



# Environmental, Social and Governance Program Description (2020)



## Introduction

Zix is one of the leading providers of productivity and security solutions, trusted by the most influential institutions in healthcare, finance and government. Zix aims not only to be the brand known for excellence in cyber security but also to be synonymous with first class corporate responsibility. This Environmental, Social and Governance (ESG) program framework lays out how Zix incorporates these issues into its strategic objectives to guide its decisions. The program facilitates Board and management oversight of sustainability issues and risk, enables the company to identify new opportunities in products, services and investments, and enhances investor confidence through better corporate governance of ESG performance.

## Scope and Applicability

This ESG program framework outlines the Zix approach to environmental, social and governance principles in compliance with all applicable laws and regulations, as well as the company's own policies and requirements, and to the extent practicable, in alignment with guidelines established by well-recognized international standards bodies for ESG management and performance.

This framework applies to all employees of Zix where the company has operational responsibility and control over facilities, whether owned or leased, around the globe.

## Policy Objective

The purpose of this ESG program framework is to coalesce the ongoing practices of the company under a comprehensive framework incorporating environmental, social and governance policies into a single program.

## Environmental Policy and Approach

Zix is committed to providing world class products and services in an environmentally responsible manner.

As a technology company providing SaaS solutions, Zix has a limited environmental footprint largely centered on energy use, with additional impact attributable to third-party vendors. Our Code of Conduct requires all Zix employees to take responsibility for recognizing environmental issues and seeking advice regarding compliance. Zix intends to align its public disclosures in accordance with its Environmental Disclosure Plan, which includes a discussion of environmental risks and opportunities.

### ZIX ACTIVITIES AT A GLANCE

Zix delivers a superior experience and easy-to-use solutions for email encryption, data loss prevention ("DLP"), advanced threat protection, unified archiving, and cloud data backup

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Headquartered in Dallas, TX

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80,000+ Customers

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Cloud represents 86% of Total ARR

The Zix approach focuses on four pillars, starting from pillar 1 and the moving to the other pillars successively. These pillars are further explained in the Zix Environmental Management System.

1. Focus on Zix activities to reduce its own emissions: Zix will focus on continuing compliance with all applicable environmental laws and regulations, reducing energy consumption for its data processing and thus across its business model, consolidating data center and co-lo locations, inspecting and managing data center hardware, and expanding virtualization of services as technology permits.
2. Focus on Zix activities to reduce value chain emissions: Zix will evaluate the best mix of processing and storage at either its Data Center or service provider Cloud or co-lo facilities, factoring power effectiveness and energy efficiency and seeking to reduce overall footprint. Zix uses teleconferencing tools like Microsoft Teams where appropriate, while continuing to support employees with quality in-person interactions and developmental opportunities.
3. Addresses the alignment of the Company's vision, strategy, value proposition, products and services to enable reduction and removal of customer and societal emissions: Zix security and other services makes the modern workspace secure for electronic communication, thus avoiding the underling environmental costs associated with physical mail and transportation.
4. Contribute beyond the Zix business: As it grows, Zix will look for opportunities beyond the scope of its business to contribute to efforts against climate change.

### Conflict Minerals.

Zix is committed to compliance with applicable conflict mineral requirements. As a service provider with no manufacturing capability, Zix relies on vendors to supply its material resources. The servers and storage hardware in our Data Center are manufactured almost entirely by either Dell or Oracle, committed environmental leaders in their industry who comply with environmental requirements and global Conflict Minerals obligations.

### Officer Responsibilities.

- Management of Environmental matters in the Core Data Center, located in Dallas, under Pillar 1 and Conflict Minerals are the responsibility of the Zix Head of Operations.
- Management of Environmental matters in Zix office facilities are the responsibility of the Zix CFO.
- All other Environmental matters related to the Pillars discussed above are the responsibility of the Chief Product Officer.

Our Code of Conduct requires all Zix employees to take responsibility for recognizing environmental issues and seeking advice regarding compliance.

**2021 ENVIRONMENTAL FOCUS**

Evaluate the best mix of processing and storage at either its Core Data Center, service provider Cloud, or service provider Co-lo facilities, factoring power effectiveness and energy efficiency and seeking to reduce the overall footprint.

