



ANTI-BRIBERY COMPLIANCE MANUAL

Updated as of May 12, 2020

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A Letter from the President

To all ZTE employees, shareholders and business partners:

Bribery breaches public trust, seriously erodes the trust of customers, employees, shareholders and business partners, and jeopardizes the transaction security and business sustainability, so based on ZTE's new vision "To enable connectivity and trust everywhere" that was redefined in October 2018, ZTE insists on a zero-tolerance policy towards all forms of bribery and corruption.

ZTE remains committed to conducting business globally in strict compliance with applicable anti-bribery laws and regulations, and prohibits any unfair competition.

Based on the *Anti-Bribery Management Systems ISO 37001 Standard*, through extensive compliance communication with important external partners, and through research and evaluation of our own business, ZTE revised the company's *Anti-Bribery Compliance Policy* and *Anti-Bribery Compliance Manual*. All ZTE employees, business partners operating in the name or for the benefit of ZTE shall be aware of and strictly comply with the applicable anti-bribery laws and regulations, and the compliance obligations in the company's *Anti-Bribery Compliance Policy* and *Anti-Bribery Compliance Manual*.

Over the past 20 years, ZTE's tenacious growth originated from our continuous reflection and self-innovation in compliance management. Especially after the recent export control incident happened on April 16, 2018, from which we learned a lesson, the process of ZTE's compliance management establishment has been profoundly affected. ZTE will establish an effective anti-bribery management system with high standard, and work with our business partners to create a fair, transparent and honest business environment.

Let us all join hands and, in our daily work, act strictly in accordance with the requirements and guidelines of *ZTE Anti-Bribery Compliance Policy* and *Anti-Bribery Compliance Manual* in every business activity. For any question

or enquiry, please consult your immediate Compliance Point of Contact, Compliance Manager, Compliance Director or Direct Leader in the business unit, or contact related personnel via telephone, email or other relevant channels provided in this *Manual*.

ZTE also welcomes any reports made in good faith, of possible or suspected bribery and ensures that employees or third parties who report such violation will not suffer any form of retaliation.

External ZTE Compliance Reporting Channels

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

Email: ZTEWhistleblowing@tip-offs.com.cn

Hotline: 400-0707-099 (Mainland China) +8621-3313-8584 (Overseas, Hongkong, Macao and Taiwan)

Internal ZTE Compliance Reporting Channel

Email: complianceaudit@zte.com.cn

President Xu Ziyang

ZTE Corporation

April 30, 2020

1 Anti-Bribery Compliance Policy Statement

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

Bribery breaches public trust, poses threats to economic and social development, and hinders fair trade. In order to fight bribery, most countries where ZTE Corporation and its branches, operational and functional subsidiaries, and affiliates (hereinafter collectively referred to as "ZTE") are engaged in business have implemented anti-bribery laws and regulations, and treat bribery as a criminal act. To ensure full compliance with these laws and regulations, and in particular to ensure that business is conducted globally in accordance with the principles of fairness, integrity and transparency, ZTE has a "zero-tolerance" attitude towards any form of bribery, including bribery by directors, managers, employees and contract workers (hereinafter referred to as "relevant personnel") or business partners acting on ZTE's behalf or for its benefit. In short, ZTE will not tolerate any form of bribery.

ZTE strictly prohibits any form of bribery in the course of conducting business in the public or private sectors. ZTE's relevant personnel or business partners operating in the name or for the benefit of ZTE 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. Based on the *ZTE Anti-Bribery Compliance Policy*, ZTE has developed a series of regulations, procedures and guidance to minimize the risks of bribery, and further incorporate integrity, transparency and "doing the right thing" into an integral part of the corporate compliance culture, thus promoting its credibility globally.

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, the related personnel shall not ignore the acts or information of business

partners that may constitute a bribe, or willfully ignore such acts or information. In addition, the relevant 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 or for its benefit.

At work, we may face difficulties in making a choice from business and compliance requirements due to pressure from other sources. However, any violation of compliance requirements of the *ZTE Anti-Bribery Compliance Policy* or relevant laws and regulations shall not be considered a correct choice at any time. You shall make a wise judgment that is best for you and ZTE's health and sustainable development.

ZTE and each of its employees have the obligation to comply with all applicable anti-bribery laws and regulations and requirements of the *ZTE Anti-Bribery Compliance Policy*, which applies to all directors, management members, employees and contract workers from all departments, subsidiaries, affiliates and branches of ZTE. Anyone who violates the laws and regulations and requirements of *ZTE Anti-Bribery Compliance Policy*, regardless of his or her position, may be charged by the law enforcement authorities and thus undertake the corresponding civil and/or criminal penalties and the disciplinary punishment 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 "**Manual**") is intended to assist the relevant personnel of ZTE and business partners acting on ZTE's behalf or for its benefit, to understand and comply with the *ZTE Anti-Bribery Compliance Policy*, regulations and procedures.

The revised *Manual* has a 9-chapter format. Chapter 2 specifies the location and scope of application of this *Manual*; Chapter 3 provides the definition of bribery, the requirements of anti-bribery compliance of ZTE; Chapter 4 describes ZTE's anti-bribery management system; Chapter 5 summarizes the

relevant anti-bribery compliance management regulations, and its prohibitive provisions and approval procedure, and provides the links to these regulations, its guidance, and training courses. Chapter 6 introduces the specific requirements for accounting and records; Chapter 7 and Chapter 8 describe disciplinary punishment, consulting and report channels for violation of this *Manual*; and the chapter is Annex.

2.2 Relationship Between Policy, Manual, Regulations and Guidance

The following figure shows the relationship between the *ZTE Anti-Bribery Compliance Policy*, *ZTE Anti-Bribery Compliance Manual*, management regulations (on issues such as gifts and hospitality, business travels, business associates/partners, procurement transactions, commercial sponsorship, charitable donations, client training, mergers & acquisitions and joint ventures, and employment) and guidance. The *ZTE Anti-Bribery Compliance Policy* consists of overall objectives, policies and requirements of ZTE for its anti-bribery compliance management. The *Manual* is a general guide for ZTE's related personnel and business partners to do business on behalf of or for the benefit of ZTE in accordance with the *ZTE Anti-Bribery Compliance Policy*, regulations and process requirements. **Management Regulations** are standardized documents that specify the roles and responsibilities, management principles, requirements and processes under the Anti-Bribery Documentation System of ZTE, and are also normative documents for policy implementation. **Guidance** is a specific guideline for the implementation of management processes and requirements defined in **Management Regulations**, including guidance for some category of business or process, guidance for a certain position or personnel, and guidance for some branches or entities. The above documents include but not limited *ZTE Anti-Bribery Compliance Policy*, this *Manual*, **Management Regulations**, and **Guidance** are maintained by Anti-Commercial Bribery Compliance Dept. Permitted by laws and in line with ZTE 's anti-bribery management system, leaders and the Compliance Teams from business or functional department, regional or subsidiary level in response to specific business requirements may, with the support and authority of the **Anti-Commercial Bribery Compliance Dept.**,

create additional **Management Regulations** and **Guidance** for a specified business or country/territory.

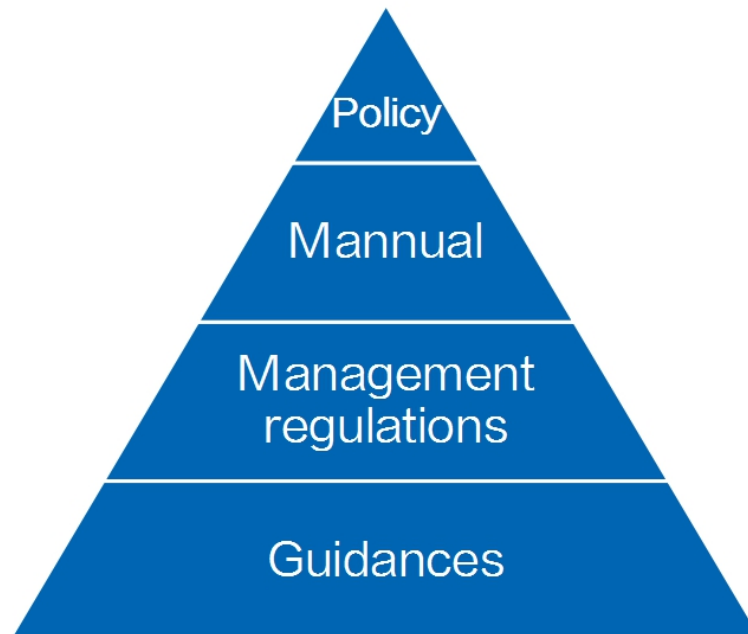


Figure 1

2.3 Applicable Scope

This *Manual* applies to the conduct and activities of all directors, management members, employees, contract workers and business partners of ZTE and its branches, subsidiaries and affiliates across the world. In the absence of managerial control, ZTE will do its utmost to promote the adoption, implementation and enforcement of appropriate anti-bribery compliance policy as far as practicable.

2.4 Applicable Laws

Keep in mind that bribery not only violates *ZTE Anti-Bribery Compliance Policy* and this *Manual*, but also may violate the applicable laws and regulations of the local country or region, such as the *Chinese Criminal Law*, the *Chinese Anti-unfair Competition Law*, the U.S. *Foreign Corrupt Practices Act (FCPA)*, the *UK Bribery Act (UKBA)*, etc. considering that ZTE is a global multinational

company, ZTE and its related personnel shall comply with the anti-bribery laws and regulations of China and the local countries regardless of whether the business is conducted in the **People's Republic of China** or in other countries. When violating these laws and regulations, anyone may be charged with serious civil and / or criminal penalties.

3 Anti-Bribery Overview

3.1 What is Bribery

Consistent with international anti-bribery laws and regulations, ZTE generally 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:

- the benefit sought is for someone else;
- the business sought is not with the government but with a private company or individual;
- the payment does not work and no business is awarded or benefit is obtained;
- no competitive advantage is secured for ZTE;
- promising to make or receive payment after the business is awarded or advantage is obtained whatever the final results;
- the recipient initially suggested the payment; or
- the recipient receiving the payment 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 in many countries also focuses on preventing bribery of public officials. This *Manual* also provides guidance to help employees identify and mitigate risks when being engaged 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 carrying out public functions or an international public organization; anyone representing or acting on behalf of a government or its department or agency, or acting on behalf of any public international organization; or anyone deemed to be a public official under locally applicable laws.

In the event that bribery is carried out by employees or business partners of ZTE, the related individual would be liable for legal penalties. Besides, such misconduct may also result in serious consequences to ZTE according to relevant anti-bribery laws and regulations, for example, ZTE may be subject to corresponding criminal penalties, administrative fines determined by regulatory agencies, boycotts from government or commercial customers (blacklisted by enterprises for participating in any investment or procurement), business opportunity losses, financing or repayment issues, as well as intangible goodwill losses, etc. Therefore, it is prohibited to engage in any form of bribery toward any entity and any of its employees.

Business partners/associates: All third parties with whom ZTE has, or plans to establish, some form of business relationship, including but not limited to suppliers, subcontractors, consultants, agents, distributors, channels, distributors, consortia, intermediaries, academic research institutes, etc., other than the end customer.

ZTE prohibits bribery in any form, including not only cash bribes, but also "anything of value" with the bribery intent, such as improper gift and hospitality, travel, non-cash commercial sponsorship or charitable donations, commercial contracts, employment opportunities, etc.; including not only direct bribery, but also bribery carried out by business partners on behalf of ZTE.

The penalties from law enforcement authorities and the disciplinary punishment from ZTE will be put on not only the briber but also the individual who facilitates or tacitly consents to misconduct. Such misconduct includes but is not limited to:

- 1) Approving a bribe (indicating a bribe through communication tools included);
- 2) Concealing a bribe;
- 3) Providing coordination for a bribe.

3.2 Anti-Bribery Compliance Requirements

ZTE is committed to conducting business globally through fairness, honesty and transparency. When it comes to anti-bribery compliance, ZTE's employees and business associates 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 business conduct;
- 4) Respect local customs and business practices.

ZTE has a firm and clear attitude towards bribery and adopts a zero-tolerance approach to any form of bribery, and irrespective of the time and location(s), you shall adhere to the principles of honesty, transparency and integrity in our dealings with customers, business associates, and any person from government agencies and public organizations.

