

Documents ZSML/QC-02/ SOP/YESS/PPSE/221	 ZABER SPINNING MILLS LTD North Mawna, Sreepur, Gazipur	VERSION NO: 1.0 Issue Date: 05/10/2025 Next Review 01/01/2027 Page 1 of 5
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RESPONSIBLE COTTON SOURCING POLICY

Issued By
Md. Abdullah Al-Mamun
QMS


Signature

Authorized By
ASM EZAZ
General Manager


Signature

1. OBJECTIVE

To ensure that cotton-suppliers are selected on the basis of their capability to meet the requirements of OECD Due Diligence Guidance for Responsible Supply Chains & with the YESS initiative.

2. DEVELOPMENT

This policy was developed by Zaber Spinning Mills Ltd. traceability team in collaboration with the external sources, cotton purchase team, top management coordinator, legal, compliance, and factory management teams, to ensure alignment with our operational realities and sourcing practices. Feedback from internal and external consultations was reviewed by senior management, and the final policy was approved by our General Manager (Project Head). This process ensures the policy reflects a shared commitment to responsible sourcing across our supply chain.

3. SCOPE

This policy applies to all cotton fibers purchased by ZSML (Zaber Spinning Mills Ltd.) including both local and international suppliers.

4. INTRODUCTION:

For the cotton spinning industry, the importance of cost and performance of the basic raw material, cotton, can be over- emphasized. Delivery of the correct quantity of materials, at the appropriate time & right place, within the established specifications, and at the agreed price is essential. Besides, sustainability is the new standard of this industry. So, this policy includes ethical practice such as avoiding force labor, child labor, cotton sourcing from internationally restricted sources/origin ETC. Therefore, there must be a clear, comprehensive written agreement between the buyer and the seller. In brief, contracts must be clear & may be executed by someone who did not attend the negotiations. It may still be in dispute many years (at least five) after it is agreed. The contract should state exactly what is intended on every material matter.

Concise:

- ❖ Avoid shorthand.
- ❖ Simplicity is invariably better than complication.
- ❖ Avoid legal terms unless both sides take legal advice about their meaning.
- ❖ Ensure this policy is publicly available & related people of ZSML are well aware about this policy.

5. WORK FLOW & RESPONSIBILITIES

It shall be the joint responsibility of import & commercial department, Production, Quality dept. & Compliance participates in the selection and evaluation of any Sub-Supplier/Indenter/vendor.

AGM (Import & commercial), responsible for selection of Sub-Suppliers for local & foreign purchase including raw materials.

The work flow for purchase of materials and responsible for each task involved are given below in flow chart:

Responsible Person	Workflow	Responsibility
Saif Md. Rubaiat (Sr. AGM, Technical)	Preparation of Purchase Requisition	Raise of purchase requisition
A S M Ezaz (Plant head)	Approval of Purchase Requisition	Approve the requisition through analysis the requirement arise by the departments
Moniruzzaman Chowdhury (Sagor) (AGM-Import Commercial)	Price quotation from seller according to quality. Terms & condition for the business.	Receive price quotation against quality & quantity through mail communication. Discuss on legal & traceability requirement.
Moniruzzaman Chowdhury (Sagor) (AGM-Import Commercial)	Approval of price & receiving of PI (Proforma Invoice) from seller	After approving the price, receive PI from Seller.
Moniruzzaman Chowdhury (Sagor) (AGM-Import Commercial)	Opening of L/C (Letter of credit)	Opening of L/C against the PI.
Moniruzzaman Chowdhury (Sagor) (AGM-Import Commercial)	Receiving of Commercial Document	Receiving of Commercial Invoice, Packing List, Bill of Lading & relative document from seller against L/C.
Md. Hamidur Rahman (AGM-Store)	Receiving of material, quality check, Checking & keeping records of commercial documents including country of origin	Through check the quality and quantity according the Commercial Invoice receive the Raw Material and keep all the relative documents.

