

Business Code of Conduct

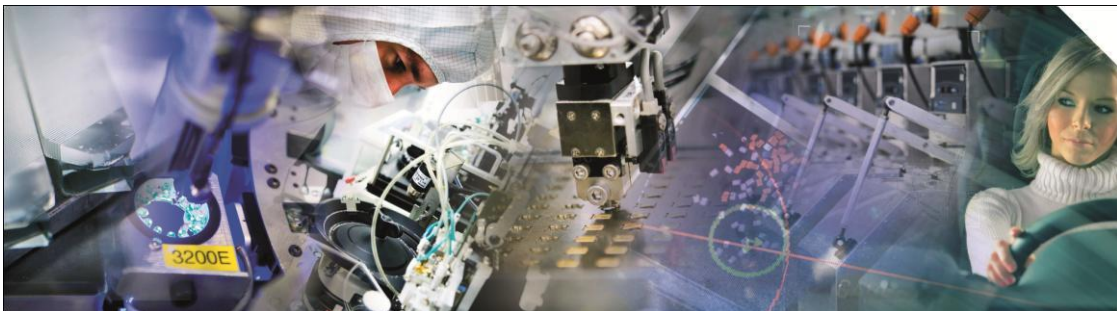


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Introduction

Rakon Limited is committed to conducting its business in accordance with all applicable laws and regulations of the countries in which it operates and act in accordance with the highest standards of business conduct and ethics. Rakon is committed to a sustainability policy which includes the respect for universally recognised standards for the environment, human rights, labour and ethics.

Rakon regards this Business Code of Conduct as a total supply chain initiative and compliance is a mandatory requirement placed on all suppliers.

This Business Code of Conduct is modelled on and contains language from the Electronic Industry Code of Conduct, recognised standards such as the Universal Declaration of Human Rights, and standards issued by organizations such as the International Labour Organisation (ILO) and Ethical Trading Initiative (ETI) were also used as references when preparing this code and may be useful sources of additional information. Other sources include the Rakon Code of Conduct for Securities Trading and information gathered as part of the ISO9001 and ISO14001 certification processes in manufacturing sites. As an extension of the Code, Rakon maintains a series of detailed Standards that clarify our expectation for compliance.

The Code is made up of six sections: Sections A and B outline standards of Governance and Business Ethics respectively. Section C and D outlines the elements of Health and Safety and the Environment. Section E outlines standards for Labour and Section F outlines the elements of the Management System which ensure conformity to this Code.

A. Governance

The Board's powers and responsibilities will be exercised and discharged, adopting principles of good corporate governance and practices that accord with best practice and the applicable laws in the jurisdictions in which the Company operates. Rakon Limited is listed on the NZ Stock Exchange (NZX) and accordingly is obliged to make full disclosure of certain matters as required by the NZX Listing Rules.

A . 1 Board Responsibilities

The Board has ultimate responsibility for the strategic direction and oversight of the management of Rakon for the benefits of Shareholders. Specifically, the responsibilities of the Board include:

- working with management to establish the strategic direction of Rakon;
- monitoring management and financial performance;
- monitoring compliance and risk management;
- establishing and monitoring the health and safety policies of Rakon;
- establishing and ensuring implementation of succession plans for senior management; and
- ensuring effective disclosure policies and procedures

In discharging their duties, Directors have direct access to and may rely upon Rakon's senior management and external advisors. Directors have the right, with the approval of the Chairman or by resolution of the Board, to seek independent legal or financial advice at the expense of Rakon for the proper performance of their duties.

A . 2 Board Structure

The Board comprises seven Directors: a non-executive Chairman, two executive Directors and four non-executive Directors. Under the constitution, the independent chairman holds a casting vote at Board meetings. Board members have an appropriate range of proficiencies, experience and skills to ensure that all governance responsibilities are fulfilled and to achieve the best possible management of resources.

