

# ZTE

**ZTE** Leading 5G Innovations

## CODE OF ETHICS

Approved by the Board of Directors of 21<sup>st</sup> March 2018

## SUMMARY



## Summary

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## **FOREWORD**

The herein Code of Ethics (hereinafter, also referred to as “**Code**”) sets itself the goal of integrating the already existing “*ZTE Code of Conduct*”, that is common to all companies in the group that is headed by ZTE Corporation, which maintains its full efficacy and effect, thus confirming the general principles of “corporate ethics” to which ZTE ITALIA S.r.l. (hereinafter also referred to as “**ZTE ITALIA**” or “Company”) and the latter’s subsidiaries attribute a positive ethical value that can guide its business on a path of managerial transparency and ethical correctness.

In particular, as integration of the afore-stated “*ZTE Code of Conduct*”, ZTE ITALIA, inspired by and abiding by the principles contained therein, uses this Code of Ethics to clearly and transparently define the values that the company and its subsidiaries intend to abide by, in addition to the criteria of conduct aimed at regulating its own business, bearing in mind the current provisions of the Italian legal system.

The herein Code of Ethics also introduces and makes binding for ZTE ITALIA and its subsidiaries the principles and rules of conduct regarding the prevention of offences as stated in the Legislative Decree no. 231 dated 8 June 2001.

## **AIM OF THE DOCUMENT**

In order to clearly and transparently define the values and principles that ZTE ITALIA aspires to, in addition to the criteria of conduct aimed at regulating its own business activities, the herein Code of Ethics has been drawn up, which must be complied with by all those who cooperated for the exercising of company activities in any form or type.

A positive image and reputation are essential intangible resources for the company’s functioning and are therefore unavoidable from observing the ethical commitments and purposes expressed in the herein code.

ZTE ITALIA undertakes to guarantee compliance with the ethical and moral principles of the “*ZTE Code of Conduct*” and the herein Code of Ethics by all recipients, and for this purpose the company will take care to diffuse its knowledge and use.

## **1 REALM OF APPLICATION AND RECIPIENTS**



ZTE ITALIA acknowledges a positive ethical value in the principles explained and the rules of conduct dictated by the Code of Ethics; also, it considers the application of the contents of the herein document that is fundamental for the purpose of transparency and legality of all activities connected in any way to the company.

The principles and rules of conduct stated herein are binding for the company bodies and employees (subjects who have a subordinate or semi-subordinate contract of employment with the company, in addition to administered workers and workers on secondment at the company), hereinafter collectively referred to as the “Recipients”.

The Recipients of the rules contained in the code are obliged to comply with the prescriptions contained therein and to adapt their own conduct and actions to the principles stated therein. For this purpose, the code is distributed according to what is stated in section 11.

Those who work on a mandate and/or on behalf of the Company (e.g., by contract, such as consultants, or specific powers of attorney, such as counsel in court) are under an obligation to issue a declaration of acceptance and observance of the principles contained in the herein code.

## **2 PRINCIPLES**

### ***2.1 Values***

The herein Code of Ethics intends to explain the essential ethical values of ZTE ITALIA described below.

#### *a) Legality and integrity*

In the realm of its activities and carrying out of its business, ZTE ITALIA takes on observance of the law and the legislation in force as inescapable inspiring principles, in a framework of legality, correctness, transparency and respect for a person’s dignity.

#### *b) Initiative and consistency*

ZTE ITALIA acts pro-actively, with entrepreneurial responsibility and is consistent in pursuing its goals.

#### *c) Reliability and credibility*

The Recipients undertake to carry out its professional services diligently, operating in the company’s interest and pursuing goals of efficacy and efficiency, fully aware that ethics represent an interest of primary importance for ZTE ITALIA and that therefore will not tolerate conduct that, although appearing to favour the company, is actually in contract with the current legislation in force or with the herein Code of Ethics.

