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ZTE	ZTE Anti-Bribery Compliance Manual		
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Responsible Unit: Anti-Commercial Bribery Compliance Dept.	Revised by: Xu Xuedong 10136539 Wang Dongyu 00247157	Reviewed by: Yan Wei 10003111	Approved by: Xu Ziyang 10002790

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A Letter from the CEO

To all ZTE employees, board members, shareholders, and business partners:

As a world-leading provider of integrated ICT solutions, ZTE is committed to providing customers with better products and services, driving the digital economy, and jointly building the industry ecosystem. Compliance, as a business card of ZTE, enhances brand trust and stays in line with the steady growth of the company's business. It continuously helps the company gain competitive advantages, build an effective immune system, and protect healthy business operations, thereby making the company more resilient.

Believing that compliance creates value, ZTE actively joins hands with other Chinese enterprises in compliance co-building. For example, we hold annual compliance symposiums to create a platform for compliance exchanges, participate in the compilation of compliance books, such as those for people aspiring to become corporate compliance officers, provide advice on domestic compliance legislation, and operate the "All About Compliance" social media account to share experience in compliance building, thus promoting the joint building of the compliance ecosystem. In the anti-bribery field, ZTE has passed the ISO 37001:2016 Anti-Bribery Management System certification, which shows external recognition of the company's professional compliance capabilities and governance achievements. The company continuously reviews its anti-bribery compliance system in business activities, deepens compliance management in key business fields, accelerates tool construction in the digital intelligence era, and focuses on improving the efficiency of compliance management. I am very proud to be working with you to continuously safeguard the stable, free, and confident operations of the company, and contribute to the high-quality development of the company with high-level compliance management.

At the same time, we should be well aware that anti-bribery compliance is still a common challenge to all the enterprises with global operations, especially those in the telecom industry. As can be seen from many law enforcement cases involving telecom enterprises, bribery will not only incur major economic costs, legal consequences, and reputational damage, but also bring substantial risks to business operations and management. We should be clear that brand trust is built over time but can collapse overnight due to a minor violation. That means stability takes priority over speed. Therefore, ZTE holds a zero-tolerance attitude towards any form of bribery. We expect and call on all employees of ZTE and all business partners acting on behalf of ZTE or having any business relationship with ZTE, to adhere to compliant business models wherever business is conducted and never trade personal integrity and corporate reputation for any short-term

benefits. We should stick to the bottom line of compliance, always act responsibly, honestly, and transparently, carry out business activities in a legal and compliant manner, always do the right thing, and work together to co-build a compliant business environment. To continuously improve the company's compliance management, align it with the company's strategies, and evolve from effective to efficient compliance management, ZTE regularly reviews and has completely updated the **ZTE Anti-Corruption and Anti-Bribery Compliance Policy** and the **ZTE Anti-Bribery Compliance Manual** (hereinafter referred to as the "Policy" and the "Manual" respectively) while responding to the changes in external anti-bribery and anti-corruption laws and regulations, and adapting to the actual development of internal business. All employees of ZTE and all business partners acting on behalf of ZTE or having any business relationship with ZTE shall strictly comply with the Policy and the Manual. If you have any questions, or do not know how to apply them in your business, please refer to the corresponding guidelines or suggestions in the body of this Manual, or consult your CPOC, direct leader, compliance manager, or compliance director.

If you find any actual or potential bribery, report it via the following channels. The company will properly protect your information to ensure that you will not be retaliated against in any form.

1) Internal Compliance Reporting Channel

Email: complianceaudit@zte.com.cn

2) External Independent Third-Party Compliance Reporting Channels

Website: <https://www.tip-offs.com.cn/ZTE>

Email: ZTEWhistleblowing@tip-offs.com.cn

Tel.: 400-0707-099 (Chinese mainland)

+8621-3313-8584 (overseas, Hong Kong, Macao, and Taiwan)

Xu Ziyang

CEO of ZTE Corporation

August 13, 2024

1 Statement Regarding ZTE Anti-Corruption and Anti-Bribery Compliance Policy

Compliance with applicable laws and regulations is the cornerstone of all business of ZTE. The **ZTE Anti-Corruption and Anti-Bribery Compliance Policy** summarizes the essence of ZTE's anti-bribery philosophies in a set of guiding principles.

Corruption and bribery breach public trust, pose threats to economic and social development, and hinder fair trade. To fight corruption and bribery, most countries where ZTE conducts business have implemented anti-corruption and anti-bribery laws and regulations, and treat corruption and bribery as criminal acts. To ensure full compliance with these laws and regulations, and guarantee that global business is conducted in accordance with the principles of fairness, integrity, and transparency, ZTE has a zero-tolerance attitude towards any form of corruption or bribery by board members, management members, employees, contract workers (hereinafter collectively referred to as "related personnel") or third parties acting on ZTE's behalf. In short, ZTE does not tolerate any form of corruption or bribery.

ZTE strictly prohibits any form of corruption or bribery in conducting business in the public or private sectors. ZTE's related personnel or third parties operating on the company's behalf shall not offer, promise, pay, or authorize to pay money or anything of value, directly or indirectly, to any person from public or private sectors, as an inducement or reward for a person improperly acting or refraining from acting in relation to the performance of that person's duties in order to obtain or maintain business or any other improper advantage. ZTE has developed a series of regulations, processes, and guidelines to minimize the risks of corruption and bribery, and further incorporated integrity, transparency, and "doing the right thing" as an integral part of the corporate compliance culture, thus promoting its credibility globally.

The core of anti-bribery compliance lies in integrity. As an employee of ZTE, you should carry out business in an honest and moral manner, never make false statements or provide forged or fabricated information or materials, and always do the right thing. If you encounter potential violations or are concerned about potential violations, you shall report them in a timely and honest manner and provide all the information you have.

ZTE and its related personnel may be liable for misconduct by business partners, even if the company is not aware of such misconduct. In view of this, related personnel shall not ignore the acts or information about business partners that may constitute bribery,

whether intentionally or not. In addition, the related personnel must take reasonable measures to ensure that ZTE's business partners know that ZTE expects them to follow the highest standards of integrity and related anti-bribery compliance requirements when acting on ZTE's behalf.

At work, we may face dilemma between business growth and compliance requirements due to pressures from other aspects. However, at no time should the violation of compliance requirements of the **ZTE Anti-Corruption and Anti-Bribery Compliance Policy** (hereinafter referred to as the "Policy") or relevant laws and regulations be considered a right choice. You shall make a wise judgment that is best for you and ZTE's healthy and sustainable development.

ZTE and related personnel from all its departments, subsidiaries, affiliates, and branches have the obligation to comply with all applicable anti-bribery laws and regulations, the **ZTE Business Code of Conduct**, and the Policy. Anyone who violates any of the above, regardless of his or her position, may be charged by the law enforcement authorities and thus be subject to the corresponding civil and/or criminal penalties, the company's disciplinary actions, and/or termination of the labor contract.

2 How to Use This Manual

2.1 Overview

The **ZTE Anti-Bribery Compliance Manual** (hereinafter referred to as the "Manual") is intended to assist the related personnel of ZTE and business partners acting on ZTE's behalf or for its benefit in understanding and complying with the Policy and relevant regulations and processes.

This Manual consists of nine chapters. Chapter 2 specifies the purpose and application scope of this Manual; Chapter 3 describes the definition of bribery, the influence of bribery on ZTE's business, and how ZTE manages related risks; Chapter 4 describes ZTE's anti-bribery management system; Chapter 5 provides an overview of anti-bribery-related business processes, prohibitive regulations, requirements on how to obtain approval, and links to related management regulations, guidelines, and training; Chapter 6 introduces the specific requirements for accounting and records; Chapters 7 and 8 describe the disciplinary actions as well as the consultation and reporting channels for violations of this Manual; and the last chapter contains the annexes.

2.2 Relationship Between the Policy, Manual, Management Regulations, and Guidelines

The following figure shows the relationship between the Policy, the Manual, management regulations (on issues such as gifts and hospitality, business travels provided to external parties, use of business partners, procurement, commercial sponsorship, charitable donation, customer training, Mergers and Acquisitions (M&A) and joint ventures, and employment), and guidelines. The Policy sets out ZTE's overall objectives, principles, and requirements for anti-bribery compliance management. The Manual is a general guide for ZTE's related personnel and business partners conducting business on behalf of or for the benefit of ZTE in accordance with the Policy, regulations, and process requirements. Management regulations are standardized documents under ZTE' Anti-Bribery Compliance Documentation System, which specify the roles and responsibilities, management principles, requirements, and processes, and are also normative documents for policy implementation. Guidelines are specific rules for the implementation of management processes and requirements defined in the management regulations, and include guidelines for a business or process category, for certain positions or personnel, and for some regions or entities. The Policy, this Manual, management regulations, and guidelines are maintained by the Anti-Commercial Bribery Compliance Dept. In accordance with laws and ZTE's anti-bribery management system, leaders and the compliance teams of business units or functional departments, organizations in charge of business in regions/countries, or subsidiaries may, under the support and authorization of the Anti-Commercial Bribery Compliance Dept., create additional management regulations and guidelines for a specified business activity or business in a specified country/region when needed.



Figure 1

2.3 Applicable Scope

This Manual applies to all board members, management members, employees, contract workers, and business partners of ZTEC and its branches, subsidiaries, and affiliates across the world. When having no right of control, ZTE will do its utmost to promote the adoption, implementation, and enforcement of appropriate anti-bribery compliance policies as far as practicable.

After this Manual is released, the drafting department shall review the Manual on a regular basis at least once every two years, and update and revise the Manual in accordance with the latest template within two years.

2.4 Applicable Laws

Bribery not only violates the Policy and this Manual, but also may breach the applicable local laws and regulations, such as the ***Criminal Law of the People's Republic of China***, the ***Anti-Unfair Competition Law of the People's Republic of China***, the ***U.S. Foreign Corrupt Practices Act (FCPA)***, and the ***UK Bribery Act (UKBA)***. Considering that ZTE is a multinational company, ZTE and its related personnel shall comply with the anti-bribery laws and regulations of China and other countries or regions where its business is conducted. Any violation may result in serious civil, administrative, and/or criminal penalties.

3 Overview of Anti-Bribery

3.1 Definition of Bribery

In line with international anti-bribery laws and regulations, ZTE defines "bribery" as: offering, promising, paying, or authorizing to pay money or anything of value, directly or indirectly, to any person from public or private sectors, as an inducement or reward for a person improperly acting or refraining from acting in relation to the performance of that person's duties in order to obtain or maintain business or any other improper advantage.

Note that bribery may also arise even in the following circumstances:

- Seek benefits for someone else;
- Seek benefits for personal business activities;
- Obtain no benefits after making a payment;
- Gain no competitive advantages for ZTE;
- Promise to pay after gaining business or benefits (no matter whether the business or benefit is finally obtained);
- The recipient initially suggests the payment and the related personnel of ZTE indicate acceptance or make a commitment; or
- The recipient is not the decision-maker.

The ***United Nations Convention against Corruption*** and the ***Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*** issued by the Organization for Economic Co-operation and Development (OECD) treat bribery of public officials as a serious crime, and national legislation of many countries also focuses on preventing bribery of public officials. This Manual also provides guidance to help employees identify and mitigate risks when interacting with government officials.

Public or government officials:

Refer to any official, employee or candidate of a government, legislature, judiciary, political party, military, royal family or any other department or agency performing public functions, or international public organization; any person representing or acting on behalf of a government or its department or agency, or any public international organization; or any person deemed to be a public official under locally applicable laws.

In the event that any employee or business partner acting on behalf of ZTE engages in bribery, in accordance with relevant anti-bribery laws and regulations, such employee or business partner shall be subject to legal penalties, and serious consequences may be caused to ZTE. Such consequences include criminal penalties, administrative fines imposed by regulatory agencies, boycotts by governments or business customers (for example, the company may be refused the opportunities for investment or procurement), loss of business opportunities, financing or payment collection issues, and reputational damage. Therefore, the company prohibits any form of bribery to any entity or its employees.

Business partners:

Any third party, other than final customers and ZTE employees, that has established or plans to establish business relationships with ZTE. Third parties include but are not limited to suppliers, subcontractors, consultancies, agents, distributors, channel partners, dealers, consortia, intermediaries, academic research institutes.

ZTE prohibits bribery in any form, including not only cash bribes, but also "anything of value" with a bribery intent, such as improper gifts and hospitality, business travels, non-cash commercial sponsorships or charitable donations, commercial contracts, and employment opportunities, and including not only direct bribery, but also bribery conducted by business partners on behalf of ZTE.

The penalties from law enforcement authorities and the disciplinary actions from ZTE are imposed on not only the individual who engages in bribery but also the individual who facilitates or tacitly consents to the misconduct. Such misconduct includes but is not limited to:

- 1) Approving bribery (including suggesting bribery through communication tools);
- 2) Concealing bribery;
- 3) Providing coordination for bribery.

3.2 Anti-Bribery Compliance Requirements

ZTE is committed to conducting business globally based on the principles of fairness, honesty, and transparency. When it comes to anti-bribery compliance, ZTE's employees and business partners must:

- 1) Strictly comply with all anti-bribery laws and regulations in the country or region where ZTE conducts business;
- 2) Avoid undue competition;
- 3) Follow the highest standards of code of conduct;
- 4) Respect local customs and business practices.

ZTE takes a zero-tolerance attitude, firmly and explicitly, towards any form of bribery; and irrespective of time and location, we shall always adhere to the principles of honesty, transparency, and integrity in our dealings with customers, business partners, government agencies, and public organizations. When conducting business activities, all ZTE employees shall strictly abide by the company's compliance policies and ensure that their behaviors do not cross the following four **redlines**:

- It is strictly prohibited to offer, promise, pay, or authorize to pay money or anything of

value (such as gift, hospitality, travel, commercial sponsorship, charitable donation, employment opportunity, facilitation payment, or commercial contract), directly or indirectly, to any person from public or private sectors, as an inducement or reward for a person improperly acting or refraining from acting in relation to the performance of that person's duties in order to obtain or maintain business or any other improper advantage.

- It is strictly prohibited to provide false information or materials and conceal the real source or purpose of funds, resulting in inconsistency between accounts and the actual situation.
- It is strictly prohibited to evade compliance controls by fabricating or hiding facts, forging materials, or performing any other fraudulent practices, resulting in the failure of the compliance control system.
- It is strictly prohibited to conduct any business with any prohibitive compliance red flags, or to engage in business with any strictly-controlled or restrictive compliance red flags without effective compliance controls.

Any violation of the anti-bribery compliance redlines shall be transferred to the Compliance Audit Dept. for investigation. The relevant responsible persons shall be held accountable in accordance with relevant regulations, and disciplinary actions including but not limited to public criticism, demerits, and even dismissal may be taken. Any person suspected of violating relevant legal provisions shall be handed over to the judicial authorities for legal liability.