2020 Environmental at a Glance	
Summary	<b>Core Data Center</b> 2,690,076 kWh Consumed in 2020 20% Renewable
	<b>Core Data Center</b> Closed-Loop Water cooling system (see graphic)
	Environmental Disclosure Plan EMS



## Social Policy and Approach

Social measures, in the context of this ESG Policy, refer to a company's business relationships, internally with its own employees, and externally with its business partners, customers, and the community at large. Zix commits to comply with an array of social policies that govern these critically important relationships, as set forth in its publicly available Code of Business Conduct and Code of Ethics (Code of Conduct). The Zix social objective is to create and maintain a fair and diverse workplace, free of discrimination and to foster an ethical culture of respect for all individuals with whom it does business.

### Employees.

Our employees and our culture are a critical component of the success of Zix. We continually invest in our global workforce. The Company's key human capital management objectives are to attract, retain and develop the highest quality talent and put them in a position to do their best work. To support these objectives, the Company's human resources programs are designed to recruit and develop talent to prepare them for future roles and leadership positions. We strive to reward and support employees through competitive pay, benefit, and perquisite programs. We work to improve the Company's culture to create a high-performing, diverse workforce. We believe that engaged employees are a key element that differentiates Zix in the market. It is our employees who provide solutions for our partners and customers, that empower them as they work to enable secure, compliant workplaces for their customers and employees.

Zix Employees receive training and career development opportunities to ensure effectiveness, accountability and competence. As part of an "always learning" environment, employees are asked to have a quarterly learning goal and are provided support in achieving it. Zix also offers an Professional Development Program through which the cost of tuition, books, examination fees and required laboratory fees are covered and will be reimbursed at 100 percent of eligible employees' covered expenses for courses where employees receive a final passing grade. In addition to courses that employees may choose to pursue under the Professional Development 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. Zix also supports employee participation in professional organizations.

The Workplace Standards section of the Code of Conduct outlines the company's policy statements regarding respect for Human Rights (applicable equally to partners, customers and the community), Workforce Anti-Discrimination, Anti-Harassment, and Anti-Retaliation for disclosure of violations. These policies and related workforce commitments are mutually binding via the Employee Handbook. Violation of these social contracts may lead to employment consequences up to and including termination of employment. In addition, we have a four-pronged strategy to grow our diversity over time by (1) attracting diverse talent and having fair hiring practices, (2) onboarding and integrating new hires through our orientation program, which informs new hires how we are a caring, learning and results driven organization, (3) providing training to create an inclusive learning-oriented workplace for all employees, and (4) providing development programs for all colleagues with a focus on professional career growth and mentorship opportunities. Zix includes Diversity, Equity & Inclusion (DE&I) performance as a component of the executive annual bonus, including individual and shared company-wide goal attainment and DE&I program development.

It is our employees who provide solutions for our partners and customers that empower them as their work to enable secure, compliant workplaces for their customers and employees.

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.

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 governing compensation.

We care about the health and well-being of our employees and their families. We offer a broad package of employment benefits including comprehensive health insurance, competitive leave and paid time-off policies, and retirement support. 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 Employee Handbook.

## **Business Partners (Resellers and Distributors).**

Business Partners (Resellers and Distributors). The Code of Conduct covers how Zix engages with its business partners and includes compliance with anti-corruption laws, such as the Foreign Corrupt Practices Act, avoidance of business conflicts and compliance with the highest standard of ethical obligations. Zix likewise expects its Business Partners to behave ethically and in compliance with law.

## **Vendors and Suppliers.**

Zix has developed a [Vendor Code of Conduct](#) (Vendor COC) that encourages its third parties to conduct business ethically and commit to meeting its standards. These Vendor COC provisions are derived from international human rights standards including the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the United Nations Universal Declaration of Human Rights.

We care about the health and well-being of our employees and their families. We offer a broad package of employment benefits including comprehensive health insurance, competitive leave and paid time-off policies, and retirement support.



## Customers.

Cyberattacks threaten customer privacy, especially in an age where governments engage in cyberattacks against the citizenry and corporations of other governments. Zix encryption and security related solutions protect its customers from serious threats and promote freedom of expression

## Community.

Zix is 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 employees have been constantly extending our philanthropic reach for more than a decade. We are passionate about helping our neighbors in need. Under the Zix Cares program, outreach efforts include: The Bridge Rehabilitation Homeless Shelter, Esperanza 5K, Ronald McDonald House, Girls in Tech, as well as internal initiatives and team building and bonding experiences.

