

# Supplier Conduct of Code

The Code is made up of eight sections, respectively, Labor and Human Rights, Health and Safety, Environment, Ethics, Trade Security and C-TPAT, Network Security, Production, Transport and Handling Security, Management system and Supplementary Provisions, as follows:

## 1. LABOR and Human Rights

Supplier commits to respect the human rights of workers, and to treat them with dignity. This applies to direct and indirect suppliers, as well as all workers including temporary, migrant, student, contract, direct employees, and any other type of worker.

Supplier hereby undertakes that:

### 1.1. Prohibition of Forced Labor

Supplier shall not engage in or facilitate bonded (including debt bondage) or indentured labor, involuntary or exploitative prison labor, slavery or trafficking of persons is not permitted. This includes transporting, harboring, recruiting, transferring, or receiving persons by means of threat, force, coercion, abduction or fraud for labor or services. There shall be no unreasonable restrictions on workers' freedom of movement in the facility in addition to unreasonable restrictions on entering or exiting company-provided facilities, including, if applicable, workers' dormitories or living quarters.

As part of the hiring process, all workers must be provided with a written employment agreement in their native language, or in a language the worker can understand, that contains a description of terms and conditions of employment. Foreign migrant workers must receive the employment agreement prior to the worker departing from his or her country of origin and there shall be no substitution or change(s) allowed in the employment agreement upon arrival in the receiving country unless these changes are made to meet local law and provide equal or better terms.

All work shall be voluntary, and workers shall be free to leave work at any time or terminate their employment without penalty if reasonable notice is given, which shall be clearly stated in workers' contracts. Employers, agents, and sub-agents' may not hold or otherwise destroy, conceal, or confiscate identity or immigration documents, such as government-issued identification, passports, or work permits. Notwithstanding the foregoing, employers can only hold documentation if necessary to comply with the local law. In this case, at no time shall workers be denied access to their documents.

Supplier shall not require Workers to pay employers' agents or sub-agents' recruitment fees, or other related fees for their employment. If any such fees are



found to have been paid by workers, such fees shall be repaid to the workers.

### **1.2. Young Workers**

Supplier shall not employ Child labor as workers. The term “child” refers to any person under the age of 15, or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is greatest. Participants shall implement an appropriate mechanism to verify the age of workers.

Supplier shall carry out and assist the use of legitimate workplace learning programs, which comply with all laws and regulations. Workers under the age of 18 (Young Workers) shall not perform work that is likely to jeopardize their health or safety, including night shifts and overtime. Participants supplier shall ensure proper management of student workers through proper maintenance of student records, rigorous due diligence of educational partners, and protection of students’ rights in accordance with applicable laws and regulations. Participants supplier shall provide appropriate support and training to all student workers.

In the absence of local law, the wage rate for student workers, interns, and apprentices shall be at least the same wage rate as other entry-level workers performing equal or similar tasks. If child labor is identified, assistance/remediation shall be provided.

### **1.3. Working Hours**

Supplier ensure that Working hours shall not exceed the maximum set up by local rules, regulations and laws. All overtime must be voluntary. Workers shall be allowed at least one day off every week.

### **1.4. Wages and Benefits**

Compensation paid to workers shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. All workers shall receive equal pay for equal work and qualification. Workers shall be compensated for overtime at pay rates greater than regular hourly rates. Deductions from wages as a disciplinary measure shall not be permitted. All use of temporary, dispatch and outsourced labor shall be within the limits of the local law.

### **1.5. Non-Discrimination/Non-Harassment/Humane Treatment**

Supplier shall commit to a workplace free of harassment and unlawful discrimination. There shall be no harsh or inhumane treatment including violence, gender-based violence, sexual harassment, sexual abuse, corporal punishment, mental or physical coercion, bullying, public shaming, or verbal abuse of workers; nor is there to be the threat of any such treatment. Companies shall not engage in discrimination or harassment based on race, color, age, gender, sexual orientation, gender identity or expression, ethnicity or national origin, disability, pregnancy, religion, political affiliation, union membership, covered veteran status, protected genetic information or marital status in hiring and employment practices such as wages, promotions, rewards, and access to



training. Disciplinary policies and procedures in support of these requirements shall be clearly defined and communicated to workers. Workers shall be provided with reasonable accommodation for religious practices and disability. In addition, workers or potential workers should not be subjected to medical tests, including pregnancy or virginity tests, or physical exams that could be used in a discriminatory way.

