



Bagir Group
Corporate Governance

Sep. 2018

(The information contained in this document was last reviewed on 20 September 2018)

Introduction

Upon the IPO of the Company in 2014 to AIM, the board of directors of (Board) Bagir Group Ltd (Bagir Group, Group or the Company) decided to follow the practice of the UK Quoted Companies Alliance Corporate Governance Code as guidelines for its corporate governance.

On 8 March 2018, the London Stock Exchange issued AIM Notice 50, confirming changes to be made to the AIM Rules for Companies (and to the AIM Rules for Nominated Advisers). The revised AIM Rules came into effect on 30 March 2018.

The revised AIM Rules require that AIM companies to provide details on its website of:

- (i) the recognised corporate governance code that its board of directors has decided to apply;
- (ii) how the AIM Company complies with that code; and
- (iii) where it departs from its chosen corporate governance code, an explanation of the reasons for doing so.

Accordingly, the Board of Bagir Group decided at its board meeting on 2 July 2018, to continue the practice, and to adopt and comply with the QCA Corporate Governance Code (2018 edition) (the QCA Code). This report sets out in broad terms how the board currently complies with the QCA Code. The board will review Bagir's compliance with the QCA Code on an annual basis.

Corporate Governance Principles

Set out below are each of the QCA Code's ten principles with a summary of how we comply with the QCA Code, where we disclose such compliance and, if we depart from the QCA Code, an explanation of the reasons for doing so. Further information relating to Bagir's corporate governance can be found on the Company's website and Annual Report and Accounts.

Compliance with Principle 1 of the QCA Code

Establish a strategy and business model which promote long-term value for shareholders

As disclosed in our Annual Reports and on our website, Bagir Group specializes in developing, manufacturing and marketing high quality men and women's tailored fashions with our strategy being to leverage our global presence, vertical structure & innovation in order to provide consumers with the ultimate wearing experience combining fashion, comfort, performance and value.

At Bagir Group, focus on excellence in design and innovation throughout the entire value chain is a fundamental platform for achieving our goals. Strategic partnerships with retail customers keep Bagir Group in tune with the latest industry needs and trends while helping ensure our customers' competitiveness and consumer satisfaction.

As part of the strategy planning process and the annual budget and planning, the Group holds a meeting over several days on business strategy, product innovation and other key initiatives every year. This strategy meeting focuses on follow up and execution of action items regarding approved and budgeted initiatives, and sessions to consider new initiatives with the whole process being driven by the Group's outlined strategy.

Once an initiative meets defined guidelines, senior management set it as a strategic goal. Divisional and unit leaders conduct further discussions and perform feasibility checks to assess potential risks led by the initiative owner supported by the relevant team with the relevant expertise and business knowledge.

The working teams then report back additional information and recommendations regarding such strategic goals and present them to senior management for formal approval.

The strategic goals are reviewed and, if approved by senior management, are then presented to the Board for final approval and budget allocation.

The senior management monitors the progress of the strategic plan(s) and present progress updates to the Board on a regular basis.

Compliance with Principle 2 of the QCA Code

Seek to understand and meet shareholder needs and expectations

The Company releases information to the AIM market and regularly updates its shareholders by announcements to AIM, in accordance with the AIM Rules.

The Company has adopted formal guidelines which it uses when making required announcements to the market under AIM Rules 10, 11 and 26. An Investor Relations section is found on the Company's website which contains all required disclosures under AIM Rule 26. All information contained within is consistent with the Annual Report, Accounts and legal requirements.

The Company has nominated an external public relations advisor, Novella Communications (based in London) to serve as the Company's Investor Relations' advisor and, as such, to be responsible for the proper maintenance of the Company's Investor Relations and website section, and for the filing of Regulatory News Service (RNS) announcements and disclosure of relevant company matters to the public, according to AIM Rule 26.

The Company consults regularly with its Nominated Advisor and Broker, N+1 Singer, in relation to announcements to the market and responses to queries raised by Investors.

