

CHOW TAI FOOK JEWELLERY GROUP

# Chow Tai Fook Best Practice Principles for Suppliers

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## Introduction

Chow Tai Fook Jewellery Group (the “Group”) has committed to ensuring that the principles of corporate social responsibility and sustainable development are integrated into daily operations and businesses. Therefore, the Group has developed the Chow Tai Fook Best Practice Principles for Suppliers (the “Principles”) for the Group’s suppliers, which includes suppliers of raw materials, semi-finished products, and finished products, contractors, service providers, consultants, et cetera.

We do not only expect our suppliers to operate in full compliance with all applicable laws, rules and regulations, we also call for each supplier to go beyond legal compliance and strive to meet internationally recognised standards for the advancement of human rights, business ethics, and social and environmental responsibility.

Suppliers of the Group **shall** comply with the Principles and conduct self-assessment regularly. There are three categories to the provisions of the Principles:

- **“Shall”**: Suppliers must comply with the conducts stated
- **“Shall not”**: Suppliers are prohibited from conducting the behaviours stated
- **“Should”**: Suppliers are encouraged (but not required) to conduct behaviours stated

Some of the provisions are stated to be applicable to a certain category of supplier. If not explicitly stated otherwise, the Principles are applicable to suppliers of all categories.

The Principles are developed with reference to relevant international industry best practices, which include but not limited to: Code of Practices and Chain of Custody Standard of Responsible Jewellery Council, Best Practice Principles of De Beers Group, International Labour Organization Conventions, Universal Declaration of Human Rights, OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Kimberley Process Certification Scheme, and System of Warranties of the World Diamond Council.

If a supplier has been already a member of the Responsible Jewellery Council, or has complied with the Best Practice Principles of De Beers Group, the Group will consider whether the supplier is automatically granted the status of compliance with the Chow Tai Fook Best Practice Principles for Suppliers.

## A. Business Ethics

### A.1. Integrity

1. Suppliers **shall** uphold the highest standard of integrity in all business transactions and observe the protection of trade secrets and data.
2. Suppliers **should** establish a policy mandating business integrity that requires their employees to uphold ethical standards while conducting business, and proactively complete and submit declaration on conflict of interest. Suppliers **shall** ensure that all business dealings are transparent and accurately reflected on their business books and records.
3. Suppliers **shall not** participate in activities that can damage the reputation of the industry, including but not limited to any behaviour intending to swindle, mislead, deceive or confuse consumers, such as:
  - (1) Carrying out transactions in fake/inferior products by concealing facts deliberately or making deceitful statements;
  - (2) Transactions that involve making deceitful statements on products such as their attributes/origins/processing techniques/materials.
4. Suppliers **shall** prohibit bribery and corruption in all business transactions carried out by themselves or through business associates, as such that may compromise the principles of fair competition.
5. Suppliers **shall not** offer or pay or provide anything of value (including travel, gifts, hospitality expenses, charitable donations or other favours) to any official or employee of any government, government agency, political party, public international organization, or any candidate for political office to improperly influence any act or decision of the official or employee for transfer of benefits to the Group in any respect.
6. Suppliers **shall** prohibit acceptance by themselves as a company, or by any of our employees, of payments, gifts in kind, expenses, discounts, advantages or promises such that may influence the course of their business decisions.
7. Suppliers **shall not** allow any employee to suffer negative consequences for voicing a concern or refusing to engage in an act of bribery.
8. Supplier **shall** implement monitoring and enforcement procedures to ensure compliance with applicable anti-corruption and bribery laws.

9. Suppliers **shall** establish grievance mechanisms to respond to concerns and complaints that ensure effective, timely, respectful and transparent communication among workers, their representatives, management and the community.

## A.2. Compliance with Laws and Regulations

1. Suppliers **shall** comply with laws and regulations where they operate and to respect the International Labour Organization (ILO) Conventions and the Universal Declaration of Human Rights.
2. Suppliers **should** establish a system to identify, monitor and understand all applicable laws, rules and regulations, including those concerning labour, health and safety, human rights, environmental protection and corruption and bribery.
3. Suppliers **shall** comply with the applicable national and, where appropriate, international accounting and banking standards and processes (such as independent auditing).

