

ESPRIT HOLDINGS LIMITED

STAFF ADMINISTRATIVE POLICY: CODE OF CONDUCT

INTRODUCTION

ESPRIT is a global organization, with subsidiaries located throughout the world. The organization is principally engaged in the design, licensing, sourcing, wholesale and retail distribution of high quality products under the internationally known ESPRIT brand throughout the world, together with Red Earth cosmetics, skin and body care products.

This STAFF ADMINISTRATIVE POLICY: Code of Conduct is part of a series of policies to ensure unified and consistent practices throughout the Group. The content of this STAFF ADMINISTRATIVE POLICY: Code of Conduct shall form the basic foundation for a Code of Conduct, which is to be issued by the respective regional management. Each region shall issue the Regional Code of Conduct, defining in greater details the limits, approving personnel and procedures.

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1. OBJECTIVE AND SCOPE

1.1 Objective

1.1.1 The objective of this Staff Administrative Policy: Code of Conduct is to set out the rules applicable in matters of professional ethics, with a view to promote a responsible and ethical practice in the conduct of business.

1.2 Scope

1.2.1 This Staff Administrative Policy: Code of Conduct covers the following areas-

- Work Environment;
- Conflicts of Interest, Gifts and Invitations/Events;
- Handling of confidential or proprietary information; and
- Use of Esprit's resources

1.2.2 This Staff Administrative Policy: Code of Conduct Policy applies to all employees, as defined in the Glossary of Terms (Appendix 1).

2. GLOSSARY OF TERMS

2.1 Please refer to Appendix 1.

3. GENERAL

3.1 It is the duty of all supervisors and managers that this Code of Conduct is brought to the attention of their staff. Breaches of the Code of Conduct may be the subject of disciplinary action.

3.2 This Code of Conduct cannot cover every possible situation that you may face. If you feel the Code of Conduct does not deal with a situation, or if there are special circumstances, you should discuss the situation with your supervisor or respective HR Manager.

3.3 It is important to report all violations or suspected violation of this Code of Conduct. You may report actual or suspected violations of this Code of Conduct by stating your name - after proper consideration of the case and carefully assessment of the situation.

3.4 Should the violation of this Code of Conduct appear to involve or involve a fraud case, the Human Resources Department or HR Manager shall immediately notify the Group Internal Audit Manager in order to initiate further investigations.

- 3.5 Esprit will not tolerate any try to prevent an employee to report a violation of this Code of Conduct or of the law. There shall be no reprisals against employees who report violations in good faith after proper consideration of the case and carefully assessment of the situation. This covers particularly the following:
- Threatening to report a violation of this Code of Conduct;
 - Reporting a violation of this Code of Conduct; and
 - Lawfully providing information or assisting in an investigation of activities in case of such a violation.

4. WORK ENVIRONMENT

4.1 Equal Employment Opportunity and Diversity

4.1.1 Esprit seeks to recruit, develop, and retain the most talented people from a diverse candidate pool. We believe that diversity in our staff is important to our success as a global organization. We will continue to support efforts and actions that:

- Build the diversity of our workforce
- Ensure equal opportunity in employment
- Ensure that the business environment is free of discrimination

4.1.2 We are committed to personal integrity and respect for each person. Esprit will not tolerate discrimination of any kind whether based upon age, color, disability, marital status, national origin, citizenship, race, religion, sex, sexual orientation, veteran status or other factors.

4.2 Harassment – Free Work Environment

4.2.1 Harassment and intimidation in the workplace are prohibited. Esprit and its employees must continually take positive action to ensure a business environment free of any kind of harassment. Each Esprit employee must be treated with respect and dignity. We prohibit sexual or any other kind of harassment whether committed by or against a supervisor, co-workers, customers, vendors, or visitors.

4.2.2 Esprit's technology resources such as workstations, networks, e-mail, voice-mail, etc, should be used for authorized and approved business purposes. However the Group permits its employees the use of internet for occasional private reasons, as long as the operational business will not be disturbed. The private use of the Esprit e-mail system is forbidden. For details please refer to bargaining agreement No. 28 including annexes (BV Nr. 28 nebst Anlagen).