The Investor Relations section on our website has an Investor Contact sub section with contact details of our Investor Relations' agent and our investor relations e-mail.

Additionally, the executive directors (CEO and CFO) make themselves available for regular meetings with the Company's major shareholders in coordination with the Company's Broker. These meetings are generally held upon release of the Company's interim and annual reports or when an announcement of any major transaction or other significant announced plans is made or notice of general meetings or similar is issued in order to manage shareholders' expectations and to understand the motivations behind shareholder voting decisions.

The AGM is the main forum for dialogue with retail shareholders and the Board. The Notice of Meeting is sent to shareholders at least 35 days before the meeting. Members of the Board, routinely attend the AGM and are available to answer questions raised by shareholders.

Compliance with Principle 3 of the QCA Code Take into account wider stakeholder and social responsibilities and their implications for long-term success

Bagir Group pursues the highest standards of social responsibility throughout our Group - from how we support and empower employees, to how we work with our clients, to how we govern the Group.

The Company complies with strict ethical codes of corporate social responsibility, as summarised on our website social responsibility page, particularly regarding labor and employment conditions at our manufacturing facilities and subcontractor locations, as demanded by the Company's customers (including the Ethical Trading Initiative (ETI) and Global Sourcing Principles (GSP)).

The Group conducts its production, both at its owned manufacturing facility in Egypt and Ethiopia and at its subcontracted production throughout the world, at factories which have been approved by the Group's customers (which include some of the world's leading garment retailers). Customer audits are conducted on Bagir to ensure that the Company meets their strict standards of compliance with local minimum wage laws, child labor laws and other relevant social compliance regulations.

Employee well-being is incorporated in every aspect of Bagir Group's global business, from our strategic and business planning to our operations. Bagir Group also has a longstanding commitment to diversity and considers it a competitive advantage in serving clients.

Local authorities conduct periodic quality and social compliance visits to the Group's production sites – an initial visit upon commencement of production activity with annual follow up visits. The results of each visit are documented and presented to the Company's executive management for resolution and follow up.

The Group has prepared a comprehensive Code of Conduct, which outlines the values and standards of behavior, both business and personal, that is expected of all entities within the Group and their employees. This Code of Conduct includes sections that call for the avoidance of conflicts of interest, prohibit insider dealings, the taking or giving of bribes and the engaging in any type of corrupt activity, misuse of Group assets, and the protection of the Group's brand names and reputation. The Code of Conduct is available digitally for review by each of the Company's employees. The Code of Conduct has been prepared in consultancy with the Company's legal advisors and in accordance with applicable laws.

Bagir Group is committed to environmental leadership in all of our business activities. Our global environmental management system ensures the Group is vigilant in protecting the environment across all of its operations worldwide. Bagir Group aims to improve the environmental profile of all operations, with goals to deliver a reduction per unit production in CO2 emissions, energy consumption, water consumption and disposed waste from Bagir Group plants, all of which are regularly monitored.

Compliance with Principle 4 of the QCA Code Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Company's senior management have identified, evaluated and listed the material risks in the Group's business environment which are monitored regularly through the Group's Risk Management Process. This involves an enterprise-wide risk management framework including a defined governance risk management, risk process and associated roles and responsibilities in this regard.

As part of this process, the Company determines the actions and ways to adequately mitigate these risks, with the various risks being ranked and prioritized, and the efforts and actions the Group is taking to mitigate those risks being specified.

Additionally, as required under Israeli Companies Law, the Board appointed an Internal Auditor (which is an outsourced function) who was recommended by the Board's Audit Committee and meets certain independence criteria stated in the Israeli Companies Law. The role of the Internal Auditor is to examine, among others, the Company's risk management as well as compliance with applicable law and orderly business procedures.

The Internal Auditor undertook a Risk Review of the main business processes and business risks, and proposed an Audit Plan over several years, covering several topics each year as prioritized and approved by the Audit Committee. The Audit Committee approved the Audit Plan, including the risks to be audited and oversees the activities of the Internal Auditor.

