

HD Construction Equipment

Green Purchasing Guidelines

- Purchasing Division -

Table of Contents

- Article 1 Purpose
 - Article 2 Scope of Application
 - Article 3 Definitions
 - Article 4 Roles and Responsibilities of the Parties
 - Article 5 Purchase of Green Products
 - Article 6 Price Preference Scheme
 - Article 7 Rewards and Preferential Treatment Policy
-
- Annex 1 Criteria for Green Products
 - Annex 2 Purchasing Procedure

Article 1 (Purpose)

HD Construction Equipment Co., Ltd. (hereinafter referred to as the “Company”) establishes these Green Purchasing Guidelines with the aim of pursuing environmentally friendly management practices, producing clean and eco-friendly high-quality products, responding to national policies, and thereby fulfilling its social responsibilities.

Article 2 (Scope of Application)

This Policy shall apply to all products purchased by the Company, including direct materials, indirect materials, and facility materials.

Article 3 (Definitions)

The term “**Green Products**” refers to products that, compared with other products serving the same purpose, contribute to the conservation of resources and the reduction of environmental pollution, as defined in Article 2, Paragraph 5 of the *Framework Act on Low Carbon, Green Growth*, and shall include goods falling under any of the following subparagraphs:

1. **Products certified with an Environmental Label** pursuant to Article 17, Paragraph 1 of the *Act on the Support of Environmental Technology and Environmental Industry*, having improved environmental performance compared to other products serving the same purpose, as well as products that meet the relevant certification standards;
2. **Products certified for recycled product quality** pursuant to Article 33 of the *Act on the Promotion of Saving and Recycling of Resources* and Article 15 of the *Industrial Technology Innovation Promotion Act*;
3. **Low-carbon products** that have reduced greenhouse gas emissions pursuant to Article 2, Paragraph 5 of the *Framework Act on Low Carbon, Green Growth*;
4. **Other goods recognized by the Head of the Purchasing Division**, including but not limited to:
 1. products that are easy to reuse, recycle, or reprocess;
 2. products with low energy consumption;
 3. products with high durability;
 4. products designed to reduce resource consumption by minimizing

- size and weight;
- 5. products that do not contain harmful substances; and
- 6. other similar products.

The term **"Green Purchasing"** means the purchase of products defined in the preceding No.1 paragraph.

The term **"Price Preference Scheme"** means the preferential margin applied to Green Products during price evaluation for purchasing purposes.

(Example: Under a 10% price preference scheme, a bid price of KRW 1,000 shall be evaluated as KRW 900 for the purpose of determining the successful bidder, and if awarded, the contract price shall be reverted to KRW 1,000.)

The term **"Head of the Purchasing Division"** means the person who leads the division responsible for purchasing activities on behalf of the Company.

Article 4 (Roles and Responsibilities of the Parties)

1. Purchasing Division of the Company

1. Define and manage the scope of application for Green Purchasing, establish and manage purchasing procedures, and manage performance records of Green Product purchases;
2. Give preferential treatment to Green Products by reviewing environmental performance in addition to quality and price when purchasing goods;
3. Conduct internal and external education and internal and external communications related to Green Purchasing;
4. Report annual performance results and disclose them company-wide.

2. Suppliers

1. Submit supporting documentation for Green Products when entering into goods supply contracts;
2. Notify the Company of any changes to key environmental information of delivered products following contract execution;
3. Inform the Company of the status of Green Product purchases upon request;
4. Perform any other matters necessary for Green Purchasing.

Article 5 (Purchase of Green Products)

When comparing the quality, price, and other relevant factors of products to be purchased, the Company may purchase the Green Product that best meets the purpose of the purchase.

Exceptions to Green Product Purchases

Green Products may be excluded from purchase in any of the following cases:

- where no Green Products exist for the relevant product category intended for purchase;
- where the product category falls under Green Product categories, but no certified Green Product exists for the specific item to be purchased;
- where the Green Product is difficult to purchase due to significant degradation in quality or similar reasons;
- where it is deemed difficult to purchase Green Products due to unavoidable circumstances, such as the occurrence of urgent demand;
- where urgent demand arises for the purpose of disaster recovery due to natural disasters; or
- where other circumstances determined by the Head of the Purchasing Division apply.

Article 6 (Price Preference Scheme)

In order to effectively promote the Green Purchasing Policy, the Company may apply a Price Preference Scheme.

The acceptable preference margin under the Price Preference Scheme may be determined by the Head of the Purchasing Division based on criteria specific to each Green Product.

Article 7 (Rewards and Preferential Treatment Policy)

The Company may provide rewards and support to suppliers that have faithfully fulfilled their obligations under this Policy and have been recognized for outstanding performance.

The Company may also identify exemplary cases of Green Purchasing and reward departments or individuals that have diligently implemented such practices.