#### *d) Cultural plurality*

ZTE ITALIA acknowledges its own origins and also appreciates the plurality of culture as an additional asset and premise for its own success in the world, and strongly condemns any expression of racism or xenophobia.



### **3 CRITERIA OF CONDUCT WHEN CONDUCTING AFFAIRS**

#### ***3.1 General principles***

##### *3.1.1 Shrewdness in commercial transactions*

In commercial transactions, particular shrewdness is required in receiving and spending coins, bank notes, credit notes and currency in general, in order to avoid the danger of issuing counterfeit or tampered currency onto the market.

##### *3.1.2 Contributions and sponsorships*

ZTE ITALIA can accept requests of contributions and sponsorships for activities that concern social, environmental, sport, entertainment or art activities, on the condition that they come from non-profit bodies and associations and that have legal articles of association and by-laws, in accordance with the company's internal rules and with the required internal authorisations. The company pays attention when accepting said initiatives, however, for possible situations of conflict of interests, both personal and corporate. Sponsorships can be provided only after the definition of specific agreements and a check on the reputation of the beneficiary and the event/promoted initiative.

##### *3.1.4 Ban on operations aimed at money laundering*

The Recipient must check available information (including financial information) beforehand about commercial counterparts, consultants and suppliers, to verify their moral integrity, respectability and the legal nature of their business before establishing any business relationship with them.

The company must always abide by the application of national and international law on organised crime and laundering of funds, in any competent place of jurisdiction.

The Recipients must rigorously abide by laws, policies and company procedures in any economic transaction, including intercompany ones that involve them, ensuring full traceability of incoming and outgoing financial flows and full compliance with money laundering laws.

##### *3.1.5 Combating organised crime*

The company fully condemns and combats any form of organised crime, including Mafia-related crimes, with all those instruments available to it.

Particular care must be taken by the Recipients when checking the essential requisites of reputation and reliability of commercial counterparts, such as suppliers, consultants,



contractors, clients, partners (also if involved in temporary consortia). This care must be taken both before the establishment of the relationship and during it, by requesting the information required to check moral integrity, respectability, reliability and legality of the activities carried out.

### *3.1.5 Protection of privacy*

ZTE ITALIA, also considering its business activity, firmly believes in the importance of protecting privacy and pays the utmost attention to compliance with the regulations in force from time to time, with a view to better safeguarding the integrity and confidentiality of any protected data that the Company may come into possession of.

## **3.2 Client relations**

Satisfying client requests and establishing constructive relationships are essential goals. The company undertakes to satisfy its clients with impartiality, in compliance with contracts and with pre-set quality standards, high level of professionalism, availability, courtesy and cooperation, in order to provide clients with a top level of service.

As part of client relations, the Recipients must:

- Develop and maintain long-lasting, favourable relations with them, based on the utmost efficiency, cooperation and courtesy;
- Observe undertakings and obligations taken with clients;
- Provide detailed, complete, truthful and prompt information in order to allow the client to make an informed decision;
- Work within the framework of current law and request that it is carefully observed;
- Specifically, comply with the contents of section 4, if the clients are exponents of the Public Administration.

In particular reference to the contractual relationship with clients, contracts and communications must be:

- Drawn up in clear, simple terms, formulated in a language that is as close as possible to the one used by the interlocutors (e.g. avoiding clauses that can only be understood by experts, and clearly indicating all costs);
- Compliant with current legislation, without using evasive or incorrect actions;
- Complete, not neglecting any element that may be significant for the client's decision.

Aims and recipients of communications determine the choice of the most suitable channels for sending content each time, without using excessive pressure and insistence.

Lastly, the company must rapidly communicate any information about:

- Any changes to the general terms of the contract;
- Any changes to economic and technical conditions for providing the service and/or sale of products;



- Results of checks carried out in observance of the standards required by the authorities. All recipients of the herein Code of Ethics are forbidden from being involved in the commercialisation of products and services that could deceive the final consumer about the characteristics of the service/products offered.

