

ETHIC CODE

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ETHIC CODE

I. INTRODUCTION

This code includes the guidelines that must be applied in the daily chores of our company, provides the necessary orientation for our behavior and lays the foundations for the image of **Corporación Durango** and its subsidiaries as sound and trustworthy entities.

Its objective is to create and preserve the prestige of **Corporación Durango** as well as to create the proper environment to establish long term business relations.

We recognize the importance of social and corporate responsibility of our board of directors, officers and all our employees, all of whom must concede to keep the values and good image of **Corporación Durango**.

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II. CORPORACION DURANGO`S VALUES

Our daily chores must be, at all times, founded in integrity, trust, loyalty, respect and recognition of the human being.

Corporación Durango is committed to maintain fair employment practices by prohibiting any type of discrimination based on race, religion, social status, nationality, age, sex or physical disability.

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III. OBJECTIVE

The main objective of this code is to provide in a clear and understandable way the norms and principles to be observed by all employees of **Corporación Durango** to help them make the proper decisions in risky situations as well as to provide the ground for their behavior in accordance to the ethic values of the company.

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IV. SCOPE

This ethics code is mandatory and must be observed by directors, officers and all employees that work directly or indirectly for **Corporación Durango**.

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V. ETHIC PRINCIPLES

Resources:

Corporación Durango`s directors, officers and all its employees must use the company`s resources in a responsible way and never seek to benefit personally from them.

Buildings and services:

All buildings, equipment, services and economic resources must be used for the development and execution of **Corporación Durango`s** businesses.

The use of resources, intellectual property, time and buildings of **Corporación Durango**, including office equipment, telephone, copiers, e-mail, etc. must be used in the most efficient and suitable way. Directors, officers and all employees must heed the use of resources available to them so there are used in the most effective way and never wasted.

Records:

The usage or acquisition of resources must be recorded in **Corporación Durango`s** accounting records.

Directors, officers and all employees must verify that the transactions they originated are recorded in agreement with the standards and accounting policies established by the company and by no means should authorize transactions that seem fraudulent or deceptive.

Expenditures

All cash disbursements must properly support the incurred expense, having the appropriate documentation and required signatures for its approval.

In **Corporación Durango** it is the responsibility for all directors, officers and employees empowered to authorized expenditures such as purchases, payments to suppliers, travel expenses, etc. to review and verify the approved expense. Further, all expenses must be in agreement with the norms and policies in place at the time of the approval.

All directors, officers and employees directly involved in handling cash, checks and investments must be particularly careful managing these resources and will need to follow strict supervision and internal controls on all transactions.

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With regards to payroll, the personnel managing the hiring, firing, overtime, bonuses, salaries, etc. must carefully, discreetly and clearly handle the administration of the payroll.

Political contributions and donations:

None of the directors, officers or employees should compromise any of the resources of **Corporación Durango** for political contributions or donations when they are against the law.

Conflict of interest:

All directors, officers or employees of Corporación Durango must conduct themselves in a honest and responsible way on they daily chores and shall not seek their personal, professional or financial benefit while compromising the integrity of the company.

Outside Positions:

Board members, officers, directors and employees may work and / or performe any activities in other entity as long as that entity does not have a direct relationship with Corporación Durango, such activities must be legal and should not create a conflict of interest with its activities performed at Corporación Durango.

Financial Interest:

Directors, officers or employees of **Corpóración Durango** shall not have a business or financial interest with customers, suppliers or competitors of the company when such interest jeopardizes the interest of **Corporación Durango**.

Directors, officers or employees shall not made inappropriate use of authority, discredit the name and reputation of **Corporación Durango**.

Business relations with Corporación Durango

Directors, officers or employees shall not take advantage of a business opportunity or accept money or favors from third parties arising form the employee-employer relationship.

Gifts and Favors

Directors, officers or employees shall not accept gifts, favors or invitations from customers, suppliers or competitors with a value greater than \$100 USD while working for **Corporación Durango**.

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Suppliers

Before the selection of suppliers authorized personnel must conduct the necessary research to verify that such supplier is a legal established business with the appropriate capacity to supply quality products to the company.

Selection of Suppliers

All employees involved in the selection of suppliers must be impartial and evaluate the suppliers based in price, quality, reliability, capacity installed and viability to supply the product or service performing these duties with integrity and honesty.

Price quotes and purchase decisions

All employees will request to suppliers a price quote, directly or by invitation, by providing the complete and detail technical specifications of the good or material to be purchased.

