



# Code of Ethics of *DESC* and its Companies

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## ***INTRODUCTION***

We are in the midst of a globalization process where the only thing that is constant is change, but the one thing that cannot and should not change is our company's commitment to the *DESC* Philosophy.

The *DESC* Philosophy defines our structure and our relationship both as individuals and as a company. Our Philosophy has, over the years, defined us to our partners, customers, shareholders, suppliers, competitors and the community. For this reason, we provide below this Code of Ethics of *DESC* (this "Code of Ethics"), whose primary aim is to strengthen and promote the conduct considered ethically acceptable in our business.

We know that the application of ethical principles is more important in determining personal judgment than a set of rules making up a standard Code. Accordingly, this Code of Ethics does not replace personal or collective ethics; it merely provides guiding principles that are in line and consistent with our Philosophy. This Code of Ethics is not a contract or a comprehensive manual covering every possible situation, since no code of ethics can guarantee ethical behavior; only we can guarantee our own personal ethical behavior.

As a representative of *DESC*, we must all be leaders in accordance with our ethical standards, both in word and in deed. We are all personally responsible for ensuring that our actions comply with this Code of Ethics and with the laws and regulations applicable to our work. We are all responsible for fostering open communications, being positive models and showing respect and consideration towards each other.

Nevertheless, for those exceptional cases where one or more members of the *DESC* community act in a manner that violates the *DESC* Philosophy, we have included the issues of "Conflict of Interest", "Disciplinable Conduct" and "Complaints and Reports" in this Code of Ethics so as to allow each person to assume responsibility with a clear understanding of what is involved.

## ***SCOPE***

This Code of Ethics applies to all of the employees, directors, officers and advisors of *DESC*, S.A. de C.V. and its subsidiaries (collectively, the "*DESC* Representatives").

## ***OUR INTERNAL RELATIONSHIP AND RESPONSIBILITY***

*Our people are our most valuable asset, and it is on their quality and integrity that our continuity and the sound growth of our business rests. Accordingly, Desc is committed to creating a work environment that provides satisfaction, motivation and opportunities for the growth for our people.*

### ***1. Respect***

*DESC Representatives are expected to treat each other with respect and fairness at all times, regardless of their level within the organization.*

### ***2. Harassment***

No abuse, harassment or offensive conduct, whether oral or physical, will be tolerated on the part of *DESC* Representatives. All characteristics of race, national origin, ancestry, sexual orientation, religion and age should be respected and any action which goes against this principle should be reported.

### ***3. Health and safety***

*DESC* and its subsidiaries are committed to support ecological processes and keeping the workplace free of danger. Accordingly, the *DESC* community is responsible for keeping the workplace clean, safe, and healthy and for reporting any accident or unsafe equipment, tool, practice or condition.

### ***4. Accuracy of records***

Accounting and financial records shall reflect all rights and obligations, transactions and events accurately and in a timely manner, complying with applicable accounting principles, established policies and *DESC* internal control systems.

### ***5. Transparency***

*DESC* Representatives shall not collude with dishonest persons or cover-up for them. All *DESC* Representatives shall abstain from any association that may be prejudicial to the Company.

## **OUR EXTERNAL RELATIONSHIPS AND RESPONSIBILITY**

*Establishing lasting and high-quality business relationships with customers, partners and suppliers gives Desc a competitive edge.*

### **1. Business with third parties**

*Desc Representatives must strive to advance the Company's interests in all negotiations, observing the following principles:*

Employ and promote honest and ethical conduct, avoiding actual or potential conflicts of interest between *DESC* Representatives and the business.

Act in good faith, responsibly, with due care, competence and diligence, without misrepresenting facts and without allowing their independent judgment to be subordinated to the opinion of others to the detriment of the Company.

No transactions with third parties should be made that impair *DESC*'s good image. *DESC* Representatives should abstain from doing business with parties who are or may be in breach of applicable laws. Third parties should not be used to commit acts that are forbidden by law.

No share, commission, fee or other monies should be paid if it would constitute a bribe.

Whenever *DESC* outsources services to subcontractors, *DESC* will check on such subcontractor's standing and reputation and will strive to ensure that such subcontractor's performance complies at all times with ethical and moral standards. It will further ensure that the subcontractor's actions comply with the guidelines of this Code of Ethics, so as to protect the reputation and good image that *DESC* has forged for itself in the community, with its partners, employees and other parties.

