

Chow Tai Fook Jewellery Group Limited

Code of Practices for Supplier Assessment

Version 1

Group Executive Office

2015/4/14

Prepared by: Suppliers Management Section

Introduction

As a socially responsible enterprise, Chow Tai Fook Jewellery Group and its subsidiaries (collectively “the Group”) strive to ensure that corporate social responsibility is ingrained into their day-to-day operations and business. To this end, this *Code of Practices for Supplier Assessment* (the *Code*) is developed to list the requirements in business ethics, human rights and social/economic performance and the requirements of management systems to be met by all suppliers, contractors, service providers and consultants (collectively called “suppliers” hereinafter) involved in non-goods items (items other than raw materials, semi-finished products and finished materials used in jewellery production). This *Code* consists mainly of relevant national or regional laws and regulations, as well as the Group’s code of conduct to be strictly abided by suppliers to ensure that the Group can follow sustainability principles in the course of its development and in achieving its business objectives.

Reference is made to the Chow Tai Fook’s policies in compiling this *Code*.

Code Interpretation and Version Maintenance

In case of queries or when seeking opinion on the interpretation of this *Code*, suppliers can contact for assistance the responsible department/section in their respective region listed below.

Region	Responsible Department or Section
China	Suppliers Management Section, Executive Office, Mainland China Management Centre
Hong Kong-Macau	Executive Office, Hong Kong and Macau Management Centre
Others	Group Executive Office

This *Code* is developed by the Suppliers Management Section.

In future, the Suppliers Management Section and the Executive Office of the Hong Kong and Macau Management Centre will be responsible for updating provisions related to practices; the Group Executive Office will be responsible for updating provisions related to policies and also for the central issuing of updated versions.

Code of Practices

01 Business Ethics

02 Discrimination and Discipline

03 Money Laundering

04 Natural Diamond Disclosure

05 Diamond Supply Chain Management

06 Kimberley Process

07 Human Rights

08 Forced Labour

09 Freedom of Employment, Association and Collective Bargaining

10 Child Labour and Underage Labour

11 Environmental Protection

12 Occupational Safety and Health

13 Product Safety

14 Bribery

15 Social Participation and Development

01 Business Ethics

1. The Company shall comply with the terms and spirit of all applicable laws, regulations and statutory codes.
2. To safeguard its goodwill and enhance the trust of consumers, the Company objects to engaging in dishonesty and deception in the sales of various products.
3. The Company shall set up a mechanism to track the performance of all employees to ensure and to monitor their compliance with the above commitments.
4. The Company shall not participate in activities that can damage the reputation of the industry, including but not limited to the following:
 - Activities that constitute criminal offences
 - Carry out any transaction with regions that encourage or support conflict and persecution
 - Activities that hazard or damage intentionally or recklessly the health and welfare of individuals
 - Activities that do not comply with international environmental protection standards
 - Any behaviour intending to swindle, mislead, deceive or confuse consumers, including:
 - a) Carry out transactions in fake/inferior products by concealing facts deliberately or making deceitful statements
 - b) Transactions that involve making deceitful statements on products such as their attributes/origins/processing techniques/materials
5. The Company shall respect commercial secrets and information confidentiality.
6. The Company should operate in accordance with business ethics and, to ensure integrity and transparency, should voluntarily fill out the *Kinship Relationships between Suppliers and Chow Tai Fook Employee Declaration Form* to declare the names of and the relationships with friends and relatives working in Chow Tai Fook.
7. The Company shall fully and accurately present the characteristics of the products/materials being sold.
8. The Company shall take all reasonable measures in ensuring the physical integrity and safety of delivered products.