Employees participating in this process will not accept discounts or price quotes with the purpose to influence in other operations of the company. **Corporación Durango** requires personnel committed to handling the purchasing transactions with honesty integrity and transparency.

In the selection process personnel will refrain to make business deals with suppliers with bad business record or dubious business practice.

Conditional Purchases:

Conditional purchases are forbidden. For no reason employees of **Corporación Durango** could condition the purchase of any product or services nor the employees could accept a conditional purchase from a supplier.

Comments on suppliers

Employees of **Corporación Durango** shall not circulate outside the company information on prices, terms or any other information provided by the suppliers neither shall comment on problems or weaknesses on any supplier since this is considered confidential information.

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Conduct with customers

Directors, officers and employees will only engage in business deals in an ethical way and in compliance with the applicable laws, not putting the integrity of the company at risk and acting in accordance with the growth and return on investment set by the company.

Attitude and impact

Corporación Durango strives to supply customers with quality products at a competitive price that exceed their expectations.

In the trade of our products and services we must abide by the agreed terms and conditions contracted between our company and the customer; do not try to change the quantity, price, or discounts seeking a personal or third party benefit. Employees participating in these types of activities must be impartial, objective and fair in the relationship with our customers.

All employees that have a relationship with our customers must observe a behavior based on respect, quality, competence and courtesy at all times.

Obtaining customer information

All employees of **Corporación Durango** must verify, throughout the proper research, the authenticity and veracity of the information provided by the customers prior to engage in any business deal as it is mentioned in the policies and procedures established by the company.

Decision of not dealing with a customer

Employees of **Corporación Durango** are not obligated to deal with customers even when they satisfy the requirements established by our policies and procedures but do not have financial stability or are in financial risk.

Competition

All directors, officers and employees will keep a relationship with competitors based on respect to promote a healthy competence environment always within the applicable laws and regulations.

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Price and market agreements

Board members, directors, officers and employees could not engage in any agreement either formal or informal written or verbal with any competitor to establish or manipulate the company's selling price. Employees are forbidden to propose agreements with competitors to split customers, territories or markets.

Supplier agreements

Board members, directors, officers and employees could not engage in any agreement with competitors when such agreement damages free competition with current and / or potential customers or suppliers.

Comments regarding competitors:

The officers and employees of **Corporación Durango** will conduct themselves within a trustful and respectful environment as regards to the company's competitors avoiding any adverse declaration or divulging harmful information.

Information about competitors:

The officers and employees of **Corporación Durango** are not allowed to gather trade secrets or any other type of information from competitors through the offering of cash, services or any other benefit to employees or ex-employees of our competitors.

Information Management

All directors, officers and employees must use in a confidential and reserve way any information made available to them while performing their duties and shall abstain at all times to obtain or receive any personal benefit from disclosing such information.

Types of information

The types of information that is managed or used and is considered property of **Corporación Durango** can be classified as follows:

- A) Confidential
- B) Internal
- C) Privileged
- D) Public

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A) Confidential

Directors and officers with access to this type of information must keep good judgment making sure that the information is handled properly and never make it known to unauthorized personnel or outside the company since this information could be used by third parties or competitors in the detriment of **Corporación Durango**.

It is consider confidential information:

- ? Unpublished financial information, financial forecasts and budgets.
- ? Unpublished budgets, construction or remodeling projects, real state developments and the amounts to be invested.
- ? Commercial or industrial process costs, pricing information on the products and services offered by **Corporación Durango**.
- ? Important changes in the administration or company policies under review or not yet approved.
- ? Practices, methods, industrial process, formulas, information technology, process and safety equipment that are not of the public domain.
- ? Remuneration policies, salaries and benefits valuation tabulators, payroll information and incentive programs.
- ? Pricing, volume and agreements with customers and suppliers.
- ? Customer identity and business volume.
- ? Studies and market projections.
- ? Any information explicitly marked as confidential, personal or both.
- ? Any document making reference to plans or strategies not yet known publicly or internally.

B) Internal

This is the information generated as part of the daily chores by officers and employees of **Corporación Durango** and although not restricted, it shall not be share carelessly.

Directors, officers and employees of **Corporación Durango** shall not disclose this information with third parties.

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C) Privileged

The Mexican Security's Law (Ley del mercado de valores) defines this type of information as the knowledge of acts, facts and events capable to influence the pricing of the shares quoted in the stock markets, while such information has not yet been made public.

For the aforementioned law it is presumed that Directors of the Board of Directors, Officers, Managers, Auditors, Statutory Auditors and Secretaries of the Board have access to privileged information if the company.

