

BARAN GROUP LTD.
CODE OF ETHICS AND BUSINESS CONDUCT

Aim

1. The Board of Directors of the company (hereinafter: "**the Board**") of Baran Group Ltd. (hereinafter: "**the Company**" or "**Baran**") has adopted the Code of Ethics and Business Conduct of the Company as stated in this document (hereinafter: "**the Code**"). This Code shall apply to all of the Company's and the Company's subsidiaries' (which will hereinafter be included in the definition of "the Company" or "Baran" respectively) office holders, directors and employees.
2. The Code is intended to collect all the tenets, which the Company's Board of Directors believes have been designed, in a reasonable manner, to deter impropriety, and to promote, *inter alia*, adherence to the following principles:
 - Honest and ethical conduct, including the ethical handling of actual or apparent conflict of interests that are likely to arise between the Company's interest and a personal interest;
 - Adequate, fair, accurate, clear and timely disclosure in the reports and documents filed or presented by the Company to the public and within the framework of other public communications made by the Company according to the law;
 - Observance of applicable laws and regulations;
 - Immediate internal reporting of any violations of this Code; and
 - Bearing responsibility for the failure to adhere to this Code.
3. Nonetheless, none of the provisions of this Code should be regarded as creating any right whatsoever in favor of any third party, including shareholder, office holder, director or any employee of the Company or of any subsidiary thereof, in the event of a violation of a provision of this Code.

Principles

4. The Company conducts its business honestly, fairly and in an ethical manner, while respecting its business partners, and avoiding any deception, misrepresentation or any other improper conduct. The Company views the fulfillment of the provisions of law on its part or anyone acting on its behalf as the minimum standard, and acts of its own volition with respect to subjects with social implications, beyond the requirements of the law, in applying advanced norms of social responsibility. The Company is careful to fulfill its assurances and undertakings, resolve problems in an ethical fashion and build relations that are based on trust with its business partners.

Fair Management

5. Baran's policy is to maintain high standards of accountability and ethics and to surpass its competitors in a fair and equitable manner. Every office holder, director and employee must endeavor to respect the Company's clients, suppliers, contractors, competitors and employees, and to conduct fair business dealings with them.

6. In order to encourage honesty and avoid impropriety in business, every employee of the Company and the members of his immediate family shall refuse to accept any benefit whatsoever from clients, suppliers and authorities, whether such benefit is aimed to influence the employee's acts or to apparently create conflict of interests.
7. These prohibitions do not apply in the following cases:
 - a) When the subject in question is reasonable small value presents, regarding which there is no fear that they will influence the Company's employee's work and in meeting his position, or that it is likely to look like they might influence such;
 - b) When an employee receives a present or a benefit given to him without any relation to his being the Company's employee;
 - c) Ehen an employee receives a present or a benefit from his co-workers, as long as they are reasonable and within the customary and acceptable under the circumstances;
 - d) When an employee is awarded with a public prize for his achievements in the Company.
8. The Company's employees will avoid the exploitation of a business opportunity of the Company in their favor and will not use information that belongs to the Company or their position for the purpose of benefiting personal relief, and will avoid any other action which involves competition with the Company's business.
9. The Company's employees will keep the confidentiality of the information entrusted in their hands or that reaching them from any source as part of their duty.
10. The employees will act in good faith and in favor of the Company and will not be or seem to be under influences colliding with the Company's benefit.
11. Prevention of harassment - the Company's policy prohibits harassment of illegal harm of any kind, including sexual harassment, and acts in accordance with the provisions of the law in this matter.
12. All aspects of employees' employment, including recruiting, wages and reward, benefits, promotion, end of engagement and retirement, are characterized in the absence of discrimination, whether based on religion, race, gender, national origin, age or culture.
13. The Company respects its obligation as an employer to inform its employees of their rights and terms of employment, and will be strict in ensuring that all of its employees are treated with respect and fairness and earn fair wages.

Competition

14. The Company encourages competitive conduct, which is to its social and environmental benefit, demonstrate respect to competitors and preserve the proprietary rights of others. The Company refrains from using illegal or improper means to further its business or for any other purpose.

