

Emeren Group Ltd

Supplier Management Policy(SQE)

- Level 1 management file First level management document
 Secondary management document Secondary management document

Preparation Dept:

IC/Project Management Dept.

Internal Control Review IC

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Approved by the Approval:

Group CEO



Execution

2023

Purpose

In order to standardize the supplier introduction and daily management requirements of Emeren Group, improve the procurement quality and reduce the procurement cost, this system is formulated.

Scope of application

This system applies to Ltd Group headquarters and all its subsidiaries.

Unless otherwise noted, the company mentioned in this system refers to the headquarters of Ltd Group and all its subsidiary organizations. Emeren Group.

Scope of application

This system is applicable to the supplier management of EPC engineering general contractor, engineering subcontracting, engineering materials, operation and maintenance procurement, fixed assets, intangible assets and services.

Engineering materials: that is, the special engineering construction materials required to be purchased in the self-construction and maintenance projects, such as components, inverters, cables, etc.;

Operation and maintenance procurement: spare parts, hardware tools, etc.;

Low-value consumables; office supplies and other logistics supplies;

Fixed assets: land, buildings, electronic equipment, office equipment, vehicles, etc.;

Intangible assets: software use right, patent use right, etc.;

Services: infrastructure engineering services, transportation, consulting and intermediary, other services, etc.

Definition interpretation

SQE: Supplier Quality Engineer

AVL: Approved Vendor List The list of qualified suppliers shall include the categories of materials available to the supplier. The purchase order is limited to the suppliers and corresponding material categories.

SCAR: Supplier Corrective Action Requirement Essential information for supplier corrective action requirements:

Responsibilities

SQE is responsible for the management of all procurement types (including EPC general contracting projects, subcontracting projects, engineering materials, operational and administrative supplies, fixed assets, intangible assets, and third-party services), including the following:

- Supplier imports (supply chain, internal control, engineering operation and maintenance, legal)
- Lead the supplier import process, organize a supplier review team to evaluate potential suppliers;
- Based on the evaluation results and whether the candidate supplier list has been updated through the evaluation
- Collect and archive supplier evaluation forms, and evaluate relevant raw data;
- The finance department will apply the new supplier application to ERP master data management;
- Store the list of qualified suppliers and qualifications in the group's public folder and update it monthly.

Supplier Performance Appraisal

- Leading the regular assessment of suppliers in use (excluding candidate suppliers);
- Supervise the supplier rectification of deficiencies according to the assessment results, and put forward reasonable suggestions for procurement in the procurement evaluation meeting according to the supplier performance score;
- Collect and file the statistical tables of supplier assessment;
- Release the supplier performance appraisal results; Establish the potential supplier alternative database and the last supplier elimination;
- Organize relevant departments to deal with the procedures of stopping suppliers;
- Update the supplier list with different status according to the review results;

- Notify the IT department to update the ERP system supplier status. Regularly review the supplier master data of the ERP system to ensure the consistency with the supplier list of each status.

Responsibilities of the Supplier Review Team

Organize a supplier review team consisting of the Engineering Technology Department, Procurement Department, Internal Control Department, and Finance Department to perform responsibilities such as supplier introduction evaluation, subsequent evaluation, elimination, and approval.

Procurement demand department

Specifically, it refers to the department responsible for controlling the technical, process, performance, and other requirements of the purchased items. The corresponding relationship is as follows:

Component equipment: Led by the supply chain department and taking into account the opinions of the engineering and maintenance department.

IT equipment, software, and IT related services: IT department

Office and administrative supplies, human resources consulting, intermediary and training services: Human Resources Department;

Financial consulting and audit services: Finance Department, Internal Audit Department.

Procurement Supply Chain Department

- Develop and recommend potential suppliers;
- Contact suppliers, collect relevant information required for supplier import and evaluation;
- Participate in supplier introduction evaluation, regular evaluation, and elimination evaluation;

Finance Department

- Participate in the evaluation of supplier introduction and elimination;
- Develop standard payment terms and approve payment terms from suppliers;
- Provide necessary financial information on cooperating suppliers for evaluation and decision-making, such as transaction amounts and outstanding amounts;
- The Contract Management Department of the Finance Department reviews whether the signing party of the procurement contract/agreement is a qualified supplier.