The use or distribution of this information by directors, and employees, that because of their functions in the company have knowledge of such a privileged information, could be consider an offense punished by law.

“Investing in the stock markets making use of privileged information or revealing privileged information in the trading of stocks is a crime”.

D) Public

This is the information made available to the general public through mass media or through the proper channels as established by **Corporación Durango**. Because this information involves great responsibility for the company, all information to be released, either verbal or written, must be authorized by the Investment Relations department.

Authorities

Directors, officers and employees representing Corporación Durango before the authorities must behave properly at all times bearing in mind that the company is in compliance and follows all applicable laws and shall not incurred in illicit behavior or offer any type of benefits in exchange of favors.

Attitudes and impact

All directors, officers and employees dealing with regulatory or governmental authorities must treat such authorities with respect acknowledging their status and facilitating all means to reach agreements.

All directors, officers and employees must refrain, at all times, to offer to the authorities any type of benefit that comprise the integrity and reputation of **Corporación Durango**; never give, offer or authorize directly or indirectly cash, goods or services in exchange for favors.

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All the subsidiaries of **Corporación Durango** should avoid damaging the environment and the surrounding community throughout the active participation of its employees and the utilization of proper technology that reduces waste and toxic emissions.

Interpersonal Relations:

The relationship between directors, officers and employees must be carried out with respect, dignity and honesty in such a way that it provides the proper working environment and leads to accomplish the company goals.

All directors, officers and employees should show corporate loyalty by abiding by the guidelines set by the company. Their principal purpose should be the accomplishment of their goals and objectives while avoiding been involved in discriminatory situations, sexual and psychological harassment, etc.

Integrity

The duties and responsibilities of our leaders go beyond the general requirements of our employees. We expect our leaders to show their leadership by leading by example on honesty and integrity in all areas.

Relations with hierarchical superiors:

Starting with relationships of mutual respect among all employees of **Corporación Durango**, all officers and employees must comply with the duties and responsibilities assigned by their superior with the proper attitude and cooperation to supplement their chores.

Relations with co-workers

The relations among officers and employees must be based on mutual respect and tolerance creating the optimum working environment and mutual support.

Relations with subordinates

All supervisors must treat their subordinates with respect, trust and fairness, creating the optimum working environment that facilitates the achievement of goals and objectives.

Superiors shall not make use of the authority granted by **Corporación Durango** to benefit or authorized unjustified promotions, salary increases, adjustments of working hours, and other special benefits or make use of the authority to harass or intimidate subordinates.

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All officers and employees with supervisor authority must provide the necessary resources, within their possibilities, to their subordinates to perform their duties, evaluate their performance and provide them the benefits earned without any conditions.

Sexual harassment

All directors, officers and employees of **Corporación Durango** must enforce an environment of respect and dignity among them avoiding unlawful conducts and sexual harassment which includes, among others, preferential treatments in exchange for sexual favors, show or exhibit photography, magazines, letters and notes with pornographic content, sexual jokes or any other obscene material.

Extra-labor activities

All officers and employees of Corporación Durango participating in extralabor activities must conduct themselves in the most appropriate manner and avoid sharing information that discredits the image and status of Corporación Durango.

Civic-politic activities

All directors, officers and employees of **Corporación Durango** can participate in these type of activities, but must make it clear that they are acting in an independent manner and never representing the company.

Academic activities

All officers and employees of **Corporación Durango** participating in academic activities must plan so their time and effort dedicated to these activities is never at the expense of the company, with the exception of approved activities by the Managing Director. Officers and employees are not allowed to make references to experiences and events in which they participated or have had knowledge unless approved by the Managing Director. When these activities are approved they should enhance the name and prestige of the company.

Religious activities

Corporación Durango respects the freedom of religion, but will not allow any type of religious activities and propaganda inside its buildings or outside during working hours.

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Sporting activities

Corporación Durango is a proud sponsor of sporting activities where its officers and employees are involved either playing in internal tournaments or externally with third parties. However, employees must observe proper conduct and never discredit the company with their acts while performing these types of activities.

Proper performance

All directors, officers and employees of Corporación Durango must, at all times, act with honesty and integrity abiding by the policies established by the company and shall not compromise the integrity of Corporación Durango.

Frauds and illicit activities

When there is sufficient information that a fraud or an illicit act is taking place and the employees of the company are involved, the company will proceed to enforce its legal rights seeking first the restitution of damages caused by such acts .

The investigation will be carried out by the corresponding authority.