## A.3. Intellectual Property Rights

1. Suppliers **shall** observe and protect the intellectual property rights of the Group and third parties, including but not limited to trademarks, copyrights and designs.

## A.4. Anti-money Laundering and Counter Terrorist or Armed Activities

1. Suppliers **shall not** engage in any form of business activities related to smuggling, money laundering, terrorist activities or armed activities. Suppliers only carry out transactions with companies with funds from legitimate sources and prohibit any connivance in, facilitation or support of illegal activities and money laundering activities.
2. Suppliers **shall** engage an independent audit firm which is properly qualified under local laws to ensure that all financial records are reliable, objective and reflects the company's financial situation accurately and to ensure that the company will not participant or assist in any crimes related to money laundering, terrorism financing or any other financial crimes.

- Suppliers **should** provide training for employees to understand what amounts to money laundering, terrorism financing and other financial crimes, so as to raise the employees' awareness of suspicious transactions in the sale and purchase processes, and ensures employees follow established procedures when carrying out transactions so as to prevent the occurrence of illegal acts and money laundering.

## A.5. Qualifications and Certifications

- Suppliers **should** conduct assessments and obtain certifications in accordance with laws and regulations for their product or service quality, environmental management, occupational health and safety, and other operational areas (such as ISO 9001, ISO 14001, OHSAS 18001/ISO 45001), as proof of their qualification in due diligence process, and for continuous optimisation of operational management.

## A.6. Traceability of Materials

- Upstream suppliers related to the Group's products **should** establish systems to include the Principles into the management of their own upstream suppliers. Their upstream suppliers should be required to conduct regular assessment for compliance and drive continuous improvements. Their upstream suppliers should implement measures to ensure materials used in the Group's products are procured legally and adhere to the requirements on quality and environmental, et cetera.

## A.7. Product Security and Safety

- Suppliers **should** establish and implement product security policies and require the employees to comply with these procedures so as to protect against product theft, damage or substitution within the company's premises or during transportation.
- Suppliers **shall** commit to provide to end-customers products that observe the health and safety requirement in accordance with the applicable laws of countries or territories they operate in.

The following Principles are applicable to suppliers for diamonds, coloured gemstones, precious metals and finished products.

## A.8. Diamonds

1. Suppliers **shall** agree, declare and guarantee that it adheres to all guidelines and requirements of the Kimberley Process Certification Scheme, System of Warranties of the World Diamond Council and relevant local laws, and maintain and collect all necessary warranties and relevant records related to the Kimberley Process Certification and System of Warranties. These include but not limited to warranties, invoices, receipts and all trades of rough and polished diamonds that are handled in accordance to Kimberley Process. Suppliers shall guarantee all records are able to be used for third party due diligence.
2. Supplier **shall** further agree and guarantee all diamonds, including rough diamonds, melee diamonds and diamonds on finished products, sold to the Group are procured from legal source. All diamonds must be conflict-free, which violence such as war crimes, child labour and forced labour are not involved in the production process, and are in full compliance with international laws and align with human rights protection.
3. Suppliers **shall** establish processes to comply with the requirements of the Kimberly Process. Suppliers shall comply with the requirement of Best Practice Principles of De Beers to fully disclose information on diamonds and implement processes to provide relevant trainings for employees.
4. Suppliers **shall** establish strategy and programmes, and commit to ensuring counterparties' compliance with the Best Practice Principles of De Beers in mining, transportation, manufacturing and sales (or procurement).

## A.9. Coloured Gemstones

1. Suppliers **shall** declare and guarantee that they will engage in reasonable due diligence to ensure that all gemstones delivered and/or sold to the Group are extracted from conflict-free regions and have been mined and processed in a manner that respects human and labour rights and does not inflict environmental damage under prevailing industry standards.
2. Suppliers **shall** adhere to all applicable international sanctions of the United Nations and the Group's specifications and restrictions related to the sourcing, trade and sale of gemstones irrespective of where those stones have been cut and from where they have been exported.
3. Suppliers **shall** provide full and complete disclosure of all characteristics of the gemstones in due diligence, regarding natural /synthetic/artificial origin, enhancement and treatments, in compliance with national and international laws and industry best practice.
4. Suppliers **should** retain all documentation used to support gemstone sourcing statements, including but not limited to, verifiable exporter warranties, for at least five years from the date on which the gemstone is delivered to the Group.



