



**zix**® | *appriver*®

## *ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT*

Trusted by the nation's most influential institutions in healthcare, finance and government, Zix is a leader in email security that delivers a superior experience and easy-to-use solutions for email encryption and data loss prevention, advanced threat protection, archiving and bring your own device (BYOD) mobile security. We enable our valued customers to better secure data and meet ever-changing compliance needs.

Those customers include all U.S. Federal Financial Institutions Examination Council (FFIEC) regulators, divisions of the U.S. Treasury, the U.S. Securities and Exchange Commission, 30 percent of U.S. banks, over 1,200 U.S. hospitals and 30 percent of all Blue Cross

Blue Shield plans. We have earned the trust of more than 21,000 businesses with our dedication to best-in-class support and our tireless pursuit of elevated corporate sustainability.

Zix will continue to explore advantageous acquisition opportunities to build on the powerful momentum we've achieved. We will also strive to raise the bar in our policies and programs surrounding corporate governance, environmental responsibility and social sustainability. Our vision is for the Zix brand to be the new standard for business cybersecurity across multiple product types, and to be synonymous with first-class corporate responsibility.



## Purpose and Vision Statement:

We pursue our purpose and vision according to the following framework:



### PURPOSE

To be THE leading provider of cloud email security, compliance and productivity solutions for companies of all sizes.



### VISION

We unlock the potential of every business by eliminating IT threats to productivity – empowering our customers and partners to Think Forward.



### COMPETENCIES

- Protection and peace of mind
- Phenomenal customer care
- Security with simplicity



### PROMISES

- To empower users through superior technology
- To deliver always-on solutions
- To provide extraordinary service



### VALUES (A TRIP)

**Always Learning:** we are committed to personal and professional growth for stronger people and superior solutions

**Teamwork:** drive great outcomes by collaborating and celebrating diversity

**Respect:** treat others the way they want to be treated

**Integrity:** do the right thing because it is the right thing

**Partner and Customers First:** be phenomenal – go above and beyond for partners, customers, and each other

*It is under this framework that we commit to ESG best practices to guide our decisions at every turn. Our dedicated competencies and brand promises require strong governance, especially related to cybersecurity. Our values are directly connected to the environmental and social pillars of ESG.*



## Environmental Sustainability

Safeguarding millions of customers from dangerous cyberthreats is not our only objective. In conducting our business, Zix strives to operate efficiently, thereby protecting the environment. This includes activities like offering electronic vehicle battery charging and recycling electronic waste through a responsible vendor. Zix is committed to exploring initiatives that benefit both the customers we serve and the environment at large.

### ***Energy efficiency***

Conserving energy consumption is a component of Zix's environmental sustainability efforts. Our Data Center is where we focus much of those efforts because it is this aspect of our operations that consumes the most energy. Thus, efficiency there results in reduced consumption across the company.

Our initial efforts to reduce electrical consumption and increase overall efficiency of the Data Center began in the third quarter of 2011. Following the upgrade, we realized an immediate annual consumption decrease of 66% as compared to our consumption beforehand. We continued to realize diminished consumption and cost savings from the upgrade in the years immediately following it, even with the increased load resulting from our growth.

Data Center consolidation has been key to our conservation efforts, as we have moved the hosting of services from several different locations to our centralized Data Center. In addition, we utilize virtualization extensively to reduce the number of physical servers and increase efficiency; we perform regular audits to identify underperforming servers; and we follow industry best practices in both the design and operation of the Data Center.

Within our Data Center as of 2019, more than 98 percent of the servers and storage were manufactured by Oracle or Dell, both of whom are committed to environmental stewardship.

### ***Electronic waste disposal***

Zix does not produce hazardous waste, but we do use quality vendors that guarantee proper electronic waste disposal. We partner with vendors that hold industry recognized certifications, ensuring the maximization of responsible recycling for end-of-life electronic assets. Our vendors help us achieve sustainability in this regard through proper collection, data destruction, and resale/repurposing of such assets.

