

Supplier Code of Conduct

Focused on innovation and customer-centricity, Zyxel Networks Corp. (hereafter, "ZNet") has been connecting people to the internet for nearly 30 years since we developed the world's first integrated 3-in-1 data/fax/voice modem in 1992. We're building the networks of tomorrow, helping unlock the world's potential and unleash people's abilities.

Meanwhile, ZNet committed to responsible business and adheres to The Core Conventions of the International Labour Organization, RBA (Responsible Business Alliance) Code of Conduct, and best practices of leading companies among electronic industry. We hope to keep helping our suppliers to become a responsible company as well by continuous communication and sharing.

Therefore, we created this Supplier Code of Conduct to clarify the requirements our suppliers must comply with. Specifically, we require all our suppliers to sign CSR (Corporate Social Responsibility) Commitments, assess and submit CSR report regularly, and the assessment result would be a key part of supplier evaluation criteria and indicators.

ZNet "Supplier Code of Conduct" contains six sections:

1. General Conditions
2. Labor and Human Rights
3. Health and Safety
4. Environmental
5. Ethics
6. Management Systems

In our journey toward becoming a benchmark company regarding CSR, ZNet would like to invite all our suppliers to join us, to comply with this Code of Conduct, and to enhance CSR initiatives and outcomes continuously. Together let's create a responsible and sustainable supply chain.

1 General Conditions

1.1 Purpose

ZNet committed to become a responsible and sustainable company. Therefore, we created this Code of Conduct for all suppliers to comply with and build a responsible supply chain together.

1.2 Scope

All suppliers are required to comply with this Code of Conduct, and should regulate your immediate suppliers. Our ultimate goal is to bring positive influences to the whole supply chain and all stakeholders.

1.3 Compliance

This Code of Conduct is highly in line with RBA Code of Conduct and best practices of leading companies among electronic industry. All suppliers should comply with this Code of Conduct, local laws and regulations, and exercise the due care of a good administrator.

1.4 Report

1.4.1 Suppliers should set reasonable indicators, keep measuring and improving, and submit annual report to ZNet according to contents of this Code of Conduct.

1.4.2 In the annual report, suppliers should submit their CSR policy, management procedures, goals, indicators, and actual outcomes.

1.5 Audit

1.5.1 Document Review

Suppliers should submit documents including and not limited to above annual report, self-assessment records, and related documents required by ZNet.

1.5.2 On-site Audit: ZNet may conduct on-site audit in supplier's facility.

1.5.2.1 Audit announcement would be issued before 30 days.

1.5.2.2 Audit standard and assessment criteria would be issued before 10 days.

1.5.2.3 Official audit report would be issued by 10 days after on-site audit.

1.5.2.4 Suppliers should submit corrective action plan by assigned due date if any priority or major violation.

1.5.3 All audit and assessment results would be a key part of supplier evaluation criteria and indicators. ZNet may adjust or terminate business cooperation with suppliers if there is any serious priority or major violations.

1.6 Amendment

ZNet regularly review and may appropriately revise this Code of Conduct according to international CSR related standards, principles, laws, and best practices of leading companies among electronic industry. All suppliers would be informed once it's amended.

2 Labor and Human Rights

Suppliers are committed to uphold the human rights of workers, and to treat them with dignity and respect as understood by the international community. This applies to all workers including temporary, migrant, student, contract, direct employees, and any other type of worker.

2.1 Freely Chosen Employment

Forced, bonded (including debt bondage) or indentured labor, involuntary or exploitative prison labor, slavery or trafficking of persons shall not be used. This includes transporting, harboring, recruiting, transferring or receiving persons by means of threat, force, coercion, abduction or fraud for labor or services. There shall be no unreasonable restrictions on workers' freedom of movement in the facility in addition to unreasonable restrictions

on entering or exiting company-provided facilities. As part of the hiring process, workers must be provided with a written employment agreement in their native language that contains a description of terms and conditions of employment prior to the worker departing from his or her country of origin and there shall be no substitution or change(s) allowed in the employment agreement upon arrival in the receiving country unless these changes are made to meet local law and provide equal or better terms. All work must be voluntary and workers shall be free to leave work at any time or terminate their employment. Employers and agents may not hold or otherwise destroy, conceal, confiscate or deny access by employees to their identity or immigration documents, such as government-issued identification, passports or work permits, unless such holdings are required by law. Workers shall not be required to pay employers' or agents' recruitment fees or other related fees for their employment. If any such fees are found to have been paid by workers, such fees shall be repaid to the worker.

