UNITED NATIONS GLOBAL COMPACT COMMUNICATION ON PROGRESS

Bagir Group Ltd March 2010



GLOBAL COMPACT COMMUNICATION ON PROGRESS Bagir Group Ltd

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Eco-Tailoring

Bagir Group has been designing, manufacturing and marketing tailored suits for almost 40 years. In doing so, over the years, Bagir has continuously challenged itself to deliver groundbreaking innovation, for greater comfort, style, functionality and improved environmental impact. It is therefore not by chance that Bagir has led the revolution in ecologically preferable tailored suits for men and women, supporting Bagir's mission to be the global leader of Innovative Tailored Clothing and Eco-Tailoring.

Bagir's proprietary innovative technologies, many of which are patented, include:



One in six men in the UK own a suit made by Bagir.

Bagir's Eco-Gir technology won a prize from the Israeli Ministry of Trade and Industry in 2008 in the "Green Products" category.



The Bagir Group eco-tailoring branded and patented eco-technologies include:

The first recycled suit



The first washable suit



During 2008, Bagir commissioned a comprehensive review of its garment supply chain to track to total carbon levels emitted through the manufacture and shipment, plus management travel, involved in production of Eco-Gir technology apparel. The methodology included a calculation of the energy and carbon emissions from the start of the production process including fabric logistics, fabric processing, factory energy use and operational processes, transportation of all parts and finished suits including personnel flights to and from factories and clients, up to delivery to the client's warehouse anywhere in the world. The outcome of this process resulted in the demonstration that the Bagir recycled suit used 33% less energy and generated 47% fewer tons of carbon emissions than regular fabric suits.



The average carbon footprint of a 100% recycled Eco-Gir suit manufactured in line with Bagir's proprietary process was 11.12 kg in 2008.

The first recycled suit



- Made from 100% recycled Post Consumer Material.
- Constructed from approximately 25 recycled PET bottles.
- Machine Washable and Tumble Dryable.
- Fabrics and garments made from recycled material help divert waste from landfills, save 33% of the energy consumption (compared to manufacturing from virgin fiber), and reduce CO2 emissions by 47%, thus reducing the carbon footprint of this suit.
- The Eco-Gir technology is used as the basis for an ultra lightweight travel suit which is especially eco-convenient for travel purposes.













The first washable suit



- The first ever wool blended suit made from 50% post recycled material that can be machine washed and tumble dried (50% Wool, 50% Poly – Mechanical Stretch)
- The environmental impact of using recycled fabric is significantly lower than using new fibers. This wool blend suit with eco-technology is constructed of approximately 12 recycled plastic bottles thus reducing the impact on the environment.
- The washable technology is patented and the fact that the suit can be washed at home saves the use of toxins and harsh chemicals used during traditional dry cleaning processes.
- Bagir's Washable Suit won the Queen's Award for innovation in 2003.
- Wash, Dry, Go The fabric resumes its constant sharp look, its permanent crease and its wrinkle-free appearance time after time and after washing.









Resistant











Winner of First Prize by **Israel's Trade Ministry**



Eco - Gir washable is sold in Japan



BAGIR B

A leading Eco-Gir client

MARKS & SPENCER



The suits of the future

The first closed-loop suit



The first carbon-neutral suit



Bagir Group has more eco-tailoring innovation in the pipeline. The future focus will be on cradle-to-cradle garments which have a neutral environmental impact, whilst maintaining Bagir's familiar quality, comfort and style. A unique technology is in development which will enable the 100% recyclability of all Eco-Gir manufactured garments, so that every new suit that is purchased can be recycled back into another suit or other garment. A new plan to engage Eco-Gir suit owners in a creative carbon-neutral program is also under development to produce the first carbon-neutral suit throughout its lifetime. A new 100% cold water washable suit is now on the designer drawing table, the first of its kind ever. Bagir maintains its commitment to continuous investment in creative technical innovation to bring a new range of eco-designed and eco-tailored garments to our discerning clients around the world.