## A.10. Precious Metals

1. Suppliers **shall** adopt appropriate methods and procedures for the monitoring of suppliers to ensure that the precious metals offered to the Group do not stem from countries of conflict and that the precious metals were not mined using child or forced labour or in violation of environmental law regulations.
2. Suppliers **shall not** procure any precious metals that were mined using child or forced labour or in violation of environmental law regulations.
3. In cases of doubt, suppliers **shall not** purchase any precious metals from questionable sources or offer such precious metals to the Group for resale.
4. If precious metals offered are suspected to be originated from questionable sources, suppliers **shall** notify the Group immediately and provide relevant information, within the permission of applicable laws.
5. When necessary, suppliers **shall** provide relevant certificates of origin to the Group upon request.

## B. Social Performance

### B.1. Human Rights and Labour Rights

1. Suppliers **should** observe human rights, and respect and support international, national or regional laws related to human rights. Human rights **should** be considered as a factor in formulating business strategy, and every employee is treated with recognition and respect. When there is an infringement of the human rights, suppliers will report the issue to the relevant appointed department to follow up and take appropriate actions.
2. Suppliers **shall not** take account of race, ethnicity, caste, nationality, religion, disability, gender, sexual orientation, membership of worker representative bodies, political affiliation, marital and family status, HIV status, physical appearance, age or any other applicable criteria that are unlawful in considering issues relating to the hiring, termination, remuneration, promotion or retirement of employees, and **should** observe the right to freedom of practice by employees of religious or cultural practices, as far as is reasonable.
3. Supplier **shall not** use corporal punishment under any circumstances, and the use of degrading treatment, harassment, abuse, coercion or intimidation in any form are prohibited.
4. Suppliers **shall not** prevent the freedom of association and collective bargaining of the employees. Where local laws restrict such freedom, suppliers **should** support equal dialogue between internal management and employees, and welcome employees provide feedback individually or collectively while ensuring that they are not to be subject to threats of coercion and retaliations.
5. Suppliers and their supply chain **shall** abide by local laws and regulation to prohibit employment of child labour and any form of forced, bonded, indentured or involuntary prison labour.
6. Suppliers **shall not** retain original copies of employee personal documentation (such as identity cards), nor require any form of deposit or fee as a condition of employment.
7. Suppliers **shall** keep complaints raised and disputes among employees confidential, and commit to establish a confidentiality mechanism, which employees only need to provide necessary information for investigation. If suppliers confirm the complaint to be unfounded or fraudulent after careful investigation, disciplinary actions may be taken against such employee.
8. Suppliers **shall** establish a fair punishment and reward mechanism and procedure and such shall be effectively communicated to all employees.

9. Suppliers **shall** ensure that the work hours per week and overtime work hours are compliant to the requirements of local laws and regulations.
10. Suppliers **shall** comply with applicable law in the payment of wages and overtime pay and the provision of benefits, including but not limited to holidays, leaves and statutory severance. Suppliers **should** provide wage statements to employees for each pay period and retain records of work hours and pay slips for each employees.
11. Suppliers **shall** provide and explain the payment and remuneration details before officially hiring every employee, and only implement such payment and remuneration arrangement after employees' confirmation.
12. Suppliers **should** provide appropriate training for employees to enable them to acquire, maintain and improve skills to improve their employability.

## B.2. Occupational Health and Safety

1. Suppliers **shall** provide safe and healthy working condition for all employees in accordance with applicable laws and regulations, and take appropriate measures to prevent accidents, injury, and health problems arising from or linked to the course of work activities and operations.
2. Suppliers **shall not** make use of substances that are subject to national or international bans for their adverse effects on human or the environment. Suppliers **should** ensure that appropriate measures are employed to minimize the risk of employee contact with hazardous substances, through the use of protective equipment and gear, the use of appropriate containers, and posting of safety notices.
3. Suppliers **should** take appropriate measures to ensure the physical integrity and security of the employees dealing with valuables (product components, semi-finished and finished products) in the operations, and on the way to or from the operations.
4. Suppliers **should** establish relevant policies that enable employees to raise and discuss health and safety issues with management.
5. Suppliers **should** provide our employees with clear, understandable information on health and safety, as well as with relevant training, updated on an adequate basis.
6. Suppliers **should** pay extra attention to the mental health of employees, and implement measures such as regular sharing sessions for strengthening employees' mental health.

