

PENFABRIC

Supplier **Code of Conduct**

www.penfabric.com

"We are committed to upholding high standards of business conduct in everything that we do and strive to create a worldwide reputation for integrity together with our suppliers, contractors and other service providers."

'TORAY'
Innovation by Chemistry



MESSAGE FROM MANAGING DIRECTOR OF **PENFABRIC SDN. BERHAD**



At Penfabric, we are committed to doing business in a lawful, ethical and sustainable manner while aspiring to perform in line with the best global companies in our peer group. We expect our suppliers, contractors and other service providers (collectively "Suppliers") to share this commitment and vision.

In our endeavour to build close and equitable business relationships with our Suppliers, we have formulated the Penfabric Supplier Code of Conduct ("this Code"). It is designed to support Penfabric's process for identifying and selecting Suppliers that demonstrate a firm commitment to safety, ethics, the environment and continuous improvement. We strive to utilize only those Suppliers who can adhere to this Code and who can provide us with world class goods and services with the lowest total cost of ownership, best on time delivery, shortest lead-time, exceptional quality, unique capability, and a high level of customer responsiveness.

While we recognize that there are different legal and cultural environments throughout the world, Suppliers are expected to exercise good judgment and common sense in deciding the right actions to take as this Code is unable to cover every situation that arises.

We look forward to your joining our continuing efforts in building sustainable and successful business practices for the benefit of our planet and all stakeholders.

Thank you.

A handwritten signature in black ink, appearing to read 'Teh Hock Soon'. The signature is written in a cursive style with a long horizontal stroke at the end.

Teh Hock Soon
Managing Director

Introduction

Penfabric Sdn. Berhad, a wholly-owned subsidiary of Toray Industries, Inc., Japan, is one of the leading companies in the Malaysian textile industry. Our commitment to sustainable development is integral to the way we do business. We believe that we have an active role to play in driving social, economic and environmental improvements in our supply chain and ultimately help to improve our society at large.

This Supplier Code of Conduct articulates the basic principles for conduct of Suppliers working with us. In this regard, Suppliers may be required to complete the Supplier Social Responsibility Self Audit Checklist. From time to time, Penfabric may also appoint a professional internal or external auditor to perform assessments, inspections or investigations at the premises of Suppliers for the purpose of ensuring compliance with this Code. Suppliers are expected to co-operate fully with the said auditor.

Suppliers may request from Penfabric further clarification or information needed in respect of this Code or where Suppliers are unsure how to respond to an issue which the Code does not address. Suppliers shall promptly report to Penfabric any known, suspected or threatened violation of laws, regulations or this Code, pertaining to Suppliers' business or sub-suppliers.

If Penfabric determines that Suppliers have violated any of its company policies, rules and regulations including but not limited to this Code and any amendments thereto. Penfabric may require Suppliers to implement corrective actions or terminate its business relationship with Suppliers immediately and seek full indemnity for any damages suffered as a result of such violation. This Code supplements but does not create any third party rights or supersede any rights or obligations established in purchase orders or any agreement that Penfabric may have with Suppliers. From time to time, Penfabric reserves the right to amend or modify this Code.

Scope of this Code

It is mandatory for all Suppliers of Penfabric to comply with this Code. Suppliers are responsible for the communication of this Code to its affiliates, directors, employees, agents, consultants and sub-suppliers, and to ensure that all necessary measures relating to their actions or operations are implemented.

Guidelines

1. General Ethical Standards

- a) Suppliers shall comply with the national laws in the countries in which they operate, inclusive of any international laws related to the conduct of business between nations.
- b) Should any requirement in this Code conflict with the national law in any country or territory, the law must always be followed.
- c) However, Penfabric's requirements may go beyond the requirements set out in national law.

2. Customs Compliance

Suppliers shall establish and maintain such programmes as may be necessary to comply with all applicable Customs laws and regulations, including those pertaining to prohibition of illegal shipment or transshipment of restricted and/or banned products, drugs, explosives and other contrabands.