6. METHODS:

6.1 SUB-SUPPLIER IDENTIFICATION:

During the startup of any new purchase, required type of the fiber shall enlist first. After that identification, selection of the sub supplier shall be followed by the below steps.

6.2 SUB-SUPPLIER/VENDOR SELECTION:

Documents ZSML/QC-02/ SOP/YESS/PPSE/221	 ZABER SPINNING MILLS LTD North Mawna, Sreepur, Gazipur	VERSION NO: 1.0 Issue Date: 05/10/2025 Next Review 01/01/2027 Page 3 of 5
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ZSML may purchase cotton from both local and foreign Suppliers. The need for a new Supplier can be determined by Quality Assurance, Production and Purchasing Department. New Sub Suppliers shall be selected on the basis of their past experience or history of that supplier and ability to supply quality products, price of the supplied product and on time delivery. Besides this, some requirement must be maintained as follow,

6.2.1 Due Diligence and Supplier Verification:

- ✓ ZSML shall conduct thorough due diligence on cotton suppliers. Purchase team shall check if they are able to provide required fiber purchasing documentation like cotton origins, quality report, packing list, BL copy & other related document which can link the purchase and evidence of responsible sourcing practices.
- ✓ All suppliers must provide clear, verifiable information on the country of origin and the absence of forced labor in their cotton production/sourcing.
- ✓ This policy is informed by the OECD Due Diligence Guidance for Responsible Supply Chains and the YESS Standard for Spinning Mills.

6.2.2 Risk Assessment and High-Risk Sourcing:

- ✓ ZSML purchase team shall performs additional oversight for suppliers from high-risk areas. This includes legal documents, certification if needed & others additional documents to maintain compliance and monitor supplier alignment with responsible sourcing standards.
- ✓ Where potential forced labor risks are identified, we engage in targeted remediation and corrective action plans, coordinated with relevant stakeholders in our supply chain.
- ✓ No cotton shall be purchased from internationally restricted cotton sourcing/origin country & where force labor is practiced or where labor law is violated.
- ✓ Our compliance and procurement teams maintain a supplier risk register and monitor risk indicators for cotton sourcing regions.

6.2.3 Supplier Engagement and Capacity Building:

- ✓ We commit to building long-term relationships with suppliers, emphasizing responsible sourcing practices. Suppliers shall be communicated and resources shall be provided to help them comply with our ethical standards and improve their due diligence capabilities.
- ✓ ZSML expects suppliers to implement due diligence practices aligned with YESS standards including compliance with human rights principles and corrective actions in case of non-compliance.
- ✓ This policy and associated expectations for suppliers are integrated into written supplier agreements and contracts. Direct suppliers are required to review and acknowledge this policy as part of our onboarding and compliance processes.

6.2.4 Transparency and Public Reporting:

- ✓ This policy shall be shared by ZSML & circulated to every department so that everyone can know about this policy.
- ✓ ZSML shall make this policy available for anyone & will able to on request.

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- ✓ This policy shall make publicly available on our company website at www.znzfab.com

6.2.5 Grievance and Remediation Mechanisms:

- ✓ ZSML has established a grievance mechanism accessible to all employees, suppliers, and stakeholders to report concerns related to forced labor and other ethical issues in our supply chain.
- ✓ Any grievances are investigated promptly, with corrective actions implemented to resolve and mitigate potential risks. This mechanism is reviewed periodically for effectiveness.
- ✓ Our grievance mechanism is available to all stakeholders and may be used to raise concerns about cotton sourcing and labor conditions.

7.1 SELECTION PROCEDURES OF LOCAL SUB SUPPLIERS/VENDORS:

- Owner or authorized nominee shall select local Sub Suppliers on the basis of their past experience, quality of products supplied, and their prices and on time delivery.
- For selecting new local Sub Suppliers, Director or authorized nominee shall verify the specifications of the to-be-purchased materials, samples (as appropriate) and compare with the existing specifications. In case of local Sub Suppliers having manufacturing facilities, the facilities shall be audited (if needed) before selecting them as approved Sub Suppliers.
- If the specifications of the products or materials are found to be satisfactory, then director or authorized nominee shall ask Sub Suppliers to submit prices quotation for comparison with offered prices of other Sub Suppliers. If the prices are found within acceptable limits, and test sample are acceptable, then he will select the Sub Supplier(s) for inclusion of the name in the approved Sub Suppliers List (ASL) of local Sub Suppliers. After getting approval from import & commercial dept., enlist the Sub Suppliers in the Lists of Approved Sub Suppliers List (ASL). The ASL may be categorized item-wise.

