

CODE OF ETHICS

A GREAT LEAP TOWARDS BUILDING A BETTER COMPANY

SACI FALABELLA, SUBSIDIARIES AND PROVIDERS

JANUARY 2006

"Each of us will be responsible for applying this Code and encouraging others to follow it. We expect that we will all endeavor to behave honestly and prudently at all times to safeguard the good of the Employees and of the Company."

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INTRODUCTION

Our Corporate Vision provides us with the ideal of "Contributing to improving the quality of life of our Customers in each of the communities of which we are a part."

Our Mission, on the other hand, gives us the task or goal of "Satisfying and surpassing the expectations of our Customers through a buying experience that optimally combines products, services, environment and convenience, to thus earn their recurrent preference."

In the search for this ideal and common goal, our actions and decisions must abide by the Values inspiring them. The foundations of our Vision and Mission are basically honesty, service, initiative, commitment and teamwork. Naturally, respect and responsibility are implicit.

This Code sets down the general principles guiding the activities conducted by SACI Falabella, subsidiaries and providers and by each person working for them. It is a tool of orientation and a facilitator of our actions that provides a framework of reference in relation to both the Values fostered by the Company as well as its Vision and Mission.

The Code contains a set of rules that we must apply to our work that will give it a seal and style inherent to our way of relating to each other and of conceiving and doing business. That is why these rules will apply to all who form a part of the Company, without exception.

We will do business and relate to others always based on compliance with the laws and rules of ethics. In resorting to the guidance in this Code and applying it to all circumstances, we will have the best basis from which to build an organization that is increasingly respectful of the rights of each of us and we will thus, conscious of our duties, be effective and bring harmony and satisfaction to our team.

GENERAL RULES ON CONDUCT AND RESPONSIBILITY

All members of this Company are individually responsible for their actions.

We abide by the law, the regulations of the legitimate and competent regulatory authorities, the procedural manuals, regulations, instructions, written standards and other in-house provisions of the Company, which must be known by all its members.

We will enforce the spirit and letter of the laws, regulations and standards in good faith.

When we are faced with a situation not clearly regulated or described, we will consult our superior on how to act. We will always proceed honestly, responsibly, in observance of morals, customs and the culture of our Company.

It will never be acceptable to excuse incorrect actions because of a common practice among other members of the Company or our competitors.

Risks in every commercial or other transactions will be assumed first by whoever performs the transaction, always within the scope of his attributions. This responsibility is not eluded because it is done with persons related to the Company or at the recommendation of one thereof. In that case, the identity of such person must be informed to the respective Division together with the commercial, family or social nature of the existing relationship.

We will always act in respect for safety standards and will not jeopardize our own physical integrity or that of our colleagues, customers, suppliers or the assets and facilities of the Company.

We will act honestly, truthfully, transparently and efficiently in all transactions, whether the execution of contracts, purchases, services, with suppliers, in public or other affairs that suppose the use of our Company's resources, and we will always favor benefiting the Company above any other personal preference or contact.

The recommendations made by persons related to the Company, either by ownership, management or business, in the hiring of Employees will follow the regular conduit and will be considered a good reference. Those who are recommended will not be given preferential treatment in their incorporation, contract terms or performance in their jobs.

Our Company must not do business nor maintain commercial relations with people or companies that deviate from the rules of ethical legitimacy or that participate in unlawful businesses. Any doubt must be brought to the corresponding Division.

HANDLING AND USE OF INFORMATION

Confidential information is information provided to us because of the trust in us as Employees of the Company. Therefore, we must not disclose or expose it to use by others.

Anyone who has access to confidential information because of their job, especially on customers, suppliers, shareholders or other Employees, such as salaries, bonuses or benefits and personal information on them or on commercial decisions, must be absolutely discreet in the use thereof. It may only be disclosed to others on a need-to-know basis because of their position. Any doubt on this subject will be brought before the respective Division. In particular, strategic information and privileged information are confidential.