3. Prohibition of Discrimination

Suppliers shall adopt and practise a no-discrimination policy against any employees based on, amongst others, race, color, age, gender, sexual orientation, ethnicity, disability, religion, beliefs, political affiliation, union membership, national origin, or marital status in the Suppliers' employment practices which include but is not limited to applications for employment, promotions, rewards, access to training, job assignments, wages, benefits, discipline, and termination.

4. Fair Treatment of Employees and Prohibition of Sexual Harassment

- a) Suppliers shall comply with all applicable laws and regulations pertaining to fair treatment of employees, the prohibition of any forms of harassment or abuse and corporal punishment.
- b) Suppliers shall also set reasonable working hours, wages (including such mandated wages, allowances and benefits) and overtime pay (where applicable) in compliance with all applicable laws and regulations where Suppliers carry on business.
- c) Suppliers are also expected to create and implement their own code of practice, or adopt such guidelines provided by the relevant ministries in the country(ies) the Suppliers carry on business pertaining to the fair treatment of employees, the prohibition of any forms of harassment or abuse and corporal punishment, if any, or otherwise in accordance with prevailing good industry practices adopted in developed countries.

5. Prohibition of Involuntary Labor and Human Trafficking

- a) Suppliers are prohibited from acquiring or maintaining the labour or services of a person through coercion (for example, the physical or psychological threat of serious harm or physical restraint or the abuse of the legal process against any person) for the purposes of human trafficking, involuntary labour or exploitation (for example, forced labour, slavery, servitude, or the removal of human organs or similar practices).
- b) Suppliers shall not knowingly utilize or purchase materials and/or products manufactured by uncompensated prison workers, indentured servitude or forced labour.

Guidelines (cont'd)

6. Prohibition of Child Labor

- a) Suppliers shall not hire any employee under eighteen (18) years of age notwithstanding any laws, regulations and standards to the contrary in the country(ies) the Suppliers carry on business.
- b) If any law of any country imposes a higher minimum legal age, Suppliers shall comply accordingly.
- c) Suppliers shall not hire any employee whose employment interferes with compulsory schooling.
- d) Suppliers shall have a system in place to check the age of workers at recruitment, and maintain these records for all staffs.

7. Freedom of Association

Suppliers shall respect the rights of employees to associate freely with, form, and join workers' organizations of their own choosing, seek representation, and bargain collectively, as permitted by and in accordance with all applicable laws and regulations.

8. Prohibition of Cotton sourced from Uzbekistan

- a) Suppliers shall not use any cotton sourced from Uzbekistan and textiles produced using Uzbek cotton, as well as the sourcing of any product from Uzbekistan.
- b) Suppliers shall not conduct business with companies that are invested in the cotton sector in Uzbekistan or using Uzbek cotton.
- c) Suppliers shall confirm that their supply chains are free of Uzbek cotton and provide sufficient data to substantiate their assertions.

9. Prohibition of Conflict Minerals

- a) Suppliers shall not purchase or use any conflict minerals (i.e. gold, tantalum, tin, or tungsten mined in conditions of armed conflict and human rights abuses in the Democratic Republic of the Congo or an adjoining countries) in any product, any component part thereof or in the production thereof.
- b) Upon request by Penfabric, Suppliers shall provide Penfabric with complete and accurate country of origin information and documentation to support such compliance.

10. Chemical Health Risk

- a) Suppliers who provide dyestuffs, chemicals and/or auxiliaries products (DCA Suppliers) shall ensure that their products meet REACH and AAFA requirements at all stages of production and that finished goods applied with their products under normal/recommended conditions and concentrations shall comply with Oeko-Tex standard 100 requirements.
- b) DCA Suppliers further acknowledge and agree that all their products, including their packaging and labelling, will comply with CLASS Regulations 2013 and Penfabric's Restricted Substances List as well as any restrictions relating to the use of dangerous substances-chemicals like pesticides, heavy metals, formaldehyde and undesirable surfactants that may cause potential health impact.