Compliance is a prerequisite for ZTE's growth, and is the bottom line of ZTE's operations. All employees and business partners of ZTE shall strictly abide by compliance obligations in their daily business activities. When compliance requirements conflict with commercial interests, we shall adhere to the laws and regulations. ZTE always believes that compliance will surely help achieve long-term sustainable commercial benefits and growth.

3.3 Conflict of Interest

Situations where business, financial, family, political, or personal interests may affect an employee's judgment in performing duties. Essentially, a conflict of interest is any situation in which an employee's personal interests may or appear to interfere with the legitimate interests of the company or entity for which the employee works. For example:

- 1) A current or former purchasing manager of a customer, or a person who is a close relative of or closely related to such person serves as a sales manager of ZTE.
- 2) A current or former government official or a person who is a close relative of or

closely related to such person serves as an employee of a local subsidiary or branch of ZTE.

3) A third-party supplier is a close relative of or closely related to the corresponding responsible person of ZTE.

The existence of a conflict of interest may result in unfair, subjective, and unprofessional decisions made by customers, thereby increasing the risk of bribery. It may also lead to violations of customer policies, for example, a customer policy requiring suppliers to disclose conflicts of interest between their employees and third parties and the customer. It may also lead to violations of relevant laws and regulations, such as restrictions on current and former public officials holding external positions or receiving remuneration. ZTE shall avoid any conflict of interest in conducting business. If a conflict of interest cannot be avoided, business units shall proactively disclose the existence of the conflict of interest to the Anti-Commercial Bribery Compliance Dept. in a truthful, accurate, and complete manner, and sign a letter of commitment on compliance regarding conflicts of interests. Only after passing the compliance review of the Anti-Commercial Bribery Compliance Dept. can the cooperation with the party with a conflict of interest proceed.

4 Anti-Bribery Management System of ZTE

4.1 Overview of the Anti-Bribery Management System



Figure 2

ZTE has established a complete anti-bribery management system based on **ISO 37001**. This system consists of eight elements as shown in Figure 2. Through continuous

implementation, review, and improvement, ZTE aims to continuously optimize the effectiveness of the system, and establish a best-in-class anti-bribery management system that complies with international standards and is aligned with business practices.

4.2 Components of the Anti-Bribery Management System

4.2.1 Tone at the Top

Compliance is one of the three cornerstones of the company's strategy, a choice for sustainable business development, and the bottom line for healthy operations. As always, ZTE maintains its strategic focus and consolidates the strategic cornerstone of compliance, thereby safeguarding business security, stability, and freedom, and boosting brand confidence.

In their annual compliance messages to all employees, the chairman and the CEO reiterated the importance of compliance as a cornerstone of the company's strategy, emphasized the compliance obligations of all employees, and raised high expectations for compliance work in terms of culture building, brand shaping, process efficiency improvement, and rule optimization. The CEO also encouraged employees to tell complete truth, engage in the building of a top-down compliance culture of integrity and transparency, and integrate the initiative of building a transparent ZTE into the corporate culture.

SVPs (and above) of ZTE, as members of the Compliance Management Committee, participate in the planning of the compliance system, the allocation of compliance resources, and decision-making and suggestion offering for important normative documents and major compliance matters in accordance with the rules of procedure and the process specified in the **Charter of the Compliance Management Committee**. The Compliance Management Committee holds quarterly regular meetings and ad-hoc meetings under particular circumstances to promptly support compliance-related activities or matters. ZTE's senior management are directly responsible for the compliance of the business in their charge. In terms of improving compliance awareness and cultivating a compliance culture, the company's senior management set an example by publicizing the concept of compliance through various forms and providing smooth communication channels between superiors and subordinates. For example, via the Management Discussion About Compliance with Subordinates, the senior management convey the compliance requirements to the middle management, require them to set an example, and

motivate their initiative and enthusiasm for compliance management. The company regularly organizes various activities such as the Compliance Forum by Senior Management and Compliance Awareness Month to enable the management to play a leading role in fulfilling compliance commitments, thereby creating a compliance culture from the top down.

In terms of resource investment, ZTE attaches great importance to compliance management system building and invests a certain proportion of revenue in this regard every year. With strong support of the senior management, the company's full-time compliance personnel accounted for 0.6% of the entire workforce in 2023; and this figure is adjusted dynamically.

4.2.2 Sound Compliance Organization

4.2.2.1 Three Lines of Defense for Anti-Bribery Management

Every employee is responsible for the identification, prevention, and handling of bribery risks. All business units and functional departments are the first line of defense; specialized compliance organizations are the second line of defense; and the Compliance Audit Dept. is the third line of defense. The roles and responsibilities in bribery risk management are as follows:

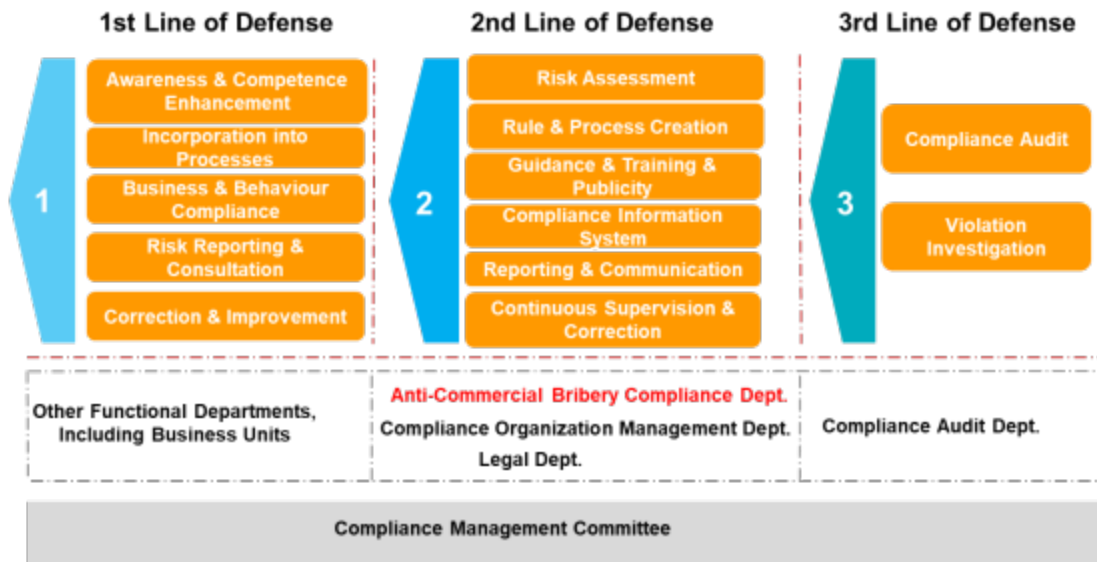


Figure 3

4.2.2.2 Structure of Compliance Organization

The structure of ZTE's anti-bribery compliance organization is as shown in Figure 4.

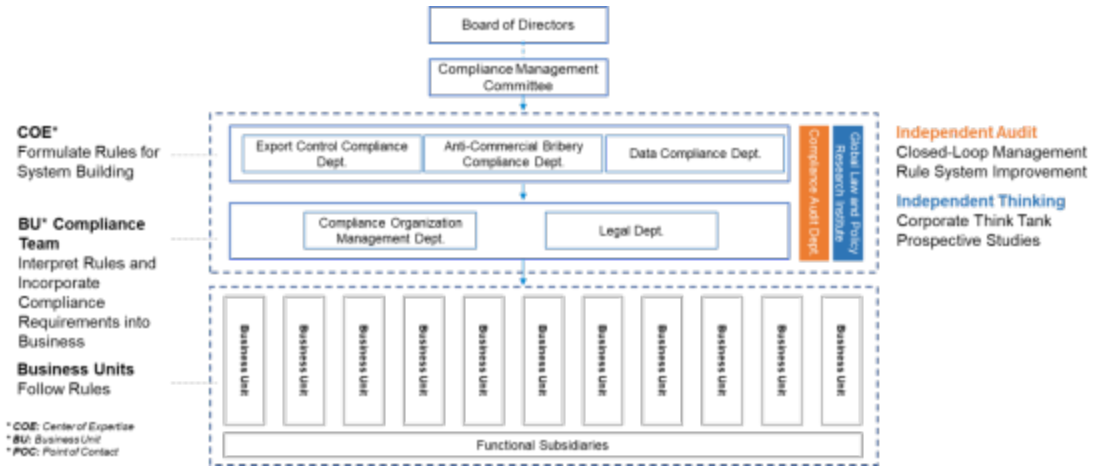


Figure 4

Note: BU compliance teams refer to the compliance teams of all business units of ZTE, including: 1) BU compliance directors and compliance managers of the Compliance Organization Management Dept.; 2) legal directors and legal managers of the Legal Dept., who are responsible for compliance affairs of International Sales and Domestic Sales.

The Compliance Management Committee is the company's supreme deliberative and decision-making body for compliance matters. The Committee consists of the Chairman, CEO, EVPs, SVPs, Acting CCO, Acting CLO, and heads of several business units. The Committee reports to the Board of Directors every quarter, and is responsible for formulating the company's goals for anti-bribery compliance management, assessing compliance risks and reviewing solutions during the company's operations, reviewing the company's compliance system building plan and compliance resource allocation requirements, reports related to the company's compliance activities, and the company's compliance policies and specific regulations, and supervising the implementation of the company's compliance policies and specific regulations.

The Anti-Commercial Bribery Compliance Dept. (a member of the COE) is responsible for the establishment and improvement of the company's anti-bribery compliance system, and the formulation of rules in the company's anti-bribery compliance field.

The BU compliance teams are responsible for delivering the company's anti-bribery compliance requirements to the business units, interpreting the company's anti-bribery rules, and performing effective publicity.

The CPOCs are selected from business units or subsidiaries. They are responsible for the execution of compliance tasks, reporting of compliance issues, and responding to compliance inquiries within their respective business units or subsidiaries.

In addition, the company has established the Compliance Audit Dept., which is responsible for independent anti-bribery compliance audits and closed-loop management.

When carrying out specific compliance tasks, the company tailors the PDCA (Plan, Do, Check, and Act) cycle into closed-loop management, which consists of reasonable rules → effective publicity → resolute implementation → powerful auditing, integrating implementation and management of compliance business. The specific division of labor is as follows: The COE is responsible for system building and rule making; BU compliance teams are responsible for interpreting rules and incorporating them into business; business units are responsible for implementing the rules; and the Compliance Audit Dept. is responsible for independent auditing and closed-loop management.

4.2.3 Sufficient and Accurate Resource Investment

With the company's continuous resource investment, the anti-bribery compliance organization has been continuously strengthened. At present, there are more than 100 COE compliance experts (including nearly 20 anti-bribery compliance experts); nearly 100 full-time BU compliance managers covering all business fields of ZTE; nearly 70 legal managers who also serve as compliance managers covering all ZTE's marketing units; and more than 400 CPOCs assigned to all business units and subsidiaries of the company, forming a global coverage of all business. This enables the orderly transmission of compliance control requirements such as anti-bribery compliance policy, manuals, standards, and guidelines in a top-down manner throughout the company.

In terms of digital intelligence, the company has introduced and continuously optimized IT systems and tools, such as Legal & Compliance Management (LCM) and Business Partner Screening (BPS), greatly improving the scope, efficiency, and level of anti-bribery compliance management. The LCM system covers anti-bribery review processes in multiple fields, such as gifts and hospitality, business travels provided to external parties, and use of business partners. Online risk assessment has been achieved for some of these fields. For example, applications for gifts and hospitality can be submitted for approval via mobile phone. The BPS, together with the Treasury Service System (TSS) and the payment control process, achieves intelligent online screening of business partners, further improving the efficiency of anti-bribery compliance management and strengthening the comprehensiveness of risk control.

In addition, the company also maintains cooperation with well-known law firms, accounting firms, and other professional consultancies, and introduces third-party databases and external due diligence resources, so as to obtain timely and professional services for anti-bribery compliance management. Moreover, the Anti-Commercial Bribery Compliance Dept. internalizes the capabilities for public opinion monitoring, legal research, and due diligence, transforming external resources into internal advantages.

4.2.4 Systematic Risk Assessment

The Anti-Commercial Bribery Compliance Dept. and BU compliance teams conduct annual risk assessment in relevant regions or fields, so as to continuously update the company's compliance risk database, and promptly and accurately adjust compliance management strategies and measures based on actual business and risk changes. In this way, the principle of risk-oriented compliance management is resolutely implemented. In 2021, the Anti-Commercial Bribery Compliance Dept. released a global bribery risk map covering all countries/regions where the company conducts business, providing a visual presentation of the bribery risk level of each country. Besides, the Anti-Commercial Bribery Compliance Dept. continuously updates the map based on actual business and risk changes, thereby providing support for graded management of business risks. In addition, the Anti-Commercial Bribery Compliance Dept. has completed employee risk profiling and delivered targeted anti-bribery compliance training and publicity for high-risk employees.

During the risk assessment process, the company adopts methods such as document review, data analysis, interview, survey, and brainstorming, and assesses the actual compliance risks as comprehensively and accurately as possible by comprehensively considering relevant factors such as business scale and model, location of business, transacting party, transaction type, use of business partners, government relations, and local customs. All those efforts finally lead to a complete risk assessment report. The risk assessment results are fully communicated to relevant business units to coordinate the implementation of policies, regulations, and processes based on the actual situation in different regions or fields.

In terms of risk assessment tools, the Anti-Commercial Bribery Compliance Dept. adopts a risk-oriented approach. Based on the general methodology in the industry and the actual implementation of the company's risk assessment, the department keeps updating the risk assessment tools, striving to achieve continuous improvement in risk assessment efficiency and effectiveness.

4.2.5 Comprehensive Compliance Policy System

The Anti-Commercial Bribery Compliance Dept. formulates, updates, and issues policies and management regulations based on the company's authorization. With a risk-oriented approach, the Anti-Commercial Bribery Compliance Dept. has formulated and

implemented a comprehensive anti-bribery compliance policy system, as shown in the following figure:



Figure 5

The above-mentioned policies and regulations apply to ZTEC and its branches and majority-owned subsidiaries. After gaining approval from the Anti-Commercial Bribery Compliance Dept., a branch or majority-owned subsidiary may formulate and implement specific management regulations and processes locally applicable in accordance with the local laws, regulations, business practices, and customs.

The Policy and regulations are published in both Chinese and English through the official website, PAL, and other channels. External partners can view the anti-bribery compliance policy and Manual via the official website, and all employees of the company can also search and view the Policy and related regulations through PAL.

Before being released, the Policy and regulations will go through processes such as risk assessment and opinion solicitation from business units and BU compliance teams for higher readability and adaptability. After the Policy and regulations are released, they will be updated regularly in response to changes in external policies, law enforcement situations, and internal business development.