The ERP Master Data Management Department

- IT Department is responsible for the maintenance of supplier master data and material master data in ERP system.

Supplier shutdown: suppliers who still cannot meet the requirements of the company through the improvement during the observation period will be closed and stop the order/payment functions in ERP.

Blacklist suppliers: suppliers who have been eliminated due to immoral behaviors such as bribery and fraud, including but not limited to:

- Suppliers who defraud the qualified supplier qualification by providing false materials;
- Suppliers who use improper means of vicious competition or collude with other suppliers for malicious quotation;
- Suppliers who bribe our employees and provide improper interests and other major bad behaviors;
- Suppliers identified by the Finance department with significant financial risks.

Any department of the Company has the right to require suppliers to be blacklisted, but the reasons and submission basis. Blacklist suppliers belong to the special eliminated suppliers, in principle, can not be used again.

Supplier classification

- According to the industry, products or services provided, the supplier is classified as follows:
- Engineering category: providing engineering construction, decoration and renovation, installation of large equipment, and design supervision;
- Equipment: Provide engineering supporting equipment, large-scale office equipment, etc.;
- Administration: Provide administrative office supplies, office furniture, general materials, etc
- Other categories: providing consulting, logistics, intermediary, IT system development, catering, security and other services.

The authenticity, objectivity, and impartiality of supplier evaluation and performance evaluation should be ensured from the following aspects.

Objectivity of evaluation and assessment criteria: The standards in the evaluation and performance evaluation forms introduced by suppliers should be as objective and quantifiable as possible.

The reliability of evaluation and evaluation data: The evaluation scores of imports should obtain relevant supporting data, and the evaluation data provided by suppliers should be stamped with official seals to ensure their authenticity and legality. When necessary, the review team should adopt multiple methods to verify its authenticity. For example, during the on-site audit process, the original inspection, supplier website information inquiry, and third-party verification.

Supplier recommendation

Current company employees can recommend suppliers, and the original references information (including name and department) should be recorded in the Supplier Registration Form. If the supplier is a related party of an employee of the Company, it shall also specify in the registration form and abide by the Company's Affiliated Transaction Management System.

Import assessment of the suppliers

SQE shall organize the relevant departments to set up a review team to evaluate the potential suppliers, and complete the review and publish the review results within 3 working days after receiving the complete data. Supplier introduction of critical equipment and important works requires on-site review. The on-site review should be based on the principle of practical effect and cost saving, with the relevant personnel of the procurement demand department, internal audit and internal control department, engineering operation and maintenance department participating. The on-site review shall be carried out according to the Supplier Site Review Form, and the necessary photos and interview records shall be obtained as the basis.

In using the daily management of suppliers

Communication and feedback of abnormal purchasing: abnormal purchasing mainly include abnormal quality and abnormal delivery.

Abnormal quality mainly refers to: the quality of the purchased items does not meet the acceptance standards, which may or have led to construction, power generation and other problems. Abnormal quality can be found in the arrival of equipment, components, engineering acceptance and other links. If the quality meets the concession acceptance criteria, or it does not affect the construction, power generation and the increase of the cost, the company can be accepted.

Change of the products provided by the supplier: without the written consent of the purchasing department and the engineering technology Department, the supplier shall not change the product inspection standards and raw materials.

Performance appraisal of the existing suppliers:

SQE shall formulate supplier performance appraisal rules, including assessment objects, assessment departments, frequency, etc. And make the annual assessment plan, and organize the daily performance assessment for different categories of suppliers according to the approved assessment plan.

The commonly used suppliers shall conduct an annual performance appraisal.