### ***Other environmental activities***

Our commitment to environmental stewardship goes beyond choosing responsible vendors. Zix has or is implementing robust recycling programs in each of its offices. We fully support landlord efforts to conserve energy, recycle water, and offer water-efficient facilities; we consider such efforts when selecting office locations. Also of interest, Zix offers EV charging stations at two of our office locations.



## Social Sustainability

Zix would not be a trailblazing leader in the cybersecurity industry if not for our amazing customers, employees and partners. We care deeply about all of the people within our ecosystem and advocate for their overall happiness, health, wellness and success. In order to promote the importance of respecting all individuals and give our workers ample opportunities to improve their quality of life, Zix has instituted a number of policies and procedures to ensure everyone is treated ethically and supported equally.

### ***Code of Business Ethics and Conduct:***

Zix has adopted a written Code of Conduct and Code of Ethics (Code of Conduct) to define the standards that govern how we conduct our business. Our Code of Conduct, which is publicly available and includes a Policy on the Prevention of Insider Trading and Selective Disclosure, applies to all directors, officers, and employees of Zix and each of its subsidiaries, including our Chief Executive Officer, Chief Financial Officer, and all other C-suite executives.

The Code of Conduct program is monitored by Zix's General Counsel and Secretary, who also acts as the Chief Compliance Officer and reports to the Zix CEO and Audit Committee of the Board. We monitor compliance with the Code of Conduct with an internal auditor, ensuring that Zix is carefully following a wide number of regulations (e.g. the Sarbanes-Oxley Act, which protects shareholders and the general public from accounting errors and fraudulent practices).

Zix adheres to U.S. federal and state laws regarding political contributions by corporations, whether by direct or indirect use of corporate funds. Although employees are encouraged to participate personally in the political process, they are directed not to make any political contributions, whether directly or indirectly, using company funds, property, time or other resources without proper clearance.

Every Zix employee receives training on the Code of Conduct. Employees, vendors and other third parties can report any suspected violations to a supervisor or the company's General Counsel. A confidential, toll-free hotline and portal is also available to report any improper financial transactions relating to accounting, internal controls, audit matters, or any other compliance concern: (800) 886-9156 and [www.zix.ethicspoint.com](http://www.zix.ethicspoint.com).

### ***Open Door Policy:***

Zix adheres to an "open door" approach to problems, suggestions, and questions. The policy allows every employee to talk directly with any member of management, up to and including the Chief Executive Officer, about any work-related subject, grievance, idea for improvement, new product concept, question or issue.

Simply put, our Open Door Policy allows every employee's input and concerns to be heard. Employees are encouraged to first discuss their work-related issues with their supervisor. This allows the supervisor an opportunity to resolve the issue before it is escalated to senior management and helps generate trust within the team environment. However, every employee may bypass his or her supervisor and go directly to any member of management if desired.

### ***Social Accountability Program:***

Zix is committed to respecting every employee's basic human rights, promoting non-discriminatory labor-rights practices, and maintaining a safe work environment.

We are an equal employment opportunity employer and do not discriminate against employees or job applicants on the basis of race, color, religion, gender, sexual orientation, age, mental or physical disability, national origin, veteran status, genetic information, citizenship status, or any other status or condition protected by applicable federal, state, or local laws, except where a bona fide occupational qualification applies. All company-sponsored personnel programs and decisions, such as compensation, benefits, transfers, layoffs, return from layoff, training, education, tuition assistance and referrals for employment, are administered as such.

Our corporate goal is to establish and maintain a work environment free from discrimination, coercion and harassment. Employees are hired, promoted and rewarded on the basis of talent, performance and dedication. Zix is proud to be a company that welcomes all people alike, as well as diversity in applicants and employees at all job levels, and encourages their hire and promotion.

