

Sustainable Procurement Policy

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Prepared by:

Approved by:

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1. Foreword

The Company has consistently upheld its commitment to making broad contributions to society and the environment. In line with this commitment, we promote sustainable management practices and leverage our strengths while creating value for our stakeholders. Our dedication to creating value for the entire society extends not only to creating value through the value chain but also through social contribution initiatives, etc.

To further bolster our ongoing pursuit of sustainable operations and to underscore our resolve to operate globally and actively assume social responsibility as a responsible corporate citizen to the international community, we actively endorse the principles outlined in the United Nations Global Compact initiative — Human Rights, Labour, Environment, and Anti-Corruption. These principles guide our actions across all our corporate activities. As the supply chain becomes increasingly globalized, the complexities of the risks companies face also intensify. We believe that to ensure that Liaoning Aihai Talc's operations benefit ethics, morality, society, and the environment, it is imperative for both The Company and the entire supply chain to adhere to stringent standards and keep practising following the principles.

Based on this understanding, the Company has formulated this Sustainable Procurement Policy within the framework of our sustainable policy. This policy clearly outlines sustainable procurement's objectives, principles, and requisites and establishes a code of conduct for suppliers. We aspire for all our suppliers to align with the purposes of this policy. This policy is not limited to execution within the Company; it also demands proactive adoption by our first-tier and higher-level suppliers.

We reserve the right to interpret and amend this policy as needed.

2. Objectives

Liaoning Aihai Talc fulfils its corporate responsibility in enterprise management, environment, and society, engaging in appropriate activities to achieve sustainable development for the Company and the planet. Concurrently, through just, fair, green, and responsible procurement practices, we promote suppliers' understanding of sustainability, increase collaboration with suppliers in the field of sustainability, and ensure alignment across the supply chain to realize the Company's sustainable

strategy.

3. Principles

The sustainable procurement initiatives of Liaoning Aihai Talc are underpinned by a comprehensive consideration of the product lifecycle, encompassing the identification of risks from economic, environmental, human, and human rights perspectives, followed by setting the priorities for further management. Sustainable procurement activities adhere to the following principles:

- Accountability
- Transparency
- Ethical conducts
- Adequate and equal opportunities
- Respect for stakeholders' interests
- Adherence to legal and international codes of conduct
- Respect for human rights
- Innovative approaches
- Focus on needs
- Integration
- Total cost analysis
- Continuous improvement

4. Main Provisions

1. Valuate partnerships

Liaoning Aihai Talc strives to foster mutually beneficial relationships with its suppliers, aiming to build a trusting relationship based on the principles of peaceful coexistence and shared prosperity. We will continue collaborating with our suppliers to ensure the quality, safety, and other requirements of talc products sold in the market.

2. Just and Fair Transactions

Liaoning Aihai Talc extends an equal opportunity for collaboration to all companies, irrespective of whether a trading relationship has been established. We earnestly respond to and implement just and fair transactions following relevant policy procedures. Without the information provider's consent, the Company shall refrain from disclosing any information or technology obtained during business

activities.

3. Prioritize Collaborations with Quality Suppliers

In fulfilling our responsibility for sustainable impact management along the value chain, the Company assesses suppliers based on product quality, cost, technical capability, and responsiveness to delivery requirements and evaluates their ability to fulfil their social responsibilities. This comprehensive evaluation hence promotes business collaboration with competitive and highly reliable suppliers.

4. Compliance with Laws, Regulations, and Ethical Standards

To adhere to legal and ethical requirements in procurement and to prevent losing the value of the products and services offered to customers through business transactions, Liaoning Aihai Talc strictly prohibits the acceptance of hospitality, gifts, and other personal benefits from suppliers. To coexist peacefully and prosper with suppliers, the Company never exploits its position as a purchaser to demand unjust discounts or services. Not only do we provide products that satisfy our customers, but we also, from a sustainability perspective, collaborate with suppliers to adhere to the laws, regulations, social norms, and other requirements of various countries or regions, engaging in activities that exemplify good corporate citizenship.

5. Environmental Considerations

Guided by a full lifecycle approach, the Company proactively manages the environmental impact of procured materials from the early stages of the production process. Concurrently, we also consider the implications of these materials during usage and disposal. We work with our suppliers to reduce environmental burdens through various forms of cooperation.

