

GCL Technology Holdings Limited

Procurement Management Policy

Chapter I: General Principles

Article 1 Scope

This policy stipulates the procurement management principles, scope definition, key activities, operational methods, reporting, and record-keeping requirements for GCL Technology Holdings Limited (hereinafter referred to as "GCL Technology" or "the Company")

Article 2 Terms and Definitions

1. Procurement Liaison: Procurement Liaison refers to the designated contact person within the GCL Technology Headquarters Management Center and its subsidiary project companies' supply chain management departments, responsible for liaising with various levels of the supply chain management department and the Group supply chain regarding procurement-related matters.

2. Contract: Contract refers to an agreement concluded between equal natural persons, legal persons, or other organizations for the establishment, alteration, or termination of civil rights and obligations. Its forms of expression include but are not limited to contracts, agreements, framework agreements, purchase orders, supplementary agreements, commitment letters, and letters of cooperation intent. The contracts regulated by this standard are limited to various types of contracts under the *Contract Law of the People's Republic of China* and do not regulate labor contracts.

3. Sustainable Procurement Policy: Sustainable Procurement Policy refers to the corporate policy guiding procurement activities conducted in an ethical and sustainable manner across all tiers of the supply chain. In the procurement process, in addition to factors such as product quality, cost, and delivery time, sustainability

considerations must be integrated. It upholds the principles of green procurement, continuously promoting the purchase and use of products and services that are conducive to environmental protection, such as those that are energy-efficient and water-saving.

4. **Supplier Elimination:** Supplier Elimination refers to the management action taken against suppliers who consistently fail to meet performance standards or pose significant compliance risks, based on supplier performance evaluation results. Measures include suspending cooperation, removal from the approved supplier list, or termination of the business relationship.

5. **Supplier Screening:** Supplier Screening refers to the process of establishing a structured, multi-dimensional qualification evaluation system by comprehensively assessing suppliers across dimensions such as country/region, industry attribute, commodity category, ESG (Environmental, Social, Governance) performance, technical capability, and past performance history.

6. **Supplier Rectification:** Supplier Rectification refers to the management process wherein suppliers identified with issues during evaluations are required to develop and implement corrective action plans, with the effectiveness verified through follow-up audits or reviews.

Chapter II: Specific Provisions

Article 3 Procurement Plan Management

Each department shall designate a fixed Procurement Liaison responsible for submitting the department's procurement plans and serving as the primary contact for subsequent project-related coordination. In the event of personnel changes within the department, a proper handover must be arranged in advance, and the relevant Project Company's Supply Chain Management Department shall be notified via email. Procurement demand departments shall prepare their Material Demand Plans based on the unit's approved production and operation plans, target cost management

requirements, and budget control guidelines. Except for MRO and spare parts procured through GCL Intelligent Chain management platform , all other procurement demand plans shall be submitted via the designated supply chain information system.

Article 4 Procurement Category Management

Based on the distinct characteristics of each procurement category and considering factors such as the lowest total cost of ownership and supplier brand influence, the Management Center organizes the formulation of procurement strategies for each category and reports them to the Supply Chain Management Committee for record-keeping. An annual assessment of these category-specific procurement strategies is conducted.

Subordinate project companies, considering their unique corporate strategies and the specific attributes of each specialized sub-category, develop the primary procurement strategies for their respective categories. These strategies are then filed with the Supply Chain Management Center.

Supply Chain Management Committees and supply chain management departments at all levels are authorized to make decisions regarding procurement methods for projects within their respective scopes.

To achieve cost reduction and efficiency improvement, each business division leads and organizes centralized procurement for materials that meet the conditions for bulk purchasing. Subordinate companies are required to strictly execute and sign contracts based on the outcomes of these centralized procurement initiatives.

Article 5 Supplier Selection

In principle, manufacturers shall be selected as suppliers for equipment and materials. Beyond this, the highest-level authorized agents or distributors within the procurement region may be chosen.

For tender-based procurement, preference should be given to suppliers of the same tier. The supplier's status must be 'Qualified' or be a provisional supplier approved by the GCL Technology Supply Chain Management Committee.

The invitation of suppliers should, where possible, be conducted through automated system selection. Annually, statistics should be compiled for suppliers who have failed to submit bids more than three times. The reasons should be investigated, and their status updated as necessary.

The Company shall identify items for which there are fewer than three active suppliers in the database and actively develop new suppliers for these items to enhance the Company's bargaining power.

