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**CODE OF CONDUCT ON  
TRANSACTIONS WITH RELATED PARTIES**

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Text approved by the Board of Directors on 26 March 2007

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## 1. INTRODUCTION

This code of conduct (the “**Code3340** ”) is issued by Aeffe S.p.A. (“**Aeffe3340** ” or the “**Company3340** ” ) in accordance with current legislation governing related-party transactions.

The purpose of this Code is, in particular, to (i)3340 govern the transactions with related parties carried out by Aeffe or its subsidiaries, identifying suitable internal regulations that ensure the transparency and substantial and procedural propriety of such transactions, and to (ii)3340 establish procedures for complying with the related information requirements, including those envisaged by current and applicable legislation and regulations.

## 2. APPLICABLE REGULATIONS

This Code has been issued in accordance with:

- (a) the financial statement disclosure requirements of IAS 24 concerning transactions with related parties, adopted by EC Regulation 2238/2004 issued by the European Commission on 29 December 2004, as most-recently amended by EC Regulation 1910/2005 issued by the European Commission on 8 November 2005 (“**IAS 243340** ”);
- (b) the provisions on related-party transactions contained in art. 2391-*bis*3340 of the Italian Civil Code;
- (c) the provisions contained in art. 114.1 of Decree 58 dated 24 February 1998 (the “**Consolidated Finance Law - TUF3340** ”), as most-recently amended by the so-called 2004 Community Law (Law 62 dated 18 April 2005), which adopted into Italian legislation the EU regulations concerning inter alia market abuses (Directive 2003/6/EC and the Commission enabling directives 2003/124/EC, 2003/125/EC and 2004/72/EC), and by the so-called Savings Law (Law 262 dated 28 December 2005), in force from 12 January 2006;
- (d) the provisions on transactions with significant related parties contained in art. 71-*bis*3340 of the enabling regulations for Decree 58 dated 24 February 1998 on the regulation of issuers, adopted by CONSOB decision 11971 dated 14 May 1999 and most-recently amended by decision 15520 dated 27 July 2006 (the “**Issuers' Regulations3340** ”).

## 3. DEFINITIONS

In addition to any terms defined in other articles of this Code, the following terms and definitions will have the meaning attributed to each them here below, bearing in mind that the singular encompasses the plural and vice versa.

### 3.1 Transactions between Related Parties

Transactions that involve the transfer of resources, services or obligations between Related Parties, regardless of whether or not any consideration has been agreed.

3.2 Ordinary Transactions

Routine and/or normal Transactions between the Companies Concerned carried out in the ordinary course of their business activities, as well as transactions between the Company and/or the Companies Concerned and other Related Parties which, over the year, do not total more than Euro 3340 2,500,000 (twomillion fivehundredthousand)3340 .

3.3 Extraordinary Transactions

Transactions between Related Parties not carried out in the ordinary course of the business of the Companies Concerned, as defined in art. 3.2 above of the Code.

3.4 Significant Transactions

Extraordinary Transactions whose nature, amount, method or timing might impact on the safeguarding of the Group's assets, or on the completeness and accuracy of the accounting and other information provided in relation to Aeffe.

3.5 Related Party

Pursuant to the provisions of IAS 24, the term “Related Party” means the party that, directly or indirectly, in relation to the Company:

- (a) directly, or indirectly via one or more intermediaries:
  - (i) controls the Company, is controlled by it or is subject to joint control (including parent companies, subsidiaries and affiliates);
  - (ii) holds an equity interest in the Company that confers the power to exercise significant influence over it; or
  - (iii) jointly controls the Company;
- (b) is an associate of the Company;
- (c) is a joint venture<sup>3340</sup> in which the Company has an investment;
- (d) is a manager with strategic responsibilities who works for the Company or its parent company;
- (e) is a close family member of one of the parties referred to in points (a) and (d) above;
- (f) is controlled, jointly controlled or subject to significant influence by one of the parties referred to in points (d) and (e) above, or such parties hold, directly or indirectly, a significant portion of the Company's voting rights;

(g) is a pension fund for the employees of the Company, or any other related entity.

For the purposes indicated in the above letters:

A.3340 “control” means the power to determine the financial and operating policies of an entity in order to obtain benefits from its activities.