4.2.3 It is strictly prohibited to use the internet for racist, sexual harassment, discriminating treatment and illegal purposes. Any misuse may result in disciplinary action, including but not limited to termination of employment.

- 4.2.4 The Group reserves the right to record the accessed internet pages by employees, for security reasons. Such records collected will be destroyed within 3 months.
- 4.2.5 Threats (whether implicit or explicit), intimidation and violence will not be tolerated. Weapons are not allowed in the workplace, without specific authorization.
- 4.2.6 If you believe that you are being subjected to harassing or unwelcome behavior, you should report the incident to your supervisor or Human Resources Manager or works council.
- 4.2.7 Esprit will promptly investigate all allegations of harassment and will take appropriate action.
- 4.3 Health and Safety of Employees
 - 4.3.1 The safety of people in the workplace is the primary concern of Esprit.
- 4.4 Illegal Drugs and Alcohol in the Workplace
 - 4.4.1 Esprit employees may not use, sell, possess, purchase or transfer illegal drugs on Company premises, in Company vehicles or during work hours. Alcohol consumption during work hours or on Company premises is prohibited. The only exception is that alcohol may be consumed by people of legal drinking age at Company-sponsored functions (e.g. anniversary celebrations or farewell events)
 - 4.4.2 Employees also must not be under the influence of illegal drugs or alcohol during work hours, regardless of when the illegal drugs or alcohol were consumed. The corresponding legal provisions of the Federal Republic of Germany shall apply.

5. CONFLICTS OF INTEREST, GIFTS AND ENTERTAINMENT

- 5.1 Conflict of Interest
 - 5.1.1 A “conflict of interest” arises when an employee’s personal, social, financial or political activities have the potential of interfering with his or her loyalty to the Group and his or her objectivity. Actual conflicts must be avoided. If an employee’s activity creates an impression or appearance of a conflict of interest, such action is discouraged as it can be harmful.

- 5.1.2 Situations that may lead to actual or apparent conflict include, but are not limited to, the following:
- Dealing in securities of the Company, whether directly or indirectly, at any time when an employee is in possession of unpublished price sensitive information. Restrictions on dealing in securities of the Company will be equally applicable to any dealings by any related persons of the relevant employee (please refer to Appendix 1- Glossary of Terms for definition of “Related Persons”);
 - Participating in decisions to do business with organizations in which you or a close family member has an interest or from which personal benefit may accrue;
 - Initiating business done with Esprit only through friendship, family ties, giving or receiving gifts or to gain favor;
 - Misusing Esprit’s name, facilities, and relationships for personal benefit; and
 - Using nonpublic material information to further investment decisions.
- 5.1.3 The Group has issued a “Guidelines Regarding Securities Transactions By Employees” in order to protect relevant employees and the Company from civil and criminal liability, breach of relevant regulatory requirements including The Rules Governing the Listing of Securities Transactions on The Stock Exchange of Hong Kong Limited and potential criticism. Those employees who are “likely to be” in possession of unpublished price sensitive information on account of their office or position, should comply with the Group’s Guidelines Regarding Securities and they may obtain a copy of such Guidelines from the Group Company Secretary.
- 5.1.4 Employees should ensure that any possible conflicts of interest are identified at an early stage and that appropriate action is taken to manage or resolve them. For example, staff should declare an interest in writing, by using the standard Declaration for Potential Conflict of Interest form (Appendix 2), if their partner (spouse/life partner) or a member of their immediate family (parents/siblings living in the same household) has an improper financial interest in any supplier, vendor, distributor, landlord or competitor of the Company. The Declaration form should be submitted for approval to the Human Resources Department and an approved copy should be filed in the employee’s record.
- 5.1.5 External contact with competitors, customers or suppliers during sport events, theatre and other cultural events as well as events sponsored by competitors, customers or suppliers is permitted only with prior written permission (Appendix 4: Report on Invitation/Entertainment).