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

4 Anti-Bribery Management System of ZTE

4.1 Overview of Anti-Bribery Management System

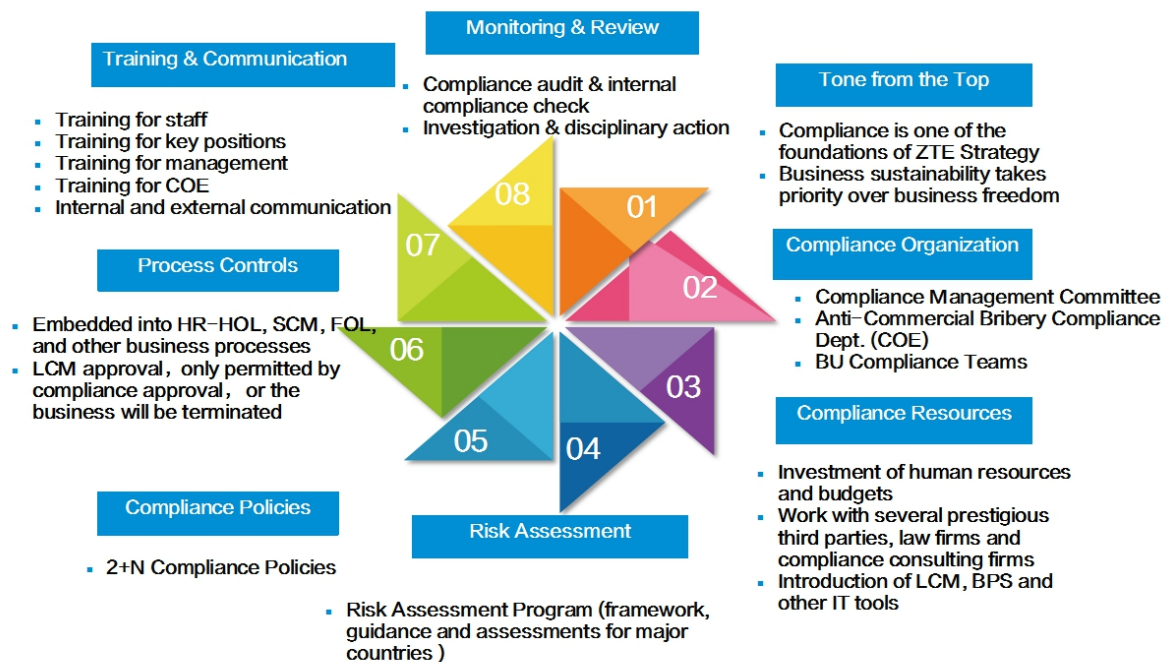


Figure 2

ZTE has established a complete Anti-Bribery Management System (ABMS) according to the *Anti-Bribery Management Systems ISO 37001 Standard*, and this system consists of eight elements as shown in figure 2. Through incessant implementation, review, and improvement, ZTE is intending to continuously optimize the effectiveness of the ABMS.

4.2 Specific Introduction to the ABMS

4.2.1 Tone from the top

Compliance is one of the three cornerstones of ZTE's strategy. The strategic path is divided into recovery phase, development phase, and transcendence phase. ZTE remains committed to abiding by compliance operations, creating value through compliance, and adhering to the principle of "respecting rules, keeping an open mind, and doing things professionally." **In the recovery phase:** safeguard values, set ZTE's compliance red lines, and embed compliance into business processes to achieve compliance awareness in subsidiaries through top-down management. **In the development phase:** ensure coordinated development, improvement of compliance rules, effective publicity, creation of

compliance culture, promotion of implementation, strengthening of compliance inspection, and realization of closed-loop control. **In the transcendence phase:** bring added value, set up a compliance benchmark, create a compliance brand, and commit to building a first-class compliance management system consistent with ZTE's business practices. All regulations implemented by ZTE take business sustainability as the highest priority to ensure the lowest management cost and the highest efficiency under the premise of safe operation, so as to better protect the interests of ZTE customers, associates, shareholders, employees, and stakeholders.

The C-suite executives of ZTE participate in compliance planning, and decision-making, and suggesting for important regulations and major compliance matters according to the rules and procedures in the *ZTE Corporation Constitution of the Committee of Compliance Management*. A C-suite executive is directly responsible for the compliance of business under his or her supervision. When it comes to the promotion of compliance awareness and cultivation of compliance culture, the C-suite executives shall set an example by personally taking part in compliance training and communication conducted by his or her subordinate units. Moreover, the compliance management organization can also directly report any compliance matters to the C-suite executives, as smooth communication channels are offered in ZTE.

In terms of resource input, the C-suite executives clearly pointed out that ZTE does not set a ceiling on financial support for the compliance operation of every department, and it will be satisfied as needed. Under the strong support of the C-suite executives, ZTE has hugely increased the proportion of its full-time compliance personnel and the rate reached 6 ‰ in 2018, which is being continuously optimized.

4.2.2 Compliance Organization

4.2.2.1 Three Lines of Defense of Anti-Bribery Management

Every employee is responsible for bribery risk identification, prevention, and

response. All business units and functional departments are the first line of defense. Compliance organization is the second line of defense, and the Compliance Audit Dept. is the third line of defense.

As to the bribery risk management, roles and responsibilities are assigned as follows:

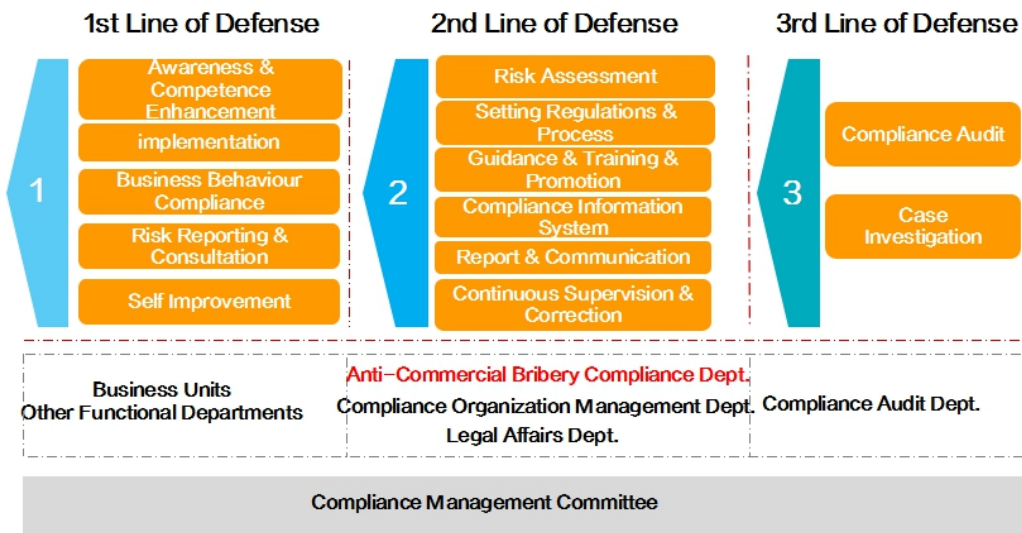


Figure 3

4. 2. 2. 2 Structure of Compliance Organization

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

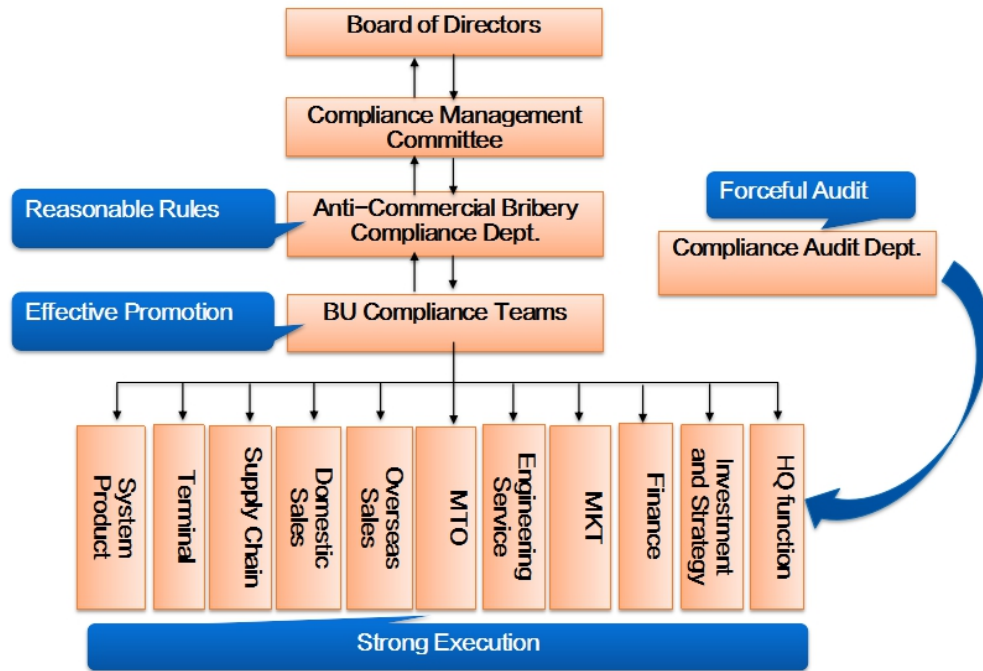


Figure 4

Note: the BU Compliance Team refers to the Compliance Team of each business unit 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 Affairs Dept. assigned compliance functions for overseas and domestic market.

ZTE follows the PDCA (Plan-Do-Check-Act) management process cycle when carrying out compliance work. ZTE transforms the PDCA cycle into a closed-loop management including reasonable rules, effective promotion, strong execution, and forceful audit, which forms a dual cycle of compliance operation and management.

4. 2. 3 Sufficient Resource Input

ZTE's anti-bribery compliance organization has been continuously strengthened due to continuous resources input. At the **Center of Expertise (COE)** level, the Anti-Commercial Bribery Compliance Dept. has employed several experts experienced in risk management, due diligence, and supervision. At the BU Compliance Team level, ZTE has attracted more than 100 people with extensive business experience, and has integrated its legal

team of more than 100 people into the compliance organization and also arranged Compliance Point of Contact in the front lines of its business, which has built a solid talent foundation for its compliance system.

ZTE has introduced and continuously optimized the Legal & Compliance Management System (LCM), Business Partner Screening System (BPS) and other IT systems and tools, which greatly improve the scope, efficiency, and level of ZTE compliance management.

Besides, ZTE also works with several famous law firms, accounting firms, and other consulting institutions in a long term, in order to provide timely and accurately professional services for ZTE's compliance work.

4.2.4 Risk Assessment

The Anti-Commercial Bribery Compliance Dept. and BU Compliance Teams regularly conduct risk assessment in relevant regions or areas every year, so as to continuously refresh ZTE's compliance risk database, timely and accurately adjust compliance management strategies and measures based on actual business changes and risk changes, and resolutely implement risk-oriented compliance management principles.

During the process of risk assessment, we may use methods including but not limited to documentation review, data analysis, interviews, questionnaires, brainstorming, and comprehensively consider the business scale, business models, business location(s), transaction subjects, transaction types, the use of business associates, government relations, local customs, and other relevant factors, to assess the actual compliance risks as comprehensively and accurately as possible, then we will finally issue a risk assessment report. Risk assessment results identified in this report will be fully communicated with relevant business units, and specific policies, rules and processes will also be implemented corresponding to the actual situation of regions and areas.

4.2.5 Comprehensive Compliance Policy System

Based on the actual situation, ZTE has issued and regularly maintained a comprehensive anti-bribery compliance policies system according to the *Anti-Bribery Management Systems ISO 37001 Standard* as shown in the

figure 5. For the access to these policies, please refer to the appendix links.

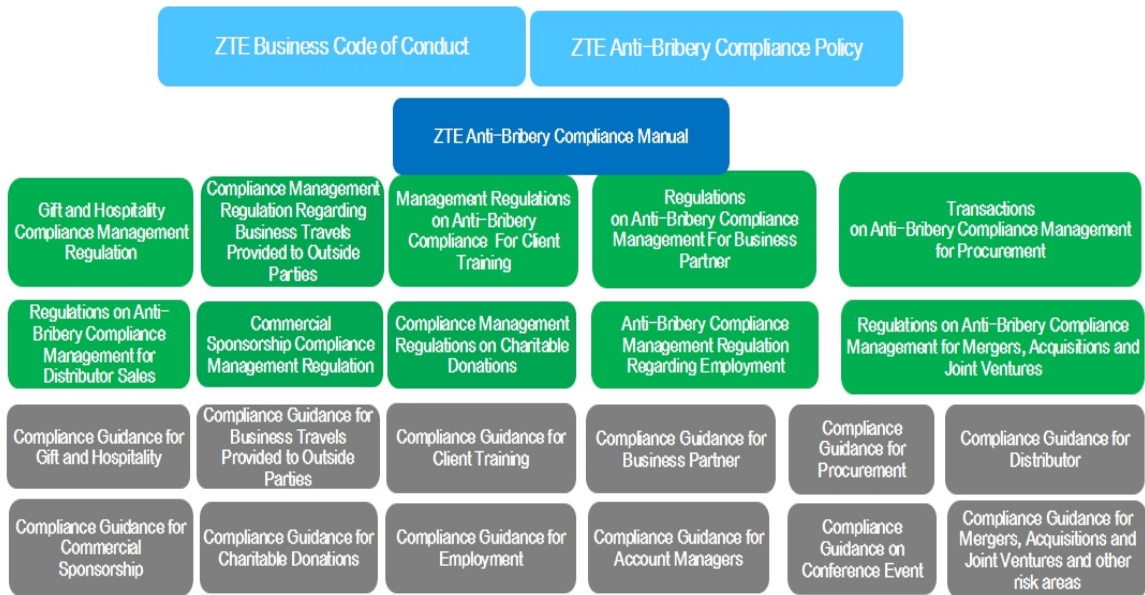


Figure 5

4. 2. 6 Effective Process Control

Based the result of risk assessment, ZTE has set up the corresponding management processes, measures, and requirements in the Compliance Management Regulations. In the course of implementation, the compliance approval processes are set up through certain systems like LCM and TeamShare (TS), and the compliance approval processes are embedded in ZTE's sales, procurement, finance, employment and investment businesses and IT processes to ensure that compliance control is actually in all the main nodes throughout the business activity process as shown in Table 1. If failing to get compliance approval, relevant business shall not proceed unless the relevant prohibited compliance issues or risk signals/red flags are eliminated.