Guidelines (cont'd)

11. Environment and Hazardous Waste Management

- a) Suppliers shall comply with all applicable environmental and hazardous waste management laws and regulations.
- b) Suppliers should maintain all necessary registrations, including any relevant discharge and waste permits.
- c) Suppliers shall have an environmental and hazardous waste management structure in place, with defined management responsibilities and environmental management control.

12. Occupational Safety and Health

- a) Suppliers shall comply with all applicable laws and regulations in respect of occupational safety and health.
- b) Suppliers shall ensure, as far as is practicable, the safety, health and welfare of the Suppliers' employees and contractors, including but not limited to ensuring that all relevant buildings where the Suppliers carry on business (for example, the factory building, administrative building and warehouse) and all such equipment installed therein (for example, all mechanical and electrical equipment) are properly maintained and meet all applicable legal standards.
- c) Any construction, renovation, addition, alteration or demolition work of any building used by Suppliers in the course of business shall be carried out in compliance with all applicable laws and regulations.

13. Emergency Precaution

- a) Suppliers shall anticipate, identify and assess emergency situations and events and to minimize their impact by implementing emergency plans and response procedures, including emergency reporting, worker notification and evacuation procedures, worker training and drills, appropriate first-aid supplies, appropriate fire detection and suppression equipment, adequate exit facilities, and recovery plans, which are similar to or consistent with those adopted in developed countries.
- b) Every practical provision shall also be made to reduce the impact of any fire and emergency procedures that shall be communicated and understood by all who come on site.
- c) Suppliers' premises shall have a valid Fire Certificate in place, issued by the appropriate local authority.

14. Canteen and Dormitory Facilities

- a) Suppliers shall ensure that their canteen and dormitory facilities comply with all applicable laws and regulations where the Suppliers carry on business.
- b) The facilities in general shall be reasonably clean with access to clean toilet facilities, potable water, and reasonable storage facilities.
- c) The canteen facility, in particular, shall be clean and shall observe safe and sanitary food handling procedures.

Guidelines (cont'd)

15. Security and Business Continuity Plan

- a) Suppliers shall implement and maintain a comprehensive security and business continuity plan to preserve the safety of employees, protect physical property from loss and damage, safeguard intellectual property and prevent interruptions in the manufacturing process ("Plan").
- b) The Plan shall include written and verifiable processes to address:-
 - (i) conveyance security (e.g., aircraft integrity, container and trailer inspection and container seal integrity);
 - (ii) procedural and facilities security (e.g., measures to control and safeguard data, documents, and access to facilities);
 - (iii) controls on document processing (e.g., protecting integrity of documents related to international trade);
 - (iv) personnel security (e.g., background checks and termination procedures);
 - (v) education and training awareness (e.g., security training of employees); and
 - (vi) communication with the partners of Suppliers about the commitment to meeting the minimum C-TPAT security principles.
- c) Suppliers shall at all times use best endeavours to ensure that the integrity of all outbound shipments and supplies to Penfabric are protected and guarded from the introduction of non-manifested cargo (such as drugs, explosives and any other contraband) and such substances which are restricted and/or prohibited by the relevant laws and regulations.

16. Anti-Corruption

Suppliers shall comply and shall procure its personnel, consultants and advisors comply at all times with applicable anti-corruption laws and regulations and to avoid all forms of corruption and bribery.

17. Anti-Money Laundering and Financing of Terrorism

- a) Suppliers are prohibited from engaging in or abetting the commission of money laundering or finance any act of terrorism in any manner.
- b) Suppliers shall also comply with all applicable laws and regulations pertaining to anti-money laundering and anti-financing of terrorism.