Supplier discontinued:

The reasons for supplier shutdown include but are not limited to the following situations:

- 1) There are alternative suppliers in the lowest level of performance evaluation;
- 2) Suppliers do not meet our company's needs in terms of quality, price, delivery time, service, and other conditions;
- 3) Those who have been included in the supplier list during the observation period and have been rectified are invalid;
- 4) Poor financial situation, unable to stabilize supply;

After the supplier suspension application is approved, IT should immediately change the supplier to a suspended status in the ERP system and stop the order function and payment function in sequence according to the suspension process. If there is a balance payment, the supplier will first enter the "purchase order controlled" state. After the balance is settled, it will be changed to the "deactivated" status in the ERP system.

Blacklist Supplier Management:

Blacklisted suppliers refer to special eliminated suppliers who have been suspended due to bribery and fraud. The reasons for suspension include but are not limited to the following:

- 1) Suppliers deceive qualified suppliers by providing false materials
- 2) Suppliers using unfair means to engage in vicious competition or colluding with other suppliers to maliciously quote prices
- 3) Suppliers bribing our employees and providing unfair benefits and other significant misconduct
- 4) Suppliers identified by the finance department with significant financial risks.

Suppliers included in the blacklist should record the following information:

- 1) Name of legal representative or actual controller
- 2) Supplier registration address

Any department has the right to request that suppliers be blacklisted, but the reasons should be explained and the basis submitted, which will take effect after approval by the Procurement Director and Regional Vice President. IT should immediately change suppliers to disabled status in the ERP system, stop their business order and payment functions in sequence, and pay attention to blacklisted suppliers.

Reactivate the disabled / blacklist supplier

In principle, the outage / blacklist supplier will no longer be enabled.

Supplier selection mechanism**7.1 European regional supplier selection mechanism**

Major project purchases are as follows:

- 1) Module
- 2) Inverter
- 3) Sub EPC

For each project/portfolio, negotiations are conducted separately with different potential contractors based on the following criteria:

- 1) module
 - Listed on Bloom-berg Tier1 list
 - Fulfillment of technical requirements of the products for the projects
 - Availability of products
 - Price
 - Payment terms
 - Fulfillment of our required delivery terms (DDP on project site)
 - Personal experience with the supplier

When all the requirements required for a project are met, the main criterion is price. If the price is similar, we prefer suppliers with whom we have good experience in working. Main criteria for not choosing a supplier: price is too high, does not meet other requirements such as availability, Bloom-berg Tier 1 or Delivery time (DDP).

2) Inverter

- Fulfillment of technical requirements of the products for the projects
- Availability of products
- reputation on the market
- Price
- Payment terms
- Fulfillment of our required delivery terms (DDP on project site)
- Personal experience with the supplier

The main factor in choosing an inverter supplier is to meet the technical requirements of the project and the availability of the product. The main factor for not choosing a supplier is that the lead time is too long, and selecting a particular inverter requires re-planning or re-approval of the project.

3) Sub EPC

For Sub-EPC, the quotation is quoted separately for each project. The main criteria for the shortlist were price, timing and experience:

- price
- Experience/references in the country of project location
- Experience and connections to local DSOs
- Experience/references as EPC in general
- Personal experience with the contractor
- Work capacity / availability
- Meeting our time schedule
- Financial power

7.2 China

1) EPC Engineering Company: Through the supplier rating table, we will mainly review:

Group A

- Validity of the business certification documents
- Registered capital (paid-in)
- Construction enterprise qualification certificate
- Power facility license, safety production license, ISO certificate (quality management, environmental management, occupational health and safety)
- Financial technical strength
- Project manager qualification, the number of construction engineers (>level 2)

Group B

- Whether to construct according to the drawing
- Completion cycle of the main works
- Grid-connected timeliness
- Operators perform the process conditions
- Whether to damage the owner's existing buildings, greening, equipment, pipe network, etc
- Whether the rain leakage is caused to the owner's roof during the construction process
- Industrial injury and safety accidents
- Project document / quality record integrity
- Acceptance rate of the third party
- Whether the completion treatment is timely