Key Risk Areas	Legal & Compliance	Business Units	Supply Chain	Engineering Service	Human Resource	Finance
Gifts & Hospitality	Approval by compliance manager in LCM	Approval by directors of departments in LCM	/	/	/	FOL payment review
Business travels provided to outside parties	Approval by compliance manager in LCM	Approval by directors of departments in LCM	/	/	/	FOL payment review
Client training	Contract review by Legal	Contract execution	/	/	Contract execution	FOL payment review
Business associates	Approval by compliance manager in LCM & SRM	Approval by directors of departments in LCM & SRM	SRM approval	SRM approval	/	/
Procurement transaction	LCM & SCM & TS countersign & approval	LCM & SCM & TS countersign & approval	SCM approval	TS countersign & ECC approval	/	FOL payment review
Commercial sponsorship	Approval by compliance manager in LCM	Approval by directors of departments in LCM	/	/	/	FOL payment review
Charitable donation	Approval by compliance manager in TS	Approval by directors of departments in TS	/	/	Approval by HR in TS	FOL payment review
Employment	Compliance monitoring & review	HOL approval	/	/	HOL approval	/
M & A and joint ventures	Due Diligence	Approval by directors of departments in TS	/	/	/	/
Political contribution	Prohibited	Prohibited	/	/	/	Prohibited
Facilitation payment	Prohibited	Prohibited	/	/	/	Prohibited
Solicitation	Prohibited	Prohibited	/	/	/	Prohibited
Extortion payment	Exceptional approval	Exceptional approval	/	/	/	FOL payment review
Assistance to the host country	Exceptional approval	Exceptional approval	/	/	/	FOL payment review

Table 1

4.2.7 Full Training and Communication

Training and communication are important parts of ZTE's ABMS. In order to promote anti-bribery compliance's awareness and abilities for all employees, ZTE conducts on-site anti-bribery compliance training on a regular basis, and provides other special training to new employees, management, Compliance Teams, and other important positions from marketing, finance, procurement and HR, and external business associates. At the same time, ZTE also provides employees with regular communication of relevant laws and regulations, cases and company policies through multiple channels such as internal mail, LCM and iCenter, and conducts online training and examination through the ZTE e-Learning platform. In order to continuously improve the convenience and timeliness of compliance policies, regulations, and guidance.

At the same time, ZTE will also carry out special communication to employees at important points-in-time for matters such as internal and external environment changes, compliance policy updates, and business or regional important business activity development.

ZTE appeals to all employees and business associates to adopt a

"zero-tolerance" attitude towards bribery; ZTE advocates business associates to work together to maintain adequate communication and share compliance knowledge, to create a credible, transparent and honest compliance ecosystem, and to share the value that compliance creates for the healthy operation and sustainable development of all companies.

4. 2. 8 Ongoing Monitoring & Review and Improvement

The Anti-Commercial Bribery Compliance Dept. and BU Compliance Teams shall continuously supervise the effectiveness of system design and implementation, and shall carry out self-rectification of defects and deficiencies. At the same time, the Compliance Audit Dept. shall regularly conduct compliance audit according to annual plans to identify defects and deficiencies of the system, and monitor the completion of rectification. For potential violations identified through reporting clues or audit findings, the Compliance Audit Dept. shall conduct investigation in accordance with the relevant procedures and requirements, and give advice on whether to take disciplinary actions based on the investigation findings.

5 How to Manage Bribery Risks in Specific Business

- ❖ Gifts and hospitality
 - ❖ Business travels provided to outside parties
 - ❖ Client training
 - ❖ Business associates
 - ❖ Procurement transaction
 - ❖ Distributor sales business
 - ❖ Commercial sponsorship
 - ❖ Charitable donation
 - ❖ Employment
 - ❖ Mergers & acquisitions and joint ventures
 - ❖ Others
 - ◆ Political contribution
 - ◆ Facilitation payment
 - ◆ Solicitation
 - ◆ Extortion payment
 - ◆ Assistance to the host country
-

All ZTE employees shall strictly abide by ZTE's compliance policies when carrying out business activities and ensure that their behaviors do not violate the following four **red lines**:

- 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 donations, employment opportunity, facilitation payment, commercial contract and so on), 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 the company's accounts failing to reflect the transactions and dispositions of the assets in reasonable detail, accurately and fairly.

- It is strictly prohibited to evade compliance controls by fabricating or hiding facts, forging materials or any other fraudulent practices, resulting in the company failing to implement or maintain an adequate compliance control system.
- It is strictly prohibited to conduct any business with any prohibitive compliance risk signal/red flag, or to engage in business with any strictly-controlled or restrictive compliance risk signal/red flag without effective compliance controls to manage.

5.1 Gifts and Hospitality

5.1.1 Overview

Offering appropriate gifts and necessary hospitality contributes to building good relationships with business associates. However, offering a gift and hospitality, if it is intended to influence decision making or seek any improper interest, violates business ethics. In this respect, ZTE implements the following policies: The employees who need to offer gifts and hospitality (G & H) can provide appropriate and legitimate business gifts and hospitality when conducting their business activities, provided that the value of the gifts and hospitality is within the normal range and could not be regarded or reasonably suspected as affecting decision making or judgment of the recipient.

Note: it is generally deemed appropriate to offer a moderate value of gift or hospitality to show respect or gratitude to the other side during business activities. However, if offering a valuable or extravagant gift or hospitality in one time, or continuously offering less valuable gifts or hospitality but for multiple times in long term, might be regarded or reasonably suspected as bribe by a third party.

When judging whether a gift or/and hospitality is appropriate or not, it is suggested to consider the following aspects: **Circumstance** (whether it is a business sensitive period), **Purpose** (whether there is an inappropriate intent), **To Whom** (whether there is a conflict of interest or the recipient is a politically sensitive person), **What to Offer** (whether it is cash or cash equivalents or

luxury gifts or hospitality), **How to Provide** (whether it needs to be provided in a non-public, frequent or different manner). It is also needed to consider the business environment **Where** the G&H is to be offered (whether it is in a country/area with high risk), in order to actively avoid high-risk signals. If you have any doubt about your specific business situation, you could consult your immediate Compliance Contact Person, Compliance Manager, Compliance Director or your business supervisor, or you could also obtain advice by phone or email.

Conflict of interest: situation where business, financial, family, political or personal interests could interfere with the judgement of employees in carrying out their duties. **For example:**

- 1) The current or former purchasing manager of the client, or his/her close relative or person closely related to him, is a sales manager of ZTE;
- 2) The current or former government official of a local Telecommunication Bureau, or his/her close relative or person closely related to him, is an executive of a local subsidiary/branch of ZTE.

5.1.2 Prohibitive Provisions

Where any gift or hospitality could be regarded or reasonably suspected as a bribe, or could have a potential negative impact or damage to ZTE, then the following activities are strictly prohibited by ZTE.

Regarding gifts (for Chinese Mainland, Hong Kong, Macao, and Taiwan):

- It is prohibited to give gifts for the purpose of seeking special treatment or obtaining improper benefits in return.
- It is prohibited to give cash or cash equivalents as gifts (such as securities, membership cards, traveler's checks, and prepaid debit cards).
- It is prohibited to give excessively expensive or luxurious gifts (such as housing, cars, expensive jewelries, dresses or handbags of luxury brands, and expensive works of art).
- It is prohibited for all subsidiaries, branches, and representative offices to bypass the gift management process specified in this standard and

purchase department gifts in other forms or secretly establish department gift banks.

- It is prohibited to dodge related compliance management process of the company through any fraud.
- It is prohibited to violate applicable laws and regulations.

Regarding gifts (for Overseas Countries and Regions):

- It is prohibited to give gifts for the purpose of seeking special treatment or obtaining improper benefits in return.
- It is prohibited to give cash or cash equivalents as gifts (such as securities, gift cards, shopping cards, coupons, consumer cards, membership cards, traveler's checks, fuel cards, transportation cards, and prepaid debit cards or phone cards). For Chinese Mainland, Hong Kong, Macao and Taiwan, the seasonal gift coupons are excluded (such as moon cake coupons, rice dumpling coupons, and other exchange certificates used in local traditional festivals), however offering such seasonal gift coupons shall abide by other prohibitive provisions. For overseas countries and areas, the above mentioned seasonal gift coupons are prohibited to offer as gifts.
- It is prohibited to give excessively expensive or luxurious gifts (such as jewelry, dresses or handbags of luxury brands, expensive works of art, and iPhone).
- It is prohibited to give gifts to the recipient's spouse, children, partners, family members, or other accompanying guests who have nothing to do with ZTE's business. In some cases where there is a just cause, gifts can be given to such accompanying guests if the matter is reported in a timely manner in writing to the level-4 or higher-level management cadres of the department in question and the legal manager, and then the prior written approval is obtained.
- It is prohibited to violate the gifts-accepting policies or requirements of the company, enterprise, or unit to which the recipient is subject.
- It is prohibited for all subsidiaries, branches, and representative offices to bypass the gifts and hospitality management process and purchase

department gifts in other forms or secretly establish department gift banks.

- It is prohibited to evade related compliance management process of ZTE through any fraudulent practices.

Regarding hospitality (for Chinese Mainland, Hong Kong, Macao, and Taiwan):

- It is prohibited to provide hospitality for the purpose of seeking special treatment or obtaining improper benefits in return.
- It is prohibited to provide hospitality involving porn, gambling, drugs, narcotic drugs, or other illegal activities, even if they are considered legal locally.
- It is prohibited to provide excessively expensive or luxurious hospitality (such as consumption in luxury or private clubs, outbound traveling, and luxury cruises).
- It is prohibited to give cash or equivalents to recipients as hospitality expenses.
- It is prohibited for all subsidiaries, branches, and representative offices to bypass the hospitality process specified in this standard and provide hospitality to external parties in other forms.
- It is prohibited to dodge related compliance management process of the Company through any fraud.
- It is prohibited to violate applicable laws and regulations.

Regarding hospitality (for Overseas Countries and Regions):

- It is prohibited to provide hospitality for the purpose of seeking special treatment or obtaining improper benefits in return.
- It is prohibited to provide hospitality involving porn, gambling, drugs, narcotic drugs, or other illegal activities, even if they are considered legal locally.
- It is prohibited to provide hospitality to the recipient's spouse, children, partners, family members, or other accompanying guests who have nothing to do with this company's business. In some cases where there is a just cause, hospitality can be given to such accompanying guests if the matter is reported in a timely manner in writing to the level-4 or

higher-level management cadres of the department in question and the legal manager, and then the prior written approval is obtained.

- It is prohibited to provide excessively expensive or luxurious hospitality (such as consumption in luxury or private clubs, outbound traveling, and luxury cruises).
- It is prohibited to give cash or cash equivalents to recipients as hospitality expenses.
- It is prohibited to violate the hospitality-accepting regulations of the company, enterprise, or unit to which the recipient is subject.
- It is prohibited for all subsidiaries, branches, and representative offices to bypass the gifts and hospitality management process and provide hospitality to external parties in other forms.
- It is prohibited to evade related compliance management process of ZTE through any fraudulent practices.

5.1.3 How to Get Approval

Hospitality activities with the total amount less than or equal to CNY300 or USD 50 is the exceptional case, which can be reimbursed directly in the FOL system without the need of filing in the LCM system. For other gifts and hospitality activities, it is required to fill out an application in the Anti-Bribery Compliance module in the LCM system (**Anti-bribery Compliance>Anti-Bribery Compliance Approval>New>Classification>Gifts Provided to Outside Party/Business Meals Provided to Outside Party/ Business Entertainment Provided to Outside Party**) or in the iCenter mobile application.

For more guidance, please click on the links below to get further information:

Gift and Hospitality Compliance Management Regulation (for Chinese Mainland, Hong Kong, Macao, and Taiwan)

<http://pal.zte.com.cn/pal/openfiles/PalAssetView.aspx?AssetID=562650>

Gift and Hospitality Compliance Management Regulation (for Overseas Countries and Regions)

<http://pal.zte.com.cn/pal/openfiles/PalAssetView.aspx?AssetID=557125>

Policy Interpretation and Implementation Guidance on *Gift and Hospitality*

Compliance Management Regulation

<http://i.zte.com.cn/#/shared/0dfd5543e62448efaa3d4729f0cc6041/wiki/page/ea5e0225abeb46848b5c9c9476129499/view>

Training Course: Anti-bribery Compliance Requirements and Process Interpretation of Business Activities Expenses

<http://elearning.zte.com.cn/eLearningNewPortal/EnCourseCenter/CourseDetails.aspx?courseNo=128612>

Cases and Scenarios: Gifts and Hospitality

Scenario 1

At a trade show, Company A offers pens, notebooks, umbrellas and other similar promotional items with company A's logo; Company A also serves free coffee, other beverages and snacks at its booth.