Article 6 Supplier Screening

Supplier screening shall comprehensively evaluate the following dimensions and be managed through a labeling system within the supply chain management system for dynamic updates:

1. Country and Region: Priority shall be given to suppliers from regions that comply with Chinese and international trade policies and pose lower geopolitical risks. Suppliers from high-risk countries/regions require additional compliance reviews.

2. Industry Attributes: Key assessments shall focus on the environmental compliance, technological innovation capability, and industry reputation of the supplier's sector.

3. Product Attributes: Based on the criticality of the procurement category (e.g., strategic materials, general supplies, hazardous goods), differentiated technical standards, quality certification requirements (such as ISO 9001, ISO 14001), and supply chain transparency requirements shall be established.

4. ESG Performance: If a supplier experiences a general or more severe environmental incident, or records two personal injury accidents within one year, a "one-vote veto" mechanism shall be applied regarding its safety production record, resulting in its designation as a disqualified supplier.

5. Historical Performance Data: Performance metrics from the past three years, including on-time delivery rate, product qualification rate, and post-sales response speed, shall be incorporated into the weighted evaluation.

Article 7 Supplier Elimination Mechanism

1. Elimination Triggering Conditions: A supplier shall be subject to the Elimination procedure if its performance score falls below 70 points (out of 100), a major quality incident, environmental compliance violation, or breach of business ethics occurs, or it fails a periodic compliance review.

2. Elimination Procedure: The Supply Chain Management Department shall propose an exit recommendation, which requires approval by the Supply Chain Management Committee before implementation. Upon approval, the decision shall be filed with the Supply Chain Management Center for record-keeping.

Article 8 Supplier Rectification Management

1. Rectification Triggering Scenarios: A performance score falling within the range of $70 \leq X < 80$; correctable compliance deficiencies identified during on-site audits; or customer complaints that, upon verification, require systematic improvement from the supplier.

2. Rectification Requirements: Suppliers must submit a detailed written rectification plan within 30 days, clearly outlining the corrective actions, implementation timelines, and responsible parties, and file it on the designated platform; major rectification items require a specialized review organized by the Supply Chain Management Department.

3. Rectification Review: Upon confirmation that the rectification is complete and effective, the quality rectification feedback form shall be formally closed within the GCL Intelligent Chain management platform.

Article 9 Archives Management

Procurement process documentation shall be regularly archived (including both physical and electronic archiving) to ensure the completeness and traceability of procurement documents. Archives management shall be executed in accordance with the *Archives Management Standard* and the *Electronic Archives Management Standard*.

Article 10 Procurement Evaluation System

The Supply Chain Management Center shall organize cross-inspections of the supply chain operations of various project companies based on the monthly reported procurement status. These inspections shall cover the following areas:

1. The decision-making basis for procurement strategies, encompassing requirements for centralized procurement items, budget, supplier invitations, cost control measures, and award criteria.

2. Price analysis of procurement categories.

3. The rationale behind supplier selection.

4. Contract performance and discrepancies in the supply scope compared to the contract terms, with a focus on verifying consistency between contract content and procurement outcomes. Key clauses to be inspected include contract value, clarifications, payment terms, scope of work, and supply scope, aiming to identify issues and rectify loopholes promptly.

5. Variances between the execution results of annual framework agreements and the original tender outcomes.

The Supply Chain Management Center is responsible for organizing these cross-inspections for procurement projects conducted by subordinate project companies within their authorized limits. Subordinate project companies are required to regularly report the performance of their centralized procurement suppliers to the Supply Chain Management Center. The supply chain management department of the Management Center is tasked with consolidating and analyzing data from centralized procurement projects, thereby providing a practical foundation for evolving centralized procurement towards strategic procurement. The results of the cross-inspections and the corresponding improvement measures shall be reported by the Supply Chain Management Center to the GCL Technology Supply Chain Management Committee.

Article 11 Procurement Management Performance Evaluation

The Supply Chain Management Center shall organize the annual procurement performance assessment for subordinate project companies.

Article 12 Inspection and Assessment

For cases where the standards are poorly implemented, leading to adverse consequences, or where violations of the standard provisions result in serious outcomes such as operational errors, personal injury, or equipment losses, liability shall be pursued in accordance with the relevant regulations and procedures.

Chapter III: Supplementary Provisions

Article 13 Interpretation

This policy is ultimately interpreted by the Sustainability Center of GCL Technology Holdings Limited.