

ENERGY FOCUS, INC.

Code of Ethics and Business Conduct

Effective May 6, 2014

1. Introduction.

1.1 The Board of Directors of Energy Focus, Inc. (together with its subsidiaries, the “Company”) has adopted this Code of Ethics and Business Conduct (the “Code”) in order to:

- (a) promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;
- (b) promote full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission (the “SEC”) and in other public communications made by the Company;
- (c) promote compliance with applicable governmental laws, rules and regulations;
- (d) promote the protection of Company assets, including corporate opportunities and confidential information;
- (e) promote fair dealing practices;
- (f) deter wrongdoing; and
- (g) ensure accountability for adherence to the Code.

1.2 All directors, officers and employees are required to be familiar with the Code, comply with its provisions and report any suspected violations as described below in Section 12 – Reporting and Enforcement.

1.3 This Code is not designed or intended to cover every circumstance. Rather, it can help directors, officers and employees make the right decisions or ask the right questions. If a director, officer or employee is ever unsure of the appropriate action to take, he or she is encouraged to raise his or her concerns with appropriate management personnel. Openness is essential to a healthy and successful work environment.

2. Honest and Ethical Conduct.

2.1 The Company’s policy is to promote high standards of integrity by conducting its affairs honestly and ethically.

2.2 Each director, officer and employee must act with integrity and observe the highest ethical standards of business conduct in his or her dealings with the Company’s current and potential customers, suppliers, partners, service providers, competitors, employees, investors,

government and self-regulatory agencies, the public, the media and anyone else with whom he or she has contact in the course of performing his or her job.

2.3 Each director, officer and employee must also respect the rights of their fellow directors, officers, employees and third parties.

3. **Conflicts of Interest.**

3.1 A conflict of interest occurs when an individual's private interest (or the interest of a member of his or her family) interferes, or even appears to interfere, with the interests of the Company as a whole. A conflict of interest can arise when an employee, officer or director (or a member of his or her family) takes actions or has interests that may make it difficult to perform his or her work for the Company objectively and effectively. Conflicts of interest also arise when an employee, officer or director (or a member of his or her family) receives improper personal benefits as a result of his or her position in the Company.

3.2 Loans by the Company to, or guarantees by the Company of obligations of, employees or their family members are of special concern and could constitute improper personal benefits to the recipients of such loans or guarantees, depending on the facts and circumstances. Loans by the Company to, or guarantees by the Company of obligations of, any director or executive officer or their family members are expressly prohibited.

3.3 Whether or not a conflict of interest exists or will exist can be unclear. Conflicts of interest should be avoided unless specifically authorized as described in Section 3.4.

3.4 Persons other than directors and executive officers who have questions about a potential conflict of interest or who become aware of an actual or potential conflict should discuss the matter with, and seek a determination and prior authorization or approval from, their supervisor or the Chief Financial Officer. A supervisor may not authorize or approve conflict of interest matters or make determinations as to whether a problematic conflict of interest exists without first providing the Chief Financial Officer with a written description of the activity and seeking the Chief Financial Officer's written approval. If the supervisor is himself involved in the potential or actual conflict, the matter should instead be discussed directly with the Chief Financial Officer.

Directors and executive officers must seek determinations and prior authorizations or approvals of potential conflicts of interest exclusively from the Audit Committee.

4. **Compliance.**

4.1 Employees, officers and directors should comply, both in letter and spirit, with all applicable laws, rules and regulations in the cities, states and countries in which the Company operates.

4.2 Although not all employees, officers and directors are expected to know the details of all applicable laws, rules and regulations, it is important to know enough to determine when to seek

advice from appropriate personnel. Questions about compliance should be addressed to the Chief Financial Officer or the Vice President of Human Resources.

4.3 No director, officer or employee may purchase or sell any Company securities while in possession of material non-public information regarding the Company, nor may any director, officer or employee purchase or sell another company's securities while in possession of material non-public information regarding that company. It is against Company policies and illegal for any director, officer or employee to use material non-public information regarding the Company or any other company to:

- (a) obtain profit for himself or herself; or
- (b) directly or indirectly "tip" others who might make an investment decision on the basis of that information.

Each director, officer or employee must be familiar with and comply with the terms of the Company's Insider Trading Policy.

5. **Disclosure.**

5.1 The Company's periodic reports and other documents filed with the SEC, including all financial statements and other financial information, must comply with applicable federal securities laws and SEC rules.