02 Discrimination and Discipline

1. The Company shall not engage in or condone any discriminatory behaviour.
2. The Company shall not treat ethnicity, class, original nativity, age, disability, appearance, gender, marital or family status, sexual orientation, HIV status, national origin, union membership, political affiliation or any illegal conditions as factors in considering employment, termination, remuneration, promotion or retirement.
3. The Company shall not interfere with the rights of employees in participating in activities and with the needs related to ethnicity, class, original nativity, religion, age, disability, gender, marriage or family status, sexual orientation, HIV status, national origin, union membership and political affiliation.
4. The Company shall prohibit “harassment” in any form, and shall develop policies to prohibit the use of aggressive behaviour (be it physical or verbal) that may threaten the dignity of others and make the workplace less agreeable and efficient.
5. The Company shall prohibit behaviours related to:
 - Forced sex
 - Sexual assault
6. The Company promises to set up a confidential mechanism for handling and reporting on discrimination and harassment while ensuring not to restrict and obstruct employees’ right to know.
7. The Company pledges that it will investigate any accusation of discrimination or harassment fairly, accurately and thoroughly and, if proven, offenders will be punished.
8. The Company shall never allow any aggressive behaviour (be it physical or verbal); it also pledges to treat all employees fairly and justly and will assign work according to an employee’s ability as well as the needs of the post concerned.
9. The Company shall adhere to stipulations of local laws and shall not deduct employee wages without justification.
10. The Company shall set up a fair and just reward-and-punishment system and related procedures which should be issued and communicated to every employee effectively.
11. All persons meeting the requirements of a job position shall be accorded equal employment

opportunities, and are not discriminated against on the basis of factors unrelated to the terms of the post.

03 Money Laundering

1. The Company shall employ an independent and locally recognised financial audit firm to ensure that its financial records are credible, objective and truly reflective of its financial status and to ensure that it will not engage or assist in any activity relating to money laundering, terrorism financing or other economic crimes.
2. The Company shall provide training to employees about the decisive criteria for money laundering, terrorism financing and other financial crimes so as to raise employee awareness about suspicious transactions in the course of selling and sourcing. This ensures that the Company will carry out such transactions according to prescribed procedures, thus preventing illegal and money-laundering behaviours.
3. The Company shall only carry out transactions with companies that have funds coming only from legal channels and which prohibit the indulging, promoting or supporting of illegal and money-laundering activities.
4. The Company shall carry out independent financial account auditing on an annual basis:
 - Internationally recognised accounting standards will be adopted in the auditing
 - The auditing will be conducted by qualified financial auditors
 - The appointment and duties of the auditors are independent and professional
5. The Company's financial operations shall be in compliance with legal requirements to eliminate money laundering, terrorism financing, bribery, corruption, smuggling, swindling, extortion, price transferring and tax evasion.
6. The Company shall stipulate that financial auditing personnel should be aware that the transaction of any gem or high-value goods should be in compliance with the rules and requirements of local laws related to anti-money laundering activities and combating terrorism financing.

04 Natural Diamond Disclosure

Under the following terms, the Company shall disclose all diamond-related information completely, voluntarily and visibly:

1. Before the completion of sales, the Company's employee must relate at least verbally all relevant information to the customer concerned.
2. The Company shall ensure that relevant information will be printed clearly and accurately on sales warranties.
3. Any description of diamonds must be transparent and of immediacy.
4. This policy is applicable during the course of selling, advertising and allocating diamonds.
5. The Company shall not attempt to mislead consumers with illustrative examples, verbal descriptions or bodily gestures.
6. The Company shall never call materials as "diamonds" if they do not meet the "definition of diamonds".

"Diamonds" are defined as the hardest known natural matter and the crystalline form of carbon atoms. Its degree of hardness on the Mohs scale is 10; its specific gravity is around 3.52; its refractive index is 2.42; and it can have many colours.

7. The Company shall disclose fully the information related to diamonds in accordance with DTC diamond best practice principle.
8. In accordance with DTC diamond best practices requirements, the Company guarantees that words such as "genuine" and "natural" will only be used in transactions of natural diamonds.
9. The Company promises that the above practices will be issued to all employees.
10. The Company shall develop relevant policies and procedures and shall train employees in identifying the aforementioned products.
11. The Company ensures that, when employees are selling diamond products, they will declare the Company's position to the customers.