In this regard, for the purposes of this Code, “Subsidiaries” are unless demonstrated otherwise:

- those companies in which another company holds, directly or indirectly via intermediaries or trustees, the majority of the votes exercisable at ordinary shareholders' meetings;
- those companies in which another company holds, directly or indirectly via intermediaries or trustees, sufficient votes to exercise dominant influence at ordinary shareholders' meetings;
- those Italian or foreign companies over which, under the terms of a contract or a clause in the articles of association, a party has the right to exercise a dominant influence on condition that the applicable legislation allows such contracts or clauses;
- those Italian or foreign companies in which a shareholder, under the terms of agreements with other shareholders, has sufficient votes alone to exercise a dominant influence at ordinary shareholders' meetings;

B.3340 “joint control” means the sharing, on a contractually-agreed basis, of control over the economic activities of an entity;

C.3340 “associate” means an entity that need not have a separate legal identity, such as a partnership, which is not a subsidiary or under joint control, but over which an investor exercises significant influence.<sup>3340</sup> For this purpose, “significant influence” means the power to participate in determining the financial and operating policies of an entity, without any right of control; such right may be exercised via the ownership of shares, or in accordance with the articles of association or other agreements.

For the purposes of this Code, significant influence is deemed to exist if at least one-fifth of the voting rights can be exercised at ordinary shareholders' meetings, or one-tenth if the company's shares are listed on regulated markets;

D.3340 “managers with strategic responsibilities” means those persons who have the power and responsibility, directly or indirectly, to plan, manage and control the activities of the entity, including its directors (whether executive or otherwise). In this regard, the “managers with strategic responsibilities” include:

- members of the Company's Board of Directors and Board of Statutory Auditors;

- managers holding powers granted directly by the Company's Board of Directors, and the General Manager of the Company, if appointed;
- the General Manager and managers with strategic responsibilities of the Company's subsidiaries, as identified from time to time by the respective administrative bodies and communicated to the Company;
- the managers of the Company's parent company with strategic responsibilities, as identified by that company's administrative body and communicated to the Company.

*E.3340* "Close Family Members" of a party means those family members who can be expected to influence, or be influenced by, the party concerned in dealings with the Company. In this regard, the following are presumed to be "Close Family Members":

- the spouse if not legally separated or the life companion;
- relatives and their relatives to the second degree;
- children of the life companion;
- persons supported by the party or life companion.

### *3.6*     Companies Concerned

"Companies Concerned" means Aeffe and the Subsidiaries of Aeffe.

## **4.     SCOPE OF APPLICATION**

- 4.1     The members of the administrative and control bodies of the Companies Concerned, as well as their senior managers, are required to comply with the provisions of this Code.
- 4.2     The Chairman of the Board of Directors, and/or such other person specifically appointed by the Board of Directors of Aeffe, will make any necessary amendments and/or additions to this Code consequent to changes in the legislation and regulations in force from time to time, or which are deemed appropriate in view of the Company's operations and the experienced accumulated in the application of this Code. All amendments and/or additions must be reported to the Company's Board of Directors and Board of Statutory Auditors at the first subsequent meeting.
- 4.3     The Chairman of the Company's Board of Directors, or other appointed person, will give copies of this Code to the parties referred to in para. 4.1 above, together with the form presented as Attachment 1, upon:
- (a)     acceptance of their appointment, with regard to the members of the administrative and control bodies of the Companies Concerned;



(b) employment, with regard to the senior managers of the Companies Concerned.

4.4 Each time amendments and/or additions are made to the Code pursuant to para. 4.2 above, the Chairman of the Company's Board of Directors, or other appointed person, will give copies of the Code, as amended and/or supplemented, to the parties referred to in para. 4.1 above.

4.5 The parties referred to in para. 4.1 who receive a copy of this Code pursuant to paras. 4.3 and 4.4 above, are required to complete, sign and return the form presented as Attachment 1 to the Chairman of the Company's Board of Directors, or other appointed person, within and no later than 3 (three) days of such receipt, in order to confirm their full knowledge and acceptance of this Code. It is however understood that the requirements of this Code are and will be applicable to such parties, regardless of whether or not they have signed the form presented as Attachment 1.

4.6 By completing and signing the form presented as Attachment 1 in accordance with para. 4.5, each of the parties referred to in para. 4.1 above irrevocably consents to the processing of their personal information pursuant to Decree 196/2003.

## **5. MONITORING COMPLIANCE WITH THE CODE**

5.1 The Company's Board of Statutory Auditors monitors compliance with the provisions of this Code and discusses it in the report to the meeting of the Company's shareholders required by art. 2429.2 of the Italian Civil Code.

5.2 For the purposes of the provisions of para. 5.1 above, the members of the administrative and control bodies, the General Managers - if appointed - and the senior managers of the Companies Concerned must inform the Company's Board of Statutory Auditors without delay about any violations of this Code that come to their attention on the performance of their duties.

## **6. RESOLUTIONS CONCERNING TRANSACTIONS WITH RELATED PARTIES**

### **6.1 Reservation of powers and limits on their delegation**

6.1.1 The power to adopt resolutions concerning Transactions with Related Parties is normally reserved solely for the administrative body of the Company Concerned that is involved in the transaction.

