Zyxel Group

Sustainable Supply Chain Management Policy

February 2025
Version 1

Zyxel Group has formulated the Sustainable Supply Chain Management Policy to establish a responsible and sustainable supply chain management system. This policy ensures the supply chain management complies with international regulatory standards and requirements, guaranteeing sustainability and compliance while mitigating procurement risks and creating opportunities. It also actively promotes the implementation of Environmental, Social, and Governance (ESG) initiatives.

Zyxel Group adheres to and supports the following international regulations and standards: The United Nations Global Compact (UN Global Compact) and the United Nations Sustainable Development Goals (SDGs), driving balanced development in environmental protection, social responsibility, and economic sustainability within the supply chain. The OECD Guidelines for Multinational Enterprises ensure responsible global supply chain management. The core labor standards of the International Labour Organization (ILO) protect workers' rights within the supply chain.

Our policy also references ISO 20400 Sustainable Procurement Guidelines, integrating seven core aspects into procurement decisions: organizational governance, human rights, labor practices, environment, fair operating practices, consumer concerns, and community involvement and development. Additionally, suppliers are required to comply with the Responsible Business Alliance (RBA) Code of Conduct, which covers labor, health and safety, environment, ethics, and management systems.

Commitment

- Emphasizing the sustainable value of the supply chain and enhancing suppliers' sustainable supply chain capabilities.
- Partnering with suppliers to become sustainability allies and jointly establish a responsible supply chain industry.

Scope

This policy applies to all business units and functional departments of Zyxel Group subsidiaries, including procurement, logistics, production, and quality control.

Management Framework

- **Board of Directors:** The Sustainability Committee reports regularly to the Board of Directors on implementation progress. The Board supervises the execution of the

supply chain management policy, reviews major risks, and provides strategic guidance.

- **Zyxel Group Sustainability Committee - Supply Chain Management Team:** Integrates the supply chain systems of subsidiaries, executes and optimizes the policy, and collaborates with suppliers to ensure policy implementation.
- **Sustainability Audit Team:** Periodically reviews supply chain compliance, identifies, and addresses risks.

Goals

- 100% of the supply chain management personnel receive training on environmental, labor rights, and business ethics topics annually.
- 100% of the key suppliers sign the Corporate Social Responsibility Commitment Letter annually.

Implementation Guidelines

- **Compliance Management:** Ensuring the supply chains comply with international and local laws and regulations, strengthening supplier social responsibility management.
- **Supply Chain Resilience:** Establishing a diversified supply system to enhance supply chain risk resistance.
- **Environmental Protection:** Requiring suppliers to reduce carbon emissions and manage carbon footprints, prevent pollution, conserve energy and resources, and avoid biodiversity impacts. Promoting sustainable procurement by prioritizing environmentally compliant suppliers.
- **Sustainable Materials:** Increasing the use of low-hazard, energy-efficient, and recyclable sustainable materials. Requiring suppliers to comply with the mineral management regulations of the Organization for Economic Cooperation and Development (OECD) and commit to responsible mineral sourcing.
- **Labor Rights:** Ensuring suppliers comply with international labor standards, adhere to fair employment practices, protect workers and external stakeholders' rights, prevent discrimination and harassment, prohibit forced labor and child labor, provide legally mandated wages and equal pay for equal work, ensure a safe and healthy work environment, and uphold freedom of association and collective bargaining.
- **Regional Strategic Collaboration and Diversity & Inclusion:** Supporting local procurement and diverse suppliers to enhance community engagement.

- **Business Ethics:** Requiring suppliers to operate with integrity, avoid improper gains and anti-competitive behavior, protect intellectual property rights, ensure customer health, safety, and privacy, and prohibit bribery, corruption, fraud, and monopolistic business practices.

Risk Management & Supervision

A review mechanism is established to conduct periodic investigations on suppliers' diligence, assess supplier risks and compliance, and implement preventive and necessary corrective measures based on risk identification. Employees and suppliers are encouraged to report any violations. Corrective actions or termination of cooperation will be taken against non-compliant suppliers.

Tracking & Mitigation Measures

Regular tracking, reviewing, and evaluating supplier performance in policy execution are conducted. Suppliers are required to propose improvement plans and timelines, and training is provided to help suppliers improve continuously.

Review & Updates

This policy will be reviewed annually and updated as necessary based on regulatory changes, industry trends, and company business adjustments to ensure its effectiveness and applicability. The policy will be published upon Board approval, and revisions will follow the same process.

Chief Sustainability Officer, Zyxel Group 