The Internal Audit work is presented every year in the Group's Annual Report and Accounts.

Compliance with Principle 5 of the QCA Code

Maintain the Board as a well-functioning, balanced team led by the chair

The composition of the Company's Board as at 20 September 2018 is as follows:

- ✓ Non-executive chairman
- ✓ Two executive directors (CEO and CFO)
- ✓ Two non-executive directors
- ✓ One independent non-executive External directors

- * Additional independent non-executive External in process of nomination, following former External Director that stepped down from the Board at the AGM on 4 September 2018. The Board have commenced a formal process to identify a suitable successor as Non-executive External Director as soon as possible. Once a candidate has been agreed by the Board, the Board shall convene an Extraordinary General Meeting in order to approve the nomination of the new Non-Executive External Director.'

The Board believes that this satisfies both good market practice and the UK and Israeli company law requirements, being an appropriate balance between executive and non-executive directors.

The Board of Bagir is responsible for reviewing and approving the Company's strategy, budget, corporate actions and major items of capital expenditure, with clearly defined schedule of matters reserved for its approval as well as defining the Company's corporate governance arrangements. The Board has established an audit committee, a remuneration committee and a nomination committee, with formally delegated duties and responsibilities and each with written terms of reference, copies of which are available together with the schedule of matters reserved for the Board's approval on the Company's website.

It is the Board's intention and practice to have at least 12 Board meetings annually and special meetings when required. A summary of when board meetings have been held and who attended is set out in the Company's Annual Report & Accounts. In addition, every year the Board defines a framework for its meetings and activity, including determining the different committees' activity in accordance with their authorities. During a week before each Board meeting, members of the Board receive an agenda of matters to be discussed at that meeting and documents and materials to enable effective preparation and facilitate proper discussion and assessment of matters to be considered at that Board meeting.

As and when directors are appointed, they participate in an induction process to ensure they understand the Company's business strategy and high level key financials and operational matters of the Group.

In accordance with the Israeli Companies Law, an External Director must not have (and nor must any relative, partner, employer or a corporation in which he has control have) any connection with the Company or with controlling shareholder. Moreover, at least one of the external directors must possess accounting and financial expertise, whilst the other external director will be required to possess certain professional qualifications.

The Board considers that all its non-executive directors and non-executive external directors bring an independent judgment in the consideration of the matters considered by the Board and commit the time necessary to fulfill their roles as demonstrated by their attendance of and contributions to Board meetings.

Compliance with Principle 6 of the QCA Code

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Board's Nomination Committee oversees the process and makes recommendations to the Board for all new appointments to it. As part of the appointment process, each appointee completes a detailed Directors and Officers questionnaire in which they were required to disclose all directorships and business interests. Furthermore, each director is required to disclose any future potential conflicts of interest in accordance with both the UK and Israeli laws and the Company's newly adopted Code of Conduct.

In addition, in accordance with AIM practice, the Company's Nominated Adviser undertakes due-diligence on a proposed director.

The above process ensures the directors have the necessary up-to-date experience, skills and capabilities.

The current directors have experience in the legal, financial and clothing sectors as demonstrated by their background and experience summarized on the Company's website and in the Company's Annual Report and Accounts and the Board considers that it has an appropriate balance of skills and experience with an appropriate balance of personal qualities and capabilities. This is reviewed and considered every year together with the Board's diversity including gender.

Compliance with Principle 7 of the QCA Code

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The role of Company Secretary is undertaken by a practicing attorney with the Company's external Israeli counsel, Lipa Meir & Co., who has been instructed to maintain close contact with the Company's external UK counsel to ensure that it will have sufficient experience and knowledge of AIM listing and share registry requirements.

The Company Secretary attends all Board meetings and Board Committees meetings, preparing minutes of every meeting of the Board and its committees which include a summary of the detailed discussions as well as a list of the resolutions and action items that were made at the meeting. The minutes are circulated for the review of all the Board members, and are formally approved at the next Board meeting. This enables the Board to follow on action up on items, review its discussion and evaluate its performance and effectiveness and lead improvement process.

