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**5. Functional Department** -Place-Three-Person team, product company and purchase division of the factory of the Company or its Subsidiaries.

**6. Bid Management Institution** the business operations, refers to the Bid Evaluation Center of the Company (include Purchase & Supply Division, Bid Evaluation Team and Functional staffs) and Bid Evaluation Team and Purchase Department, etc.

**7. Procurement**

- i. Procurement of materials and equipment;
- ii. Project and labor service subcontracting (tendering);
- iii. Rental of houses, equipment and turnover materials; and
- iv. Purchasing or accepting licenses for consulting services regarding technology, management, operation methods and practices.

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viii. Officials and employees of public enterprises, which are enterprises over

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process of preview of qualification of suppliers, and hand out *Supplier Questionnaire* to suppliers (see Annex 2 Supplier Questionnaire) and *Declaration of Compliance* (see Annex 3 Declaration of Compliance);

4. Assessing the risks and completing the *Supplier Assessment Form* (see Annex 4 Supplier Assessment Form);
5. Other responsibilities provided by ZTT Compliance Rules.

**Article 8.** The responsibility on compliance management of the procurement of the Functional Department of the Company and Subsidiaries includes but not limited to the following:

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members from the Procurement Management Department and Appropriate Compliance Departments as decided by senior management in consultation with the Appropriate Compliance Department and other relevant officers and staff.

These Procurement Supervisory Groups shall be independent of the Tendering Management Institution established pursuant to Chapter III below and will have responsibility for supervising overall procurement activities.

**Article 11.**

to:

1. Conduct compliance reviews in procurement plans and activities;
2. Receive and deal with suspicions of procurement errors or misconduct, and reports on noncompliance conduct during the procurement process, from employees and also the suppliers;
3. Conduct compliance reviews on tendering processes and results;
4. Review the procurement to ensure it conforms with the Code of Conduct and other ZTT Compliance Rules;
5. Undertake other preventative and supervisory reviews as directed by the Company Chief Compliance Officer, as applicable.

**Article 12.** If a Procurement Supervisory Group identifies any violation of laws or compliance requirements of ZTT Compliance Rules in procurement activities, it shall report promptly to the Person in charge responsible for procurement and the Appropriate Compliance Department(s) of the Company and its Subsidiaries. The Person in charge and the Appropriate Compliance Department shall decide to suspend or terminate the tendering process, or renounce the award, subject to conditions; if it is necessary, they may decide to take measures of remedy or discipline against the noncompliance conduct.

**Article 13.** The Company and its Subsidiaries shall adopt appropriate procurement methods based on relevant market circumstances and procurement plans.

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### **CHAPTER III. Principles of Tendering For Procurement**

**Article 15.** The Company and its Subsidiaries shall set up a Tendering Management Institution that is responsible for tendering procurement. The Tendering Management Institution shall always include the Appropriate Compliance Department. management and be subject to supervision from the Procurement Supervisory Group.

**Article 16.** All tendering activities shall comply with applicable laws (including regulations in the country in which the tender or relevant project is to be awarded) and

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3. Strict review of sole-sourced or sole-bidder contracts; and
  4. If the tendering-related might involve subcontracting of projects of the Company, it should be based on applicable laws and contract provisions to decide if the subcontracting is permitted or if such subcontracting had been disclosed to owner.

If any compliance red flags are identified at any stage of a tender, they shall be reported to the Appropriate Compliance Department for review, investigation, and redress as appropriate.

**Article 21.** The following activities are strictly prohibited in the Company and its Subsidiaries tendering:

1. Avoiding tendering by means of changing tendering plans or procedures (unless otherwise permitted under applicable laws, the Procurement and Bidding Policy of ZTT Group, and Article 13, Paragraph 2 of this Rules) applicable to a project which is subject to being tendered under applicable laws and the this Rules;
2. Suggesting that one or more bidders form a consortium or association to make a joint bid, or otherwise act to restrict competition among bidders (regardless of whether or not such activity violates applicable laws);

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11. Concealing or destroying bid-invitation and other tender documents that ought to be preserved, or forging or fabricating bid documents;
  12. Conducting tendering activities in violation of the approved tender;
  13. Signing contract with provisions against the provisions in the tendering document;
  14. Impeding or refusing the supervision or inspection from the Procurement Supervisory Group or the Appropriate Compliance Department of the Company and Subsidiaries; and
  15. Other non-compliant or illegal activities leading to disrupting the bidding process and affecting fair competition with unfair measures.