### **2. Product quality**

*DESC* is committed to "Total Quality and Continuous Improvement", which must be inherent in all our actions, and all services and products should be delivered to our customers on that basis.

### ***3. Information for third parties***

Lasting relationships should be established with our business partners, customers, suppliers, employees and shareholders, showing honesty and integrity. Any information provided to third parties shall be accurate. No misleading communications or messages will be issued, significant facts omitted or misrepresentations made.

### ***4. The government as a customer***

Compliance with all legal and contractual obligations to the Federal, State or Municipal governments is, and will continue to be, a priority. No *DESC* Representative shall, under any circumstances, infringe the guidelines issued by the government on any matter, whether relating to health, communications, the environment, acquisitions or otherwise.

### ***5. The Government as a supplier***

Just as *DESC* performs its obligations to the government, it must demand that its rights be observed within an ethical and legal framework and any improper action by a government representative should therefore be reported.

### ***6. Procurement***

Procurement decisions shall be taken based on the interests of *DESC*. Purchases shall be allocated to vendors known in the market for their high ethical standards and for providing suitable goods and services at a reasonable price within the delivery terms and of the quality stipulated by *DESC*.

Any agreement for the supply of goods or services shall comply with applicable legislation, shall be reduced to writing and shall identify the goods or services to be provided and the price to be paid.

## ***OUR RELATIONSHIP WITH AND RESPONSIBILITY TO OUR SHAREHOLDERS***

*Protect the assets of investors, increase them in real terms and generate the value they expect.*

### ***1. Protect assets and property***

*DESC* Representatives must at all times protect assets from any loss, damage, misuse or theft. Assets, including the facilities and/or material and human resources and industrial and intellectual property, should never be used for unlawful purposes or in a manner that violates the policies approved by the board of directors of *DESC* (the "Board of Directors").

*DESC* Representatives shall ensure the responsible use and control of Company assets and the resources for which it is responsible.

## ***2. Shareholder information***

All reports and documents prepared by the Company for submission to the National Banking and Securities Committee ("CNBV"), the Securities and Exchange Commission ("SEC"), the Mexican Stock Exchange ("BMV") and other public communications shall include full, fair, reliable and timely disclosures.

*DESC* Representatives shall comply with all applicable laws, including, without limitation, those relating to disclosure of the business activities and/or performance of the Company (any suspected violation of law shall be reported to either the General Director of *DESC*'s Corporate Department (the "General Director"), the Director of *DESC*'s Legal Department (the "General Counsel") or *DESC*'s Audit Committee (the "Audit Committee")).

*DESC* Representatives shall maintain the confidentiality of non-public information of the Company, its customers, suppliers or other business associates, preventing the unauthorized disclosure of such information, unless it is required to be disclosed by applicable law.

All records and information reports shall be prepared following principles of honesty, clarity, truthfulness, accuracy and timeliness and shall comply with all applicable laws. Such records and reports include not only financial records and reports but also those relating to personnel, quality, safety and projects, whether or not delivered to shareholders.

## ***3. Information for regulatory agencies***

*DESC* is a publicly held corporation that issues securities to the investing public through the Mexican and US stock exchanges. It must therefore comply with the applicable rules and regulations of regulatory authorities such as the CNBV and the SEC.

## **OUR RELATIONSHIP WITH AND RESPONSIBILITY TO COMPETITORS**

*Excellence in production and sale makes the difference.*

### ***Information on competition***

No unlawful or unethical methods shall be used to obtain information about *DESC*'s competitors.

Any agreements with competitors causing damage to customers, the community and the environment are forbidden.

## **OUR RELATIONSHIP WITH AND RESPONSIBILITY TO THE COMMUNITY**

*At DESC we are committed to the community and the environment in which we do business, to complying strictly with environmental regulations and promoting education, basic values and quality of life.*

### ***1. Service to the community***

*DESC* will seek to create sustained employment that will enhance the standard of living of the community in which we operate. *DESC* will seek to participate in and support the communities where it operates.

### ***2. Personal community activities***

All *DESC* community members are free to support and participate in the community, cultural, charitable and political organizations of their choice.

*DESC* employees participating in the activities previously described will expressly clarify that they are acting in their personal capacity and shall not hold themselves out as acting in the name and/or on behalf of *DESC*. Such external activities shall not interfere with their work.

### ***3. The environment***

*DESC* is committed to protecting the environment, minimizing the environmental impact of our operations and using natural resources responsibly and in strict compliance with applicable environmental legislation.

