

Code of Ethics

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INTRODUCTION

Entrepreneurial ethics is a crucial approach for the proper functioning and the credibility of a company towards the shareholders, the customers and the suppliers and, more generally, towards the entire social-economic context in which Candiani S.p.A. works.

Candiani S.p.A. wants to turn its knowledge and its deep-rooted appreciation of ethical values into a competitive advantage.

Candiani S.p.A. carries out manufacturing, processing and marketing activities concerning textile products in general, such as yarns, clothes and accessories made with textile products.

The regulations, especially the Italian Legislative Decree D.lgs. no. 231/01 about the administrative liability of companies for the tortious acts committed by their own representatives, employees and collaborators, made it absolutely necessary to codify legitimacy, loyalty, fairness and transparency principles, which must be complied with by all individuals who work with the Company.

From this point of view, Candiani S.p.A. considered it necessary to implement the “Code of Ethics” (hereinafter, the Code): a document that officially and systematically collects all behaviour principles of the company towards the main stakeholders, in compliance with the regulations in force; it guides all individuals to the behaviours to be followed and to be avoided, and identifies responsibilities and possible consequences in terms of sanctions.

The organisational model and in-house procedures implemented by the Company to carry out its business activities fully comply with the rules that are included in this Code.

SCOPE OF APPLICATION AND INTENDED AUDIENCE

The above-mentioned principles and the provisions of this Code are binding for the Directors, the persons that are employed by Candiani S.p.A. and anybody working with the Company, independently from their work relationship; hereinafter they will be collectively referred to as the “Intended Audience,” as well.

1 GENERAL PRINCIPLES

1.1 Compliance with laws and regulations

According to Candiani S.p.A., the compliance with the laws and the regulations in force is an unavoidable principle. Therefore, every employee of the Company must comply with the above-mentioned regulations.

Furthermore, the above-mentioned commitment to compliance must also be valid for consultants, suppliers, customers and for anybody having work relationships with the company, as better explained in the previous chapter.

Therefore, Candiani S.p.A. will not start or continue any relationship with individuals who are not willing to comply with the above-mentioned principles.

Candiani S.p.A. must assure a suitable programme to train and continuously raise awareness about the problems concerning the Code of Ethics: in case of any possible doubt or need for additional explanations concerning the interpretation and the full compliance with the provisions of the Code of Ethics, the employees and the collaborators of the company are exhorted to turn to their own line managers, as well as to the Supervision Body, which was specifically created within Candiani S.p.A.

Candiani S.p.A. refuses all behaviours, also in case they are favourable, which go against the law, the regulations in force or the guidelines that are included in the Code.

No behaviours will be accepted in case they aim at going against or evading the regulations in force and in-house provisions, even in case they are required by the customers.

It will not be possible to accept requests by the customers, which go against professional dignity and the provisions of this Code.

1.2 Fairness and honesty

Candiani S.p.A. operates in compliance with professional ethics and in-house regulations. The pursue of company interests can never justify a behaviour that goes against the principles of fairness and honesty; for this reason, as well, it rejects all forms of, received or offered, advantage or gift, which may be considered a way to influence the independence of judgement and behaviour of the involved parties. It allows low-value gifts and other routine entertainment expenses, also towards the Public Administration, on condition they comply with the limits and the modes that are defined in the Organisation, Management and Control model pursuant to the Italian Legislative Decree D.Lgs. no. 231/2001.

In case of doubts concerning the compliance of the gift with the above, before accepting it, the employee must inform the Supervision Body, and the latter will express its own binding opinion about the matter.

1.3 Impartiality

In its relationships with all parties, the company avoids any discrimination based on age, race and ethnic origin, nationality, political opinions, religious faith, gender, sexuality or health conditions of its partners.

1.4 Professionalism and enhancement of human resources

Candiani S.p.A. assures a suitable level of professionalism in the performance of the tasks that are assigned to its own collaborators.

1.5 Conflicts of interest

When performing all business activities, Candiani S.p.A. pays attention to work without

any conflict of interest, which is real or even just potential.

Besides the cases that are established in the regulations, the critical state of a conflict of interest may refer to any situation in which an Individual works to meet an interest other than the interest of the Company and its shareholders, only to obtain personal or third-party advantages.

Anybody who knows the existence of a conflict of interest, as explained above, must promptly report it to the Company.

1.6 Information completeness and transparency

Candiani S.p.A. releases truthful, complete, transparent and understandable information, in order to allow the intended audience to make decisions in a conscious way, about the relationships to be maintained with the Company.

