

# Supplier Code of Conduct

2024. 01

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# 1. Introduction

## 1.1. Objective

HD Korea Shipbuilding & Offshore Engineering (HDKSOE) has instituted this code of conduct to cultivate sustainable supply chain in collaboration with suppliers.

In conjunction with our suppliers, our aspiration is to forge a sustainable supply chain that fosters a secure work environment, upholds the fundamental human rights of our workforce, and maintains environmental stewardship and ethical governance.

## 1.2. Base

This code is based on the UN Declaration of Human Rights, the UN Convention on the Rights of the Child, and the Core Conventions presented by the International Labor Organization (ILO).

If there are differences between this code and laws, we require that the most stringent requirements be met.

## 1.3. Coverage

All suppliers shall comply with this standard and recommend equal human rights management, safety, and health, environmental standards, and ethical responsibilities to second and third-tier suppliers.

## 1.4. Additional Clause

HDKSOE or an external audit agency appointed by HDKSOE shall have the authority to inspect and perform due diligence to verify the suppliers' adherence to this standard.

Furthermore, HDKSOE may carry out written or on-site inspections as deemed necessary and provide guidance and recommendations for a sustainable supply chain.

To facilitate the development of a sustainable supply chain, HDKSOE's supply chain management plan and implementation obligations, including this Code, is

transparently disclosing through HDKSOE's integrated procurement system.

(<https://hipro.hd.com>)

## 2. Human Rights Management

HDKSOE supports international organizations' human rights protection and labor standards, including the UN Declaration of Human Rights, the Convention of the Rights of the Child, and the United Nations Global Compact (UNGC) ten principles, as well as the OECD Guidelines for Multinational Enterprises and the International Labor Organization (ILO), and has established and faithfully implemented human rights respect management policies to comply with international standards and guidelines related to human rights and labor.

Suppliers shall uphold the human rights of workers, and proactively prevent any adverse impact stemming from their business operations on human rights.

To effectively identify, prevent, and mitigate adverse human rights impacts and assume accountability for the outcomes of company activities, it is necessary to enhance the human rights management system.

### 2.1. Non-Discrimination and Non-Harassment

- 1) Suppliers shall proactively forbid actions that lead to physical or psychological distress or deteriorate the working environment through the exploitation of their position or relationships within the workplace.

Additionally, upon the request of an employee subjected to workplace bullying, appropriate measures, such as workplace relocation and reassignment, shall be implemented. Comprehensive regulations and procedures shall be established against the perpetrators to enable the adoption of justifiable actions, including relocation and disciplinary measures.

- 2) Suppliers shall not engage in discrimination based on race, color, age, gender, sexual orientation, gender identity and expression, ethnicity or country of origin, disability, pregnancy, religion, political affiliation, union membership or, veteran status, pension eligibility, genetic information or marital status in hiring and employment practices such as wages, promotions, rewards, and access to training.

- 3) Suppliers shall not engage in discrimination against employees based on the company to which these workers belong when operating within the same workplace.
- 4) Suppliers are required to establish a management system that applies equitably to both short-term and fixed-term workers, in comparison to regular employees.
- 5) Unless medical tests are required for legal or safety reasons, workers or potential workers shall not be subjected to medical tests (e.g., pregnancy or purity tests) that could be used in a discriminatory way.

## **2.2. Freedom of association and collective bargaining**

- 1) Suppliers shall respect the right of all workers to form and join worker council or trade unions. This commitment extends not only to the right to participate in lawful labor gatherings but also to the right to abstain from participation.
- 2) Suppliers shall maintain consistent communication with labor unions or labor-management councils and effectively oversee the implementation and management of agreements reached through these channels. This includes routine engagement, the maintenance of records or documentation of implementation outcomes, and the sharing of progress updates.
- 3) Suppliers shall guarantee the freedom and right to collective bargaining through their representatives in order to reach an agreement on the working conditions of workers. In addition, suppliers should not refuse collective bargaining without justifiable reasons, and shall respect the results of collective bargaining and faithfully implement them.

## **2.3. Protection of Young Workers**

- 1) Suppliers shall not use child labor in any stage of manufacturing. Suppliers shall follow ILO Convention No.138 and domestic regulation on the minimum age for admission to employment and work. 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.
- 2) Suppliers shall take required actions to verify the age of prospective employees’ age during the hiring process. If any child labor is detected, HDKSOE reserves the right to terminate the contract with the supplier promptly.