The Board undertakes an annual evaluation of its and its committees' performance, with the executive directors having annual appraisals carried out by each other and the chairman.

The Board has adopted a process for evaluation of its own performance, that of its committees and individual Directors, including the Chairman. This process is to be conducted annually from October 2018, with substantive issues being reported and to the extent required, remedied. The evaluation process will enable consideration of the adequacy of the Board composition and any succession requirements.

The Board intends to utilise the services of an independent third party organisation to manage the evaluation process, analyse the results and report back to the Board for subsequent follow-up. Evaluation criteria are to include Controls and Procedures, Strategic Aims, Entrepreneurial Leadership and Communications and Relationships.

Compliance with Principle 8 of the QCA Code

Promote a corporate culture that is based on ethical values and behaviours

The basis of Bagir Group's culture is its strict ethical codes, complying with strong corporate social responsibility and the high standards demanded by the Company's customers (including the Ethical Trading Initiative (ETI) and Global Sourcing Principles (GSP)) as outlined.

The Company has prepared a comprehensive Code of Conduct (a copy of which is available on its website) which outlines the values and standards of behavior, both business and personal, that is expected of all entities within the Group and their employees. The Code of Conduct includes sections that call for the avoidance of conflicts of interest, prohibit insider dealings, the taking or giving of bribes and the engaging in any type of corrupt activity, misuse of Group assets, and the protection of the Group's brand names and reputation. The Code of Conduct is available digitally for review by each of the Company's employees. The Code of Conduct has been prepared in consultancy with the company's legal advisors in accordance with the applicable law.

The Company adopted a whistleblower mechanism to ensure confidentiality and anonymity of the reporting party and appropriate investigation and follow-up. The whistleblower policy includes arrangements that ensure that all reported incidents are independently investigated.

The Company has appointed the Human Resources manager as the designated representative in connection with sexual harassment complaints.

Compliance with Principle 9 of the QCA Code

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board has overall responsibility for the success of the Company and is responsible for reviewing and approving the Company's strategy, budget, corporate actions and major items of capital expenditure, with clearly defined schedule of matters reserved for its approval as well as defining the Company's corporate

governance arrangements. The Board has established an audit committee, a remuneration committee and a nomination committee, with formally delegated duties and responsibilities and each with written terms of reference, copies of which are available together with the schedule of matters reserved for the Board's approval.

The executive directors have responsibility for the day-to-day operational management of the Group; whilst the non-executive directors are responsible for bringing independent and objective judgment to Board decisions.

The chairman is responsible for overseeing the running of the Board and has overall responsibility for good corporate governance, chairing the Nomination Committee.

The CEO is responsible for implementing the Group's strategy and managing the Group's day-to-day operations.

Compliance with Principle 10 of the QCA Code

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company communicates with its shareholders through its Annual Report and Accounts, half year announcements and other announcements, all of which are published on its website. Additionally, the executive directors (The CEO and the CFO) make themselves available for regular meetings with the Company's major shareholders in coordination with the Company's Broker. These meetings are generally held upon release of the Company's interim and annual reports or when an announcement of any major transaction or other significant announced plans is made or notice of general meetings or similar is issued in order to manage shareholders' expectations and to understand the motivations behind shareholder voting decisions with the discussions being summarized to the Board at the next Board meeting.

The Company has close and direct communication with its customers, by the sales teams as well as senior management including the CEO level, the Sales Directors the VP Product development and the VP Operations. This enables reacting to our customers' needs in real time, serve the customer at the highest service level, and receive the close feedback and direction for Group planning and product development.

At Bagir, we routine dialogue with our employees from senior management across the entire team. We communicate through routine meetings of the executive management and senior managers and through organizing forums of senior managers from various departments and domains, professional teams, conferences, and other forums to include members of the entire organisation. In these forums we share the knowledge with our team and encourage our teams to share views and encourage open discussion to improve our performance and react to ongoing business challenges.