2.2 Young Workers

Child labor is not to be used in any stage of manufacturing. The term "child" refers to any person under the age of 15, or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is greatest. The use of legitimate workplace learning programs, which comply with all laws and regulations, is supported. Workers under the age of 18 (Young Workers) shall not perform work that is likely to jeopardize their health or safety, including night shifts and overtime. Supplier shall ensure proper management of student workers through proper maintenance of student records, rigorous due diligence of educational partners, and protection of students' rights in accordance with applicable law and regulations. Supplier shall provide appropriate support and training to all student workers. In the absence of local law, the wage rate for student workers, interns and apprentices shall be at

least the same wage rate as other entry-level workers performing equal or similar tasks.

2.3 Working Hours

Working hours are not to exceed the maximum set by local law. Further, a workweek should not be more than 60 hours per week, including overtime, except in emergency or unusual situations. Workers shall be allowed at least one day off every seven days.

2.4 Wages and Benefits

Compensation paid to workers shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. In compliance with local laws, workers shall be compensated for overtime at pay rates greater than regular hourly rates. Deductions from wages as a disciplinary measure shall not be permitted. For each pay period, workers shall be provided with a timely and understandable wage statement that includes sufficient information to verify accurate compensation for work performed.

2.5 Humane Treatment

There is to be no harsh and inhumane treatment including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers; nor is there to be the threat of any such treatment. Disciplinary policies and procedures in support of these requirements shall be clearly defined and communicated to workers.

2.6 Non-Discrimination

Suppliers should be committed to a workforce free of harassment and unlawful discrimination. Companies shall not engage in discrimination based on race, color, age, gender, sexual orientation, gender identity and expression, ethnicity or national origin, disability, pregnancy, religion, political affiliation, union membership, covered veteran status, protected genetic information or marital status in hiring and employment practices

such as wages, promotions, rewards, and access to training. Workers shall be provided with reasonable accommodation for religious practices. In addition, workers or potential workers should not be subjected to medical tests or physical exams that could be used in a discriminatory way.

2.7 Freedom of Association

In conformance with local law, suppliers shall respect the right of all workers to form and join trade unions of their own choosing, to bargain collectively and to engage in peaceful assembly as well as respect the right of workers to refrain from such activities. Workers and/or their representatives shall be able to openly communicate and share ideas and concerns with management regarding working conditions and management practices without fear of discrimination, reprisal, intimidation or harassment.

3 Health and Safety

Suppliers recognize that in addition to minimizing the incidence of work-related injury and illness, a safe and healthy work environment enhances the quality of products and services, consistency of production and worker retention and morale. Suppliers also recognize that ongoing worker input and education is essential to identifying and solving health and safety issues in the workplace.

3.1 Occupational Safety

Worker potential for exposure to safety hazards (e.g., chemical, electrical and other energy sources, fire, vehicles, and fall hazards) are to be identified and assessed, and controlled through proper design, engineering and administrative controls, preventative maintenance and safe work procedures (including lockout/tagout), and ongoing safety training. Where hazards cannot be adequately controlled by these means, workers are to be provided with appropriate, well-maintained, personal protective equipment and educational materials about risks to

them associated with these hazards. Reasonable steps must also be taken to remove pregnant women/nursing mothers from working condition with high hazards, remove or reduce any workplace health and safety risks to pregnant women and nursing mothers including those associated with their work assignments, as well as include reasonable accommodations for nursing mothers.

3.2 Emergency Preparedness

Potential emergency situations and events are to be identified and assessed, and their impact minimized by implementing emergency plans and response procedures including: emergency reporting, employee notification and evacuation procedures, worker training and drills, appropriate fire detection and suppression equipment, clear and unobstructed egress adequate exit facilities and recovery plans. Such plans and procedures shall focus on minimizing harm to life, the environment and property.

3.3 Occupational Injury and Illness

Procedures and systems are to be in place to prevent, manage, track and report occupational injury and illness including provisions to: encourage worker reporting; classify and record injury and illness cases; provide necessary medical treatment; investigate cases and implement corrective actions to eliminate their causes; and facilitate return of workers to work.

