

# Supply Chain Code of Conduct Implementation Procedure

## Background

Sonik is committed in working with its suppliers and contractors to develop and maintain a management system whose scope is related to the content of Sonik's Supply Chain Code of Conduct.

Since the introduction of the Supply Chain Code of Conduct, approximately 100 active contractors and suppliers have been screened according to the listed four Key Principles, namely Human Right, Ethics, Health & Safety and Environmental.

## Effective Date

The Supply Chain Code of Conduct is firstly introduced in 30 June 2011 and being updated in the current version in Feb 2012.

## Corporate Responsibility Committee (CRC)

The Supply Chain Code of Conduct and its Implementation Procedure are prepared by the Corporate Responsibility Committee (**CRC**) of Sonik under the management of Mr. C. K. Shum (who is being the owner of the document in the Supply Chain Code of Conduct and its Implementation Procedure). Members of the CRC comprise with full time employed staffs of the company in covering both the administration and construction segments.

Two key members are elected in managing the key function of the CRC – Miss Joanne Chow and Mr. Sunny Lam. Key performance of these members is being outlined hereunder:

### Miss Joanne Chow – Head of Administration

Joanna has worked for 15 years in the company and she is nominated to be the representative of the administration staffs of the company in responsible to distribute the draft of the Supply Chain Code of Conduct and its Implementation Procedure internally as well as collecting feedbacks and to obtain the form of Commitment from the staffs ahead of the implementation.

### Mr. Sunny Lam – Director

Sunny is the Director of the company and is involving daily with all the contractors, nominated contractors, subcontractors and suppliers under the company payroll record.

He is responsible to circulate the Draft of the Supply Chain Code of Conducts externally to all contractors, nominated contractors and suppliers, as well as obtaining feedback and commitment from them via various channels by including verbal discussion.

Form of Commitment or acknowledgement (in case the counter parties are not in a proper position to sign for any Form of Commitment) will be collected and filed before the implementation of the Code of Conducts as well as its Implementation Procedure.

General meeting is called annually for election of the members of the panel, representative from various departments of the company is invited to join in the panel.

## **Collection of Commitments**

Before going for publication (both internal and external), the prepared Supply Chain of Conduct remains in its stage of drafting (the Draft).

This Draft has been circulated internally via the chief Administration Manager – Miss Joanne Chow, who is one of the members of the Constitution Panel.

A freeze of 14 days was applied since the date of internal circulation and each employee of the company is free to express his and her own opinion via letters, emails or direct interview with their respective supervisors or directly to Joanne.

Same procedure is being applied for the external circulation by Sunny Lam, the Draft has been sent to all subcontractors, major contractors and active suppliers in obtaining their commitments as well as comment which is highly appreciated within the frozen period of 14 days from its day of circulation of the Draft.

A standard form of Commitment is used upon the expiry of the 14 days frozen period, of which the company employee as well as the addressed contractors, subcontractors and suppliers will put its name details and acknowledge their acceptance by signing on the form of Commitment.

These signed forms of Commitment will be kept in file by the company and copy of form is available for review upon receipt of request in written.

## **Publication**

After the collection of commitments both internal and external is completed by collecting all the form of Commitments respectively as per its sending, the Draft is then final read by its owner who is the Managing Director of Sonik and become effective on 17 June 2011.

The Supply Chain Code of Conduct Implementation Procedure is published internally via the Constitution Panel to the attention of every employee of the company in 30 June 2011 and it has been published to those contractors and suppliers who have worked and working with Sonik via email and post.

All major and significant active suppliers and contractors were scanned in Feb 2013 for complying with the current version of The Supply Chain Code of Conduct Implementation Procedure.

## **Feedback**

Sonik welcomes feedback from its subcontractors, major contractors and active suppliers to provide feedback on topics as per listed in the Code of Conduct.

Such feedback covers a wide range of formats including letters, emails or verbal discussion.

All collected feedback will be reviewed by the CRC at end of each financial year so as to update or modify the contents upon necessary.

In Jan 2012, Sonik had collected feedback from employees on topics such as the performance on MPF and the service of the MPF servicing agent as well as the issue of working hours.

In the same time, feedback from service vendors, active suppliers, contractors and nominated sub contractors had been collected in covering the topics such as length of payment circle, payment credit terms arrangement as well as review of anti corruption practices especially in extend to the operation of front line operators at construction sites.

