

# **Emeren Group Ltd.**

## **Principles for Handling Violations of Business Processes and Business Ethics**

**Prepared by:** Internal Control/HR Department

**Internal Control Reviewer:** Chris Wang

**Approved By:** Yumin Liu, Group CEO



**Approved Execution Date:** Aug 5<sup>th</sup>, 2023

## **1. Purpose**

This Policy is formulated to promote effective corporate governance of Emeren Group strengthen the implementation of corporate process internal control, accelerate the punishment of corruption, and make an effort to build Emeren Group Ltd's corporate culture. This Policy stipulates some specific behaviors and corresponding penalties that violate business processes and business ethics.

This Policy includes several examples, but cannot include every scenario that may occur. The company will hold discretion to judge the severity and loss that occurred in each situation.

## **2. Scope of application**

This Policy applies to all employees of Emeren Group Ltd and its subsidiaries.

## **3. Violations of business processes**

### **3.1 Management of fixed assets, inventories, and construction in progress**

Including but not limited to:

- ▲ Stealing company assets or failing to protect the company asset from being stolen.
- ▲ Project materials with quality issues were received privately without notifying management;
- ▲ Excess or shortage of inventory and materials have not been found correctly and in time;
- ▲ Failing to conduct asset or inventory counting according to regulations;
- ▲ The sale of company assets without proper authorization for the disposal of fixed assets;
- ▲ The construction in progress has not been authorized by management;
- ▲ The contract terms for project construction have not been properly reviewed;
- ▲ Invalid payment for construction in progress;
- ▲ The construction in progress did not proceed as planned and there was no reasonable explanation;
- ▲ The budget for the construction in progress is not properly controlled;
- ▲ The over-budget part of the construction in progress has not been approved by the management;
- ▲ Forgery of construction period or engineering supervision days for construction projects in progress;
- ▲ Payment and contract signing without proper approval; Or complete payment or contract signing before the final review of the process;
- ▲ Incomplete records of construction in progress by purpose.
- ▲ Important project information is lost or artificially deleted or damaged;

Relevant rules and regulations:

EM-FN-FA.01 Fixed Asset Management System

EM-FN-IV.02 Inventory and Engineering Material Management System

EM-PM-SC.01 Supply Chain Management Manual

EM-CDMI-CM.01 P05 Engineering Project Budget Management Process

**3.2 Procurement, suppliers, project acquisition, project development, project sales, project settlement business management, including but not limited to:**

- ▲ The selection of the supplier/SQE violates the company procedures
- ▲ Procurement without proper authorization;
- ▲ Failure to perform secondary verification on supplier payment information resulted in economic losses;
- ▲ Delivery without receiving the advance payment stipulated in the contract;
- ▲ The payment application has not been properly approved;
- ▲ Conflict of interest when making payments to unrelated third-party companies;
- ▲ The price or sales terms of the contract have not been approved by management;
- ▲ Sign a contract with the customer over the approved credit limit;
- ▲ Create or modify customer master document information in the Policy without authorization;
- ▲ Unauthorized modification and deletion of warehouse receipts;
- ▲ The procurement and service of equipment, materials, office supplies, and services above 3,000 USD/EUR have not gone through the appropriate approval and/or bidding process;
- ▲ Collusion with suppliers to bid and damage the company's interests, collect rebates, and goods;
- ▲ Failure to conduct the appropriate complete the project settlement, which damages our interests;
- ▲ In the signing of project development, acquisition, sale, construction contracts, etc., deliberately failing to sign the terms that are unfavorable to the company according to the pre-agreed standard contract terms which subsequently harm the company's interests;
- ▲ Failure to conduct completion acceptance of the project by regulations, or falsification during completion acceptance;

Relevant rules and regulations:

"EM-SC-PC\_Procurement Management Policy"

"EM-SC-SQE-01 Supplier Management Policy-SQE"

"EM-GA-EHS.02 Project Safety Management Policy/Occupational Safety and Health"

"EM-ADMI-CM.01 Engineering Construction Management Policy"

"EM-PM-PD.01 Project Development and Acquisition Management Manual"