All officers and employees must report immediately any illegal activity when harms the well being of **Corporación Durango** as soon as they become aware of such an activity. Knowing about the illicit activity and keeping silence could imply the employee's complicity in the act.

Administrative deficiencies

All officers and employees of **Corporación Durango** with the authority and decision making capacity in any given area must make sure about the existence of the proper internal control to monitor the ethic administration of the resources. This responsibility is personal to the officers and employees and could not be transferable.

All officers and employees of **Corporación Durango** that due to the lack of knowledge, negligence or competence commit irregularities without malice or dishonesty but harms the company's interest will have to repair the damage since there are not a valid grounds that set them free from the obligation to restore the damage.

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Comments, suggestions and denounces

With the sole purpose to look after and follow up on any deviation or breach of this Ethic Code, we have established a Corporate Ethic Committee as well as Committees for each one of the Business Groups that are part of Corporación Durango.

Ethic Committee: All committees will meet at least once a month to review the pending affairs. The committees are as follows:

Corporate Committee:

Dr. José Antonio Rincón Arredondo – Executive VP
C.P. Mayela Rincón Arredondo – CFO
Gustavo A Peyro Medina – Corporate Director of Internal Control:

Ph – +52-618-829-1050
Email: etica@corpdgo.com.mx

Titán's Committee:

Ing . Ignacio Rincón Arredondo – Managing Director
C.P. Sergio Estrada Zapata – Internal Audit Manager – North Zone .
C.P. Miguel Lara R. – Information and Control Manager:

Ph – +52-81- 8057-2573
E-mail: eticatitan@corpdgo.com.mx

Grupo Durango Committee:

Ing. Miguel Rincón Barraza – Managing Director
C.P. Maricela López – Corporate Internal Audit. Manger
C.P. Oscar Maldonado R. – Information Manager:

Ph- +52- 618-829-1060
E-mail: eticagpodgo@corpdgo.com.mx

Pipsamex Committee:

Lic. Martín Rincón Arredondo – Managing Director
Lic. Dalia Noriega Cerecedo - Controller
C.P. Gonzalo Díaz Landeta – Director of Finance:

Ph- +52-55-5729-7057
E-mail: eticapipsamex@corpdgo.com.mx

Ponderosa Committee:

Don Jesús Rincón Arredondo – Managing Director
Sr. Gastón Lerma Domínguez - Controller
C.P. Luis R. Preciado Estrada – Analysis Manager:

Ph. – +52-618-829-1061
E-mail: eticaponderosa@corpdgo.com.mx

Durango Mckinley Committee:

Ing. Prudencio Calderón – Managing Director Durango Mckinley Paper Co.
Herb Baez - Finance and Administration Manager
C.P. Heberto Baez – Controler

Ph.- (972) 786 7041
E-mail: ethicsdmpe@corpdgo.com.mx

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Procedures:

- 1.- There is evidence of a deviation from this ethic code by a director, officer or employee of **Corporación Durango** or its subsidiaries.
- 2.- The person having knowledge or suspicion of any breach of this Ethic Code should notify the appropriate Business Group's Ethic Committee or the Corporate Ethic Committee. The notification can be made by phone or via e-mail to the proper address.
- 3.- The notification could be an anonymous call or mail and should include: facts, events and personnel involved.
- 4.-All notifications of breach of this Ethic Code will be handled confidentially, if further information is needed we will contact the informant, unless it is an anonymous call or e-mail.
- 5.-All notifications will be turned immediately to the corresponding Ethic Committee. Such committee will be responsible for following up on the matter.
- 6.- Depending upon the severity of the offense, sanctions can go from an administrative sanction to the firing and assigning of the employee to the appropriate authorities.
- 7.- In the event the informant chooses not to remain anonymous he or she will be notified of the outcome of the investigation – all information will be handled with a high degree of confidentiality. Knowing about the illicit activity and keeping silence could imply the employee's complicity in the act.

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Date : _____

(Name) : _____ I have received a copy of **Corporación Durango's** Ethic Code, as well as an explanation of its purpose and its scope. I understand and abide by this Ethic Code in all the related activities according to my duties as _____ in _____ a subsidiary of **Corporación Durango**.

I am committed to let my subordinates and co-workers know about this code and seek advice from the committee when in doubt of its application to a specific situation.

In the event of having knowledge or suspicion on any violation to this code, I will notify it, either personally or anonymously to my supervisor or the Ethic Committee making my self available to any questions that may arise from such notification.

At the same time, I agree that under no circumstances will retaliate against any person notifying of a violation to this Ethic Code.

Name and signatura

Company