- **STRATEGIC INFORMATION**

Our Company must keep strategic information strictly secret, meaning information that gives it competitive advantages or that is not yet disclosable to the market. That information is secret and we are not allowed to disclose it to others under any circumstances. The same rule applies to products, services, procedures and any other

matter of which we learn in or because of our job that may, if revealed to third parties outside the Company, harm its competitiveness or diminish its equity.

Employees shall promptly advise the corresponding Division of any situation that may be injurious to the trust, good name or credibility of our Company.

We must be especially discreet about information in physical or computer files and in documents for which we are responsible as part of our job, and we will be particularly concerned that they are kept appropriately. We will bear in mind that a misuse of information is not only unethical, but also generates legal liabilities for the Company and the misuser himself, that may even constitute a crime.

- **PRIVILEGED INFORMATION**

Privileged information is information on our Company, its businesses, subsidiaries or related companies or the securities issued by the Company that has not been disclosed to the market and which, if known, might have an impact on the trading of such securities. Privileged information is also information on purchase and sale transactions that the Company will perform on the securities, real estate or other markets before they are disclosed to the market.

We must keep privileged information of which we learn because of our position in the Company strictly secret. We cannot obtain advantages, earnings or avoid personal losses through its use, either directly or indirectly, or to our own or another's benefit.

As members of our Company, we have the right to make private investments, but not to make use of privileged information in making them. Nor is it lawful to use that information as the basis for investment advice to others.

RELATIONS WITH THE AUTHORITIES

We will treat the public and private authorities respectfully because of their office and image of the Company that we must carefully project.

We will be reasonably hospitable, always cordial and polite, within the boundaries of common sense.

We will respond to legitimate requests for information from regulatory and government authorities promptly through the regular conduits and in respect for the level of attributions assigned to each position in the Company.

All requests for information by such authorities that differs from those usually made in regular audits and reports must first be channeled to the executive level authorized to provide it under his signature, and after consulting with legal counsel, if needed.

Information from our records or files or of the Company's customers may be disclosed under a subpoena from the Courts or a court order, as provided in the law. This information will be handled on the basis of the law so legal counsel must always be consulted first on how to proceed.

CUSTOMER RELATIONS

Our Company exists because of its Customers, and our mission is to provide them the highest quality service.

We must provide service professionally, respectfully, honestly, opportunely and amiably, regardless of our position in the Organization.

Relations with Customers will fall within the purview of the policies, manuals and procedures of the Company, be consistent with the provisions in this Code, and ensure the highest quality of service.

In the zeal to guarantee transparency, integrity and professionalism in all things, any of us who has personal, family or friendly relations with Customers, competitors or others with whom we must relate because of our position of Employee in the Company will advise this relationship to the corresponding Division, which will adopt the measures to ensure independence and neutrality of decisions.

No discounts may be made for Customers nor the terms of sale changed without the pertinent authorization, in proper observance of the Company's discount policy. Nor may commissions, tips, other gifts or favors be accepted from Customers.

We must always ensure that there is independent judgment in the Company's business decisions and its best image. No gifts, presents or attention can be accepted from Customers or persons commercially related to the Company unless they are symbolic gestures that are not worth more than US\$50 or the equivalent.

Should situations of this nature arise, we will have the duty to explain this rule of conduct to the giver and decline the gift. If it cannot be returned, it must be sent to the Welfare Department of the Human Resources Division for donation, with notice to the corresponding Division. All events of importance in association with the offer and its acceptance, the identity of the donor and the approximate value of the gift must be informed in writing simultaneous to forwarding the gift.

RELATIONS WITH SUPPLIERS AND THIRD PARTIES

In addition to observing and enforcing all rules contained in the previous section, we will bear in mind in our relations with suppliers and third parties related to the Company that:

Orders must be placed and contracts and commitments made with suppliers of goods and services in an entirely impartial manner, without any type of favoritism, and the commercial and equity interests of our Company will be given preference at all times.

Bonds of trust will be established with suppliers who are willing to abide by its rules on quality and to act according to the standards of seriousness with which we act. All offers from suppliers will be evaluated and compared from time to time so as to continuously improve conditions, quality and service.