UN Global Compact Communication on Progress | March 2010 CEO Commitment

Bagir Group supports the principles of the United Nations Global Compact

Bagir is committed to operating in a socially and environmentally responsible manner. For many years we have pioneered changes in the men's apparel industry to promote greater environmental awareness and innovative technology which has influenced global consumption in a significant way. Since our early years of operation, we have served global clients who have demanded not only the highest standards of quality and service, but also the highest standards of ethical and environmentally responsibly business activity.

Our robust core of values has served over the years as our internal infrastructure, guiding the way we develop our business, our people, and our impacts on society and the environment. As we develop our business, we continue to challenge ourselves, whilst maintaining our longstanding values system based on respect and integrity. In this context we have elected to publicly announce our commitment to universally accepted principles of responsible business though participation in the United Nations Global Compact, and reporting in a transparent way on the way in which we do so.

This, our first Communication on Progress, is an initial summary of the key ways in which Bagir Group upholds the 10 Principles of the United Nations Global Compact and supports the broader objectives of the Millennium Development Goals. We commit to continuing to improve and develop our performance in support of these Principles, and to providing an annual communication to the Global Compact which updates our progress in each area.

Ofer Gilboa CEO March 2010

UN Global Compact Communication on Progress | March 2010 Vision and Mission

Vision

To be the global leader of innovative tailored clothing.

Mission

- To understand and fulfill our consumers' needs, by creating the ultimate wearing experience, combining fashion, comfort, performance and value
- To create strategic partnership with our customers, exceed their expectations and increase their competitiveness, by consistently and continuously setting the standards of comprehensive solutions through the entire value chain
- To create strategic partnership with our core suppliers, that will promote our competitiveness through delivering high quality, flexibility, lead time and value
- To promote the development of our employees, managerial leadership, and a global culture, open communication and performance excellence.
- To build shareholders' value through sustained profitable growth
- To strive to business success while committing to social and environmental values

Strategic Foundations:

The key to Bagir's long term success is strongly rooted in a strategic approach based on three strong tenets:

- Global Presence- Marketing, Sourcing, Manufacturing
- Innovation Product, Service, Management.
- Verticality- Full Service, Textile Partners, Managing subcontractors

Bagir's global view and strong innovation expertise have afforded Bagir significant competitive advantage which is evident given the leadership position of Bagir apparel around the world. However, the third tenet, verticality – is less commonly found in the apparel industry today, where most manufacturers have resorted to outsourcing most or all production. Bagir's uncompromising commitment to quality, service and ethical standards in all Bagir activity are evident in the fact that Bagir manufactures in own or partnership locations (JV's) where Bagir accepts full responsibility for all processes, labor standards and adherence to sustainable practices throughout the supply chain.

UN Global Compact Communication on Progress | March 2010 Bagir Group Profile

Ownership

Bagir Group is a public limited Company with three stockholders:

FIMI Ltd – 50%

Founded in 1997, FIMI is Israel's first dedicated and mezzanine buy-out fund, with a track record of over 50 major transactions valued at more than \$1Billion. Ishay Davidi, the founder and CEO of FIMI is a member of the Bagir Group Board of Directors. For more about FIMI, please see www.fimi.co.il.

BGI Investments (1961) Ltd – 45%

Barinboim Group Investments (BGI), chaired by Zvi Barinboim, is an Israel-based investment company. The Company, through its subsidiary, Bagir Group Ltd., operates in the clothing manufacturer industry. For more details about BGI, please see the Company's profile on the Tel Aviv Stock Exchange (TASE) website: http://bit.ly/88etIF

Ofer Gilboa – 5%

Ofer Gilboa is CEO of Bagir Group since 2000. See Ofer Gilboa's profile on the Bagir Group website: http://www.bagir.com/?CategoryID=195

Governance

The Bagir Group Board of Directors is composed of 7 Directors:

- Zvika Barinboim (Chairman)
- Ofer Gilboa (CEO of Bagir Group Ltd)
- Mark Zalman
- Shai Davidi
- Gilon Beck
- Gil Moram

Business Profile

Bagir Group was founded in 1961 as a private Company and started trading on the Tel Aviv Stock Exchange in 2005. In 2007, the Company was reorganized and reverted to private status, as the Group remains today. The Company generates sales of over \$ 180 million per year, employs over 2,100 people around the world, and produces over 4 million units of clothing per year.