- 3) Suppliers shall ensure proper management of young workers under the age of 18 through proper maintenance in accordance with relevant laws.

Young workers shall not perform work that is likely jeopardize their health or safety, including night shifts and overtime, or work longer hours than is permitted by local law.

## **2.4. Protection of Student Workers**

- 1) Suppliers are expected to engage in the recruitment, protection, and management of student workers in full compliance with the laws and regulations of the respective country.
- 2) Suppliers shall conduct periodic assessments to ascertain the legal qualification of the schools that send student workers.
- 3) Suppliers are required to rigorously oversee, manage, and supervise the educational institutions affiliated with employed student workers in accordance with all relevant laws.
- 4) Suppliers shall offer suitable support and training to student workers to enable them to achieve their educational objectives while employed.

## **2.5. Freely Chosen Employment**

- 1) All workers shall be provided with a written employment agreement in the language that suppliers are able to understand that contains a description of terms and conditions of employment. The employment contract for migrant workers shall be established prior to their departure from their home country, and any unjust or unreasonable modifications to the labor agreement shall not be made once suppliers have arrived in the host country.
- 2) Suppliers shall guarantee that all work is undertaken with the voluntary consent of the worker and shall not impede the worker's right to retire with reasonable notice without facing any undue disadvantages.
- 3) Suppliers are prohibited from terminating the worker's contract without valid and justifiable cause.
- 4) Suppliers shall not use involuntary labor (forced, bonded, or unethical contracts) or exploitative prison labor (slavery or human trafficking). Transporting harboring, recruiting, transferring or receiving persons by means of threat, force, coercion,

abduction or fraud for the purpose of exploitation shall not be used.

- 5) There shall be no unreasonable restrictions on workers' freedom of movement in the facility and entering or exiting company provided facilities.
- 6) Suppliers (including agents and sub-agents) shall not hold or otherwise destroy, conceal or confiscate identity or immigration documents such as government-issued identification, passports except for the case only when permitted by laws.

## **2.6. Working Hours**

- 1) Suppliers shall manage maximum working hours per week to be in accordance with local laws.
- 2) All of overtime work should be voluntary.
- 3) Workers shall be allowed at least one day off every seven days and paid leave is to be provided to those who have completed the workdays as mandated for one week.

## **2.7. Wages and Benefits**

- 1) Suppliers are required to consistently display employment regulations in an easily accessible location for workers to read and be informed. Any changes to these rules that may affect workers shall only be implemented with their consent.
- 2) Suppliers shall accurately calculate minimum wages, overtime pay, legal allowances, and other compensation in accordance with relevant laws. Worker wages shall be disbursed in cash on predetermined dates, and wage reductions may only occur for justifiable reasons.
- 3) Suppliers shall subscribe to social insurance programs against the workers as mandated by laws and regulations. Suppliers are also responsible for accurately calculating and remitting deductions or withholdings for social insurance to government authorities.
- 4) Suppliers are responsible for furnishing salary statements or payment details in a language comprehensible to the workers.
- 5) Suppliers shall establish and maintain a pleasant and efficient working environment, complemented by a welfare system aimed at enhancing the workers' life quality.

- 6) Suppliers shall provide workers with the necessary education and training mandated by law, striving to foster career development and enhance employee competencies.
- 7) Suppliers shall grant pregnant workers the legally mandated leave and ensure that no hazardous or detrimental tasks are assigned to them during this period in accordance with relevant laws.

## **2.8. Humane Treatment**

- 1) Suppliers shall establish and enforce policies and procedures to guarantee humane treatment for their workers.
- 2) Disciplinary policies and procedures in support of these requirements shall be defined and communicated to workers and displayed in an easily accessible location for workers.

## **2.9. Human rights protection of local residents**

Suppliers should be careful not to infringe on human rights such as the right to safety and health of local residents and freedom of residence in all the processes of corporate operation, including resource mining, production, and service provision. In particular, appropriate environmental impact management processes should be established to prevent environmental harm to the communities where production facilities are located, and they should not have negative effects such as noise generation and infringement of the right to sunlight.