Further, we are committed to complying with the Americans with Disabilities Act. Employees who have mental or physical disabilities are encouraged to inform Human Resources



## Social Sustainability

if accommodations are necessary in order to perform the essential functions of the job. Likewise, employees should contact Human Resources to request accommodation for religious practices or observances.

Any discrimination in our workplace based upon membership in any protected classification is illegal and violates our policy. Those who feel they have been the subject of discrimination, or are aware of any violation of this policy, are asked report it to a manager, Human Resources, or higher-level management as necessary. Any infraction of this policy is a serious violation and will result in disciplinary action, up to and including discharge.

### **Health and Safety:**

The safety of everyone on company property is a priority for Zix. We take every reasonable precaution to provide all employees with a safe environment in which to work. Without the cooperation of every employee, however, a safe work environment and basic safety rules are of little value in preventing accidents, which is why Zix implores its workers to report any unsafe conditions or practices to a supervisor or to Human Resources.

Each employee is responsible for maintaining his or her work area in a clean and orderly fashion at all times. In addition, each employee is expected to help ensure a working environment safe from harassment; stalking; threats; fear of assault and/or battery; firearms, ammunition, dangerous substances, and other weapons; and occupational hazards. No employee may bring a firearm or weapon of any other kind on company property.

Zix is passionate about the wellbeing of our employees as well. In keeping with this philosophy and complying with various state statutes, we strive to maintain a drug-free workplace. It is important for each employee to read and be aware of the company's policy regarding illegal drugs, controlled substances, and alcoholic beverages.

We prohibit smoking in any part of our premises, including the lobby, entrances, offices, conference rooms, kitchen, hallways, restrooms, stairwells, or elevators. There are no exceptions to this policy. Violation of this non-smoking policy will result in disciplinary action.

### **Education Stipend:**

Zix encourages the continued education of its employees and has established an Education Assistance Program to provide everyone with the opportunity to enhance their professional development, improve their knowledge and skills, and earn undergraduate and advanced degrees that are related to their field of work by participating in courses offered by accredited educational institutions.

Full-time employees who have completed six months of continuous employment are eligible to request tuition reimbursement for qualifying course work begun after that six-month period. In order to qualify for reimbursement, courses must be directly related to the employee's present job, an advanced position within the company, an identifiable career path at Zix, or a position that maintains and improves the employee's specific career development with us.

Tuition costs, book costs, examination fees and required laboratory fees are covered by the Education Assistance Program, and we will reimburse 100 percent of eligible employees' covered expenses for courses if the final grade received for the course is a passing grade (including grades A, B, and C). Approved educational expenses are currently reimbursed up to \$5,250 for each calendar year.

### **Professional Training and Certifications**

In addition to courses that employees may choose to pursue under the Education Assistance Program, they may also be requested to attend training classes, programs, seminars, and meetings during the course of their employment with Zix. This training is intended to enhance employee effectiveness on the job and to widen the employee's career path. We will pay expenses associated with training classes, programs, seminars, or meetings that employees attend at the company's request.

Zix recognizes that some employees need to be associated with organizations that keep the employee up-to-date in their profession or particular field of endeavor. To assist in this area, we will sponsor properly approved employees for membership in a professional organization. Additionally, Zix may request that certain employees obtain certifications to enhance the performance or stature of their job. In such cases, we will reimburse the employee for approved expenses relating to the certification.



## Social Sustainability

### **Employee Pay and Benefits:**

Zix compensates employees fairly and without regard to race, color, religion, gender, sexual orientation, age, mental or physical disability, national origin, veteran status, genetic information, citizenship status, or any other status or condition protected by applicable federal, state, or local law. Zix also complies with all laws and regulations about compensation.

We maintain certain group insurance plans for the benefit of our employees, including health, dental, vision, basic life, accidental death and dismemberment, long-term disability and voluntary group life plans. Each employee, and his or her eligible dependents (in the case of the group health, dental, and vision plans), may participate in these group insurance plans if the employee is actively employed for 30 or more hours per week. Zix also contributes to state and federal unemployment and workers' compensation funds for the benefits of its employees.

