

SHAMS TEXTILE MILLS LIMITED

STATEMENT OF CODE OF CONDUCT

This Code is a concise outline of the Shams Textile Mills Limited's ("The Company") standards of business ethics and conduct. It deals with various laws and ethical standards to which the Company subscribes. A word of caution, however, is necessary. This Code does not describe all of the laws to which we are subject, nor does it cover every ethical issue. Other laws and Company policies and practices, as well as common sense, apply.

Employees are required to follow the code of conduct. Therefore, it is the personal responsibility of an employee to read, understand and apply this code in their day to day affairs. The Code of Conduct will actively be made available to all employees and can be accessed at any time on the Company's website.

If an employee has supervisory or leadership role, than they have additional responsibility to:

- Educate its employees on this Code of Conduct and the requirements applicable to its employees' work activities;
- Promote compliance with this Code of Conduct and other relevant policies, standards, and procedures; and
- Report suspicions or allegations of employee misconduct in accordance with company's procedures.

This Code of Conduct is not intended to supersede any other applicable legal or regulatory requirements of the country in which business of the Company is in operation.

Compliance Office

The Human Resources department will act as Compliance Office for the code. If an employee has any queries, problems or issues relating to the Code he or she should contact with Human Resources department. The Compliance Office is responsible to educate, train and develop understanding of the code among employees.

Compliance Obligations

The Company expects this Code of Conduct to be followed and will not tolerate any breaches. Therefore, it is an employee responsibility to read, understand and apply this code in its day to day affairs. An employee may contact its Human Resources department in case of any question about the Code.

Failure to comply with this Code or company policies may result in disciplinary action or termination. Discipline decisions can vary depending on the severity of the misconduct and the employee's disciplinary record, years of service and job duties. An employee must contact its Compliance Office / Human Resources representative for assistance in determining appropriate discipline.

Following is the code of conduct for employees

1. Safety

Shams Textile Mills Limited tries to arrange a safe work environment on its premises. The safety of employees, customers and public is the most important issue on the company's production facilities, offices, outlets and any other place where the work of the company is in process. An employee must strictly follow the safety policies and procedures and immediately report to their supervisor in case of any occupational injuries and illness, injuries to non-employees, damage to property resulting from any business activities.

2. Fair Dealing

Each employee is expected to deal fairly with the respective customer of the Company, suppliers, competitors, officers, and employees. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice and will not accept or receive gifts from any of the customers, stakeholders, suppliers, bankers etc.

This ensures that the Company's transactions with others are carried out at arm's length, impartially and without favoritism. Business lunches, dinners or social invitations, nominal gifts (i.e., with a retail value of approximately Rs. _____ or less) such as key chains, calendars, and similar items, and attendance at conferences and seminars would not normally constitute a violation of this Code.

Inappropriate use of proprietary information, misusing trade secret information or inducing such disclosures by past or present employees of other companies is prohibited.

3. Books of Accounts and Record

It is established Company policy to create and maintain financial and non-financial books, records and accounts which, in reasonable detail, accurately and fairly reflect all transactions, acquisitions and dispositions of assets and other activities the Company is involved with in its day-to-day operations. All books, records and accounts should conform to generally accepted and applicable accounting principles and to all applicable laws and regulations.

The preparation and maintenance of accurate and adequate records is the responsibility of each employee. This responsibility extends to all internal and external records, reports and correspondence. Employees are expected to sign only documents or records which they believe to be accurate and truthful. No employee is to withhold or conceal information requested by, or to furnish misleading information to, the internal auditors, independent auditors, Directors of the Company.

4. Attendance Report

An employee must inform to his/her senior or supervisor or human resource department if he/she is unable to come at the place of his/her duty. For this an employee should always have the contact information of his/her senior or supervisor or human resource department.

5. Fitness for Duty

An employee must be mentally and physically fit and should remain fit for the work. An employee must not be under the influence of a drug or un-prescribed medicine which impairs his/her ability to work efficiently and safely. An employee must report to his/her supervisor if he/she is taking some prescribed or over-the-counter medicines which might affect his/her ability to work efficiently and safely.

6. Environment

To preserve and protect the environment, all staff members should:

- Design and operate the Company's facilities and processes so as to ensure the trust of adjoining communities.
- Promote resource conservations, waste minimization and the minimization of the release of chemicals / gas into the environment.
- Provide employees customers, suppliers, public authorities and communities with appropriate information for informed decision making; and
- Strive continuously to improve environmental awareness and protection.

7. Workplace Violence

An employee must not engage in acts or threats of violence. It is the duty of an employee to maintain a safe and secure workplace and avoid acts or threats of physical violence, intimidation, harassment or coercion, stalking, sabotage, and similar activities. Employees who are engaged in such activities will be terminated.

8. Weapons in the Workplace

An employee must not bring, carry, store, or use any type of weapon on the Company owned, leased, or rented property; in the company owned, leased, or rented vehicle; in a personal vehicle while on the Company's business; or at a job site, whether on or off duty, unless an employee is explicitly authorized and have a legitimate business reason to do so.

9. Protection and Proper Use of Company Assets

An employee is expected to exercise their business judgment in a manner that protects the Company's assets and promotes their efficient use. An employee must follow the acquisition, use, maintenance and disposal policies for the acquisition, use, maintenance and disposal of the Company's assets.

