

TAI PING CARPETS INTERNATIONAL LIMITED

Sustainable Procurement Policy

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| Approved by: | | | |
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Note: This Policy shall be reviewed at least annually or sooner if required due to regulatory or business changes.

1. Purpose

This Sustainable Procurement Policy defines how Tai Ping Carpets integrates environmental, social, and governance (ESG) principles into sourcing and procurement decisions. The policy establishes a consistent approach to supplier selection, contracting, performance monitoring, and continuous improvement, supporting Tai Ping's ESG commitments and management systems.

2. Scope

This policy applies to procurement activities across the Group, including:

- 2.1. **Direct procurement:** fibres, yarns, backing materials, latex and chemicals, dyes, packaging, and manufacturing-related services.
- 2.2. **Indirect procurement:** logistics, facilities services, equipment, professional services, IT, marketing materials, and other operational purchasing.

This policy applies to **new suppliers**, **renewals**, and **material changes** to existing supplier relationships.

3. Policy Principles

Tai Ping's procurement approach is guided by the following principles:

- 3.1. **Legal compliance:** Suppliers must comply with applicable laws and regulations, including environmental, labour, health and safety, and anti-corruption requirements.
- 3.2. **Risk-based due diligence:** Supplier evaluation and monitoring are proportionate to risk, spend, and criticality.
- 3.3. **Minimum standards:** Suppliers are expected to meet the requirements of the **Supplier Code of Conduct** as a condition of doing business.
- 3.4. **Prefer responsible solutions:** Where feasible and commercially reasonable, preference is given to suppliers and solutions that reduce environmental impacts, support safe and fair working conditions, and demonstrate responsible governance.
- 3.5. **Transparency and evidence:** Procurement decisions should be supported by credible documentation and traceable evidence.
- 3.6. **Continuous improvement:** Supplier performance is reviewed, and improvement actions are pursued where gaps are identified.

4. Governance, Roles, and Accountability

- 4.1. **Procurement** is responsible for implementing this policy and maintaining supplier due diligence and assessment records.
 - 4.2. **ESG oversight** is provided through the ESG governance structure, ensuring alignment with the Group's ESG framework and priorities.
 - 4.3. **Quality / Technical / EHS** functions support supplier qualification and risk evaluation for relevant categories (e.g., chemicals, dyes, operational services).
 - 4.4. **Business owners / requestors** must follow approved procurement processes, including supplier onboarding and documentation requirements.
 - 4.5. **Escalation routes** are defined for high-risk findings, repeated non-conformities, or material incidents.
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5. Supplier Requirements

Suppliers are expected to:

- 5.1. Acknowledge and comply with the **Supplier Code of Conduct**.
 - 5.2. Provide accurate information during due diligence, including relevant certifications, policies, and compliance statements.
 - 5.3. Maintain appropriate management practices for environmental protection, worker health and safety, and ethical conduct.
 - 5.4. Notify Tai Ping promptly of material incidents relevant to ESG risk (e.g., serious safety incidents, environmental releases, regulatory enforcement actions, significant labour violations).
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6. Supplier Due Diligence and Qualification

Supplier due diligence is applied on a risk basis and may include one or more of the following elements:

- 6.1. **Pre-qualification (baseline)**
 - Supplier identification and legal entity details
 - Confirmation of applicable licenses/permits (where relevant to service category)
 - Acceptance of Supplier Code of Conduct
 - Screening of restricted-party / sanctions lists where applicable

6.2. ESG risk screening (proportionate)

- Country and sector risk considerations
- Category risk (e.g., chemicals, dyeing, waste services, logistics)
- Complexity of supply chain and subcontracting reliance
- Reputational and regulatory exposure

6.3. ESG documentation and evidence (as applicable)

- Management system certifications (e.g., ISO 14001, ISO 45001, ISO 9001)
- Chemical compliance evidence (e.g., REACH, restricted substances management)
- Policies relevant to labour standards and ethical conduct
- Third-party ESG assessments (e.g., recognised rating platforms, audit reports)

6.4. Responsible Minerals and Conflict Minerals

Suppliers are expected to support responsible sourcing practices relating to minerals and metals used within supplied products, components, packaging, or upstream manufacturing processes, where applicable.