The company maintains the Zix Corporation Retirement Plan (Retirement Plan) for the benefit of its U.S. employees pursuant to Internal Revenue Code section 401(k). The Retirement Plan provides employees with a tax-deferred method of saving for retirement and allows Zix to match a portion of the employee's contribution. Employees age 21 and older are eligible to participate in the Retirement Plan and may do so immediately upon employment. Employees' personal contributions are 100% vested at all times, but our matching contributions, if any, are subject to the Retirement Plan's vesting schedule.

Full-time employees are eligible to earn paid vacation, based on years of service – 80 hours per year during Years 1-3; 120 hours per year during Years 4-5; and 160 hours per year in Year 6 and beyond. Part-time employees who are scheduled to work at least 20 hours per workweek are eligible to earn paid vacation using the schedule above reduced pro-rata by the number of scheduled work hours.

Zix also provides Family and Medical Leave for eligible employees, as well as sick leave for everyone. Policies regarding bereavement leave, military leave and jury duty are explained in detail in the company handbook.

### **Inventor Recognition Program:**

Zix recognizes its inventors to acknowledge their U.S. patent filings, celebrate their innovations, and encourage continued excellence. Whenever a new non-continuation U.S. utility patent is filed, each named inventor will receive formal recognition and a monetary award.

### **Outreach Programs:**



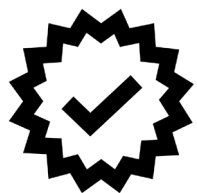
We are deeply committed to helping the communities in which we operate and serve. From helping coastal communities recover from seasonal hurricane damage to volunteering time and resources to homeless shelters and food banks, Zix and its affiliates have been constantly extending our philanthropic reach for more than a decade. We are passionate about helping our neighbors in need.

Our outreach efforts include Ronald McDonald House, Humane Society, North Texas Food Bank, The Bridge Rehabilitation Homeless Shelter, Toys for Tots, Jimmy's Fund Marathon, as well as internal initiatives and team building and bonding experiences.

The Pensacola Dragon Boat Festival in October is a favorite amongst AppRiver employees and offers a chance to support Gulf Coast Kid's House, a children's advocacy center. In Dallas, Zix looks forward to the annual Esperanza 5K run, which gives employees a chance to support families in Northern Mexico that are struggling with poverty to reach physical and spiritual wellness.

### **Conflict Minerals:**

Zix works with partners that have compliant programs for the responsible sourcing of conflict minerals, such as Dell and Oracle.



## Corporate Governance

Zix has been in the cybersecurity space for more than 20 years, providing hosted email security solutions since its inception. Our leadership position in the market is based in part on our focus on providing a highly secure and scalable solution that customers can trust.

Zix runs multiple Data Centers, each monitored and managed by our network operations center team that is available every minute of the year. The Zix software hosted in the Data Center undergoes extensive security testing, and a third-party penetration company regularly tests the overall security of our services. The certifications maintained depend on the product and criticality of the data being hosted.

The ZixData Center is PCI DSS 3.2 certified, SOC2 accredited and SOC3 certified. More importantly, the high standards of the ZixData Center reassure our customers that they can confidently rely on our services with 99.999% availability. [What is the uptime and can we publish it? Maybe backward looking?]

Our data center's infrastructure includes many fail-safe systems in place, including: redundant electrical feeds from independent utility power grids, dual uninterruptible power supplies, a back-up diesel generator, and redundantly configured power distribution units.

Certain of our products are managed under our SOC 2 certification. The SOC 2 certification defines our security, availability, processing integrity and confidentiality principles applied to these services. Such services are also certified under ISO 27001, which is an international standard that defines requirements for managing sensitive company information so that it remains secure.