#### **CHAPTER IV. Pre-qualification Compliance Review**

**Article 22.** The Company and its Subsidiaries shall, according to applicable and valid National Standard and requirements of regulations of the Company, implement Supplier review policies and set up a Qualified Suppliers List.

**Article 23.** Qualified Suppliers shall have basic qualifications, capabilities, and resources and be in a stable financial status to execute the tendered contract, and shall also comply with the requirements of ZTT Compliance Rules.

**Article 24.** For tendering activities of bulk procurement involving services contracts, project subcontracting, equipment and materials, Third Parties except for Suppliers shall be governed by *ZTT Compliance Rules for Due Diligence on Supplier*.

**Article 25.** The Procurement Management Department shall, according to the provisions of this Chapter, conduct compliance qualification review on all suppliers including compliant suppliers, to ensure they complies with the requirement of the Appropriate Compliance Department.

The Procurement Management Department shall hand out Supplier Questionnaire and Declaration of Compliance to suppliers, collect relevant compliance information from suppliers, and complete Supplier Assessment, all of which shall be submitted to the Appropriate Compliance Department together with the procurement plan for approval.

**Article 26.** The pre-qualification compliance review shall include but not be limited to obtaining information relating to:

contract or project is to be performed (referring to the list of high-risk countries or districts issued by the Company and its Subsidiaries or State Commercial Department);

2. Supplier background, including ultimate beneficiary, directors, senior management, etc.

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3. governmental authorities ;
  4. Relevant compliance information regarding the supplier in the databases of international organizations, local governments (if publicly available), and the Company;
  5. Any pending or potential litigation cases of the Supplier in the past decade;
  6. Ownership or other relationships between local Government Organizations or Public Officials and the Supplier (including existing or previous contracts undertaken on behalf of the government over the last ten years);
  7. Whether the Supplier has been charged or investigated for corruption, fraud, collusion, or other offences; and
  8. Market reputation of the Supplier (based on public information, Embassy or Consulate information if any, Supplier references, and past ezgeime(c)-5(e)4d the

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1. Any former shareholders, or senior management of the Supplier or of its parent or an affiliate entity has/have been internationally or locally wanted for a criminal conviction in the past decade; or
  2. Any current shareholders, or senior management of the Supplier or its parent or an affiliate entity is/are suspected of being involved in any litigation arising from charges of corruption, fraud, monopoly or collusion, tax evasion, or money laundering;
  3. The Supplier, its parent entity, or any of its affiliate entities, is listed on the restricted Supplier blacklist by the Company and its Subsidiaries.
  4. Any other risks in equivalent with the degree of above-mentioned risks.

III. Risk Class Two refers to circumstances in which although the supplier may possibly lead to sanctions, penalty, loss of property or reputation and other negative effect, including but not limited to:

**Reputation:**

- 1.

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9. The Supplier is not equipped with corresponding resources, employees to undertake the service in the Supplier Agreement, or the Supplier engages or plans to engage an unnecessary subcontractor (e.g. consultant, distributor, and sub-agent) or multiple agencies to perform the agreement;

10. The Supplier has conducted such business for a long time.

**Payment:**

11. The Supplier demands payment or commission fee which is far beyond the service it provides or the risks it bears;

12. The Supplier requires a one-time payment in cash or cash equivalents;

13. The Supplier requires an irregular payment terms, e.g. payment made to countries or regions other than place of registration, business or providing service, or payment made to banks or Third Parties irrelevant with this transaction, or payment made in a third world currency, or payment made to individuals when a company provide services, or payment in the purpose of avoiding laws (e.g. tax avoidance);

14. The Supplier refuses to record the expenditure properly;

**Other circumstances:**

15. The Supplier refuses to sign the Declaration of Compliance regarding the anti-corruption laws (see Annex 3)

16. The Supplier insists to avoid using written communications, including emails, fax, etc.

17. No other supplier was considered by the Company and its Subsidiaries for the particular project or contract;

18. Any other risks in equivalent with the degree of above-mentioned risks.

IV. Risk Class Three refers to circumstances in which cooperation with such supplier may possibly lead to sanctions, penalty, loss of property or reputation and other negative effect, but the risk is lower than the above Critical Level, Class One and Class Two.