Employees will refrain from attending meetings, receptions or other types of events with suppliers if they may, because of the excessive, disproportionate or inappropriate nature of those invitations, compromise their independence of judgment and the duty to decide freely in view exclusively of the Company's interests. Any doubt regarding the above must be brought by Employees to their superiors.

Invitations by suppliers to evaluate products must be reported to the corresponding Division in order to avoid any possible compromising pressure, as discussed in the preceding paragraph.

Commercial decisions will be based on the merit of the offers and may never be influenced by favors, gifts, invitations, loans or services of any nature by any person or organization conducting business with, or competing against, our Company. The guidelines in the section on Customer Relations must be followed in situations like these.

Obviously, no employee may insinuate, solicit or request gifts or benefits as a condition to establishing commercial relations with the Company.

RELATIONS AMONG MEMBERS OF THE COMPANY

As Company Employees, we are expected to assume the commitment to behave without jeopardizing or affecting the health, safety, dignity, integrity or reputation of the people who comprise this Organization, and we are expected to relate harmoniously in its environment. We are also responsible for enforcing this Code and encouraging the people with whom we relate to abide by it.

Sincerity must impregnate the relations among individuals, in the ranks inside the Company and with outside entities and individuals.

Putting undue pressure on our colleagues, whether individually or as a group, will be considered a violation of rules of ethics. It is also a violation if anyone fails to respect confidentiality, starts rumors or uses veiled criticism and personal discredit of others.

Unethical conduct will never be justifiable nor can the argument be used that instructions were received from a superior to behave that way. Should such an order be given, we have

the obligation to report it to the respective Division, who will give notice of it to the Human Resources Division where measures will be adopted to avoid eventual reprisals.

The abuse of authority, sexual harassment, psychological harassment, denigrating or humiliating treatment as well as any action that is dishonorable or disrespectful to others constitute conduct especially prohibited because it injures the dignity of individuals.

THE EXERCISE OF AUTHORITY

There is a hierarchy of positions in the organization of our Company that surrenders greater authority and responsibility to the person holding a higher position. At the same time, it entails the correlative obligation to exercise that authority responsibly and ethically. Any deviation from these matters will make the person lose support and any abuse of authority or negligence is censurable.

Exercising authority has significant repercussions on the climate in which we do our work, on the quality of the service we provide to our external clients, on the cooperation we need from our colleagues, and on the relations we maintain with other entities of interest to our Organization.

A priority concern will be to exercise authority always at the service of these key processes in order to create open and trusting relations between superiors and subordinates, to thus endeavor to prevent and overcome friction, conflict and dissatisfaction, always bearing in mind the best service to Customers.

The attributions of each position are established for operations to work better and business to be handled more efficiently. Therefore, they must be subject to the rules governing them and not exceed their scope of attributions. Some of these attributions are, for example, the authority of signature, of cash management, of the use of passwords and of the handling of keys.

Consequently, no one will be able to sign documents, represent the Company, exercise authority nor exceed their authority unless they have specific authorization.

The instructions given by anyone vested with authority will be based on good judgment, prudence and honesty. They will always be respectful of, and may not conflict with, governing laws.

HANDLING ASSETS AND MONEY

- ASSETS

In our Company, we must safeguard the conservation of its equity. We must, therefore, protect the ownership of the assets, i.e. all assets, information, products and services.

They cannot be misused or removed from the Company's premises without specific authorization. This also includes the Company's intellectual property, such as customer lists, files, reports, computer software, data processing systems, computer programs, databases and trade secrets.

The Company owns its products and services and any contribution made by its Employees to their development and implementation. This condition will remain unchanged when the employee leaves the Company.

The stationery of the Company, stamps and any representation of the Organization must be used solely and exclusively in official matters forming part of the job. This means they cannot be used in personal communications nor must they be signed as a member of the Company, giving the impression that they are official communications when they are not.

The merchandise, tools, provisions, machinery and materials of the Company must be cared for and used only for the purposes required by the job.