## **2.10. Human rights protection of customers**

Suppliers should establish a management process to ensure the health and safety of its customers. It should be able to ensure safety and utility in the production process of products and services as well as in the stage of use. In addition, a strict information protection management system should be established to prevent leakage and abuse of customers' personal information collected during the operation of the company.



## **2.11. Protecting the vulnerable**

Suppliers should respect the human rights of socially disadvantaged people and protect them. In particular, we should come up with in-house measures to protect and support socially vulnerable groups such as children, women, the elderly, the disabled, foreigners, and workers, and make various efforts to fulfill our social contribution obligations.

## **3. Safety and Health**

In order to prevent industrial accidents, suppliers shall institute and execute a safety and health management system with an emphasis on employers or managerial personnel. This system entails the identification of workplace hazards and risk factors, the development of strategies to eliminate, replace, or control them, and a series of ongoing activities aimed at continual improvement.

### **3.1. Safety and Health Management System**

- 1) Suppliers are responsible for the management and uphold of all safety-health related permits and licenses.
- 2) Suppliers are required to implement a safety and health management system<sup>1</sup> to proactively prevent safety-health hazards and accidents.
- 3) Suppliers shall attentively listen to safety and health concerns raised by employees in the workplace. Further, safety-health related services shall be made available at personnel in accordance with relevant laws.

### **3.2. Emergency Preparedness and Response**

- 1) Suppliers shall identify and assess all potential emergency situations (such as

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<sup>1</sup> ISO45001 (ISO), KOSHA18001 (Korea Occupational Safety & Health Agency)

Based on the employer's voluntary policy, principles for safety and health management are established, enabling a system for continuous improvement through planning, execution, inspection, and evaluation

natural disasters, mass infections, safety accidents, etc.) and shall display emergency contact information, emergency response teams, emergency scenario outlines, and response plans in places where workers can easily access them.

- 2) Suppliers shall conduct periodic training in preparation for potential emergencies, following their internally established plans and manuals.
- 3) In the event of an emergency, suppliers shall ensure there are escape routes, guiding lights, and fire facilities, and suppliers shall be inspected regularly.
- 4) In the event of an emergency, suppliers shall investigate the exact cause of the accident and take measures to prevent recurrence.

### **3.3. Occupational Injury and Illness**

- 1) Suppliers shall recognize the root causes of injuries, illnesses, and harm to workers resulting from occupational reasons. Suppliers shall provide comprehensive regulations and specific guidelines addressing workplace accidents or diseases.
- 2) Suppliers shall offer safety and health training and education to their employees. Considering situations that workers may not be able to attend planned training, supplementary training plans shall be devised to ensure that all workers receive adequate safety and health training.
- 3) Suppliers shall identify tasks that have the potential to cause physical harms, such as repetitive work or heavy lifting, and take measures to enhance processes (e.g., introducing auxiliary equipment, adjusting workstation heights, etc.), implement job rotation, and promote stretching exercises to mitigate these risks.
- 4) Suppliers are responsible for immediately halt fieldwork in the event of a major accident or serious illness.
- 5) Suppliers shall provide support for the reintegration of workers who have been on leave due to occupational accidents or illnesses, facilitating their return to work.

### **3.4. Safety Inspection**

- 1) Suppliers shall conduct regular work environment measurements in order to identify worker exposure to chemical, biological, and physical hazards present in the workplace.
- 2) Suppliers shall offer education and information to workers based on the result of

measurement associated with accidents and harmful factors, with the goal of establishing a secure work environment.

In cases where it is not feasible to eliminate or reduce potential harmful factors, control measures shall be implemented to manage them.

### **3.5. Machine Safeguarding**

- 1) Suppliers shall conduct safety inspections of all hazardous and dangerous facilities regularly, install and manage safety devices to prevent any accidents.
- 2) Suppliers shall furnish workers with complimentary safety equipment (safety helmets, safety shoes, seat belts, safety glasses, gas masks, etc.) and other necessary gear, as well as work attire.

### **3.6. Sanitation**

- 1) Suppliers shall take necessary measures to prevent various health hazards that may arise during work activities and shall ensure the provision of clean rest areas, restroom facilities, and sanitary dining areas.
- 2) Suppliers or a labor agent may provide worker dormitories. In the case, following criteria shall be adhered to:
  - a) Regularly maintain residential facilities to ensure cleanliness and safety.
  - b) Implement proper access control and install easily accessible emergency exits and fire safety equipment.
  - c) Ensure adequate lighting for off-duty activities.
  - d) Provide air conditioning and ventilation systems.
  - e) Furnish sufficient personal space, including secure individual storage lockers.
  - f) Maintain gender-separated facilities
- 3) Suppliers shall conduct periodic general and specialized health check-ups for workers and, based on the results, take appropriate measures such as adjusting the working environment, reassigning job roles, or modifying working hours as necessary.

