

Summary of Measures for the Management of Supplier Misconduct and Blacklist of CRRC Group

CRRC highly concerned the anti-corruption of suppliers, and has issued the Measures for the Management of Supplier Misconduct and Blacklist of CRRC Corporation Limited, and established a hierarchical management mechanism for the misconduct of suppliers, in which the suppliers involved in corruption are blacklisted or deemed to have bad behaviors according to the severity of their behaviors. The disciplinary measures include canceling the qualifications of qualified suppliers, suspending those suppliers' participation in new project cooperation, and listing them in risk warnings. Meanwhile, it is required that audit departments and disciplinary inspection organizations at all levels conduct audits and supervisory inspections of the management of supplier misconduct and related units and personnel in accordance with their responsibilities.

(I) Classification and Promotion Management of Supplier Misconduct

1. The Company implements hierarchical management of suppliers according to their misconduct, risk information released by the State-owned Assets Supervision and Administration Commission of the State Council or major customers, and risk information released by CRRC's trusted third-party institutions, and marks Risk Warning Suppliers, "Red & Yellow Card" Suppliers and Blacklist Suppliers respectively. Among them, "Red & Yellow

Card" Suppliers are divided into three levels: General Risk (Yellow Card Band II), Medium Risk (Yellow Card Band I), Major Risk (Red Card).

-Risk Warning Suppliers: The Company prudently or temporarily suspends the new business with suppliers listed in the Risk Warning Suppliers catalogue, and all-level subsidiaries share risk warning information.

-Disciplinary Penalties for Yellow Card Band II: Suspend the suppliers from participating in new project cooperation for 3 months.

-Disciplinary Penalties for Yellow Card Band I: Suspend the suppliers from participating in new project cooperation for 6 months.

-Disciplinary Penalties for Red Card: Suspend the suppliers from participating in new project cooperation for 12 months.

-Blacklist: Cancel its qualification as a qualified supplier and cease cooperation with it for 3 years.

2. The Blacklist Suppliers and Risk Warning Suppliers are all at the Group Level, and the information is shared in all Subsidiaries. "Red & Yellow Card" Suppliers are divided into two levels: Group Level and Subsidiary Level.

-Subsidiary Level: Suppliers identified by Subsidiaries for misconduct are classified as Major Risk (Red Card), Medium Risk (Yellow Card Band I), and General Risk (Yellow Card Band II) Suppliers at the Subsidiary Level based on their severity, and supplier cooperation relationships are suspended within the relevant Subsidiaries.

-Medium Risk (Yellow Card Band I) at Group Level: Suppliers who are identified as Medium Risk (Yellow Card Band I) at Subsidiary Level and trigger a similar Medium Risk (Yellow Card Band I) incident within 6 months at any level of the Company's Subsidiaries will be upgraded to Medium Risk (Yellow Card Band I) Suppliers at Group Level; Suppliers with serious negative behaviors reported by major customers will be directly identified as Medium Risk (Yellow Card Band I) Suppliers at Group Level.

-Major Risk (Red Card) at Group Level: Suppliers who are identified as Major Risk (Red Card) Suppliers at Subsidiary Level or Medium Risk (Yellow Card Band I) Suppliers at Group Level who have been disciplined a similar Medium Risk (Yellow Card Band I) penalty within 12 months at any level of the Company's Subsidiaries will be upgraded to Major Risk (Red Card) Suppliers at Group Level; Suppliers with serious negative behaviors reported by major customers will be directly identified as Major Risk (Red Card) Suppliers at Group Level.

(II) Identification of Suppliers Misconduct - Corporate Conduct

Level of Misconduct	Classification	Identification Standard	Disciplinary Measures
Blacklist	-	<ol style="list-style-type: none"> 1. Those who are responsible for extraordinarily serious accidents, serious accidents, large accidents, or other quality accidents of equivalent standards. 2. Those who bear full or main responsibility in General Class A or other safety production accidents of equivalent standards. 3. Those who violate relevant regulations or engage in dishonest behavior, causing economic losses of 5 million or more or serious adverse social impacts to CRRC and its subsidiaries. 4. Those who have accumulated two or more major bad behaviors within three years; Those who have been identified as one of the Major Risk (Red Card) at Group Level Suppliers and then engage in misconduct at the Medium Risk (Yellow Card Band I) at Subsidiary Level or above. 5. Suppliers who engage in illegal business activities and have accumulated two or more major illegal records within three years. 6. The court's judgment states that the supplier's bribery, internal and external collusion with the company's employee, etc., have resulted in significant adverse effects, demonstrating a serious and egregious nature with severe circumstances. 7. Those who have been included in the list of sanctioned enterprises in China, those who have been listed as serious illegal and dishonest enterprises, and those who have been included in the "Blacklist Suppliers" by major customers. 8. Deliberately withholding the wages of labor service personnel (including migrant workers) and punishment by relevant national departments. 9. Failure to rectify in a timely manner or concealment of defects in the quality of the works, hidden production safety hazards, etc., leading to significant economic losses or seriously 	Those who are listed in the Blacklist will be disqualified as qualified suppliers and cease their partnership for three years.

