Mellanox®
TECHNOLOGIES

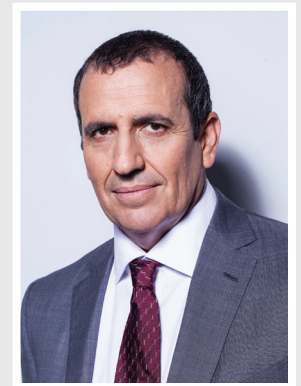2018 Sustainability Report

CONTENTS

FROM THE CEO

"Mellanox Technologies, Ltd. is a leading supplier of networking solutions that are used in everything from car and airplane manufacturing, crash and safety simulations; to forecasting weather, climate, and earthquakes; securing data transfers to prevent fraud and identity theft, and all kinds of artificial intelligence, machine learning, and Big Data workloads. We are executing towards our goal to be the world's leading provider of networking solutions, and believe our products and solutions make the planet a better place to work and live in. By advancing the speed and safe delivery and processing of data, we continue to strive to make the world a safer, more secure place that in turn, improves the human condition."

Eyal Waldman
President and CEO
Mellanox Technologies

CORPORATE RESPONSIBILITY AT MELLANOX

Mellanox gives high priority to various aspects of sustainability — economic, environmental and societal.

Mellanox nurtures transparency, governance and ethics that provide a strong backbone for corporate responsibility and sustainability, enabling us to maintain and create new value for Mellanox and our stockholders, and helping us in minimizing risks, reducing operational costs, and making strategic long term investments in future and leading technologies and solutions that minimize energy usage and waste. We actively act to improve environmental sustainability, supply chain responsibility, diversity and inclusion, and social impact that benefit the environment and society.

Our networking solutions are used across the globe in cars and airplanes manufacturing, in crash and safety simulation tests, in forecasting climate changes and earthquakes, and in securing data transfers to prevent fraud and identity theft.

This report describes our approach to corporate responsibility management, and our performance in 2018.

WHAT WE DO

Mellanox Technologies is a leading supplier of end-to-end high-performance InfiniBand and Ethernet interconnect solutions and services for servers and   storage. Mellanox interconnect solutions increase data center efficiency by providing the highest throughput and lowest latency, delivering data faster to applications and unlocking system performance. Mellanox offers a choice of fast interconnect products: adapters, integrated circuits (ICs) and cards, switches, multi-core System-on-Chips (SoCs) for storage and security, processors, cables, modules, and software, all of which are designed to accelerate application runtime and maximize business results for a wide range of markets including high-performance computing, enterprise data centers (EDC), Web 2.0, cloud, storage, telecom and financial services.

Founded in 1999, Mellanox Technologies is headquartered in Sunnyvale, California and Yokneam, Israel. Our goal as a Company is to be the leading supplier of end-to-end interconnect solutions for servers and storage that optimize data center performance for computing, storage and communications applications.

ENVIRONMENTAL POLICY

Mellanox is committed to helping foster and maintain healthy and sustainable local communities and to encourage excellence

Mellanox consistently promotes greener solutions that help conserve natural resources by developing energy-efficient products that are safe for the environment, and which can be reused, recycled or disposed of safely. In addition, all of Mellanox's Tier-1 manufacturers comply with ISO14001. Some manufacturers also comply with QC080000 (hazardous substance management).

Mellanox is committed to comply with all applicable laws and regulations, and to ensure that its products are under the following directives:

- Restriction of Hazardous Substances (RoHS) directives
- Registration, Evaluation, Authorization and Restriction of Chemicals (REACH)
- Waste Electrical and Electronic Equipment (WEEE) directive
- International standards for safety and electromagnetic radiation

Mellanox also works to minimize waste; to prevent air, water, and other pollutions; and to dispose of waste safely and responsibly. This is achieved by actively fulfilling governmental and acceptable industry environmental requirements to the fullest, and also by increasing employee awareness for environmental protection and sustainment.