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

No. These are real and legitimate expenditures made in connection with the promotion, demonstration and clarification of Company A's products and services. Promoting business by offering promotional items with the company's logo or free coffee breaks in public, does not suggest bribery intent here, and is permitted by this *Manual*.

Scenario 2

During the trade show, Company A invites some current and potential customers to have drinks and pays the bill with moderate price.

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

No. In this scenario, although the customer is specially selected and the cost here may be substantial, compared with the coffee break mentioned in the **scenario 1**, it does not suggest bribery intent here. This *Manual* was not designed to prohibit all forms of hospitality, but rather prohibits hospitality that could be regarded as bribery intention by the outsiders. However, when deciding whether to drink or not in the above scenario, the business man

needs to confirm that if this behavior does comply with the other side's policy requirements as well as religious customs and business practices.

Scenario 3

Company A signs a business contract with an operator to provide equipment and services. During the trade show, Company A visits a senior manager of the operator and learns that he was recently married and presents moderately priced crystal ornaments or porcelain to him as a wedding gift and to show respect.

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

No. It is appropriate to provide reasonable gifts to the senior manager as tokens of esteem or gratitude. It is important that such gifts be made openly and transparently, truthfully recorded in a company's books and records, and given only where appropriate under local laws, customs, and reasonable for the occasion. When deciding whether to offer gifts or not, the business man shall strictly abide by the prohibitions of ZTE, and, on the other hand, take into account local religion, custom and common business practices to ensure reasonableness and appropriateness of the gifts.

Scenario 4

Company A's contract with Operator B is about to expire, and Operator B is seeking the next business associate through its open tender process. An executive of Operator B contacts Company A's employee and offers to provide Company A with confidential, non-public bidding information from Company A's competitors if the employee will offer an iPhone, a luxury watch, and tens of thousands of cash for him. The employee of Company A agrees to the executive's request, pays for the relevant payment, and still does not win the contract in the end.

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

Yes. The employee of Company A has provided luxury gifts and cash to the other party for the purpose of inducing the executive of Operator B to perform his/her proper duties to obtain improper competitive advantages, this conduct

demonstrates an obvious bribery intent. The judgment of this conduct is not affected by the fact even though it was the other party who first suggested the bribery, and that Company A ultimately is not successful in winning the project. This conduct of the employee of Company A not only violates ZTE's compliance policy, but also constitutes a crime. In face of this occasion of payments through extortion, employees shall make correct and sound judgement, reject the proposal decisively, and report the relevant information to ZTE's Anti-Commercial Bribery Compliance Dept. or Compliance Audit Dept. through the reporting channels.

5.2 Business Travels Provided to Outside Parties

5.2.1 Overview

During business development worldwide, ZTE may be required to provide or pay for travel expenditures including transportation, accommodation, catering, and other incidentals for outside parties. It is not prohibited for ZTE to bear the travel expenditures if the travel has a reasonably commercial purpose and ZTE pays for the expenditures for reasonable items, within a reasonable amount, and in a proper manner.

It is prohibited to provide business travels to outside parties with bribery intent. All business travel arrangements shall have proper and reasonable business purposes, relating to the promotion, demonstration or clarification of ZTE products or services, as well as the execution and performance of contracts. Business travels must also be provided in accordance with the principle of risk minimization.

All business travels provided to outside parties (regardless of whether they are government/public officials or institutions, or non-government/public individuals or institutions) are required to get a prior anti-bribery compliance approval to ensure that the relevant risks are effectively identified, assessed, and controlled.

5.2.2 Prohibitive Provisions

Where any business travel provided to an outside party could be regarded or reasonably suspected as a bribe, or could have a potential negative impact or damage to ZTE, then the following activities are strictly prohibited by ZTE.

- It is prohibited to provide travels without commercial purposes to outside parties, for example, private travel for a customer.
- It is prohibited to pay for the travels of the spouse, children, or family members of a recipient or other persons irrelevant to the commercial purpose.
- It is prohibited to pay or prepay for cash or any cash equivalents to the recipients, no matter whether such cash or cash equivalents are used for paying or reimbursing the travel expenditures, or will be returned.
- It is prohibited to provide any type of travel that may be rendered as bribery, an improper or illegal action, or an action inconsistent with commercial practices, for example, traveling by private plane, gambling, adult entertainment, drugs, or drug-like consumption.
- It is prohibited to violate any applicable laws and regulations.
- It is prohibited to violate the outside travel-accepting regulations of the recipient's company.
- It is prohibited to submit any fake or false information or documents.
- It is prohibited to provide any business travel to outside parties prior to the compliance approval, including any business travel that is directly provided or indirectly provided through any third party (for example, travel agencies or conference service companies).
- It is prohibited to evade compliance management process of business travel to outside parties through reimbursement with the book keeping that does not conform to the actual situation.
- It is prohibited to provide any business travel in any manner to related outside parties in sensitive periods or any party that has decision-making rights or great impact on decisions on a project or business unless otherwise stipulated in laws or contracts.

5.2.3 How to Get Approval

Before providing a business travel to an outside 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 commercial purpose and agenda, and the corresponding application submitted in the Anti-Bribery Compliance module in the LCM system (Anti-Bribery Compliance >Anti-Bribery Compliance> Approval> New> Classification>Business Travel Provided to Outside Party) has been approved.

For more guidance, please click on the links below to get further information:

Compliance Management Regulation Regarding Business Travels Provided to Outside Parties

<http://pal.zte.com.cn/pal/openfiles/PalAssetView.aspx?AssetID=548254>

Policy Interpretation and Implementation Guidance on *Compliance Management Regulation Regarding Business Travels Provided to Outside Parties*

<http://i.zte.com.cn/#/shared/0dfd5543e62448efaa3d4729f0cc6041/wiki/page/ea5e0225abeb46848b5c9c9476129499/view>

Training Course: Anti-bribery Compliance Requirements and Process Interpretation of Business Activities Expenses

<http://elearning.zte.com.cn/eLearningNewPortal/EnCourseCenter/CourseDetails.aspx?courseNo=128612>

5.3 Client training

5.3.1 Overview

Training services are important parts of ZTE's service deliveries. In accordance with the business contracts signed by ZTE, the training service fees generally include tuition fees, accommodation fees, teaching material fees, organization fees, class fees, long-distance transportation fees, teachers' travel expenses, etc. According to the anti-bribery laws and regulations of various countries, inappropriate fee payments and commitments in training services and the provision of private travel in the name of training services, may be considered as bribery, bringing potential legal and compliance risks, damage to reputation, and even business losses to ZTE. Therefore, in order to

control the above risks more effectively, all business units and departments must strictly abide by ZTE's anti-bribery compliance requirements and procedures in the whole process of client training.

5.3.2 Prohibitive Provisions

Where any provision of client training could be regarded or reasonably suspected as a bribe, or could have a potential negative impact or damage to ZTE, then the following activities are strictly prohibited by ZTE.

- It is prohibited to give cash, cash equivalents or other benefits in the name of training services or through training fees to obtain improper benefits.
- It is prohibited to provide illegal or improper business travels, catering, entertainment hospitality, or gifts that may be regarded as bribery by a third party during the training. During the training, it is required to strictly follow the training plans, and prohibited to arrange improper entertainment or catering activities by not attending the training or ending the training ahead of schedule.
- It is prohibited to violate the regulations of the trainees' companies, enterprises, or units for accepting gifts, catering, entertainment hospitality, business travels, allowances, and training.
- It is prohibited to pay for the expenses of the spouse, children, or other family members of a trainee or other persons irrelevant to the training.
- It is prohibited to provide allowances for trainees freely and without a contract when the details and standards of issuing allowances are not clarified in the contract and the client would not afford the cost of the allowance.
- It is prohibited to submit false information or materials when submitting application or claiming reimbursement, or evade compliance management requirements through any other fraudulent practices.

5.3.3 How To Get Approval

Providing client training shall be based on the intention of good faith and

reasonableness, and the related contract shall be submitted to the **Electronic Collaborative Commerce (ECC)** system for prior approval. Under the circumstances in which the relevant travel expenses and subsidies are undertaken by ZTE, it is required to clearly state the specific cost type, number of people, amount and expense standard in the contract (it is suggested to use ZTE ' s training program template), and include the relevant costs in the quotation. Otherwise, ZTE will not bear any travel expenses and subsidies for the trainees from the outside clients.

For more guidance, please click on the links below to get further information:

Management Regulations on Anti-bribery Compliance for Client Training

<http://pal.zte.com.cn/pal/openfiles/PalAssetView.aspx?AssetID=559340>

Policy Interpretation and Implementation Guidance on *Management Regulations on Anti-bribery Compliance for Client Training*

<http://i.zte.com.cn/#/shared/0dfd5543e62448efaa3d4729f0cc6041/wiki/page/a5e0225abeb46848b5c9c9476129499/view>

Training Course: Management on Anti-bribery Compliance for Client Training

<http://elearning.zte.com.cn/eLearningNewPortal/EnCourseCenter/CourseDetails.aspx?courseNo=130472>

Cases and Scenarios: Providing External Business Travels and Client training

Scenario 1

Company A agreed in the project contract with an Operator that Company A provides product-related training to several employees of the Operator in Shenzhen and bears the travel expenses of these employees. All training related expenses are included in the contract quotation.

The employees of the Operator come to Shenzhen for training according to the time and place stipulated in the contract. Company A pays for their airfare, accommodation and necessary local transportation expenses, and arranges two reasonably priced dinners and daily business meals during the training.

The trainees from the Operator complete a five-day training tour.

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

No. The training is a part of contract execution and performance, the related travel expenses provided for the other party are stipulated in the contract, and the related costs are also included in the contract quotation with legitimate and proper business purposes.

Scenario 2

If the employees of the Operator request first class travel, and five-star hotel accommodation with their family members while all expenses are borne by ZTE, a week-long trip to Bali, shall ZTE provide such external business travel?

No. It is prohibited to pay for the trainees' spouse, children, other family members or other personnel unrelated to the training, and to offer illegal or improper travel, meals, entertainment, hospitality or gifts that could be regarded as bribery by third parties during the course of the training. Such travel requested by the Operator is regarded as a private travel, unrelated to product promotion, demonstration, clarification, and contract execution and performance, and has no proper and reasonable business purposes.

5.4 Business Associates

5.4.1 Overview

Cooperation with business associates is part of ZTE's daily business operations. However, if an act is reasonably suspected as an attempt and intent of bribery regarding the selection of business associates, or misconducts such as bribery in relation to business associates conducting business activities with ZTE, ZTE might need to bear potential legal liability, economic losses and reputation damage. Therefore, it is required to keep caution during the process of selecting, using and managing business associates.

Prior to the initial use or re-use of a business associate, it is needed to conduct a compliance questionnaire and compliance risk assessment of the business

associate as required, and carry out related control measures based on the risk assessment results, such as signing a compliance undertaking letter, conducting a systematic due diligence, compliance approval, ongoing monitoring, etc. to ensure ZTE has a risk-oriented and company-wide compliance controls in place covered for all business associates, with the intent to eliminate or mitigate related compliance risks. At any phase of the process related to the anti-bribery compliance management of business associates, where any new risk signal/red flag or even violation arises, it is required to implement suitable compliance management controls and measures based on its risk level, including but not limited to suspension of cooperation, suspension of payment, re-examination, compliance audit, and even termination of the cooperation relationship with the business associate, etc. and necessary legal relief rights shall be reserved.

5.4.2 Prohibitive Provisions

Where any relationship with a business associate could be regarded or reasonably suspected as a bribe, or could have a potential negative impact or damage to ZTE, then the following activities are strictly prohibited by ZTE.

- If the products and services to be provided by the business partner are inconsistent with its business scope, qualification capacity and project experience, and the reason for use and ability certificate cannot be reasonably explained;
- A business partner has violations, incurs sanctions, or has negative media reports, and it is verified that there is still no complete and effective compliance system to control related risks.
- business partners (shareholders, executives and employees) exist or employ current or former government officials (government officials as defined by the FCPA); Political parties and their officials; Party official candidates) or their close relatives, or current or former customer employees or their close relatives, and the transaction involves the current government procurement project, government decision-making or customer procurement project, or other possible conflicts of interest, which cannot explain its legitimacy and compliance.
- A business partner is specified or recommended by a customer,

government official or other stakeholders, or is internally designated by the Company, but its necessity, rationality, or compliance cannot be specified.