7.2 SELECTION PROCEDURES FOR FOREIGN SUB SUPPLIERS/VENDORS:

- After a prospective foreign Sub Supplier or Indenter is identified as a possible source of a material, import & commercial dept. shall ask the prospective Sub Supplier for supplying documentary evidence that may prove to be a better Sub-Supplier. Subject to satisfactory survey report about past experience, history etc. Import & commercial dept. shall ask the prospective Sub Suppliers or their local representatives/indenter to submit samples of raw and other materials with their product specifications, rate, certificates of quality test etc.
- In case of new raw materials and new Sub Supplier, Manager Quality & Production Dept. shall verify the quality of the Sub Supplier's products by detailed test and analysis and submit report to the owner or nominated personnel.
- After getting satisfactory report from the Manager Quality & Production Dept., owner or nominated personnel shall ask the Sub Suppliers/indenters for quotes of samples.
- Request for quote shall clearly indicate the detailed specifications of materials or products, their quantities, source of origin, name of manufacturers and Sub Suppliers, Name of local indenters/representatives and delivery schedule.
- If the specification and quality of the product are acceptable, quotation is competitive and the price is well within the range, the Sub Suppliers might be provisionally selected.
- Later on, after successful shipment and acceptance of a particular consignment of raw materials or machinery parts for the plant; the Supplier will be placed in the Approved Suppliers List (ASL) of Overseas Suppliers provided other selection criteria which are met.

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- At times depending on urgency and circumstances, the owner or nominated personnel may use his discretion to enlist name of any overseas Supplier provisionally pending depending on its performance and subsequent placement in the ASL.

8. Banned supplier list of Cotton:

All the raw cotton from below sources is strictly prohibited to import and company has restriction on sourcing cotton from these due to international restriction.

- CIS cotton (Uzbekistan & Turkmenistan)
- Cotton from Xinjiang Region of China.
- Russia
- Ukraine
- Belarus
- Israel

9. SELECTION OF SUPPLIERS/VENDORS FOR A PARTICULAR IMPORT ORDER:

First of all, owner or nominated personnel will ask the Suppliers/indenters of ASL to supply pre-purchase samples with their specifications, quality test reports/certificates. Subject to satisfactory quality report by ZSML of QA, Production Dept. the Suppliers shall be requested to quote in bulk quantity.

Depending on the price and terms and conditions of delivery, the owner or nominated personnel shall approve one or more Suppliers for importing a particular batch or consignment of raw materials, equipment, machinery parts, or other importable items.

After the selection of Supplier(s), owner or nominated personnel will start processing to open Letter(s) of Credit. After the shipment and arrival of the consignment(s) at the port, subsequent clearance will be made and samples will be sent again for quality testing by ZSML Manager Quality & Production Dept. or mechanical if needed.

At the end, upon receipt of the satisfactory quality report from Quality Assurance Dept. or from the Material Receive Register maintained by Store Dept. be used to fill the 'Supplier History Form.

10. Incase of purchasing Sustainable cotton:

Purchase manager is responsible to make sure that raw cotton sourced as per defined specification and maintain the standard for specific requirements. For example,

United Company for Ginning & Cotton Export is approved suppliers for purchasing Egyptian raw cottons, BCI approved suppliers for purchasing BCI raw Cottons, Organic approved suppliers for purchasing Organic raw cotton.

11. Update & History:

ZSML keep the full authority to make any kind of changes in this policy. In that case version number must be changed.

12. Distribution:

All HOD of processing & related personnel.

At company website (www.znzfab.com)