In this respect, we can describe several environmental projects that have been undertaken in Mellanox's new "green design" headquarters in Yokneam, Israel:

- **AC Systems** – based on water cooling chillers in a closed system preventing GHG; reuse water and flow it back to the chillers; use R134a with an ozone depletion potential (ODP) factor of zero (0.0) and a direct global warming potential (GWP) factor of 0.26.
- **Energy Conservation** – the building has an energy management system that shuts down AC and lights together using motion sensors and a building control management system; during low activity, power consumption is kept to the minimum required for business continuity; periodic patrols are conducted to map energy use and to shut down inactive areas; street lights outside the building are sun-light controlled.
- **Water Conservation** – rain water is used to fill water reservoir and fire dept. emergency hold; wide use of automatic faucets and automatic proximal valves
- **Recycling** – separation and recycling of paper, cardboard, plastic bottles, batteries and metals
- **Green Printers** – operated by personal tag and page counter
- **Moving to Paperless** – official forms are distributed and signed electronically unless physical copies are required by law or for personal reasons

CONNECTING THE COMMUNITY

Mellanox is also committed to fostering and maintaining healthy and sustainable local communities and to encourage excellence. We have concentrated our community support in several key areas including education, health, community development, and culture. Our commitment to building a better future has never been stronger.

BUSINESS STRATEGY

To accomplish the company's business goals, we intend to:

- **Continue to develop leading, high-performance interconnect products.** We will continue to expand our technical expertise and customer relationships to develop leading interconnect products. We are focused on extending our leadership position in high-performance interconnect technology. Mellanox pursues a product development plan that addresses emerging customer and end-user demands while helping to define industry standards. The Company has industry-leading networking products that support Ethernet networks, InfiniBand networks, and hybrids of both standards. This is enabled by Mellanox's proprietary Virtual Protocol Interconnect® (VPI) technology. Our unified software strategy uses a single software stack to support connectivity to InfiniBand and Ethernet with the same VPI-enabled hardware adapter device.

- **Facilitate and increase the continued adoption of InfiniBand.** Mellanox is dedicated to facilitating and increasing the continued adoption of InfiniBand in the high-performance interconnect marketplace by expanding our partnerships with key vendors and driving high-performance interconnect adoption, such as suppliers of processors, operating systems and other associated software. In concert with our OEM customers, we continue to expand our efforts to promote the benefits of InfiniBand and VPI directly to end users to increase demand for high-performance interconnect solutions.

BUSINESS STRATEGY

- **Increase leadership of Ethernet solutions.** Advances in server virtualization, network storage and compute clusters are driving the demand for faster network throughput to address application latency and availability challenges in cloud and Enterprise data centers. To address this need, we provide a complete industry-leading, end-to-end 10/25/40/50/56/100Gb/s Ethernet product portfolio for use in EDC, HPC, embedded environments, Hyperscale, Web 2.0, Telco, and cloud data centers. Our portfolio of advanced Ethernet switch products supports the latest generation of Ethernet speeds at 10/25/40/50/56/100Gb/s and all deliver wire speed forwarding for telco and data center environments. In addition, we provide a full range of Ethernet NICs at these speeds which incorporate the latest in Ethernet technology, including support for virtualization and RDMA over Converged Ethernet (RoCE).

- **Expand our presence with existing server OEM customers.** We believe the leading server vendors are influential drivers of high-performance interconnect technologies deployed by end users. We strive to work with and expand our relationships with server OEMs to increase our presence in their current and future product platforms.

- **Broaden our customer base with storage, communications infrastructure and embedded systems OEMs.** We believe there is a significant opportunity to expand our global customer base with storage, communications infrastructure and embedded systems OEMs. In storage solutions specifically, our innovative BlueField SoCs, along with our switch and interconnect products are well suited to replace existing technologies such as those in the Fibre Channel. We believe our products form the basis of superior interconnect fabrics for unifying disparate storage interconnects, including back-end, clustering and front-end connections. Our value-add can be found primarily in our product's ability to be a unified fabric and in our superior price/performance economics.

- **Leverage our fabless business model to consistently deliver strong financial performance.** We intend to continue operating as a fabless semiconductor company and consider outsourced manufacturing of our ICs, adapter cards and switches to be a key element of our strategy. Our fabless business model offers the necessary flexibility needed to meet market demand while allowing us to focus on delivering innovative solutions to our customers. We plan to continue to fully leverage the flexibility and efficiency offered by our business.