4.2.6 Effective Process Control

With a risk-oriented approach, the company has formulated prohibitive compliance red flags and management requirements and processes for anti-bribery compliance in business fields such as gifts and hospitality, business travels provided to external parties, and use of business partners. In the actual implementation process, by accurately identifying Key Control Points (KCPs), setting risk controls, and establishing compliance approval processes through systems such as LCM and TeamShare (TS), the company incorporates compliance controls into its sales, procurement, finance, employment, and investment, and other business processes to ensure that key controls are effectively implemented and integrated with the company's operations and management. Business activities that fail the compliance approval process shall not continue unless the relevant

prohibitive compliance matters or red flags are eliminated.

To ensure the effectiveness of the compliance control process and improve the efficiency of compliance control, the company has comprehensively promoted the digital transformation of compliance. All core business processes can be operated on IT systems, and business systems are interconnected with compliance systems. In such way, the intelligent control of compliance systems is gradually realized. For example, to control risks in high-risk fields such as the use of business partners and procurement transactions, the company has implemented the BPS anti-bribery information consulting project for the BPS system building. With compliance-related supporting systems and processes, intelligent online screening of business partners is achieved, further improving risk control capability and management efficiency in terms of anti-bribery compliance. At present, the BPS system has been interconnected with the company's SRM, SCM, and ISCP systems for procurement business, the TSS for financial business, and the HOL system for HR business, achieving the application of digital systems and tools in all processes. In the stages of business partner introduction and payment, BPS screening is conducted on relevant entities, and different risk treatment strategies are adopted based on the screening results, thereby building an end-to-end control process from introduction to payment, and further improving the company's anti-bribery risk control capability. As for financial payment, the BPS system automatically screens the name of payees. If a red flag is identified, it automatically generates an alarm and pushes it to the compliance personnel for review. If the compliance review fails, no external payment can be made.

Key Risk	Legal and Compliance	Business Unit	Supply Chain	Engineering Service	Human Resources	Finance and Accounting
Gifts and hospitality	LCM compliance approval	LCM compliance approval	/	/	/	FOL & TSS (BPS) approval
Business travels provided to external parties	LCM compliance approval	LCM compliance approval	/	/	/	FOL & TSS (BPS) approval
Customer training	LCM compliance approval	Contract execution	/	/	Contract execution	FOL & TSS (BPS) approval
Business partners	LCM & ISCP approval (BPS)	LCM & ISCP approval (BPS)	ISCP approval (BPS)	ISCP approval (BPS)	/	/
Procurement transactions	LCM & ISCP & TS approval	LCM & ISCP & TS approval	ISCP approval (BPS)	TS approval & EPM approval (BPS)	/	FOL & TSS (BPS) approval
Commercial sponsorships	LCM compliance approval	LCM compliance approval	/	/	/	FOL & TSS (BPS) approval
Charitable donations	LCM compliance approval	LCM compliance approval	/	/	LCM compliance approval	FOL & TSS (BPS) approval
Employment	Compliance supervision and inspection	HOL approval	/	/	HOL approval & BPS	/
Distributor sales	LCM & BPS	LCM & BPS	/	/	/	FOL & TSS (BPS) approval
M&A and joint ventures	Due diligence	TS approval	/	/	/	/
Political contributions	Prohibited	Prohibited	/	/	/	Prohibited
Facilitation payments	Prohibited	Prohibited	/	/	/	Prohibited
Bribe solicitation	Prohibited	Prohibited	/	/	/	Prohibited
Extortion payments	Depending on the case	Depending on the case	/	/	/	FOL & TSS (BPS) approval
Assistance to host countries	Depending on the case	Depending on the case	/	/	/	FOL & TSS (BPS) approval

Table 1

4.2.7 Full Training and Communication

Training, publicity, and communication are important parts of ZTE's efforts to build an anti-bribery management system, enhance the anti-bribery compliance awareness and capabilities of all employees, and establish an anti-bribery compliance brand.

Based on a risk-oriented approach and division of responsibilities, ZTE has established a complete, flexible, and all-round training system that covers all employees and key positions. For all employees, the company conducts annual anti-bribery compliance training to enhance their compliance awareness. For personnel in key positions, the company has developed specific training plans and courses tailored to the management, compliance teams, and those in sales, finance and accounting, procurement, and HR positions, to consolidate their compliance understanding. For external parties, ZTE provides special training for business partners to convey compliance requirements and improve their compliance awareness. At the same time, the company uses various forms such as PowerPoint slides, audios, and videos to increase the engagement of trainees.

Through various forms of publicity and communication, ZTE has established a comprehensive compliance ecosystem. Internally, the company regularly pushes the latest updates on global anti-bribery compliance and the company's policy, requirements, and internal disciplinary cases to employees through internal emails, LCM, iCenter, etc. Also, the company holds multiple compliance activities such as the best compliance practice competitions, compliance learning day, compliance knowledge competition, and Compliance Today to imprint compliance on the employees' minds. Externally, ZTE actively participates in the compliance certification of international organizations and has obtained China's first ANAB (ANSI National Accreditation Board) accredited ISO 37001:2016 certificate issued by the British Standards Institution (BSI). In addition, the company actively participates in external exchanges and cooperation, delivers compliance requirements at the annual Global Partner Day, builds a customer communication platform to enhance compliance credibility, holds a compliance forum on an annual basis, operates the "AllAboutCompliance" social media account, and publishes professional compliance books, creating a complete anti-bribery compliance ecosystem covering upstream and downstream partners.

We call on all employees and business partners to join ZTE in maintaining a zero-tolerance attitude towards bribery. We encourage our business partners to work with us to maintain sufficient compliance communication sharing, so as to jointly build a credible, transparent, and clean compliance ecosystem and share the value that compliance creates for the healthy operations and sustainable development of

enterprises.

4.2.8 Ongoing Supervision and Improvement

The company continuously supervises and improves the effectiveness of the design and implementation of the anti-bribery compliance system. Regular supervision, inspection, and audit are carried out every year, and customized supervision and audit are conducted in key fields with a risk-oriented approach. During the continuous supervision, rectification and correction plans are formulated for identified problems and deficiencies, and are followed up for closed-loop management. Disciplinary actions shall be imposed against persons with dereliction of duty, malfeasance, or other improper behaviors, and the accountability results shall be applied in appraisal in accordance with the company's relevant regulations. After being assessed, clues of violations shall be transferred to the Compliance Audit Dept., which will conduct compliance investigations in accordance with relevant processes and requirements, and form recommendations on corresponding disciplinary actions based on the investigation conclusions.

To encourage all customers, business partners, employees, and shareholders to supervise the business behaviors of the company as well as its employees and business partners and report potential violations, the company has established a third-party compliance reporting platform, which includes three channels: website, email, and hotline. The platform is managed by an external independent professional law firm.

Independent Third-party Compliance Reporting Channels

- 1) Website: <https://www.tip-offs.com.cn/ZTE>
- 2) Email: ZTEWhistleblowing@tip-offs.com.cn
- 3) Tel.: 400-0707-099 (Chinese mainland); +8621-3313-8584 (overseas, Hong Kong, Macau, and Taiwan)

5 How to Manage Bribery Risks in Specific Business

- ❖ Gifts and hospitality
- ❖ Business travels provided to external parties
- ❖ Customer training
- ❖ Business partners
- ❖ Procurement transactions

-
- ❖ Distributor sales
 - ❖ Commercial sponsorships
 - ❖ Charitable donations
 - ❖ Employment
 - ❖ M&A and joint ventures
 - ❖ Others
 - ◆ Political contributions
 - ◆ Facilitation payments
 - ◆ Bribe solicitation
 - ◆ Extortion payments
 - ◆ Assistance to host countries
-

5.1 Gifts and Hospitality

5.1.1 Overview

Offering appropriate gifts and necessary hospitality contributes to good relationships with business partners. However, it is against business ethics to give hospitality or gifts in order to influence decision-making or seek any improper benefits. In this respect, ZTE implements the following policy: When conducting business activities, related employees may offer appropriate and legitimate gifts and hospitality, provided that the value of the gifts and hospitality is within the normal range and will not be regarded or reasonably suspected as affecting decision-making or judgment of the recipients.

Note: it is generally appropriate to offer gift or hospitality of moderate value to show respect or gratitude to business partners. However, offering valuable or extravagant gifts or hospitality at one time or continuously providing gifts or hospitality might be regarded or reasonably suspected by a third party as bribery.

When determining whether a gift or hospitality is appropriate or not, the following elements shall be taken into consideration: **When** (whether it is a business sensitive period), **Why** (whether there is an inappropriate intent), **To Whom** (whether there is a conflict of interest or the recipient is a politically sensitive person), **What** (whether it is cash or cash equivalents or extravagant gifts or hospitality), **How** (whether it needs to be provided in a non-public, frequent, or different manner), **and Where** the gift or hospitality is to be offered (whether it is in a country/region with high risks), to actively avoid high-risk signals. If you

have any doubt about specific business situation, consult your CPOC, compliance manager, compliance director, or direct superior, or seek advice through phone calls, emails, and other means.

5.1.2 Prohibitive Compliance Red Flags

Prohibitive compliance red flags refer to compliance risk signals whose occurrence will lead to the rejection of the corresponding business activities in accordance with external laws and regulations as well as industry practices. **For gifts and hospitality offering in the Chinese mainland, Hong Kong, Macao, and Taiwan, prohibitive compliance red flags include but are not limited to the following:**

- 1) Providing gifts or hospitality for the purpose of seeking special treatment and obtaining improper benefits.
- 2) Providing cash or cash equivalents (such as securities, membership cards, traveler's checks, and prepaid debit cards).
- 3) Providing excessively expensive or extravagant gifts (such as houses, cars, expensive jewelry, clothing or handbags of luxury brands, and high-priced artwork), or hospitality (such as consumption at luxury or private clubs, overseas traveling, and luxury cruise trips).
- 4) Providing gifts, entertainment, and luxury catering during business sensitive periods to improperly affect the recipient's performance of duties.
- 5) Providing hospitality involving pornography, gambling, drugs, narcotic drugs, or anything that may be considered immoral, even if they are deemed legal locally.
- 6) Conducting reimbursement, payment, or similar behaviors on behalf of customers.
- 7) Subsidiaries, branches, and representative offices avoid the gift and hospitality management process specified herein by purchasing gifts in other ways, secretly establishing gift banks, or providing hospitality to external parties in other ways.
- 8) Evading the related compliance management process of the company through any fraudulent acts, such as splitting invoices and inflating the number of gifts and recipients.
- 9) Submitting false or forged information or materials as supporting documents for review.
- 10) Giving gifts or providing hospitality in violation of applicable laws and regulations or the internal compliance policies or requirements of the recipients.
- 11) Other cases that are identified as prohibitive compliance red flags.

For gifts and hospitality offering in overseas countries and regions, prohibitive compliance red flags include but are not limited to:

- 1) Providing gifts or hospitality for the purpose of seeking special treatment and obtaining improper benefits.
- 2) Providing cash or cash equivalents (such as securities, gift cards, shopping cards, coupons, consumer cards, membership cards, traveler's checks, fuel cards, transportation cards, prepaid debit cards, and phone cards), including seasonal gift vouchers (such as moon cake coupons, rice dumpling coupons, and others used in local traditional festivals).
- 3) Providing excessively expensive or extravagant gifts (such as houses, cars, expensive jewelry, clothing or handbags of luxury brands, expensive artwork, and iPhones) or hospitality (such as consumption at luxury or private clubs, external traveling, and luxury cruise trips).
- 4) Providing gifts, entertainment, and luxury catering during business sensitive periods to improperly affect the recipient's performance of duties.
- 5) Providing gifts or hospitality for the recipient's spouse, children, family members, or other accompanying guests who are not related to the company's business. In some cases, where there is a reasonable need, gifts or hospitality can be provided for such accompanying guests, but prior approval shall be obtained from the level-4 or above management members of the department and the BU compliance manager or legal manager via email, iCenter, or the LCM system. For specific operations, refer to Annex B ***Gifts and Hospitality Filing/Approval Levels and Process*** of the ***Regulations on Anti-Bribery Compliance Management of Gifts and Hospitality (for Overseas Countries and Regions)***. Regardless of the amount, the gifts and hospitality not meeting the level-II approval standard shall be reviewed in accordance with the level-I approval standard, and those meeting the level-II approval standard shall be reviewed in accordance with the level-II approval standard.
- 6) Providing hospitality involving pornography, gambling, drugs, narcotic drugs, or anything that may be considered immoral, even if they are deemed legal locally.
- 7) Conducting reimbursement, payment, or similar behaviors on behalf of customers.
- 8) Subsidiaries, branches, and representative offices avoid the gift and hospitality management process specified herein by purchasing gifts in other ways, secretly establishing gift banks, or providing hospitality to external parties in other ways.

- 9) Evading the related compliance management process of the company through any fraudulent acts, such as splitting invoices and inflating the number of gifts and recipients.
- 10) Submitting false or forged information or materials as supporting documents for review.
- 11) Giving gifts or providing hospitality in violation of applicable laws and regulations or the internal compliance policies or requirements of the recipients.
- 12) Other cases that are identified as prohibitive compliance red flags.

5.1.3 How to Obtain Approval

For any gifting or hospitality amounting to more than **CNY 600 or USD 100**, prior approval shall be obtained at either of the following:

- On PC:

lcm.zte.com.cn > Anti-bribery Compliance > Gift entertainment compliance review

- On the iCenter app:

Workbench > All Apps > Anti-bribery Compliance > Provide gifts to external parties / Provide catering to external parties / Provide entertainment to external parties

For more guidance, click the links below:

Regulations on Anti-Bribery Compliance Management of Gifts and Hospitality (for the Chinese Mainland, Hong Kong, Macao, and Taiwan)

<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?docId=696733877519130624&fileType=10&fileKey=0>

Regulations on Anti-Bribery Compliance Management of Gifts and Hospitality (for Overseas Countries and Regions)

<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?docId=696737322825293824&fileType=10&fileKey=0>

Training Course: ***Anti-Bribery Compliance Management Training for Gifts and Hospitality***

<https://ilearning.zte.com.cn/kng/view/document/9a6cc16f0be84d29bc961a789c59ea4f.html?uniqueid=638581249262645595>

Cases: Gifts and Hospitality

Case 1

At a trade show, Company A offered pens, notebooks, umbrellas, and other similar items with the company's logo on them. They also provided free coffee, other beverages, and snacks at the booth.

Does ZTE's compliance policy allow such practice?

No. These were real and legitimate expenditures for promotion purposes. Promoting business by offering promotional items with the company's logo or free snacks in public does not suggest bribery intent here, and is permitted by this Manual.