### **3.3 Supplier relations**

#### *3.3.1 Choosing the supplier*

Specific company departments choose the suppliers and purchase the goods and services based on objective evaluations of competences, competitiveness, quality, correctness, respectability, reputation and price.

In particular, the Recipients working on these processes must:

- Not preclude the possibility of competing in the stipulation offers to any supplier that has the required requisites, and adopt objective, documentable criteria when choosing from the group of candidates;
- Check the existence of the requisites of supplier reliability and reputation, before establishing the contract with them, and maintain said requisites during the duration of the contract;
- Avoid any type of discrimination of suppliers situated in areas at risk of organised crime, if they have suitable requisites of reliability and reputation;
- Ensure sufficient competition for each tender.

When evaluating the supplier requisites, for the purpose of their qualification, ZTE ITALIA will take into consideration requisites such as: reputation and reliability, also from a point of view of availability - suitable documented - of means, including financial means, organisational structures, skills and project resources, expertise etc.

#### *3.3.2 Style of conduct in relations with the suppliers*

The purchase processes are based on searching for top value for the company and the granting of equal opportunities for each supplier; also, they are founded on pre-contractual and contractual conduct regarding essential and reciprocal loyalty, transparency and cooperation.

In all cases, in the hypothesis that the supplier adopts any conduct not in line with the general principles of this code while carrying out its activities, ZTE ITALIA is authorised to take suitable provisions to the point of excluding any further opportunities for collaboration.

Company suppliers must guarantee that all forms of production are carried out using processes that protect the workers' health adequately and suitably for the production processes actually used.

Suppliers are also obliged to send this code to its own subcontractors, so that the latter can issue a declaration of acceptance and observance of the principles contained in the code itself.

As part of supplier relations, the Recipients must:



- set up efficient, transparent and collaborative relations, maintaining an open, frank dialogue in line with the best commercial practices;
- Obtain the collaboration of suppliers for constantly ensuring the most worthwhile ratio between quality, cost and delivery times;
- Demand application of the terms provided for in the contract;
- Work within the framework of current law and request that it is carefully observed.

In particular, stipulating a contract with a supplier must always be based on extremely transparent relations, avoiding any forms of dependency wherever possible. Thus, for example purposes only, it is not considered correct to induce a supplier to stipulate a contract that is not favourable for themselves, allowing themselves to think about a later, more advantageous contract.

To guarantee maximum transparency and efficiency in the purchase process, all the documentation supporting the choices made in the purchase and supply contracts is duly archived.

### **3.4 Relations with consultant and other collaborators**

Given the general principles ratified regarding relations with suppliers (including selection activities), in the realm of relations with consultants and other collaborators, the recipients must:

- Carefully evaluate the opportunity of using consultants' and collaborators' services and select counterparts with suitable professional qualification and reputation;
- set up efficient, transparent and collaborative relations, maintaining an open, frank dialogue in line with the best commercial practices;
- Obtain cooperation from consultants and collaborators for constantly ensuring the most worthwhile ration between quality and cost of the service;
- demand application of the terms provided for in the contract;
- Work within the framework of current law and request that it is carefully observed.

## **4 RELATIONS WITH THE PUBLIC ADMINISTRATION**

### **4.1 Being party to the assumption of commitments**

The taking on of commitments and managing relations of any kind with the Public Administration, in the widest sense, including Public Administrations in foreign countries, and all those subjects that can be qualified on the basis of current legislation and current doctrinal and legal interpretations, including public officials, subjects appointed to public services and private bodies appointed to public services, as well as private subjects subjected to public law, are reserved exclusively for company departments and authorised personal appointed, in strict observance of current legal provisions and applicable regulations.

## **4.2 Ethical rules of conduct**

To prevent integrity and reputation of the company from being compromised, it is necessary for contacts with the Public Administration to be monitored and documented.