This collection of feedback in both active and proactive approach will be continued as a general practices and information being obtained will be taken as the reference materials in prepare for the fine turning of our commitments to the corporate responsibility issues.

## **Review**

A general review will be extended to all active participants of the Chain in screening for existing environmental, human rights, health and safety and ethics issues annually.

The review is made by both Sunny and Joanne in covering both the external and internal segment of operation.

The date of review is not limited to the first two calendar month of each financial year but also being extended to regular meetings and discussions with relative stakeholders.

In case of any updated laws and regulations being implied as well as any required updating is needed, a new version will then be drafted for circulation and collecting comments before going into effectiveness.

## **The Key Principles**

The key principles of Sonik's Code of Conduct rest in the following areas:

- Ethics
- Human Right
- Environment
- Health & Safety

The following statement records the achievement of Sonik towards each key principle since its implementation of the of Conduct,

This statement can be shared by relative stakeholders of the Implementation Procedure in knowing how Sonik develops and maintains a sustainable supply chain.

### **A. Human Rights**

Sonik is committed to uphold the human rights of workers, and to treat them with dignity and respect as understood by the international community. This applies to all workers including temporary, legally migrant, student, contract, direct employees, and any other type of worker. The recognized standards, as set out hereunder, were used as references in preparing the Code and may be a useful source of additional information.

The labor standards are:

#### **a.1) Freely Chosen Employment**

Forced, bonded (including debt bondage) or indentured labor, involuntary prison labor, slavery or trafficking of persons shall not to be used. This includes transporting, harboring, recruiting, transferring or receiving vulnerable persons by means of threat, force, coercion, abduction or fraud for the purpose of exploitation. All work must be voluntary and workers shall be free to leave work at any time or terminate their employment. Workers must not be required to surrender any government-issued identification, passports, or work permits as a condition of employment. Excessive fees are unacceptable and all fees charged to workers must be disclosed.

### **a.2) Child Labor Avoidance**

Child labor is not to be used in any stage of manufacturing. The term “child” refers to any person under the age of 15 (or 14 where the law of the country permits), or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is greatest. The use of legitimate workplace apprenticeship programs, which comply with all laws and regulations, is supported. Workers under the age of 18 shall not perform work that is likely to jeopardize the health or safety of young workers.

### **a.3) Working Hours**

Studies of business practices clearly link worker strain to reduced productivity, increased turnover and increased injury and illness. Workweeks are not to exceed the maximum set by local law. Further, a workweek should not be more than 60 hours per week, including overtime, except in emergency or unusual situations. Workers shall be allowed at least one day off per seven-day week.

### **a.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. In compliance with local laws, 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. The basis on which workers are being paid is to be provided in a timely manner via pay stub or similar documentation.

### **a.5) Humane Treatment**

There is to be no harsh and inhumane treatment including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers; nor is there to be the threat of any such treatment. Disciplinary policies and procedures in support of these requirements shall be clearly defined and communicated to workers.

### **a.6) Non-Discrimination**

We should be committed to a workforce free of harassment and unlawful discrimination. Companies shall not engage in discrimination based on race, color, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status in hiring and employment practices such as promotions, rewards, and access to training. In addition, workers or potential workers should not be subjected to medical tests that could be used in a discriminatory way.

### **a.7) Freedom of Association**

Open communication and direct engagement between workers and management are the most effective ways to resolve workplace and compensation issues. The rights of workers to associate freely, join or not join labor unions, seek representation, and join workers’ councils in accordance with local laws shall be respected. Workers shall be able to openly communicate and share grievances with management regarding working conditions and management practices without fear of reprisal, intimidation or harassment

## **B. Health & Safety**

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

Recognized management systems such as OHSAS 18001 and Factories and Industries Undertaking Ordinance were used as references in preparing the Code and may be a useful source of additional information. The health and safety standards are:

### **b.1) Occupational Safety**

Worker exposure to potential safety hazards (e.g., electrical and other energy sources, fire, vehicles, and fall hazards) are to be controlled through proper design, engineering and administrative controls, preventative maintenance and safe work procedures (including lockout/tagout), and ongoing safety training. Where hazards cannot be adequately controlled by these means, workers are to be provided with appropriate, well-maintained, personal protective equipment. Workers shall not be disciplined for raising safety concerns.

### **b.2) Emergency Preparedness**

Potential emergency situations and events are to be identified and assessed, and their impact minimized by implementing emergency plans and response procedures including: emergency reporting, employee notification and evacuation procedures, worker training and drills, appropriate fire detection and suppression equipment, adequate exit facilities and recovery plans.