All Company assets are to be used for legitimate business purposes. An employee may use the company assets on limited basis with the permission of his/her senior or supervisor.

10. Work Place Harassment and Discrimination

All staff will maintain an environment that is free from harassment and in which all employees are equally respected. Workplace harassment is defined as any action that creates an intimidating, hostile or offensive work environment. Such actions include, but are not limited to, sexual harassment, disparaging comments based on gender, religion, race or ethnicity.

The company will take appropriate measures to ensure a discrimination-free workplace. Every employee has the right to be protected from harassment. The principles of equal treatment apply in employees' daily dealings with each other and to all processes relating to the working relationship, including the hiring and promotion of personnel. Accordingly, there will be no potentially discriminatory questions posed in job advertisements, at job interviews or when making decisions on new appointments. The same applies to career prospects, promotions, vocational training, remuneration and dismissal.

11. Computer and System Security

An employee is responsible for ensuring the security of the Company's computers and information system by complying with the company's information technology policy. It is the responsibility of an employee that he/she:

- Doesn't share passwords or other access credentials with any other person or group and don't use another person's password.
- Use only approved, authorized, and properly licensed software on the Company's computer systems.
- Connect only the Company's owned computers and equipment to the Company networks.
- Doesn't attempt to circumvent or attack security controls on a computer system or network.
- Doesn't access or download pornographic, gaming, file sharing, or other inappropriate files or websites.
- Doesn't store inappropriate or pirated content on his/her company equipment.

- Immediately report any suspected or actual breach of the Company's computer system or network security to Information Security's.

12. Social Media

Social networking sites like Facebook and Twitter are used by many to share insights, opinions, and information. Unless an employee is an officially designated company spokesperson, he/she is not authorized to speak on behalf of Shams Textile Mills Limited through social media channels, regardless of whether he/she is using a company device or personal device.

In the course of an employee's own personal use of these sites, if he/she chooses to post information related to the Company then an employee is personally accountable for what he/she posts online. Remember, once information is posted to the Internet, it is there for good. An employee must:

- Be open and honest about who he/she is and its role with the company;
- Always include a disclaimer stating that the views an employee publishes are his/her own and don't necessarily reflect those of Shams Textile Mills Limited (unless an employee is authorized to speak on behalf of the company);
- Be truthful and accurate;
- Be respectful;
- Disagree agreeably and be professional;
- Protect confidential information and respect copyright and fair use laws.

13. Bribery

The payment of bribes kickbacks or other payments in cash or kind to obtain business or otherwise gain advantage is strictly prohibited, irrespective of whether payments or offers are made directly or (knowingly) via an intermediary.

Such payments are fundamentally inconsistent with the desire to maintain high standards of integrity in its business and relationships.

14. Confidential Information

Staff members should not keep or make copies of correspondence, documents, papers and records, list of suppliers or consumers without the consent of the Company. Company's information and records should be kept on Company premises only and unpublished information may be disclosed to external organizations / individuals only on "need to know" basis. In case of doubt in this regard, the Management's advice should be sought.

15. Regulatory Compliance and Corporate Governance

Shams Textile Mills Limited co-operates with all governmental and regulatory bodies and is committed to high standards of corporate governance. Shams Textile Mills Limited is fully compliant to its obligations under the Listing Rules of three Stock Exchanges, of whom it is a listed member. All the employees of the Company are required to abide by the country's laws, rules and regulations.

16. Financial Integrity

Compliance with accepted accounting rules and procedure is required at all times. In addition to being duly authorized, all transactions must be properly and fully recorded. No record entry of document may be false or misleading and no undisclosed and unrecorded account, fund or asset may be established or maintained. No corporate payment may be requested, approved or made with the intention that any part of such payment is to be used for any purpose other than as described in the document supporting it. All information supplied to the auditors must be complete and not misleading.

An employee must not knowingly assist in fraudulent activities (e.g. tax evasion) by others. If an employee have any reason to believe that fraudulent activities are taking place (whether within or by others with whom we do business), he/she must report it to his/her manager immediately.

17. Alcohol, Drug and Gambling

An employee must not use alcohol in any form within the company premises. Similarly, the use of drugs, except under medical advice, is prohibited on all company locations / premises.

All forms of gambling / betting on the Company's premises are forbidden.

18. Insider Trading

No executive shall, directly or indirectly, deal in the shares of the Company in any manner during the Closed Period prior to the announcement of financial results.

The Closed Period shall start from the day when any document/statement, which form the basis of price sensitive information, is sent to the Board and terminate after the information is made public.

Where any executive of the Company or his spouse sell, buy or transact, whether directly or indirectly, in shares of the Company in any period other than the Closed Period, he shall immediately notify in writing to the Company Secretary of such transaction. Such executive, as the case may be, shall also deliver a written record of the price, number of shares, form of share certificates i.e. whether physical or electronic within the Central Depository System, and the nature of transaction to the Company Secretary within four days of effecting the transaction.

Sanctions

Any contravention of this Code will be internally investigated. In applicable cases it will also have consequences in labor law and may lead to external investigations and action in the Pakistani courts of law.

COMPANY SECRETARY