*DESC* companies shall develop and put in place processes, systems and procedures that respect the environment, are safe for the community, its people and facilities, and which are at all times in line with the corporate Environmental Protection, Safety and Health policy.

## ***OUR RELATIONSHIP WITH AND RESPONSIBILITY TO THE GOVERNMENT***

*DESC Representatives should work strictly in accordance with applicable law, with a high sense of business ethics and complying with legal, tax and contractual obligations.*

### ***1. Compliance with the law***

*DESC Representatives must comply with all applicable laws and regulations wherever DESC does business.*

### ***2. Political activities***

*DESC Representatives may not use the name, funds, property, equipment or services of any DESC business to support political parties, initiatives, committees or candidates.*

Lobbying activities or contacts with the government on behalf of *DESC* shall be coordinated at the highest level within *DESC*, complying with the law at all times and dealing with the appropriate government representatives.

### ***3. Prevention of corruption***

*DESC Representatives shall not offer or make payments, directly or indirectly, to government officials, which includes employees of fully or partly state-owned companies.*

### ***4. Borders***

*DESC Representatives shall comply with the laws of those countries where it has activities or business relationships, particularly those dealing with the import and export of materials, goods, services, information, technology and finance.*

## **CONFLICT OF INTERESTS**

*All business decisions and actions shall be based on the interests of DESC and shall not be based on personal considerations or relationships, in strict compliance with DESC policy in that respect.*

### **1. Internal information**

All information considered material to *DESC* shall be held in the utmost confidence, particularly such information as could be used by *DESC*'s competitors to the detriment of *DESC*. The same applies to all non-public information which shall be protected.

Good communications are essential to keep personnel, customers, vendors, the financial community, shareholders and the general public well informed. Communications should transmit clearly the information to be released and must not include any materially false and misleading statements or omit to state material facts which are necessary in order to avoid a misleading communication.

### **2. Privileged Information.**

At *DESC* we have the obligation of disclosing to the public at all times all events that are relevant to our operations in the manner prescribed by the CNBV, the SEC and the BMV. In line with the *DESC* Conflict of Interest policy, no *DESC* Representatives may use or divulge information disclosed to them during and following their employment with *DESC*, except on behalf of and for the benefit of *DESC* and consistent with their responsibilities as *DESC* Representatives. Each *DESC* Representative is subject to and must comply with *DESC*'s insider trading policy (PO-CO-016 "Policy on the purchase, sale or other transaction with *DESC* shares or securities by Representatives").

### **3. Commitment.**

*DESC* Representatives, regardless of their position, shall be responsible at all times for observing a high ethical level in their behavior, and they shall therefore not participate in any activity, investment or association that could affect the effective and honest achievement of the best interests of *DESC*. They shall likewise not devote their qualifications, knowledge time and experience to activities that are inconsistent with their aims and responsibilities to *DESC*, or which could interfere with their work.

#### **4. Family members.**

No *DESC* Representative shall cause the Company to hire or retain his or her immediate family members, relatives or in-laws as:

- a) an employee or consultant of the Company; or
- b) a supplier of goods or services to the Company.

The above may only be done with the approval of the Executive Chairman of *DESC* or such other person as the Executive Chairman may designate for such purposes or, in the case of *DESC* Representatives who are executive officers or directors, by the approval of the Board of Directors, in each case following a review to determine the advantages of such employment or engagement.

#### **5. Management of Conflicts of Interest.**

Each *DESC* Representative is expected to avoid situations where his/her personal interest may be contrary to or be perceived as being inconsistent with the interests of *DESC*. Should such a situation be unavoidable, *DESC* Representatives are expected to act in such a way as to protect and anticipate the best interests of the Company only. Accordingly, each *DESC* Representative shall bear the following in mind:

- He/she is not allowed to, directly or indirectly, compete with the Company;
- He/she is not allowed to receive any compensation from a third party in connection with the performance of his/her work relating to any transaction made by the Company, other than the compensation received from *DESC* in the ordinary course of his/her employment with the Company;
- He/she must abstain from making any personal investment, acquiring any financial interest for himself/herself or for a third party whose association interferes, could interfere or could be seen as interfering with his independent judgment regarding the benefit of the Company and its best interests; and
- He/she must not take personally or for the benefit of a third party any opportunity or potential opportunity which arises or could arise in any line of business where the Company contracts or is considering the possibility of contracting, without first notifying and seeking the written approval of the Executive Chairman or whoever he may appoint.