### Officer Responsibilities.

- Employee and community commitments are the responsibility of the CFO and the Head of Human Resources.
- Implementation of the other aspects of the social ESG measures is the responsibility of the Chief Legal & Compliance Officer.

## 2020 Social at a Glance

<b>Recruiting &amp; Managing a Global, Diverse &amp; Skilled Workforce</b>	<p>As of December 31, 2020, we had approximately 543 full-time employees located globally, of which approximately 92% were located in the United States and 8% were in our international locations.</p> <p>Our global employee base was comprised of 24% women, and our U.S. employee base was comprised of 17% underrepresented minorities (defined as those who identify as Black/African American, Hispanic/Latinx, Native American, Pacific Islander and/or two or more races).</p> <p>Employees demonstrate engagement by acknowledging each other with day-to-day excellence awards for demonstrating company values.</p> <p>Always Learning-- Self-directed and team developmental learning courses taken.</p> <ul style="list-style-type: none"> <li>• Average time per viewer: 6h 18m</li> <li>• Courses Completed: 2,409</li> </ul>
<b>Community</b>	<p>Zix Cares" outreach program:</p> <ul style="list-style-type: none"> <li>• Pensacola Ronald McDonald House</li> <li>• The Bridge Rehabilitation Homeless Shelter</li> <li>• Esperanza 5K</li> <li>• Girls In Tech Sponsorship</li> <li>• Volunteer efforts             <ul style="list-style-type: none"> <li>o Food Bank programming globally (July and December) - encouraging employees to get involved with local foodbanks.</li> <li>o Habitat for Humanity virtual fundraiser in April 2020</li> </ul> </li> </ul>
<b>Data Privacy &amp; Freedom of Expression</b>	<p>Zix describes the collection, sharing, and disclosure of information in its Privacy Policy.</p>

## 2021 SOCIAL FOCUS

- Grow our diversity over time by (1) attracting diverse talent and having fair hiring practices, (2) onboarding and integrating new hires through our orientation program, which informs new hires how we are a caring, learning and results driven organization, (3) providing training to create an inclusive learning-oriented workplace for all employees, and (4) providing development programs for all colleagues with a focus on professional career growth and mentorship opportunities.
- Headquartered in Dallas, TX
- In committing to diversity growth, Zix includes DE&I performance as a component of the executive annual bonus, including individual and shared company-wide goal attainment and DE&I program development.

# Governance Policy and Approach

Zix has been in the cybersecurity space providing hosted email security and other solutions for more than 20 years. Our leadership position in the market is based in part on our governance capabilities, especially as it relates to our cybersecurity program.

## Company management.

A mature company, Zix enjoys a well-developed governance program. Zix’s Annual Report on Form 10-K for the year ended December 31, 2020 describes how the Board and how it is responsible for overseeing management of ESG risks and opportunities.

Our management is responsible for assessing and managing the various risks our Company faces. Our 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 risks. 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. Our Nominating and Corporate Governance Committee oversees succession planning and compliance with our environmental, social and corporate governance principles. 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.

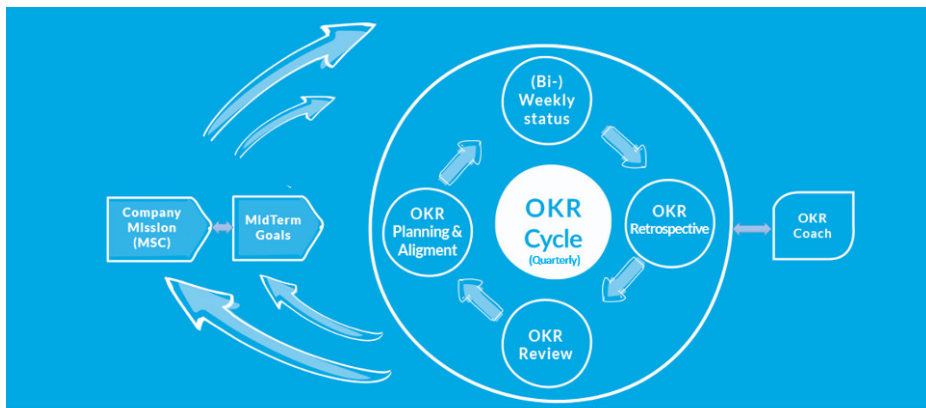
Throughout the year, management reviews and discusses various risks with the Board and its committees. Our Board has also designated our Chief Legal Officer as the Company’s Chief Compliance Officer and looks to this officer to keep the Board apprised of material developments with respect to the compliance-related risks that the Company faces, as well as the Company’s efforts to manage those risks.