#### **1.6. Freedom of Association and Collective Bargaining**

Open communication and direct engagement between workers and management are the most effective ways to resolve workplace and compensation issues. Workers and/or their representatives shall be able to openly communicate and share ideas and concerns with management regarding working conditions and management practices without fear of discrimination, reprisal, intimidation, or harassment. In alignment with these principles, participants shall respect the right of all workers to form and join trade unions of their own choosing, to bargain collectively, and to engage in peaceful assembly as well as respect the right of workers to refrain from such activities. Where the right of freedom of association and collective bargaining is restricted by applicable laws and regulations, workers shall be allowed to elect and join alternate lawful forms of worker representations.

## **2. HEALTH AND SAFETY**

Supplier represents that it recognizes that in addition to minimizing the incidence of work-related injury and illness, safe and healthy work environment enhances the quality of products and services, consistency of production and worker retention and morale. Supplier also recognizes that ongoing worker input and education is essential to identifying and solving health and safety issues in the workplace.

The recognized management systems, such as ISO45001 and ILO Guidelines on Occupational Safety and Health, were used as references in preparing the Code and may be useful sources for interpreting where there is any conflict over its contents between the parties.

This applies to all workers, including temporary, migrant, student, contract, direct employees, and any other type of worker provided by supplier or instructed by supplier.

Supplier hereby undertakes that:

#### **2.1. Occupational Safety**

Worker potential for exposure to health and safety hazards (chemical, electrical and other energy sources, fire, vehicles, and fall hazards, etc.) shall be identified and assessed, mitigated using the Hierarchy of Controls. Where hazards cannot be adequately controlled by these means, workers shall be provided with appropriate, well-maintained, personal protective equipment, and educational materials about risks to them associated with these hazards. Gender-responsive measures shall be taken, such as not having pregnant women and nursing mothers in working conditions, which could be hazardous to



them or their child and to provide reasonable accommodations for nursing mothers.

## **2.2. Emergency Preparedness**

Potential emergency situations and events shall be identified and assessed, and their impact minimized by implementing emergency plans and response procedures including emergency reporting, employee notification and evacuation procedures, worker training, and drills. Emergency drills shall be executed at least annually or as required by local law, whichever is more stringent. Emergency plans shall also include appropriate fire detection and suppression equipment, clear and unobstructed egress, adequate exit facilities, contact information for emergency responders, and recovery plans. Such plans and procedures shall focus on minimizing harm to life, the environment, and property.

## **2.3. Occupational Injury and Illness**

Procedures and systems shall be in place to prevent, manage, track and report occupational injuries and illnesses, including provisions to encourage worker reporting, classify and record injury and illness cases, provide necessary medical treatment, investigate cases and implement corrective actions to eliminate their causes, and facilitate the return of workers to work. Supplier shall allow workers to remove themselves from imminent harm, and not return until the situation is mitigated, without fear of retaliation.

Supplier shall purchase at least sufficient social insurance and other commercial insurance that can cover the injury and illness of its workers in accordance with legal provisions.

## **2.4. Industrial Hygiene**

Worker exposure to chemical, biological, and physical agents shall be identified, evaluated, and controlled according to the Hierarchy of Controls. When hazards cannot be adequately controlled, workers shall be provided with and use appropriate, well-maintained, personal protective equipment free of charge. Supplier shall provide workers with safe and healthy working environments, which shall be maintained through ongoing, systematic monitoring of workers' health and working environments. Supplier shall provide occupational health monitoring to routinely evaluate if workers' health is being harmed from occupational exposures. Protective occupational health programs shall be ongoing and include educational materials about the risks associated with exposure to workplace hazards.

## **2.5. Physically Demanding Work**

Supplier shall identify, evaluate and control the influence upon worker caused by physically demanding tasks, including manual material handling and heavy or repetitive lifting, prolonged standing and highly repetitive or forceful assembly tasks.

## **2.6. Machine Safeguarding**

Production and other machinery shall be evaluated for safety hazards. Physical



guards, interlocks, and barriers shall be provided and properly maintained where machinery presents an injury hazard to workers.

### **2.7. Sanitation, Food, and Housing**

Workers shall be provided with ready access to clean toilet facilities, potable water and sanitary food preparation, storage, and eating facilities. Worker dormitories provided by the Participant or a labor agent shall be maintained to be clean and safe, and provided with appropriate emergency egress, hot water for bathing and showering, adequate lighting, and adequate conditioned ventilation, individually secured accommodations for storing personal and valuable items, and reasonable personal space along with reasonable entry and exit privileges

### **2.8. Communication and Training**

Suppliers shall provide workers with appropriate workplace health and safety information and training in the language of the worker or in a language the worker can understand for all identified workplace hazards that workers are exposed to, including but not limited to mechanical, electrical, chemical, fire, and physical hazards. Health and safety related information shall be clearly posted in the facility or placed in a location identifiable and accessible by workers. Health information and training shall include content on specific risks to relevant demographics, such as gender and age, if applicable. Training shall be provided to all workers prior to the beginning of work and regularly thereafter. Workers shall be encouraged to raise any health and safety concerns without retaliation.