Note: This policy is applicable to suppliers and partners of diamond type products.

05 Diamond Supply Chain Management

1. The COMPANYCompany shall abide by diamond best practices in relation to the following individuals and companies:
 - Diamond suppliers
 - Diamond business partners
2. The Company shall set up programmes and procedures and shall ensure that its contractors and subcontractors will all meet the requirements of diamond best practices in mining, transportation, manufacturing and selling (or buying, if applicable) processes.
3. The Company shall provide an implementation plan for diamond best practices and a copy of diamond best practices (i.e., copies of diamond best practices requirements and the diamond best practices assessment handbook) to its suppliers and business partners.
4. The Company shall help its diamond suppliers and contractors implement the requirements of diamond best practices where applicable.
5. Before being awarded contracts and undertaking related contractual works, the Company's business partners should furnish the Company with a written guarantee that they will abide by diamond best practices, including the commitment to carry out self-assessment and furnish a copy of the assessment report to the Company. If conditions allow, on obtaining the agreement of its business partners, the Company can carry out a third-party assessment of them.
6. The Company shall be required to furnish documented proof that it has already tried its best in taking actions to meet best practices requirements.
7. The Company shall have the chance of obtaining the material results of contractor verification visits. If the need arises, it shall actively help a contractor take measures to rectify areas needing improvements.

Note: This policy is applicable to suppliers and partners for diamond type products.

06 Kimberley Process

1. The Company shall abide by the following requirements and regulations in carrying out transactions and shipments of rough diamonds:
 - Kimberley Process
 - World Diamond Council System of Warranties
 - Local import-export regulations

2. The Company also promises to adopt the World Diamond Council System of Warranties and shall commit to the following terms:
 - All trading receipts of rough diamonds and processed diamonds will have specific descriptions listed.
 - “The Diamonds herein invoiced have been purchased from legitimate sources not involved in funding conflict and in compliance with United Nations resolutions. The seller hereby guarantees that these Diamonds are conflict free, based on personal knowledge, and/or written guarantees provided by the supplier of these Diamonds.”
 - The Company agrees with the definition used in the Kimberley Process certification scheme as regards “conflict diamonds”. “Conflict diamonds” are as yet unprocessed diamonds used by insurgents or their allies to fund opposition to legitimate governments in contravention of the related resolutions of the UN Security Council still in effect, or other similar resolutions that may be adopted by UN Security Council in future; and also those used in situations as understood and confirmed by Resolution 55/56 of the UN General Assembly, or as used in situations understood and confirmed by similar resolutions that may be adopted by the UN General Assembly in future.
 - The Company shall set up an implementation procedure to preserve Kimberley Process records, including the warranties, invoices and receipts as well as proofs of Kimberley handling for all transactions involving rough diamonds and processed diamonds.
 - The Company shall set all warranties, invoices and receipts, as well as proofs of Kimberley handling for all transactions involving rough diamonds and processed diamonds as documents of proof. These documents will be audited by the Company’s internal auditors on an annual basis to ensure that the requirements of Kimberley Process are met.

- The Company guarantees that the records mentioned above can be used for auditing purposes by local authorised government bodies or third-party auditors.
 - The Company shall introduce and explain relevant Kimberley Process regulations and system of warranties to employees concerned.
3. The Company shall have established procedures in place to cater to the requirements of the Kimberley Process.

Note: This policy is applicable to suppliers and partners for diamond type products.

