

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

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 appropriate compliance programs to ensure adherence to all applicable customs laws and regulations. This includes, but is not limited to, the prohibition of illegal shipment or transshipment of restricted or banned items such as drugs, explosives, and other contraband.

Suppliers must also comply with all relevant import and export control procedures, and properly manage the transfer of technologies and products subject to the laws and regulations of the respective countries and regions.

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.
- d) Suppliers shall ensure that there is an internal grievance system that allows for anonymity and confidentiality. Employees' feedback shall be responded to in a timely manner.

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.
- c) Suppliers are prohibited from collecting recruitment fees and they shall not hold the passports of foreign workers.

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 and XinJiang

- a) Suppliers shall not use any cotton sourced from Uzbekistan and Xin Jiang and textiles produced using Uzbek and Xin Jiang cotton, as well as the sourcing of any product from Uzbekistan and Xin Jiang.
- b) Suppliers shall not conduct business with companies that are invested in the cotton sector in Uzbekistan and Xin Jiang or using Uzbek and Xin Jiang cotton.
- c) Suppliers shall confirm that their supply chains are free of Uzbek/Xin Jiang 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 Substance Management

- a) Suppliers providing dyestuffs, chemicals, and/or auxiliaries (DCA Suppliers) shall ensure that their products comply with Oeko-Tex, AAFA, and REACH requirements at all stages of production. Finished goods treated with their products—under normal or recommended usage conditions and concentrations—must also meet the standards of Oeko-Tex Standard 100, AAFA, and REACH. DCA

Suppliers must additionally comply with the Manufacturing Restricted Substances List (MRSL) under the OEKO-TEX STeP (Sustainable Textile Production) and ZDHC (Zero Discharge of Hazardous Chemicals) guidelines. Suppliers are responsible for monitoring and keeping up to date with all changes to applicable Restricted Substances Lists (RSLs) as published on the respective official websites.

- b) DCA Suppliers further acknowledge and agree that all their products, including packaging and labeling, shall comply with the CLASS Regulations 2013, Penfabric's Restricted Substances List, and any applicable restrictions on hazardous substances—such as pesticides, heavy metals, formaldehyde, and undesirable surfactants—that may pose potential health risks.
- c) Suppliers shall also ensure the proper management and handling of chemicals and other substances released into the external environment, in accordance with applicable environmental and safety standards.

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. Concern for Biodiversity

Suppliers shall demonstrate a commitment to preserving biodiversity and promoting its sustainable use. In particular, suppliers are expected to engage in responsible raw material procurement practices that take into consideration the impact on biodiversity.

13. Product Quality and Safety

- a) Maintain and Improve Quality
Suppliers shall strive to continuously improve product quality by establishing and maintaining effective quality control and quality assurance systems. Products must

consistently meet or exceed the quality expectations of customers and stakeholders.

b) Product Safety

Suppliers must strictly comply with all applicable laws, regulations, and safety standards in each country or region where their products are manufactured, distributed, or sold. In the event of any product quality or safety issue, suppliers shall respond promptly and take appropriate corrective actions to mitigate risks and prevent recurrence.

14. 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.

15. 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.

16. 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.
- d) Suppliers shall ensure that all immigration and other governmental requirements are complied with, including but not limited to legislation and regulations pertaining to workers accommodation such as the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 applicable in Malaysia, before permitting their employees to occupy the hostel.

17. 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.

18. Anti-Corruption

Suppliers are expected to perform all business dealings transparently and promote values of integrity, transparency, accountability and good corporate governance.

Suppliers shall not engage in any form of corruption including bribery, kickbacks, fraud and money laundering that would violate or cause Penfabric to violate, any applicable anti-corruption law or regulation.

Additionally, suppliers shall not participate in illegal political contributions or similar improper activities.

19. 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.

20. 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.

21. Whistle-Blowing Mechanism and Safeguards

Suppliers shall establish a system that enables their employees and business partners to report any legal or regulatory violations, as well as concerns related to business conduct. Whistle-blowers must be protected to ensure they are not subjected to termination, threats, harassment, retaliation, or any other form of disadvantage.

22. Appropriate Information Disclosure

Suppliers shall engage in timely and accurate disclosure of management, financial, business activities, and other relevant information as required by the laws and regulations of each applicable country and region.

In addition to fulfilling mandatory disclosure obligations, suppliers are encouraged to proactively communicate with stakeholders to promote mutual understanding and to build, maintain, and strengthen trusting relationships.

23. 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.
- d) Suppliers shall promptly inform Penfabric of any actual or suspected breach of this Code.

24. 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 Sales and Services Tax

(SST) or similar tax in Malaysia and provide Penfabric with valid SST 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 SST or similar tax status.

25. 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.

26. 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 to 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.

27. 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.

28. 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.

29. Conflict of Interest

Suppliers are required to avoid any activity or association that creates or appears to create conflicts that may arise in the performance of work and in any related business decisions involving both financial and non-financial interests.

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

30. 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.

31. Subcontractors

Suppliers shall ensure that any sub-contractor 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.

32 Compliance with laws and regulations

Suppliers shall comply with all applicable laws, regulations, and industry standards in their operations.

PENFABRIC SDN. BERHAD **[197301000703 (14240-M)]**



Head Office & Factory
Plots 117-119 & 200-202
Prai Free Industrial Zone 13600 Prai,
Penang, Malaysia
Tel: 604 -3854188
Fax: 604 – 3854144



Mill 2
Plots 1 & 2, Prai Wharf Free Industrial
Zone
13600 Prai, Penang, Malaysia
Tel: 604 – 3854203
Fax: 604 - 3902589