Conflict of Interest

15. A director, office holder or employee should act and perform his functions on behalf of the Company, its subsidiaries and the entities affiliated with it in an honest and ethical manner, which is consistent with this Code.

16. Every employee is required to report to his immediate superior all the essential facts related to connection or a financial matter, which *de facto* creates or is likely to create, directly or indirectly, a conflict of interests. Conflicts of interests are not always clear-cut. Accordingly, if a question arises, the employee must consult his superior or act pursuant to the provisions of "Realization of the Code of Ethics", which are specified herein below in this Code. A senior office holder and director must make similar reports to the Audit Committee and Chief Financial Officer.
17. A conflict of interests is likely to comprise a situation in which:
- A director, office holder or employee or any member of his family should derive a person benefit from an act or omission on the part of the director, office holder or employee, while acting on behalf of the Company, which is not to the benefit of the Company.
 - A director, office holder or employee should act in a certain manner or has an interest that will make it difficult for him to fulfill his duties in an objective and efficient manner.
 - A director, office holder or employee or a member of his family receives a personal benefit from an entity, which is not the Company, as a result of his work at the Company.
18. Directors, office holders or employees must strive to avoid also the ostensible appearance of a conflict of interests, that is, to avoid a situation wherein a reasonable observer would assume that there is a conflict of interests, which would lead to activity on the part of the director, office holder or employee on behalf of the Company, which is not objective.

Notices and Disclosures to the Public by Law and Other Public Notices

19. As a registered company traded on the Tel Aviv Stock Exchange Ltd., the Company is obliged to act pursuant to the rules of proper disclosure as determined in pertinent legislation and regulations.
20. It is Company policy to provide adequate, fair, accurate, clear and timely disclosure while observing the laws, rules and regulations that are customary, in all reports and documents which the Company submits or issues to the public by means of the securities Authority (hereinafter: "**the Authority**") and in all other public notices which it publishes.
21. If the Chief Executive Officer, Chief Financial Officer, Internal Auditor or any other person who fulfills similar positions (hereinafter: "**a Senior Financial Officer**") learns of essential information, which, within the context of the requirements for proper disclosure with which the Company must comply, must be included in the documents it submits or issues to the Authority or in other public notices, he shall bring this information forthwith to the attention of the Company's employee's responsible for preparing such notices.
22. A Senior Financial Officer shall bring to the attention of the Audit Committee any information of which he is aware that pertains to (1) disciplinary infringements that are likely to negatively impact on the Company's ability to register, process, summarize and report on financial data or (2) any sort of fraud or deception at all, whether material or not, which involves directors or other employees who hold significant positions with respect to the Company's financial reporting, its disclosures or its internal audits.

Information on the Company and Non-disclosure

23. A director, office holder or employee shall maintain the privilege of information disclosed to him in the course of his work, unless the Company authorizes the disclosure of the information or he is required to disclose it by law. A director, office holder or employee shall not make use of privileged information acquired in the course of his work in order to derive personal advantage, whether genuine or apparent. A director, office holder or employee shall act pursuant to the policy of privilege customary at the Company, which the Company has adopted from time to time and pursuant to the terms of confidentiality agreements to which the Company is party.
24. Furthermore, every director, office holder or employee who retains essential information is obliged to safeguard the privilege of the information prior to the date of its publication, all in accordance with the policy of not using internal information of the Company.

Upholding the Law

25. The Company shall act in a manner that does not lead to a violation of the regulations and laws customary in countries wherein it operates. The Company views the fulfillment of the provisions of the law, on its part and those acting on its behalf, as the minimum standard.
26. The senior administration of the Company shall encourage and support every director, office holder and employee of the Company, its subsidiaries and the entities affiliated with it, to uphold the law, rules and regulations which apply to its businesses and activities.
27. Every employee shall observe and comply with the laws customary in the fields wherein he operates. Notwithstanding that it is not expected of every employee to have knowledge of all the particulars of these laws, it is important to be sufficiently familiar with them so as to be able to determine when it is necessary to request the advice of a superior, director or other appropriate employee. If it is not clear to an employee what the legal situation is, he shall consult a superior, director or other suitable employee prior to taking action.
28. Outside of Israel, the Company shall respect the laws and the culture of the country wherein it operates, and shall demonstrate respect for the local community on issues of religion and culture, as well as everything which pertains to resources such as water, land, air and energy.