07 Human Rights

1. In developing any policy and operation process, the Company shall put into consideration human rights factors, including equal opportunities, freedom of association, child labour, forced labour, anti-discrimination, anti-retaliation, as well as reasonable working hours and employee freedom of expression, publication, assembly, parade, demonstration and religious worship. This will enable the Company to face up to human rights issues.
2. The Company shall respect human rights and promises to extend due recognition and respect to every employee. Meanwhile, every employee also has an obligation to maintain an orderly and equitable workplace, thereby fostering the development of friendly personal relationships.
3. Through the implementation of the above policies, the Company demonstrates that it supports, respects and protects basic human rights principles as laid down in the *Universal Declaration of Human Rights*, the *United Nations Global Compact* and related International Labour Organisation general conferences.
4. If human rights abuse takes place in its workplaces, the Company shall report the case to the appointed department or personnel for following up and shall make suitable arrangements to ensure the safety of employees and facilities, particularly when the human rights abuse is perpetrated by security personnel. If appropriate, the Company shall develop local guidelines for use as work instructions for all security personnel.
5. The Company is willing to cooperate with relevant organisations or persons to gain an understanding of human rights issues and to create an environment conducive to the free exchange of opinions.
6. The Company under no circumstance shall resort to the use of corporal punishment to ensure that employees will under no circumstance suffer from harsh or degrading treatment, sexual or bodily harassment, psychological abuse, physical abuse or verbal insults, coercion or intimidation.
7. The Company shall abide by the rights of local residents and codes of conducts related to their traditions, culture and social heritage values.

08 Forced Labour

1. The Company shall neither use nor support forced labour or servitude of any sort, including slave-type labour, prison labour (labour that will not receive wages or that will have to serve out a sentence), or penal labour resulting from expressing political viewpoints or debt issues.
2. Management or security personnel must not withhold identity documents or properties of employees as part of the recruitment process.
3. Upon completing the law-conforming working hours stipulated in their contract (including shift duties) or making the appropriate notification, employees can leave the Company freely.
4. The Company shall not take any type of deposits or recruitment fees which are not allowed to be collected by the State to ensure that the behaviours of all employees and their family members are not under any form of coercion.

09 Freedom of Employment, Association and Collective Bargaining

Local regulations are the basis of all employment matters of the Company, which shall focus on concerning and complying with the following:

1. The Company shall follow the rules of local laws and ensure that the average weekly working hours and overtime hours of employees will not exceed the limit set by local regulations. If local regulations are otherwise stipulated, the Company's arrangement will be made in accordance with circumstances.
2. The Company shall, in accordance with the regulations of local laws, provide reasonable compensation to employees working overtime. It shall also make arrangements so that, for every seven consecutive working days, employees (including those undertaking shift duties) will have at least one day of holiday.
3. The Company shall respect the religion of employees and their religious festivals.
4. The Company shall, in accordance with local laws, ensure that employee wages and benefits meet minimum local standards so that employees can attain the most basic local living standards.
5. Before formally employing any employee, the Company shall explain in detail the wage and subsidies involved, which will not be effective until confirmed by the employee. The Company shall also list in each wage slip the details of the wage and subsidies paid out.
6. The Company shall make wage payments on pre-determined dates in a manner and location considered reasonable and acceptable by employees.
7. The Company shall keep the attendance records (including overtime work) and wage payments of every employee.
8. The Company shall not, in accordance with rules of local laws, deduct employee wages without justification.
9. Within the scope of local laws and the Company's policies, the Company welcomes the expression of opinions by employees, either individually or as a group, in order that the aim of effective communication is achieved.
10. Employees of the Company have the right to form associations and can choose whether or not to participate in employee representative organisations without fear of coercion or retaliation.