**Article 28.** With regard to different levels of compliance risks on procurement, the Company and Subsidiaries may exercise the following approval process:

I. If the compliance risk of the supplier is Critical Risk Level which prohibits the cooperation, the Company and its Subsidiaries should not enter into contract or cooperate with such supplier;

II. For Risk Class One, a contract or other business cooperation of the Company and its Subsidiaries shall be prohibited in principle. If cooperation or a contract is nonetheless determined to be necessary, the compliance risk posed by the proposed supplier must be sufficiently mitigated (e.g. by severing its relationship with the individual or affiliate which caused the supplier to be categorized in Risk Class One, or the Company and its Subsidiaries will limit the relationship with such supplier in a certain range) and advance and joint approvals must first be obtained from the



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## **CHAPTER VI. Discipline**

**Article 34.** The employees of the Company and its Subsidiaries fail to comply with the this Rules, given the seriousness of the circumstance, will be subject to disciplinary actions from public notice to termination of job, consistent with applicable laws and internal rules of the Company, provided that they will also be pursued for liability.

## **CHAPTER VII. Miscellaneous**

**Article 35.** Any questions concerning this Rules should be addressed to the Appropriate Compliance Department.

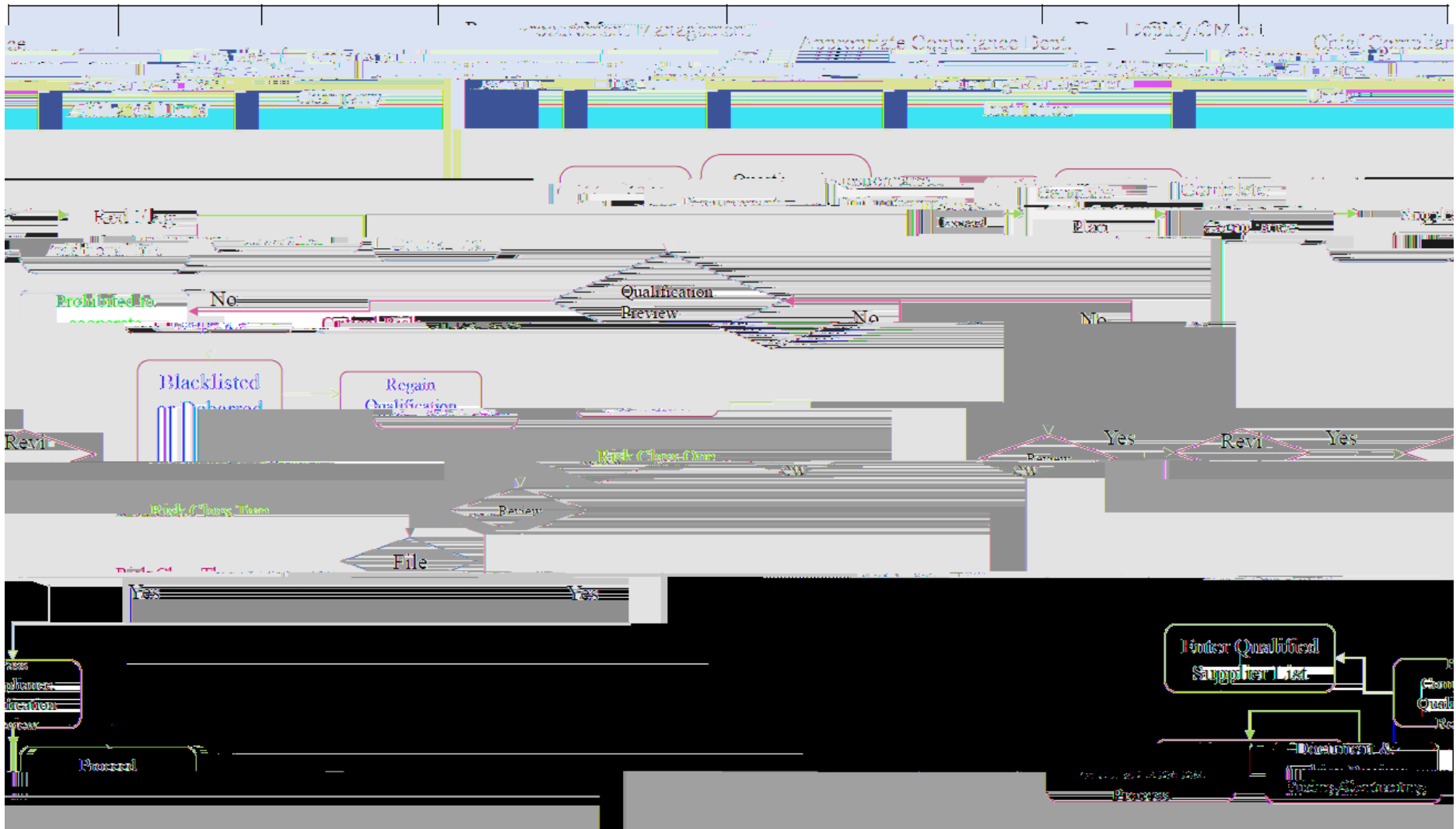
**Article 36.** The Compliance Standard Department of the Company, on behalf of the Company, exercise the supervision on the implementation of these Rulesis Rules in its departments, and it has the ultimate right to instruct and interpret the implementation of this Rules.