Below the Board level, an Executive Council has been established to manage the Company’s environmental and other ESG activities. The Executive Council is comprised of 4 to 8 executive level managers and meets periodically to confer about, discuss the status of, and convey goals and deadlines for the company’s ESG performance.

## Company Operating System.

Zix has a corporate operating system modeled after the Objective Key-Result process (OKRs). We use this to set and align goals across the company and manage achievement of them. This allows us to manage the implementation of identified ESG risk mitigations.

As a mature company, Zix enjoys a well-developed governance program. Zix’s Annual Report on Form 10-K for the year ended December 31, 2020 describes how the Board and how it is responsible for overseeing management of ESG risks and opportunities.



Establish Quarterly Corporate OKRs > Check-in > Refine > Town Halls > Final Grading





## Cybersecurity.

Zix makes governance of data security a high priority. Zix has committed to this priority through a series of third-party audited certifications. Zix holds AICPA SOC2 accreditation and AICPA SOC3 certification, and is certified to ISO 27001, the Information Security Management System Standard. The Zix Information Security Policy confirms its commitment to manage data risk by preserving the confidentiality, integrity and availability of information. More information about the Zix cybersecurity program can be found in the [Zix Privacy and Security Center](#).

## Business Continuity.

Zix preserves its ability to maintain business continuity:

- Zix has a Business Continuity policy.
- The Zix workforce can function remotely. Administrative systems supporting back office functions to the corporation and customers have been moved to the cloud.
- Zix maintains a geographically separate recovery site for its Core Data Center.
- Zix conducts periodic business continuity and data-recovery tabletop reviews for critical services.

## Anticorruption Compliance.

Zix uses a framework based on the U.S. Sentencing Guidelines principles to manage the governance of its anticorruption compliance program. In support of this program, Zix maintains a toll-free hotline (800-886- 9156) and portal ([www.zix.ethicspoint.com](http://www.zix.ethicspoint.com)) for reporting questions or concerns on a completely anonymous basis.

### 2020 Governance at a Glance

<b>Board Governance</b>	Zix's Annual Report on Form 10-K for the year ended December 31, 2020 describes how the Board and how it is responsible for overseeing management of ESG risks and opportunities.
<b>Cybersecurity</b>	Zix describes its security practices in the <a href="#">Privacy &amp; Security Center</a> .
<b>Anticorruption</b>	Zix implements the fundamental elements of an effective program outlined in the US Sentencing Guidelines and other program best practices, in compliance with applicable anti-corruption laws like the FCPA and UK Anti Bribery Act.
<b>Managing Risk of Technology Disruptions</b>	Zix has a Business Continuity policy and periodically reviews its Business Continuity readiness.
<b>Issues: IP &amp; Competitive Behavior, Privacy, Data Security</b>	Zix discloses material legal proceedings and other material events in Form 10-K and 10-Q filings, as well as on Form 8-K where required.

## 2021 GOVERNANCE FOCUS

Improve our risk assessment and management process.

### Officer Responsibilities

Cybersecurity is the responsibility of the Chief Information Officer.

Other governance matters discussed are the responsibility of the Chief Legal & Compliance Officer.

## Reporting

We update any material ESG metrics annually, in sync with preparation of our annual report on Form 10-K and pursuant to the methodologies applied to financial reporting and our disclosure practices generally.

## Training

Zix will provide regular training on this policy, ESG and risk management generally via online means for the foreseeable future, focused on individuals who have responsibility for areas related to ESG.

## Amendment and Modification

This Environmental, Social and Governance Program may be amended, modified or waived by the Board of Directors at any time in its sole discretion. Likewise, the Board shall have full power and authority to decide all interpretive or other questions arising under this Program.