Implementation of 27001 requirements provides customers with confidence that Zix is adequately managing risk by applying a risk management process that preserves the confidentiality, integrity and availability of information. Our hosted email encryption services include a secure messaging portal that stores sensitive customer emails and is PCI DSS version 3.2.1 certified.

## **Cyberthreat Index for Business:**



The strong partnership between Zix and AppRiver, along with the University of West Florida's Center for Cybersecurity, is responsible for the quarterly Cyberthreat Index for Business. This invaluable report tracks what small and mid-sized companies experience and perceive in terms of cyber preparedness, helping to better understand organizations' cyber vulnerability. The Index provides a benchmark for SMBs and leaders to measure their collective cyber resiliency and emphasizes the importance of cybersecurity workforce development.

## **Third-Party Relationships:**

Zix expects the third parties who work with us to meet our elevated ESG standards. We will take appropriate action when violations occur, up to terminating the relationship or not working with the vendor in the first place.

We are implementing a Vendor Code of Conduct. This Code promotes economic inclusion and fights against the illegal practices of human trafficking, child labor and forced labor. It is consistent with key international human rights standards, including the ILO Declaration on Fundamental Principles and Rights at Work and the UN Universal Declaration of Human Rights.

Zix conducts diligence on vendors, including by issuing questionnaires, to confirm compliance. We also review vendor partners on adverse social media and government watch lists.



## Corporate Governance

### ***The Board of Directors***

Our management team is responsible for assessing and managing the various risks Zix faces, and our Board of Directors (Board) is responsible for overseeing management in this effort. For example, the Board as a whole oversees management's plans and strategies for dealing with strategic business risks and cybersecurity threats. The Board is responsible for promoting and safeguarding human rights at Zix. ESG also is regularly reviewed by the Board and woven into general practices.

In exercising its oversight responsibilities, our Board allocates some areas of focus to its standing committees. Specifically, our Audit Committee has oversight responsibility for financial and compliance risks, such as accounting, finance, internal controls, tax, legal and other compliance matters, in addition to overseeing compliance with our Code of Conduct and Code of Ethics. It also oversees the management of climate-related risks and opportunities.

Our Nominating and Corporate Governance Committee oversees succession planning and compliance with our corporate governance principles, as well as all applicable ESG policies, such as those that concern human rights. Our Compensation Committee is responsible for overseeing and monitoring our executive compensation programs and monitoring and assessing the interplay between those programs and risks in our business.

Throughout the year, our CEO, CFO, General Counsel and other officers review and discuss various risks with the Board and its committees. Our Board has also designated our General Counsel as Zix's Chief Compliance Officer and looks to this officer to keep the Board apprised of material developments with respect to the compliance-related risks that we face, as well as our efforts to manage those risks. How we can bolster or improve all of our ESG initiatives are often critical elements of these conversations.

### ***Board Independence/Operations:***

The Board has a majority of directors who meet the criteria for independence as required by the NASDAQ.

### ***Board Performance Reviews and Responsibilities:***

Directors are expected to remain sufficiently familiar with the business of Zix and its affiliates to facilitate active and effective participation in the deliberations of the Board and committees on which they sit. Each director is required to be the beneficial owner of shares of the company in accordance with its Stock Ownership Guidelines (as amended from time to time).

In regard to CEO evaluation and management succession, the Board will conduct an annual review of the CEO's performance in order to ensure that the CEO is providing the best leadership for Zix in the long- and short-term. The Compensation Committee of the Board will conduct this review, as set forth in its charter, and the Board will review the Compensation Committee's report. The Board will conduct an annual review of succession planning and evaluate and nominate potential successors to the CEO.

Additionally, the Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively.

### ***Communications with Board/Directors:***

Stockholders may communicate with the Board or individual Directors by submitting written correspondence to the Secretary at the Zix's Dallas headquarters. The Secretary may facilitate or direct such communications with the Board or individual Directors by reviewing, sorting, and summarizing such communications. All such communications will be referred to the Board or individual Directors for consideration unless the Board instructs the Secretary otherwise.