In accordance with the constitution, the Board has resolved that the Managing Director will not be required to retire by rotation.

A . 3 Delegation of Responsibilities to Committees

The Board may, from time to time, establish committees to assist it in carrying out its responsibilities. For each committee the Board shall adopt a formal charter that sets out the delegated functions and responsibilities for, and the composition and any administrative matters relating to, that committee.

The Board currently has the following committees:

- Audit and Risk Committee;
- Remuneration Committee; and
- Nomination Committee.

B. Ethics

To meet social responsibilities and to achieve success in the marketplace, Rakon and its agents are to uphold the highest standards of ethics including:

B . 1 Business Integrity

Rakon is committed to ensuring that it acts with integrity in all activities, including the interaction with customers, clients and suppliers. Any and all forms of bribery, corruption, extortion and embezzlement (covering promising, offering, giving or accepting any bribes) are strictly prohibited resulting in immediate termination and legal action. All business dealings will be transparently performed and accurately reflected on Rakon's business books and records. Monitoring and enforcement procedures shall be implemented to ensure compliance with anti-corruption laws.

B . 2 No Improper Advantage

Bribes or other means of obtaining undue or improper advantage are not to be promised, offered, authorised, 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.

B.2.1

A policy is in place to ensure that Rakon meets its share trading obligations and that all staff are aware of their individual obligations under this policy ensuring no improper advantage.

B . 3 Gifts

Directors or employees will not accept gifts or personal benefits of any value from external parties if it could be perceived that it could materially compromise or influence any decision of the company.

B . 4 Disclosure of Information

Information regarding participant labour, health and safety, environmental practices, business activities, structure, 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.

B . 5 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 information is to be safeguarded.

B . 6 Fair Business, Advertising and Competition

Standards of fair business, advertising and competition are to be upheld. Means to safeguard customer information should be available.

B . 8 Conflict of Interest

Employees will not put themselves in a position where their individual's interests interfere, or appear to interfere with the company's interest. The company expects its people to act in its interests at all times.

B . 9 Community Engagement

Community engagement is encouraged to help foster social and economic development.

B . 10 Responsible Sourcing of Materials

Rakon will reasonably ensure that the materials sourced for products we manufacture do 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. We shall exercise due diligence on the source and chain of custody of materials and make these measures available to customers upon request.

B . 11 Privacy

Rakon is committed to protecting the reasonable privacy expectations of personal information of everyone we do business with, including suppliers, customers, consumers and employees. We comply with privacy and information security laws and regulatory requirements when personal information is collected, stored, processed, transmitted and shared.

B . 12 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. Participants should have a communicated process for their personnel to be able to raise any concerns without fear of retaliation.

C. Health and Safety

Rakon recognises that the quality of products and services, consistency of production and employees' morale are enhanced by a safe and healthy work environment. We also recognise that ongoing employee input and education is the key to identifying and solving health and safety issues in the workplace.

The health and safety standards are:

C.1 Occupational Safety

Employee exposure to potential safety hazards (e.g. electrical and other energy sources, fire, vehicle, and fall hazards) are to be controlled through proper design, engineering and administrative controls, preventative maintenance and safe work procedures (including lockout/tagout), and ongoing safety training. Where hazards cannot be adequately controlled by these means, employees are to be provided with appropriate well maintained personal protective equipment and educational materials about risks to them associated with these hazards. Employees shall not be disciplined for raising safety concerns and shall have the right to refuse unsafe working conditions without fear of reprisal until management adequately addresses their concerns.

C.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, employee training and drills, appropriate fire detection and suppression equipment, adequate exit facilities and recovery plans. Such plans and procedures shall focus on minimizing harm to life, the environment and property.

C.3 Occupational Injury and Illness

Procedures and systems are to be in place to manage, track and report occupational injury and illness, including provisions to: a) encourage employee incident reporting; b) classify and record injury and illness cases; c) provide necessary medical treatment; d) investigate cases and implement corrective actions to eliminate their causes; and d) facilitate return of employees to work.