11. The Company accepts employee representative organisations as recognised representatives in collective bargaining. The Company shall also ensure that employee representative organisations can contact their members without the Company interfering with their activities.
12. While assuring that its operations are ethical and lawful, the Company shall also cater to the needs of its employees. The Company assures that if an employee honestly discloses information concerning the Company's situation or conduct which is believed to be non-ethical, illegal or probably illegal, there will not be adverse consequences in the employee's work.
13. The Company shall prohibit all kinds of retaliatory behaviour, including threatening, coercive and discriminatory ones.
14. The Company shall keep employee complaints and disputes confidential and employees will only have to furnish sufficient information for understanding the case in question. If upon the thorough investigation by the Company, it is found that an employee's complaint is baseless or possibly fraudulent, the Company may mete out disciplinary punishment to the employee.
15. The Company shall draw up overtime wage guidelines in accordance with local laws.
16. The Company shall enter into employment contracts in accordance with the law because a normal employment relationship is a commitment to undertaking obligations to employees relating to labour and social security. The Company shall not evade legal requirements by means of labour-only contracting arrangements, subcontracting contracts or home-working arrangements; or apprenticeship schemes with no intention of teaching skills or providing normal employment relationship; or use expired fixed-term employment contracts.
17. The Company shall provide all employees with entitled statutory holidays, including maternity and paternity leave, casual leave and paid annual leave as required by local laws.

10 Child and Underage Labour

1. Local laws have already set special limits on the employment of persons under a specified age to protect the rights of minors. The Company shall abide by the requirements of such laws.
2. Concurrently, the Company also guarantees to abide by the requirements of such laws.
3. The Company shall strictly monitor its recruitment affairs to ensure that the work carried out by underage employees conforms to legal requirements.

11 Environmental Protection

1. The Company shall strictly abide by local environmental protection laws to ensure that the environment will not be damaged.
2. The Company shall set up environmental protection guidelines to identify the negative impacts of the Company's various activities to the environment, including water, air, light and noise pollution and destruction to land resources.
3. The Company shall set up an effective environmental management system to help manage (assess, reduce and mitigate) related environmental impacts.
4. The Company shall establish clear-cut goals and measurable targets in regard to environmental protection issues, and shall report on the status of attaining the targets through reports open to the public (such as annual reports and announcements).
5. The Company shall strive to devise constructive solutions to deal with environmental protection issues of common concern, and shall prepare to periodically update its environmental risk management and emergency response programmes to ensure that any negative environmental consequences will not pose dangers to vulnerable ethnic/socio-economic groups.
6. The Company shall set up an environmental protection communication programme so that related information can be communicated to all stakeholders to obtain their support and cooperation.
7. The Company shall provide appropriate training and work instructions to employees so that they know how seriously their work affects the environment, thereby raising their environmental protection awareness in work.
8. The Company shall avoid using toxic/hazardous substances in its products to ensure that they meet industry standards and regulatory requirements. Suppliers engaged in diamond cutting and polishing should use cobalt-free diamond impregnated scaifes.
9. The Company shall not manufacture, trade or use chemicals and hazardous substances subject to international bans due to their high toxicity to living organisms, environmental persistence, or potential for bioaccumulation or depletion of the ozone layer.
10. In the course of recycling cyanides, the Company abides by the *International Cyanide*

Management Code to ensure that, within three years of joining the Responsible Jewellery Council, all applicable workplace will achieve Cyanide Code certification (This policy is applicable only to enterprises using cyanides).

11. The Company shall take measures to minimise the amount of waste generated in its operations by applying the principles of “reduce, recover, re-use”. It shall also manage all wastes responsibly and shall take into account environmental impact considerations alongside cost considerations in making waste disposal decisions.