CODE OF BUSINESS, CONDUCT AND ETHICS

While we strive to achieve our business goals, we are always aware of the dynamic world in which we live, and also consider the impact of our operations in everything we do on the environment, society, and the people and places where we and our customers live.

Mellanox requires all its employees to comply with and to annually sign the company's Code of Business, Conduct, and Ethics (the "Code"), which promotes Mellanox's core values: **Professionalism, Accountability, Quality, Results, Commitment, and Integrity.**

This Code reflects also how Mellanox employees seek sustainability for society by clearly describing Mellanox's policies and practices in terms of human rights, labor practices, community, the environment, etc. Mellanox is committed to providing a safe and healthy workplace, protecting the environment and conserving energy and natural resources.

For example, Mellanox is an Equal Opportunity Employer that does not discriminate on the basis of actual or perceived race, color, national origin, ancestry, sex, gender, gender identity, pregnancy, childbirth or related medical condition, religious creed, physical disability, mental disability, age, medical condition, marital status, sexual orientation, veteran status, genetic characteristics, gender identity/ expression or any other characteristics protected by federal, state or local law.

Aside from the facilities and measures taken to ensure a safe and healthful workplace, Mellanox develops and maintains employees' awareness of their surrounding environment, where every employee (and contractor) is expected to follow Mellanox's policy and report on any environmental, health or safety issues to the Mellanox Management or Mellanox's Safety and Security team.

MELLANOX'S CORE VALUES

Professionalism | Accountability | Quality | Results | Commitment | Integrity

ORGANIZATIONAL PROFILE

We are a semiconductor and systems company that designs, manufactures and sells high-performance interconnect products and solutions primarily based on the InfiniBand and Ethernet standards.

Our products facilitate efficient data transmission between servers, storage systems, communications infrastructure equipment and other embedded systems. We operate our business globally and offer products to customers at various levels of integration.
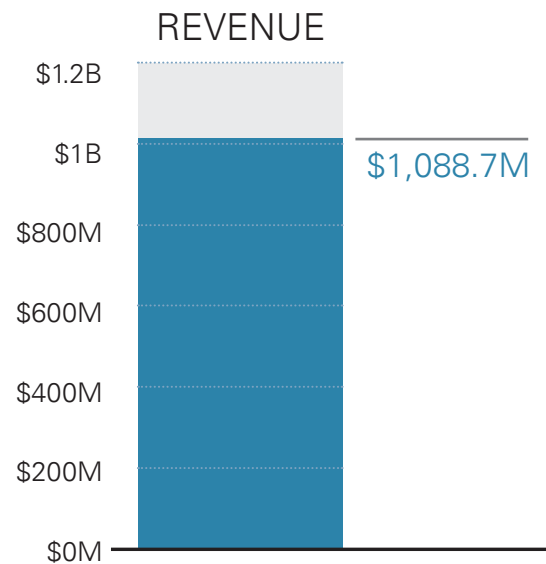
The products we offer include integrated circuits ("ICs"), adapter cards switch and gateway systems, long-haul systems, multi-core and network processors, cables, modules, software, and services.