## **3. ENVIRONMENT**

Supplier represents that it has recognized that environmental responsibility is integral to producing world- class products. Participants shall identify the environmental impacts and minimize adverse effects on the community, environment and natural resources within their manufacturing operations, while safeguarding the health and safety of the public.

Supplier hereby undertakes that:

### **3.1. Environmental Permits and Reporting**

All environmental permits (e.g. discharge monitoring), approvals and registrations required pursuant to the applicable rules, regulations and laws shall be obtained, maintained and kept up-to-date and supplier shall comply with their operational and reporting requirements.

### **3.2. Pollution Prevention and Resource Conservation**

Emissions and discharges of pollutants and generation of waste shall be minimized or eliminated at the source or by practices such as adding pollution control equipment; modifying production, maintenance, and facility processes; or by other means. The use of natural resources, including water, fossil fuels, minerals, and virgin forest products, shall be conserved by practices such as



modifying production, maintenance and facility processes, materials substitution, re-use, conservation, recycling, or other means. Reduce transportation frequency while meeting demand. And prioritize renewable energy sources for the transportation process. The preferred raw materials are renewable, recyclable, and reusable materials.

### **3.3. Hazardous Substances**

Chemicals, waste and other materials which may cause hazards to humans or the environment shall be identified, labeled and managed to ensure that such materials shall be safely handled, moved, stored, used, recycle, reused and disposed. The data of Hazardous waste should be tracked and recorded

### **3.4. Solid Waste**

Participants supplier shall implement a systematic approach to identify, manage, reduce, and responsibly dispose of or recycle solid waste.

### **3.5. Air Emission**

Volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting substance and combustion by products generated from operations shall be characterized, routinely monitored, controlled and treated as required pursuant to the applicable rules, regulations and laws prior to discharge. Participants supplier shall conduct routine monitoring over the performance of its air emission control systems.

### **3.6. Materials Restrictions**

Supplier shall adhere to all applicable laws, regulations, and customer requirements regarding the prohibition or restriction of specific substances in products and manufacturing, including labeling for recycling and disposal.

### **3.7. Water Resource Management**

Supplier shall implement seeks opportunities to conserve water and controls channels of contamination. All wastewater shall be characterized, monitored, controlled, and treated as required pursuant to the applicable rules, regulations and laws prior to discharge or disposal. Supplier shall conduct routine monitoring over the performance of its wastewater treatment and containment systems to ensure optimal performance and regulatory compliance.

### **3.8. Energy Consumption and Greenhouse Gas Emission**

Suppliers shall establish and report against an absolute corporate-wide greenhouse gas reduction goal. Energy consumption and significant categories of greenhouse gas emissions shall be tracked, documented, and reported. Participants shall look for methods to improve energy efficiency and to minimize their energy consumption and greenhouse gas emissions.

### **3.9. Climate Change and Disclosure**

Suppliers should pay attention to global climate trends and assess the impacts of climate change on their products, services, and operations. They should also make continued efforts to reduce carbon footprints and improve climate resilience. These efforts include, but are not limited to, conducting and disclosing greenhouse gas inventory, promoting energy conservation and GHG



reduction within the organization, assessing environmental risks and opportunities, reducing the consumption of water and other natural resources, investing in green research and development for a low-carbon transformation, and taking action with the supply chain to adapt to climate change.

### **3.10. Biodiversity, No Deforestation, Land Conservation**

Suppliers shall avoid operating in areas in close proximity to critical biodiversity and actively manage their value chain's ecological impact, applying mitigation efforts to avoid, minimize, restore, and offset the negative impact. All suppliers are to support promoting biodiversity, no deforestation, land conservation, reforestation, or restoration of natural habitats with reputable organizations or value chain partners.

### **3.11. Being Consistent with A Life Cycle Perspective**

Supplier shall:

- 3.11.1 Establish and strictly implement control procedures, as appropriate, to ensure that it meets all environmental requirement(s) in each life cycle stage, including without limitation to the design and development process, for the products and/or services, which is no less than the requirement(s) defined under the ISO 14001 system;
- 3.11.2 Formulate the environmental requirement(s) for its own procurement of products and/or services as appropriate, which is no less than the requirement(s) defined under the ISO 14001 system;
- 3.11.3 Communicate its environment requirement(s) above to its own external providers or contractors whatever named;
- 3.11.4 Avoid or minimize all impacts to the environment ensued from the transportation or delivery, use, end-of-life treatment and final disposal of its products and/or services to meet all requirement(s) which is no less than the requirement(s) defined under the ISO 14001 system and the applicable laws. Supplier shall maintain documented information necessary to prove that the processes been carried out.