C.4 Industrial Hygiene

Employee exposure to chemical, biological and physical agents is to be identified, evaluated, and controlled. When hazards cannot be adequately controlled by engineering and administrative means, employees are to be provided with appropriate personal protective equipment.

C.5 Physically Demanding Work

Employee exposure to physically demanding tasks, including manual material handling and heavy lifting, prolonged standing and highly repetitive or forceful assembly tasks is to be identified, evaluated and controlled.

C.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 employees.

C.7 Sanitation and Food

Employees are to be provided with clean toilet facilities, access to portable water and sanitary food preparation and storage and eating facilities.

C . 8 Health and Safety Communication

Participation shall provide workers with appropriate workplace health and safety training in their primary language. Health and safety related information shall be clearly posted in the facility.

D. Environmental

Rakon recognises 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 minimised while safeguarding the health and safety of the republic. Recognised management systems such as ISO 14001 and the Eco Management and Audit System (EMAS) were used as references in preparing the Code and may be useful source of additional information.

D . 1 Environmental Permits and Reporting

All required environmental permits (e.g discharge monitoring), approvals and registrations are to be obtained, maintained and kept current and their operational and reporting requirements are to be followed.

D . 2 Legal and other Requirements

Acting as a responsible company citizen and maintaining compliance to any applicable laws and regulations relating to the protection of the environment and the welfare of its employees. Rakon is focused on meeting our customers' expectations and reserves the right to adhere to requirements or standards which exceed those of any applicable laws and regulations.

D . 3 Pollution Prevention and Resource Reduction

The use of resources and generation of waste of all types, including water and energy, are to be reduced or eliminated at the source or by practices such as modifying production, maintenance and facility processes, materials substitution, conservation, recycling and re-using materials.

D . 4 Wastewater and Solid Waste

Participant shall implement a systematic approach to identify, manage, reduce, and responsibly dispose of or recycle solid waste (non-hazardous.) Wastewater generated from operations, industrial processes and sanitation facilities are to be characterized, monitored, controlled and treated as required prior to discharge or disposal. In addition, measures should be implemented to reduce generation of wastewater. Participant shall conduct routine monitoring of the performance of its wastewater treatment systems.

D . 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 characterised, routinely monitored, controlled and treated as required prior to discharge or disposal. In addition, measures should be implemented to reduce generation of wastewater. Participation shall conduct routine monitoring of the performance of its wastewater treatment systems.

D . 6 Materials Restrictions

Participants are to be adhere to all applicable laws, regulations and customer requirements regarding prohibition or restriction of specific substances in products and manufacturing, including labelling for recycling and disposal.

D . 7 Storm Water Management

Participant shall implement a systematic approach to prevention contamination of storm water runoff. Participation shall prevent illegal discharges and spills from entering storm drains.

D . 8 Energy Consumption and Greenhouse Gas Emissions

Energy consumption and greenhouse gas emissions are to be tracked and documented, at the facility and/or corporate level. Participants are to look for cost-effective methods to improve energy efficiency and to minimise their energy consumption and greenhouse gas emissions.

D . 9 Products and Technology

Encouraging the creation of environmentally friendly products and technologies through its design and development processes. Rakon adheres to all applicable laws and regulations regarding prohibition or restriction of specific substances including labelling laws and regulations for recycling and disposal. Rakon also adheres to comply with each agreed-upon customer-specific restricted and hazardous materials list.

D . 10 Hazardous Substances

Chemicals and other materials posing a hazard if released in the environment are to be identified and managed to ensure their safe handling, movement, storage, recycling or reuse and disposal.

E. Labour

The Company is committed to uphold the human rights of employees, and to treat 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.