5.2 Each director, officer and employee who contributes in any way to the preparation or verification of the Company's financial statements and other financial information must ensure that the Company's books, records and accounts are accurately maintained. Each director, officer and employee must cooperate fully with the Company's accounting and internal audit departments, as well as the Company's independent public accountants and counsel.

5.3 Each director, officer and employee who is involved in the Company's disclosure process must:

- (a) be familiar with and comply with the Company's disclosure controls and procedures and its internal control over financial reporting; and
- (b) take all necessary steps to ensure that all filings with the SEC and all other public communications about the financial and business condition of the Company provide full, fair, accurate, timely and understandable disclosure.

6. **Protection and Proper Use of Company Assets.**

6.1 All directors, officers and employees should protect the Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability and are prohibited.

6.2 All Company assets should be used only for legitimate business purposes. You may use the Company's computers or communications systems to access or distribute personal "non-

business related” information, data or graphics so long as such use (a) complies with the Company’s policies, (b) is limited to occasional use of short duration, and (c) does not interfere with the performance of your duties. Any suspected incident of fraud or theft should be reported for investigation immediately.

6.3 The obligation to protect Company assets includes the Company’s proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business and marketing plans, engineering and manufacturing ideas, designs, databases, records and any non-public financial data or reports. Unauthorized use or distribution of this information is prohibited and could also be illegal and result in civil or criminal penalties.

7. Corporate Opportunities and Gifts.

7.1 All directors, officers and employees owe a duty to the Company to advance its interests when the opportunity arises. Directors, officers and employees are prohibited from taking for themselves personally (or for the benefit of friends or family members) opportunities that are discovered through the use of Company assets, property, information or position. Directors, officers and employees may not use Company assets, property, information or position for personal gain (including gain of friends or family members). In addition, no director, officer or employee may compete with the Company.

7.2 All directors, officers and employees are prohibited from:

(a) purchasing or accepting goods or services from Company vendors at prices less than the prices normally charged to the public;

(b) soliciting, demanding, accepting or agreeing to accept anything of value from any person in conjunction with the performance of his or her employment or duties at the Company; and

(c) accepting gifts of cash or cash equivalents (i.e., stocks, other forms of marketable securities or gift cards), airfare, or accommodations of any amount.

7.3 There are certain limited situations in which directors, officers and employees may accept a personal benefit from someone with whom he or she transacts business, such as:

(a) accepting a gift in recognition of a commonly recognized event or occasion (such as a promotion, new job, wedding, retirement or holiday) or an award in recognition of service or accomplishment, provided the value of the gift or award does not exceed \$250 USD in total per calendar year from a single organization. It is improper for employees, officers and directors to request or demand gifts and any such requests or demands must be reported to the Chief Financial Officer;

(b) accepting something of value if the benefit is available to the general public under the same conditions on which it is available to the director, officer or employee;

(c) accepting meals, refreshments, and entertainment of reasonable value in the course of a meeting or other occasion to conduct business or foster business relations; and

(d) accepting airfare and travel accommodations that are billed back to the Company with details of travel costs, dates and names of all traveling employees. Under no circumstance should an employee approve an invoice that contained his/her own travel expenses or travel expenses of a family member.

8. Confidentiality & Privacy.

8.1 Using confidential information about the Company or its businesses, employees, officers, directors, customers or suppliers for personal benefit or disclosing such information to others, including family, outside of normal duties is prohibited, pursuant to Company policies. All non-public information about such parties should be considered confidential. Directors, officers and employees remain under an obligation to keep all information confidential even after their employment or board service ends.

8.2 The Company respects the privacy of its employees; however, the Company may obtain and retain an employee's personal information for legitimate business purposes or as required by applicable law or regulation. Access and dissemination of such personal information will be limited and must comply with applicable law or regulation. No employee may access the personal information of another employee unless specifically authorized to do so in connection with a legitimate business interest. The Company is mindful of employee's privacy rights under various laws and regulations and has adopted policies and procedures to ensure compliance; including compliance with mandatory notifications laws in certain jurisdictions should privacy rights be breached.

9. Fair Dealing.

9.1 Each director, officer and employee must deal fairly with the Company's customers, suppliers, partners, service providers, competitors, employees and anyone else with whom he or she has contact in the course of performing his or her job. No director, officer or employee may take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of facts or any other unfair dealing practice.