1.7 Due diligence and good faith

Every employee and/or collaborator must act in a loyal way and in good faith, complying with contract obligations and assuring the required performance. In addition, he/she must know and comply with the provisions established in this Code of Ethics, by basing his/her own behaviour on respect, cooperation and mutual collaboration.

1.8 Business activity records

All business activities, actions, transactions and operations of the Company must be:

- a) carried out in compliance with the regulations in force, maximum management fairness, completeness and transparency of information, as well as both formal and substantial legitimacy;
- b) carried out in compliance with instructions and procedures, and within the limits of received delegations, and the budgets that are approved by the Management; furthermore, they must be legitimate, consistent and compliant.

The Individuals who know possible omissions, alterations or forgeries of accounting records, that is, of the relevant support documents, must promptly inform their superior, that is, the manager of the competent corporate function and the Supervision Body.

2 PROTECTION OF HEALTH, SAFETY AND ENVIRONMENT

2.1 Health and safety

The Intended Audience of this Code contributes to the process of preventing the risks and of protecting the health and safety at the workplace, without prejudice to the individual liabilities pursuant to the applicable statutory provisions about this matter.

In addition, the Intended Audience must maintain an atmosphere of mutual respect of dignity, honour and reputation of everybody also complying with the existing organisation within the Company.

2.2 Environment

As far as its social activity is concerned, Candiani S.p.A. promotes a corporate policy which pays attention to social-environmental problems and the territory. Consistently with its special attention to environmental problems, Candiani S.p.A. implements the following actions:

- technological update of plants, which aims at assuring, where possible, the reduction in pollution factors;
- management of purchase and disposal activities which aim at recovering/re-using raw materials, in compliance with economy standards, wherever possible.

3 MANAGEMENT OF CORPORATE DOCUMENTS AND INFORMATION

3.1 Use and preservation of corporate information

As for all news that are learnt due to the relevant corporate function, every member of the Intended Audience must assure maximum confidentiality, also in order to safeguard Candiani S.p.A.'s technical, financial, legal, administrative, management and commercial know-how.

In particular, each individual must:

- acquire and process only the information and the data that are necessary for the purposes of the corporate function of belonging and directly connected with the latter;
- acquire and process the information and the data only within the limits established by the procedures that are implemented about the specific matter;
- preserve data and information in a way to prevent them from being known by unauthorised individuals;
- communicate data and information in compliance with established in-house procedures or upon express authorisation of hierarchical superiors and, at any rate, in case of doubt or uncertainty, after ascertaining (by consulting the superiors or objectively examining the practice of the Company) the disclosure of data or information concerning the specific case;
- make sure that there are no absolute or relative limitations to the disclosure of data and information concerning third parties that are connected with the Company by relationships of any kind and, according to the specific case, ask for the relevant consent.

Candiani S.p.A. undertakes to protect the confidentiality of all pieces of information of any type or concerning any subject, which become known while performing its own business activity, avoiding all improper uses or the illegal disclosure of the above-mentioned information.

3.2 Use of IT information

Telecommunication and IT resources are a key tool for a correct and competitive operation of the company, assuring rapid, full and correct information flows, which are necessary to effectively manage and control Candiani S.p.A.'s business activities.

All pieces of information that are included in telecommunication and IT systems, electronic mail included, must be used only to carry out the business activities, according to the modes and within the limits that are specified in Candiani S.p.A.'s in-house procedures.

In full compliance with the provisions established in the Italian Legislative Decree D.Lgs. no. 196/2003 - "Personal data protection code" ("Privacy Code"), Candiani S.p.A. also undertakes to protect the personal data that are acquired, preserved and processed within its own business activity.

4 PRINCIPLES CONCERNING THE CORPORATE MANAGEMENT

4.1 Administration and financial statements

The Intended Audience that is involved in administrative and accounting activities must thoroughly comply with in-house procedures, law provisions and accounting principles. In particular, the accounting records and the documents are based on precise, exhaustive and verifiable information, and mirror the type of operation they refer to; the above-mentioned accounting records and documents are filed in a meticulous way for possible future inspections.

The Intended Audience who knows omissions, errors, forgeries of accounting records or documents must inform their superior and, according to the seriousness of the situation, the Supervision Body. When preparing the annual financial statements, the Intended Audience must follow conservative estimates, supported by accounting-technique or more specific knowledge about the interested industry and, at any rate, with the due diligence of industry experts.