5. Requirements for Suppliers

We integrate the concept of sustainable development management throughout the procurement process, including supplier selection, acceptance, demand and cost analysis, daily management, performance evaluation, and elimination. We incorporate sustainability into the assessment of supplier performance. Suppliers demonstrating a solid commitment to sustainable development are granted increased procurement portions and prioritized business cooperation opportunities under equivalent conditions. Subject to prior notification, we reserve the right to conduct on-site audits of suppliers to assess their adherence to this policy.

For suppliers with poor sustainability performance, especially those violating red-line requirements of sustainable development, rectification within a specified timeframe is mandated. In addition, procurement portions and business cooperation opportunities may be reduced. Failure to rectify or refusal to rectify will lead to the termination of the cooperation relationship.

Suppliers must acknowledge and sign our "Supplier Code of Conduct" and the declaration, committing to comply with this policy and the supplier code of conduct as well as continuously improve.

This policy encompasses the following sections: Environmental Management, Protection of Employee Rights, Occupational Health and Safety, Training and Instructions, Quality and Safety, Business Continuity Planning, Legal Compliance, Business Ethics, Reporting Violations, and Social Contributions.

1. Environmental management

(1) Environmental permits and reports

Suppliers must obtain, maintain, and update all necessary environmental permits (such as emission monitoring), approvals, and registrations and comply with the operational and reporting requirements.

(2) Energy saving, water conservation, carbon emission reduction

Suppliers must implement conservation and alternative measures to reduce their energy, water, and natural resource consumption. Suppliers should actively utilize new and clean energy sources whenever feasible and under applicable conditions, aiming to decrease the usage of non-renewable energy. Suppliers must also identify, manage, reduce, and responsibly control greenhouse gas (GHG) emissions during operational processes.

Suppliers should formulate plans and quantifiable metrics for energy saving, consumption reduction, and carbon emission reduction.

(3) Pollution and waste management

Suppliers must take measures to reduce or eliminate pollution generation and emissions at the source, prohibit the illegal discharge of pollutants, protect water and air quality, and prevent noise pollution. Suppliers should identify, manage, and reduce hazardous waste and ensure responsible disposal or recycling.

(4) Quality and environmental safety

Suppliers must adhere to all relevant laws and regulations concerning prohibited or restricted substances and customer requirements. They should implement effective measures to prohibit or limit the use of specific substances in products and/or the manufacturing process. Suppliers should maintain an effective quality management system to ensure product quality is controlled following legal regulations and customer requirements. This ensures that products do not harm the environment or the health and safety of users.

(5) Environmental protection and green development

Suppliers should embrace the concept of green and low-carbon development, actively engage in green design, innovate green manufacturing processes, use green materials, advocate green packaging, implement green transportation, and strive for green environmental practices throughout the entire business lifecycle. This approach aims to minimize ecological harm resulting from work processes and production. If unavoidable harm or disruption to the environment or public interests occurs due to special circumstances, necessary administrative approvals or licenses must be obtained before operations commence. Suppliers are encouraged to cultivate a green office environment, promoting the green upgrade of industry infrastructure. Suppliers must ensure the safety of their life and property and that of their employees and comply with the necessary insurance categories required for their business operations by paying the insurance premiums to relevant authorities.

2. Employee Human Rights Protection

(1) Prohibition of child labour

Suppliers are strictly prohibited from using child labour under the age of 16. Once the misuse of child labour is discovered, suppliers need to immediately take remedial action and report to us.

(2) Prohibition of forced labour

Suppliers must ensure that all employees are employed on a voluntary basis. Forced or prison labour shall not be used. Suppliers shall not restrict personal freedom and shall not withhold identity documents. Suppliers shall not require employees to pay deposits, recruitment fees, or other fees. Suppliers shall not prohibit employees from resigning and delay the payment of wages to employees, including severance

pay.

(3) Prohibition of Discrimination and Harassment

Suppliers are prohibited from discriminating against employees in employment practices, including but not limited to hiring, compensation, promotion, rewards, training opportunities, and termination, based on factors such as race, age, gender, gender identity, disability, pregnancy, marital status, and religious beliefs. Suppliers shall not require employees or prospective employees to undergo medical tests or physical examinations that may have discriminatory purposes.

Suppliers must take action to eliminate any harassment of employees, including sexual harassment, defamation, insults, etc. Unlawful body searches or body searches of the opposite sex are not permitted, nor are the threats of performing such acts.

(4) Labour Union and Collective Bargaining Rights

Suppliers shall establish an effective labour communication mechanism and regularly communicate with employees or employee representatives. Suppliers shall respect the rights of all employees to voluntarily join labour unions, engage in collective bargaining and refuse to participate in such activities following local laws. Employees and/or their representatives shall be able to communicate openly and express views and concerns with management regarding working conditions and management practices without fear of discrimination, retaliation, intimidation or harassment.