### **Annex:**

1. Compliance Qualification Review Flowchart
2. Supplier Questionnaire
3. Declaration of Compliance
4. Supplier Assessment Form
5. Red Flag Check List

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# Annex 1. Compliance Qualification Review Flowchart



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## Annex 2

### Supplier Questionnaire

In order to comply with international and Chinese anti-corruption, fair competition laws and principles, \_\_\_\_\_ (name of the company) (hereinafter referred to as \_\_\_\_\_ *Questionnaire*. The above laws and principles include \_\_\_\_\_ *the* \_\_\_\_\_, *and the Criminal Law of PRC* \_\_\_\_\_ *Questionnaire* to conduct legal analysis, to evaluate legal risk relating to the Suppliers and uncover potential red flags.

This *Questionnaire* has been tailored to satisfy relevant requirements for the protection of privacy and secret information, and would only be used for compliance purposes by ZTT. Should any potential red flags be identified, the information counsel. ZTT will store and retain the information in accordance with Company policies and procedures.

The completion of this *Questionnaire* is mandatory, but you may amend relevant information after submission. If you have any questions or concerns regarding the above, please consult with your local representative office of ZTT.

*NOTE:* If the Supplier has submitted the *Questionnaire* within the past twelve months, there is no need for the Supplier to fill out the *Questionnaire* again. Nevertheless, the Supplier shall still update relevant changes of circumstances (e.g., change in ownership, address, etc.) and guarantee continued compliance with applicable laws and regulations.

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*Questionnaire.*

Nevertheless, this term refers but not limited to:

1. Government officials, employees, representatives and any other person acting on behalf of government or being authorized to exercise public authority;

2. Officials, employees, or representatives of international organizations;

3. Officials, employees, representatives of political organizations delegated with public authority, or members of royal families;

4. Officials and employees of public enterprises, namely enterprises over which a government has direct or indirect control, or could exert dominant influence;

If necessary, additional paper may be attached.

**I. CONTACT INFORMATION**

1. Officially registered name, or personal name in case of sole proprietorship.

2.

3. Telephone Number of the Main Office\_\_\_\_\_

Fax Number\_\_\_\_\_

4. E-mail Address\_\_\_\_\_

Website\_\_\_\_\_

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## II. OWNERSHIP STRUCTURE of the SUPPLIER

### 5. Business Type

\_\_\_ Corporation (company limited by shares, limited liability company, etc.)