- The payment term or method required by the business partner is inconsistent with the industrial regulations, or there is an abnormal payment method (for example, request to make the payment through the company account of non-business partner, third-party or third-country account, or request to transfer income to multiple other accounts, or offshore accounts or to a third party or a third-country account), of which the legitimacy or compliance cannot be explained.
- Business partners are individuals or shell companies, , and which cannot fully account for the necessity, rationality, and compliance of the transaction;
- The business partner is an offshore company, which cannot fully explain the necessity, rationality and compliance of the transaction;
- There is evidence that the business partner is negligent in accounting or internal control or the company fails to conduct effective audit or supervision of suppliers.
- Business partners submit any fake or false information or documents.
- Any attempt to bypass or deliberate non-compliance with this regulation.
- Other cases that are identified as prohibitive compliance risk signals.

5.4.3 How To Get 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 the business associates are identified as medium or high risks, **compliance approval shall be conducted in the LCM system module (Anti-Bribery Compliance >Business Partner Compliance Approval >New)**. Business associates 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 issue an objection in accordance with the ZTE's procedures within 3 workdays after conclusion issuing. For specific requirements, please refer to Section 7.7 of the

Regulations on Anti-Bribery Compliance Management for Business Partner.

In principle, business associates shall obtain the prior of compliance approval before certification. However, in order to save costs and improve efficiency, for non-productive services, the compliance approval of business associates is usually initiated only when there is actual demand for procurement. For cases where compliance approval fails, the completed certification will be invalid.

For more guidance, please click on the links below to get further information:

Regulations on Anti-Bribery Compliance Management for Business Partner

<http://pal.zte.com.cn/pal/openfiles/PalAssetView.aspx?AssetID=564207>

Policy Interpretation and Implementation Guidance on *Regulations on*

Anti-Bribery Compliance Management for Business Partner

<http://i.zte.com.cn/#/shared/0dfd5543e62448efaa3d4729f0cc6041/wiki/page/a5e0225abeb46848b5c9c9476129499/view>

Training Course: Requirements and Process Interpretation on Anti-bribery Compliance for Business Partners

<http://elearning.zte.com.cn/eLearningNewPortal/EnCourseCenter/CourseDetails.aspx?courseNo=128611>

5.5 Procurement Transaction

5.5.1 Overview

Procurement transaction refers to ZTE's business activities that acquire products or services and payment from the supply market under certain conditions to ensure the normal production and operation activities of ZTE. According to the provisions of relevant anti-corruption and anti-bribery laws and regulations, if a business associate has a misconduct (including but not limited to bribery) in the procurement transaction activities related to ZTE, ZTE might need to bear potential legal liabilities, financial losses and reputation damages for it. Therefore, ZTE shall take corresponding compliance control measures in all aspects of procurement transactions to ensure effective assessment and management of their related compliance risks.

Business units shall perform compliance risk assessment of procurement transactions for non-productive services designated procurement/special procurement of engineering services. Those assessed as medium/high risks need to pass the prior of compliance approval before conducting any procurement transactions in advance. All procurement transactions shall be controlled through the following measures such as compliance contract clauses embedding, delivery acceptance, payment review, ongoing monitoring, etc., to eliminate or reduce compliance risks related to business associates.

At any phase of the process related to the anti-bribery compliance management of procurement transaction, where any new risk signal/red flag or even violation arises, it is required to implement suitable compliance management controls and measures based on its risk level, including but not limited to suspension of cooperation, suspension of payment, re-examination, compliance audit, and even termination of the cooperation relationship with the business associate, etc., and necessary legal relief rights shall be reserved.

5.5.2 Prohibitive Provisions

Where any procurement transaction could be regarded or reasonably suspected as a bribe, or could have a potential negative impact or damage to ZTE, then the following activities are strictly prohibited by ZTE.

- Expense requisition items and functions are inconsistent with the business, which means that accounts do not match the facts.
- It is an individual recommendation by government officials or clients, or the government relations or customer relationships are highlighted as advantage (being a key factor in deciding whether to have transactions), and the qualification and price competitiveness cannot meet or match ZTE's requirements, standards or historical data, and the reasonableness, legitimacy, and compliance cannot be explained.
- There is evidence that the supplier has a potential commercial bribery intention or behavior in the current transaction, or there is an intention or behavior that may be considered as an attempt to obtain improper interest for ZTE.
- The products or services provided by the supplier are inconsistent with

its scope of business, qualifications, project experience, and licensed location, and there exists no reasonable explanation or quality proof.

- The payment made by ZTE for the procurement is unreasonably higher than the fair price of the market, or the value of the deliverable is unreasonably lower than the payment, or the actual deliverable does not match with the profit, and the legitimacy and reasonableness of the price cannot be explained, or the quotation cannot be decreased based on requirements.
- The terms and conditions of payment are inconsistent with the general rules of payment, or there is an abnormal payment method (e.g., requiring a high proportion of advance payments or paying to non-supplier company accounts, third-party or third-country accounts, or bank accounts in offshore areas), which cannot demonstrate reasonableness, legitimacy and compliance.
- The supplier insists on being anonymous in the transaction and cannot explain the reasonableness, legitimacy, and compliance of such anonymity.
- The supplier does not abide by ZTE's anti-commercial bribery compliance requirements and procedures in the transaction, and cannot explain the reasonableness of such transaction. For example, the supplier does not agree to add some clauses in the contract, such as anti-bribery clauses, audit clauses, etc., or there is evidence indicating that the supplier has agreed to add such clauses just to make the deal but does not intend to perform and comply with those clauses.
- The supplier subcontracts the business to a third party without ZTE's permission, or the supplier subcontracts the main part of ZTE's procurement content to a third party, and the third party does not meet ZTE's anti-bribery compliance requirements.
- The transaction and business is illegal.
- Non-compliant and false documents are provided as payment vouchers.
- Other circumstances that are identified as a prohibitive compliance risk.

5.5.3 How To Get Approval

Prior to any procurement transaction, procurement transaction's compliance approval shall be obtained through an application submitted in the LCM system (Anti-Bribery Compliance>Procurement Compliance Approval>New).

In the phase of procurement requirement, the business unit fills in the **Compliance Approval Form** in order to assess the risk of a procurement transaction. For a procurement transaction with medium/high risk, it is necessary to fill in the list of issues in the **Compliance Approval Form** and initiate the compliance approval of procurement transactions in the LCM system. For a supplier who fails the approval, the business unit shall not sign a contract/agreement with such a supplier, nor carry out any actual business or any payment, etc.

If the business unit/department disagrees with the conclusion of the compliance approval, it may raise an objection in accordance with ZTE's procedures within 3 workdays after conclusion issuing. For specific requirements, please refer to Section 7.5 of the *Regulations on Anti-Bribery Compliance Management for Procurement*.

For more guidance, please click on the links below to get further information:

Regulations on Anti-Bribery Compliance Management for Procurement

<http://pal.zte.com.cn/pal/openfiles/PalAssetView.aspx?AssetID=558595>

Policy Interpretation and Implementation Guidance on *Regulations on Anti-Bribery Compliance Management for Procurement*

<http://i.zte.com.cn/#/shared/0dfd5543e62448efaa3d4729f0cc6041/wiki/page/e5e0225abeb46848b5c9c9476129499/view>

Training course: Requirements and Process Interpretation on Anti-bribery Compliance of Procurement

<http://elearning.zte.com.cn/eLearningNewPortal/EnCourseCenter/CourseDetails.aspx?courseNo=130473>

Cases and Scenarios: Business Partner and Procurement Transaction

Scenario 1

Company A learns about the Ministry of Telecommunications of a certain African country (a third party's assessment shows that its Corruption Perceptions Index is lower) is preparing to optimize the communication network infrastructure in a certain region of that country, and the value of the project has reached hundreds of millions of dollars. Both for obtaining the project and opening the opportunity to the future projects with this government, Company A hires a local consulting company B to provide services. The head of Company B assures them that he has strong ties to government leaders in that country and can help Company A win the contract.

Based on the business scenario mentioned above, Company A enters into an oral agreement with Company B prior to performing a supplier review, and agrees to require Company B as a consultant to use its best efforts to help Company A win the project, and pays Company B a significant monthly consulting commission. After winning the government's project contract, Company A will sign a written commercial consulting contract with Company B, and pay for an introduction fee of at least 5% of the value of the contract Company A wins.

Based on ZTE ' s compliance policy, what do you think are the signs of compliance risks in the transaction between Company A and Company B?

The potential compliance risks in this scenario mainly include: 1) According to relevant laws and regulations, although it is not illegal to sign a contract with a business associate with close ties to government officials in order to provide legal services for a transaction, this relationship may be suspected as bribery. Company A does not perform a thorough compliance due diligence and compliance assessment on such business associate prior to the cooperation, which results in failing to effectively identify risks; 2) Without the authorization of compliance approval, the business man of Company A reaches an oral agreement with Company B, which violates ZTE's requirements for prior compliance approval of such business, and may lead to the invalidation of the internal controls and compliance management of Company A; 3) In the oral

agreement reached between Company A and Company B, the agreed service contents and scopes are relatively vague, lacking strong evidence to require business associates to comply with ZTE ' s compliance requirements; 4) Company A gives Company B a significant monthly commission without any requirement and proper review to the use of the money. It also stipulates that after winning the project, Company A agrees to pay a certain successful fee by proportion of the value of the project to Company B. This fee, which may be used by the consulting Company B to bribe officials of the Telecommunications Bureau of that country, lacks reasonable evaluation.

Scenario 2

In the process where Company B provides consulting services for Company A, an employee of Company A involved in this project notices that the person in charge of Company B frequently and privately interacts with the official, a director who is in charge of the bidding project of the Ministry of Telecommunications, frequently visits high-end consumption places, and has transferred a large amount of money to the account of the official's wife, and promises to pay a reward to the official if Company A wins the project.

Based on these circumstances, what shall you do according to ZTE ' s compliance policy?

According to the *Regulations on Anti-Bribery Compliance Management for Procurement* of ZTE, you shall report to the Compliance Audit Dept. or Anti-Commercial Bribery Compliance Dept. immediately and take timely measures to stop and intervene such situation. As the relevant anti-bribery laws and regulations stipulate that if ZTE fails to prevent, stop or imply any misconduct when it knows the existence of the situation, it has to bear corresponding liabilities. Hence, you shall take appropriate measures in a timely manner under the guidance of the Compliance Audit Dept., Anti-Commercial Bribery Compliance Dept. or your superior once such violation is identified, including but not limited to suspension/termination of cooperation, suspension of payment, re-examination, conducting compliance audit, etc.

5. 6 Distributor Sales Business

5. 6. 1 Overview

Cooperation with distributors is part of ZTE's daily business operations. However, if an act is reasonably suspected as an attempt and intent of bribery regarding the selection of distributors, or misconducts such as bribery in relation to distributors conducting sales business with ZTE, ZTE might need to bear potential legal liability, economic losses and reputation damage.

Therefore, it is required to keep caution during the process of selecting, using and managing distributors and distributors' sales business, and strictly comply with and implement the applicable anti-corruption and anti-bribery laws and regulations, and the Regulations on Anti-Bribery Compliance Management for Distributor Sales Business, to effectively assess and manage the potential bribery risk in the distributor sales business.

Business units shall perform compliance risk assessment of the commercial interests of distributor sales business such as discount, rebate and marketing expenses. Those assessed as medium/high risks need to pass the prior of compliance approval before conducting any distributor sales business in advance. All discount, rebate and marketing expenses shall be controlled through the following measures such as risk identifying and assessment, compliance management, ongoing monitoring, etc., to eliminate or reduce compliance risks related to business associates.

At any phase of the process related to the anti-bribery compliance management of distributor sales business, where any new risk signal or even violation arises, it is required to implement suitable compliance management controls and measures based on its risk level, including but not limited to suspension of cooperation, suspension of payment, re-examination, compliance audit, and even termination of the cooperation relationship with the distributor, etc., and necessary legal relief rights shall be reserved.

5. 6. 2 Prohibitive Provisions

Where any sales business with a distributor could be regarded or reasonably suspected as a bribe, or could have a potential negative impact or damage to ZTE, then the following activities are strictly prohibited by ZTE.

- The distributor submits fake or false information or documents.
- The applied accounting subject or use of sales price/discount, rebate or marketing expenses is inconsistent with the nature of the business.
- The distributor asks for an extremely low price, or an exceedingly high discount, while the necessity for such low price or high discount is not clearly justified.
- The distributor asks for an extra rebate or other incentive, which cannot explain its necessity and rationality.
- The distributor requires the company to pay the rebate in cash through the procurement or other expenses.
- The distributor violates ZTE anti-bribery compliance requirements for gifts, hospitality, business travels or others in marketing activities.
- There is evidence that the distributor has potential bribery intentions or behaviors, or has intentions or behaviors to obtain improper interests for ZTE.
- The distributor refuses to comply with the anti-bribery compliance requirements and procedures, which cannot explain its rationality. (For example, the distributor does not agree to add anti-bribery or audit terms into the agreement, or there is evidence that the distributor agrees to add the compliance terms only for the successful transaction, which will not practice or comply with the terms).
- Other cases that are identified as prohibitive compliance risk signals.

5.6.3 How To Gain Approval

Prior to any distributor sales business, compliance approval shall be obtained through an application submitted **in the LCM system (Anti-Bribery Compliance>Distributor Sales Business Compliance Approval>New)**.