A global innovative tailoring provider, Bagir Group specializes in developing, manufacturing and marketing of high quality men and women's tailored fashions. Bagir Group leverages global presence, vertical structure and innovation technologies in order to provide consumers with the ultimate wearing experience combing fashion, comfort, performance, value and ecological consciousness.

Key Clients

Bagir Group markets their suits, jackets and trousers under retail private labels as well as world renowned brands such as GIR Collection, Pierre Balmain, Nicole Miller and Simon Carter. Strategic partnerships with retail customers keep Bagir Group in tune with the latest industry needs and trends while helping ensure their customers' competitiveness and consumer satisfaction. Bagir's clients include the leading and highest quality apparel retailers all over the world.







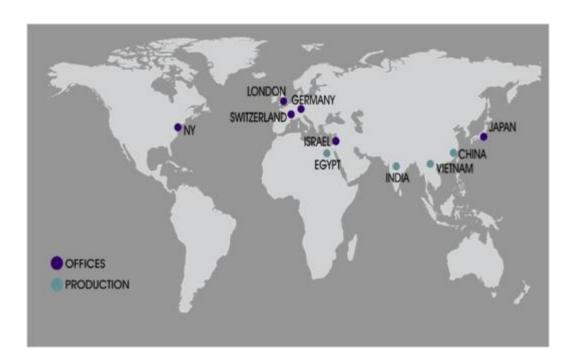
Bagir employees

Bagir employs over 2,300 people around the world, of which approximately 8% are in the Israeli headquarters and innovation center.

Country	Number of payroll employees
Egypt	1,052
China	950
Israel	188
Germany	120
England	50
USA	15
Vietnam	10
Total	2,385

Bagir Group Locations

Bagir Group operates from headquarters in Israel, where the prime innovation and design centers are located. In addition, Bagir maintains sales and service offices in New York, London, Neuchatel in Switzerland, Istanbul and Tokyo. Currently, production is centered in China, Vietnam and Egypt. All sites are Joint Venture sites managed by Bagir.



UN Global Compact Communication on Progress | March 2010 Principle 1:

Business should support and respect the protection of internationally proclaimed human rights.

Bagir is firmly committed to upholding human rights in all aspects of its business. Bagir Group believes in the value of all individuals and their right to respect and all other basic human rights contained in the Universal Declaration of Human Rights. Bagir conducts its business all over the globe in a manner which promotes trust, respect, dignity and valuing each individual, whilst making maximum efforts to ensure human rights are upheld in every activity.

Bagir Groups observes the highest ethical standards in all its activities and conforms to an internal Code of Conduct which is binding for all employees. The Code requires all employees to observe and respect human rights. The following statements relating to some core human rights elements are extracted from the Code:

Bagir guarantees freedom of association, the right to organize for collective bargaining and to practice a policy of full disclosure concerning recruitment and work contracts. Bagir places real importance on creating a place to work that inspires and rewards its employees properly.

Bagir's employees do not and will not be discriminated against because of personal characteristics or beliefs.

Forced labor, including indentured servitude, imprisonment or other compulsory labor is neither accepted nor practiced by Bagir regardless of whether such practices are permitted by applicable law.

A manager, or a person in charge, will not ask from his employees for financial loans, to sign on guarantees for him or for any other benefits and will not abuse his status for any personal benefits.

Although the legal definition of "children/minors" varies between countries, Bagir does not and will not knowingly employ individuals who are under the age of 15.

