

CODE OF BUSINESS CONDUCT

1.0 SCOPE

The provisions of this Code of Business Conduct (also referred to as “policy”) herein are applicable to all Commtouch employees and directors and employees worldwide.

The above individuals shall be described generally as “Commtouch responsible party(ies)”. Wholly owned subsidiary companies of Commtouch are encouraged likewise to adopt this Code of Business Conduct, mutatis mutandis.

2.0 POLICY STATEMENT

Each Commtouch responsible party must observe the highest ethical standards and exercise proper judgment in all reporting obligations and business dealings. Special care is required in such dealings to ensure:

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in periodic reports required to be filed by the Company under applicable law; and
- c. Compliance with applicable governmental rules and regulations.

3.0 POLICY GUIDELINES

All Commtouch responsible parties are expected to:

- Read and be familiar with this policy.
- Be familiar with all relevant laws and regulations that apply to their area of responsibility.
- Be aware of situations where questionable business conduct may arise and avoid those situations.
- Respect the rules of conduct of Commtouch’s customers.
- Treat fairly and without discrimination those within the Company who report of suspected violations of this policy.

All managers should encourage employees to share concerns and questions about appropriate conduct. Legal questions can be directed to Commtouch’s legal department.

3.1 Accounting and Finance

Each Commtouch Senior Financial Officer must comply with the Commtouch Code of Ethics for Senior Financial Officers. Other Commtouch responsible parties dealing in the financial and accounting activities of the Company shall at all times:

- Follow all applicable rules and regulations in performing their accounting and finance duties for the Company.

- In case of doubt or uncertainty in the handling of any accounting or finance matter, endeavor to seek independent counsel from a Senior Financial Officer.
- Refrain from accepting instructions from those who are not qualified to make determinations in regards to the treatment of an accounting or finance issue.
- Take all reasonable measures to ensure that that any and all information to be included in reports is accurate and complete.
- Be truthful and forthcoming during any formal or informal investigation of matters relating to the accounting or finance practices and procedures of the Company.
- Refrain from taking any action to fraudulently influence, coerce, manipulate or mislead any independent public or certified accountant or independent internal auditor engaged in the performance of an audit of the financial statements of the Company for the purpose of rendering such financial statements materially misleading or for any other improper purpose.
- Divulge to a Senior Financial Officer in a timely manner any reports of misapplication of Company or governmental policies, rules and procedures which may have a deleterious effect on the financial condition or statements of the Company. If a Commtouch responsible party has reason to believe that the Senior Financial Officer may not act on any such information, the Commtouch responsible party shall report the matter to the Company's Audit Committee.

3.2 Marketing, Advertising and Sales

Commtouch does not engage in false or misleading claims to its customers, competitors or the public. The following specific policies apply:

- Marketing, advertising and sales materials will be clear and truthful. They will not contain false or exaggerated claims about Commtouch products and services.
- Sales information about prices, products and services should be provided to customers and vendors in a way that avoids any appearance that it is being given in an underhanded or preferential way.
- Commtouch responsible parties should not make any offers or promises on behalf of the Company that cannot be kept by the Company.
- Commtouch responsible parties should not encourage or knowingly use third parties, such as agents, consultants or subcontractors, to perform any activities that are prohibited under this policy.

3.3 Public Communications

When disclosing important and/or material events and developments, Commtouch is committed to providing the public full and truthful disclosure. Specific Company departments have the responsibility of responding to questions from the public. Commtouch responsible parties should generally direct such inquiries to the appropriate department as indicated below.

- • Any inquiry by a member of the media should be referred to Commtouch's CEO or President or the senior manager on site.

- • Inquiries from shareholders or potential shareholders should be directed to the legal department or the senior manager on site (who should then direct the inquiry to the legal department).
- • Other inquiries from the public should be referred to the designated contact person or, if unclear, to the senior manager on site. Commtouch responsible parties should refrain from providing personal opinion or conjecture about Commtouch or its activities to anyone not employed by Commtouch.

3.4 Conflicts of Interest

A conflict of interest arises when a Commtouch responsible party's personal interest influences his or her financial or business decisions. It is important to note that a conflict may arise even if there is only an *appearance* of an influence. A conflict of interest arises if any of the following conditions occur (this is not an exhaustive list):

- A Commtouch responsible party or a member of its immediate family is an officer, director, owner, agent or representative of a Commtouch professional adviser, supplier, customer or competitor.
- A Commtouch responsible party holds a material financial interest in a Commtouch professional adviser, supplier, customer or competitor.
- A Commtouch responsible party accepts personal favors from a Commtouch professional adviser, supplier, customer or competitor.
- A Commtouch responsible party deals directly in the course of business with a spouse or immediate family member who is employed by a professional adviser, supplier, customer or competitor.
- A Commtouch responsible party holds a personal financial interest in a transaction of the Company with a third party.