### **b.3) Occupational Injury and Illness**

Procedures and systems are to be in place to prevent, manage, track and report occupational injury and illness 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 return of workers to work.

### **b.4) Industrial Hygiene**

Worker exposure to chemical, biological and physical agents is to be identified, evaluated, and controlled. Engineering or administrative controls must be used to control overexposures. When hazards cannot be adequately controlled by such means, worker health is to be protected by appropriate personal protective equipment programs.

### **b.5) Physically Demanding Work**

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

### **b.6) Machine Safeguarding**

Production and other machinery shall be evaluated for safety hazards. Physical guards, interlocks and barriers are to be provided and properly maintained where machinery presents an injury hazard to workers.

## **C. Environment**

Sonik recognizes that environmental responsibility is integral to deliver world class service. In construction operations, adverse effects on the community, environment and natural resources are to be minimized while safeguarding the health and safety of the public. Recognized management systems such as ISO 14001 and the Eco Management and Audit System (EMAS) were used as references in preparing the Code and may be a useful source of additional information.

The environmental standards are:

### **c.1) Environmental Permits and Reporting**

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

### **c.2) Pollution Prevention and Resource Reduction**

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

### **c.3) Hazardous Substances**

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

### **c.4) Wastewater and Solid Waste**

Wastewater and solid waste generated from operations, industrial processes and sanitation facilities are to be characterized, monitored, controlled and treated as required prior to discharge or disposal.

### **c.5) Air Emissions**

Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are to be characterized, monitored, controlled and treated as required prior to discharge.

### **c.6) Product Content Restrictions**

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

## **D. Ethics**

To meet social responsibilities and to achieve success in the marketplace, Sonik upholds the highest standards of ethics including:

### **d.1) Business Integrity**

The highest standards of integrity are to be upheld in all business interactions. Participants shall have a zero tolerance policy to prohibit any and all forms of bribery, corruption, extortion and embezzlement (covering promising, offering, giving or accepting any bribes). All business dealings should be transparently performed and accurately reflected on Participant's business books and records. Monitoring and enforcement procedures shall be implemented to ensure compliance with anti-corruption laws.

### **d.2) No Improper Advantage**

Bribes or other means of obtaining undue or improper advantage are not to be offered or accepted.

### **d.3) Disclosure of Information**

Information regarding business activities, structure, financial situation and performance is to be disclosed in accordance with applicable regulations and prevailing industry practices. Falsification of records or misrepresentation of conditions or practices in the supply chain are unacceptable.

### **d.4) Intellectual Property**

Intellectual property rights are to be respected; transfer of technology and know-how is to be done in a manner that protects intellectual property rights.

### **d.5) Fair Business, Advertising and Competition**

Standards of fair business, advertising and competition are to be upheld. Appropriate means to safeguard customer information must be available.

### **d.6) Protection of Identity**

Programs that ensure the confidentiality and protection of supplier and employee Whistle blower<sup>2</sup> are to be maintained.

### **d.7) Responsible Sourcing of Minerals**

Participants shall have a policy to reasonably assure that the tantalum, tin, tungsten and gold in the products they manufacture does not directly or indirectly finance or benefit armed groups that are perpetrators of serious human rights abuses in the Democratic Republic of the Congo or an adjoining country. Participants shall exercise due diligence on the source and chain of custody of these minerals and make their due diligence measures available to customers upon customer request

### **d.8) Privacy**

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

### **Monitoring System**

In Jan 2012, during the first review of the Supply Chain Code of Conduct, Sonik came to decide that a monitoring system shall be designed to ensure

- (a) Compliance with applicable laws, regulations and customer requirements related to the Suppliers' operations and products.
- (b) Conformance with this Code.
- (c) Identification and mitigation of operational risks related to this Code.

Base on above review, the monitoring system is being integrated into the effective procedures by Feb 2012 which are in place now and it should also facilitate continual improvement.

### **Conclusion**

It is mutually agreed that in case of being required, Sonik is having the right to obtain the required inputs as listed above for submission to client's study.

In our annual review meeting, the Code of Ethics, Supply Chain Code of Conduct, Environment Policy, OHS Policy, Anti Corruption Policy, Human Rights and Social Policy are tabled to each supplier or contractor being met.

It is expressed clearly in such meeting that all Sonik's suppliers and contractors shall read the handed policies clearly and to follow the direction as per stated.