

## SUPPLIER NON-COMPLIANCE STANDARD

### INTRODUCTION

Tubacex, a global leader in advanced stainless steel and nickel alloy solutions, is committed to excellence in all aspects of its operations. This standard provides a structured approach to managing supplier non-compliance in areas such as quality, deadlines, contractual obligations, cybersecurity, business continuity, responsible sourcing, unauthorized subcontracting, regulatory compliance, and ESG (Environmental, Social, and Governance) standards.

This standard will undergo regular reviews to ensure its relevance and alignment with evolving sustainability challenges and industry best practices.

### PURPOSE

The standard supports Tubacex's commitment to operational excellence, sustainability, and risk mitigation by ensuring that suppliers align with the company's expectations regarding quality, reliability, and ethical business practices. This standard is designed to:

- Provide a clear framework for addressing supplier non-compliance.
- Mitigate risks associated with non-compliance, including operational, reputational, legal, and environmental aspects.
- Support suppliers by providing training, resources, and incentives, such as prioritized tender opportunities, extended contracts, and public recognition for outstanding performance.
- Reinforce a culture of transparency, quality, and continuous improvement across the supply chain.
- Promote alignment with global best practices and industry standards.

### SCOPE

This standard applies to all suppliers, contractors, and third-party service providers, including indirect suppliers and subcontractors (Tier 2 or Tier 3 suppliers, where applicable).

## TYPES OF NON-COMPLIANCE

Supplier non-compliance issues include but are not limited to:

### Performance & Quality Issues

- Failure to meet product or service quality standards.
- Missed deadlines and delivery delays impacting Tubacex's operations.
- Failure to comply with agreed contractual terms.
- Failure to establish or apply adequate management of change procedures, leading to potential risks in product quality, safety, or environmental performance.
- Supply or attempted supply of counterfeit products, falsified documentation, or misrepresentation of material or product origin.

### Governance Issues

- Unethical behavior, lack of transparency, failure to report key performance metrics, fraud, bribery, or data protection breaches.
- Unauthorized subcontracting or outsourcing without prior approval from Tubacex, leading to potential quality, legal, or compliance risks.

### Environmental Violations

- Exceeding emissions limits, poor waste management, failure to adopt low-carbon technologies, and non-compliance with circular economy principles.
- Failure to comply with responsible sourcing requirements, including conflict minerals, sustainable raw materials, and fair trade certifications.

### Social and Labor Breaches

- Unsafe working conditions, use of forced or child labor, or lack of equity and diversity.
- Non-adherence to international human rights standards, such as the UN Guiding Principles on Business and Human Rights.
- Failure to establish effective employee consultation mechanisms on health, safety, and environmental issues.

### Cybersecurity & Data Protection

- Failure to comply with data protection regulations (e.g., GDPR), unauthorized access to Tubacex's systems, cybersecurity breaches, or insufficient security controls.

### Business Continuity & Risk Management

- Failure to implement business continuity plans, disaster recovery strategies, or risk management protocols that could impact Tubacex's operations.

**Regulatory Compliance**

- Failure to comply with industry-specific regulations, including but not limited to globally recognized standards such as ASME codes for mechanical and steel manufacturing, EU environmental regulations, or other applicable laws.

**Emergency Preparedness Failures**

- Absence of documented plans, lack of drills, inadequate readiness.

**Legal & Regulatory Non-Compliance**

- Failure to comply with relevant laws or provide proof of compliance.

**PROCEDURES FOR MANAGING SUPPLIER NON-COMPLIANCE****Detection of Non-Compliance Practices**

To proactively identify risks and non-compliance practices, Tubacex employs:

- **Risk Management Solutions**  
Advanced assessment methodologies, including real-time monitoring tools and supplier questionnaires.
- **Supplier Audits**  
Evaluating compliance across quality, operational performance, ESG criteria, governance, cybersecurity, and regulatory standards.
- **Stakeholder Reporting**  
Secure and confidential channels for reporting suspected non-compliance. Tubacex ensures anonymity and protects whistleblowers against retaliation.