Regarding exponents of the Public Administration:

- No corruption, active or passive, or collusive conduct of any kind or in any form is permitted:
  - When requesting and managing permits, licences and/or authorisations for carrying out company activities,
  - During verification and inspection.
  - During report writing of any kind,
  - In the stipulation of any commercial transaction;
- Offering money or benefits of any kind or carrying out deeds of commercial courtesy (also in countries where the donation of gifts/benefits is a widespread practice) is not permitted, except when benefits of a modest value and donated in observance of company procedures and, however, after express authorisation from company bodies or competent company exponents, and in such a way that they cannot in any way be interpreted as a means for influencing them in carrying out their duties (for them to act in a certain way, or to not act in a certain way), to receive illegal favours and/or to obtain undue advantage.

Concerning relations with judicial authorities, recipients must be inspired by principles of sincerity and correctness. Then inducement of any subject using violence, threats or with the offer or promise of money or other benefits, to not make declarations or to make untruthful declarations to judicial authorities is considered a violation of the law, and of the herein Code.

## **5 RELATIONS WITH OTHER INTERLOCUTORS**

### **5.1 Partners, Control Bodies and Supervisory Body**

The company undertakes to provide partners with accurate, truthful and prompt information for improving the conditions of participation in making company decisions, in full observance of the current legislation and articles of association.

In relations with trade unions and auditors, as well as with the member of the Supervisory Body appointed pursuant to the Legislative Decree no. 231/2001 the subjects involved must uphold maximum transparency, clarity and correctness in order to establish a professional, collaborative relationship; relations are established and information is provided after supervision and coordination by the company departments appointed.



## **5.2 Category associations, trade unions and political parties**

ZTE ITALIA does not in any way contribute to the funding of parties, movements, committees and political and trade union organisations or their representatives or candidates.

It abstains from conduct aimed at placing pressure, direct or indirect, on political exponents.

The company can cooperate, even with funding, with non-political associations for specific projects, in accordance with the following criteria:

- Purposes connected with company activities;
- Clear, documentable allocation of resources;
- Express authorisation from the appointed departments for managing relations inside the company.

## **6 DONATION/ACCEPTANCE OF GIFTS AND OTHER BENEFITS**

Acts of commercial courtesy is allowed on the condition that they are of a modest value or such as they will not compromise the integrity or reputation of one of the parties, or such that they can be interpreted by an impartial observer as aimed at acquiring undue and/or improper advantages.

The employee who receives gifts or other benefits of a non-modest value and not in line with the rule above - regardless of their own will - must promptly inform the company in writing and behave in accordance with what is established by internal provisions regarding free gifts and gifts.

Recipients cannot donate free gifts, payments or sponsorships whenever the amount and/or the beneficiary do not correspond to what is stated and authorised according to the system of powers and proxies existing in the company and based on the indications provided in company procedures.

With regard to relations with the Public Administration, on the other hand, please refer to the contents of section 4.2.

## **7 ADMINISTRATIVE AND ACCOUNTING MANAGEMENT**

ZTE ITALIA observes the laws and in particular the regulations applicable to drawing up balance sheets and any type of mandatory administrative-accounting documentation.

Accounts entries must be kept accurately, completely and promptly, in observance of company accounting procedures, in order to achieve a truthful representation of the financial/economic situation and management activities.

All ZTE ITALIA actions and operations, therefore, must be correctly recorded, authorised, legal, consistent and accurate.



Accounting is based on the principles of general acceptance and systematically monitors events deriving from management of the company.

For this purpose, all company departments must ensure maximum collaboration, so that management deeds are promptly and correctly represented in company accounts, ensuring completeness and clarity of the information provided, as well as correctness and accuracy in processing data.

The auditor must have free access to data, documents and information required for carrying out his/her activities. It is prohibited to prevent or hinder the carrying out of control or auditing activities legally attributed to the partner, to other corporate bodies or to the Auditor.