12 Occupational Safety and Health

1. The Company shall do its utmost to minimise and mitigate the risk of accidents and work-related diseases, and shall raise employee awareness on dangers exclusive to the industry.
2. If necessary, the Company shall cooperate fully with employee occupational safety and health representatives and related recognised organisations and shall explain that it will carry out sustainable improvements
3. The Company shall maintain a safe and healthy workplace environment.
4. The Company shall provide employees with workshops and equipment conforming to local safety regulations.
5. The Company shall meet safety standards when handling and using hazardous substances.
6. The Company's senior management shall be responsible for the development and implementation of occupational health and safety policies, and their individual roles and responsibilities shall be set out clearly.
7. The Company shall maintain a reasonable system for the integration of occupational safety and health decision-making processes, and shall assess its occupational safety and health performance regularly.
8. The Company shall ensure that appropriate resources are available for identifying, avoiding and dealing with potential occupational safety and health crisis and for handling emergency situations.
9. The Company shall provide information on occupational safety and health to employees, including product information and labels that are conforming to relevant local laws.
10. The Company shall consult employees on their opinion on occupational safety and health.
11. The Company shall arrange for employees to attend regularly held training courses and raise employee awareness on relevant matters related to this policy. The objective is to cultivate due employee responsibility towards occupational safety and health.

13 Product Safety

1. The Company has established and implemented product safety policies and has asked its employees to operate according to process specifications to prevent products from theft, substitution or damage within the Company's premises or during shipments.
2. In developing and implementing product safety policies, the Company shall give top priority to the personal safety of employees and related personnel.
3. The Company shall require that the heads of product departments be responsible for overseeing the safety of goods/semi-finished products of their respective departments and for regularly inspecting anti-theft systems and transaction records (including the names of handlers, date, time, etc.).
4. The Company promises that it will provide consumers with products meeting health and safety requirements in accordance with local legal requirements.

14 Bribery

1. The Company shall prohibit employees from receiving or paying bribes in any form as a way to secure improper business opportunities or to affect government decisions. This policy should be strictly abided by all employees.
2. The Company shall deal timely with employee bribery tip-offs and carry out the corresponding investigation. If verified, the case shall be dealt with severely. Investigators will keep grievances confidential and employees should not worry that raising grievances or refusing to participate in bribery would result in retaliation or getting into trouble.
3. If a case is serious and violation of local laws is suspected, the Company shall report the case to local law enforcement bodies for handling.
4. The Company shall implement appropriate control and supervision in endeavouring to eradicate bribery within limited scopes.
5. All cash transactions or cash-like transactions must comply with applicable laws. For transactions above the relevant defined financial threshold, records should be submitted to the relevant designated authority.
6. The Company shall determine appropriate methods to monitor the behaviour of employees and agents to eliminate bribery risks.

15 Social Participation Development

1. The Company shall consider itself a basic citizen of the community and shall identify in earnest common grounds for community cooperation. Through the active support of community initiatives, it shall foster contribution to the community as a way to carry out its social responsibility, establish a good corporate image within the community and create an ethos of harmonious community, thereby contributing to the overall development and harmonious advancement of the community.
2. The better to build a harmonious community, the Company shall have designated personnel in place to collect information on the latest policy goals and initiatives of community stakeholders to advance and deepen cooperation with stakeholders.
3. The Company shall seek development support from communities in which it operates through initiatives in these communities.
4. The Company shall have designated personnel in place responsible for participating in activities related to community development such as:
 - Offer job positions to promote the employment of local residents
 - Donate to social public utilities and facilities
 - Participate in charitable activities

On-site Inspection

Suppliers should familiarise themselves with and conform to the above code of practices. The Group shall send representatives to inspect suppliers at irregular intervals. If any violation of the above code is found, the supplier concerned is required to take corrective action or suitable remedial measures. Within an agreed time period, a follow-up inspection of the supplier concerned will be carried out to ensure that the violation has already been rectified or remedied. If it is found during the follow-up inspection that the violation has not yet been rectified or remedied, the Group shall reserve the right to take relevant actions, including demanding compensation for loss of benefits and the right to continue/suspend/terminate the business partnership.

Letter of Acknowledgement

When this *Code of Practices* is updated, the Group shall send the updated version of the *Code* and a Letter of Acknowledgement to all suppliers. After reading the updated version, suppliers will sign the Letter of Acknowledgement to signify acknowledgement and agreement to comply with the updated *Code*. The signed Letter of Acknowledgement will be sent back to the responsible department/section in their respective region for record keeping.