**Response Steps**

Upon detecting non-compliance, Tubacex is committed to an initial collaborative approach to address the situation. The following steps will be taken:



- **Notification**  
Suppliers will receive a written notice with evidence of non-compliance and a 10-business-day deadline to respond.

- **Corrective Action Plans (CAP)**

Collaborate with the supplier to develop a CAP that includes:

- Root cause analysis.
- Clear corrective actions with deadlines and measurable KPIs.
- Regular progress reports and guidance.
- If results are unsatisfactory, a revised plan will be required.

- **Follow-Up on CAP**

Regular reviews and audits to assess progress. High-risk suppliers will undergo more frequent assessments.

- **Escalation**

If a supplier fails or refuses to implement the CAP:

- Apply contractual penalties.
- Suspend or reduce the scope of the business relationship.
- Mediation or third-party arbitration may be considered in disputes.
- Terminate the contract in cases of critical or sustained non-compliance.
- Report legal violations to authorities.

Suppliers demonstrating substantial effort to meet corrective action timelines may receive extended deadlines or alternative resolutions, subject to Tubacex's review.

## CONSEQUENCES OF NON-COMPLIANCE

Level	Impact	Response
Level 1 – Minor	Limited impact; corrective action required	Penalties, increased monitoring, or advisory services
Level 2 – Significant	Severe performance or ESG breach	Suspension of operations or reduced contract scope
Level 3 – Critical	Legal or critical breach	Immediate contract termination and reporting to authorities

### Level 1 – Minor Non-Compliance

Minor non-compliances with limited operational or sustainability impact but requiring prompt corrective action to avoid escalation. This could include, for example, minor delays in delivery that do not affect production, slight deviations from quality specifications that can be quickly rectified, or minor breaches of internal policies that do not contravene significant laws or regulations. Consequences may include formal warnings, the implementation of supervised improvement plans, an increase in the frequency of inspections or audits, or the restriction of future bidding opportunities until the issue is resolved.

**Level 2 – Significant Non-Compliance**

Non-compliances that pose a significant risk to product or service quality, critical delivery deadlines, substantial contractual compliance, or Tubacex's fundamental ESG principles. This could encompass, for example, repeated failures in product quality, significant delays in delivery that impact production, breaches of relevant environmental or labor regulations, or the failure to implement effective corrective actions for recurring minor non-compliances. Consequences may include the temporary suspension of orders, a reduction in the scope of the contract, the imposition of significant financial penalties, or the requirement for a comprehensive audit at the supplier's expense.

**Level 3 – Critical Non-Compliance**

Severe violations of legal, ethical, or human rights standards, or actions causing irreversible damage to reputation, operations, safety, or the environment. This includes, among other things, the use of forced or child labor, proven corruption or bribery, serious environmental damage, or the blatant disregard of international human rights laws. Consequences in these cases will be immediate contract termination, communication to the relevant authorities, and the potential exclusion of the supplier from future business relationships with Tubacex.

**COMMITMENT TO IMPROVEMENT**

Tubacex expects suppliers to meet quality and performance standards while continuously improving their processes. Training and capacity-building programs will be offered to suppliers to enhance their capabilities in operational efficiency, sustainability, and compliance best practices.

In addition, Tubacex will allocate the necessary internal resources to support suppliers in strengthening nuclear safety culture, reinforcing counterfeit prevention mechanisms, and implementing robust management of change practices.

**APPROVAL AND REVIEW**

The Corporate Procurement team will oversee periodic reviews of this standard, incorporating stakeholder feedback as well as updates from industry experts, regulatory frameworks, and international best practices.

Current version	1.0	
Change History	Date	Version
	December 2025	1.0
Author	Chief Procurement Officer	
Approved by	Chief Procurement Officer	
Approval Date	December 2025	