\_\_\_ Individually owned (proprietorship)

\_\_\_ Partnership

\_\_\_ Other

### 6. If the entity is a corporation:

1 Where was it incorporated \_\_\_\_\_

2 When was it incorporated \_\_\_\_\_

### 7. If the entity is a partnership or other types of business:

1 Where was it founded \_\_\_\_\_

2 When was it founded \_\_\_\_\_

3 By whom was it founded \_\_\_\_\_

8. Please list all individuals or entities with a stake in your company. This should include all owners (shareholders) or beneficiaries as defined by applicable law, such as individuals or entities who are entitled to or who are intended or expected to receive any portion of the payment from your company. Note: if your company is already listed, please identify all those who currently holds, directly or indirectly, more than 5% shares of your company.

- |     |     |
|-----|-----|
| 1.  | 11. |
| 2.  | 12. |
| 3.  | 13. |
| 4.  | 14. |
| 5.  | 15. |
| 6.  | 16. |
| 7.  | 17. |
| 8.  | 18. |
| 9.  | 19. |
| 10. | 20. |

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9. Please list all individuals or entities who have management power over your *Questionnaire* an organizational chart or a necessary.

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10. Identify any individuals or entities listed in response to questions 9 and 10 who are public officials (as defined in this *Questionnaire* above). Please describe the nature of their interests in your company and their control over your business.

Name	Interest

11. Identify any individuals or entities listed in response to question 9 to 10 that are related to any public official or otherwise have a close relationship (personally and professionally) with a public official (as defined in this *Questionnaire* above). Please describe the nature of their interest in your company and their control over your business.

Name	Interest
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12. For any individuals or entities listed in response to questions 9 and 10, if they are officers, directors, shareholders, partners, beneficiaries of any other companies, please provide relevant information.

**III. COMPANY OVERVIEW**

13. Please provide a brief description of your business activities, including the past performance of your product or service, the capacity of facilities relevant to the proposed relationship (or attach a copy of a current brochure or other publication that provides such a description). If possible, please attach copies of current sales brochures, annual reports, or similar documents.

14. Please state:

The number of years the company/entity has been in the business \_\_\_\_\_

Number of employees \_\_\_\_\_

Approximate annual income (if any) for each of the last five years \_\_\_\_\_

Primary market \_\_\_\_\_

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Prior contractual relationships (if any) with ZTT, if applicable

#### **IV. REFERENCES**

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employees ever been found by a court or government agency of any country to have violated a law prohibiting fraud, bribery, collusion, or other corruptive conducts?

Yes

No

If yes, please provide details:

18. Have you or your enterprise, or any of its directors, officers, owners (shareholder), or employees:

(a) Ever been found by a court or government agency of any country to have violated any applicable civil or criminal false statement, bribery, corruption, securities, or anti-competition law?

Yes

No

(b) Been under investigation or subject to a lawsuit (now or within the last five (5) years), facing charges of fraud, bribery, collusion, or other corruption?

Yes

No

If your answer to (a) or (b) is yes, please provide details:

## **VI. COMPENSATION**

19. According to the region/country where your products would be provided or your services will be performed, please describe the quotation that you think is standard and appropriate.

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and address, as well as the account name and number (Here only fill in the bank account information for receiving the payment from ZTT).

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**VII.**

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## Guarantee

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Annex 3

### **Declaration of Compliance**

for

[PLEASE FILL IN THE NAME OF THE COMPANY OR NAME OF AFFILIATED UNIT] as follows:

1. The Supplier has received a copy of, and been informed about the ZTT . The Supplier is familiar with and understands the provisions of the United Nations Convention against Corruption and other relevant anti-corruption principles, as well as all applicable laws in \_\_\_\_\_ (the name of the countries in which the product is to be manufactured and delivered, or service is to be performed) relating to fair competition, bidding, and procurement.

2. While providing \_\_\_\_\_ (Please fill in the name of product or service to be provided) the Supplier has not and will not offer, promise, arrange for, or pay, either directly or indirectly, anything of value to a public official (as defined in the \_\_\_\_\_) to obtain or retain business from the Government of \_\_\_\_\_.