(5) Working hours

Suppliers shall comply with all applicable laws and regulations related to working hours and breaks, and all overtime work must be voluntary. The standard working week (excluding overtime hours) shall be determined by law but may not exceed 48 hours,. Employees shall have at least one day off a week.

(6) Salary and benefits

Compensation paid by suppliers to workers shall comply with all applicable wage laws, including laws regarding minimum wages, overtime wages and statutory benefits. Suppliers shall pay wages to employees in full and on time and provide clear and understandable wage slips.

3. Occupational Health and Safety

(1) Workplace safety

Suppliers shall provide a safe and healthy working environment. Suppliers shall obtain, maintain and renew all necessary health and safety permits and comply with the provisions of those permits. Suppliers shall eliminate any working conditions that seriously endanger life safety or health, prevent major fire or explosion accidents, and prevent fatal accidents at the job site.

(2) Living environment safety and hygiene

Suppliers shall provide employees with clean toilet facilities, drinking water and, where necessary, clean and hygienic food, storage and dining facilities. Staff dormitories should be kept clean and safe and have reasonable living spaces.

(3) Safety risk prevention and labour protection

Suppliers shall identify and assess possible occupational health and safety risks, eliminate or reduce risks through removing hazards, substitutions, engineering controls, preventive maintenance and safe workflows, and provide appropriate personal protective equipment when necessary. In addition, proper measures should be taken to protect the safety and health of female workers, especially pregnant and breastfeeding workers.

(4) Prevention of work injuries and occupational diseases

Suppliers shall have the necessary procedures and systems to prevent, manage, track and report occupational injuries and illnesses, implement corrective actions to eliminate impacts and assist workers in returning to work.

(5) Emergency Preparedness

Suppliers shall identify and assess possible emergencies and critical incidents, including but not limited to fires, explosions, fatal accidents, collective poisoning, etc., and implement emergency plans and response procedures, including emergency reporting, on-site first aid, announcement and evacuation procedures, regular training and drills, and recovery plans, etc., to minimize the impact on people, the environment, and property.

4. Training and Instructions

Suppliers should provide employees with training on safety, quality, anti-corruption, labour rights, etc., and the employees need to agree to sign a

corresponding letter of commitment or statement with the employer when necessary.

5. Quality and safety

(1) Ensure product safety

When designing products, suppliers should comply with applicable national laws, follow relevant standards, pay attention to safety design, and ensure product safety.

In addition, ensuring product safety includes management of traceability (history of materials, parts, processes, etc.) and timely response to problem-solving.

(2) Quality management system

Liaoning Aihai Talc recommends that suppliers implement and maintain a quality management system (QMS) applicable to products and services provided to customers.

Quality management system representative: ISO9000 series

6. Business continuity plan

Suppliers should develop business continuity plans and processes to restore production processes or services in the event of natural disasters or incidents that disrupt production processes, services or the supplier's ability to fulfil delivery commitments to Liaoning Aihai Talc.

7. Compliance with laws

Suppliers must comply with all applicable laws and regulations, including issues related to product/service quality/safety, business ethics, labour practices, environment, anti-corruption, data protection and intellectual property rights.

8. Business ethics

(1) Anti-corruption and anti-bribery

Suppliers shall comply with all laws and administrative regulations related to business ethics, and prohibit bribery and corruption, business entertainment, such as gifts and hospitality, must be of appropriate size and purpose. Gifts to government officials and public servants are prohibited.

For specific regulations, refer to the Anti-Corruption and Integrity Commitment

Pledge signed by the Company and suppliers.

(2) Information security

Suppliers shall commit to protecting the trade secrets and reasonable privacy expectations of personal information of all business-related personnel, including suppliers, customers, consumers and employees. Suppliers shall comply with privacy and information security laws and regulations when collecting, storing, processing, transmitting and sharing trade secrets and personal information.

9. Report Violations

(1) Reporting rights

Internal and external stakeholders may report violations of this policy at any time.

(2) Identity Protection and anti-retaliation

Unless prohibited by laws, procedures shall be in place to protect upstream suppliers and whistleblowing employees and ensure the confidentiality and anonymity of their identities. Suppliers shall have communication procedures to enable employees to raise concerns without worrying about retaliation.

10. Social Contributions

Liaoning Aihai Talc recommends that suppliers work with local communities to benefit society and seek opportunities to make a positive impact locally.