Employees must ensure a work environment free of discrimination and harassment in which individuals are treated equally in employment processes, procedures and practices based on merit and ability.

Bagir is committed to the principle of employment equity. Decisions concerning hiring, promotion, retention, training, development and compensation are to be based on the ability, skill, knowledge and experience required to perform the job.

Bagir's Compliance Committee is responsible for the investigation of any reported breaches of the Code, which are reported to the Company's Strategic Planning & Control Director, who serves as the Compliance Committee leader. Every new employee, as part of his or her orientation, is provided with a copy of the Code of Conduct to read and learn, and is required to sign a statement of intention to adhere to the code. The Company compliance committee issues an annual summary of performance pertaining to the Code of Conduct (issues, actions taken, changes and updates).

In addition, Bagir Group observes all the policies and recommended practices of the Ethical Trading Initiative Base Code. The ETI Base Code forms the basis for the Supplier Working Practices that are required by Marks and Spencer, the UK Based retailer, one of Bagir's first major clients who developed a long term supply partnership with the Company over 20 years ago. This Code applies to all the sourcing factories of manufacturers supplying Marks and Spencer. Bagir, on realizing the value of this Code in defining the responsible way of doing business in general, immediately adopted the Code in its entirety for every single production unit of the Company in any location. All new Bagir factories are required to accept this Code and work according to its provisions.

The Ethical Trading Initiative (ETI) is an alliance of companies, trade unions and voluntary organizations, working in partnership to improve the lives of workers across the globe who make or grow consumer goods. The ETI vision is a world where all workers are free from exploitation and discrimination, and work in conditions of freedom, security and equity. The ethical trade activities of ETI corporate members touch the lives of over 8 million workers. The ETI Base Code is founded on the conventions of the International Labor Organization (ILO) and is an internationally recognized code of labour practice. Its provisions include:

- Avoidance of forced labor
- Freedom of association
- Safe and hygienic conditions for workers
- Avoidance of child labor
- Payment of a living wage
- Reasonable working hours
- Avoidance of discrimination
- Provision of regular employment
- Avoidance of harsh or inhumane treatment

For more details about the Ethical Trading Initiative and their Base Code, please see: http://www.ethicaltrade.org/ and to view the ETI Base Code, please click here: http://www.ethicaltrade.org/eti-base-code.

All Bagir factories are audited regularly in line with the requirements of clients and the ETI Principles. Factories are audited at least once per year by professionally trained and qualified auditors from recognized external audit Companies such as Intertek or qualified representatives of client Companies. If corrective action is required, audits are performed more frequently. All Bagir production locations conform with ethical requirements and Bagir has never had to cease operations as a result of poor compliance with the ETI or other client Codes of Conduct.

In addition, all Bagir's audit results are updated on the SEDEX website for use of clients who can access results and track follow up actions. For more information about SEDEX, see www.sedex.org.uk.

Workplace Safety and Employee Development

Bagir invests in developing a workplace environment in which all employees can operate safely, and learn skills which develop them personally and professionally. All Bagir operations around the world observe policies, practices and processes to ensure compliance to all laws, regulations and accepted local and international industry standards relating to safety and hygiene, and other aspects of the workplace environment.

Safety Offices are nominated in all Bagir locations and are responsible for conducting safety training on a regular basis. In 2009, hundreds of hours of safety training were conducted around the world with attendance by over 90% of employees. Accidents are monitored at all locations and corrective action taken where required. There have been no fatalities at Bagir manufacturing locations.

All Bagir employees receive formal feedback twice per year in a 180 degree process in which both managers and peers provide feedback both via the internet and in performance development conversations. Training and development plans use these reviews to assist employees to develop their level of competence and discuss their concerns and expectations.

Bagir runs training programs for all employees relative to their on-the-job skill requirements and personal development needs.

