it deems it necessary or advisable.

## 5.8. Insider Trading

### **Insider trading and information tipping are strictly forbidden.**

No employee may purchase, sell or otherwise trade in securities of Tenigal, of Company's directly or indirectly controlling Tenigal or any company that trades with Tenigal while in possession of material non-public information.

In addition, employees may not divulge, directly or indirectly, to third parties any material non-public information accessed by them in the performance of their tasks for Tenigal, and concerning Tenigal or any other publicly traded company.

Beyond disciplinary action, and within the applicable legal framework, a violation of this policy may lead to further legal actions against the employee involved.

Employees investing in stocks must know the regulations restricting their capacity to negotiate securities or to provide sensitive information to third parties. Any questions on these issues should be raised with such employees' direct supervisor, Ternium's Legal Services, and/or Ternium's Internal Audit Department.

## 5.9. Intellectual Property Rights

**Copyright on any know-how developed in the workplace environment is reserved to Tenigal.**

Proprietary rights over any knowledge developed in the workplace environment belong to Tenigal, which upholds its right to exploit such knowledge in the manner and at the time it considers most suitable, in accordance with applicable laws.

The ownership of intellectual property includes plans, systems, procedures, methodologies, courses, reports, forecasts, drawings or any other activity performed in or contracted by Tenigal.

## 5.10. Internal Control Environment

**All employees, in their respective functions, are responsible for abiding by and assisting in assuring the proper functioning of internal controls.**

It is Tenigal's policy to disseminate, at every level of its organization, a culture characterized by an awareness of the existence of controls and a control oriented mentality. A positive attitude towards control is to be achieved in order to increase the efficiency of Tenigal's activities and to ensure that Tenigal's business is conducted in a way that is consistent with established best practices, Tenigal's policies and procedures, and all applicable laws.

Internal controls are all those necessary or useful tools for addressing, managing and checking activities in Tenigal; they aim at ensuring respect of this Code and the policies and procedures that have been or will be established throughout Tenigal. These controls aim at protecting corporate assets, efficiently managing operations, providing precise and complete accounting information and preventing illegal conduct.

Tenigal's management is principally responsible for building an efficient internal control system but employees at all levels of the organization are responsible for adhering to established controls and for identifying and addressing any perceived weaknesses or failures in the proper functioning of internal controls.

### 5.11. Accurate Records and Reporting

**All employees, in their respective functions, are responsible for the creation and maintenance of accurate records.**

It is Tenigal's policy that: (1) Tenigal's books and records should reflect transactions in conformity with accepted methods of reporting economic events, (2) misrepresentation, concealment, falsification, circumvention, and other deliberate acts resulting in inaccurate financial books and records are unlawful and will not be tolerated, and (3) transactions should be properly reflected on Tenigal's books and records in such a manner as to permit the preparation of financial statements in conformity with applicable accounting standards. Also, the term "records" is broad, including virtually any form of information made or kept by Tenigal.

## 5.12. Commercial Incentives; Bribery Prohibited

**Commercial incentives must be consistent with applicable laws and market practice and must be approved in accordance with Tenigal's procedures.**

The grant of any commissions, discounts, credits and bonuses must be performed in accordance with existing legislation and officially granted to legally recognized organizations with the corresponding supporting documentation.

Even if it complies with the above-mentioned requirements, any commercial incentive must be in line with market practice, at authorized values and following applicable policies and procedures.

Employees should not give anything, for example, money, gifts, travel expenses, excessive entertainment or any other advantage to anyone, that is or could be construed as (1) intending to influence the decision of government officials or political representatives or the performance by them of a relevant function or activity, or (2) a violation of any applicable laws or regulations. Tenigal will not permit the use of representatives, intermediaries, agents, subsidiaries or joint venture companies to give, or promise to give anything to anyone on behalf of Tenigal to avoid this prohibition.

Employees should exercise particular care in dealings with government officials, which should be interpreted widely to include employees or officials of government agencies, government-affiliated entities, or government-controlled entities, including government-affiliated commercial entities (such as, for example, State-owned companies), to ensure there can be no suggestion of impropriety. No meals, gifts, travel or entertainment may be given to, or paid for on behalf of a government employee or official, directly or indirectly, without complying with the rules set out in the *Policy on Business Conduct* and related procedures, which prescribes the procedures that Tenigal has implemented to ensure adherence to these principles of the Code.

## **Bribery is Strictly Prohibited**

As set forth in the *Policy on Business Conduct* adopted by Tenigal, Tenigal will not condone, under any circumstances, the offering or receiving of bribes or any other form of improper payments.

Most countries have laws which make it illegal to engage in bribery, including the U.S. Foreign Corrupt Practices Act. The OECD Anti-Bribery Convention establishes legally binding standards to criminalize bribery of foreign public officials in international business transactions.

A breach of any of these laws is a serious offence which can result in fines for Tenigal and imprisonment for individuals.

### 5.13. Workplace Environment

#### **Prohibits unlawful discrimination in employment relationships.**

All persons have the right to apply for a position in Tenigal or to be considered for a new position in accordance with opening requirements and merit criteria, without arbitrary discrimination.

All employees, at all levels, shall cooperate to maintain a respectful environment should there be personal differences.

Tenigal will implement mandatory policies in line with applicable national laws aiming to promote a healthy and safe workplace environment.

#### 5.14 Relations with the Community

**Political dealings on behalf of Tenigal are restricted, and relations with government officials are regulated.**

On behalf of Tenigal, employees are not authorized to openly support any political party; or to participate in electoral campaigns; or to take part in religious, ethnic, political or inter-state conflicts.

Any political contributions made in any country shall comply with the policies and procedures set forth in the *Policy on Business Conduct* adopted by Tenigal.

All employees of Tenigal must respect the legislation and regulations regarding relations with local government officials.

#### **5.15. Respect for environmental legislation is promoted**

Tenigal aims to achieve continuous improvement in environmental performance, concentrating its efforts on areas of greatest impact at our manufacturing, distribution and large office sites. Tenigal seeks to comply and expects all employees to comply with the spirit as well as the letter of applicable environmental laws and regulations. Where none exists, employees must set themselves appropriately high standards.

Tenigal is committed to driving down the environmental impact of Tenigal's operations through the efficient use of resources, transport planning, the reduction of waste and emissions and the careful handling of hazardous substances.

Tenigal's environmental standards apply to all locations and aspects of our business.

## 6. Validity

This revised version of the Code of Conduct is effective as from November 5<sup>th</sup>, 2014 and, as from that date, replaces and supersedes in its entirety the Code of Conduct in force since November 13<sup>th</sup>, 2012. Ternium's Legal Services may postpone or suspend its effectiveness in those jurisdictions where adoption and enforcement of this revised Code requires approval by a competent governmental authority or the previous fulfillment of special corporate governance procedures by any Tenigal's subsidiary.



For further information  
Ternium's Internal Audit Department  
[auditoria\\_responde@ternium.com](mailto:auditoria_responde@ternium.com)