### **3.3 Human Resource and Administration and IT**

Including but not limited to:

- ▲ The recruitment process does not comply with applicable laws, regulations, and company policies;
- ▲ Recruitment without effective approval or unfair and impartial decision-making;
- ▲ The attendance time was not correctly and effectively recorded;
- ▲ Intentional errors in salary and bonus calculations;
- ▲ Other serious violations of personnel and administrative management systems;
- ▲ Artificial destruction of company databases; Spread of Trojan virus;
- ▲ Malicious disclosure of company email address

Relevant rules and regulations:

"Emeren Group Ltd Employee Handbook"

"Human Resource Management Policy"

"Group IT Management Policies"

### **3.4 Financial, capital, and tax management including but not limited to:**

- ▲ Unauthorized creation of accounting data/ figures or falsifying accounting and financial records;
- ▲ Unconventional transactions that have not been approved, which caused errors in financial statements;
- ▲ Accounting forecasts and risks are not reported to the audit committee;
- ▲ Related party transactions have not been properly approved and disclosed;
- ▲ Forgery or alteration of bills or financial data;
- ▲ Provide false financial statements to the Group Finance Department, Internal Audit Department, and Management;
- ▲ The calculation of earnings per share has not been approved by management;
- ▲ Violating the company's "Financial Management Policy" or "Accounting Manual" and causing major errors/damages;
- ▲ Serious finance or tax control defects were found in the SOX audit and not rectified in time;

Relevant rules and regulations:

"Emeren Group Ltd Finance Management Policy"



"Emeren Group Ltd USGAAP Accounting Manual"

"EM-ELC-06 Emeren Group Ltd Internal Audit Policy"

**4. Violations of business ethics include but are not limited to:**

- ▲ Unauthorized disclosure of financial information, commercial secrets, and other important company information to competitors or third parties;
- ▲ Introducing a conflict of interest in the sale of project assets/ services and, earning personal profits, which harm the interests of the company.
- ▲ Receive any form of money, gifts, services, etc. without properly reporting and pre-approval;
- ▲ Using bribery methods when conducting business, thereby potentially violating relevant internal policies and laws stipulated by the Country/State;
- ▲ Provide any form of money, gifts, services, etc. to others in exchange for privileges within the company or from external 3<sup>rd</sup> party business contacts;
- ▲ Collusion within the company for fraud;
- ▲ Malicious bullying or sexual harassment of colleagues; Discriminating or mocking employees' physiological defects;
- ▲ Harassment in all forms, such as gossiping, reputation damage, leveraging false accusations, and engaging in organizational politics;
- ▲ Established a company without authorization/that does not meet the management approval type and registered amount;
- ▲ Unauthorized occupation of company resources that are inconsistent with one's position;
- ▲ Failure to report fraudulent, criminal, financial, and harassment-related information to management. Includes reporting false information to conceal these issues and protect own interests;
- ▲ Reimbursement of expenses that go above the policy approval limits or attempting to reimburse non-business related expenses;
- ▲ Violating the internal control Policy by attempting to stamp/ approve/ or sign contracts and documents in advance or privately;
- ▲ Using various methods to remit company cash to third-party companies to one's personal benefit;

Relevant rules and regulations:

"EM-ELC-07 Anti-fraud and reporting mechanism"

"EM-ELC-RT 01 Related Party Transaction Management Procedure"

"Workplace Discrimination & Harassment Policy"

## **5. Penalties**

### **5.1 Warning and notification of wrongdoing:**

▲ For initial violations, if the circumstances are minor, a warning and punishment will be given, and a copy will be sent to their direct leader and department head;

▲ Report criticism to the entire company for more serious or persistent cases.

### **5.2 Demotion or transfer**

Violated the company's business control procedures or business ethics, and caused serious adverse effects on the company/a certain degree of economic loss.

1. Minor infractions involve Supervisor and HR intervention (warning),
2. Major ones will involve legal support with the maximum consequence of being dismissed while the company seeks damages.

**5.3 The company will report the employee to the local authorities if the employee has willfully breached local laws and regulations.**