Main Divisions: R&D, Sales, Marketing, General and Administration
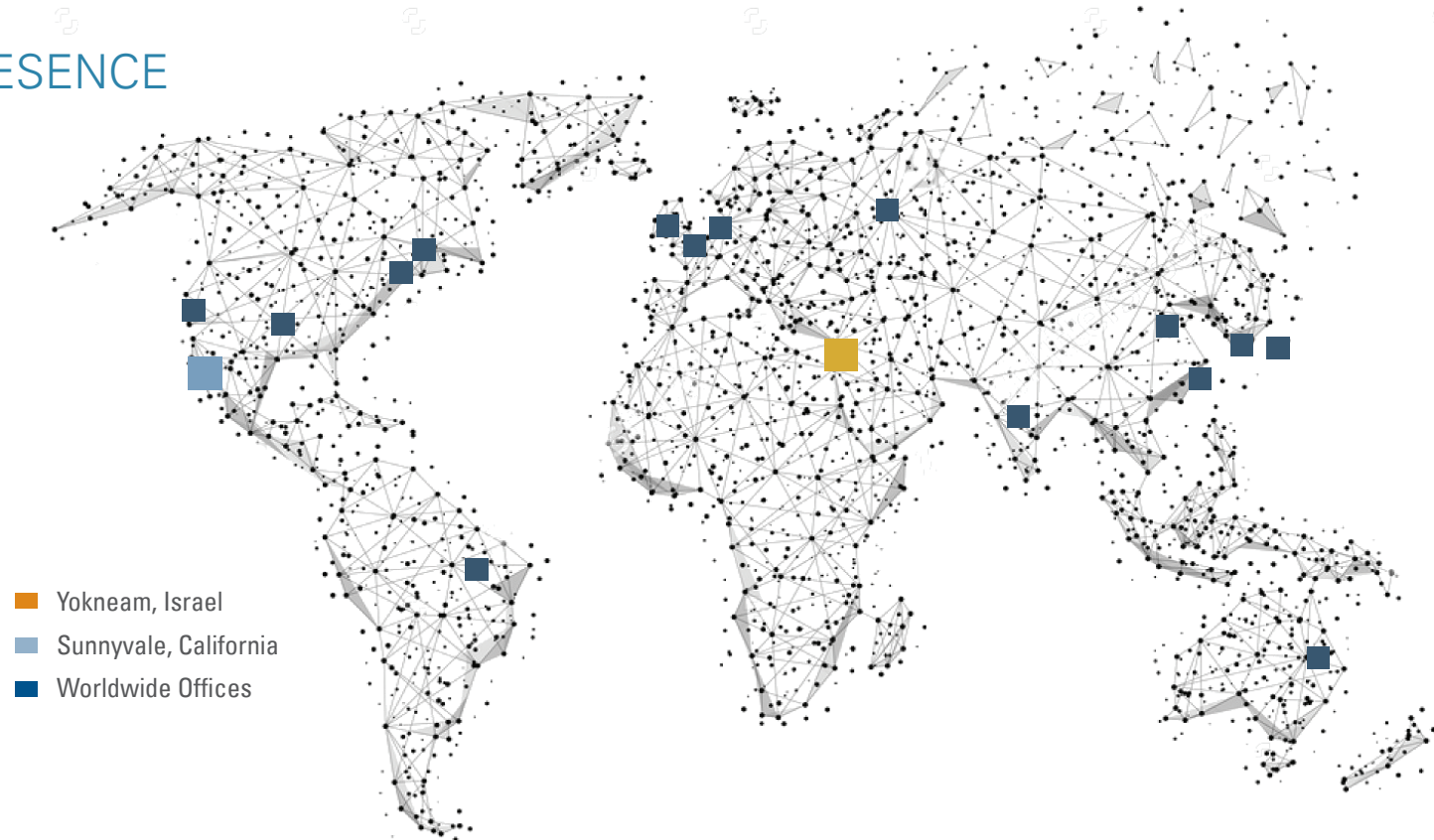
Main Operating Companies:

- Mellanox Technologies, Ltd.
- Mellanox Technologies, Inc.
- Mellanox Technologies Distribution Ltd.
- Mellanox Technologies TLV Ltd.

Public company traded on Nasdaq (ticker: MLNX)

REVENUE

$1,088.7M

(Bar chart with y-axis labels: $1.2B, $1B, $800M, $600M, $400M, $200M, $0M)

GLOBAL PRESENCE

- ■ Yokneam, Israel
- ■ Sunnyvale, California
- ■ Worldwide Offices

Number of Employees
as of end of 2018

2,800

ORGANIZATIONAL PROFILE

End Markets Served

Enterprise Data Center, High-Performance Computing, Cloud, Storage, Web 2.0, Financial Services, Telco, Machine Learning and embedded end-user markets for systems utilizing our products are mainly served by leading server, storage and communications infrastructure OEMs and ODMs.

In addition, our worldwide customer base includes leading embedded systems OEMs that integrate computing, storage and communication functions that use high-performance interconnect solutions contained in a chassis which has been optimized for a particular environment.

2018 Awards

April 24, 2018	Eyal Waldman, CEO and President of Mellanox Technologies Receives the 2018 Global Industry Leader Award
May 14, 2018	Nutanix Elevate Partner of the Year

GOVERNANCE

Board of Directors

2018 Chairman of the Board: Mr. Irwin Federman

The Board of Directors is comprised of eleven members. Except for Mellanox CEO, Eyal Waldman, all directors are considered independent.