Whenever the protection and furtherance of the interests of the Company are or may be perceived as being in conflict with the interest of any *DESC* Representative, the latter will be required to cease the conflicting activity so as not to become involved in businesses with mixed benefits (both for the Company and for the respective *DESC* Representative).

Although there is no accurate or comprehensive definition of what constitutes a conflict of interest, the minimum standard is compliance with applicable laws and this Code of Ethics. Each *DESC* Representative must treat any of the following situations in which he/she or anyone with whom he/she has a personal relationship, including, without limitation, members of his/her family, in-laws, business associates or persons sharing his/her home, as a conflict of interest:

- Requesting or accepting, directly or indirectly, any kind of gift or personal benefit not earned as a result of his/her position with the Company from customers, suppliers or other traders of the Company;
- Having a financial interest in any competitor, client, vendor or other commercial party of the Company, other than passive financial interests indirectly held through an interest in a diversified mutual fund (or other similar investment vehicle);
- Having a consultant, manager or employee who is related in any capacity to a competitor, customer, supplier or other commercial party of the Company; or
- Acquiring, directly or indirectly, property, leases, patents or other property or rights in which the Company has any interest.

In addition, all related-party transactions involving executive officers and directors of *DESC* or its affiliates should be pre-approved by the Board of Directors, whether or not the transaction is on market terms. *DESC* and its subsidiaries are prohibited from loaning any monies to any executive officer or director of *DESC*, except as otherwise expressly permitted by Mexican and applicable foreign laws.

### ***INTERNAL CONTROL OVER INFORMATION***

*DESC* Representatives participating in the preparation of financial and other information of the Company are responsible, under Mexican and US federal securities laws and under this Code of Ethics, for ensuring that accurate, reliable, fair and timely disclosure is made in all communications of the Company including, without limitation, any report or file sent to the CNBV,

the SEC, the BMV or other government agencies or in press releases, conferences with investors or any other media through which any *DESC* Representative seeks to disclose information about the Company.

The Company is required to keep books and records that accurately and clearly record its transactions and acquisitions and dispositions of assets and any liabilities it incurs, as well as a system of internal accounting controls to ensure that its books and records are properly kept. Each *DESC* Representative is required to take such steps as are necessary to ensure that this is done.

It is therefore the responsibility of each *DESC* Representative to immediately report to the General Director, the General Counsel or the Audit Committee any information with respect to which there is reasonable doubt as to its accuracy and integrity on any subject and, where possible, prior to disclosure of such information.

In addition, each *DESC* Representative is responsible for reporting to either the General Director, the General Counsel or the Audit Committee any information that has been fraudulently or wrongfully changed or that shows any defect in the internal controls of the Company.

### ***ADHERENCE TO THIS CODE OF ETHICS; BREACHES***

Each *DESC* Representative shall, as promptly as possible, report to the General Director, the General Counsel or the Audit Committee (or such other person as may be appointed from time to time by the Board of Directors) any breach by any *DESC* Representative of this Code of Ethics, applicable laws or any applicable rule or regulation that may have occurred, is occurring or is threatened.

Such breaches may be reported confidentially or by following the anonymous complaint procedure, by contacting the General Director, the General Counsel or the Audit Committee or using the procedures described below under the section entitled "Complaints and Reports". Should an executive officer or director be involved or be potentially involved in any purported violation, the reporting party shall report such violations to the General Counsel or to the Audit Committee using the established procedures referred to below.

The General Director, the General Counsel and the Audit Committee shall be responsible for investigating and responding to any of the foregoing matters referred to them and for affording full protection to the reporting parties.

Breaches of this Code of Ethics are a serious matter and may result in severe penalties, such as suspension, reduction or cancellation of incentives and/or termination of employment. A violation of this Code of Ethics may also may constitute violations of applicable laws and may result in civil and/or criminal prosecution by governmental authorities. Any questions or interpretations of this Code of Ethics may be directed to the General Counsel.

*DESC* Representatives shall each certify that they comply with this Code of Ethics through the Company's Human Resources Department immediately following the approval of this Code of Ethics by the Audit Committee and every two years following the first certification. The Human Resources Corporate Director shall make the certifications available to the Audit Committee at its request.