Involvement in the community – empowering and supporting local people

Bagir believes in being a responsible corporate citizen and socially sensitive employer in every community in the countries in which it operates. To accomplish this, Bagir encourages each of its operating facilities to become actively involved in the life of the community by participating in and sponsoring initiatives that result in the advancement of community needs, and in the betterment of the quality of life of the communities in which employees live.

Bagir's main involvement to date has been in the area of supporting educational programs for disadvantaged youth.

UN Global Compact Communication on Progress | March 2010 Principle 2:

Business should ensure that they are not complicit in human rights abuses.

Bagir ensures that the Company is not complicit in human rights abuses through its strict adherence to the Ethical Trading Initiative Base Code for all its supply operations. The fact that Bagir's supply chain is vertically controlled means that Bagir has minimal exposure to the actions of third party outsourcing suppliers. In all other respects, Bagir makes efforts to ensure all suppliers operate both legally and ethically and avoid any form of human rights abuses.

The way in which Bagir deals with all business partners and suppliers, to ensure non complicity, is prescribed in Bagir's Code of Conduct, as follows:

The company does not knowingly do business with suppliers who:

- Operate in violation of applicable law or regulation, including local environment, employment and safety laws.
- Employ anyone who is under the legal age of employment as defined by the United Nations standards or by national standards, whichever are higher.

Bagir seeks business partners who:

- Share Bagir's commitment to product quality and to maintaining the operating practices necessary to meet its quality standards.
- Comply with all applicable legal standards and requirements of the country in which they
 are doing business and adhere to their national laws regarding protection and
 preservation of the environment.

- Are committed to providing a safe and healthy workplace and to treating employees fairly
 and in full compliance with local laws. While Bagir recognizes that cultural differences
 exist and standards may vary by country, it expects its partners to adhere to the
 following:
- Health and safety standards must meet, or exceed, all local laws and safety regulations.
- Workers housing, where provided as a benefit of employment, must meet the same standards for health and safety as the workplace.
- Provide wages and benefits that comply with any applicable law and the prevailing local, manufacturing industry practice, whichever is higher.
- Provide each employee a clear, written accounting for every pay period; and do not deduct from employee pay for disciplinary infractions.
- Provide each employee all legally mandated benefits.
- Comply with legally mandated work hours; use overtime only when every employee is fully compensated according to local law; inform every employee upon hiring if mandatory overtime is a condition of employment; on a regularly scheduled basis provide one day off in seven, and require no more than 60 hours of work per week on a regularly scheduled basis, or comply with local limits if they are lower.
- Do not use corporal punishment or other forms of mental or physical coercion.
- Do not discriminate employees because of personal characteristics or beliefs.
- Do not use forced labor or indentured servitude, including imprisonment or other compulsory labor regardless of whether such practices are permitted by applicable law.
- Maintain on file all documentation needed to demonstrate compliance with this Code of Conduct and required laws; agree to make these documents available for Bagir or its designated monitor; and agree to submit to inspections with or without prior notice.

Compliance with these Standards is a condition for becoming, and remaining, a business partner of Bagir and is agreed to, in writing, as a term of engagement.

Bagir facilitates effective monitoring and enforcement, and our business partners are expected to provide full access to their production facilities and to relevant records relating to employment practices. The Company undertakes affirmative measures, such as on-site inspections of facilities, to implement and monitor these standards. The company exercises diligence to determine whether suppliers conform to these standards. Bagir takes appropriate actions, including termination of its relationship, with any business partner violating its standards.

UN Global Compact Communication on Progress | March 2010 Principle 3:

Business should uphold the freedom of association and the effective recognition of the right to collective bargaining

Bagir Group believes in the freedom of employees to form or join a representative association. This is upheld by strict adherence to the ILO Conventions and Ethical Trading Initiative Base Code as mentioned above.

UN Global Compact Communication on Progress | March 2010 Principle 4:

Business should support the elimination of all forms of forced and compulsory labor.

