

The Arad Group Code of Ethics

General

The Arad Group has decided to adopt a code of ethics starting January 2014.

The code of ethics defines the principles for proper ethical behavior in all of the Group's companies. The code of ethics has profound significance in the daily conduct. Its adoption and integration, together with an open discourse on ethical issues, will create positive practices and promote the Group's goals. The code will be translated in the future into English, Spanish and other languages, in accordance with the new territories the Group will operate in.

In every one of the Group's companies an ethics trustee will be appointed, to serve as the entity handling ethical dilemmas that arise in the course of routine work. The Internal Auditor will serve as Chief Ethics Trustee, and he can be approached in order to resolve and clarify any ethical issue. The code of ethics helps us maintain the Arad Group's reputation and brand. Every one of us is responsible for complying with the code, both by understanding it literally and in spirit, and through personal discretion.

Starting at the beginning of 2014 the Group will provide an address for personal queries ("hotline") to its employees through which ethical issues that require handling and improvement can be raised. The Group will provide several ways for contacting, all of which will preserve anonymity, confidentiality and immunity. The direct manager, the Ethics Trustee that will be appointed in every subsidiary or the Internal Auditor may be contacted anonymously by phone or via email.

The goals and significance of the code of ethics

The code of ethics is intended as a "Guide for the Perplexed" that will guide us on how to act and cope with the moral challenges and dilemmas we may encounter in the course of our work. We will conduct our business while committing to integrity, reliability, respect for others, personal accountability, equality, professionalism and honesty. We will conduct our business in compliance with the laws of the countries we operate in, as well as in compliance with regulatory requirements affecting our business.

Every one of the company employees undertakes to become familiar with the code of ethics, understand it and act in accordance with it.

The code of ethics will be presented within the framework of the processes for integrating new employees and in the ongoing training processes in the organization.

Quality of the reports to the public

As a public company, we ascribe great importance to maintaining strict standards in respect of the management of our records and reports to the public and to the shareholders, therefore: we will meticulously manage the company documents, while maintaining high standards in a manner expressing fully all actions taken, reflecting them accurately. All this is to ensure that



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the information will be used by the shareholders, the Group's management and the investors in making quality and objective decisions.

We are committed to providing the stakeholders and various authorities with accurate and reliable reports that comply with all laws and regulations, while displaying a proper level of openness and transparency.

Use of inside information

As of December 2004 the company securities are traded on the Stock Exchange. The Securities Law prohibits transactions in traded securities using inside information. Any material information about the Group not in the public domain that may affect the share value must be viewed as inside information.

We are committed to keep in confidence any information reaching us in the course of our work. We and our family members are precluded from trading in the Group's shares, based on inside information obtained in the course of the work. We adopt an internal compliance program regarding securities. The compliance program will be brought to the attention of all of the Group's employees, and they will undertake to follow it.

Employees

We are committed to extend respect and fair treatment to the employees, and provide a healthy and safe work environment that inspires challenges and encourages collaboration and teamwork.

Employees will receive fair pay for their work, while retaining all the rights prescribed by law. The employees will be rewarded fairly according to their skills and performance, taking into account the competitive environment the Group operates in.

The Group will provide all of its employees with equal opportunity, encourage personal and professional development. No discrimination on the basis of gender, ethnic or religious affiliation will be permitted, and no form of physical, emotional, sexual, or other harassment will be tolerated.

The employees will avoid conflicts of interest and exploitation of business opportunities for their personal needs. The employees will use the Group's assets and its resources responsibly for the benefit of the Group only.

Use of the computer network is intended for business purposes only. We will not use the information system for private purposes. We will protect the information system, and prevent unauthorized access or use and proper use.

Our clients

Our clients are our strength.

We are committed to meet the highest standards of product quality and to invest efforts in expanding the performance capabilities of our products while maintaining their quality. We are committed to meet all mandatory regulatory requirements in every one of the target countries we operate in today and will operate in, in the future. We will comply with the standards and not mislead our clients.



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We commit to being attentive to our clients and to use the information given us by them. We will conduct ourselves, in their respect, with honesty and respect for their rights. We undertake to handle any complaint or query addressed to us by every client courteously, quickly and effectively.

We believe that we will succeed in our business based on our strengths without having to resort to improper methods. In any event, it is strictly forbidden to use unlawful means to promote the Group's businesses. Bribery and/or extending any benefits are strictly prohibited.

Suppliers

We will work diligently to achieve the objectives we set ourselves in respect of the highest possible sales and the lowest possible production costs.

Decisions on supplier selection and procurement must always be business decisions made according to objective assessments and based on practical considerations such as price comparison, quality and performance. Other considerations, such as personal relationships, gifts, entertainment or anything else of value must not affect our decision, directly or indirectly. Every choice should be based on practical considerations reflecting the Group's interests.

Our suppliers constitute an important component in our ability to operate and develop and we believe in the importance of partnership with our suppliers. We are committed to conducting ourselves with the suppliers honestly, out of respect for their rights and to conduct ourselves fairly in the course of the ongoing activity and in any negotiations with them.

We will take action to ensure that our suppliers conduct themselves according to suitable ethical criteria.

Competitors

We will act diligently and with determination to meet the challenges and goals we set ourselves. We will do so while maintaining fair competition rules, we will not slander the competitors, their actions or their products and we will respect the intellectual property rights of others. The Arad Group and all of its employees are required to comply with the Israeli antitrust laws and those of any other country the Group operates in.

Environment

We undertake to adopt an approach of environmental responsibility, while integrating environmental considerations in the various decision making processes. We will use toxin free non pollutant materials, and will strive to use alternative energy such as solar energy and handle recycling and waste disposal, implementing environmental considerations.

Community

We pledge to conduct an open dialogue with the members of the communities we operate in, to consider their needs, their preferences and to take them into account during our decision making processes.

We will contribute to reinforcing elements in the community requiring special support, whether through volunteering or through a different kind of support.



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Implementation of the rules of ethics in the Arad Group

We will make the code accessible and clear through tutorials to both veteran and new employees upon their arrival. We shall take into account the content and principles of the code of ethics during processes intended for setting goals and making decisions.

Any complaint regarding a violation will be treated seriously. We pledge to protect anyone exercising his commitment and alerting us to the code violation. A breach of the code of ethics will result in disciplinary action if necessary. The code of ethics will be posted publicly on the Group's subsidiaries' websites. Once a year the code will be updated in respect all of the Group's employees.



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