All Commtouch responsible parties must disclose to the Company legal department all actual or apparent conflicts of interest.

3.5 Anti-competitive Activity

Commtouch responsible parties should not engage in any activities that are or may be perceived as anti-competitive, including but not limited to, the following:

- Agreeing with a competitor to share market segments or regions, to set prices or terms of sale, or to boycott a third party.
- Intentionally attempting to cause a customer of a competitor to breach a contract with a competitor.
- Making false or misleading statements about a competitor 's products or services.

3.6 Confidential and Proprietary Information

- Confidential and proprietary information is any information about Commtouch which the Commtouch responsible party learns or develops on the job and is not made public by the Company. Such information may include, but is not limited to, Company trade secrets,

practices, procedures, processes, inventions, financial information, engineering plans, customer lists and marketing plans.

- A Commtouch responsible party may not disclose to a third party Commtouch confidential information or any confidential information of Commtouch customers or suppliers which the Commtouch responsible party may learn in the course of his or her employment. Commtouch responsible parties should avoid disclosing such information and strive to prevent the potential for disclosure of such information, either by taking steps to safeguard the information or reporting violations of this confidentiality requirement by others.
- Confidential information should be safeguarded with the highest level of care. Commtouch responsible parties should not disclose this information to any other person who does not have a need to know for purposes of performing his/her job properly. Commtouch responsible parties should not disclose any confidential information outside the Company except pursuant to a non-disclosure agreement (NDA) or other protective agreement.

3.7 Insider Trading

Commtouch responsible parties may not buy or sell the Company's stock or the securities of other companies based on information learned in connection with his or her employment prior to the release of information to the public. All Commtouch responsible parties should comply with Commtouch's published Insider Trading Policy.

3.8 International Business Conduct

All U.S. based Commtouch responsible parties employed or working in countries outside the U.S. will adhere to the following guidelines for conducting business in those countries.

3.8.1 The Foreign Corrupt Practices Act

- The U.S. Foreign Corrupt Practices Act prohibits the Company from giving money or other things of value to officials of a foreign government in order to influence the policy of that government, even if such gifts are considered customary in that country. In addition, it is a violation of this policy and United States law, and may be a violation of foreign law, to offer any form of bribe.
- Commtouch responsible parties who are in the position of meeting or working with foreign officials should be thoroughly familiar with Commtouch's policy and be aware of the foreign country's laws as well. Any questions regarding conducting business with foreign officials should be referred to the legal department.

3.8.2 Anti-Boycott Policy

It is a violation of U.S. federal law to cooperate with boycotts by foreign countries that discriminate against U.S. companies or individuals on the basis of race, religion, sex or national origin. Requests for information by a boycotting country must be reported promptly to the legal department.

3.9 Business Dealings with the United States and Other Governments

In conducting business with agencies and branches of the United States and other countries' governments, Commtouch responsible parties should be aware that there are specific laws and regulations which may govern such business conduct, in addition to this Code of Business Conduct. Violation of these laws or regulations may cause the Company to be disqualified from future bidding on government contracts, or lead to federal or state criminal liabilities, or civil penalties. The legal department can provide the text of applicable laws and regulations.

Federal procurement laws have four main goals:

1. To obtain the best possible products and services at the best possible price.
2. To encourage competition among suppliers based on published specifications and evaluation criteria.
3. To reduce or eliminate waste, abuse and fraud.
4. To eliminate unfair competitive advantages.

For purposes of this policy, "government" refers to federal, state or local agencies of the executive branch but does not include the legislative branch. Commtouch responsible parties working with the U.S. or other countries governments should follow all business conduct policies generally, with the following additional specifics in mind:

3.9.1 Marketing Issues

- Commtouch responsible parties should strictly avoid giving even an appearance of the existence of a conflict of interest or unfair advantage when dealing with the government.
- Commtouch responsible parties may not encourage a government employee to engage in any activity which the individual is prohibited from doing or which may result in the appearance of improper conduct.
- Commtouch responsible parties should maintain an air of openness in dealings with government personnel, including meeting during regular business hours or meeting in regular business locations.