In the phase of distributor sales business, the business unit fills in the **Compliance Risk Assessment Form** in order to assess the risk of a distributor sales business. For a distributor sales business with medium/high risk, it is necessary to initiate the compliance approval of distributor sales business in the LCM system. For a distributor who fails the approval, the business unit

shall not offer discount, rebate and marketing expenses, nor conduct any actual business or any payment, etc.

If the business unit/department disagrees with the conclusion of the compliance approval, it may raise an objection in accordance with ZTE's procedures within 3 workdays after conclusion issuing. For specific requirements, please refer to Section 7.6 of the *Regulations on Anti-Bribery Compliance Management for Distributor Sales Business*.

For more guidance, please click on the links below to get further information:

Regulations on Anti-Bribery Compliance Management for Distributor Sales Business

<http://pal.zte.com.cn/pal/openfiles/PalAssetView.aspx?AssetID=563882>

Policy Interpretation and Implementation Guidance on *Regulations on Anti-Bribery Compliance Management for Distributor Sales Business*

<http://i.zte.com.cn/#/shared/0dfd5543e62448efaa3d4729f0cc6041/wiki/page/2b4f3f6fa95f469f87d31bc1726efebf/view>

Training course: *Anti-Bribery Compliance Training for Distributor*

<http://elearning.zte.com.cn/eLearningNewPortal/CourseCenter/CourseDetails.aspx?courseNo=149550>

Cases and Scenarios: Distributor Sales Business

Scenario 1

Company A intends to develop sales business in country S through the distributor Company B to sell the company's terminal products. In order to enhance Company B's sales enthusiasm and sales performance, Company A and Company B agreed in the contract that if Company B sold the products of Company A's specific models within a certain period and achieved the predetermined sales performance, a 20% rebate (which is much higher than the company's standard) will be given to the Company B. After that, Company B reached its established sales target, and Company B required Company A to pay a 20% rebate in cash through the procurement expenses to a third-party company. Through the due diligence of Company B, it is found that the actual

controller of Company B is the spouse of a government official who has a decision-making role in Company A's product sales, and Company A cannot explain the reasonableness of giving a high percentage of rebates.

Based on ZTE ' s compliance policy, what do you think are the signs of compliance risks in the sales business between Company A and Company B?

The potential compliance risks in this scenario mainly include: 1)The distributor requires the company A to pay the rebate in cash through the procurement or other expenses to a third party, the payment method is abnormal; 2) The distributor asks for an exceedingly high rebate, while the necessity for such high rebate is not clearly justified; 3) The actual controller of Company B is a close relative of a local government official who has a decision-making role in the sales of Company A's products, and there is a potential conflict of interest.

Based on these circumstances, what shall you do according to ZTE ' s compliance policy?

According to the *Regulations on Anti-Bribery Compliance Management for Distributor Sales Business* of ZTE, you shall report such situation to the Compliance Audit Dept. or Anti-Commercial Bribery Compliance Dept. immediately and take timely measures to stop and intervene the payment of rebate. As the relevant anti-bribery laws and regulations stipulate that if ZTE fails to prevent, stop or imply any misconduct when it knows the existence of the situation, it has to bear corresponding liabilities. Hence, you shall take appropriate measures in a timely manner under the guidance of the Compliance Audit Dept., Anti-Commercial Bribery Compliance Dept. or your superior once such violation is identified, including but not limited to suspension/termination of cooperation, suspension of payment, re-examination, conducting compliance audit, etc.

5.7 Commercial Sponsorship

5.7.1 Overview

Commercial sponsorship is an important way for ZTE to exchange information

with clients, publicize and promote its brand. In essence, it is a kind of marketing behavior for ZTE to provide financial or in-kind support to some event organizers in order to realize its own commercial purposes. In general, this sponsorship will not bring immediate commercial benefits (such as orders, contracts, etc.) to the sponsors, but in the long run, ZTE can still obtain the expected commercial returns by obtaining publicity effects or brand appreciation, etc. Due to its special nature, commercial sponsorship is easy to become a covert channel for bribery. Therefore, prior to conducting commercial sponsorship, applicants and their departments shall consider whether the activities are consistent with ZTE's strategic development goals and whether they can promote ZTE's positive and vigorous brand image and ensure the legitimacy, necessity, and bilateral nature of sponsorship activities.

When conducting commercial sponsorship activities, you shall pay attention to:

- Whether sponsorship activities help to shape ZTE's brand image;
- Whether sponsorship activities are bilateral (meaning that both parties undertake reciprocal obligations based on the same agreement/contract/legal relationship);
- Whether the recipients and beneficiaries of sponsorship are appropriate;
- Whether a sponsorship agreement or contract has been signed.

5.7.2 Prohibitive Provisions

Where any commercial sponsorship offered could be regarded or reasonably suspected as a bribe, or could have a potential negative impact or damage to ZTE, then the following activities are strictly prohibited by ZTE.

- The subject receiving commercial sponsorship is not legally established or has no corresponding qualifications, or has records of being subjected to sanctions, or has negative media reports in open channels, is without any complete and effective compliance system to manage related risks after verification.
- Individual as the subject to accept the sponsorship.

- Government department as the subject to accept the sponsorship without any rightful reason.
- Commercial sponsorship is provided to commercial partners who are in a sensitive period of business with ZTE without any rightful reason.
- No legally binding sponsorship agreement has been signed.
- The sponsorship agreement is attached with commercial conditions unrelated to this sponsorship activity, or the commercial interests are inappropriately tied up with the commercial sponsorship activity.
- Change in the purpose of the agreement to use the sponsored funds or materials for projects unrelated to this sponsorship activity.
- Use of the sponsored funds to purchase articles that do not conform to the nature of the activity or articles with risk of bribery.
- Sponsorship rights promised to ZTE cannot be publicly shown or stated.
- Providing commercial sponsorship at an obviously unreasonable price.
- The method of payment for sponsorship is abnormal, or the sponsorship does not actually take place, but money is transferred to a third party in the name of sponsorship.

5.7.3 How To Get Approval

Prior to conducting any commercial sponsorship activity, the business units shall ensure that the supporting documents submitted are true, complete, accurate and conform to the requirements of the laws and regulations, and ZTE' s compliance policy, and apply for commercial sponsorship activity in the LCM system (Anti-Bribery Compliance >Anti-Bribery Compliance Approval >New >Classification >Commercial Sponsorship) to get approval.

For more guidance, please click on the links below to get further information:

Commercial Sponsorship Compliance Management Regulation

<http://pal.zte.com.cn/pal/openfiles/PalAssetView.aspx?AssetID=529612>

Policy Interpretation and Implementation Guidance on *Commercial Sponsorship Compliance Management Regulation*

<http://i.zte.com.cn/#/shared/0dfd5543e62448efaa3d4729f0cc6041/wiki/page/e>

[a5e0225abeb46848b5c9c9476129499/view](http://elearning.zte.com.cn/elearningnewportal/encoursecenter/specialcourse.aspx?topicid=354a5019-92bf-4a7b-a81d-9e9f23862ee9&id=3a485940-b8fe-4e5a-b949-738d3e14298f)

Training course: Policy Interpretation and Implementation Guidance on
Commercial Sponsorship Compliance Management Regulation

<http://elearning.zte.com.cn/elearningnewportal/encoursecenter/specialcourse.aspx?topicid=354a5019-92bf-4a7b-a81d-9e9f23862ee9&id=3a485940-b8fe-4e5a-b949-738d3e14298f>

Cases and Scenarios: Commercial Sponsorship

Scenario 1

An exhibition will be held soon. Company A plans to participate in and sponsor the activities of the exhibition after receiving the invitation letter.

Company A's business manager initiated a compliance approval process after collecting relevant materials. During the process of compliance approval, a compliance manager learns that the one in charge of the exhibition was actually an exhibition service company, which claims to be entrusted by the organizer Company B to undertake relevant matters of the exhibition.

Based on such situation, how shall you handle it as a business manager?

You shall further confirm with the one in charge of the exhibition whether it has obtained the authorization of the exhibition organizer, Company B, and request it to provide relevant contract for entrustment or power of attorney/certificate of authorization. **Be sure to clarify the commercial substance of this exhibition.**

Scenario 2

Organizer Company B is a client of Company A in that country where the exhibition is held. During the activity of preparing for the exhibition, the business manager of Company A, who is responsible for handling this exhibition activity, receives the implication from the business man of Company B, that if Company A provides extensive sponsorship for the exhibition, then it will obtain the opportunity to participate in the bidding for a large project of Company B.

If you are the business manager of this exhibition, how shall you deal with such

a situation?

According to ZTE's compliance requirements of commercial sponsorship, it is forbidden to tie up commercial interests inappropriately with commercial sponsorship activities, such as taking commercial sponsorship activities as a reward for a certain commercial decision. Therefore, you shall report the situation to the Anti-Commercial Bribery Compliance Dept. and promptly take legitimate measures to suspend or terminate the activities related to the sponsorship contract.

Scenario 3

The business manager of Company A refuses the proposal of a salesman from Company B, and obtains the public quotation sheet of the exhibition sponsorship through normal channels, to meet a fair market price, enters into a sponsorship contract with the undertaker Company C, and obtains a prior compliance approval according to the compliance requirements. The exhibition is held on schedule, and the exhibition activities of Company A make a grand appearance under careful planning and preparation of its team members.

Based on such situation and according to ZTE's commercial sponsorship compliance requirements, as the person in charge of the exhibition activities, what compliance risks shall you pay attention to?

Members of the team of sponsorship, including yourself, are required to make sure the procedure documents related to this exhibition (such as photos of the exhibition site, on-site sign-in forms, planning documents, financial bills, admission tickets, etc.) are preserved, and to continuously follow up whether the sponsorship funds are used in the matters by the people in charge as agreed. If any compliance risk signal/red flag is found, you shall promptly report to the Anti-Commercial Bribery Compliance Dept.

5.8 Charitable Donations

5.8.1 Overview

ZTE always supports and encourages its employees to participate in public

welfare undertakings, and has set an example since its establishment to contribute to the development of public welfare undertakings. However, if there is any misconduct made in the purpose, use, the selection of donees and beneficiaries of the donation, it will not only fail to realize the original intention of ZTE to devote itself to public welfare undertakings, but may also violate relevant anti-bribery laws and regulations, causing potential legal liabilities, financial losses and reputation impacts to ZTE. In order to control the above risks more effectively, all business units and departments shall strictly abide by ZTE's compliance policies when conducting charitable donations activities.

5.8.2 Prohibitive Provisions

Where any charitable donation offered could be regarded or reasonably suspected as a bribe, or could have a potential negative impact or damage to ZTE, then the following activities are strictly prohibited by ZTE.

- The donee is illegally established or does not have corresponding qualifications, or the donee has sanction records or negative media reports through open channels, and is without any complete and effective compliance system to manage related risks after verification.
- Donation to the governments, political groups and profit-making organizations in the name of ZTE or using ZTE' s property.
- Appointment or designation of government officials, their relatives and interested parties of ZTE as a donee of the donation.
- No donation agreement with legal effect has been signed.
- The donation agreement is accompanied by commercial conditions, and conducting donation for commercial interests.
- Donation of illegal and unreasonable materials.
- The donated property is used for non-public welfare activities.
- The charitable donation bills provided do not conform to the requirements of relevant local financial and taxation laws and policies.
- An abnormal payment method of donation or no donation activity actually takes place, and the payment is made to a third party in the name of the donation, with an improper payment risk.

5.8.3 How To Get Approval

Prior to conducting any charitable donation activity, the business unit shall ensure that the supporting documents submitted are true, complete, accurate and conform to the requirements of the laws and regulations, and ZTE ' s compliance policy, and apply for charitable donation activity in the **TS system(Human Resources >Approval Process of Charitable Donations to External)** to get approval. When a major natural disaster occurs and is reported by the mainstream media of the affected country, an urgent charitable donation process can be adopted so that donated materials and funds can be sent to the affected areas as soon as possible on the premise of meeting the compliance requirements.

For more guidance, please click on the links below to get further information:

Compliance Management Regulations on Charitable Donations

<http://pal.zte.com.cn/pal/openfiles/PalAssetView.aspx?AssetID=555798>

Policy Interpretation and Implementation Guidance on *Compliance*

Management Regulations on Charitable Donations

<http://i.zte.com.cn/#/shared/0dfd5543e62448efaa3d4729f0cc6041/wiki/page/a5e0225abeb46848b5c9c9476129499/view>

Training course: Compliance Management Regulations on Charitable

Donations

<http://elearning.zte.com.cn/elearningnewportal/encoursecenter/specialcourse.aspx?topicid=354a5019-92bf-4a7b-a81d-9e9f23862ee9&id=3a485940-b8fe-4e5a-b949-738d3e14298f>

Cases and Scenarios: Charitable Donations

Scenario 1

After conducting a survey on the current situation of teenage education in poor areas, a business unit of ZTE decides to find a local organization (donee) to set

up an "Education Fund" to make the schooling available to the local teenagers.