- 5.1.6 On conflict of interest, the employee is not responsible for learning about the activities of family members who do not reside with him/her. The employee need only be concern with those circumstances that he/she knows about, without having to incur unreasonable cost/time to find out.
- 5.1.7 Employees must obtain the written approval (Appendix 2) of the Human Resources Department, before knowingly do Company business with parties such as relatives, friends, spouses or life partners, except on arms length basis, e.g. purchases from the Company's retail stores.
- 5.1.8 No staff of the Group should pressure others into hiring a relative or friend as an employee (of the Group or their company), supplier, vendor, distributor or landlord.
- 5.2 Gifts and Entertainment
- 5.2.1 "Gifts and Entertainment" is defined as anything of monetary value, including discounts, loans, cash, favorable terms on any product or service, services, prizes, transportation, use of other's vehicles or vacation facilities, stocks or other securities, participation in stock offerings, home improvements, tickets, gift certificates, etc.
- 5.2.2 Employees should never give to third parties or accept any gifts and entertainment from third parties with a market value of over €150 in a calendar year. This means that as long as gifts and invitations received from third parties and gifts and invitations given to third parties do not total more than €150 in a calendar year, they do not require approval:
- Occasional meals with a business associate;
 - Reasonable and customary gifts and invitations, where it will customarily regarded as rude to reject. The value of this customary gift should under no circumstances exceed €30. Should the amount of a single gift exceed €30 (e.g. on the occasion of Christmas/New Year), the employee should seek approval by submitting Appendix 3.
- 5.2.3 There maybe instance whereby an employee's official duty requires him/her to have much contact with business associates. Such contact may involve much social activities/meetings with the business associates. At the discretion of the employee's supervisor, the requirement for seeking approval (for receiving entertainment) may be varied (from requirement to completing Appendix 4 to a monthly reporting basis). A copy of such monthly report on entertainment by business associates should be kept in the employee's record maintained by the Human Resources Department.
- 5.2.4 Employee may accept holiday gift baskets or flowers (from any supplier, vendor, distributor, landlord or competitor of the Company) within reason, as long as they are shared with the entire department if appropriate.

- 5.2.5 Accepting promotional items of nominal value, such as pens, calendars, and coffee mugs which are given to customers or participants of a social function in general, does not require approval.
- 5.2.6 Employees should NEVER ACCEPT, from any supplier, vendor, distributor, landlord or competitor of the Company, if:
- Any gift or entertainment that would be illegal or result in violation of local laws;
 - Any gift or request as a “quid pro quo” (i.e. offered for something in return), or in violation of Company’s interest;
 - Any private gift of cash or cash equivalent (such as gift certificates, loans, stock, stock options); and
 - Participate in any activity that you know would cause the person giving the gift or entertainment to violate his or her own employer’s standards.
- 5.2.7 Employees should ALWAYS SEEK APPROVAL, by submitting Appendix 3 or 4, if:
- Gifts and entertainment from a single source with an annual fair market value over €30;
- 5.3 General
- 5.3.1 In determining whether to approve something in clause 5.2.7 above, the supervisor will use reasonable judgment and consider the following issues:
- Whether the gift or invitation would be likely or would appear to be likely to influence the relevant employee’s objectivity;
 - Whether there is a business purpose (for example, business will be discussed as part of the event in question);
 - What kind of precedent it would set for other employees; and
 - How it would appear to other employees or people outside the company.
- 5.3.2 The basic principle of “No one should approve his own privileges” MUST be observed
- 5.4 Dealing with Suppliers/Customers
- 5.4.1 To make the best use of Esprit’s assets and to leverage our buying power with the goal of delivering value to our customers and shareholders, Esprit purchases all goods and services on the basis of price, quality, availability, terms and service. When Esprit deals with its vendors and customers, such transactions must be consistent with arms-length terms and applicable laws. Employees should never lead a supplier or customer to believe that they can influence any procurement decisions at Esprit, in return for personal advantages or benefits.
- 5.4.2 The Department Head may, at his/her own discretion, send a letter to suppliers and companies having business dealings with Esprit, advising of the group’s policy on acceptance of advantages. A sample letter is attached in Appendix 5.