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any commitments the Supplier has to any other clients, including, but not limited to any confidentiality or exclusivity agreements the Supplier has with other clients.

The Supplier agrees that if at any time the representations, warranties, and certifications herein are no longer accurate and complete, the Supplier will immediately notify \_\_\_\_\_ [please fill in the name of ZTT or its affiliates] and provide a supplementary report detailing such change. If the Supplier, after entering into Agreement with \_\_\_\_\_ [please fill in the name of ZTT or its affiliates], violates the aforementioned warrants and conducts the non-compliance activities which it promised not to, \_\_\_\_\_ [please fill in the name of ZTT or its affiliates] shall have the right to terminate the Agreement.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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Annex 4

**Supplier Questionnaire**

**I. GENERAL BUSINESS PROFILE**

1. The official name and trade name of the Supplier

2. Contact Information, namely the address and telephone number of the Supplier and

3. Place of Incorporation and principal place of business (if it is individual, fill in the domicile and principal place of business)

4. Nature of product or service to be provided to the Company; the place of

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## **II. BUSINESS JUSTIFICATION AND QUALIFICATIONS**

7. Overview of the project, includes the quotation of the project and the execution period.

8. Please provide a detailed explanation for why the product or the service of the Supplier are needed, and why such product or service cannot be manufactured or performed by the Company and its Subsidiaries.

9. State whether other candidates were considered and rejected, and if so, the reasons for their rejection.



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in writing)

17. Has the Supplier, its owners, or members of its management ever been listed on the blacklist publicized by the World Bank, and are reprimanded or barred from participating in World Bank programs as a result of its corruptive, collusive, fraudulent conducts? (Log onto [www.worldbank.org](http://www.worldbank.org) and search under

)  
 Yes

No

internet, the news reports, databases, etc. (Procurement Management Department should preliminarily search for the name of the Third Party to conduct a preliminary review.)

19. Other unethical or dishonest conducts of the Supplier uncovered through public available information from sources such as commercial register, local media, etc.

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#### IV. COMPENSATION AND BANK DETAILS

20. Payment method and place of payment.

21. If inconsistent with the *Questionnaire*, please provide name of the bank of deposit known to Procurement Management Department, the account number and the address of the bank.

22. If the bank used by Supplier is not in the region or country where the Supplier is registered or domiciled, neither is it located in the country where the project and the services are to be performed, please explain.

Signature \_\_\_\_\_

Date \_\_\_\_\_

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Name \_\_\_\_\_

Title \_\_\_\_\_

Address \_\_\_\_\_

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Annex 5

**Red Flag Check List**

<b>Critical Risk Level which is prohibited to cooperate</b>	<b>Concern Exist</b>	<b>Concern Non-exist</b>
The Supplier, its parent company, or any affiliated companies or persons have ever been listed as terrorist organizations by the United Nations or other Public International Organizations;		
The Supplier, its parent company, or any affiliated companies or persons, have been listed on a Public International debarred list;		

The current shareholder or senior management of the Supplier, its parent company or any affiliated companieed

its Subsidiaries.		
Any other risks in equivalent with the degree of above-mentioned risks.		
<b>Risk Class Two</b>		
<b>Reputation</b>	<b>Concern Exist</b>	<b>Concern Non-exist</b>

The country or region where the project or contract involving suppliers to be performed is listed in List of High-Risk Countries/regions published by the Company or State Commercior partment for the current year;

history, a weak corporate governance framework, or is being operated temporarily or managed by a single person;		
The Supplier is not equipped with corresponding resources, employees to undertake the service in the Supplier Agreement, or the Supplier engages or plans to engage an unnecessary subcontractor (e.g. consultant, distributor, sub-agent) or multiple agencies to perform the agreement;		
The Supplier lacks relevant business or technique experience,		
<b>Payment</b>	<b>Concern Exist</b>	<b>Concern Non-exist</b>

The Supplier demands payment or commission fee which is far

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**Approval Details**

Appropriate Compliance  
Department of the Company  
and its Subsidiaries (Risk Class  
One & Two)