## **8 DILIGENCE IN THE USE OF COMPANY RESOURCES**

The recipients must work with required, necessary diligence to protect company resources, avoiding any improper use that may cause damage or a reduction in efficiency or may be in contrast with ZTE ITALIA's interest.

For the purpose of this principle, company resources are intended as:

- Capital goods and consumables owned by ZTE ITALIA;
- assets owned by third parties obtained as a concession, gratuitous loan, lease or use;
- Digital applications and devices for which company security policies must be strictly observed, to avoid compromising function, processing capacity and data integrity.

The use of company resources (e.g. premises and equipment) is not allowed for personal use and interest of any kind.

Any use of company resources that is in contrast with current laws in force is prohibited, although an interest or advantage for the company may abstractedly derive from said use (e.g. conduct in violation of copyright, such as unauthorised duplication of software).

## **9 PROTECTING DIGITAL TOOLS**

The Recipients must strictly abide by company procedures and policies on digital security and must use company resources - such as personal computers, telephones and other communication tools - in compliance with the above procedures and policies, avoiding any conduct that may compromise the function and protection of the company computer system.

Altering the functioning of a company computer system or of data or information contained therein is not permitted in any way.

## **10 HUMAN RESOURCE MANAGEMENT POLICY**



### **10.1 Selecting personnel and hiring**

Staff to be hired are evaluated out according to whether applicants' profiles correspond to company expectations and needs, while complying with equal opportunity requirements for all interested subjects and respecting meritocracy.

The information requested is closely connected to checking the aspects foreseen in the professional and psychological profiles, while respecting the applicants' private sphere and opinions.

The department in charge of selection, within the limits of information available, adopts suitable measures to avoid favouritism, nepotism or kinds of clientelism during the selection and hiring phases. The staff in charge of selections must declare if there are any relatives, blood relatives or people with whom they have or have had working or personal relationships with among the applicants.

### **10.2 Employment contract**

Staff are hired with regular contract of employment; no form of illegal work, child, forced or compulsory work is tolerated, and any form of physical, psychological or mobbing violence is prohibited. At the start of the employment contract, each worker receives accurate information about:

- characteristics of his position and the duties to be carried out;
- Legislative and remunerative elements, as governed by the national collective employment contract;
- Rules and procedures to be adopted in order to avoid the possible risks for health associated with work.

This information is provided to the worker so that his acceptance of the position is based on actual understanding.

Any investigation of the workers' ideas, preferences, personal tastes and private life in general is forbidden.

In the context of employment relations and in relations with all third parties, the Company prohibits any form of discrimination based on age, racial or ethnic origin, nationality, political opinions, religious beliefs, sex, sexuality or the state of health of its interlocutors.

Handling of personal data must be carried out in compliance with the relevant legislation and be always preceded by the interested party's express consent, provided after being given specific information and in application of the current legislation in force.

### **10.3 Protection of health and safety in the workplace**

ZTE ITALIA undertakes to spread and consolidate a culture of safety, developing the awareness of risks and knowledge and observance of current legislation on prevention and protection, promoting and demanding responsible conduct by all Recipients - and by contractors in the



relative realms of competence - and working to maintain and improve work, health and safety conditions for workers, especially through preventive actions.

The basic principles and criteria that guide ZTE ITALIA's decisions on health are safety in the workplace are as follows:

- Avoid risks;
- Evaluate the risks that cannot be avoided and combat them at source;
- Adapt the work to the person, in particular for creating the job and choosing the working equipment and methods, to minimise monotonous, repetitive work and to reduce effects on health;
- bear in mind the evolution rate of technology;
- Replace anything dangerous with what is not or that is less so;
- Plan prevention, aiming at consistent set that involves technique, work organisation, working conditions, social relations and the influence of work environment factors;
- Give sufficient instructions to workers;
- ensure healthy and safe working conditions for all those who, for whatever reason, work for or under the control of ZTE ITALIA.