3.4 Industrial Hygiene

Worker exposure to chemical, biological and physical agents is to be identified, evaluated, and controlled according to the hierarchy of controls. Potential hazards are to be eliminated or controlled through proper design, engineering and administrative controls. When hazards cannot be adequately controlled by such means, workers are to be provided with and use appropriate, well-maintained, personal protective

equipment. Protective programs shall include educational materials about the risks associated with these hazards.

3.5 Physically Demanding Work

Worker exposure to the hazards of physically demanding tasks, including manual material handling and heavy or repetitive lifting, prolonged standing and highly repetitive or forceful assembly tasks is to be identified, evaluated and controlled.

3.6 Machine Safeguarding

Production and other machinery shall be evaluated for safety hazards. Physical guards, interlocks and barriers are to be provided and properly maintained where machinery presents an injury hazard to workers.

3.7 Sanitation, Food, and Housing

Workers are to be provided with ready access to clean toilet facilities, potable water and sanitary food preparation, storage, and eating facilities. Worker dormitories provided by the Supplier or a labor agent are to be maintained to be clean and safe, and provided with appropriate emergency egress, hot water for bathing and showering, adequate lighting heat and ventilation, individually secured accommodations for storing personal and valuable items, and reasonable personal space along with reasonable entry and exit privileges.

3.8 Health and Safety Communication

Supplier shall provide workers with appropriate workplace health and safety information and training in the language of the worker or in a language the worker can understand for all identified workplace hazards that workers are exposed to, including but not limited to mechanical, electrical, chemical, fire, and physical hazards. Health and safety related information shall be clearly posted in the facility or placed in a location identifiable and accessible by workers. Training is provided to all workers prior to

the beginning of work and regularly thereafter. Workers shall be encouraged to raise safety concerns.

4 Environmental

Suppliers recognize that environmental responsibility is integral to producing world class products. In manufacturing operations, adverse effects on the community, environment and natural resources are to be minimized while safeguarding the health and safety of the public.

4.1 Environmental Permits and Reporting

All required environmental permits (e.g. discharge monitoring), approvals and registrations are to be obtained, maintained and kept current and their operational and reporting requirements are to be followed.

4.2 Pollution Prevention and Resource Reduction

Emissions and discharges of pollutants and generation of waste are to be minimized or eliminated at the source or by practices such as adding pollution control equipment; modifying production, maintenance and facility processes; or by other means. The use of natural resources, including water, fossil fuels, minerals and virgin forest products, is to be conserved or by practices such as modifying production, maintenance and facility processes, materials substitution, re-use, conservation, recycling or other means.

4.3 Hazardous Substances

Chemicals and other materials posing a hazard to humans or the environment are to be identified, labelled and managed to ensure their safe handling, movement, storage, use, recycling or reuse and disposal.

4.4 Solid Waste

Supplier shall implement a systematic approach to identify, manage, reduce, and responsibly dispose of or recycle solid waste (non-hazardous).

4.5 Air Emissions

Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are to be characterized, routinely monitored, controlled and treated as required prior to discharge. Supplier shall conduct routine monitoring of the performance of its air emission control systems.

4.6 Materials Restrictions

Suppliers are to adhere to all applicable laws, regulations and customer requirements regarding prohibition or restriction of specific substances in products and manufacturing, including labeling for recycling and disposal.

4.7 Water Management

Supplier shall implement a water management program that documents, characterizes, and monitors water sources, use and discharge; seeks opportunities to conserve water; and controls channels of contamination. All wastewater is to be characterized, monitored, controlled, and treated as required prior to discharge or disposal. Supplier shall conduct routine monitoring of the performance of its wastewater treatment and containment systems to ensure optimal performance and regulatory compliance.

4.8 Energy Consumption and Greenhouse Gas Emissions

Energy consumption and all relevant Scopes 1 and 2 greenhouse gas emissions are to be tracked and documented, at the facility and/or corporate level. Suppliers are to look for cost-effective methods to improve energy efficiency and to minimize their energy consumption and greenhouse gas emissions.

4.9 Carbon Footprint Management

Suppliers should manage CO2 emissions within the entire product life cycle including manufacturing and shipments, monitor and seek for cost-effective approaches to decrease CO2 emissions.

5 Ethics

To meet social responsibilities and to achieve success in the marketplace, suppliers and their agents are to uphold the highest standards of ethics.

5.1 Business Integrity

The highest standards of integrity are to be upheld in all business interactions. Suppliers shall have a zero tolerance policy to prohibit any and all forms of bribery, corruption, extortion and embezzlement.