The labour standards are:

E . 1 Freely Chosen Employment

Forced, bonded (including debt bondage) or indentured labour; involuntary prison labour; slavery or trafficking of persons is not to be used. This includes transporting, harbouring, recruiting, transferring or receiving vulnerable persons by means of threat, force, coercion, abduction or fraud for the purpose of exploitation. All work must be voluntary, and employees should be free to leave work at any time or terminate their employment. Employees shall not be required to hand over government-issued identification, passports or work permits as a condition of employment, however employees will be required to show proof of eligibility to work in the applicable country.

E . 2 Child Labour

Child labour is not to be used in any stage of manufacturing. The term “child” refers to any person employed under the age of 16, 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 apprenticeship programmes, which comply with all laws and regulations, is supported. Employees under the age of 18 should not perform hazardous work and may be restricted from night work with consideration given to educational needs.

E . 3 Working Hours

Employees shall be granted reasonable daily and weekly work schedules. Employees shall be allowed at least one day off per seven-day week and also be given annual leave entitlements that meet the minimum legal requirements applicable to each country. Working weeks are not to exceed the maximum set by the relevant legislation applicable to each country except in emergency or unusual situations.

E . 4 Wages and Benefits

Compensation paid to employees shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. Deductions from wages as a disciplinary measure shall not be permitted. The basis on which employees are being paid is to be provided in a timely manner via pay slip or similar documentation. All use of temporary, dispatch and outsourced labour will be within the limits of the law.

E . 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 employees: 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 employees.

E . 6 Non Discrimination and Equal Opportunities

Rakon recognises and respects cultural differences and believes that employees should be engaged on the basis of their ability to do the job as opposed to employment on the basis of personal characteristics or beliefs. Rakon is committed to a workforce free of harassment and unlawful discrimination. We will not engage in discrimination based on race, colour, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status in hiring and employment practices such as promotions, rewards, and access to training. In addition, employees or potential employees should not be subjected to medical tests that could be used in a discriminatory way.

E . 7 Freedom of Association

Open communication and direct engagement between employees and management are the most effective ways to resolve workplace issues. Rakon respects the rights of employees to associate freely, join or not join unions, seek representation and bargain collectively in accordance with local laws. Employees shall be able to openly communicate and share grievances with management regarding working conditions without fear of reprisal, intimidation or harassment.

E . 8 Security

Security and the protection of property, employees, visitors, systems and processes is of significant importance to the company and all every reasonable endeavour is made to protect threats that could potentially disrupt business continuity and endanger employees.

E.8.1 Physical Access Controls

Access controls prevent unauthorised entry to facilities, maintain control of employees and visitors, and protect company assets. Access controls are in place across all sites and include the positive identification of all employees, visitors, and vendors at all points of entry.

Employees

Employees are only given access to those secure areas needed for the performance of their duties. Senior Management or Human Resources control and document the procedures, issuance and removal of employee, visitor and vendor access cards.

Visitors

Visitors are required to sign a register upon arrival and are issued with a Visitors pass. All visitors should be escorted where needed and should visibly display the temporary pass.

Deliveries (including mail)

Proper vendor ID and/or photo identification must be presented for documentation purposes upon arrival by all vendors. Arriving packages and mail is periodically screened before being disseminated.

E.8.2 Personnel Security

Processes are in place to screen prospective employees. Some of these are detailed below:

Employment Verification

Application information, such as employment history and references are verified to confirm employment.

Background Checks / Investigations

Background checks and investigations are conducted for prospective employees depending on the employee's position. Once employed, periodic checks and reinvestigations should be performed based on cause, and/or the sensitivity of the employee's position.

Personnel Termination Procedures

Rakon has a procedure in place to remove identification, facility, and system access for terminated employees. This is done through the Exit process.

E.8.3 Procedural Security

Security measures are in place to ensure the integrity and security of processes relevant to the transportation, handling, and storage of cargo in the supply chain.

Documentation Processing

Procedures are in place to ensure that all information used in the clearing of merchandise/cargo, is legible, complete, accurate, and protected against the exchange, loss or introduction of erroneous information. Documentation control includes safeguarding computer access and information.