The company undertakes to guarantee safeguarding of working conditions in order to protect the worker's mental and physical health and in observance of his personal morality, preventing him from suffering illegal conditioning or undue problems.

## **11 DIFFUSION AND UPDATING THE CODE OF ETHICS**

ZTE ITALIA undertakes to favour and guarantee suitable knowledge of the Code of Ethics, spreading it to the recipients through specific, efficient and adequate information and communication.

It is stated in particular that the herein Code of Ethics will be published on the company website. In order to ensure the correct understanding of this Code for all recipients, the HR department works to diffuse its contents and knowledge, and full understanding of the principles and ethical rules contained herein.

ZTE ITALIA also undertakes to update the content if needs dictated by a change in context, legislation, the environment or company organisation make it suitable and necessary.

## **12 SUPERVISION OF APPLICATION OF THE CODE OF CONDUCT**

The company identifies the Supervisory Body as the body institutionally in charge of monitoring and supervising observance of the Code of Ethics.

Each company department supervises the conduct of subjects that have relations with ZTE ITALIA and the organisation of ZTE ITALIA, so that the Code of Ethics is respected, reporting any violation and/or making provisions depending on the various responsibilities.

In particular, the Supervisory Body has the task of:

- Monitoring initiatives for knowing and understanding the code;
- Supervising the actual application of the code, with the support of competent company functions, checking consistency of actual conduct of individuals and the principles, rules and general standards of conduct that the document provides for;
- Suggesting any changes, updates and addition for revision of the code;
- Receiving and analysing any reports of violation of the code;
- Drawing up proposals about the adoption of any sanctions in the event of verified violations of the Code of Ethics;
- Providing any clarification regarding the interpretation or application of the Code of Ethics.

### **13. WHISTLEBLOWING SCHEME**

The HR Director of the Company is available to receive any report of any violation or suspicion of violation of the Code of Ethics. The HR Director will immediately inform the Supervisory Body ex D.Lgs. 231/2001.

According to Law no. 179/2017 (which introduced the whistleblowing scheme into the regulation provided by Legislative Decree no. 231/2001), ZTE ITALIA set up two additional information channels suitable for ensuring the confidentiality of the identity of the whistleblower which reports conducts which are in violation of the Legislative Decree no. 231/2001. The Company, in order to make it easier and easier the performing of reports of violation of the behavioural rules, provides that the above-mentioned channels might be used also for the reporting of violations of the Code of Ethics. Such reports might therefore be filed by electronic mail or by traditional mail to the Chairman of the Supervisory Board, to the addresses indicated on the Company's website.

Reports must be precise and described in detail and traceable to a defined event or area. The Supervisory Body guarantees confidentiality for anyone reporting matters in order to avoid any type of retaliation, discrimination or penalisation.

The Supervisory Body evaluates the reports received with discretion and responsibility, investigating and also listening to the person making the report and/or the person responsible for the assumed violation, providing in writing a reason for any autonomous decision to not proceed.

### **13 CONSEQUENCES OF VIOLATING THE CODE OF ETHICS**

Observance of the rules of the Code of Ethics must be considered as an essential part of employees' contractual obligations pursuant to and in accordance with the applicable legislation. Violations of the Code of Ethics can constitute a breach of the primary obligations of the employment contract or disciplinary offence, with all consequences of law, also regarding the maintaining of the employment contract, and may give rise to compensation for damage caused.



The company undertakes to provide for and pronounce a penalty with consistency, impartiality and uniformity that are proportional to the respective violations of the Code of Ethics and compliant with current provisions for the governance of employment contracts.

For all other recipients that the company has contractual relations with, violations of code of conduct rules can constitute a breach of contractual obligations, with all legal consequences, also regarding the termination of the contract and/or the appointment and can give rise to compensation for damage caused.

The Supervisory Body shall be promptly informed of any violation or disregard of the Code of Ethics.