Annex 1. Criteria for Green Products

1. Environmental Label Certification Criteria

- Environmental criteria shall consider environmental performance throughout the entire product life cycle, including manufacturing, distribution, use, and disposal, such as reduction of hazardous substances, human safety, energy saving, water conservation, recyclability, and low noise levels.
- Quality criteria shall require compliance with applicable Korean Industrial Standards (KS) or equivalent standards for each product category.

2. Low-Carbon Product Certification Criteria

- Consideration shall be given to the amount of greenhouse gas emissions reduced throughout the entire product life cycle, including raw material extraction, transportation, manufacturing, use, and disposal.
- Among products certified with Environmental Product Declarations (EPD), products that meet either the “Maximum Allowable Carbon Emissions” or exceed the “Minimum Carbon Reduction Rate” as stipulated in the public notice on *Low-Carbon Product Standards* shall be eligible.

※ *Maximum Allowable Carbon Emissions*: a value calculated based on the average carbon emissions of products in the same category among EPD-certified products.

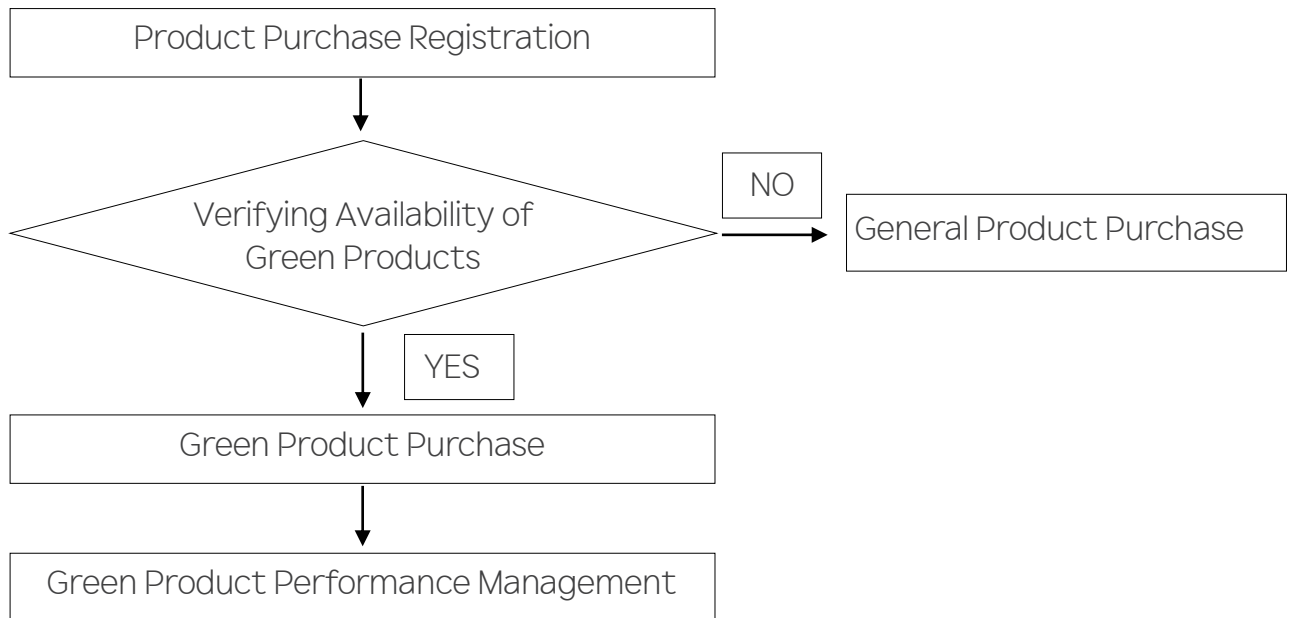
※ *Minimum Carbon Reduction Rate*: 3.3%, based on the government’s “National Greenhouse Gas Reduction Targets and Sector-Specific Reduction Targets.”

3. Excellent Recycled Product (GR) Certification Criteria

- On-site inspection criteria shall review not only the comprehensive quality management system across the product life cycle, but also the excellence of the product, including domestic waste resource recycling rates and recycling technologies.
- Product standards shall review quality, performance, and environmental performance in accordance with quality certification criteria for each recycled material and product.

Annex 2. Purchasing Procedure

- Green Product Purchasing Process -



Step 1: Identification of Eligible Green Product Categories and Products

- Upon receipt of a purchase request, confirm whether the item to be purchased falls under the Green Product category.
- If it is a Green Product category, verify whether certified Green Products actually exist.

Step 2: Verification of Feasibility for Green Product Purchase

- Review exceptions to Green Product purchases and make a final determination as to whether the intended product may be purchased.

Step 3: Purchase of Green Products

- Purchase Green Products with reference to vendors registered in the Green Product Information System and Product Information System.

Step 4: Management of Green Product Purchasing Performance

- Compile and manage monthly and annual records of Green Product purchases.