Level of Misconduct	Classification	Identification Standard	Disciplinary Measures
		<p>affecting the reputation of the Company.</p> <p>10. Those who destroy cultural relics and seriously pollute the environment during the construction and are punished by the relevant national departments.</p> <p>11. Those who are grossly insubordinate, shut down without approval or construction blocking, threatening the Company personnel, instigating workers to gather and cause trouble, and obstructing the normal progress of construction.</p> <p>12. Other serious violations of laws and regulations, serious dishonesty, causing serious adverse social impact, and seriously disrupting the procurement and supply chain behavior of CRRC.</p>	
Significant Misconduct	Behavior	<ol style="list-style-type: none"> 1. Providing false information (authorization letters, inspection reports, performance certificates, product quality assurance certificates, factory nameplates, etc.) in the procurement and supply process through fraudulent means, thereby obtaining contracts, interfering with procurement and disrupting supply. 2. Collusive bidding or bid-rigging in procurement activities, regardless of whether the bid is successful or not. 3. The business license has been revoked or canceled, or the qualification of the relevant enterprise or product certification has undergone significant changes during the execution of the contract, etc., so that the qualification or ability to continue performing the contract is not met, and the contracting unit is not notified in time. 4. Providing false investigation sites. 5. Cutting corners, passing fake imitations for genuine, and supplying counterfeit and inferior-grade products which offence of serious nature. 6. Supplying reprocessed products, defective products and scrapped products as new products. 7. Illegal subcontracting or unauthorized subcontracting of the subject matter as a whole; 	<p>During the period of Red Card disciplinary penalties, during the suspension, the supplier shall not be allowed to participate in new projects and shall not enter into procurement contracts, and the signed contract shall be evaluated as necessary to determine its continuation or adjustment.</p> <p>Automatically terminate upon expiration.</p>

Level of Misconduct	Classification	Identification Standard	Disciplinary Measures
		<p>Changing critical processes, suppliers, raw materials, spare parts or technical requirements without permission; Failing to supply products, processes or services to the factory (manufacturer) as promised in the contract.</p> <p>8. Verbally intimidating or causing personal injury to employees of the Company in the process of business dealings.</p> <p>9. Those found by the relevant authorities to have violated the spirit of the eight rules of the CPC Central Committee and relevant integrity regulations in procurement and related management activities, and to have been responsible for significant and serious violations.</p> <p>10. CRRC and its subsidiaries suffered economic losses of more than 2 million yuan and less than 5 million yuan (inclusive) result from the supplier's breach of contract.</p> <p>11. Suppliers seize patents without authorization, patent infringement occurs and is not withdrawn at the request of the Company.</p> <p>12. Suppliers intentionally infringe on the intellectual property rights of others, and the circumstances of the infringement are serious. (Committing the same or similar infringing acts again after being administratively penalized or held liable by a court decision for the infringement; Take infringement of intellectual property rights as a profession; Falsify, destroy or conceal evidence of infringement; Refusal to comply with preservation decisions; Profits from infringement or cause significant damage to the rights holders; Infringing acts may endanger national security, public interests or personal health; Other situations that can be considered as serious circumstances).</p> <p>13. Violating of national carbon peaking and carbon neutrality goals and environmental policies, falsifying, fabricating, concealing, or omitting to report carbon emission data, and being held criminally liable by the relevant authorities.</p>	
Serious Negative	Behavior	1. On receipt of the notification of winning the bid or transaction, the supplier refuses to sign the contract without justifiable reasons, or refuses to perform the contract without	During the period of Yellow Card Band I