3.9.2 Business Favors to Government Personnel

- Some government agencies and departments have strict requirements which govern acceptance of business favors. Commtouch responsible parties must be familiar with these requirements and never offer any favor or gift which is in violation of the applicable policy.
- Where a Company-offered favor falls within the exception to a government's policy, Commtouch responsible parties are still expected to comply with the Company's policy of not creating any appearance of impropriety or other requirements as stated in this policy. All such favors must be properly accounted for.
- Certain federal agencies prohibit reciprocity. Commtouch responsible parties who receive business favors or gifts from a government employee do not necessarily have to return the favor.
- Commtouch responsible parties should be thoroughly familiar with the codes of conduct for the federal agencies with which they conduct business, as well as any other local or state agencies.

3.10 Political Contributions

Commtouch responsible parties may not use Company assets or funds to make political contributions to any candidates running for a political office. Examples of prohibited contributions include, but are not limited to, cash gifts, loans, gifts of tickets and trips.

3.11 Violation of Policy

- Commtouch responsible parties who violate this policy will be subject to discipline that may include termination.
- Commtouch responsible parties who become aware of any apparent violations of this policy may notify their manager, who, in turn, should notify the Commtouch legal department. If a Commtouch responsible party feels it is inappropriate to report the violation to his or her manager, the employee may communicate directly with the Commtouch legal department. Commtouch will not discipline, discharge or otherwise retaliate against a Commtouch responsible party who informs the Company of violations.
- Certain Commtouch responsible parties may periodically be required to sign a statement (Appendix A) indicating their understanding and compliance with this policy as a condition of employment. Notwithstanding, no failure to sign on this form shall excuse a Commtouch responsible party from complying with this policy.

4.0 PROCEDURE

4.1 Distribution of Policy

Department Managers shall:

1. Ensure that all Commtouch responsible parties read the policy and discuss it with them.
2. Have each applicable Commtouch responsible party sign the form in Appendix A.
3. Submit questions to the Commtouch legal department.
4. Submit copies of all signed forms to the Commtouch legal department.

Legal Department shall:

1. Answer all questions.
2. Review, resolve and document all identified actual or potential conflicts of interest.

Human Resources shall:

1. Ensure that all new employee orientations include an introduction to the policy.

4.2 Report of a Business Conduct Violation

Manager shall:

1. After being informed of an actual or apparent policy violation, notify the Commtouch legal department.

Legal Department shall:

1. Meet with the manager to review the reported violation and investigate it if necessary.
2. If the matter pertains to a violation of a securities law or breach of fiduciary duty, immediately advise the Chief Executive Officer of the Company. If the Chief Executive Officer does not implement adequate remedial measures, the legal department shall raise the matter with the audit committee or other applicable committee of the Board of Directors, or to the Board of Directors.
3. Using information obtained, assist in resolving the matter, and prepare a written description of the resolution that includes any appropriate disciplinary actions.
4. Submit copies of the description to the Audit Committee, Board of Directors and the applicable department manager and/or Chief Executive Officer.

4.3 Updating of Code of Business Conduct

The CEO, Chief Accounting Officer, General Counsel and Chairman of the Board shall endeavor to:

1. Meet annually to review current business conduct policy.
2. Review all responses to requests for interpretation of policy that were issued in the past year.
3. Review all responses to reports of policy violation that were issued in the past year.
4. If it is determined that the policy needs to be revised, draft a memorandum to the Board of Directors that includes all clarifications of or additions to the policy.
5. Distribute copies of the memorandum to all department managers.

Department Managers shall:

1. Distribute policy revisions to all staff members.
2. Discuss the revisions with staff members.
3. Provide written confirmation to the legal department that distribution and review have taken place.

5.0 APPENDIX A

Acknowledgment of Receipt of Policy, Certification of Conflicts of Interest and Certification of Violations of Policy

TO BE COMPLETED BY THE Commtouch Responsible Party:

I, _____, certify that I have read and understand the Company's Code of Business Conduct. In addition, I have specifically read the conflicts of interest section and hereby certify the following (check one):

To the best of my knowledge and belief, I do not presently have any conflicts of interest that might interfere with my job performance.

I have reported any conflicts of interest to Commtouch's legal department.

I understand my obligations to report any violations of the policy to Commtouch's legal department.

Employee Signature: _____

Date: _____

TO BE COMPLETED BY THE DEPARTMENT MANAGER:

Date received: _____

Date submitted to Human Resources: _____

Date submitted to the legal department: _____