### **3.7. Communication of safety and health**

- 1) Provide workers with safety and health information and education on all workplace hazards, including mechanical, electrical, chemical, fire and physical hazards, in their native language or in a language that the worker can understand.
- 2) Education and Training must be provided before work placement, and education and training must be provided to all workers on a regular basis even during work.
- 3) Additional training plans should be established in consideration of the situation in which workers cannot participate in the planned training, and appropriate measures should be taken to ensure that all workers receive safety and health training.
- 4) Safety and health related information should be posted so that workers can see it well where they can access it. Suppliers should actively listen to the health and safety opinions of workers in the workplace, and encourage workers to freely raise health and safety concerns without fear of disadvantages in working conditions, such as retaliation from the company and its superiors.

## **4. Environment**

Suppliers shall control all of the environmental pollutants derived from its business activities, and use its best efforts to reduce its environmental impact.

### **4.1. Environmental Management System<sup>2</sup>**

- 1) Suppliers shall acquire and uphold all required environmental permits, approvals and registrations essential for conducting business operations and shall adhere to environmental laws, regulations, and specific contractual obligations outlined by HDKSOE.
- 2) Suppliers are expected to actively monitor pollutant emissions and make efforts to substantially reduce pollutant production through modifications in raw materials,

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<sup>2</sup> ISO has published the ISO 14001 Environmental Management System. To improve internal systems and gain customer trust, one can consider obtaining ISO 14001 certification.

processes, and facility management.

- 3) In the event of an environmental pollution accident, such as chemical leaks, suppliers shall develop the response plan and conduct periodic training sessions.

## **4.2. Efficient use of resources**

- 1) In order to realize sustainable management, Suppliers shall endeavor to have business operations that can use resources (raw materials, water, etc.) more efficiently
- 2) The partner company should strive to reduce the use of resources in the course of the company's operation.

## **4.3. Air Emissions**

- 1) Suppliers are required to take measures to reduce the production of air pollutants and maintain continuous monitoring, recording, and storage of emission data.
- 2) Suppliers shall ensure the proper management of discharge and dust-control facilities in accordance with relevant laws to prevent any illegal discharge of air pollutants.
- 3) Suppliers shall establish a system for managing air pollutant emissions and conduct periodic checks to ensure the effective operation of this system.

## **4.4. Water Management**

- 1) Suppliers shall make diligent efforts to reduce water consumption and increase recycling capacity.
- 2) Suppliers shall establish a water pollutant emission management system and inspect it regularly.
- 3) Suppliers shall minimize wastewater discharge and monitor, record and store the discharge status at all times.

- 4) Suppliers shall thoroughly manage wastewater to prevent it from being illegally discharged into public areas and commercial zones. The wastewater should be properly treated and discharged through consignment treatment, self-treatment, etc.
- 5) Suppliers shall have a system to prevent rainwater pollution. The discharge of pollutants should be thoroughly managed to prevent runoff from entering rainwater pipes and public water supplies.

#### **4.5. Hazardous Substances**

- 1) Suppliers shall assess and carefully choose raw materials and components procured, produced, sold, and distributed, considering their human and environmental risks and hazards.
- 2) In the handling of hazardous chemicals (transport, storage, usage, etc.), suppliers are obliged to maintain and archive a management ledger and adhere to all relevant laws.
- 3) Suppliers shall provide hazard notations or information (e.g., MSDS, warning labels) that clearly represent the dangers associated with chemicals being handled by workers.
- 4) Suppliers shall provide essential training to personnel responsible for managing hazardous chemicals, covering their use, storage, and disposal, to prevent chemical leakage accident.

#### **4.6. Energy Consumption and Greenhouse Gas Emissions**

- 1) Suppliers shall make efforts to monitor greenhouse gas emissions and enhance efficiency throughout their processes to reduce greenhouse gas emissions.
- 2) Suppliers shall endeavor to enhance energy efficiency and reduce energy consumption by establishing their own energy management systems.