6.1.2 As an exception to the provisions of para. 6.1.1 above, the power to decide on and carry out Ordinary Transactions may be delegated, as sole or joint signatories, to one or more of the members of the administrative body of the Company Concerned. Under no circumstances can powers be delegated to carry out Extraordinary Transactions or Significant Transactions.

- 6.1.3 The administrative body of the Company Concerned specifically does not have the power to delegate the execution of Transactions with Related Parties, as described in para. 6.1.2 above, to parties that have a direct, potential or indirect interest in the completion of such transactions, whether for their own benefit or that of others.
- 6.1.4 Without prejudice to the provisions of paras. 6.1.2 and 6.1.3 above, if the administrative body of the Company Concerned has delegated to one or more of its members the powers necessary to carry out certain categories of transaction, the power to decide on and carry out Transactions with Related Parties, where covered by such mandate, must be specifically envisaged and referred to therein.

## **6.2 Resolutions concerning Ordinary Transactions with Related Parties**

- 6.2.1 Ordinary Transactions do not need prior approval from the administrative body of the Company Concerned, if the execution of such transactions has already been delegated to one or more of the members of the administrative body of the Company Concerned, in accordance with the provisions of paras. 6.1.2, 6.1.3 and 6.1.4 above.
- 6.2.2 Parties holding mandates to carry out Ordinary Transactions granted by the administrative body of the Company Concerned pursuant to and in conformity with the provisions of para. 6.2.1 above must, at the next meeting subsequent to carrying out such transactions, report to the administrative body of the Company Concerned on (i) the nature of the relationship, (ii) the way the transaction was carried out, (iii) the timing and economic terms and conditions applying to the transaction, (iv) the evaluation procedures adopted, (v) the interest in and reasons for the transaction, and (iv) any risks for the Company Concerned deriving from completion of the transaction.

## **6.3 Resolutions concerning Extraordinary Transactions with Related Parties**

- 6.3.1 Proposed Extraordinary Transactions must be submitted for prior approval by the administrative body of the Company Concerned that is involved in the transaction.
- 6.3.2 For the purposes of the resolutions referred to in para. 6.3.1 above, the administrative body of the Company Concerned must be adequately informed about (i) the nature of the relationship, (ii) the way the transaction will be carried out, (iii) the timing and economic terms and conditions applying to the transaction, (iv) the evaluation procedures adopted, (v) the interest in and reasons for the transaction, and (iv) any risks for the Company Concerned and/or the Company deriving from completion of the transaction.

- 6.3.3 Where required by the nature, value or other characteristics of the transactions referred to in para. 6.3.1 above, and in order to avoid agreeing conditions for them that differ from those that might reasonably have been agreed on an arms'-length basis, the administrative body of the Company Concerned will decide on the merits of the proposed transactions with reference to advice from independent experts. Such experts will be selected from among those with recognised professionalism and skill on the matters under consideration, who must also be seen as independent and not have any conflicts of interest with regard to the proposed transactions.
- 6.3.4 If, with regard to the transactions referred to in para. 6.3.1 above, the relationship with the Related Party involves one or more of the members of the administrative body of the Company Concerned or, in any case, if one or more of the members of the administrative body of the Company Concerned have a direct, potential or indirect interest in the completion of the transaction, whether for their own benefit or that of others, such parties must provide complete and timely information about it to the administrative and control bodies of the Company Concerned, detailing the nature, origin, extent and terms of their interest in the transaction.
- 6.3.5 Furthermore, the parties referred to in para. 6.3.4 above must leave the meeting of the administrative body before it decides whether or not to carry out the Transaction.

#### **6.4 Resolutions concerning Significant Transactions with Related Parties**

- 6.4.1 Proposed Significant Transactions by a Company Concerned must be submitted for prior approval by the Company's Board of Directors. For this purpose, the Company's Board of Directors must be adequately informed about (i) the nature of the relationship, (ii) the way the transaction will be carried out, (iii) the timing and economic terms and conditions applying to the transaction, (iv) the evaluation procedures adopted, (v) the interest in and reasons for the transaction, and (iv) any risks for the Company Concerned and/or the Company deriving from completion of the transaction.
- 6.4.2 Where required by the nature, value or other characteristics of the Significant Transactions, and in order to avoid agreeing conditions for them that differ from those that might reasonably have been agreed on an arms'-length basis, the Company's Board of Directors will decide on the merits of the proposed transactions with reference to advice from independent experts. Such experts will be selected from among those with recognised professionalism and skill on the matters under consideration, who must also be seen as independent and not have any conflicts of interest with regard to the proposed transactions.
- 6.4.3 If, in relation to Significant Transactions, the relationship with the Related Party involves one or more of the members of the Company's Board of Directors or, in any case, if one or more of the members of the Company's Board of Directors have a direct, potential or indirect interest in the

completion of the transaction, whether for their own benefit or that of others, such parties must provide complete and timely information about it to the Company's Board of Directors and Board of Statutory Auditors, detailing the nature, origin, extent and terms of their interest in the transaction.