- 5.5 Employees should never accept or participate in any betting/gambling activities between themselves and any supplier, vendor, distributor, landlord or competitor of Esprit.
- 5.6 Employees or members of their immediate family should not grant or guarantee a loan to, or accept a loan from or through the assistance of, any individual or company having business dealings with Esprit. There is, however, no restriction on normal bank lending.

6. HANDLING OF CONFIDENTIAL AND PROPRIETARY INFORMATION

6.1 Proprietary information

- 6.1.1 Esprit regularly produces valuable, nonpublic ideas, strategies and other kinds of business information. This information is classified as “proprietary information”, which means that Esprit owns the information. For example new product development, internal presentations, workbooks/handbooks and other trade secrets.

6.1.2 All employees must protect the confidentiality of the Esprit’s proprietary information.

6.2 Ownership Rights

- 6.2.1 All records created by an employee as part of his/her work for the Esprit are Esprit property and not part of the employee’s personal records except if the provisions of the German Employee Invention Act (Arbeitnehmererfindungsgesetz, ArbEG) apply (§§ 1-49 ArbEG).

7. USE OF ESPRIT GROUP RESOURCES

- 7.1 All assets owned by Esprit are used solely for the Group’s business. They must not be used for personal benefit or personal consumption except where permitted by Esprit in line with local bargaining agreements and laws. Supervisors may allow a “de minimis” personal use of Esprit assets where the expense to the Group is so small that accounting for the use would be unreasonable, administratively impracticable, or counterproductive.

- 7.2 Each employee is responsible for safeguarding the Group's assets under his or her control. Assets include:
- Business plans
 - Customer information
 - Intellectual property (computer programs, models, any type of product information, presentations and others)
 - Physical property
 - Services
- 7.3 Copying, selling, or distributing information, software and other forms of intellectual property in violation of license agreements between Esprit and third parties are strictly prohibited.

APPENDIX 1

GLOSSARY OF TERMS

ADVANTAGE

Defined as:

- (a) any gift, loan, fee, reward or commission consisting of money or of any valuable security or of other property or interest in property of any description;
- (b) any office, employment or contract;
- (c) any payment, release, discharge or liquidation of any loan, obligation or other liability, whether in whole or in part;
- (d) any other service, or favour (other than invitation), including protection from any penalty or disability incurred or apprehended or from any action or proceedings of a disciplinary, civil or criminal nature, whether or not already instituted;
- (e) the exercise or forbearance from the exercise of any right or any power or duty; and
- (f) any offer, undertaking or promise, whether conditional or unconditional, of any advantage within the meaning of any of the preceding paragraphs (a), (b), (c), (d) and (e).

EMPLOYEES

Employees of Esprit Group of Companies (all employees according to §5 BetrVG and all executives (Leitenden Angestellten), other than board members of Esprit Holdings Limited)

RELATED PERSONS

Any Related Persons of an employee is defined as follows:

- spouse or any person with whom the employee is living in a regular union as if they were husband and wife;
- any unmarried children under the age of 18 years or under 23 years old if he is a full time student and unmarried;
- a trust of which she/he is a trustee, and which includes herself/himself, her/his spouse or children as a beneficiary; and
- a company over which the employee or his spouse exercises control, whether through shareholding or management or otherwise.

APPENDIX 2

DECLARATION FOR POTENTIAL CONFLICT OF INTEREST

EMPLOYEE IDENTIFICATION

Name:

Company/Division/Department:

SECTION A - DECLARATION

(TO BE COMPLETED BY DECLARING STAFF)

I would like to report the following *existing/potential conflict of interest situation arising during the discharge of my official duties:

PERSONS/COMPANIES WITH WHOM/WHICH I HAVE OFFICIAL DEALINGS AND/ OR PERSONAL INTEREST

BRIEF DESCRIPTION OF MY DUTIES WHICH INVOLVE THE PERSONS/ COMPANIES MENTIONED ABOVE

Signature

Date

SECTION B - ACKNOWLEDGEMENT

(TO BE COMPLETED BY THE APPROVING AUTHORITY)

To: _____ (Declaring staff)

The information contained in this Declaration of Potential Conflict of Interest is noted.