Case 2

After a work conference with a customer regarding a project, the customer invited Xiao Li, an account manager of Company A, to have a business lunch. After the lunch, Xiao Li invited the customer to a bar. Xiao Li paid for the beer and as confirmed by Xiao Li, the customer's internal compliance policy allowed receiving such hospitality.

Should ZTE allow providing such hospitality?

Yes. Providing moderately priced hospitality to customers out of mutual respect and for a legitimate business purpose is allowed by ZTE's policy.

Case 3

A unit of Company A invited a customer's technical team to visit the company's headquarters, and account manager John accompanied the team on the visit. With prior approval obtained, John gifted each of the team member a Chinese-style handicraft, and invited the team to a business lunch after the visit. The gifts and hospitality John provided were moderately priced, and he had checked the customer's own compliance policy in advance.

Should ZTE allow providing such gifts and hospitality?

Yes. Providing gifts and hospitality at moderate prices with reasonable and legitimate business purposes, such as for the sake of friendship with customers, is allowed because it conforms to business practices and compliance requirements.

Case 4

While an audit agency was inspecting Company A's factory, a Company A's employee

gifted an inspector with a mobile phone worth CNY 3,000. Accepting such gifts was not allowed by the audit agency's compliance policy.

Should ZTE allow providing such a gift?

No. ZTE prohibits providing gifts or hospitality for the purpose of seeking special or improper benefits or during sensitive business periods because that may improperly influence the recipient's performance of duties. The above behavior was not for legitimate business purposes, violated the recipient's internal compliance policy, and had the intention of influencing the recipient's decision-making.

5.2 Business Travels Provided to External Parties

5.2.1 Overview

During business development worldwide, ZTE may be required to provide or pay for travels, including but not limited to inter-city transportation, intra-city transportation, accommodations, and other incidentals for external parties. It is proper for ZTE to bear the travel expenditures if the travel has a reasonable business purpose and is necessary, and the price and mode are proper. However, improper business travels provided to external parties may be regarded as corruption and bribery in accordance with the anti-bribery and anti-corruption laws in a specific jurisdiction, thus posing compliance risks, reputational damage, and even loss of business to ZTE.

To mitigate such compliance risks, all business units and departments of ZTE shall strictly abide by the applicable laws and regulations, local commercial practices, compliance regulations of ZTE, and policies and regulations of the recipient's organizations when providing business travels to external parties.

Prior anti-bribery compliance approval shall be obtained for providing business travels to external parties (no matter whether they are government officials or institutions, or non-government individuals or institutions), to ensure that the relevant risks are effectively identified, assessed, and controlled.

5.2.2 Prohibitive Compliance Red Flags

Prohibitive compliance red flags refer to compliance risk signals whose occurrence will lead to the rejection of the corresponding business activities in accordance with external laws and regulations as well as industry practices.

- 1) Providing business travel to seek special treatment or improper benefits.
- 2) Paying for the travel of the spouse, children, or other relatives of a recipient or other persons irrelevant to the commercial purpose, and the necessity and reasonableness of the payment cannot be explained.
- 3) Providing business travels, in sensitive periods and in any manner, to related external parties or any party that has decision-making rights or great impact on decisions on a project or business, and such provision is not based on existing laws or contract obligations.
- 4) Providing travels that are not for commercial purposes to external parties, such as a private trip for a customer.
- 5) Providing business travels that involve inappropriate or illegal content, or anything that's non-conforming to business practices, or may be identified as bribery, for example, gambling, adult entertainment, and drugs.
- 6) The travel schedule, itinerary, or plan is not clear, and the necessity and reasonableness cannot be explained.
- 7) The sightseeing, entertainment, and leisure activities take more than 20% of the total travel time, or over 10% of the total expenses, and the necessity and reasonableness cannot be explained.
- 8) Providing or advancing any form of cash or cash equivalent to the recipient for improper benefits, regardless of whether the cash or cash equivalent is used for payment of travel expenses or reimbursement for travel expenses, or whether the cash or cash equivalent will be refunded in the future.
- 9) Submitting false or forged information or materials as supporting documents.
- 10) Attempting to evade or deliberately violate the **Regulations on Anti-Bribery Compliance Management Regarding Business Travel Provided to External Parties**.
- 11) Violating applicable laws and regulations or relevant policies and regulations of the recipient's organization about accepting business travels from external parties.
- 12) Other situations that are identified as prohibitive compliance red flags.

5.2.3 How to Obtain Approval

Before providing a business travel to an external party, the applicant shall ensure that the estimated expenditure is reasonable and proper in terms of amount and type, and that the business travel has a clear business purpose and agenda, and shall apply for prior compliance approval on PC at: lcm.zte.com.cn > **Anti-bribery Compliance** > **Travel expenses compliance review**.

For more guidance, click the links below:

Regulations on Anti-Bribery Compliance Management Regarding Business Travel Provided to External Parties

<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?docId=682889033977831424&fileType=10&fileKey=0>

Training Course: ***Anti-Bribery Compliance Management Training for Business Travel Provided to External Parties***

<https://ilearning.zte.com.cn/kng/view/document/301e1d5519924bb5814e1946dc9689f9.html?m=1&view=1&uniqueid=638306577486786136>

Cases: Providing Business Travels to External Parties

Case 1

A project is about to start, and according to the contract, Company A needs to invite relevant government departments to visit and inspect the site, and Company A will bear the costs of travels, accommodations, and so on for those government departments.

Does ZTE allow providing such travels to external parties?

Yes. It is allowed because the travels have a clear and reasonable business purpose. Inviting staff from government departments for a site visit in accordance with the contract obligations meets the objective of lawful business operations.

Case 2

An annual industrial exhibition is around the corner. Company A wants to invite Customer Z to visit A's exhibition booth to promote its products. A will pay for Z's transportation,

accommodations, and other related activities involved. It has been confirmed that such invitation and cost comply with Z's compliance policy.

Does ZTE allow providing such travels to external parties?

Yes. In ZTE's going-global process, we may invite customers to large-scale exhibitions where we promote our products, and may provide travels to them for this purpose. If the contents, amount, and mode of the provided travels are appropriate and reasonable, and comply with the customers' own compliance policy, it is proper for ZTE to bear such travel costs.

Case 3

A project has reached a key phase for delivery and acceptance. Company A plans to pay for 10 days of travels to its customer for the purpose of site acceptance, with the travel itinerary showing four days of sightseeing in nearby cities.

Does ZTE allow providing such travels to external parties?

No. ZTE prohibits providing travels to external parties with the intention of obtaining special treatment or improper benefits during sensitive business periods. Providing too many sightseeing activities to customers during sensitive business periods is not for the purpose of legitimate business operation, and involves the intention of pleasing customers in a corruptive manner.

5.3 Customer Training

5.3.1 Overview

Training service is an important part of ZTE's service delivery. According to the commercial contracts signed by ZTE, training service fees generally include tuition fees, accommodation fees, courseware fees, organization fees, class fees, long-distance transportation fees, and trainers' travel fees. According to the anti-bribery laws and regulations of various countries, improper fees paid and borne in training services, and provision of private trips in the name of training services may be deemed as bribery, bringing potential legal and compliance risks, reputational damage, and even loss of business to the company. Therefore, in order to effectively control such risks, all business units and departments must strictly comply with the anti-bribery compliance requirements and processes of the company throughout the customer training process.

5.3.2 Prohibitive Compliance Red Flags

Prohibitive compliance red flags refer to compliance risk signals whose occurrence will lead to the rejection of the corresponding business activities in accordance with external laws and regulations as well as industry practices. Prohibitive compliance red flags include but are not limited to the following:

- 1) Giving cash, cash equivalents, or other benefits to seek improper benefits in the name of training services or through training expense accounts.
- 2) Providing inappropriate travels, meals, entertainment, hospitality, or gifts that are not legal, or that may be recognized as bribes by third parties. During the training period, inappropriate entertainment or hospitality is arranged by skipping a planned training activity or ending the original training plan early.
- 3) Providing training that lacks a business purpose, such as paying for a customer's private training arrangements.
- 4) Bearing the related expenses of the trainee's spouse, children, other family members, or other persons not related to the training, and the necessity and reasonableness for the payment cannot be explained.
- 5) The short trip, sightseeing, entertainment, and leisure activities take more than 20% of the total training time, or more than 10% of the total expenses, and the necessity and reasonableness cannot be explained.
- 6) The training itinerary is vague and ambiguous, and the necessity and reasonableness cannot be explained.
- 7) Issuing subsidies to trainees without contracted subsidy details, without the customer bearing any cost of subsidies, or with an amount exceeding contracted standard.
- 8) Violating applicable laws and regulations or relevant regulations of the trainee's company/unit regarding accepting gifts and hospitality, travels, subsidies, and training.
- 9) Submitting false or forged information or materials as supporting documents.
- 10) Attempting to evade or deliberately violate the **Management Regulations on Anti-Bribery Compliance for Customer Training**.
- 11) Other situations that are identified as prohibitive compliance red flags.

5.3.3 How to Obtain Approval

Customer training shall be provided for genuine and reasonable purposes, and the contract shall be submitted on the electronic review system for prior approval in advance. If a business unit needs to provide trainees with travels, gifts, hospitality, subsidies, etc., an application shall be filed on the LCM system beforehand. If ZTE bears relevant travel expenses and issues subsidy on customer's behalf, the specific types of expenses, number of persons involved, amount involved, and expense standards shall be clearly specified in the contract (ZTE's training program template is recommended), and the relevant costs shall have been included in the quotation. Otherwise, in principle, the company shall not bear relevant travel expenses or pay subsidies on customer's behalf.

For more guidance, click the links below:

Management Regulations on Anti-Bribery Compliance for Customer Training

<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?docId=717058857842647040&fileType=10&fileKey=0>

Training Course: ***Anti-Bribery Compliance Management Training for Customer Training***

<https://ilearning.zte.com.cn/kng/view/document/9f433770c66b423b902b14ba7fb8b7bd.html?uniqueid=638040340330264796>

Cases: Customer training

Case 1

Company A stipulated in a contract with a customer that it would provide several employees of a customer with the product training in a third overseas country and pay for relevant training and travels.

Several employees of the customer attended the training at a training base in a third country overseas. Company A paid for their air tickets, accommodations, and local necessary transportation, as well as two reasonably-priced banquets and daily business meals during the training period. The training took five days.

Does ZTE's compliance policy allow such practice?

No. Training is part of the performance of the contract. ZTE allows such payments if relevant travel expenses have been agreed upon in the contract and the relevant costs have been included in the quotation, and if the activities have a legitimate and proper

business purpose.

Case 2

A customer's employee who participated in the customer training wanted to bring his wife along, and wanted Company A to bear his wife's airfare, local sightseeing expenses, and the fees for purchasing electronic products and travel souvenirs.

Should ZTE allow providing such travels to a trainee's family?

No. ZTE prohibits bearing the expenses of the spouse, children, other family members, or other persons unrelated to the customer training, and prohibits providing inappropriate business trips, accommodation, hospitality, or gifts during training that may be assessed as bribery by third parties. This part of travel expenses requested by the employees of the customer falls under private trips that have no proper business purpose related to product promotion, display, clarification, and fulfillment of contracts.

5.4 Business Partners

5.4.1 Overview

Working with business partners is an integral part of ZTE's day-to-day operations. However, if there is reasonable suspicion that a business partner has the intention and purpose to pay bribes, or that a business partner has engaged in bribery or other improper business behaviors in connection with ZTE's business, ZTE may be subject to potential legal liabilities, economic losses, and reputational damage. Therefore, ZTE should exercise prudence in selecting, using, and managing its business partners.

Before starting, or restarting to work with a business partner, it is necessary to conduct a compliance survey and a compliance risk assessment on the business partner in accordance with the relevant regulations, and implement corresponding controls based on the results of the risk assessment, such as signing a compliance commitment letter, and conducting systematic due diligence, compliance review, and continuous supervision, to ensure that ZTE implements full-coverage and full-process compliance control over its business partners in a risk-oriented manner, to eliminate or reduce compliance risks associated with the business partner. In any phase of anti-bribery compliance management of business partners, once a new red flag or even violation occurs, corresponding compliance control and response measures suitable to the risk level shall be implemented, including but not limited to suspending cooperation, suspending

payment, re-review, compliance audit, and even terminating cooperation with the business partner and reserving the right to apply for legal relief.

5.4.2 Prohibitive Compliance Red Flags

Prohibitive compliance red flags refer to compliance risk signals whose occurrence will lead to the rejection of the corresponding business activities in accordance with external laws and regulations as well as industry practices. Prohibitive compliance red flags include but are not limited to the following:

- 1) The products and services to be provided by the business partner are not consistent with its business scope, qualifications, and capabilities, no reasonableness for the use of the partner can be explained, and no capability proof of the partner can be provided.
- 2) There is public sanctions information or negative reports about the business partner, and it is verified that the business partner still has no complete and effective compliance system for risk control.
- 3) The business partner (including its shareholders, senior executives, or employees) employs current or former government officials (FCPA-defined government officials, a political party's officials, or political official candidates) or their close relatives, or current or former employees of a customer or their close relatives, and the transaction involves current government procurement projects, government decision-making matters, or customer procurement projects, or there may be other conflicts of interest, and the legitimacy and compliance cannot be explained.
- 4) The business partner is designated or recommended by a government official, customer, or other stakeholders, or internally designated, and the necessity, reasonableness, and compliance cannot be explained.
- 5) The payment conditions and methods requested by the business partner do not meet the industry norm, or there are abnormal payment methods (for example, requiring a payment to be made through a non-business partner's account, a third-party account or an account in a third country, or remitting the revenue to multiple other bank accounts or to a third-party account or an account in a third country), and the legitimacy and compliance cannot be explained.
- 6) The business partner has cooperation history with ZTE, but there is no real and complete deliverable or process record for the historical cooperation, and the necessity, legitimacy, and compliance cannot be explained.
- 7) The business partner is a shell company or an individual, and the necessity, reasonableness, and compliance of the transaction cannot be fully explained.

- 8) The business partner is an off-shore company, and the necessity, reasonableness, and compliance of the transaction cannot be fully explained.
- 9) Evidence shows that the business partner is negligent in accounting internal control, or that ZTE cannot perform effective auditing and oversight over the supplier.
- 10) The business partner conceals facts, or submits false or forged information or materials;
- 11) The business partner has an attempt to bypass or deliberately violate the ***Regulations on Anti-Bribery Compliance Management for Business Partners.***

5.4.3 How to Obtain Approval

The business units shall fill out the ***Business Partner Identification and Anti-Bribery Compliance Risk Assessment Form*** or ***Distributor Identification and Anti-Bribery Compliance Risk Assessment Form*** factually. If a business partner is identified as having medium/high risks, compliance approval shall be obtained at: **lcm.zte.com.cn** > **Anti-Bribery Compliance** > **Business Partner Compliance Approval** > **New**. Business partners who fail to pass the compliance approval shall not be introduced. If a business unit/department disagrees with the conclusion of the compliance approval, it may raise an objection in accordance with the ZTE's procedures within three workdays after the conclusion is released. For specific regulations on anti-bribery compliance management for business partners, refer to Section 7.7.