The Mellanox Board of Directors sets high standards for the company's employees, officers and directors.

Implicit in this philosophy is the importance of sound corporate governance. It is the duty of the Board of Directors to serve as a prudent fiduciary for shareholders and to oversee the management of the company's business.

To fulfill its responsibilities and to discharge its duty, the Board of Directors follows the procedures and standards that are set forth in these guidelines. These guidelines are subject to modification from time to time as the Board of Directors deems appropriate in the best interests of the company or as required by applicable laws and regulations.

The Board of Directors has established several committees:

- Audit

- Compensation

- Nominating & Corporate Governance

For information on how shareholders and employees can provide recommendations to the Board of Directors, see: http://ir.mellanox.com/contactBoard.cfm

GOVERNANCE

Stakeholder Engagement

Mellanox Technologies has an integrated history of environmental commitment and continues to advance its environmental policy. All of Mellanox's manufacturing partners are ISO 14001 certified.

Mellanox works with its suppliers, vendors and contractors to ensure the working conditions in our supply chain are safe, affected workers are treated with respect and dignity, and applicable production processes are environmentally and socially responsible.

In order to ensure our relationship with suppliers/vendors meets and supports these expectations, Mellanox asks its suppliers to acknowledge and support Mellanox's Business Code of Conduct (the "Code"). Mellanox's process for selecting qualified suppliers, vendors and contractors takes into consideration stakeholders that are managed in a socially and environmentally responsible manner consistent with the provisions of this Code.

Mellanox strives to be a, "conflict minerals free" company and regularly reviews and checks the processes throughout its supply chain to ensure its products are and remain free of conflict minerals. Mellanox requires that suppliers whose products contain tantalum, tin, gold or tungsten to provide written evidence of due diligence (EICC-GeSI Conflict Minerals template) that traces these minerals back through their supply chain, and to confirm their source is not from the conflict region – DRC.

Mellanox expects suppliers to take similar measures with their suppliers to ensure compliance throughout the supply chain of these, "conflict minerals" used in their parts/components/material. Mellanox has incorporated the principles of the conflict minerals requirements into its business practices, and our supplier approval process includes a conflict minerals check. Mellanox communicates this policy to its suppliers and encourages them to set similar policies for their supply chain.

Identification

Mellanox chooses its main suppliers carefully to ensure their technical, managerial and financial capability, and that they comply with Mellanox quality requirements. These capabilities are inspected by supplier evaluation through questionnaires, certifications, product specifications, audits and periodical scoring.

MEASURE OF PERFORMANCE

Economic

	Revenue	Operating Cost	Cash & Investments
2017	$863.9M	$580.5M	$273.8M
2018	$1,088.7M	$588.1M	$438.5M

Environmental

AVERAGE ENERGY CONSUMPTION

$1,785 per year
per employee
2017

$2,011 per year
per employee
2018

GOAL: Reduction of 1% in 2019

WATER CONSUMPTION

9.146k per year
per employee
2017

8.575k liters per year
per employee
2018

GOAL: Achieve water conservation scale-up

CO_2 Emissions

Consumption
(metic-ton/employee for 2017)
11.72

Consumption
(metric-ton/employee for 2018)
19.65

GOAL

Maintain CO_2 emission levels per employee in spite of the company's growth.

NON-HAZARDOUS WASTE RECYCLING
Solid waste recycled of total generated

2017 GOAL
60.6%

2018 GOAL
61.8%

GOAL

Maintain ~ 60%

MEASURE OF PERFORMANCE

Societal

Community Contribution

- The Jaffa Institute - provides educational, recreational and social enrichment programs for disadvantaged children and other community members in need

- Variety Israel - a non-profit organization that supports children and families who are facing many challenges through living with a disability

- Taglit – a non-profit corporation that sets as a goal to strengthen Jewish communities worldwide, and improve Israel-Diaspora relations

- Scholarships for excellent science students at various academic institutes

- Laptop donations to various educational institutes

Company Culture & Fair Labor Practices

CODE OF ETHICS

Employees who have signed the company Code of Ethics **100%**