- 6.4.4 Furthermore, the parties referred to in para. 6.4.3 above must leave the meeting of the Board of Directors before it decides whether or not to carry out the Transaction.
- 6.4.4 If the Significant Transaction must be carried out by a Company Concerned that is not the Company, the Company's Board of Directors will inform the Board of Directors of the Company Concerned, without delay, about the resolution it has adopted.

## **7. DISCLOSURE REQUIREMENTS FOR TRANSACTIONS CARRIED OUT WITH RELATED PARTIES**

### **7.1 Information about the identity of the Related Parties**

- 7.1.1 Within and no later than 15 (fifteen) calendar days after the end of each calendar quarter, (i) the members of the Company's Board of Directors and Board of Statutory Auditors, (ii) the Company's General Manager and the other senior managers holding powers granted directly by the Company's Board of Directors, if appointed, and (iii) the senior managers with strategic responsibilities (as defined in letter D of para. 3.5 above) of the Companies Concerned must send a confirmation to the Company's Board of Directors and the administrative bodies of the Companies Concerned of the companies in which such parties, and/or their Close Family Members (as defined in letter E of para. 3.5 above), hold controlling interests or over which they exercise significant influence, as defined in letters A, B and C of para. 3.5 above. If there are no changes with respect to the information provided for the previous quarter, the above parties can simply provide a confirmation of the contents of the previous communication.
- 7.1.2 The parties referred to in para. 7.1.1 above must also inform the Company's Board of Directors and the administrative bodies of the Companies Concerned, on a timely basis, about any changes during the calendar quarter in the information communicated pursuant to para. 7.1.1 above.

### **7.2 Information on Transactions with Related Parties**

- 7.2.1 The Company's Board of Directors provides information about the Ordinary Transactions, Extraordinary Transactions and Significant Transactions carried out during the year, including those carried out by Companies Concerned other than the Company, in the report of operations required by art. 2428 of the Italian Civil Code.

7.2.2 For the purposes of para. 7.2.1 above, by the seventh calendar day following the end of each calendar quarter, the Companies Concerned other than the Company must send the Company's Board of Directors a short note specifying (i) the agreements reached and developments in the Transactions with Related Parties approved by the competent administrative body, or carried out under powers granted pursuant to para. 6 above, (ii) the actions taken, (iii) the projects commenced, (iv) any difficulties or issues encountered, and (v) all other useful information regarding such transactions.

**7.3 Information to be provided to the Board of Statutory Auditors**

7.3.1 Having regard for the information received pursuant to para. 7.2.2 above, the Company's Board of Directors reports to the Board of Statutory Auditors on a timely basis, at least every quarter, on the Transactions carried out with Related Parties, directly or via Companies Concerned other than the Company, during the quarter. It also reports on the status – at the end of the quarter – of Transactions with Related Parties that, in view of their characteristics, are carried out over a period of time or on a periodic basis.

7.3.2 In the context of the communications to the Board of Statutory Auditors referred to in para. 7.3.1 above, the Company's Board of Directors reports in particular on the interests underlying the Transactions with Related Parties, the nature of the relationships, and the way such transactions are being carried out (including their timing and economic terms and conditions), having regard for any evaluation procedures adopted.

**7.4 Information to be provided to the market**

If a Significant Transaction is carried out, the Company's Board of Directors files the information required by art. 71-*bis*3340 of the Issuers' Regulations at the registered offices and with Borsa Italiana S.p.A.



**ATTACHMENT 1**

I, the undersigned, \_\_\_\_\_

- confirm that I have received a copy of the Code of conduct on transactions with related parties, as approved by the Board of Directors on [3340 •3340 ] 2006, and that I have read and understood its contents;
- aware of the legal requirements placed on me by the above Code and of the sanctions envisaged for non-compliance with such obligations

**GIVEN ALL OF THE ABOVE**

- (i) declare that I am aware of and accept the provisions of the Code and that I will work with the maximum diligence to comply with them, insofar as they relate to me;
- (ii) confirm my personal contact details: tel.no. \_\_\_\_\_, fax no. \_\_\_\_\_ and e-mail address \_\_\_\_\_;
- (iii) confirm the names of my close family members, as defined in letter E of para. 3.5 of the Code:

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Signature)

Pursuant to and for the effects of Decree 196/2003, I the undersigned also consent to the processing by the Company of my personal details contained in this form, for the purposes stated in the information provided pursuant to art. 13 of the above Decree. I the undersigned have the rights envisaged by art. 7 of Decree 196/2003.

\_\_\_\_\_  
(Date)

\_\_\_\_\_