#### **4.7. Waste Management**

- 1) Suppliers shall expand reuse and recycling practices to minimize waste generation

and explore methods for recovering discarded raw materials and components.

- 2) Suppliers shall categorize the generated waste, distinguishing between general waste, designated waste, and other categories, and dispose of it in accordance with the characteristics of the waste.
- 3) When waste is produced, suppliers shall adhere to prescribed storage durations and maintain proper management by affixing storage signage and following relevant laws governing waste collection, transportation, storage, and disposal.
- 4) Suppliers shall conduct periodic due diligence checks to ensure that the contracted waste disposal company complies with the requirements of relevant laws.

#### **4.8. Noise and Vibration Management**

- 1) Suppliers shall take measures to prevent noise and vibration disturbances originating from the workplace to ensure a peaceful environment for both workers and residents.
- 2) Suppliers shall install noise and vibration prevention facilities and conduct regular inspections to adhere to legal emission allowance standards and compliance.

#### **4.9. Solid Emissions**

- 1) When setting up and operating facilities that have the potential to cause soil pollution in the workplace, it is necessary to install suitable preventive measures and conduct well-documented inspections to prevent soil contamination.
- 2) The supplier shall monitor the contamination potential of soil-polluting facilities by conducting routine, intermittent, and spillage inspections in accordance with relevant laws

#### **4.10. Prevention of Deforestation and Land Conservation**

- 1) Suppliers, for the prevention of deforestation and the preservation of land, should establish a procedure to check the possibility of potential forest destruction risks caused by business activities.

- 2) If the status of forest destruction is confirmed or the risk of forest destruction is recognized, Suppliers should strive to prepare a response system that can take appropriate measures.
- 3) Suppliers should actively cooperate in environmental protection activities through forest creation, land preservation, and greening.

#### **4.11. Conservation and sustainable use of biodiversity**

- 1) Suppliers, to preserve, restore, and expand biodiversity, shall take action that can be implemented throughout the entire operation of the business, and shall endeavor to establish and implement strategies and action plans to prevent, reduce, and offset negative effects.
- 2) Suppliers should measure and improve their impact and dependence on biodiversity when considering expanding into new areas as well as existing businesses

#### **4.12. Eco-friendly purchase**

- 1) Suppliers should participate in 'Eco-friendly purchase' activities that contribute to sustainability by expanding the purchase of 'green goods' that conserve natural resources and minimize environmental pollution.
- 2) The term 'Eco-friendly purchase' means a purchase activity that contributes to the sustainability of the company by expanding the purchase of eco-friendly goods that contributes to the preservation of natural resources and minimizing environmental pollution, and the term 'green goods' means products that are externally recognized as green purchase items or obtained environmental certification marks or certificates from government agencies, etc.
- 3) Suppliers should make eco-friendly purchases in compliance with the following policy.
  - a) Suppliers who supply eco-friendly goods must submit evidence at the time of the contract, such as environmental certification marks or certificates proving whether the products they supply are eco-friendly goods.
  - b) If the main environmental information of the products is changed after the



contract, it should be notified to HDKSOE.

- c) Suppliers must consider environmental impacts in all processes, including the manufacture of supplied goods and should strive to reduce carbon emissions and establish a system to manage them.
- d) In addition, Suppliers must present all the eco-friendly purchase-related matters required by HDKSOE.

## 5. Ethics

To guarantee transparency and equity in transactions between suppliers and foster mutual trust, the supplier shall establish ethical management policies<sup>3</sup> rooted in the highest standards of integrity, in accordance with local laws. Suppliers shall refrain from any actions that violate this principle.

Suppliers shall periodically conduct ethics and fair trade training to enhance the ethical management awareness of both management and employees.

### 5.1. Transparency in Business Relationships

- 1) Suppliers shall not engage in any form of corruption, such as offering money or benefits to stakeholders with the intent to influence decision makings. Suppliers shall conduct periodic anti-corruption training for all employees, including management.
- 2) Suppliers shall encourage their workers to report conflicts of interest and shall establish internal regulations and procedures to document and manage such reports.
- 3) If a stakeholder offers money, suppliers shall politely refuse or return it. However, in the case of gifts, if the individual was unaware or if immediate refusal or return would be considered rude, suppliers shall report and handle it according to internal regulations.
- 4) Suppliers shall use the company's tangible and intangible assets, including

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<sup>3</sup> ISO has published the ISO 37001 Anti-Bribery Management System. To improve internal systems and gain customer trust, one can consider obtaining ISO 37001 certification.

confidential information, solely for business activities and approved purposes. Suppliers shall prepare for potential loss, misuse, or theft of assets. The company's funds shall be used appropriately for their intended purpose, and misappropriation or acquisition of public funds through false documentation is prohibited.