### B.3. Community Engagement and Development

1. Suppliers **shall** drive cooperation with the communities to embrace their social responsibilities and corporate image. Suppliers **should** appoint designated personnel to drive and deepen cooperation with stakeholders and seek support from the communities through cooperation.

## C. Environmental Performance

### C.1. Considerations for Environmental Protection

1. Suppliers **shall** comply with local environmental laws and regulations, and **should** strive to meet or exceed the standards of international environmental treaties and best practices in their industries.
2. Suppliers **shall** obtain, maintain and update all necessary environmental permits, approvals and registrations, and comply with the requirements on operations and disclosures.
3. Suppliers **shall** identify environmental risks and impacts, as well as opportunities for improving environmental performance. Suppliers **should** implement and regularly review controls to mitigate identified environmental risks and minimize environmental impacts, and take a proactive approach to monitoring and collecting data on these topics.
4. Suppliers **should** establish and maintain a governance system to identify, record and monitor the impacts and data of the following environmental factors:
  - Resource consumption and recycling
  - Water withdrawal and effluents
  - Greenhouse gas emissions and other air pollution emissions
  - Energy consumption including renewable energy
5. Suppliers **should** seek to consider appropriate environmental factors into the development of processes, technologies, products and packaging in order to optimize environmental performance as viewed from a full life-cycle perspective from design to disposal.

### C.2. Emission of Hazardous Substance

1. Suppliers **shall** establish a management system to identify chemicals or other hazardous materials being used, released, discharged and managed for meeting or exceeding related legal requirements for safe handling, movement, storage, use, recycling, reuse and disposal, and to prevent pollution of the surrounding land, water resources and atmosphere.

2. Suppliers **should**, where possible, use alternatives to hazardous substances in their operations.
3. Suppliers **should** ensure that facility managers are aware of specific pollution risks, methods for appropriate prevention, and action to be taken in the event of an incident.

### C.3. Resource Management

1. Suppliers **should** identify and monitor all materials and resources used in their business and strive to increase resource efficiencies and reduce environmental impacts through their maintenance and production processes, and by reducing, re-using, recycling or substituting.

### C.4. Energy Use Management

1. Suppliers **should** adopt measures to reduce energy and fuel use in operations and use renewable energy resources (such as solar power, wind power, biofuel, et cetera).

### C.5. Greenhouse Gas and Climate Crisis Management

1. Suppliers **should** establish long term carbon reduction targets and adopt measures to reduce the carbon emissions from operations.
2. Suppliers **should** identify climate change related risks and opportunities at locations they operate and develop strategies for mitigation and adaptation.

### C.6. Protection of Life on Land

1. Suppliers **should** pay extra attention to biodiversity during construction of facilities and conducting businesses to protect the integrity of ecosystem.

## D. Monitoring and Advocacy

1. Suppliers **shall** establish a self-assessment and monitoring system based on the Principles and move towards independent verification of compliance of the Principles.
2. Suppliers **shall** take appropriate steps to ensure that the provisions of the Principles are communicated to their employees and their supply chain, and that their employees, suppliers, agents, and contractors apply the Principles in areas that are reasonable and feasible.
3. Suppliers **shall** allow the Group or its agents to visit suppliers' operation facilities with or without appointment to conduct onsite assessments to ensure their operations are compliant with the Principles, and that the Group and its agents have open and free access to communicate with all workers engaged at the facilities outside the presence of facility management. Suppliers **shall** be completely transparent and honest and ensure that such workers are not subject to threats of termination or retaliation.
4. Suppliers **should** adopt appropriate corrective or remedial measures to correct or remedy violations of the Principles found by the Group or its agents during onsite assessments. The Group reserves the right for further actions if such violations are found not yet rectified at the follow-up stage.
5. The Group hopes to build long-lasting and stable partnership with suppliers. At the same time, the Group reserves the rights to cancel all outstanding purchase contracts, suspend future purchase contracts, or terminate its relationship with any supplier where circumstances demand.