For more guidance, click the links below:

Regulations on Anti-Bribery Compliance Management for Business Partners

[https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?docId=811323719199891456
&fileType=10&fileKey=0](https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?docId=811323719199891456&fileType=10&fileKey=0)

Training Course: **Anti-Bribery Compliance Management Training for Business Partners**

[https://ilearning.zte.com.cn/kng/view/document/88ff04a72e114e19ad00aa878a96c774
.html?m=1&view=1&uniqueid=638584746626095754](https://ilearning.zte.com.cn/kng/view/document/88ff04a72e114e19ad00aa878a96c774.html?m=1&view=1&uniqueid=638584746626095754)

Cases: Business Partners**Case 1**

An overseas representative office of Telco A intended to work with the local government department on a project, and planned to introduce Company B recommended by the government department as a consulting service provider. Company B was a subordinate company invested by the government, and its main executives also worked in the government department of that country. Through due diligence, it was found that the main business scope of Company B was computer software services, and it had no experience in consulting business concerning the telecommunications industry. In addition, the financial statements of Company B showed that the company's average annual net profit in the past three years was USD 50,000, while the budget of the representative office on consulting service was USD100,000 per month. In addition, according to media reports, Company B had a history of using consulting contracts to cover up negative news about bribery to high-level government officials.

According to ZTE's compliance policy, what compliance red flags exist in the transaction between Telco A and Company B?

The red flags concerning this case include: 1) The products and services to be provided by the business partner are not consistent with its business scope, qualifications and capabilities, no reasonableness for the use of the partner can be explained, and no capability proof of the partner can be provided; 2) The business partner is designated or recommended by a government official, customer or other stakeholder, or internally designated, and the necessity, reasonableness, and compliance cannot be explained; and 3) There is public sanctions information or negative reports about the business partner, and it is verified that the business partner still has no complete and effective compliance system for risk control.

Case 2

Company A used a third-party business partner to provide services in a project. Relevant business unit of Company A discovered that the sole shareholder of the business partner was related to a senior executive of a state-owned enterprise that is a customer of the project. However, the third party had not proactively and completely disclosed the conflict of interest in accordance with the compliance requirements of Company A. After further investigation, it was found that there was a transfer of interest between the business partner and the senior executives of the state-owned enterprise.

According to ZTE's compliance policy, what should we do if we are a member of the project team of Company A?

In accordance with ZTE's *Regulations on Anti-Bribery Compliance Management for Business Partners*, we should report the situation to the Compliance Audit Dept. or the Anti-Commercial Bribery Compliance Dept. immediately, and promptly stop and intervene in relevant cooperation. According to relevant anti-bribery laws and regulations, if we know that such a situation exists but do not prevent or stop relevant business, or just acquiesce to such situation, we shall bear corresponding responsibilities. Therefore, once such illegal behavior is discovered, we shall take appropriate measures in a timely manner under the guidance of the Compliance Audit Dept., the Anti-Commercial Bribery Compliance Dept., or my superior. Such measures include but are not limited to suspending or terminating cooperation, suspending payment, reviewing the case again, and conducting compliance audits.

5.5 Procurement Transactions

5.5.1 Overview

A procurement transaction refers to ZTE's business activities that acquire products or services from the supply market under certain conditions and make payments. It is an important step for the normal production and operation activities of an enterprise. In accordance with relevant anti-corruption and anti-bribery laws and regulations, any improper transaction or payment in the procurement process may be regarded as bribery, causing potential criminal liability, civil liability, reputation damage, and other negative effects to ZTE (for example, contract termination, market access restriction, and financing failure). Therefore, all business units/departments of ZTE must strictly comply with applicable anti-corruption and anti-bribery laws and regulations, business practices, ZTE's compliance policy, and the policies and compliance requirements of related parties, to effectively prevent and control the potential compliance risks during procurement

transactions.

Business units of ZTE are required to conduct compliance risk assessments on designated procurement of operational support and special procurement of engineering services. For the situations that are assessed to be of medium/high risks, prior compliance review of the procurement transactions shall be performed. Compliance clauses shall be incorporated in relevant contracts, delivery acceptance and payment review be conducted, and oversight be performed continuously for the procurement transactions, to eliminate or mitigate the compliance risks related to business partners.

In any phase of anti-bribery compliance management of procurement transactions, once a new red flag or even violation occurs, corresponding compliance control and response measures suitable to the risk level shall be implemented, including but not limited to cooperation suspension, payment suspension, re-review, compliance audit, and even termination of cooperation with the business partner and reservation of the right to apply for legal relief.

5.5.2 Prohibitive Compliance Red Flags

Prohibitive compliance red flags refer to compliance risk signals whose occurrence will lead to the rejection of the corresponding business activities in accordance with external laws and regulations as well as industry practices. Prohibitive compliance red flags include but are not limited to the following:

- 1) There is no real business need, or the service content is not clear or does not match the business need, and the reasonableness and necessity of the procurement cannot be explained.
- 2) The consideration paid for the procurement transaction is unreasonably higher than the fair market price, or the value of the delivered products is unreasonably lower than that of the consideration paid or does not match its actual benefits and the reasonableness cannot be explained, or the quotation cannot be lowered as required.
- 3) The payment conditions and methods do not meet the industry standards, or there are abnormal payment methods (for example, requiring a high proportion of advance payment, or remitting the payment to a non-supplier account, a third-party account or an account in a third country, or remitting the payment to an offshore bank account), and the reasonableness, legitimacy, and compliance cannot be explained.
- 4) The expense subject and purpose do not match the business nature, that is, the account does not match the actual situation.
- 5) Facts are concealed, or false or forged information is provided, for example, false information or materials are provided for compliance review, deliverables are forged, false or non-conforming documents are provided for reimbursement, and false documents are used as payment proof.
- 6) Evidence shows that the supplier has a commercial bribery intention or behavior in this transaction, or has the intention or behavior to obtain improper benefits for the company.
- 7) The supplier does not cooperate with ZTE's compliance requirements and processes for anti-commercial bribery, and cannot explain the reasonableness (for example, the supplier refuses to incorporate anti-bribery clauses or audit clauses in the procurement contract, or there is evidence that the supplier agrees to incorporate corresponding clauses but does not comply with these clauses in fact).
- 8) The supplier insists on anonymity in the transaction, but cannot explain the reasonableness, legitimacy, and compliance.

- 9) Without the permission of ZTE, the supplier subcontracts the business to a third party, or subcontracts a major part of ZTE's procurement content to a third party, and the third party does not meet ZTE's anti-commercial bribery compliance requirements.
- 10) The content of the transaction does not conform to relevant legal provisions.
- 11) The transaction does not actually happen, or no true, accurate, complete, and valid deliverables or process documents for the cooperation can be provided, and the reasonableness, legitimacy, and compliance cannot be explained.
- 12) Other situations that are identified as prohibitive compliance red flags.

5.5.3 How to Obtain Approval

In the phase of procurement requirement, the requiring business unit shall fill out the compliance approval form to assess the risks of a procurement transaction. For a procurement transaction with medium/high risks, it is necessary to complete the question list in the compliance approval form and initiate the compliance review process of procurement transactions at: **lcm.zte.com.cn > Anti-Bribery Compliance > Procurement Compliance Approval > New**. For the compliance review is failed, the business unit shall not sign any contract/agreement with the supplier, nor carry out any actual business with the supplier or make any payment to the supplier.

If the business unit/department disagrees with the conclusion of the compliance review, it may raise an objection in accordance with ZTE's processes within three workdays after the conclusion is released. For specific requirements, refer to Section 7.5 of the ***Regulations on Anti-Bribery Compliance Management of Procurement Transactions***.

For more guidance, click the links below:

Regulations on Anti-Bribery Compliance Management of Procurement Transactions

<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?docId=710865360382992384&fileType=10&fileKey=0>

Training course: ***Anti-Bribery Compliance Management Training for Procurement Transactions***

<https://learning.zte.com.cn/kng/view/document/b9d8354204c94c518637febf69cdd6da.html?m=1&view=1&uniqueid=638584746022633146>

Cases: Procurement Transactions

Case 1

In a project, Company A procured consulting services from Company B, a third party. The service content was to provide monthly local market consulting reports at a price of USD 100,000 per month. During the cooperation, Company B did not deliver the consulting reports as agreed in the contract, but submitted a report that was downloaded from a public website. The consulting report was of no use to Company A. In fact, the main role of Company B was to provide Company A with competitive intelligence about the project, including competitors' bidding schemes, cost information, and quotation information.

In accordance with ZTE's compliance policy, what compliance red flags exist in the transaction between Company A and Company B?

The red flags in this case include: 1) There is no real business need, or the service content is not clear or does not match the business need, and the reasonableness and necessity of the procurement cannot be explained; 2) The consideration paid for the procurement transaction is unreasonably higher than the fair market price, or the value of the deliverables is unreasonably lower than that of the consideration or does not match its actual benefits and the reasonableness cannot be explained, or the quotation cannot be lowered as required; 3) Facts are concealed, or false or forged information is provided, for example, false information or materials are provided for compliance review, deliverables are forged, false or non-conforming documents are provided for reimbursement, and false documents are used as payment proof; and 4) The content of the transaction does not conform to relevant legal provisions.

Case 2

In a project, Company A procured consulting services from Company B, a third party. During the cooperation, company A found that the materials provided by Company B were marked with "confidential", and some documents were also marked with the logo of a competitor of Company A. Company B claimed that the materials were obtained through "internal channels", but the specific source could not be disclosed to Company A.

In accordance with ZTE's compliance policy, what should we do in this case?

In accordance with ZTE's *Regulations on Anti-Bribery Compliance Management of Procurement Transactions*, we should report to the Compliance Audit Dept. or the Anti-Commercial Bribery Compliance Dept. immediately, and promptly stop and intervene in relevant cooperation. In accordance with relevant anti-bribery laws and regulations, if

the company knows that such a situation exists but does not prevent or stop, or tacitly approves the behavior, it will bear corresponding responsibilities. Therefore, once such illegal behavior is discovered, we should take appropriate measures in a timely manner under the guidance of the Compliance Audit Dept., the Anti-Commercial Bribery Compliance Dept., or your superior. Such measures include but are not limited to suspending or terminating cooperation, suspending payment, and reviewing the case again, and conducting compliance audits.

5.6 Distributor Sales

5.6.1 Overview

Cooperation with distributors is part of ZTE's daily business operations. However, if a distributor is reasonably suspected of having an intention and purpose of bribery before it is introduced, or if a distributor is engaged in improper acts such as bribery during business transactions with ZTE, ZTE may have to bear potential legal responsibilities, economic losses, and reputation damage. Therefore, ZTE shall carefully select, use, and manage distributors. During the cooperation period with distributors, the company shall strictly abide by and implement applicable anti-corruption and anti-bribery laws and regulations as well as the requirements of the ***Regulations on Anti-Bribery Compliance Management for Distributor Sales Business*** to effectively evaluate and manage potential bribery risks in distributor sales business.

Business units shall perform compliance risk assessment of the commercial benefits provided for distributors, such as discounts, rebates, and marketing fees, in the distributor sales business. For those assessed to involve medium/high risks, prior compliance approval shall be obtained. All discounts, rebates, and marketing fees shall be controlled through risk identification and assessment, compliance management, ongoing oversight, to eliminate or reduce compliance risks related to distributor sales business.

In any phase of anti-bribery compliance management of distributor sales business, once a new red flag or even violation occurs, corresponding compliance control and response measures suitable to the risk level shall be implemented, including but not limited to cooperation suspension, payment suspension, re-review, compliance audit, and even termination of cooperation with the distributors and reservation of the right to apply for legal relief.

5.6.2 Prohibitive Compliance Red Flags

Prohibitive compliance red flags refer to compliance risk signals whose occurrence will lead to the rejection of the business in accordance with external laws and regulations and industry practices. Prohibitive compliance red flags include but are not limited to the following:

- 1) The distributor does not have the necessary qualifications, experience, or resources (human, material, or financial resources).
- 2) The sales price, discount, rebate, or marketing fee required by the distributor does not meet ZTE's requirements, and the necessity and reasonableness cannot be explained.
- 3) In addition to the rebates stipulated by ZTE for distributors of the same level, the distributor demands additional rebates or other incentives, and the necessity and reasonableness cannot be explained.
- 4) The payment conditions and methods required by the distributor do not conform to the industry standards or ZTE's regulations, requirements, or practices. For example, ZTE is required to pay the distributor rebates in cash through procurement or other forms of expenses.
- 5) The accounting subject and purpose of the selling prices/discounts, rebates, or marketing fees do not match the business nature, that is, the account do not match the actual situations.
- 6) False or forged documents or materials are submitted as supporting documents.
- 7) During market activities, distributors violate ZTE's anti-bribery compliance requirements for gifts, hospitality, business travels, or others matters.
- 8) Evidence shows that the distributor has potential bribery intentions or behaviors, or has intentions or behaviors to obtain improper benefits for ZTE.
- 9) The distributor does not cooperate with ZTE's implementation of anti-bribery compliance requirements and processes, and cannot explain the reasonableness (for example, the distributor refuses to incorporate anti-bribery clauses or audit clauses in the contract, or there is evidence that the distributor agrees to incorporate corresponding clauses but does not comply with these clauses in fact).
- 10) The content of the transaction does not conform to relevant legal provisions.
- 11) Other situations that are identified as prohibitive compliance red flags.

5.6.3 How to Obtain Approval

Before providing distributors with discounts, rebates, or marketing fees, the requiring business units shall fill out the compliance risk assessment form to assess the risks in this regard. For discounts, rebates, and marketing fees that are determined to involve medium/high risks, it is necessary to initiate the compliance review process of distributor sales at: **Icm.zte.com.cn > Anti-Bribery Compliance > Distributor Sales Business Compliance Approval > New**. If the compliance review is failed, the business units shall not sign any contract/agreement with the distributors, nor carry out any actual business with the distributors or make any payment to the distributors.

If the business unit/departments disagree with the conclusion of the compliance review, they may raise an objection in accordance with ZTE's processes within three workdays after the conclusion is released. For specific requirements, refer to Section 7.2.4 of the **Regulations on Anti-Bribery Compliance Management for Distributor Sales Business**.