- 5) When appointing third parties such as brokers or consultants, suppliers shall ensure that suppliers do not resort to corrupt practices like bribing. If a third party offers a bribe for the benefit of the company and the supplier knew or could have known about it, the supplier may be held responsible.

Therefore, suppliers shall monitor to prevent inappropriate offers, bribes, or acceptance of unjust/improper benefits in their business relationships and investigate any suspicions.

## 5.2. Observance of Fair Trade

- 1) Suppliers shall comply with the laws and regulations related to fair trade, antitrust, and subcontracting transactions of the country in which it operates.
- 2) Suppliers shall not engage in any activities that may disrupt market competitiveness.
- 3) Suppliers can voluntarily report collusion. HDKSOE has introduced a leniency system that deals with transactions, bidding sanctions, and exemption and reduction of damages for partner companies that voluntarily report collusion. HDKSOE operates a Collusion Reporting Center. For any other inquiries related to unfair trade with suppliers including collusion, please contact to HDKSOE Collusion Reporting Center (HDKSOE HIPRO Collusion Reporting Center).
- 4) Suppliers shall encourage the adoption of the following practices<sup>4</sup> to contribute to establishing a fair subcontracting trade order for HDKSOE, even among subcontracting companies:

- a) Practices for desirable contract signing:

Prevent the abuse of superior negotiating power and establish fair and rational trade practices by laying out guidelines for what needs to be adhered to during contract signing.

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<sup>4</sup> Our Fair Trade Practice guidelines are being shared through the website (<https://hipro.hd.com>).

b) Practices for fair registration (selection) of subcontracting companies:

Publicize the registration and operation procedures of subcontracting companies to enhance the fairness of trade.

c) Practices for the operation of an internal review committee:

Deliberate on the fairness and legality of subcontracting trades and prevent violations.

d) Practices for issuing and preserving documents:

Clearly present obligations related to issuing documents to spread the culture of proper documentation.

### **5.3. Prohibition of counterfeit parts**

- 1) Suppliers shall not produce or process unapproved raw materials and parts, and shall not use or sell counterfeit raw materials and parts.
- 2) Suppliers shall periodically check whether forged raw materials, parts, etc. are produced or used in the workplace, and if it is confirmed, it shall immediately notify the government or the customers.
- 3) Suppliers shall endeavor to ensure that the raw materials, parts, etc. are used or distributed in accordance with the purpose of the business or the terms of the contract.

### **5.4. Disclosure of Information and Privacy**

- 1) Suppliers shall disclose information regarding labor, occupational health and safety, environment, business status, governance, financial condition, and performance in accordance with relevant laws. Falsifying records, providing inadequate annotations, or making false disclosures/statements is not permitted.
- 2) Suppliers are only allowed to use intellectual property rights that have been granted permission for the manufacture of the product or related purposes. Suppliers may not use them beyond the manufacturing of the product or related activities. Without prior approval and consent, suppliers shall neither provide intellectual property rights to a third party nor infringe upon the intellectual property rights of a third party.
- 3) Suppliers shall establish a trust relationship with stakeholders based on accurate

information disclosure. Suppliers shall not provide false or exaggerated information, leading stakeholders to have a misconceived perception of the company.

- 4) Suppliers shall protect all information related to stakeholders (including employees and clients). When collecting, storing, processing, transmitting, or sharing information, suppliers shall comply with personal information and information security laws.

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

- 1) Programs that ensure the confidentiality and protection of supplier and employee whistleblower are to be maintained unless prohibited by law.
- 2) Suppliers shall have a communicated process for their personnel to be able to raise any concerns without fear of retaliation.

## **5.6. Import and export management and customs clearance**

- 1) Suppliers must comply with the management of import and export goods and customs regulations. It must comply with the Uighur Forced Labor Prevention Act and the export and import restrictions, such as the control of the export and export of strategic materials to warring countries, and must not trade with countries, regions, and individuals subject to the above laws and economic sanctions.
- 2) Supplier should cooperate in activities to fully grasp the supplier's current status of HDKSOE.

