

KATHMANDU HOLDINGS LIMITED (the "Company") ARBN 139 836 918

CODE OF CONDUCT

The Code of Conduct ("**Code**") clearly states the standards of responsibility and ethical conduct expected of you as a director or employee of the Company. It applies to all directors and employees who are geographically located in New Zealand, Australia or the United Kingdom.

The purpose of this Code is to seek to ensure that our professional standing and integrity is maintained at all times.

It is absolutely essential that you become familiar with the Code. If you become aware of a serious breach of the Code, you have a duty to speak up and bring it to the attention of the Chair of the Audit and Risk Committee, the Company Secretary or the Company's auditors.

We are all responsible for ensuring compliance with our Code of Conduct.

Chairman

Kathmandu Holdings Limited

Managing

Kathmandu Holdings Limited

Director

Adopted by the Board of Directors on 19 October 2009

1 **Introduction**

The Company is committed to maintaining ethical standards in the conduct of its business activities. The Company's reputation as an ethical business organisation is important to its ongoing success. The Company expects all its directors, senior management and employees to be familiar with and have a personal commitment to meeting these standards. These standards go beyond mere compliance with laws and regulations. They also embrace the values which are essential to the Company's continued success.

The Code of Conduct ("the Code") requires directors, senior management, employees and, where relevant and to the extent possible, contractors of the Company to adhere to the law and various policies of the Company referred to in this Code. The standards set out in this Code cannot, and do not try to, anticipate every situation which may pose a legal, ethical or moral issue. Therefore, the Code is not a prescriptive set of rules for business behaviour, but rather a practical set of principles giving direction and reflecting the Company's approach to business conduct.

Directors, senior management and employees need to exercise sound judgment when evaluating an issue of business conduct. If they are in any doubt, directors, senior management and employees should seek advice before taking any action which may compromise themselves or the Company.

2 **The Company's Business Ethics**

2.1 **Openness, honesty, fairness and integrity and in the best interests of the Company**

The Company's directors, senior management and employees must conduct themselves with openness, honesty, fairness and integrity, and in the best interest of the Company in all business transactions and in all dealings with others including shareholders, employees, joint venture partners, suppliers, creditors, financiers, the financial markets, governments and the general public.

This means that directors, senior management and employees:

- (a) *must not make promises or commitments which to their knowledge the Company is unable to, or does not intend to, honour;*
- (b) *must seek to ensure that all business decisions with customers and suppliers are made solely on sound commercial grounds having regard to the quality, price and service;*
- (c) *must not use the Company's name or their position for personal gain or in competition with the Company;*
- (d) *must act with due care and diligence in fulfilling the functions of their office or employment; and*
- (e) *should not engage in conduct which is likely to bring discredit upon the Company.*

2.2 Giving and accepting business courtesies

The Company's directors, senior management and employees must not give, seek or accept in connection with the Company's operations any gifts, meals, refreshments and entertainment which goes beyond common courtesies associated with ordinary and proper course of business and could not reasonably be construed as a bribe or improper inducement.

Any gift, entertainment or other personal favour or assistance given or received which has a value in excess of \$500 (or any lower threshold determined by the Board) must be approved by the Managing Director (or in their absence the Finance Director) and entered into the gifts register maintained by the Company Secretary. Any gift not declared may be viewed as a bribe.

The rationale for this restriction is that the offer or acceptance of a gift can create an obligation or be construed or used by others to allege favouritism, discrimination, collusion or similarly unacceptable practices by the Company.

2.3 Financial and other inducements

Offering a bribe to a government official and the receipt of a bribe by a government official is prohibited under New Zealand and Australian law and the laws of most countries. New Zealand, Australia and the United States of America are signatories to the OECD Convention Combating Bribery of Foreign Public Official in International Business Transactions and have enacted legislation prohibiting the offering of anything of value to foreign public officials which enables each country to prosecute its citizens and corporations for the bribery of public officials in other countries.

A contravention of anti-bribery legislation has serious consequences, such as imprisonment or fines.

The Company's directors, senior management and employees should not make any payments or payments in kind (gifts, favours, etc) to influence individuals to award business opportunities to the Company or make business decisions in the Company's favour.

2.4 Mutual respect

The Company's directors, senior management and employees are expected to treat each other, joint venture partners, customers, shareholders and anyone else with whom they interact in their work, with courtesy and respect.

2.5 Ethical conduct

The Company's directors, senior management and employees must act ethically in their approach to business decisions.

3 Business Conduct

3.1 Compliance with laws and regulations

Directors, senior management and employees must comply with all laws and regulations relating to their business conduct and the Company's operations. This includes being familiar with the duties and responsibilities applying to them under the laws relevant to the Company and in the context of their role in the Company.

Any activities carried out by the Company or its directors, senior management or employees outside New Zealand and Australia must comply with the foreign laws which may apply to any activities or operations.

Division managers are required to ensure that they are aware of the legal obligations and requirements that impact their areas of responsibility.

The laws that govern the Company's business activities may be complex. Directors, senior management and employees are encouraged to contact the Company Secretary if they are unclear about laws or regulations relating to their work.

3.2 Trading in Shares

The law prohibits dealing in the shares of a company while in possession of inside information. Inside information is information that is not generally available to the public and if it was available, a reasonable person would expect it to have a material effect on the price or value of shares (or a decision whether or not to trade them).

Any director, senior management or other employee must not (or cause another person to) trade in the Company shares or the shares of any other company to which the information relates on the basis of inside information or pass inside information onto someone who might use inside information to trade in the Company shares or any other company to which the information relates.

A breach of insider trading provisions may result in criminal prosecution.

Any trading of the Company shares must be done in accordance with the Securities Trading Policy. If a Director, senior management or employee has any doubt, they should contact the Company Secretary.