For more guidance, click the links below:

Regulations on Anti-Bribery Compliance Management for Distributor Sales Business

<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?docId=569896581504049152&fileType=10&fileKey=0>

Training course: ***Anti-Bribery Compliance Management Training for Distributor Sales Business***

<https://ilearning.zte.com.cn/kng/view/document/71f85f934c3b43dbad78096347c3839.html?m=1&view=1&uniqueid=638584747497205358>

Cases: Distributor Sales

Case 1

Company B, an overseas subsidiary of Company A, bribed local government officials through a distributor to obtain business. To pay the bribes, Company B introduced a local distributor and approved large discounts to the distributor without clear reasons. These discounts were then paid to local government officials with decision-making power to obtain business. There was no evidence that the distributor actually provided services. In addition, Company A provided improper travels and gifts to foreign government officials and employees of non-government customers with the bribes from the distributor.

In accordance with ZTE's compliance policy, what compliance red flags exist in this case?

- 1) Excessive discounts are provided without clear reasons and there is no appropriate compliance control over abnormal discounts;
- 2) A false distribution agreement is signed and no actual service is provided.

Case 2

Company A distributed its products overseas through a third-party distributor, who resold the products to private and government entities. Company A sold to the distributor at a significant discount without sufficient reasons. During an audit, the compliance manager of Company A discovered that the distributor paid approximately 6% of the procurement amount to local government officials to ensure that they purchased Company A's products. The local marketing manager of Company A knew about and tacitly approved the distributor's behavior.

In accordance with ZTE's compliance policy, what should we do in this case?

In accordance with ZTE's *Regulations on Anti-Bribery Compliance Management for Distributor Sales Business*, we should report to the Compliance Audit Dept. or the Anti-Commercial Bribery Compliance Dept. immediately, and promptly stop and intervene in relevant cooperation. In accordance with relevant anti-bribery laws and regulations, if the company knows that such a situation exists but does not prevent or stop, or tacitly approves the behavior, it will bear corresponding responsibilities. Therefore, once such illegal behavior is discovered, we should take appropriate measures in a timely manner under the guidance of the Compliance Audit Dept., the Anti-Commercial Bribery Compliance Dept., or our superior. Such measures include but are not limited to suspending or terminating cooperation, suspending payment, and reviewing the case again, and conducting compliance audits.

5.7 Commercial Sponsorships

5.7.1 Overview

Commercial sponsorship is an important way for a company to exchange information with its customers, and to promote and improve its brand. It is essentially a marketing activity in which a company provides financial or material support to some activity organizers to achieve its own business objectives. Commercial sponsorship does not necessarily bring immediate commercial benefits (such as orders or contracts) to the sponsors, but from a long-term perspective, through obtaining publicity effects or brand enhancement,

sponsors may obtain expected commercial returns. Due to its special nature, commercial sponsorship may easily become a secret channel for bribery. Therefore, before initiating business sponsorship, applicants and applying departments shall consider whether the sponsorship meets ZTE's strategic development goals and whether it can enhance ZTE's positive brand image, so as to ensure the reciprocal obligations, legality, and necessity of the commercial sponsorship.

Points to consider about commercial sponsorship:

- Whether the sponsorship helps shape ZTE's brand image.
- Whether the sponsorship involves reciprocal obligations (both parties undertaking reciprocal obligations based on the same contract/legal relationship).
- Whether the recipients and beneficiaries of the sponsorship are appropriate.
- Whether a sponsorship agreement or contract has been signed.

5.7.2 Prohibitive Compliance Red Flags

Prohibitive compliance red flags refer to compliance risk signals whose occurrence will lead to the rejection of the business in accordance with external laws and regulations and industry practices. Prohibitive compliance red flags include but are not limited to the following:

- 1) The commercial sponsorship is conducted to seek special treatment or improper benefits.
- 2) There are irrelevant commercial conditions attached to, or commercial benefits improperly associated with the sponsorship (for example, the sponsorship is used in exchange for certain commercial decisions).
- 3) Goods provided are illegal or inappropriate for the nature of an activity, such as tobacco products, alcoholic, high-end consumer goods (such as cosmetics, watches, and bags).
- 4) There are sanctions against or public negative reports about the sponsored party or the sponsorship recipient, and it is verified that the sponsored party or sponsorship recipient still has no complete and effective compliance system for risk control.
- 5) The sponsored party or the sponsorship recipient is a company, organization, institution, or group that is not legally established or has no corresponding qualifications, and the necessity, reasonableness, and compliance cannot be fully explained.
- 6) The sponsored party or the sponsorship recipient (its shareholders, senior executives, or employees) hires or employs current or former government officials (FCPA-defined government officials, a political party's officials, or political official candidates) or their close relatives, or current or former employees of customers or their close relatives, and, during the sponsorship period, there are government procurement projects, government decision-making matters, or customer procurement projects, or there may be other conflicts of interest, but the necessity, reasonableness and compliance cannot be fully explained.
- 7) The sponsored party or the sponsorship recipient is an offshore company, shell company, or individual, and the necessity, reasonableness, and compliance cannot be fully explained.
- 8) The sponsored activity is fake, illegal, or non-conforming to industry practices, or the activity is sponsored at an obviously unreasonable price, and the legitimacy and compliance cannot be explained.

- 9) No legally binding sponsorship agreement is signed, there is no other legally binding written document that records the sponsorship, or the benefits obtained by the sponsor from the sponsorship cannot be shown in writing, and the legitimacy and compliance cannot be explained.
- 10) There are abnormal payment methods (for example, payment to multiple other bank accounts, to an offshore account, to a third-party account, or to an account in a third country), and the necessity, reasonableness, and compliance cannot be explained.
- 11) When the sponsored party and the sponsorship recipient are not the same entity, no legal document can be provided to prove that it is legal and reasonable for the sponsorship recipient to sign a sponsorship agreement or contract, which cannot be clearly specified in the contract, and the legitimacy and compliance cannot be fully explained.
- 12) The commercial sponsorship is provided to the sponsored party and the sponsorship recipient in a sensitive business period, and the necessity, reasonableness, and compliance cannot be fully explained.
- 13) The agreed use of the sponsorship is changed, for example, the funds or goods is used for projects irrelevant to the sponsorship.
- 14) False or forged information or materials are provided.
- 15) There is an attempt to bypass or deliberately violate the ***Regulation on Anti-Bribery Compliance in Commercial Sponsorship***.
- 16) Applicable laws and regulations are violated in the sponsorship.
- 17) Other situations that are identified as prohibitive compliance red flags.

5.7.3 How to Obtain Approval

Prior to any commercial sponsorship, the business unit in question shall ensure that the supporting documents submitted are true, complete, accurate and compliant with applicable laws and ZTE's compliance policy. Approval shall be obtained in advance at: **lcm.zte.com.cn > Anti-Bribery Compliance > Anti-Bribery Compliance Approval > New > Classification > Commercial Sponsorship.**

For more guidance, click the links below:

Regulation on Anti-Bribery Compliance in Commercial Sponsorship

<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?docId=795709508121927680&fileType=10&fileKey=0>

Training course: **Anti-Bribery Compliance Management Training for Commercial Sponsorship**

<https://ilearning.zte.com.cn/kng/view/document/73429d938b134696aa007deacf0afcf2.html?m=1&view=1&uniqueid=638584749384306016>

Case: Commercial Sponsorships

An overseas customer of Company A held a large-scale exhibition. After receiving an invitation from the customer, Company A planned to sponsor the customer's exhibition. Company A did not sign any sponsorship agreement with the customer, and the sponsored party and the sponsorship recipient were not the same entity. In addition, a project between Company A and the customer was in the bidding stage.

In accordance with ZTE's compliance policy, what compliance red flags exist in this case?

The red flags in this case include: 1) No legally binding sponsorship agreement is signed, there is no other legally binding written document that records the sponsorship activity, or the benefits obtained by the sponsor from the sponsorship cannot be shown in writing, and the legitimacy and compliance cannot be explained; 2) When the sponsored party and the sponsorship recipient are not the same entity, no legal document can be provided to prove that it is legal and reasonable for the sponsorship recipient to sign a sponsorship agreement or contract, which cannot be clearly specified in the contract, and the legitimacy and compliance cannot be fully explained; 3) The commercial sponsorship is provided to the sponsored party and the sponsorship recipient in a sensitive business period, and the necessity, reasonableness, and compliance cannot be fully explained.

The above red flags have been clarified as follows: 1) The organizer of the exhibition did not sign separate sponsorship agreements with every sponsor, but provided a unified format of invitation letter with the organizer's official seal specifying the sponsorship plan and benefits of the sponsors; 2) The applicant provided the authorization letter issued by the sponsored party and the qualification certificate of the organizer (i.e. the sponsorship recipient), and the relationship between the organizer and the sponsored party was also specified in the conference notice that was released by the sponsored party and stamped

with the official seal of the sponsored party; 3) The applicant explained that this sponsorship had no direct relationship with the bidding, and Company A had experience in this type of sponsorship, that is, it had sponsored two such exhibition events held by this customer in the past. The applicant provided detailed background information about the sponsorship, including the invitation letter, correspondence with customers, and historical sponsorship records.

Now that the red flags are clarified, does such sponsorship complies with ZTE's compliance policy?

Since the red flags can be clarified, such sponsorship does comply with ZTE's compliance policy. However, to better control the flow of sponsorship funds, the applicant should make recordkeeping of the agenda, photos, expenditures, etc. of the event in question. The records should match the original sponsorship plan and itinerary so as to prove that the sponsorship actually occurred and that the sponsorship funds were actually used for the event in question.

5.8 Charitable Donations

5.8.1 Overview

ZTE supports and encourages employees to participate in public welfare activities, and has been making contributions to the development of public welfare undertakings since its inception. However, if the purpose or use of donations is improper, or the recipients and beneficiaries are improperly selected, it will not only fail to achieve ZTE's original intention of devoting itself to public welfare undertakings, but may also violate relevant anti-bribery laws and regulations, which may bring legal and compliance risks to the company and even result in criminal, civil, and administrative penalties against the company. To effectively control these risks, all business units and departments shall strictly comply with the company's compliance policy when making public welfare donations.

5.8.2 Prohibitive Compliance Red Flags

Prohibitive compliance red flags refer to compliance risk signals whose occurrence will lead to the rejection of the business in accordance with external laws and regulations and industry practices. Prohibitive compliance red flags include but are not limited to the following:

- 1) The charitable donation is made for the purpose of obtaining or maintaining improper benefits in business or other commercial activities.
- 2) The recipient is illegally established, or there are sanctions against or public negative reports about the recipient of the charitable donation, and it is verified that the recipient still has no complete and effective compliance system for risk control.
- 3) The recipient hires or employs a current or former government official, the charitable donation is designated or recommended by a government official or a customer, or there may be other conflicts of interest, and the legitimacy and compliance cannot be explained. In addition, during the donation period, a current government procurement project, government decision-making matter, or customer procurement project is involved, or there may be other conflicts of interest, and the legitimacy and compliance cannot be explained.
- 4) A public official and his/her relative, a customer, or other stakeholder is designated or planned as the beneficiary, and the necessity, reasonableness, and compliance cannot be explained.
- 5) No legally binding donation agreement is signed, there is no other legally binding written document that records the donation activity, and the legitimacy and compliance cannot be explained.
- 6) There are irrelevant commercial conditions attached to, or commercial benefits improperly associated with the donation (for example, the donation is used in exchange for certain commercial decisions).
- 7) Goods donated is illegal or inappropriate for the nature of public welfare, such as tobacco products, alcoholic, high-end consumer goods (such as high-end cosmetics, watches, and bags).
- 8) There are abnormal payment methods (for example, payment to an account that is not the legal recipient's account, to a third-party account, to an account in a third country, or to an offshore account), and the necessity, reasonableness, and compliance cannot be explained.
- 9) False or forged information or materials are provided.
- 10) There is an attempt to bypass or deliberately violate the **Regulation on Anti-Bribery Compliance in Charitable Donation**.
- 11) Applicable laws and regulations are violated.
- 12) Other situations that are identified as prohibitive compliance red flags.

5.8.3 How to Obtain Approval

Prior to any charitable donation, business units shall ensure that the supporting documents submitted are true, complete, accurate, and in conformity with laws, regulations, and ZTE's compliance requirements. All charitable donations shall be subject to prior compliance approval. When a major natural disaster occurs and is publicly reported by the mainstream media of the disaster-stricken country, the company's charitable donation to the disaster-stricken area can go through the approval process for emergency donation. In other scenarios, the general donation approval process shall be followed. For details, refer to the ***Management Process for Approval of Public Charitable Donation***.

For more guidance, click the links below:

Regulation on Anti-Bribery Compliance in Charitable Donation

<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?docId=801777989753905152&fileType=10&fileKey=0>

Training course: Anti-Bribery Compliance Management Training for Charitable Donation

<https://ilearning.zte.com.cn/kng/view/document/fe5f4b13b8764d36a63e649ee92a4c58.html?uniqueid=638580371404141560>

Cases: Charitable Donation

Considering the global pandemic, company H decided to donate masks, protective clothing, and other pandemic prevention supplies to the health department of an overseas country. However, the health department did not agree to sign a donation agreement with company H, but instead agreed to issue a donation statement. The health department explained that government departments were usually not allowed to sign agreements with enterprises, but could provide relevant written documents stamped with official seals.

In accordance with ZTE's compliance policy, does the above behavior constitute a violation?

No. The health department provided reasonable explanations and issued written documents with legal effect to record the donation, which could prove the legitimacy and compliance of the donation.

What other risk control measures do you think should be taken during the actual

donation?

- (1) The applicant shall explain the reasons why a donation agreement is not signed.
 - (2) Depending on the actual situation, the applicant shall implement alternative solutions, such as the signing of other written documents with legal effect.
 - (3) Depending on the actual situation, the applicant shall provide other written documents with legal effect that can record the donation.
 - (4) Any other feasible alternative solutions shall be formulated.
-

5.9 Employment

5.9.1 Overview

According to relevant anti-bribery laws and regulations, providing persons with identified risks (current or former government officials or employees of customers, their close relatives or anyone closely related to them, and persons with internal or external conflicts of interest) with work opportunities such as full-time and part-time jobs (including consultant jobs), re-employment, short-term unpaid work experiences, and internships, as well as benefits such as promotion, training, and subsidies, to obtain and maintain business or any other improper benefits, may be deemed as bribery, which brings potential legal compliance risks, reputation damage, and even business losses to ZTE. Therefore, recruitment shall be conducted in accordance with real, necessary, reasonable, and compliant job requirements, and strictly follow the company's compliance requirements and human resources policies and processes, especially when an applicant or recommended candidate with identified risks is involved.