18. Anti-Competitive Practices

- a) Suppliers shall comply with all applicable laws and regulations pertaining to the prohibition of anti-competitive practices.
- b) Suppliers shall avoid entering any horizontal agreement (i.e., an agreement between enterprises each of which operates at the same level in the production or distribution chain) or vertical agreement (i.e., an agreement between enterprises each of which operates at a different level in the production or distribution chain) that has the object or effect of significantly preventing, restricting or distorting competition in any market for goods or services.

Guidelines (cont'd)

19. Monitoring and Compliance

- a) Suppliers shall implement and maintain a management system to identify, understand and comply with all applicable laws and regulations relating to the Suppliers' operations, products and mitigation of operational risks.
- b) Suppliers shall conduct self-audits and self-inspections to ensure that Suppliers are compliant with this Code and applicable legal requirements ("Self-Monitoring Activities").
- c) Penfabric or its representatives may, with prior notice, participate in such Self-Monitoring Activities.

20. Tax Compliance

- a) Suppliers shall manage their tax affairs in a manner which ensures compliance with all relevant laws and regulations in countries which they operate.
- b) Suppliers shall declare to Penfabric if they are registered for Goods and Services Tax (GST) in Malaysia and provide Penfabric with valid GST registration numbers for verification.
- c) Unless otherwise agreed in writing, Suppliers who make a supply of goods or services taxable in Malaysia are required to issue a tax invoice within twenty one (21) days from the time of supply. No payment will be made by Penfabric without a valid tax invoice.
- d) Where applicable, Suppliers shall inform Penfabric of any changes to their GST status.

21. Protection of Personal Data and Intellectual Property

Suppliers shall implement such personal data and intellectual property protection compliance programs and procedures in accordance with all applicable laws and regulations.

22. Information Technology (IT) Practices

- a) Any Suppliers who have access to Penfabric's IT systems, and/or provide any products and/or services related to IT to Penfabric shall, at all times, comply with Toray Group (Malaysia) ("TGM") Information Security Rules and Regulations, TGM Software Policy and any other related IT policies that may be in force in TGM from time to time.
- b) Suppliers shall comply with hardware, software and/or technology standard set by TGM for any implementation related or integrated to Penfabric's IT systems.
- c) Suppliers must ensure all software or tools used in the course of performing any services for Penfabric must comply with all applicable laws and/ or regulations.

Guidelines (cont'd)

23. Confidentiality and Privacy

- a) Suppliers with access to confidential information from Penfabric shall not disclose such information to any other person without Penfabric's advance written consent. Confidential information includes, but is not limited to product formulas and pricing, production technologies and processes, engineering and technical designs, production and supply costs, operating policies, practices, and IT systems hardware and software (including infrastructure configuration setting, application systems design & program source code), customer identification and information.
- b) Suppliers shall safeguard Penfabric's confidential information by keeping it secure, limiting access, and avoiding discussing or revealing such information in public places. These requirements extend even after the conclusion of a Supplier's business relationship with Penfabric.

24. Documentation and Record

- a) Supplier shall have processes for creation of documents and records to ensure regulatory compliance and conformity to this Code, with appropriate confidentiality measures to protect privacy.
- b) Suppliers shall obtain, maintain, and keep current valid business licenses and such other licences, permits and/or approvals as required by applicable laws and regulations.