As a business man of this unit, responsible for the project, what kind of risks do you think shall be considered regarding to the selection of donees?

According to the *Compliance Management Regulations on Charitable Donations* of ZTE, the donee shall be a legally established charitable and non-profit organization, institution, social group, etc., and shall be the user of donated property, manager and the actual executor of the donation, such as a poverty alleviation organization, environmental protection organization, charitable foundation, etc. It is absolutely not allowed to donate to the government, political organizations and profit-making organizations in the name of ZTE or use ZTE's property. Moreover, it is necessary to conduct an extensive due diligence on the donee and take necessary measures to control the related risks according to the situation.

Scenario 2

The business man finds a local foundation and then applies for compliance approval. The compliance manager learns that the foundation is a local charity organization owned by a client of ZTE. The business man is asked to fund the children of the client's senior executive to study abroad by using some money of the "Education Fund," and is promised that ZTE will win the next big project from the client's company.

As a compliance manager, could you approve the application of this business man?

No. According to the *Compliance Management Regulations on Charitable Donations* of ZTE, it is not allowed to designate government officials or their relatives, ZTE's stakeholders as donees of a donation in such activities, and it is prohibited to bind commercial interests with this donation, such as using donation activity as a reward for a commercial decision.

Scenario 3

The business man takes the advice from the compliance manager and re-selects another local charity organization, and conducts extensive due diligence to ensure that the donation meets the compliance requirements of

ZTE.

After signing the agreement with the charity organization, as a business person, what kind of risks do you think shall be considered during the implementation of this charitable donation?

You shall continue to follow up the usage and safekeeping of donated assets, and obtain supporting documents to ensure that the donated funds are used for the agreed charity undertakings. Meanwhile, you shall also uniformly submit the related documents to the public welfare team of the Human Resources Dept. for filing, including but not limited to donation application, donation agreement, approval documents, usage management status of the donated property and other supporting documents. During the process of implementation, if any compliance risk signals/red flags are identified, please promptly report to Anti-Commercial Bribery Compliance Dept.

5.9 Employment

5.9.1 Overview

According to the relevant anti-bribery laws and regulations, providing personnel with identified risks (current or former government officials or customer employees, close relatives or close associates of the above-mentioned personnel, and people with internal and external conflicts of interest) with work opportunities such as positions, part-time jobs (including consultancy positions), re-employment, short-term unpaid work experience and internship positions, etc., as well as benefits such as promotion, training and subsidies, to obtain and maintain any other improper benefits in business or commercial activities, might be deemed as bribery, which could bring potential legal compliance risks, reputation losses and even business losses to ZTE. Therefore, it is required to conduct recruiting due to the real, necessary, reasonable and compliant job requirements, and strictly follow ZTE's compliance requirements, HR policies and processes. Such requirements shall be strongly complied with when the candidates or recommended candidates are the above-mentioned personnel with identified risks.

Note: ZTE's compliance policy does not prohibit the employment of the above-mentioned personnel with identified risks, but requires the strict implementation of the *Anti-bribery Compliance Management Regulation Regarding Employment* of ZTE during the process of employment, to comprehensively judge the potential compliance risks, and assure that the employment decision-making on an applicant is not aimed at maintaining or obtaining other improper benefits in business or commercial activities. Moreover, employment rules and procedures will not be abridged or violated due to the identity of the applicant. After the individuals with risk identifications are employed, ZTE shall take a series of risk management and control measures to eliminate or reduce potential compliance-related risks, such as signing the *Anti-bribery Compliance Commitment* and arranging for him/her to work in a position without conflicts of interest.

5.9.2 Prohibitive Provisions

Where any employment decision-making could be regarded or reasonably suspected as a bribe, or could have a potential negative impact or damage to ZTE, then the following activities are strictly prohibited by ZTE.

- It is prohibited to employ any person for any improper interest.
- It is prohibited to violate ZTE's recruitment and personnel management regulations and procedures in making recommendations, recruiting, verifying wages, granting subsidies, and providing benefits.
- It is prohibited to keep any false information in employment-related documentations and personnel archives.
- It is prohibited to recruit any personnel with identified risk in the situation where applicable laws and regulations, valid agreements (such as non-compete agreement or non-disclosure agreement) or conventions (such as staff manual or business code of conduct signed by the job applicant) between the prospective personnel and its current or former employer are violated.
- It is prohibited to establish a position especially for such personnel with identified risk without any actual need of ZTE.
- It is prohibited to recruit any personnel with identified risk whose

qualifications fail to meet the requirements of the position.

- It is prohibited to provide any personnel with identified risk with remuneration that is inconsistent with her or his actual performance (including but not limited to wages, assessments, bonuses, subsidies, etc.).
- It is prohibited to recruit any personnel with identified risk who lack credibility.

5.9.3 How To Get Approval

It is required to conduct adequate and appropriate background due diligence(DD) under the condition of recruiting personnel for ZTE, the DD methods include but not limited to requiring candidates to fill in the *Self-disclosure List*, and scanning through the BPS system or conducting investigation through other available public channels. Prior to the employment decision-making, the business unit and the Human Resources Dept. shall comprehensively judge the potential compliance-related risks based on the information obtained in the recruitment process, and issue a decision-making opinion of employment on the premise of ensuring that ZTE's compliance prohibitive provisions are not violated. After entering ZTE, the personnel with identified risk shall be required to sign the *Commitment on Conflicts of Interest*; and during the duration of the contract, all employees of ZTE shall sign the *Anti-Bribery Compliance Commitment* every year.

For more guidance, please click on the links below to get further information:

Anti-bribery Compliance Management Regulation Regarding Employment

<http://pal.zte.com.cn/pal/openfiles/PalAssetView.aspx?AssetID=556631>

Policy Interpretation and Implementation Guidance on *Anti-bribery Compliance Management Regulation Regarding Employment*

<http://i.zte.com.cn/#/shared/0dfd5543e62448efaa3d4729f0cc6041/wiki/page/e5e0225abeb46848b5c9c9476129499/view>

Training course: Policy Interpretation and Implementation Guidance on *Anti-bribery Compliance Management Regulation Regarding Employment*

<http://elearning.zte.com.cn/elearningnewportal/encoursecenter/specialcourse.aspx?topicid=354a5019-92bf-4a7b-a81d-9e9f23862ee9&id=3a485940-b8fe-4e5a-b949-738d3e14298f>

Cases and Scenarios: Employment

Scenario 1

Company A is preparing to bid for a business of state-owned telecom company B in a certain country. Senior manager Z of this telecom company indicates to employee C of Company A that if his son could be assigned to work in Company A's headquarters, then he will help Company A to obtain the bidding business.

Employee C of Company A agrees to the request of senior manager Z of Company B, and informs its human resources department to simplify the review procedure for the senior manager Z's son. Eventually, the son passes the approval of Company A and is hired.

Do you think Company A and its employee C will face the risk of being charged based on the above facts?

Yes. Because according to the definition of relevant laws and regulations, senior manager Z is regarded as a government official. Therefore, the situation mentioned above illustrates an attempt to obtain improper competitive advantage by employing government officials or close relatives of clients. Company A and its employee C may face charges from law enforcement agencies.

Scenario 2

Employee C of Company A does not agree with the request of senior management member Z, merely informed him the recruitment policy of Company A and the way to inquire about relevant job requirements. The son of the Z searches the job opportunities and delivers his resume through open channels. Finally, he is employed by Company A through passing the established recruitment and interview process.

Will Company A and employee C face the risk of being charged and assume corresponding liabilities based on the above facts?

No. In the recruitment process, Company A only provides recruitment information and does not affect and interfere with the recruitment procedure. Moreover, the final employment of the son of the senior manager Z is not due to the recommendation of employee C, but due to his qualification ability satisfying the relevant job requirements of Company A.

5.10 Mergers, Acquisitions and Joint Ventures

5.10.1 Overview

According to relevant anti-bribery laws and regulations, mergers, acquisitions and joint ventures might cause some special problems. For example, without a comprehensive and effective due diligence prior to investment transaction, ZTE might be held accountable by law enforcement agencies for former or current anti-bribery violations of its potential investment targets or investment associates. Therefore, the proactive and appropriate compliance control measures shall be taken in the process management before, during and after the transactions, to avoid the compliance risks that investment associates or investment targets might bring to ZTE.

5.10.2 Prohibitive Provisions

Where any investment transaction could be regarded or reasonably suspected as a bribe, or could have a potential negative impact or damage to ZTE, then the following activities are strictly prohibited by ZTE.

- It is prohibited to conduct investment transactions with investment partners or targets without carrying out anti-bribery due diligence.
- It is prohibited to conduct investment transactions with investment partners or targets that are subject to major violations of sanctions or negative reports from public channels, and without a complete and effective compliance system to manage the related risks after verification.
- It is prohibited to conduct investment transactions with investment partners or targets who do not have any internal anti-bribery management

controls in place and are unwilling to accept ZTE's compliance requirements, or who are unable to make rectification according to ZTE's compliance requirements after transactions.

- It is prohibited to manipulate Mergers and Acquisitions or a joint-venture subsidiary to bribe.

5.10.3 How To Get Approval

The business units shall **submit their applications** on the **TS system** to obtain compliance approval. In the compliance management of mergers, acquisitions and joint ventures, it is required to conduct extensive due diligence on investment associates or targets, and add the compliance commitment or anti-bribery contract terms into the relevant transaction documents according to the actual situation of the transaction, and ask the relevant parties to establish and improve the anti-bribery management system of the transaction company.

For more guidance, please click on the links below to get further information:

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

<http://pal.zte.com.cn/pal/openfiles/PalAssetView.aspx?AssetID=559158>

Policy Interpretation and Implementation Guidance on *Regulations on Anti-bribery Compliance Management for Mergers, Acquisitions and Joint Ventures*

<http://i.zte.com.cn/#/shared/0dfd5543e62448efaa3d4729f0cc6041/wiki/page/e5e0225abeb46848b5c9c9476129499/view>

Training course: Policy Interpretation and Implementation Guidance on *Regulations on Anti-bribery Compliance Management for Mergers, Acquisitions and Joint Ventures*

<http://elearning.zte.com.cn/elearningnewportal/encoursecenter/specialcourse.aspx?topicid=354a5019-92bf-4a7b-a81d-9e9f23862ee9&id=3a485940-b8fe-4e5a-b949-738d3e14298f>

5.11 Others

5.11.1 Political Contribution (Prohibited)

Political contributions generally refer to cash or in kind paid, directly or indirectly, to political parties or their local branches, elected officials or political candidates. The payment can be used for general political party support or political campaigning activities. ZTE strictly prohibits the payment of any form of political contributions to candidates and political party officials who run for political positions.

5.11.2 Facilitation or Grease Payment (Prohibited)

Facilitation payment is also regarded as grease payment. ZTE prohibits making facilitation payments whether in the form of cash or "in kind," 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 payments or grease payments must also be reported to Anti-Commercial Bribery Compliance Dept.

5.11.3 Solicitation (Prohibited)

Solicitation is when a government official, a customer, a business associate, or someone else acting on their behalf, requests or solicits a payment from ZTE, directly or indirectly, for the purpose of providing an improper advantage to ZTE. ZTE's anti-bribery policy prohibits bribery, no matter whether or not under the situation of solicitation.

If you receive a request for such a solicitation payment, you shall:

- 1) Be diplomatic but clear in refusing to make the payment. Explain that ZTE will not make such payments.
- 2) Make 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 Anti-Commercial Bribery Compliance Dept., Your report is mandatory even if you don't intend to or refuse to pay it.

5.11.4 Extortion Payments (Exception)

When a government official or other person having a high-ranking position abuses his power, authority or control, by threatening the health, personal freedom, and security, ZTE employees or family members of the employee have to pay the relevant payments or anything of value, this constitutes extortion. In this case, it is suggested to consult or seek assistance from ZTE's lawyer or the local embassy. If it is failed to consult or seek assistance or such extortion is accompanied by imminent threats to your or another person's health, safety or liberty, many relevant external law enforcement agencies generally do not consider the payment of related small amounts as a bribe. However, you need to promptly report such payment to the Anti-Commercial Bribery Compliance Dept.

5.11.5 Assistance to the Host Country (Exception)

ZTE is sometimes required to provide services, materials or monetary assistance to local government agencies in some countries where ZTE operates, due to the lack of government resources. This kind of non-cash or monetary assistance may include engineering, computers, equipment, food, car maintenance, training, housing, local medical care and other basic necessities of life, probably regarding communications, infrastructure, security, military, inspection, public utilities, municipal bonds, customs, immigration and other fields.

This kind of request usually causes legal problems. Only under such occasion that Chinese government has signed an assistance agreement with the country where ZTE's overseas subsidiary or branch operates, ZTE is asked by Chinese government to provide free assistance to the host government as a Chinese enterprise, and has obtained the internally corresponding approval and compliance review, and kept proper records, can ZTE make an assistance commitment or provide some relative assistance. If the local business unit/branch/subsidiary receives such 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 compliance approval.