Note: ZTE's compliance policy does not prohibit the employment of the above-mentioned persons with identified risks, but requires the strict implementation of the company's **Regulation on Anti-Bribery Compliance of Employment** during the employment process, to comprehensively determine the potential compliance risks and ensure that the decision to employ an applicant is not made to maintain or obtain business or other improper benefits. Moreover, employment rules and procedures shall not be omitted or violated due to the identity of the applicants or candidates. After any person with identified risks is employed, ZTE shall take a series of risk control measures to eliminate or reduce potential compliance risks, such as the signing of the **Letter of Commitment on Anti-Bribery Compliance** and the assignment of the person to a position without conflicts of interest.

5.9.2 Prohibitive Compliance Red Flags

Prohibitive compliance red flags refer to compliance risk signals whose occurrence will lead to the rejection of the corresponding business activities in accordance with external laws and regulations as well as industry practices. Prohibitive compliance red flags include but are not limited to the following:

- 1) Employing any persons for any improper interest.
- 2) The Human Resources Dept., business units, reference givers, and other relevant departments conduct recommendation, recruitment, salary setting, allowance distribution, and benefit offering in violation of the company's management regulations and processes related to recruitment, personnel management, and personnel leasing.
- 3) Recording any false information in recruitment-related documents and archives.
- 4) Recruiting any persons with identified risks in violation of applicable laws or regulations or valid agreements (such as non-compete agreements or non-disclosure agreements) or commitments (such as the employee manual or business code of conduct signed by the job applicants) between the job applicants and their current or former employers.
- 5) Establishing positions especially for persons with identified risks when the company does not actually need the positions.
- 6) Recruiting any persons whose qualifications fail to meet the job requirements.
- 7) Providing any persons with identified risks with remuneration (including but not limited to promotion opportunities, salaries, assessments, bonuses, and allowances) that is inconsistent with their actual performance.
- 8) Recruiting any persons with non-compliance records related to bribery, corruption, money laundry, fraud, etc.
- 9) Providing false information or concealing facts, forging materials, or engaging in any other fraud during the recruitment process to seek favorable employment decisions or avoid the normal recruitment procedure for a recommended candidate.

5.9.3 How to Obtain Approval

It is required to conduct adequate and appropriate due diligence during recruitment. The available due diligence methods include but are not limited to requiring job applicants to fill in the **Self-Disclosure List**, conducting screening through the BPS system, and using other available public channels. Prior to making a hiring decision, business units and the Human Resources Dept. shall comprehensively assess the potential compliance risks based on the information obtained in the recruitment process, and provide opinions on the hiring decision in conformity with ZTE's prohibitive compliance regulations. Before joining ZTE, the persons with identified risks shall sign the **Letter of Commitment Concerning Conflict of Interest**. During the contract period, all employees of ZTE shall sign the **Letter of Commitment on Anti-Bribery** every year.

For more guidance, click on the links below:

Regulation on Anti-Bribery Compliance of Employment

<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?docId=511262100673404928&fileType=10&fileKey=0>

Training course: ***Anti-Bribery Compliance Management Training for Employment***

<https://learning.zte.com.cn/kng/view/document/098716f9bf0042bea4a2cf02e02e501c.html?uniqueid=638040350260843563>

Cases: Employment

Case 1

Company A intended to bid for a project of company B. Company B's executive Z hinted to company A's employee C that he would help company A obtain the project if his son could be employed by company A. Employee C did not agree to executive Z's request, but only told him about the recruitment policy and ways to inquire about relevant job requirements of company A. Executive Z's son searched for positions and submitted his resume through public channels, and eventually passed company A's recruitment assessment, signed a conflict of interest commitment letter, and joined company A normally.

Based on ZTE's compliance requirements, does the above behavior constitute a violation?

No, it does not constitute a conflict of interest, because employee C did not influence or interfere with the recruitment process. The son of executive Z was hired through the company's normal recruitment process. His qualifications and capabilities met the

requirements of the relevant position, and he made full information disclosure and commitments regarding conflicts of interest.

Case 2

In order to obtain or retain a project, company A provided employment opportunities to the relatives of government officials and improperly influenced the performance of duties by these government officials. These employment opportunities violated company A's normal recruitment process, and the qualifications of the applicants were lower than those of employees recruited normally. To help unqualified applicants obtain qualifications, some employees of company A forged resumes for them, provided them with interview questions and answers in advance, and instructed them on how to properly answer interview questions. Some applicants were hired even without interviews.

Based on ZTE's compliance requirements, do the above behaviors constitute violations?

Yes. The company prohibits recruiting persons for the purpose of seeking improper benefits, or recruiting persons whose qualifications do not meet the job requirements.

5.10 M&A and Joint Ventures

5.10.1 Overview

In accordance with relevant anti-bribery laws and regulations, M&A and joint ventures may cause some special problems. For example, without comprehensive and effective due diligence prior to an investment transaction, ZTE may be held accountable by law enforcement agencies for previous or ongoing anti-bribery violations committed by the potential investees or investment partners. Therefore, proactive and appropriate compliance control measures shall be taken before, during, and after an investment transaction, to avoid the compliance risks that investee or investment partners may bring to ZTE.

5.10.2 Prohibitive Compliance Red Flags

Prohibitive compliance red flags refer to compliance risk signals whose occurrence will lead to the rejection of the corresponding business activities in accordance with external laws and regulations as well as industry practices. Prohibitive compliance red flags

include but are not limited to the following:

- 1) Conducting M&A and joint ventures for the purpose of seeking special treatment and improper benefits in return.
- 2) Engaging in investment transactions with investment partners or investees without anti-bribery due diligence.
- 3) Engaging in investment transactions with an investment partner or object that has already been sanctioned for major violations, featured negatively in public reports, or been investigated but fails to take any internal controls to prevent related risks.
- 4) Manipulating the subsidiaries involved in M&A or joint ventures into offering bribes.
- 5) Submitting false or forged information or materials as supporting documents for review.
- 6) Other cases that are identified as prohibitive compliance red flags.

5.10.3 How to Obtain Approval

The requiring units shall **submit compliance approval applications on the TeamShare system**. In the compliance management of M&A and joint ventures, thorough due diligence shall be conducted on investment partners or investees, and compliance commitment letters or anti-bribery contract clauses shall be incorporated into relevant transaction documents according to the actual transaction situations. The parties concerned shall also be required to make commitments to establishing and improving an anti-bribery management system.

For more guidance, click the links below:

Regulations on Anti-Bribery Compliance Management for Mergers, Acquisitions, and Joint Ventures

<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?fileType=10&docId=600340729117679616&fileKey=6fe9aa64-71f1-44ae-978a-55677dff84f1>

Training course: ***Anti-Bribery Compliance Management Training for Mergers, Acquisitions, and Joint Ventures***

<http://elearning.zte.com.cn/eLearningNewPortal/CourseCenter/CourseDetails.aspx?courseNo=129817>

Cases: M&A

Company A is considering promoting its energy project overseas. After the project was launched, company B's executive C contacted company A's salesperson, claiming that he had the ability to influence local energy regulatory official D, who had the power to decide whether overseas enterprises could enter the local market and therefore could help company A successfully enter the local market and obtain a large number of orders in a certain period of time. In exchange, company A needed to pay company B a considerable consulting fee and sign an agreement to transfer 30% of company A's shares in its local subsidiary to company B. At the same time, company B was allowed to sell all these shares back to company A at three times the current price after three years. Company A found out that company B's actual owner was official D.

Company A decided to acquire a local company E to quickly enter the local market. Due to project urgency, company A did not conduct anti-bribery due diligence on company E before the acquisition, and therefore failed to verify whether company E engaged in any bribery. After the acquisition, company A did not conduct any risk assessment or audit of company E, or develop or improve its own anti-bribery management.

In accordance with the *Regulations on Anti-Bribery Compliance Management for Mergers, Acquisitions, and Joint Ventures*, can the above business cooperation mode be used?

No. In accordance with relevant anti-bribery and anti-corruption laws and regulations, company A's payment of consulting fees to company B and the arrangement of low-priced transfer and high-priced repurchase of the shares of company A's subsidiary for the purpose of benefiting official D and obtaining contracts will be deemed as offering bribes to government officials. If company A accepts the suggestion of company B for business expansion, it may be held accountable for the violation of laws and regulations.

Based on company A's acquisition of company E, if company E commits illegal acts, does company A need to bear the potential legal and compliance liabilities in

accordance with relevant anti-bribery laws and regulations?

Yes. If company A neither conducts due diligence before the acquisition nor performs controls over company E's implementation of an effective anti-bribery management system or internal control measures after the acquisition, company A needs to assume responsibility for company E's illegal acts after the acquisition.

5.11 Others

5.11.1 Political Contributions (Prohibited)

Political contributions generally refer to payments in cash or in kind made directly or indirectly to political parties or their local branches, elected officials, or political candidates. The payments can be used for general support of the political parties or political campaigns. ZTE strictly prohibits any form of political contributions to candidates for political office and political party officials.

5.11.2 Facilitation or Grease Payments (Prohibited)

Facilitation payments are also known as grease payments. ZTE prohibits making facilitation or grease payments, whether in cash or otherwise, and also prohibits making these payments through a third party on ZTE's behalf or in connection with ZTE's business, with or without ZTE's knowledge. Additionally, all rejected facilitation or grease payments must be reported to the Anti-Commercial Bribery Compliance Dept.

5.11.3 Bribe Solicitation (Prohibited)

When a government official, customer, business partner, or someone else acting on their behalf directly or indirectly requests a payment from ZTE for the purpose of providing an improper advantage to ZTE, bribe solicitation is constituted. ZTE prohibits bribe offering regardless of whether it is solicited or not.

If you receive a request for bribes, you shall:

- 1) Refuse to make the payment politely yet explicitly, and explain that ZTE will not make such payments.
- 2) Make it clear that your refusal is absolute and non-negotiable, and do not hedge or leave room for misunderstanding with "a wink and a nod."
- 3) Promptly report the request to the Anti-Commercial Bribery Compliance Dept., even if you do not intend to or have refused to make the payment.

5.11.4 Extortion Payments (Exception)

When government officials or other persons in high-ranking positions abuse their authority or control by threatening personal health, freedom, and safety, and therefore ZTE employees or their family members have to make the relevant payments or pay anything of value, extortion is constituted. In this case, it is recommended that ZTE's lawyers or the local embassy be consulted or turned to. If the case persists or such extortion is accompanied by imminent threats and therefore the relevant payments must be paid, such payments shall be reported to the Anti-Commercial Bribery Compliance Dept., though relevant external law enforcement agencies generally do not consider the payment of small amounts as a bribe.

5.11.5 Assistance to Host Countries (Exception)

ZTE may be requested to provide services, materials, or monetary assistance to local government agencies in some countries where ZTE operates due to the lack of government resources. Such non-cash or monetary assistance may include engineering, computers, equipment, food, car maintenance, training, housing, local medical care, and other basic necessities. It may involve such fields as telecommunications, infrastructure construction, security, military affairs, inspection, public utilities, municipal bonds, customs, and immigration.

Such requests usually cause legal problems. Only when the Chinese government has signed an assistance agreement with the country where ZTE's overseas subsidiary or representative office operates, and ZTE is required by Chinese government to provide free assistance to the host government as a Chinese enterprise and has obtained the corresponding internal approval and compliance review and kept proper records, can ZTE make an assistance commitment or provide relative assistance. If a local business unit, representative office, or subsidiary receives a direct request for assistance from the host

government, it shall promptly report to the Anti-Commercial Bribery Compliance Dept. to discuss and confirm the next steps. It is strictly prohibited to promise to provide, or provide any assistance to the host government without prior approval.

For assistance to a host country that meets the above specific requirements, attention shall be paid to the following aspects:

- a) Obtaining the government assistance agreement and keeping it properly so that ZTE can formulate appropriate safeguards.
- b) Ensuring that the money, materials, or services provided to government agencies are used for legal purposes, that is, for official affairs of the government agencies, rather than for seeking improper benefits for ZTE.
- c) In cases of monetary assistance, ensuring that the receiving account is an account held by the government agency receiving the payments.
- d) ZTE shall keep related documentary evidence, including but not limited to the assistance agreements signed between ZTE and external parties (the host country or the Chinese government), and proof of receiving money, materials, or services.

6 Accounting and Records Management

In accordance with the anti-bribery laws and accounting regulations of many countries, companies are required to establish and maintain books, records, and accounts that, in reasonable detail, accurately and fairly reflect their transactions and asset disposal, to prove the business reasonableness and legitimacy. Therefore, ZTE requires all employees and business units to strictly comply with the **ZTE Anti-Corruption and Anti-Bribery Compliance Policy** and relevant regulations, as well as relevant financial and accounting standards. That is to say, the correct business types shall be selected and complete, authentic, and accurate documents shall be submitted for reimbursement. All expenditure items mentioned in this Manual, such as gifts and hospitality, business travels, political contributions, charitable donations, and commercial sponsorships, shall be completely and accurately recorded in ZTE's books. In addition, any missing or improper bookkeeping or accounting records may lead to a violation of other local laws and regulations (such as tax laws), so ZTE employees shall keep all valid supporting documents and receipts related to transactions and asset disposal.

All ZTE employees shall comply with the following requirements:

- It is prohibited to conceal the true nature of a transaction during reimbursement.
- It is prohibited to claim for reimbursement using false information or data.
- It is prohibited to claim for reimbursement by maliciously circumventing the company's approval process.
- It is prohibited to forge or falsify vouchers for reimbursement or accounting.

All employees have the obligation to report any errors or suspicious items, or any cases where there is reason to believe that an employee may be forging records.

Auditors or other external organizations may pay close attention to and examine ZTE's books and records, especially those involving payments made to government and public officials. If you have any question about how to apply accounting and records management rules in specific transactions, please consult through the following channels:

Finance hotline: 0755-26778888-5 (Mandarin)

Email: Finance@zte.com.cn

7 Disciplinary Actions

ZTE holds a "zero-tolerance" attitude towards any bribery. Actual or perceived violations of anti-bribery laws will seriously damage ZTE's reputation. Any violation of anti-bribery laws and regulations (including the ***Criminal Law of the People's Republic of China***, the ***Anti-Unfair Competition Law of the People's Republic of China***, the ***U.S. Foreign Corrupt Practices Act (FCPA)***, and the ***UK Bribery Act (UKBA)***) may cause ZTE and related individuals to bear serious civil, criminal, and administrative penalties, including imprisonment, fines, and administrative prohibitions. ZTE will take appropriate disciplinary actions against employees who violate anti-bribery laws and regulations and/or the ***ZTE Anti-Corruption and Anti-Bribery Compliance Policy*** and the ***ZTE Anti-Bribery Compliance Manual***. Disciplinary actions may be taken against employees who commit violations, ignore or fail to detect or report violations without reasonable grounds, and retaliate against whistleblowers. Disciplinary actions include immediate termination of employment. For more information, refer to the ***Accountability Management Regulations***, ***Regulations on Compliance Investigations***, and ***General Rules for Compliance Audit and Violation Investigation***.