## **4. ETHICS**

To meet social responsibilities requirements and to achieve success in the marketplace, Supplier undertakes to uphold the highest standards of ethics, including:

### **4.1. Business Integrity**

The highest standards of integrity shall be upheld in all business interactions. Supplier shall have a zero tolerance policy to prohibit any forms of bribery, corruption, extortion and embezzlement. Including suppliers who are not allowed to bribe customers and their stakeholders.

Supplier can report to the Anti-corruption and Governance commercial bribery Office of Kaifa in the following ways:

Report E-mail: [DI@KAIFA.CN](mailto:DI@KAIFA.CN)

### **4.2. No Improper Advantage**



Bribes or other means of obtaining undue or improper advantage shall not be promised, offered, authorized, 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. Monitoring, record keeping, and enforcement procedures shall be implemented to ensure compliance with anti-corruption laws.

#### **4.3. Disclosure of Information**

All business deals and communications shall be transparently performed. Information regarding supplier's workers, health and safety, environmental practices, business activities, structure, financial situation and performance shall be disclosed in accordance with applicable rules, regulations and laws and prevailing industry practices. Supplier shall not embark on any falsification of records or misrepresentation of conditions or practices in the supply chain are unacceptable.

#### **4.4. Intellectual Property**

Any lawful Intellectual property rights shall be respected; the transfer of technology and know-how shall be done in a manner that protects intellectual property rights; and supplier shall ensure that its customer's and its own suppliers' information are all safeguarded.

#### **4.5. Fair Business, Advertising and Competition**

Behaving fairly for business, advertising and competition shall be upheld. Adequate and effective policy and procedures ensuring fair business, advertising and competition standards shall include:

Safeguards are in place to prevent from conspiring with other companies on product pricing or other factors that could reduce competition;

Monitoring procedures related to fair business, advertising and competition are in place.

#### **4.6. Protection of Identity and Non-Retaliation**

Programs that ensure the confidentiality, anonymity and protection of suppliers and worker whistleblowers shall be maintained, unless prohibited by law. Supplier shall have a communicated process for their personnel to be able to raise any concerns without fear of retaliation.

#### **4.7. Responsible Sourcing of Minerals**

Supplier shall adopt a policy and exercise due diligence on the source and chain of custody of the tantalum, tin, tungsten, gold, and cobalt in the products they manufacture to reasonably assure that they are sourced in a way consistent with the Organization for Economic Co-operation and Development (OECD) Guidance for Responsible Supply Chains of Minerals from Conflict- Affected and High-Risk Areas or an equivalent and recognized due diligence framework

#### **4.8. Personal Data Protection and Privacy**

Supplier shall commit to protecting the reasonable privacy expectations of personal information of everyone they do business with, including suppliers,





customers, consumers, and employees. Participants shall comply with privacy and information security laws and regulatory requirements when personal information is collected, stored, processed, transmitted, and shared. Supplier shall obtain the approval from such persons while collecting or processing such persons' data, and shall not disclose to any third party or authorize any third party to process such persons' data, except for cases under which supplier is allowed when meeting the requirements under any applicable rules, regulations and laws. Supplier shall make such persons know its legal rights upon their personal data, including demanding to modify or delete, and ensure the effective communication among them.

Supplier shall take steps to keep such persons' data in confidence, safe and being not disclosed or used arbitrarily, and implement data-protection principles, such as data minimization, with taking the measures, such as pseudonym mutation.

Where Supplier collects or processes such persons' data upon the authorization from any third party, Supplier shall act with due diligence.

## 5. TRADE SECURITY AND C-TPAT

Supplier undertakes that:

### 5.1. Workplace safety

Supplier shall lay down and implement written policies and procedures to prevent the unauthorized persons from entering into any place under its control, including but not limited to office areas, production areas, cargo handling and storage areas etc .of workplace. The area for import and export cargo should be equipped with isolation facilities to prevent any person from entering into without the permission.

### 5.2. Entry safety

Supplier shall lay down and implement written systems and procedures for access control against staffs, visitors and any other persons in and out of any place under its control and for protecting its assets or anything it possesses.

### 5.3. Personnel safety

Supplier shall lay down and implement written systems and procedures for reviewing to-be-hired staff and regularly reviewing existing staff, preserving a dynamic list of staff, including name, date of birth, ID card number, job title, entry, transfer, promotion, resignation and other information.