Assistance to the host country that meets the above specific requirements shall be considered with the following aspects:

- a. Obtaining the government's assistance agreement and keeping it properly so that ZTE can formulate appropriate controlling measures.
- b. Ensuring that the money, materials or services provided to government agencies are used for legal purposes, that is, for government official business, rather than for seeking improper benefits for ZTE.
- c. In case of monetary assistance, it is necessary to ensure that the receivable account of the payment is the account held by the government agency of the recipient.
- d. ZTE shall keep related documentary evidence, including but not limited to the agreements signed with the outside party (the host country or the Chinese government), and the certificate of receipt of money, materials or services etc.

6 Accounting and Records Management

According to anti-bribery laws and accounting regulations of many countries in the world, ZTE is required to make and keep books, records and accounts that, in reasonable detail, accurately and fairly reflect its transactions and dispositions of its asset, to clarify the business is reasonable and proper . Hence, all employees and business units of ZTE are required to strictly comply with the *Regulations on Anti-Bribery Compliance Management of Financial Reimbursement*. That is to say, the correct business types for reimbursement, complete, true and accurate documentary materials in reimbursing shall be chosen and submitted. All expenditure items mentioned in this *Manual*, such as gifts & hospitality, business travels, political contributions, charitable donations, commercial sponsorship, etc., shall be completely and accurately recorded in ZTE's books. In addition, any missing or improper bookkeeping or accounting records might lead to the risk of violating other local laws and regulations (such as tax laws and so on) by ZTE, so, every employee of ZTE shall keep all valid documentation and bills related to any transaction and asset

disposal.

All employees of ZTE shall comply with the following requirements:

- It is prohibited to use false materials for reimbursement or bookkeeping.
- It is prohibited to reimburse or make a payment not as agreed or exceeding the agreement of the contract.
- It is prohibited to conceal the true nature of the transaction for reimbursement or bookkeeping.
- It is prohibited to maliciously evade ZTE's approval process to make payment.
- It is prohibited to forge or alter accounting vouchers.

Every employee of ZTE has the obligation to report any errors or suspicious items, or when there is a reason to believe that any employee may have forged records.

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

Finance hotline: 0755-26778888-5 (Mandarin)

Public email: Finance@zte.com.cn

7 Disciplinary Punishment

ZTE adopts a "zero tolerance" attitude towards any bribery. Actual or perceived violation of anti-bribery laws will greatly damage to ZTE's reputation. Any violation of anti-bribery laws and regulations (including the *Chinese Criminal Law*, the *Chinese Anti-unfair Competition Law*, the *U.S. Foreign Corrupt Practices Act (FCPA)* and the *UK Bribery Act (UKBA)*, etc.) might cause ZTE and related individuals to bear serious civil, criminal and administrative penalties, including imprisonment, fines or administrative prohibitions. So, ZTE will take appropriate disciplinary measures to punish any individual who violates anti-bribery laws and regulations and/or the **ZTE**

Anti-Bribery Compliance Policy and the *ZTE Anti-Bribery Compliance Manual*.

The subjects to disciplinary action include those suspected of violation, and those who ignore, fail to detect or report the relevant violations without valid reasons, and those who retaliate against someone who reports the violation. Disciplinary punishment includes immediate termination of employment. For further information, please refer to the *Compliance Audit Management Regulation*

(<http://pal.zte.com.cn/pal/openfiles/PalAssetView.aspx?AssetID=559818>) and the *Administrative Measures on Responsibility Investigation* (<http://pal.zte.com.cn/pal/openfiles/PalAssetView.aspx?AssetID=558589>).

8 Consultation and Reporting

If you have any doubt about whether a certain conduct or activity meets the requirements of the *ZTE Anti-Bribery Compliance Policy* and this *Manual* at any time, you can obtain assistance by contacting the following personnel or professional departments or channels:

- 1) Your direct business leader, department leader or higher level management
- 2) Compliance point of contact of your department
- 3) BU compliance director /compliance manager
- 4) Anti-Commercial Bribery Compliance Dept.

In addition, where any misconduct or incident violating the *ZTE Anti-Bribery Compliance Policy* and this *Manual* is identified, please promptly report through the following channels:

External ZTE Compliance Reporting Channels

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

Email: ZTEWhistleblowing@tip-offs.com.cn

Hotline: 400-0707-099 (Mainland China)

+8621-3313-8584 (Overseas, Hongkong, Macao and Taiwan)

Internal ZTE Compliance Reporting Channel

Email: complianceaudit@zte.com.cn

Any information involved in the report will be kept strictly confidential and disclosed only when required by law. Since ZTE has a policy against retaliation to protect the reporter, please provide your name and other details when reporting any violations. Meanwhile, you can also choose to report anonymously, but in this case you may not be able to be provided feedback on the follow-up progress of this incident.

ZTE encourages all clients, business associates, employees and shareholders to supervise and report the business behaviors of ZTE or its employees and business associates. If your reporting information can help avoid or recover greater losses for ZTE, ZTE will provide you with corresponding rewards.

ZTE reserves the right to punish or transfer to judiciary authorities any violation of relevant laws and regulations or provisions of the *ZTE Anti-Bribery Compliance Policy*. Please refer to the *Regulations of Protecting and Rewarding Real-Name Compliance Whistleblowers* (<http://pal.zte.com.cn/pal/openfiles/PalAssetView.aspx?AssetID=526573>).

Annex A Key Terms, Definitions, and Acronyms

Categories	Terms/ Acronyms	Definitions
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.

Categories	Terms/ Acronyms	Definitions
	Anti-bribery management system	Set 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, including but not limited to elements such as tone from the top, compliance organization, compliance resource, risk assessment, compliance policy, process control, training and communication, and monitoring and review.
	Anti-bribery compliance risk assessment	Process undertaken by compliance professionals (from the Anti-Commercial Bribery Compliance Dept. or BU Compliance Teams or an authorized external professional organization) to thoroughly identify, analyze, and evaluate compliance risks and the effectiveness of the existing controls for subjects (including but not limited to the company, business units, branches, or subsidiaries).
	Anti-bribery compliance due diligence	Process undertaken by compliance professionals (from the Anti-Commercial Bribery Compliance Dept. or BU Compliance Teams or an authorized external professional organization) to further assess the nature and extent of anti-bribery compliance risks and help ZTE make decisions in relation to specific transactions, projects, activities, business partners, and personnel (including but not limited to shareholders, executives or employees).
	Anti-bribery compliance audit	Systematic, independent and documented process for obtaining audit evidence regarding the effectiveness of design and operation to the anti-bribery management system of the audited subjects (including but not limited to the company, business units, branches or subsidiaries).), and evaluating it objectively to determine the extent to which the audit criteria are fulfilled.
	Ongoing monitoring	Activities consisting of continuously checking, supervising or observing whether the company's anti-bribery

Categories	Terms/ Acronyms	Definitions
		<p>management system, regulations/procedures 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 work. For a specific business being conducted, compliance professionals (from the Anti-Commercial Bribery Compliance Dept. or BU Compliance Teams) can carry out compliance check or inspection during business activities, and can also perform such compliance check or inspection periodically and continuously after the business according to the company's compliance requirements. In some cases, business units can carry out such ongoing monitoring under the appropriate authorization.</p>
	<p>Public/government official</p>	<p>Any officer, employee or candidate of a government, legislature, judiciary, political party, military, royal family or any departments or agencies carrying out public functions or an international public organization; anyone representing or acting on behalf of a government or its department or agency, or acting on behalf of any public international organization; or anyone deemed to be a public official under locally applicable laws.</p> <p>The above-mentioned public official may be any of the following:</p> <ol style="list-style-type: none"> a. Any officer or employee of a government or any agency or instrumentality thereof acting in an official capacity for or on behalf of any such government or agency, or instrumentality; b. Any employee of a state-owned and state-controlled entity (or entity where the state can exert a huge influence) (such as a state-owned enterprise, public hospital, public

Categories	Terms/ Acronyms	Definitions
		<p>school, or public undertakings, etc.);</p> <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 instrumentality thereof;</p> <p>f. Any member in an organization with major political influence (for example, royal households and some religious organizations);</p> <p>g. Any personnel acting on behalf of the previous organization or instrumentality thereof.</p>
	Sensitive period	<p>A period during which any behavior, including but not limited to gifts and hospitality, travels, commercial sponsorship, or charitable donation may be reasonably considered by an independent third party as an action made to improperly influence a particular decision or the duty performance of a recipient. Examples include: 1) license or certificate application periods; 2) project bidding periods; 3) contract signing or renewal periods; 4) key delivery points or payment points; 5) major dispute or lawsuit or administrative punishment periods.</p>
	Anti-bribery contract terms and conditions	<p>Addition of anti-bribery compliance requirements, representations, statements, guarantees, commitments, compensation protection, or contract suspension/termination provisions to a contract or its annexes in the process of a business activity.</p>
	Conflict of interests	<p>Situations where business, financial, family, political or personal interests could interfere with the judgment of employees in carrying out their duties. For example:</p> <p>3) The current or former purchasing manager of the client, or his/her close relative or a person closely related to him/her, is a sales manager of ZTE;</p> <p>4) The current or former government official of a local</p>

Categories	Terms/ Acronyms	Definitions
		telecommunications bureau, or his/her close relative or a person closely related to him/her, is an executive of a local subsidiary or branch 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 to find out whether the business partner or individual presents any risk of bribery.
	Three factors of information and materials	The authenticity, accuracy, and integrity of the information and materials provided by business units or individuals for compliance review. In some cases, the validity of the information and materials shall also be assured.
	Four factors of business requirements	The authenticity, necessity, reasonableness, and compliance of the business activities carried out by business units or individuals.
	Six factors of compliance review	Factors needing to be considered by business units, applicants, compliance reviewers to determine whether anti-bribery matters regarding gifts and hospitality, external travel, client training, business partners, procurement transactions, commercial sponsorship, donations, employment, mergers & acquisitions and joint ventures are compliant. Those factors include the business scenarios (When), the recipients (To Whom), intent (Why), conduct/values (What), ways (How), and countries or regions (Where).
Specific anti-bribery regulations	Gifts and hospitality	Any gift, business banquet or entertainment provided to external parties.
	Business	The payment for business travels for external parties,

Categories	Terms/ Acronyms	Definitions
	travels provided to outside parties	expenditure includes but is not limited to transportation, accommodation, catering, and other incidentals.
	Client training	Technology or management training stipulated in any sales contract for main equipment, maintenance contract, service contract, or training contract that ZTE provides for external parties.
	Business associates	All third parties with whom ZTE has, or plans to establish business relationship other than end customers. Those third parties include but are not limited to suppliers, subcontractors, consultants, agencies, distributors, channels, distributors, consortia, intermediaries, academic research institutes.
	Third party	Any entity that is independent of ZTE. A third party can be a company, an institution, or an individual.
	Procurement transaction	The business activities in which the company acquires products or services from the supply market and payments under certain conditions as enterprise resources to ensure the normal production and operation of the company. The procurement transaction defined in this <i>Manual</i> mainly includes procurement of production materials, non-productive services, and engineering services closely related to the company's production and operation.
	Commercial sponsorship	Essentially refers to a kind of marketing strategy in which an enterprise provides financial or in-kind support to some event organizers in order to realize its own business goals This sponsorship generally does not bring immediate commercial returns (such as orders and contracts) to the sponsor, but in the long run, the enterprise can still obtain the expected commercial returns by obtaining positive publicity or gaining brand value.

Categories	Terms/ Acronyms	Definitions
	Charitable donation	<p>Voluntary, free-of-charge donations to non-profit organizations, public institutions, and social organizations that are legally established for public welfare purposes. Public welfare undertakings refer to any of the following non-profit activities:</p> <ol style="list-style-type: none"> 1) disaster-relief, poverty alleviation, rehabilitation, and other activities that help the social groups in difficulty 2) education, science, culture, healthcare, and sports. 3) environmental protection, and construction of public facilities. 4) other social and public welfare undertakings that comply with laws and regulations and promote social development and progress
	Political contributions	<p>Generally refers to cash or payment in kind, directly or indirectly, to political parties or their local branches, elected officials or political candidates. The payment can be used for general political party support or political campaigning activities.</p>
	Facilitation or grease payment	<p>Illegal or unofficial payment made in return for services that the payer is legally entitled to receive without making such payment. It is normally a relatively minor payment made to a public official or person with a certifying function in order to secure or expedite the performance of a routine or necessary action, such as the issuing of a visa, work permit, or customs clearance. Although facilitation payments are often regarded as different in nature to, for example, a bribe paid to win business, they are illegal in most locations/countries.</p>
	Solicitation	<p>Situations when a government official, a customer, a business partner, or someone else acting on their behalf, requests or solicits money or anything of value from ZTE or</p>

Categories	Terms/ Acronyms	Definitions
		its employees, directly or indirectly, for the purpose of providing an improper advantage to ZTE.
	Extortion payment	Situations where a government official or other person having a high-ranking position abuses of his power, authority or control, obtains relevant payments or anything of value from ZTE employees or family members of employees, through coercion by threatening their health, personal liberty, or safety.