5.2 No Improper Advantage

Bribes or other means of obtaining undue or improper advantage are not to be promised, offered, authorized, given or accepted. This prohibition covers promising, offering, authorizing, giving or accepting anything of value, either directly or indirectly through a third party, in order to obtain or retain business, direct business to any person, or otherwise gain an improper advantage. Monitoring and enforcement procedures shall be implemented to ensure compliance with anti-corruption laws.

5.3 Disclosure of Information

All business dealings should be transparently performed and accurately reflected on Supplier's business books and records. Information regarding supplier labor, health and safety, environmental practices, business activities, structure, financial situation and performance is to be disclosed in accordance with applicable regulations and prevailing industry practices.

Falsification of records or misrepresentation of conditions or practices in the supply chain are unacceptable.

5.4 Intellectual Property

Intellectual property rights are to be respected; transfer of technology and know-how is to be done in a manner that protects intellectual property rights; and, customer and supplier information is to be safeguarded.

5.5 Fair Business, Advertising and Competition

Standards of fair business, advertising and competition are to be upheld.

5.6 Protection of Identity and Non-Retaliation

Programs that ensure the confidentiality, anonymity and protection of supplier and employee whistleblowers are to be maintained, unless prohibited by law. Suppliers should have a communicated process for their personnel to be able to raise any concerns without fear of retaliation.

5.7 Responsible Sourcing of Minerals

Suppliers shall have a policy to reasonably assure that the tantalum, tin, tungsten and gold in the products they manufacture does not directly or indirectly finance or benefit armed groups that are perpetrators of serious human rights abuses in the Democratic Republic of the Congo or an adjoining country. Suppliers shall exercise due diligence on the source and chain of custody of these minerals and make their due diligence measures available to customers upon customer request.

5.8 Privacy Protection

Suppliers are to commit to protecting the reasonable privacy expectations of personal information of everyone they do business with, including suppliers, customers, consumers and employees. Suppliers are to comply with privacy and information security laws and regulatory requirements when personal

information is collected, stored, processed, transmitted, and shared.

6 Management Systems

Suppliers shall adopt or establish a management system whose scope is related to the content of this Code. The management system shall be designed to ensure: (a) compliance with applicable laws, regulations and customer requirements related to the supplier's operations and products; (b) conformance with this Code; and (c) identification and mitigation of operational risks related to this Code. It should also facilitate continual improvement.

6.1 Company Commitment

A corporate social and environmental responsibility policy statements affirming supplier's commitment to compliance and continual improvement, endorsed by executive management and posted in the facility in the local language.

6.2 Management Accountability and Responsibility

The Supplier clearly identifies senior executive and company representative(s) responsible for ensuring implementation of the management systems and associated programs. Senior management reviews the status of the management system on a regular basis.

6.3 Legal and Customer Requirements

A process to identify, monitor and understand applicable laws, regulations and customer requirements, including the requirements of this Code.

6.4 Risk Assessment and Risk Management

A process to identify the legal compliance, environmental, health and safety and labor practice and ethics risks associated with supplier's operations. Determination of the relative significance

for each risk and implementation of appropriate procedural and physical controls to control the identified risks and ensure regulatory compliance.

6.5 Improvement Objectives

Written performance objectives, targets and implementation plans to improve the supplier's social and environmental performance, including a periodic assessment of supplier's performance in achieving those objectives.

6.6 Training

Programs for training managers and workers to implement supplier's policies, procedures and improvement objectives and to meet applicable legal and regulatory requirements.

6.7 Communication

A process for communicating clear and accurate information about supplier's policies, practices, expectations and performance to workers, suppliers and customers.

6.8 Worker Feedback, Participation and Grievance

Ongoing processes, including an effective grievance mechanism, to assess employees' understanding of and obtain feedback on or violations against practices and conditions covered by this Code and to foster continuous improvement.

6.9 Audits and Assessments

Periodic self-evaluations to ensure conformity to legal and regulatory requirements, the content of the Code and customer contractual requirements related to social and environmental responsibility.

6.10 Corrective Action Process

A process for timely correction of deficiencies identified by internal or external assessments, inspections, investigations and reviews.

6.11 Documentation and Records

Creation and maintenance of documents and records to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy.

6.12 Supplier Responsibility

Supplier should create a process to communicate Code requirements to its suppliers and to monitor their compliance to the Code.



Gordon Yang, President

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