Business Opportunity

29. Every director, office holder and employee is under the duty to promote the legitimate business interests of the Company when he encounters a business opportunity.
30. A director, office holder or employee:
 - Shall not undertake a business opportunity that materializes through the use of Company information or status or property without the consent of the Company.
 - Shall not allow any entity save for the Company to utilize a business opportunity in the fields of the Company's activities, if access thereto or knowledge thereof has reached him in the course of his activities in the Company, unless the Company has explicitly decided not to try and utilize the business opportunity.
 - Shall not use the property and information of the Company or his position therein in any other manner in order to derive personal gain.

- Shall not compete with the Company directly or indirectly (in general or with reference to certain transactions).
31. A director, office holder or employee of the Company may not use the Company's assets or funds for an unlawful or improper purpose.
 32. The Company shall not authorize and shall not, fully or partially, exempt from liability, any director, office holder or employee who has made any unauthorized payment of bribery, inducement or commission to any third party.
 33. A symbolic gift or benefit of small monetary value to a third party is likely to be acceptable, however, this is subject to the reporting of such gift or benefit to the senior administration of Baran in order to ensure its propriety. Likewise, any acceptance of such presents or benefits must be documented.

Realization of the Code of Ethics

34. The Company and those acting on its behalf must apply and utilize this Code of Ethics. At the end of each year, in the course of the first quarter, the officer in charge of the application of the Code of Ethics in the Company (hereinafter: "**the Officer in Charge**") shall examine the Code of Ethics and bring his recommendations for its amendment to the Company's management in light of the lessons learned from its application during the past year.
35. If an employee suspects that there has been a violation of the Code or of a part thereof or fears that certain circumstances are likely to lead to a violation of the Code, he shall discuss the situation with his immediate superior (hereinafter: "**the Immediate Superior**"). Likewise, if in the circumstances of the case, it is undesirable to involve the Immediate Superior, he can turn to the Officer in Charge or the legal counsel of the Company.
36. The Immediate Superior and/or the Officer in Charge and/or the legal counsel of the Company shall act to resolve the violation with a suitable degree of confidentiality and in cooperation with those same senior entities of the Company for the proper resolution thereof, and without causing detriment to the entity the exposed the violation.
37. In the event that a director or office holder or senior employee knows or suspects that a violation of the Code or a part thereof has occurred, or suspects that certain circumstances are likely to lead to such a violation of the Code, or fears that a director, office holder or senior employee has contravened or is likely to contravene the Code, he shall turn to the Officer in Charge or the Audit Committee or the legal counsel of the Company and discuss the situation. He shall approach the aforementioned discreetly, while preserving the obligation of non-disclosure.
38. Failure to report a violation is likely to lead to disciplinary measures being taken against the person who has failed to report the infringement. The disciplinary measures are likely to be as serious as the measures that shall be taken *vis-à-vis* the violator of the Code.
39. In the event that unethical conduct and particularly unlawful conduct is discovered within the Company, the following measures shall be taken:
 - a) Disciplinary measures shall be taken against the violator.
 - b) The incident shall be discussed by the Company's management, which shall consider whether to publicize it among the employees of the Company or a section thereof, with the aim of preventing the recurrence of similar incidents in the future.

- c) Steps shall be taken to rectify the wrongdoing and changes shall be implemented to prevent the recurrence of a similar contravention in the future.

Amendments to the Code of Ethics

- 40. Any authorization to a director, office holder or employee of the Company to materially depart from the provisions of the Code shall be made solely with the approval of the Audit Committee.
- 41. Any amendments and updates of the Code of Ethics shall be brought for authorization to the Board of Directors of the Company.
- 42. Wherever the language used is of the male gender it shall also refer to the female and *vice versa*. Wherever the language used is in the singular person it shall also have the meaning of the plural and *vice versa*.

The Code shall apply to all office holders, directors and employees of the Company.