Bagir Group expressly forbids any form of forced labour anywhere in the world in Bagir operations. This is upheld by strict adherence to the ILO Conventions and Ethical Trading Initiative Base Code as mentioned above. All Bagir Group employees sign an employment contract and are free to join and leave the Company at will.

UN Global Compact Communication on Progress | March 2010 Principle 5:

Business should support the effective abolition of child labor.

Bagir Group expressly forbids any form of child labour anywhere in the world in Bagir operations, and confirms that no children are employed in any part of Bagir's supply chain or general operations. This is upheld by strict adherence to the ILO Conventions and Ethical Trading Initiative Base Code as mentioned above, and monitored on a regular basis.

UN Global Compact Communication on Progress | March 2010 Principle 6:

Business should support the elimination of discrimination in respect of employment and occupation.

Bagir Group upholds a strict global policy of equal opportunity, diversity and inclusion which is also reinforced in Bagir's Code of Ethics and Ethical Trading Initiative compliance. All employees of whatever background, race, nationality, gender, color and all other indicators of diversity are welcome to join Bagir and enjoy equal opportunity for employment, working rights, and advancement. Bagir employs local workers in all its manufacturing locations, providing all with equal opportunities within the Company.

UN Global Compact Communication on Progress | March 2010 Principle 7:

Business should support a precautionary approach to environmental challenges.

Bagir recognizes the importance of protecting the environment as one of the key foundations of responsible business and is committed to the protection of the environment. Bagir and its employees treat the protection of the environment as an integral factor in all business activities. To comply with this commitment, Bagir's policy is to meet or exceed all relevant legal requirements. Bagir endeavors to work closely with suppliers, government bodies, environmental groups and local communities to promote sustainability of the raw materials it uses (such as cotton). Since dyeing and finishing involves chemical processes that can have a significant impact on the environment, Bagir ensures that fabrics the Company uses meet the highest standards by conducting independent tests on finished garments. Bagir adheres to a strict code of practice to ensure that no materials, dyes or chemicals used in the production process of its fabrics and garments present an unacceptable risk to health or to the environment during its manufacture, use or disposal. Bagir minimizes its workforce's exposure to toxic materials by handling chemicals according to high industrial hygiene standards and safe working practices and procedures. Employees are required to report all incidents in which toxic substances are spilled or released into the environment. All Bagir employees are aware that violations of environmental laws, even if unintentional, can carry severe penalties and could result in prosecution or liability of Bagir, the employees involved, or both.

Bagir's key policy approaches are as follows:

- Strict adherence to all laws and regulations relating to environmental matters at all Bagir's facilities in Israel and abroad.
- Minimizing Bagir's impact through advanced use of eco-driven technology.
- Reducing consumption, recycling and reusing wherever possible.
- Ensuring awareness of all employees regarding environmental practices.

Bagir's Environmental Policy and Practices fall within the responsibility of the Global Development and Marketing Director, a member of the Company's most senior leadership team reporting to the CEO.

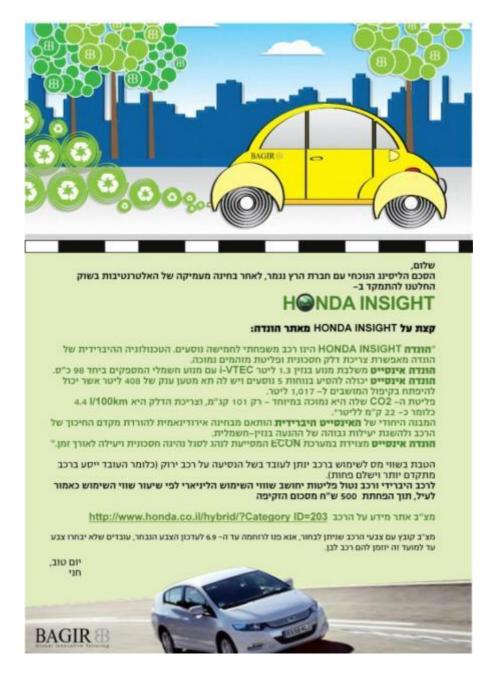
UN Global Compact Communication on Progress | March 2010 Principle 8:

Business should undertake initiatives to promote greater environmental responsibility.