9.2 Each director, officer and employee must disclose prior to or at their time of hire or nomination the existence of any employment agreement, non-compete or non-solicitation agreement, confidentiality agreement or similar agreement with a former employer that in any way restricts or prohibits the performance of any duties or responsibilities of his or her positions with the Company. Copies of such agreements should be provided to the Company to permit evaluation of the agreement in light of his or her position. In no event shall any director, officer or employee use any trade secrets, proprietary information or other similar property acquired in the course of his or her employment with another employer in the performance of his or her duties for or on behalf of the Company.

10. Gifts to Government Officials, Bribes and Kickbacks.

10.1 Each director, officer and employee that deals with government officials should be particularly alert to the special rules that may limit or prohibit giving gifts, gratuities, entertainment or other favors to government officials. The Company's policy requires all employees to comply with applicable anti-corruption and bribery laws, including the Foreign Corrupt Practices Act ("FCPA"). The FCPA, and the laws of many other countries in which the Company does business, broadly prohibit bribery, including offering money or "anything of value" to any foreign government official for the purpose of influencing such official. The consequences of violating the FCPA are extremely severe, including possible civil and criminal penalties for both the Company and individuals. In the United States, nothing of value (for example, gifts, meals, or entertainment) may be provided to government personnel without the prior written approval of the Chief Financial Officer.

10.2 The use of any funds or assets of the Company for any gifts or payments to government employees, or other third parties is strictly prohibited unless approved in advance, in writing, by the Chief Financial Officer. Therefore, no payment from the Company's funds or assets shall be made to or for the benefit of a representative of any domestic or foreign government (or subdivision thereof) labor union, or any third party for the purpose of improperly obtaining a desired government action, or any sale, purchase, contract, or other commercial benefit. This prohibition applies to direct or indirect payments made through third parties or employees and is intended to prevent bribes, kickbacks, or any other form of payoff.

10.3 Any employee who offers, pays or receives bribes or kickbacks will be terminated and reported, as warranted, to the appropriate authorities.

11. Government Relations and Political Activities.

11.1 We encourage Company employees to be involved in government relations activity. Government relations activity means participation in industry trade groups and associations, and lobbying and advocating our position on issues before elected officials and government agencies. Subject to established guidelines, the Company is allowed to reimburse authorized employees for expenses incurred in government relations activity.

11.2 In contrast, political activity means campaigning and fund raising for candidates for election to office. Federal, as well as many state, local and foreign laws restrict the use of corporate funds, assets and time in connection with political activity. No Company assets, including an employee's work time, work time of other Company employees, use of Company premises, use of Company equipment, or monetary payments, may be contributed to any political candidate, political action committee, party or ballot measure without the prior written approval of the Chief Financial Officer. Employees may participate in any political activities of their choice on an individual basis with personal funds and on personal time.

12. Reporting and Enforcement.

12.1 *Reporting and Investigation of Violations.*

(a) Actions prohibited by this code involving directors or executive officers must be reported to the Audit Committee.

(b) Actions prohibited by this code involving any other person must be reported to the reporting person's supervisor or the Chief Financial Officer.

(c) After receiving a report of an alleged prohibited action, the Audit Committee, the relevant supervisor or the Chief Financial Officer must promptly take all appropriate actions necessary to investigate.

(d) All directors, officers and employees are expected to cooperate in any internal investigation of misconduct.

12.2 *Enforcement.*

(a) The Company must ensure prompt and consistent action against violations of this Code.

(b) If, after investigating a report of an alleged prohibited action by a director or executive officer, the Audit Committee determines that a violation of this Code has occurred, the Audit Committee will report such determination to the Board of Directors.

(c) If, after investigating a report of an alleged prohibited action by any other person, the relevant supervisor or the Chief Financial Officer determines that a violation of this Code has occurred, the supervisor or the Chief Financial Officer will report such determination to the Audit Committee.

(d) Upon receipt of a determination that there has been a violation of this Code, the Board of Directors or the Audit Committee will take such preventative or disciplinary action as it deems appropriate, including, but not limited to, reassignment, demotion, dismissal and, in the event of criminal conduct or other serious violations of the law, notification of appropriate governmental authorities.

12.3 *Waivers.*

(a) Each of the Board of Directors (in the case of a violation by a director or executive officer) and the Audit Committee (in the case of a violation by any other person) may, in its discretion, waive any violation of this Code.

(b) Any waiver for a director or an executive officer shall be disclosed as required by SEC and NASDAQ rules.

12.4 *Prohibition on Retaliation.*

The Company does not tolerate acts of retaliation against any director, officer or employee who makes a good faith report of known or suspected acts of misconduct or other violations of this Code.