- Component cryptic shadow block
- Safety awareness and attention degree
- Professional level of the contractor's management personnel and technical and quality personnel
- Effective implementation of the employer's instructions

Group C

- Supplier selection process integrity (purchase per contract)
- Supply stability (shutdown waiting frequency)
- Material reserve status (available days available)
- Whether the delivery guarantee capacity is sufficient

Group D

- Owner relationship during the construction period of the cooperative project
- Owner relationship during the acceptance and handover of the cooperation project
- Payment of electricity charges of the cooperative project owners
- Equipment operation status during the warranty period of the cooperation project
- Cooperation degree during the warranty period of the cooperation projects
- Contract performance
- Invoice authenticity and timeliness
- Salary payment of migrant workers
- Payment application and information provision coordination degree
- Whether there is an agreement or commitment reached with the owner to harm the interests of the investor

(2). Other engineering and professional services: third-party inquiry.

Firstly, consult with three or more suppliers to obtain an inquiry form (which requires the company's official seal, contact and TEL for quotation), and then select the lowest price, best quality, and the selected supplier should have sufficient enterprise qualifications. Internal audit will conduct phone verification(In the OA contract approval process).

(3) White List for Procurement of Cable Component, Communication machine and Inverters.

We will purchase from high-quality, well-known, reputable, qualified, and environmentally friendly brands that we have previously collaborated with.

Why the supplier was not selected may be due to the following reasons:

- a. There is a problem with the reputation investigation
- b. Not environmentally friendly enough
- c. Insufficient EPC rating
- d. Insufficient building qualifications
- e. Insufficient project performance cases
- f. Insufficient architect qualifications
- g. No ISO certificate
- h. The quotation price is too high
- l. Blacklisted suppliers who have previously cooperated but caused damage to our interests
- j. Insufficient professional level
- k. Has had a safety accident before
- l. Contract performance has problem
- m. The construction period is too long and there are many issues with completion acceptance, etc..

7.3 North America

1. Other engineering and professional services: third-party inquiry.

Consult 3 or more companies and ask about their qualifications (company profile, past relevant work experience).When we enter a new market, we ask them for a detailed range and price. Otherwise, we will discuss with our existing consultants to provide pricing for the new project. Unless our existing consultants

are unable to handle more projects within the deadlines we provide, we will not offer 3 quotes for each new project. Sometimes there are consultants from towns/utilities etc. who are highly recommended and will be hired based on their connections.

2. Why the supplier was not selected may be due to the following reasons:

- 1) Price is too high
- 2) Unable to meet schedule
- 3) Does not have enough relevant experience
- 4) Does not have viable connections with the local authorities

3. Choose safe and high-quality supplier products, use recycled materials and environmentally friendly packaging, while continuing to meet social and environmental responsibility expectations:

- 1) Choose suppliers with good environmental awareness to better obtain ISO certifications;
- 2) Evaluate the qualification of components and engineering materials, and carry out acceptance work;
- 3) Responsible for the quality of purchased products and ensuring safe operation;
- 4) Purchase as many environmentally friendly products as possible;
- 5) When purchasing materials (including imported materials), it is necessary to understand the environmental performance, safe use, storage and transportation requirements of the materials, and obtain written safety technical specifications, safety labels, and corresponding qualification certificates;
- 6) According to the characteristics of stored goods, do a good job in warehouse security management, such as fire prevention, theft prevention, etc.;
- 7) In the process of procurement and supervision of supplier delivery of products, the company should take measures to ensure that the supplier's products comply with national or industry standards and customer requirements, including product specifications, components, and packaging, especially prohibiting the use of specific materials or limiting the use of harmful substances, reducing or reusing packaging;
- 8) Suppliers should provide necessary certificates of conformity or qualifications with their products or services.

Record the preservation

All original records of this document should be archived and saved by the procurement department and internal control department for future reference.

The validity of the document

This management system is authorized to be drafted by the CEO, reviewed for effectiveness by the Internal Control Department, and implemented from the date of approval by the CEO.

The interpretation of this document belongs to the procurement department and internal control department.