The samples provided by suppliers that are not used by the areas receiving them must be sent to the Welfare Department of the Human Resources Division, which will donate them according to its policies. Those samples may never be considered or used as the personal property of the Employees.

The utmost care must be taken in regard to the information systems of our Company and all damage to the integrity of its programs and data prevented. Proper protection must include avoiding any personal use, the denaturing of their normal use and the attempts at manipulation.

No programs or other personal elements can be used on the Company's computers that may expose them to contamination by computer viruses, to other failures or to accusations of unauthorized use of software.

- MONEY

In our Company, we will always be extremely careful about handling its money and the money of Customers and other related entities.

We will avoid any situation that might put our personal honesty in doubt. We will strictly observe established procedures and we will record and support all transactions we perform. Any use other than the use that the Company has defined for its money as well as that of related entities will be considered objectionable. No justification will be accepted for it and it will constitute a serious breach of our duties as Employees.

Another breach will be when anyone buys goods or services in the Company for account of a third party to make use of special advantages offered by the Company solely to its employees. This also applies to anyone buying on credit using another's current account.

Everyone who is authorized to incur operating expenses will render an accurate and timely account of those expenses in observance of the established policies and procedures. All expenses statements must be supported by the relevant documents.

The books, records and accounts reflecting the operations and transactions of the Company must be kept complete and creditable. Any malicious omission or adulteration thereof will be drastically sanctioned as will any action that intentionally seeks to distort the Company's accounting, the disposition of its assets, its control systems, files or records in general. This includes, but is not limited to, personal expense accounts, information provided to apply for a benefit, information records on customers and other entities related to the Company or the like.

In compliance with legal and commercial requirements and its own regulations, the Company has established internal control policies and procedures for the accounting, inventories, assets, money, files and other areas of management. As Employees, we must maintain those systems, submit to those controls and collaborate with the verifications made of their operation. By way of example (that is not exhaustive) we can mention cash reconciliations, bag and locker records, drug testing, the use of computer equipment and e-mail.

We will ask for the necessary approvals to perform each transaction and we will record it with reasonable detail in order to keep the accounting according to generally accepted accounting principles.

CONFLICTS OF INTEREST

A conflict of interest exists whenever the direct or indirect personal interest of an employee may affect his independence of judgment in a decision or action involving the interests of the Company.

These situations are resolved by personally observing the highest standards of ethics, the best guarantee of maintaining our image of integrity and honesty and of safeguarding the Company's interests.

As a general policy, we must avoid any situation in which our personal interests conflict or seem to conflict with those of the Company which we must, as Company employees, make prevail in all circumstances. The most obvious application is by dedicating the entire work day to the business of the Company and not to personal matters.

It will not be acceptable for Employees involved in direct labor relations to be directly related (parents-children, spouses, siblings).

Employees must advise the respective Division in writing when they have direct relatives (parents, children, spouses, siblings) working for the competition or in the same industry, who will give that information to the Human Resources Division.

No employee may act in the name of the Company in transactions involving persons or organizations with which the employee or his family have any economic connection or interest. Any doubt in this regard must be brought to the corresponding Division, which will make a decision and report the action taken to the Controller.

Employees will advise the respective Division of any companies and other juristic persons that they incorporate with other persons to develop investment projects or businesses. The Division will then report it to the Human Resources Division and the Controller. This will facilitate compliance with the law and regulations of the authority, when relevant.

An employee who is asked by any outside entity, because of his position in the company, to participate as a speaker, panelist, professor or consultant for pay should report it to his superior, who will decide whether it is appropriate and the terms of the participation, if relevant. University posts and higher educational activities will also be subject to this procedure.

The decisions on staff and their affairs must, like with commercial conduct, be based on sound ethical principles and healthy management practices. It is therefore obligatory to avoid special employment and management considerations that are due exclusively to family or personal ties or friendships. When faced with these situations, we must favor impartiality and report any ties we have to another person or entity to our superior and, if relevant, let him decide for us.

PERSONAL FINANCES AND INVESTMENTS

Employees who participate in commercial activities involving the Company's business must give written notice of those activities to the respective Division, which will decide whether they are compatible with the job. The Division will respond in writing and send a copy of the documents to the Controller and the Human Resources Division.