Manifesting Procedures

To help ensure the integrity of cargo, procedures are in place to ensure that information received from business partners is reported accurately and timely.

Shipping and Receiving

Departing cargo being shipped is reconciled against information on the cargo manifest. The cargo is accurately described, and the weights, labels, marks and piece count indicated and verified. Departing cargo is verified against purchase or delivery orders. Drivers delivering or receiving cargo must be positively identified before cargo is received or released. Drivers are required to sign for the cargo. Procedures are established to track the timely movement of incoming and outgoing goods.

Cargo Discrepancies

All shortages, overages, and other significant discrepancies or anomalies are to be resolved and/or investigated appropriately. Customs and/or other appropriate law enforcement agencies are to be notified if anomalies, illegal or suspicious activities are detected - as appropriate.

E.8.4 Physical Security

Lighting

Adequate lighting is provided inside and outside the buildings, including the following areas: entrances and exits, cargo handling, storage areas and parking areas.

Alarms Systems

Alarm systems are utilized to monitor premises and prevent unauthorized access to all buildings. All buildings can only be accessed by Access cards.

E.8.5 Information Security

Password Protection

Automated systems are in place which use individually assigned accounts that require a periodic change of password. IT security policies, procedures and standards are in place and are provided to employees in the form of training.

Accountability

Systems are in place to ensure the proper use of information and to identify where processes are abused. All system violators are subject to appropriate disciplinary procedures for abuse.

F. Management System

Rakon operates a management system whose scope is related to the content of this Code. The management system is designed to ensure compliance with applicable laws, regulations and customer requirements related to operations and products; conformance with this Code; and identification and mitigation of operational risks related to this Code. It also facilitates continual improvement.

The management system contains the following elements:

F . 1 Company Commitment

Corporate social and environmental responsibility statements affirming commitment to compliance and continual improvement, endorsed by executive management and posted in the facility in the local language

F . 2 Management Accountability and Responsibility

Clearly identified senior executive and company representatives responsible for ensuring implementation of the management systems and associated programs and periodic review of the status of the management systems. Senior Management reviews the status of the management systems on a regular basis.

F . 3 Legal and Customer Requirements

Process to identify, monitor and understand applicable laws, regulations and customer requirements, including the requirements of this code.

F . 4 Customer and Supplier Relations

Commitment to ensuring that the company acts with integrity in all activities, including the interaction with customers, clients and suppliers. The company will compete vigorously in all the markets in which it participates, but will, at all times, act in compliance with the law.

F . 5 Risk Assessment and Risk Management

Process to identify the legal compliance, environmental, health and safety and labour practice and ethics risks associated with Rakon's operations. Determination of the relative significance for each risk and implementation of appropriate procedural and physical controls to ensure regulatory compliance to control the identified risks.

F . 6 Improvement Objectives

Written standards, performance objectives, targets and implementation plans to improve the company's social and environmental performance, including a periodic assessment of the company's performance against those objectives.

F . 7 Training

Programmes for training managers and employees to implement company policies, procedures and improvement objectives and to meet applicable legal and regulatory requirements.

F . 8 Communication

Process for communicating clear and accurate information about company performance, practices and expectations to employees, suppliers and customers.

F . 9 Employee Feedback and Participation

Ongoing processes to assess employees' understanding of and obtain feedback on practices and conditions covered by this Code and to foster continuous improvement.

F. 10 Audits and Assessments

Periodic self-evaluations to ensure conformity to legal and regulatory requirements, the content of the Code and customer contractual requirements related to social and environmental responsibility.

F. 11 Corrective Action Process

A process for timely correction of deficiencies identified by internal or external audits, assessments, inspections, investigations and reviews.

F. 12 Documentation and Records

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

F. 13 Supplier Responsibility

A process to communicate Code requirements to suppliers and to monitor supplier compliance to the Code.