25. Conflict of Interest

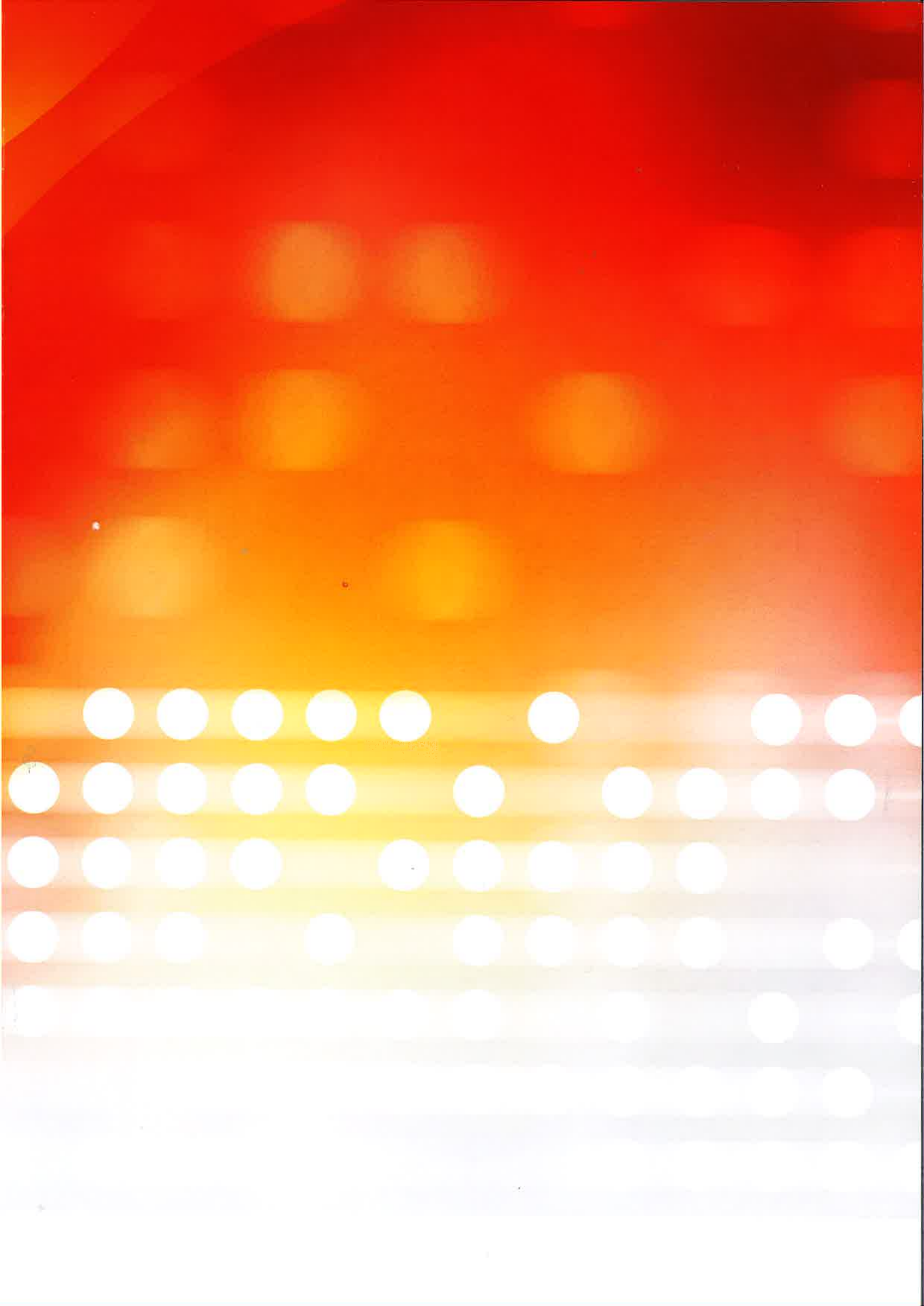
Any conflict of interest involving Suppliers or any Suppliers' representative must be disclosed to Penfabric.

26. Continuous Improvement of Supply Chain

Suppliers shall participate in and co-operate with Penfabric in its strategies, initiatives and systems innovations to improve operating efficiency and cost effectiveness of its sourcing, procurement and supply chain management (e.g. implementation of trade-cut system, etc).

27. Subcontractors

Suppliers shall ensure that any subcontractor or permitted assignee of the Suppliers will, at all times, comply with all applicable statutes, laws, by-laws, rules and regulations of the relevant authorities and this Code.



PENFABRIC SDN. BERHAD

(14240-M)



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