

Supplier Code of Conduct

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Version 2

In addition to our suppliers' competitiveness, the Zyxel Group expects to continuously improve the overall supply chain's resilience through the stable development of partnerships with our suppliers, and by implementing responsible procurement.

The Zyxel Group assesses the overall sustainable value generated by the supply chain and places great value on suppliers' aspects of governance and their impact on the environment and society. The purpose is not only to treat suppliers as our business partners, but also as our partners in promoting sustainable development.

In order to ensure that the supply chain jointly enhances the international competitiveness and sustainable development of the overall industry, we referred to the Responsible Business Alliance Code of Conduct, UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work, UN Universal Declaration of Human Rights, and best practices of leading companies in the electronics industry to create 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. They must also assess and submit sustainability reports regularly and the assessment results are a key part of our supplier evaluation criteria and indicators. At the same time, we also continuously review the procurement practices of suppliers to ensure that they comply with our Supplier Code of Conduct and avoid potential conflicts that violate the Code's requirements.

The Zyxel Group's "Supplier Code of Conduct" contains six sections:

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

Supplier Code of Conduct

1 General Conditions

1.1 Purpose

The Zyxel Group is committed to operating as a responsible and sustainable company. Therefore, we created our 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 the Code of Conduct, and should regulate their immediate suppliers. Our ultimate goal is to bring positive influences to the whole supply chain and all stakeholders.

1.3 Compliance

The Code of Conduct is highly in line with the international standards of the United Nations and the International Labor Organization and best practices of leading electronics companies. All suppliers should comply with local laws and regulations, and exercise the due care of a good administrator.

1.4 Amendment

Zyxel Group regularly reviews and may appropriately revise the Code of Conduct according to international CSR related standards, principles, laws, and best practices of leading electronics companies. All suppliers will be informed of amendments.

2 Labor and Human Rights

Suppliers must commit to upholding the human rights of workers, and treating 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 nor 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 or terminate their employment at any time. 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 workers.

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. Suppliers shall ensure proper management of student workers through proper maintenance of student records, rigorous vetting of educational partners, and protection of students' rights in accordance with applicable laws and regulations. Suppliers shall provide appropriate support and training to all student workers. In the absence of regulation by local laws, student workers, interns, and apprentices shall be paid 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. Furthermore, working hours shall not exceed 60 hours per week, including overtime, except in emergency or unusual situations. Workers shall be allowed at least one day off every seven days. Overtime work that exceeds local regulations should be effectively managed and clear policies to reduce excessive working hours should be established.

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. The minimum wage should be set to meet the living wage of workers, and workers have the right to fair and appropriate remuneration. All workers should receive equal pay for equal work and equal value. 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. The employment of temporary workers, dispatch workers, and outsourced workers must comply with local laws.

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 staff.

2.6 Non-Discrimination

Suppliers should be committed to keeping their 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 and the right to collective bargaining:

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 should 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 should 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

Workplace safety hazards (such as 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 safety procedures (including lockout and tagout procedures), 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 hazardous working conditions, and to 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 exits, adequate evacuation facilities and recovery plans. These 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 Safety and Health

The effects of worker exposure to chemical, biological, and physical agents should 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, clean drinking 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

Suppliers 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. Provide training to all workers prior to the beginning of work and regularly thereafter. Workers shall be encouraged to raise safety concerns.

4 Environmental Friendliness

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 (such as 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 Conservation

Emissions and discharges of pollutants and the 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. Conservation of natural resources (including water, fossil fuels, minerals, and virgin forest products) is to be achieved 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

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

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. Suppliers shall conduct routine monitoring of the performance of their 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

Suppliers 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. Suppliers shall conduct routine monitoring

of the performance of their wastewater treatment and containment systems to ensure optimal performance and regulatory compliance.

4.8 Energy Consumption and Greenhouse Gas Emissions

Energy consumption and greenhouse gas emissions are to be tracked and documented, in the workplace and at the 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 shipping, and monitor and seek for cost-effective approaches to decrease CO₂ emissions.

4.10 Biodiversity

The company's operations should comply with all international and local forest and biodiversity laws and regulations, avoid or minimize the impact of its own and value chain operational activities on biodiversity, and operate under the principle of Zero Net Deforestation, refrain from deforestation, and promote biodiversity awareness to employees, suppliers and other stakeholders.

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 the supplier's business books and records. Information regarding supplier labor, health and safety, environmental practices, business activities, structure, their 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 the 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 the Code; and (c) identification and mitigation of operational risks related to the Code. It should also facilitate continual improvement.

6.1 Company Commitment

Corporate social and environmental responsibility policy statements affirming the supplier's commitment to compliance and continual improvement, must be 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 should review the status of the management system on a regular basis.

6.3 Legal and Customer Requirements

Establish procedures to identify, monitor and understand applicable laws, regulations, and customer requirements, including the requirements of the Code.

6.4 Risk Assessment and Risk Management

Have procedures in place to identify the legal compliance, environmental, health and safety and labor practice and ethics risks associated with the supplier's operations. Determine the relative significance for each risk and implement appropriate procedural and physical controls to control the identified risks and ensure regulatory compliance.

6.5 Improvement Objectives

Develop written performance objectives, targets and implementation plans to improve the supplier's social and environmental performance, including periodic assessments of the supplier's performance in achieving those objectives.

6.6 Training

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

6.7 Communication

Have a process in place for communicating clear and accurate information about the supplier's policies, practices, expectations, and performance to workers, suppliers, and customers.

6.8 Worker Feedback, Participation, and Grievance

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

6.9 Audits and Assessments

Carry out periodic self-evaluations to ensure conformity to legal and regulatory requirements, the contents of the Code of Conduct, and customer contractual requirements related to social and environmental responsibility.

6.10 Corrective Action Process

Have a process in place for timely correction of deficiencies identified by internal or external assessments, inspections, investigations, and reviews.

6.11 Documentation and Records

Create and maintain documents and records to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy.

6.12 Supervising the Supply Chain

The supplier should create a process to communicate the Code of Conduct's requirements to its suppliers and to monitor their compliance to the Code.