### 5.4. Business partner securities

Supplier shall lay down and implement written procedures and systems to assess, request, and inspect the security management conducted by its business partners complying with the requirements set out hereunder and other applicable laws, regulations and rules. For business partners who are customs certified enterprises, they are exempt from the implementation of this clause.

### 5.5. Cargo and goods safety



Supplier shall have measures and procedures to ensure the integrity and safety of the goods during the transportation, handling and storage in the supply chain.

**5.6. Container safety**

The container referred to in this clause includes sea freight containers, air freight containers, and movable devices and box trucks used for transporting import and export goods, inbound and outbound goods on trains, trucks, airplanes, ships, and any other means of transportation

Supplier shall have measures and procedures to ensure the integrity of the container in order to prevent unauthorized goods or personnel from mixing with.

**5.7. Transportation security**

Supplier shall establish and implement written systems and procedures to ensure the integrity and safety of all transportation vehicles used for the transportation of import and export goods and inbound and outbound goods within the supply chain, and to prevent unauthorized personnel or goods from being mixed in.

**5.8. Customs business and trade security training**

Suppliers participating in import and export activities should establish and implement an internal training system for customs laws, regulations, and trade security related knowledge.

**5.9. Political security**

Supplier shall not have all business dealings with terrorist countries and related agencies.

**6. NETWORK SECURITY**

Supplier undertakes that:

**6.1.** Supplier shall implement standardized safety management, especially network security management, in relation to, including but not limited to material warehousing inspection, process, product testing, material management, material traceability, etc., and shall meet the safety requirements of Kaifa and its customers;

**6.2.** Supplier guarantees that any software / firmware included in the products, materials or deliverables provided by supplier shall operate in accordance with the specifications and documents and without defects, illegal codes and / or unknown functions that may cause failure, except that the software included in the products, materials and deliverables provided by supplier is provided by Kaifa or purchased according to Kaifa's instructions. "Illegal code" refers to any computer instructions contained in the software/firmware that have one or more of the following characteristics: being not for the purpose of providing the functions described in the document, being able to hinder or prevent Kaifa and / or the customer from using the software or firmware according to the agreement, and/or violating the right of Kaifa and / or its customer to use the software or firmware and related licenses without interference.

**6.3.** Supplier shall ensure to meet any applicable national and regional safety



standards and / or qualification requirements, including but not limited to ISO28000, TAPA, AEO standards or C-TPAT qualification.

- 6.4. Supplier shall establish a product safety early warning and response mechanism, and notify Kaifa within four (4) hours after the occurrence of any situation including but not limited to product safety loopholes, damage and loss of goods or quantity fluctuation exceeding the agreed ratio of short and over loading.
- 6.5. Supplier shall provide pre-job training for workers involved in software downloading, burning, testing and other key positions of network security, and keep relevant training documented.

## **7. THE RIGHTS AND LIABILITIES OF SUPPLIER**

- 7.1. Supplier shall comply with the applicable regulations or laws in relation to safety management and other requirements set up hereunder, and shall take measures to ensure its persons to comply with them.
- 7.2. Supplier shall maintain the social insurance for its persons complying with the compulsory regulations or laws, or maintain any commercial insurance covering the injury and death to its persons against which there is no compulsory regulations or laws.
- 7.3. Supplier warrants that the vehicles with its gears all comply with the regulations or laws, such as warning labels, warning lights, roadblocks, and warrants that the driver is competent with qualification for driving and that the person being in charge of loading and unloading, installing masters the skills for safety operation. Supplier shall bundle up the products reasonably and legally according to the nature, size and quantity of the products which is suitable for transportation, and ensure that safeguards with no less than the degree under the regulations or laws are equipped where the products are dangerous to persons, things, or environment.
- 7.4. Supplier shall appoint a person who is responsible for supervising the safety operation during the delivery, transportation, unloading and handling and ensure such person being competent and being aware of such duties, which are documented for audit by Kaifa.
- 7.5. Supplier would deliver the products or services, and/or dispatch vehicles and/or its persons to Kaifa's place or perform its liabilities at the Kaifa's place, Supplier shall comply with the contract.

## **8. MANAGEMENT SYSTEM**

Suppliers shall adopt or establish a management system with a scope that is related to the content of this Code. The management system shall be designed to ensure: 1) compliance with applicable rules, regulations, and laws and customer requirements related to supplier's operations and products; 2) conformance with this Code; 3) identification and mitigation of operational risks related to this Code; and 4) continual improvement to such system.