# **6. Management System**

The senior management of the supplier shall demonstrate their commitment to adhering to this Code of Conduct and conduct regular assessments and improvements as necessary. Additionally, these statements shall be distributed and made available in a language that is comprehensible to the workers.

## **6.1. Decision Making and Improvement**

- 1) Suppliers shall establish a board of directors in accordance with their articles of association and company rules, and major decisions shall be deliberated upon through the board of directors, which shall meet at least once every quarter.
- 2) Suppliers shall maintain integrity against any form of bribery, corruption, extortion, and embezzlement in all business areas. Suppliers shall also implement policies and programs for the practice of human rights management, which includes impact assessments, punishments, improvements, and monitoring of compliance procedures.

## **6.2. Stakeholder Communication**

- 1) Suppliers shall possess and operate regular communication procedures with stakeholders (workers, managers, suppliers, customers, executives, etc.) concerning Environmental, Social, and Governance (ESG) matters.
- 2) Suppliers shall have a procedure to regularly report ESG issues (laws or regulations, changes in customer preferences, stakeholder requirements, risks, etc.) to the board of directors to facilitate decision-making.
- 3) Suppliers shall check and record compliance with this code of conduct and disclose information on major non-financial matters.

## **6.3. Responsible Sourcing**

- 1) Suppliers shall prevent the use of minerals (tungsten, tin, gold, tantalum) sourced from conflict-risk areas and shall be able to prove this.
- 2) Suppliers shall not produce or use raw materials and components that are not required in the contract.
- 3) Suppliers shall not engage in transactions with countries, regions, or individuals subject to export restrictions and economic sanctions.
- 4) As a member of the local community, suppliers shall take the lead in activities necessary to solve the community's environmental/social issues.
- 5) Suppliers shall recommend second and third-tier suppliers to take on equal responsibilities and voluntary participation as per this standard.

## **6.4. Risk Management**

- 1) Suppliers shall identify risks related to human rights, health and safety, environment, and ethics in business operations.
- 2) Suppliers shall manage risks according to appropriate procedures.
- 3) Suppliers shall set the relative importance of risks based on the possibility of their occurrence and the level of impact on the business. And, based on this importance, suppliers shall establish a system that can systematically control the identified risks.

## **6.5. The handling of grievances**

- 1) Suppliers should have channels and effective grievance procedures to report cases of human rights violations. They should evaluate workers' understanding of the practices and conditions covered by this code, receive feedback or violations, and establish and operate procedures to pursue continuous improvement.
- 2) If a case of human rights violation is reported, the remedy should be discussed after checking the contents and investigating procedures. All information and informant information are guaranteed to be anonymous, and retaliatory acts such as disadvantages or discrimination caused by reporting are prohibited.
- 3) Workers should be provided with a safe environment to express their grievances and feedback.

## **6.6. Self-assessment and corrective action**

- 1) Suppliers should periodically conduct self-assessment to ensure compliance with Customer's contractual requirements in relation to legal and regulatory requirements, content of this Code, environmental, social responsibility, etc.
- 2) Suppliers should have procedures to correct any discrepancies identified through internal and external evaluations, inspections, investigations, and reviews in a timely manner.

## 6.7. Documentation and recording

- 1) Suppliers should make and maintain documents and records to keep confidentiality for regulatory compliance and privacy, and to comply with the requirements of the state, society, and relevant agencies.
- 2) Supplier should document to show compliance with this code and should immediately provide relevant information (excluding cost, sales, management strategy and sales related information prohibited under the law) if requested by HDKSOE.

HDKSOE will continue to develop this code and will do its best to regularly gather stakeholder input.

This code may be amended regularly, and the amendments are announced on the HDKSOE website or on the HiPRO System (<https://hipro.hd.com>).

All suppliers of HDKSOE should actively reflect the provisions of these code in the process of corporate operation and decision-making, and should establish a plan to reduce risks and take specific measures based on mutual consultation with HDKSOE.

"Supplier Name" is a partner of HDKSOE and agrees that HDKSOE may take action, such as termination of the contract or suspension of the business relationship, if "Supplier Name" violates this code.