Accountability Management Regulations

<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?fileType=10&docId=646116609144004608&fileKey=63cc6023-879e-4908-9b41-8a1f45fc7fa5>

Regulations on Compliance Investigations

<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?fileType=10&docId=647099742488240128&fileKey=a32aaa24-c0c2-41f6-9957-fa4797ee416e>

General Rules for Compliance Audit and Violation Investigation

<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?fileType=10&docId=758716989815529472&fileKey=fd014950-832f-46a3-835b-7d4cfc27ac7a>

8 Consultation and Reporting

Whenever you have any doubt about whether a behavior or activity complies with the ***ZTE Anti-Corruption and Anti-Bribery Compliance Policy*** and this Manual, you can seek help from the following persons, professional departments, or channels:

- 1) Management member and CPOC of the department
- 2) BU compliance director/compliance manager of the corresponding BU compliance team
- 3) Anti-Commercial Bribery Compliance Dept.

In addition, if you find any behavior or event that violates the **ZTE Anti-Corruption and Anti-Bribery Compliance Policy** or this Manual, please promptly report it through the following channels:

- A. Internal Compliance Reporting Channels
 - 1) Email: complianceaudit@zte.com.cn
- B. External Independent Third-Party Compliance Reporting Channels
 - 1) Website: <https://www.tip-offs.com.cn/ZTE>
 - 2) Email: ZTEWhistleblowing@tip-offs.com.cn
 - 3) Tel.: 400-0707-099 (Chinese mainland)
+8621-3313-8584 (overseas, Hong Kong, Macao, and Taiwan)

Any information involved in reporting will be kept strictly confidential and only disclosed when required by laws. Moreover, ZTE strictly prohibits retaliation against whistleblowers. Therefore, you may provide your name and other details without worry when reporting a violation. Also, you can choose anonymous whistleblowing, but in this case you may not be able to get feedback on the follow-ups.

ZTE encourages all customers, business partners, employees, and shareholders to supervise the business behaviors of ZTE or its employees and business partners and report any violation found. ZTE will give corresponding rewards to those who report violations in real name, and to legal and compliance personnel who discover violations or report compliance risks outside their scope of duties and meet the corresponding reward conditions.

For any violation of laws and regulations, the **ZTE Anti-Corruption and Anti-Bribery Compliance Policy**, or this Manual, ZTE reserves the right to impose disciplinary actions or transfer the violator to judiciary authorities. For details, refer to the **Regulation on Compliance Reporting** and **Regulations of Protection and Rewarding of Real-Name Whistleblowers**.

Regulation on Compliance Reporting

<https://pal.zte.com.cn/zte-km-cloududm-dmsui/docDetail?docId=751908574090895360&operation=rightDoc>

Regulations on Protection and Rewarding of Real-Name Whistleblowers

<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?fileType=10&docId=686993536717037568&fileKey=44bd8cd4-d1c4-4d06-98b3-0d9b92e06936>

Informative Annex

Annex A: Key Terms, Definitions, and Acronyms

Category	Term/ Acronym	Definition
Common anti-bribery knowledge	Bribery	Offering, promising, paying, or authorizing to pay money or anything of value, directly or indirectly, to any person from public or private sectors, as an inducement or reward for a person improperly acting or refraining from acting in relation to the performance of that person's duties in order to obtain or maintain business or any other improper advantage.
	Anti-bribery management system	A series of anti-bribery management requirements established, implemented, maintained, continually reviewed, and improved by ZTE to prevent, identify, and respond to anti-bribery compliance risks or misconduct, which include but are not limited to elements such as tone at the top, compliance organization, compliance resource, risk assessment, policy and guideline, process control, training and communication, and monitoring and review.
	Anti-bribery compliance risk assessment	The work of identifying, analyzing, and evaluating the anti-bribery compliance risks and the effectiveness of existing control measures of the assessed parties (including but not limited to the company, business units, branches, or subsidiaries) by compliance professionals (from the Anti-Commercial Bribery Compliance Dept. or BU compliance teams or an authorized external professional organization).
	Anti-bribery compliance due diligence	The process undertaken by compliance professionals (from the Anti-Commercial Bribery Compliance Dept. or BU compliance teams or an authorized external professional organization) to assess the nature and level of anti-bribery compliance risks of specific transactions, projects, activities, business partners, and personnel (including but not limited to shareholders, executives, or employees), so as to support the company's decision-making.

Category	Term/ Acronym	Definition
	Anti-bribery compliance audit	The company's systematic and independent acquisition of audit evidence and objective evaluation of the design and operation effectiveness of the anti-bribery management system of the audited parties (including but not limited to the company, business units, branches, or subsidiaries) in accordance with relevant audit standards.
	Ongoing monitoring	Activities consisting of continuously checking or observing whether the company's anti-bribery management system, management regulations/processes, or business activities comply with laws and regulations and the company's compliance requirements. It is a way of integrating compliance inspection activities into the company's daily compliance management. For a specific business being executed, compliance professionals (from the Anti-Commercial Bribery Compliance Dept. or BU compliance teams) can conduct compliance inspection during the business activities or regularly and continuously after the business activities in accordance with the company's compliance requirements. In some cases, business units can be authorized to conduct such ongoing monitoring.
	Public/ government official	<p>Any officer, employee, or candidate of a government, legislature, judiciary, political party, military, royal family, any department or agency exercising public functions, or any public international organization; any person representing or acting on behalf of a government or its department or agency, or on behalf of any public international organization; or any person deemed to be a public official under applicable local laws.</p> <p>The above-mentioned public officials may be any of the following:</p> <ul style="list-style-type: none"> a. Any officer or employee of an agency exercising state functions or public functions; b. Any employee of a state-owned and state-controlled organization (or an organization where the state can exert a huge influence) (such as state-owned enterprises, public hospitals, public schools, and public institutions);

Category	Term/ Acronym	Definition
		<p>c. Any political candidate;</p> <p>d. Any officer or employee of a political party;</p> <p>e. Any officer or employee of an international organization or agency;</p> <p>f. Any member in an organization with major political influence (for example, royal families and some religious organizations);</p> <p>g. Any person acting on behalf of the above-mentioned organization or agency.</p>
	Sensitive period	<p>A period during which any behavior, including but not limited to the provision of gifts or hospitality, may be reasonably considered by an independent third party as an attempt to improperly influence the decision-making or other duties of the recipient, for examples: 1) during the application for or maintenance of a certificate, 2) during project bidding, 3) during contract signing or renewal, 4) key delivery and acceptance time points or payment time points, 5) during a major dispute, lawsuit, or administrative penalty, 6) during a factory inspection or audit, 7) during customs clearance; and 8) during subsidy application.</p>
	Anti-bribery contract clauses	<p>The anti-bribery compliance requirements, statements, declarations, guarantees, commitments, compensation protection, or contract suspension/termination provisions that are added in a contract body or as annexes to a contract in related business activities.</p>
	Conflict of interest	<p>Situations where business, financial, family, political, or personal interests may affect an employee's judgment in performing duties. Essentially, a conflict of interest is any situation in which an employee's personal interests may or appear to interfere with the legitimate interests of the company or entity for which the employee works. For example:</p> <p>1) A current or former purchasing manager of a customer, or a person who is a close relative of or closely related to such person serves as a sales manager of ZTE.</p>

Category	Term/ Acronym	Definition
		2) A current or former government official or a person who is a close relative of or closely related to such person serves as an employee of a local subsidiary or branch of ZTE. 3) A third-party supplier is a close relative of or closely related to the corresponding responsible person of ZTE.
	LCM system	The Legal & Compliance Management (LCM) system (http://lcm.zte.com.cn) used for managing, recording, and approving business activities regarding legal and compliance.
	BPS system	The Business Partner Screening (BPS) system (https://bpsprdapp1.zte.com.cn) used for screening information related to a business partner or an individual for any risk of bribery.
	Three attributes of information and materials	The authenticity, accuracy, and integrity of the information and materials provided by business units or individuals applying for compliance review. In some cases, the validity of the information and materials shall also be guaranteed.
	Four attributes of business requirements	The authenticity, necessity, reasonableness, and compliance of the business activities conducted by business units or individuals.
	Six elements of compliance review	Elements to be considered by business units, applicants, and compliance reviewers in determining the compliance of anti-bribery matters such as gifts and hospitality, business travels provided to external parties, customer training, business partners, procurement transactions, commercial sponsorships, charitable donations, employment, mergers, acquisitions, and joint ventures. Such elements include business scenarios (When), the recipients (To Whom), intentions (Why), behaviors/things of value (What), forms (How), and countries or regions (Where).
Specific anti-bribery regulations	Gift and hospitality	Any gift, meal, entertainment, or hospitality (such as car rental, cultural and sports activity, and reception) provided for external parties.
	Business travel provided to external parties	The payment of business travel expenses for external parties, which include but are not limited to expenses on transportation, accommodation, and catering.

Category	Term/ Acronym	Definition
	Customer training	Training in technology or management delivered to external parties stipulated in any sales contract, maintenance contract, service contract, or training contract for main equipment.
	Business partner	Any third party, other than final customers and ZTE employees, that has established or plans to establish business relationships with ZTE. Third parties include but are not limited to suppliers, subcontractors, consultancies, agents, distributors, channel partners, dealers, consortia, intermediaries, academic research institutes.
	Third party	Any entity that is independent of ZTE. A third party can be a company, an institute, or an individual.
	Procurement transaction	The business activities in which the company acquires products or services from supply markets and pays under certain conditions, which are important for the normal production and operations of the company. The procurement transactions defined in this Manual mainly include the procurement of production materials, operation support services, and engineering services closely related to the company's production and operations.
	Commercial sponsorship	Essentially a marketing behavior of an enterprise that provides financial or in-kind support to some event organizers to achieve its own business objectives. This behavior generally does not bring immediate commercial returns (such as orders and contracts), but the enterprise can still obtain the expected commercial returns in the long run due to positive publicity effects or higher brand value.
	Charitable donation	Voluntary unpaid donation of properties to non-profit organizations, public institutions, and social groups that are legally established for public welfare undertakings. Public welfare undertakings refer to any of the following non-profit activities: 1) Disaster relief, poverty alleviation, and assistance to vulnerable groups. 2) Education, science, culture, healthcare, and sports. 3) Environmental protection and public facility construction. 4) Other public welfare activities that comply with laws and

Category	Term/ Acronym	Definition
		regulations and promote social development.
	Political contribution	A payment in cash or in kind made directly or indirectly to political parties or their local branches, elected officials, or political candidates. Such payments can be used for general support of political parties or political campaigns.
	Facilitation or grease payment	An illegal or unofficial payment made in return for services that can be lawfully enjoyed even without payment. It is normally a relatively small amount of money paid to a public official or person with an administrative approval/licensing function in order to secure or expedite a routine or necessary action, such as the issuance of a visa or work permit, and customs clearance. Although facilitation or grease payments are different in nature from, for example, a bribe paid for the purpose of winning business, they are illegal in most countries/regions.
	Bribe solicitation	Situations when a government official, a customer, a business partner, or anyone acting on their behalf, requests or solicits money or anything of value from ZTE or its employees, directly or indirectly, and provides improper advantages to ZTE in exchange.
	Extortion	Situations where government officials or other persons in high-ranking positions abuse their authority or control by threatening personal health, freedom, and safety of ZTE employees or their family members to obtain relevant payments or anything of value.

Annex B Regulations on Anti-Bribery Management

1. ***Regulations on Anti-Bribery Compliance Management of Gifts and Hospitality (for the Chinese Mainland, Hong Kong, Macao, and Taiwan)***

<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?fileType=10&docId=696733877519130624&fileKey=2de68b97-ba98-4373-85b3-39fc5ee0dcaa>

2. ***Regulations on Anti-Bribery Compliance Management of Gifts and Hospitality (for Overseas Countries and Regions)***

<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?fileType=10&docId=696737322825293824&fileKey=0d1806cc-4fad-4872-985a-53d17e6b4b75>

3. ***Regulations on Anti-Bribery Compliance Management Regarding Business Travel Provided to External Parties***
<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?fileType=10&docId=682889033977831424&fileKey=43da0f1d-5eaa-4c63-a9d5-b36f1fd2efc9>
4. ***Management Regulations on Anti-Bribery Compliance for Customer Training***
<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?fileType=10&docId=717058857842647040&fileKey=66db9ca3-ac90-4af4-a2a9-43523bf83210>
5. ***Regulations on Anti-Bribery Compliance Management for Business Partners***
<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?fileType=10&docId=811323719199891456&fileKey=8256dfcb-e3ef-43e7-9e0b-ca39c6b9d4c3>
6. ***Regulations on Anti-Bribery Compliance Management for Procurement Transactions***
<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?fileType=10&docId=710865360382992384&fileKey=def08bd3-1562-4e26-b653-994ce44f7a4d>
7. ***Regulations on Anti-Bribery Compliance Management for Distributor Sales Business***
<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?fileType=10&docId=569896581504049152&fileKey=6bb94481-4ae2-419b-bc5e-d8d530ba271c>
8. ***Regulation on Anti-Bribery Compliance in Commercial Sponsorship***
<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?fileType=10&docId=795709508121927680&fileKey=465b19fd-9bc8-49e5-8ef5-ca99e012dabd>
9. ***Regulation on Anti-Bribery Compliance in Charitable Donation***
<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?fileType=10&docId=801777989753905152&fileKey=45dad333-39a3-42e5-8707-771316647dd8>
10. ***Regulation on Anti-Bribery Compliance of Employment***
<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?fileType=10&docId=511262100673404928&fileKey=b1dc5658-d945-4ed2-ac9a-436fae1ea7ff>
11. ***Regulations on Anti-Bribery Compliance Management for Mergers, Acquisitions, and Joint Ventures***
<https://pal.zte.com.cn/zte-km-cloududm-dmsui/fileView?fileType=10&docId=600340729117679616&fileKey=6fe9aa64-71f1-44ae-978a-55677dff84f1>

Annex C Interpretation/Guidance/Training Course for Anti-Bribery Management Regulations

1. Interpretation and implementation guidance on anti-bribery management regulations
<https://i.zte.com.cn/#/space/0dfd5543e62448efaa3d4729f0cc6041/wiki/page/217b0775201d42d38763e48c7309d1ca/view>

2. Training courses on anti-bribery compliance management
<https://i.zte.com.cn/#/space/0dfd5543e62448efaa3d4729f0cc6041/wiki/page/1e41d33270ee487aa27555af4492d821/view>
3. Publicity on anti-bribery compliance
<https://i.zte.com.cn/#/space/0dfd5543e62448efaa3d4729f0cc6041/wiki/page/259eb6ec950541918658f9cb2b894947/view>

Normative Annex

Annex A: ZTE Anti-Corruption and Anti-Bribery Compliance Policy

For details, refer to the separately attached document.