### ***SUMMARY OF DISCIPLINABLE CONDUCT***

The following is an illustrative but not comprehensive list of conduct that constitutes a violation of this Code of Ethics:

- 1) It is forbidden to make personal transactions for personal or family gain to the detriment of *DESC*.
- 2) Maliciously, intentionally or negligently distorting accounting records.
- 3) Forging or altering documents.
- 4) Omitting or failing to report any serious irregularity (financial, operational, etc.) in a timely manner.
- 5) Reporting credits other than those actually granted by the market.
- 6) Exceeding authorized credit limits.
- 7) Making fictitious transactions such as purchases, expenses, loans, etc.
- 8) Incurring warehouse shortages without justification.
- 9) Faking sales by invoicing in advance.
- 10) Altering purchases of goods and services to the detriment of *DESC*.
- 11) Binding *DESC* under accommodations and sureties and signing and endorsing instruments without authorization.
- 12) Using Privileged Information for personal gain, family gain or for the benefit of third parties.

- 13) Disclosing secrets relating to processes, methods, strategies, plans, projects, technical or market data, or confidential information jeopardizing the interest or the prestige of *DESC*.
- 14) Hiring, paying or compensating personnel in any manner other than the authorized manner.
- 15) Failing to comply with safety standards and thus endangering the life of employees and/or company property.
- 16) Failing to perform or evading tax obligations giving rise to penalties, economic damage or future contingencies for the company.
- 17) Engaging in gross negligence by failing to comply with policies, standards, practices and procedures for the sound management of the company.
- 18) Using, distributing, carrying, selling and/or possessing any kind of forbidden drug.
- 19) Any other intentional action damaging the company and its image.
- 20) Harassment.
- 21) Any actions that violate the provisions of this Code of Ethics.
- 22) Taking any action to fraudulently influence, coerce, manipulate or mislead the Company's independent auditors for the purpose of rendering the financial statements of the Company misleading.

### ***WAIVERS OF THIS CODE OF ETHICS***

Whenever a waiver of this Code of Ethics is necessary or appropriate in respect of any *DESC* Representative, such person shall send a request for approval to the General Director. Any waivers of this Code of Ethics must be approved by the Executive Chairman of *DESC* or such other person as the Executive Chairman may designate for such purposes or, in the case of *DESC* Representatives who are executive officers or directors, by the approval of the Board of Director. Only the Board of Directors may amend this Code of Ethics, and no such amendment to this Code of Ethics shall be effective until it is published.

A waiver requires the approval by the Board of Directors of a departure from the provisions of this Code of Ethics, and action will be taken within a reasonable period of the time when any *DESC* Representative becomes aware of the departure from the provisions of this Code of Ethics.

## **COMPLAINTS AND REPORTS**

Each *DESC* Representative must sign this Code of Ethics and report to the Audit Committee, General Counsel or General Director his/her own known failure to comply with this Code of Ethics or in the future by any other *DESC* Representative (regardless of his or her position) by calling 01-800-*DESC*-QyD (01 800 3372 793); the relevant information may also be sent to the following e-mail address: [quejasydenuncias@desc.com.mx](mailto:quejasydenuncias@desc.com.mx). The identity of the parties reporting such breaches shall be kept absolutely confidential. All situations not contemplated in this Code will be settled in accordance with other *DESC* policies or in line with a sound and transparent management criterion.

## **DEFINITIONS**

**Company or *DESC*:** Means collectively *DESC*, S.A. de C.V. and each of its direct and indirect subsidiaries.

**Laws:** Means all applicable laws, rules and regulations.

**Desc Philosophy:** It consists of *DESC*'s Mission, Vision and Values.

**Privileged Information:** Any information that an investor may consider important in a decision to buy, hold or sell shares, American Depositary Shares or other securities of the Company that the Company has not publicly disclosed on a widespread basis (such information is considered "material" and "non-public" under the U.S. securities laws and is protected under applicable Mexican law). Privileged information would include information that could reasonably be expected to affect the price of *DESC* securities, whether positive or negative. Examples of Privileged Information include information regarding:

- Historic financial results, projections, earnings guidance and other financial information or information regarding results of operation;
- Any material transactions, including, without limitation, mergers, acquisitions, sale or purchase of material assets or changes in control of *DESC*;

- Changes in the Board of Directors, CEO or key personnel;
- Changes in management and or director compensation;
- A material new product or service or the elimination of any material product or service;
- Significant litigation;
- Gain or loss of a significant supplier or client;
- A change in the CPA firm auditing the financial statements or receipt of a notification from the auditors that the issuer can no longer trust its previously published auditing reports;
- Any material event[to *DESC*; and
- Financial difficulties or liquidity problems.

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