It has been decided that:

You should refrain from performing or getting involved in performing the work, as described in Section A of this form, which may give rise to a conflict.

You may continue to handle the work as described in Section A of this form, provided that there is no change in the information declared above.

Others (please specify):

Signature (Country Head / Global Function/Product Head)

Date

* Please delete as appropriate

APPENDIX

DECLARATION FOR POTENTIAL CONFLICT OF INTEREST

EMPLOYEE IDENTIFICATION

Name:

Company/Division/Department:

SECTION A - DECLARATION

(TO BE COMPLETED BY DECLARING STAFF)

I would like to report the following #gift(s) have been received by me:

DESCRIPTION OF GIVER:

Name & title of giver:

Company:

Relationship (business/personal):

Occasion on which the gift was/is to be received:

Description & (assessed) value of the gift:

SUGGESTED METHOD OF DISPOSAL:

REMARK:

Retained by the receiving staff

Retained for display / as a souvenir in the office

Share among the office

Reserve as lucky draw prize at staff function

Donate to a charitable organization

Return to giver

Others (please specify)

Signature

Date

SECTION B - ACKNOWLEDGEMENT

(TO BE COMPLETED BY THE APPROVING AUTHORITY)

To:

(Receiving staff)

The recommended method of disposal is * approved / not approved.

The gift(s) concerned should be disposed of by way of:

Signature (Country Head / Global Function/Product Head)

Date

Gift and Entertainment with a market value exceeding €150 from one single source in a calendar year must be declared in this form.

APPENDIX 4

REPORT ON INVITATION/ENTERTAINMENT RECEIVED

EMPLOYEE IDENTIFICATION

Name:

Company/Division/Department:

SECTION A - DECLARATION

(TO BE COMPLETED BY DECLARING STAFF)

I would like to report the following invitation/event/ have been received by me:

DESCRIPTION OF GIVER:

Name & title of giver:

Company:

Relationship (business/personal):

Occasion on which the invitation/event was/
is to be received:

Description & (assessed) value of the
invitation/entertainment:

SUGGESTED METHOD OF DISPOSAL:

REMARK:

Retained by the receiving staff

Share among the office

Reserve as lucky draw prize at staff function

Donate to a charitable organization

Return to giver

Others (please specify)

Signature

Date

SECTION B - ACKNOWLEDGEMENT

(TO BE COMPLETED BY THE APPROVING AUTHORITY)

To:

(Receiving staff)

The recommended method of disposal is * approved / not approved.

The invitation/event concerned should be
disposed of by way of:

Signature (Country Head / Global Function/Product Head)

Date

Invitation/entertainment with a market value exceeding €150 from one single source in a calendar year must be declared in this form. * Please delete as appropriate

APPENDIX 5

SAMPLE LETTER TO SUPPLIERS AND COMPANIES HAVING BUSINESS DEALINGS

ABC LTD.

Dear Sirs,

Re: Code of Conduct

We believe in honesty and fair play and consider that gifts in business are unnecessary and might even jeopardize a cordial and mutual beneficial business relationship. We, therefore, do not permit our staff to ask for any advantage, including gifts, money or rebate, in business dealings. We have enforced a strict Code of Conduct and all our staff is aware of the prohibition on solicitation and acceptance of gifts and that breaches would result in disciplinary action. We may also consider reporting the matter to the (name of local anticorruption agency).

We therefore seek your co-operation not to offer any advantage to our staff in business dealings and would be grateful if you would report to (name, rank and telephone number of nominated Esprit's Human Resources officer) any attempt of solicitation of advantage from your company by any member of our staff.

Yours faithfully,