Tai Ping does not directly source tin, tungsten, tantalum, or gold (“3TG”) as part of its core carpet manufacturing operations. However, the Company expects suppliers to exercise reasonable due diligence to avoid sourcing minerals originating from conflict-affected or high-risk areas (“CAHRAs”), including areas associated with armed conflict, human rights abuses, or unlawful armed group control.

Suppliers may be requested to provide declarations or supporting information confirming that minerals or metals supplied to Tai Ping do not originate from conflict-affected sources, including the Democratic Republic of the Congo (“DRC”) and adjoining countries, unless sourced through verified responsible supply chains.

Tai Ping’s approach is aligned with internationally recognised responsible sourcing principles, including the OECD Due Diligence Guidance for Responsible Mineral Supply Chains.

6.5. Onsite and/or remote assessment (as needed)

For higher-risk suppliers, additional steps may include:

- Remote document reviews
- Corrective action plan requirements
- Onsite audits (by Tai Ping or qualified third parties), where feasible and appropriate

7. Purchasing Decision Integration

Procurement decisions to consider ESG factors alongside quality, service, cost, and delivery, including:

- Environmental impact drivers (materials, chemicals, waste, energy, transport)
- Worker safety and labour practices risk profile
- Governance and ethical conduct risk
- Ability to provide credible documentation and transparency

Where ESG risks are identified, procurement may:

- Require corrective actions as a condition of approval
 - Apply restrictions on scope until corrective actions are completed
 - Escalate decisions for management review
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8. Contracting and Supplier Management

Supplier contracts and purchasing terms should, where feasible and appropriate:

- Reference the Supplier Code of Conduct and this policy
 - Include cooperation obligations for audits and information requests
 - Define expectations for subcontractor management (where relevant)
 - Establish remediation and termination rights for material non-compliance
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9. Supplier Monitoring, Performance Review, and Corrective Actions

Tai Ping monitors the implementation of responsible procurement practices through defined indicators, which may include supplier adherence to the Supplier Code of Conduct, ESG risk assessments, and supplier engagement activities. These indicators support internal review and continuous improvement of the Group's sustainable procurement practices.

Supplier monitoring is applied proportionately and may include:

- Periodic re-validation of ESG documents and certifications
- ESG questionnaires and targeted checks
- Review of incidents, complaints, or non-conformities
- Performance review meetings for strategic suppliers

Where gaps are identified:

- A **Corrective Action Plan (CAP)** may be required with defined responsibilities and timelines
 - Progress is tracked, and effectiveness is reviewed
 - Repeated or severe non-compliance may result in suspension or termination of business
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10. Product Stewardship and Responsible Materials

For relevant categories, procurement supports product stewardship by:

- Seeking responsible material options aligned with performance needs and client expectations
 - Managing restricted substances and chemical compliance requirements
 - Supporting product documentation requests (e.g., VOC/IAQ evidence, transparency documents) where applicable
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11. Training and Awareness

Relevant employees involved in purchasing decisions should receive periodic awareness on:

- Supplier Code of Conduct expectations
 - ESG risk screening and documentation requirements
 - Escalation processes for high-risk findings
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12. Records and Documentation

Procurement maintains records sufficient to demonstrate implementation of this policy, including:

- Supplier onboarding documentation and Code of Conduct acknowledgement
- ESG questionnaires and supporting evidence
- Risk screening results and approvals
- Corrective actions and follow-up records

13. Exceptions

Any exceptions to this policy (e.g., urgent sourcing constraints, sole-source technical requirements) must be documented and approved according to procurement authority levels, with appropriate risk controls applied.

14. Review and Continuous Improvement

This policy is reviewed at least annually, or sooner if required due to:

- Regulatory changes
- Material changes in business operations or supply base risk profile
- Findings from audits, assessments, or incidents