All private commercial activities performed by an employee must be done outside of his work day.

Activities conducted outside of working hours, whether or not for profit, may never signify conflicts of interest with, nor cause adverse effects to, the Company.

Taking on relevant responsibilities in charity organizations, trade associations, non-governmental organizations, schools, universities, government committees and other similar responsibilities must be reported promptly to the corresponding Division.

PERSONAL CONDUCT

The Company asks you to adhere to the principles and values explained in this Code. It considers that they also apply to the employee's private life and involve his personal conscience.

Belonging to the Company does not end at the end of the work day, but rather extends to, and often fuses with, life in society as citizens. It is impossible to absolutely separate both.

In view of this inevitable overlapping, the Company requires its Employees to abide by these rules of ethics in their private lives, if relevant. However, the Company will not stipulate any such obligation of private conduct in employment contracts.

However, it expects that Employees will constantly adhere to the most transcendental values of being human and thus safeguard the good of all its members, of the Company and its image.

Recognizing the most ample freedom of thought, politics, religion, and philosophy that its members may have, it requires them to respect the fundamental principles, namely the dignity of each Employee, and to behave honestly and prudently.

Each of the members of the Company adhering to the ethical guidelines in this Code, and the interrelationship between them and the conduct they exhibit in their private and social lives, will be the best guarantee of an optimal operation of our Company and the best support for the prestige that it has cultivated in the community.

ALCOHOL AND DRUGS

The safety of its Customers and Employees is one of the main responsibilities of the Company with which it is always concerned and to which it is always dedicated. Since using illegal drugs and abusing alcohol deteriorate this level of safety and at the same time have undesirable personal consequences, the Company aspires to enjoy a working environment free from the effects of those vices.

The Company rejects alcohol abuse and illegal drug use by its Employees.

The Company expressly forbids the possession, dealing, sale and use of illegal drugs and the possession, distribution and use of alcohol on its premises, in any form and way.

It also prohibits the distribution and sale of legal drugs on its premises and in places where Employees do their jobs.

No one in the Company may come to work, or work, under the effects of alcohol, illegal drugs or other drugs that diminish their capacity and normal performance on the job.

Everyone has the obligation to help avoid the proliferation and, if relevant, eradicate these habits.

The Company will keep a policy in place for the management of any situations of excessive use and/or dependency, and it will act according to the established internal rules.

ADMINISTRATION, VALIDITY AND INFRINGEMENTS

The provisions in this Code are binding upon all Employees of the Company, regardless of the position they hold or the level of authority they have been given.

Each Manager will be responsible for administrating, and for confirming compliance with, this Code. His role will be as regulator and moderator of practices that are incompatible with the policies and purposes of the Company according to ethical standards.

Any situation arising that merits a sanction must be first consulted with the Human Resource Division. After sanctions have been applied, a report on actions must be sent in writing to such Division, with a copy to the Controller.

The Human Resources Division will be responsible, under the approval of the Controller, for interpreting the provisions in this Code, for specifying their correct meaning and scope, and for updating the contents according to the evolution of the Company.

An act contrary to the provisions in this Code must be promptly reported to the corresponding superior and Division through the regular conduit since each thereof is responsible for practicing and enforcing this Code in all areas to which it refers. These acts will also be reported to the Human Resources Division.

Unlawful, illegal or fraudulent conduct observed within the Company must be reported and anyone so reporting will be protected by the Organization, especially by maintaining anonymity, if requested. Any failure to report will be sanctioned.

Anonymous or bad faith, false or irresponsible denouncements are unacceptable and will be sanctioned.

The provisions in this Code will enter into effect 30 calendar days after the Code is publicly disclosed to the members of the Company.

Any situation occurring prior to the publication of this Code that breaches its provisions must be reported by the Employee to the corresponding Division. That Division will take the actions necessary to regularize the situation as soon as possible. Any doubt regarding this or other matters must be brought before the Human Resources Division.

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