Bagir makes efforts to reduce consumption of energy and materials, and reduce the Company's overall carbon footprint. This is highly developed as part of Bagir's ecotechnology advances as has been detailed above. In other aspects of Bagir's operations, Bagir acts to instill an environmental sensitivity and consciousness in employees and provides frameworks for them to improve environmental impacts in their work. All Bagir employees have been issued with a Green Family handbook which also assists them in applying green habits in their home life.

Bagir's Hybrid fleet

One recent example of this is the conversion of the entire fleet of Bagir vehicles (34 cars) in Israel to hybrid vehicles. The selected models are Honda Insight and Honda Civic. It is estimated that Bagir will save approximately 45% of overall fuel consumption per year with this change. Below is a flier explaining the selection of hybrid vehicles to employees.



Recycling at Bagir

All Bagir employees are encouraged to reduce consumption of paper through avoidance of printing, double-sided printing and other measures. Special recycling cartons are supplied to all employees at their workstations, and recycling bins have been placed around Bagir sites to raise awareness and provide a convenient way for the Company to collect recyclable paper waste. The Company has significantly reduced its paper consumption during the past year. Below is a poster explaining to employees the importance of recycling entitled " The Recycling Revolution begins in the Office".



UN Global Compact Communication on Progress | March 2010 Principle 9:

Business should encourage the development and diffusion of environmentally friendly technologies.

Bagir invests approximately 4% of annual revenues in R&D and in recent years, this has been specifically focused on developing environmentally friendly technologies which have been described above and which have revolutionized the men's apparel marketplace. Bagir continues to be committed to ongoing development and expects to bring further ecotailoring innovations to the market in coming years.

Bagir's technology and innovations receives significant media attention thus spreading awareness for environmentally friendly technologies and products.









UN Global Compact Communication on Progress | March 2010 Principle 10:

Business should work against corruption in all its forms, including extortion and bribery.

Bagir Group expressly forbids the giving and taking of bribes and any form of conflict of interest, extortion or corruption. Bagir will not do business in countries where this type of activity is a condition for success. There have been no known instances of bribery or corruption at Bagir Group.

UN Global Compact Communication on Progress | March 2010 Ongoing Commitment

Bagir's ongoing commitment is to continue to support drive sustainable practices in business in line with the Global Compact principles and other guidelines. Specific target areas for the coming year include:

- Ongoing eco- technology developments for more eco-friendly suits.
- Ongoing monitoring and auditing of Bagir garment factories.
- Development of training in human rights for all employees.
- Adoption of ongoing methodology to measure Bagir's Carbon Footprint.
- Establishment of Green Teams for environmental awareness at all Bagir locations.
- Revision and expansion of the Company's community involvement programme.
- Annual publication of a Communication on Progress.

Availability of this Communication on Progress:

This communication on Progress is posted on the UNGC website and freely available for all to view. It is also posted on Bagir's external website. Internally, we will post this COP for employees on the Company's intranet site. We will encourage employees to familiarize themselves with the UNGC though discussions and training.

Our commitment to this Communication on Progress

This Communication on Progress was prepared under the supervision of Moshe Gadot, Global Business Development and Marketing Director at Bagir and a member of the Company's Executive Team. It has been approved and endorsed by the Executive Management Committee of Bagir Group.

UN Global Compact Communication on Progress | March 2010 Contact Details

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Bagir Group welcomes queries and feedback on this Communication on Progress. Please address all communication to:

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Advisor's Statement

This Communication on Progress has been prepared with the support of an external specialist in Corporate Social Responsibility who verifies that all contents are a true and accurate representation of Bagir Group adherence to UNGC principles.

Elaine Cohen, CEO Beyond Business Ltd www.b-yond.biz/en