Level of Misconduct	Classification	Identification Standard	Disciplinary Measures
Behaviors		<p>justifiable reasons during the contract execution process.</p> <p>2. Replace raw materials or components without authorization or fail to supply according to the brand and quality stipulated in the contract or violate the commitments in the procurement documents.</p> <p>3. Maliciously inflating or undercutting offers in procurement activities.</p> <p>4. On receipt of the notification of winning the bid or the order, the supplier proposes to adjust its share without a valid reason, or, imposes additional conditions to the purchaser when signing the contract.</p> <p>5. Failure to make timely delivery or installation and commissioning in accordance with the contract or demand plan due to the supplier's reasons, and failure to complete delivery or installation and commissioning within a reasonable period of time despite reminders, and the production project of the Company has been affected.</p> <p>6. Significant impact on the Company or customer complaints or claims against the Company due to suppliers' dishonest behavior in after-sales service, failure to provide spare parts on schedule or untimely response in after-sales service, etc.</p> <p>7. Failure to report changes in the supplier's factors of production in a timely manner, or failure to cooperate with on-site reviews.</p> <p>8. Those found by the relevant authorities to have violated the spirit of the eight rules of the CPC Central Committee and relevant integrity regulations in procurement and related management activities, and to have been responsible for significant and serious violations.</p> <p>9. CRRC and its subsidiaries suffered economic losses of more than 1 million yuan (inclusive) and less than 2 million yuan (inclusive) result from the supplier's breach of contract.</p> <p>10. The supplier intentionally infringes on the intellectual property rights of others, and the infringement is not serious.</p>	<p>disciplinary penalties, during the suspension, the supplier shall not be allowed to participate in new projects and shall not enter into procurement contracts, and the signed contract shall be automatically terminated upon expiration.</p>

Level of Misconduct	Classification	Identification Standard	Disciplinary Measures
		<p>11. Violating of national carbon peaking and carbon neutrality goals and environmental policies, falsifying, fabricating, concealing, or omitting to report carbon emission data, and administrative penalties imposed by relevant national departments.</p>	
General Misconduct	Behavior	<ol style="list-style-type: none"> 1. On receipt of the notification of winning the bid or the order, the supplier fails to sign the contract at the agreed time. After written reminder, although the signing has been completed, it has already affected product delivery. 2. Failure to deliver in a timely manner in accordance with the contract or demand plan due to the supplier. Failure to deliver within the required time after a written reminder, which affects supply. 3. Participated in procurement activities and 2 instances during the year where the order is abandoned without any reason after the announcement of the results. 4. Suppliers Participated in procurement activities with 2 or more cumulative complaints during the year that are unsubstantiated and interfere with the normal procurement order. 5. The construction unit fails to carry out construction operations in accordance with the requirements of the code, violates the Company's relevant safety, fire control, environmental protection management regulations, and the circumstances are serious. 6. The after-sales service is unsatisfactory, which affects the Company's after-sales service or the Company's product operation. 7. The supplier's products fail to meet the Company's requirements for prohibited and restricted substances. 8. The supplier infringes on the intellectual property rights of others. In case the infringement is not serious, and the supplier actively cooperate to eliminate the influence. 9. Those found by the relevant authorities to have violated the spirit of the eight rules of the CPC Central Committee and relevant integrity regulations in procurement and related management activities and to have been responsible. 	<p>During the period of Yellow Card Band II disciplinary penalties, during the suspension, the supplier shall not be allowed to participate in new projects and shall not enter into procurement contracts, and the signed contract shall be automatically terminated upon expiration.</p>

Level of Misconduct	Classification	Identification Standard	Disciplinary Measures
Risk Warning	-	<p>1. It is identified as a Major Risk by a third-party institution trusted by the Company.</p> <p>2. Listed as a "High-risk Supplier" by the State-owned Assets Supervision and Administration Commission of the State Council.</p>	<p>During the group-wide risk warning, and the disposal period, suppliers are not allowed to participate in new project cooperation.</p>
		<p>3. Suppliers not affiliated with CRRC or under equity management, whose names contain the word "CRRC", or contain the name of the subsidiary of CRRC.</p> <p>4. Supplier's legal person, shareholders or executives are listed on the dishonest civil debtor list system, or the list of debtor subject to high consumption restrictions.</p> <p>5. Identified as General Misconduct by major customers.</p> <p>6. The performance evaluation of the Company or its subsidiary is determined to be "Substandard".</p> <p>7. Those that are identified as Major Risk (Red Card) Suppliers at Subsidiary Level, Medium Risk (Yellow Card I), or General Risk (Yellow Card II).</p>	<p>For the group-wide risk warning, all subsidiaries at all levels should prudently carry out new business with them.</p>