4.2 Unlawful conduct

Candiani S.p.A. establishes that the Intended Audience must refrain from providing or promising amounts of money or other benefits to third parties in any form and method, also indirect type, to promote or favour the interests of the Company, even in case they are subject to illicit pressure.

They cannot accept, for themselves or other people, amounts and/or benefits to promote or favour the interests of third parties in the relationship with Candiani S.p.A. Gifts of considerable value are not allowed; if the gifts have a reduced value, they must be only attributable to mutual courtesy within correct commercial relationships. In addition, they are forbidden to misrepresent or omit information or hide data, thus directly or indirectly infringing statutory principles and in-house procedure rules, in order to mislead the third parties who receive the above-mentioned information.

In case you detect possible actions in contrast with the behavioural and ethical principles that are defined in this Code, they must be promptly reported to the Supervision Body.

5 RELATIONSHIPS WITH THE INTENDED AUDIENCE OF THE CODE

5.1 Relationships with the shareholders

In its relationships with the shareholders, Candiani S.p.A. undertakes to safeguard the corporate assets by using sound and prudent management criteria.

5.2 Relationships with the employees

The Employees must comply with the following principles: protection and respect for the human person, loyalty, dignity, morality, fairness in personal relationships, cross-functional collaboration and integration, accountability and respect of functional and hierarchical relationships.

Candiani S.p.A. constantly informs the employees about corporate guidelines by means of the most suitable information channels.

5.3 Relationships with the customers

Candiani S.p.A. establishes that the Intended Audience must behave in a way to meet the legitimate requirements of the Customer, with the objective of strengthening their relationship in compliance with the regulations in force.

5.4 Relationships with the suppliers

Candiani S.p.A. selects the suppliers with great care in compliance with the principles of transparency, impartiality and fairness, by checking their real technical and professional skills, as well as their suitable means/tools to deal with the ordered business activity.

Candiani S.p.A. established that supplier's contracts must include express termination clauses referring to the case of serious breaches of Code rules.

5.5 Relationships with the Public Administration

Candiani S.p.A.'s relationships with the Public Administration and foreign public officers are characterised by the full compliance with laws and regulations, thus respecting the public extent of their function. Candiani S.p.A. establishes that the Intended Audience is forbidden to promise or provide amounts to public officers and Public Administration employees in any form, directly or indirectly, in order to induce or facilitate the execution of an official deed or against official duties of the Public Administration, which are implemented to promote a Candiani S.p.A.'s interest/advantage. Anybody receiving explicit or implicit requests of benefits of any type from the Public Administration, also by means of illicit pressure, must inform the Supervision Body.

The Intended Audience has not to illegitimately obtain any other type of profit for themselves or for Candiani S.p.A., or third parties, at the expense of the Public Administration, by means of stratagems or tricks.

Therefore, Candiani S.p.A. establishes that the Intended Audience has never to:

- allow Candiani S.p.A. to illegitimately obtain contributions, financing or other allocations of the same type that are provided by the Public Administration, by using or submitting false or misleading documents, or by omitting necessary information;
- use contributions, grants or financing to Candiani S.p.A. for purposes other than the reasons for which they were issued.

In case of any situations that represent possible crimes, the Intended Audience has always to inform the competent Judicial Authority.

6 SANCTIONS

The provisions of this Code are an integral part of contract obligations undertaken by the Intended Audience or the individuals who have business relationships with Candiani S.p.A.

The infringement of Code provisions may cause the non-fulfilment of contract obligations, with all law consequences, also leading to the termination of the contract or of the entrusted task and the possible compensation for damages.

7 SPREADING OF THE CODE

This Code was approved by the Board of Directors on 14th July 2011.

Candiani S.p.A. informs the Intended Audience about the provisions and the application of the Code of Ethics, recommending its compliance.

In particular, the Company, by means of the competent corporate functions, deals with:

- the spreading of the Code of Ethics within the Intended Audience by distributing copies of it;
- the interpretation and the explanation of the provisions that are included in the Code of Ethics;
- the check that the Code of Ethics is really complied with;
- possible future updates and the implementation of the provisions that are included in the Code of Ethics, according to the specific needs occurring from time to time.

The Code of Ethics is also published, with sufficient prominence, in the web site www.CandianiDenim.it

In case of possible future updates, which are due to regulatory corrections or the evolution of civil sensitivity, they will be approved by the Board of Directors, and then promptly released to the entire Intended Audience