3.3 Privacy and Intellectual property

Directors, senior management and some employees may have access to records which contain information that may be of a personal nature, or that the Company has obtained to assist in the management of the business. This information is private and confidential and may not be disclosed to any unauthorised third party.

All intellectual property that each Director, senior management, employee or contractor generates in relation to the Company and its activities is the property of the Company. Each Director, officer and employee is responsible for protecting the Company's intellectual property rights.

4 **Corporate opportunities**

Directors, senior management and employees must not pursue or take advantage of any business opportunities which arise as a result of their position within the Company or the use of the Company's property or information.

5 **Professional conduct**

5.1 **Financial integrity**

The Company has stringent financial accounting procedures that are overseen by management, the Audit and Risk Committee and the external auditor. Therefore:

- (a) the use of Company funds or assets for any unethical purpose, including for the advantage of others, or to cause loss to the Company is prohibited. No undisclosed funds or assets of the Company have, or will be, maintained or established for any purpose;
- (b) no false entries may be made in the books or records of the Company for any reason; and
- (c) no payment on behalf of the Company may be made or approved on the understanding that it will or might be used for something other than the stated purpose.

Directors, senior management and employees must seek to ensure that:

- (a) the Company's financial books, records, reports and statements properly document all assets, liabilities, and revenue; and
- (b) expenses accurately reflect all transactions of the Company and are retained in accordance with the Company's policies and all applicable laws and regulations.

6 **Personal conduct**

The Company expects its directors, senior management and employees to ensure that they adhere to the following standards of personal conduct:

- (a) act honestly, in good faith and in the best interests of the Company as a whole;
- (b) exercise their duty to use due care and diligence in fulfilling the functions of their position and exercising the powers attached to their employment;
- (c) recognise that their primary responsibility is to the Company's shareholders as a whole;
- (d) attend and undertake their work without being under the influence of drugs or alcohol; and

- (e) protect any Company assets under their control and not use them for personal purposes, without the Company's prior approval.

7 Business agreements and contracts

The Company expects to compete fairly and ethically for all business opportunities. Senior management and employees involved in the negotiation of agreements and contracts must ensure that they act in accordance with the law.

All statements, communications and representations made to customers, suppliers, partners, competitors and others with whom they undertake business transactions, should be accurate and truthful and must not be misleading.

All appropriate approvals must be obtained before contracts are executed.

The Company is committed to meeting all of its contractual obligations. The Company's senior management and employees are expected to know, understand, and honour the terms of the Company's contractual obligations that are relevant to their role.

8 Gathering information on the Company's competitors

While the Company acknowledges that an understanding of the market, and therefore its competitors, is essential in undertaking business, gathering this information should be done legally and ethically. Information should not be gained through unlawful or deceitful means.

9 Avoiding or managing conflicts of interest

A conflict of interest arises when a person may prefer their own interests or the interests of others (such as friends or relatives) instead of the interests of the Company. Directors, senior management and employees must fully and promptly disclose to the Company any private or other business interests or other matters which may lead to potential or actual conflicts of interest.

If a director, senior manager or employee has any doubt about conflicts of interest, they should contact their manager or Company Secretary.

10 Relationships with others

10.1 The Company and its shareholders and the financial community

The Company is committed to delivering shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and the financial community generally. The Company aims to comply with the systems of control and accountability in place as part of its corporate governance in accordance with the ethical standards referred to in this Code.

11 **The Company and its employees**

The Company actively supports the principle of equal employment opportunity regardless of race, religion, national origin, sex, age, physical disability, marital status or sexual orientation and expects its senior management and employees to practise and support this principle.

The Company's policy is to avoid discriminatory practices of any kind and to make employment and career decisions strictly on the basis of individual ability, performance, experience and Company requirements.

The Company believes that every individual has the right to dignity and respect in the workplace. Therefore, the Company regards any personal, physical or sexual harassment as totally unacceptable. That sort of behaviour is unacceptable regardless of whom the perpetrator is, and may lead to the termination of their employment. The use of any medium (including email or the Internet) to disseminate material which is sexually explicit, defamatory, vulgar, or racist is also prohibited. These policies apply to all directors, senior management and employees of the Company regardless of their position.

The Company is committed to protecting the health and safety of its employees, visitors and the public. The Company expects and requires all its directors, senior management and employees to comply with Occupational Health and Safety laws and Company policies, including their obligation to report any hazardous conditions in the workplace and any workplace incidents or accidents.

12 **Other Policies Regulating Employee Behaviour**

All senior management and employees are expected to make themselves familiar with the Company's policies and procedures that the Company may have in force from time to time and to adhere to those policies in conducting business or operations on behalf of the Company.

13 **Compliance**

It is difficult to always ensure compliance with this Code and therefore the cooperation of every person is required. If a director, senior manager or employee suspects that any fraudulent or unethical behaviour has occurred, or is concerned that any conduct by any director, officer or employee may be in breach of applicable law or this code, they should contact the Chair of the Audit and Risk Committee, the Company Secretary or the Company's auditors. Details of any concerns and the identity of any persons making the report will be treated confidentially. Any matter reported will be handled promptly and in a manner that aims to ensure the individual is not disadvantaged for reporting their concerns.

14 **Consequences for breaching the Code**

All suspected breaches of the Code will be thoroughly investigated by the Company. If these investigations reveal breaches of the code, appropriate disciplinary and remedial action will be taken, depending on the nature of the breach. This will range from providing

the director or employee with training, coaching and counselling through to formal warnings and/or to termination.

15 **More information**

If there are any questions regarding any aspect of this Code, please contact the Company Secretary.

Adopted by the Board of Directors on 19 October 2009