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# **ZTT Compliance Rules on Cash Payment**

## **CHAPTER I. General Provisions**

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Payments. However, in the event that the Company and Subsidiaries may conduct business with unreliable local banking sectors and financial institutions in certain countries and areas, small cash payment is allowed for purchase of local project equipment and materials, office supplies, and payment of wages to local employees in such countries or areas, except that any Facilitation Payments are generally prohibited (The definitions and related provisions of the Facilitation Payments are provided in Articles 10 to 13 of these Rules ). While not prohibited *per se*, since Cash Payments present high compliance-related risk, the Company and Subsidiaries must take strict and effective precautions before engaging in any Cash Payments.

**Article 7.** The Company and Subsidiaries shall have detailed financial controls for authorizing and documenting Cash Payments. These financial controls shall, at the least:

1. The cashier shall only make the Cash Payment upon the approval by the supervisor of business unit, supervisor of financial unit, and general manager or other authorized person for the report signed and submitted by the direct responsible person;
2. Maintain contemporaneous written documentation of each Cash Payment made;
3. Establish and improve cash accounting system, where each cash payment and balance shall be recorded;
4. Arrange Employees other than cashier, to inspect the cash reserves at least monthly regarding the conformity between cash reserves and accounts, filling inspection record, and to report to supervisor of financial unit when discovering problems.

**Article 8.** In addition to those rules and controls, the Rules on Cash Payment set out the ethical and compliance-related principles that should guide all Cash Payments. The following key principles apply to all Cash Payments:

1. All Cash Payments shall be made in accordance with the following principles:

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internal purchase order, proof of the goods or services being purchased or the salaries being paid, or other internal supporting documentation. As a general rule, Employees may not make a Cash Payment without obtaining such documentation (see Article 8 and Annex 1 Cash Payment Management Chart for more information).

4. Given the particular concerns in this area, the Company will have zero tolerance for inappropriate use of Cash Payments. When making a Cash Payment, Employees must use caution to ensure that all relevant policies and rules are being carefully followed. Any Employee found to have made a Cash Payment in a manner that is inconsistent with the principles described herein will be appropriately disciplined

**Article 9.** In very limited situations, a receipt, invoice or internal purchase order or other internal supporting documents may not be available. In such circumstances, the Employee is permitted to make a Cash Payment only if the following conditions are met:

1. The amount does not exceed ¥500 equivalent;
2. The Cash Payment is immediately (within one business day) reported to the local appropriate compliance officer using the Cash Payment Reporting Form (Annex 2). The Employee making the payment must document the amount of the payment, the recipient, and the reason that a receipt, invoice or internal purchase order or other internal supporting documents was not obtained.

It will be the responsibility of the Compliance Standard Department of the Company to record payments made that were not documented with a receipt or invoice using the Cash Payment Log (Annex 3), and Appropriate Compliance Department shall report to the Compliance Standard Department of the Company on a monthly basis regarding payments made that were not documented with a receipt or invoice using the Cash Payment Log (Annex 3).

### **CHAPTER III. FACILITATION PAYMENTS**

**Article 10.** Facilitation Payments are small payments made to public official who is responsible but has non-discretionary authority for the routine official approval, to secure or expedite such routine official approval, such as: *payments to customs officials to accelerate the process of goods inspection or clearance, payments to officials of the company registration authority to accelerate company registration or permits issuance, payments to officials of the immigration authority to expedite the Visa approval, or payment to officials of the transportation authority to avoid or*

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*reduce fines and other expenses.*

**Article 11.** In principle, the Company and subsidiaries are strictly prohibited from paying Facilitation Payments in any form, including cash, cash equivalents, bank transfers, or in kind, unless:

(1) The law of the host country allows such payments; or

(2) The personal health, freedom, and safety of the employee are under imminent threat and the Facilitation Payments could not be reasonably avoided under such circumstances; or

(3) Facilitation Payments are expressly permitted by other applicable international conventions, official documents of international organizations, and no corruption, fraud, collusion, coercion, obstruction or other improper conducts are involved in the payments.

**Article 12.** Even if the Facilitation Payments are allowed, the employee who makes such payment should truthfully fill out the Facilitation Payments Approval (or Filing) Form (Annex 4) prior to or after the payment (in case the pre-approval prior to the payment is indeed impossible), and submit it to the Appropriate Compliance Department and the Financial Department. The Facilitation Payments Approval (or Filing) Form shall include

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Compliance Guidelines, ZTT Compliance Rules on Gifts and Hospitality, ZTT Compliance Rules on Donations and Sponsorship, and ZTT Compliance Rules on Third Party Due Diligence, and whether reasonable measures can be taken to avoid or limit the Cash Payments or Facilitation Payments.

**Article 16.** The Appropriate Compliance Department, in coordination with internal and external audit where necessary, *must* prepare a plan periodically and *must* utilize a risk-based approach to determine the location and frequency of the audits to ensure that the Rules and regulations, the management process and implementation effect regarding Cash Payment in the Company or Subsidiaries comply with the applied laws and compliance policies.

**Article 17.** Each audit will be accompanied by a report detailing any failures observed. Such reports will be maintained by the Appropriate Compliance Department and shared with the Compliance Standard Department of the Company upon its request.

## **CHAPTER V. DISCIPLINE**

**Article 18.** Failure to comply with the Rules will be grounds for disciplinary action, up to and including termination of employment, consistent with the :

**Article 19.** Employees and third parties who violate the anti-corruption laws and relevant regulations may face prosecution by the investigating agency, and may result in fines and/or imprisonment.

## **CHAPTER VI. SUPPLEMENTARY PROVISIONS**

**Article 20.** Any questions concerning the Rules should be addressed to the appropriate compliance department.

**Article 21.** The Compliance Standard Department, on behalf of the Company, exercises the supervision on the implementation of this Rules in its departments, and it has the ultimate right to instruct and interpret the implementation of this Rules.

## **ANNEXES**

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Annex 1: Cash Payment Management Chart

Annex 2: Cash Payment Reporting Form

Annex 3: Cash Payment Log

Annex 4: Facilitation Payments Approval (Filing) Form

Annex 1: Cash Payment Management Chart



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**Annex 2: Cash Payment Reporting Form**

|                      |  |
|----------------------|--|
| Reporting Employee   |  |
| Employee Position    |  |
| Company & Department |  |
| Date of Report       |  |

|                                                                    |  |
|--------------------------------------------------------------------|--|
| Recipient of Payment                                               |  |
| Services or goods provided (or salary paid if applicable) and uses |  |
| Reasons for Cash Payment                                           |  |
| Currency                                                           |  |
| Amount                                                             |  |
| Converted to RMB Amount                                            |  |
| Explanation for Lack of Supporting Documentation                   |  |

|                                                             |                                                                                                                                              |
|-------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| Reporting Employee:<br>Position:<br>Company/Dept.:<br>Date: | Supervisor of Business Unit:<br>Supervisor of Financial Unit:<br>General Manager<br>Date:<br><br>Appropriate Compliance Department:<br>Date: |
|-------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|



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#### **Annex 4: Facilitation Payments Approval (Filing) Form**

|                           |  |
|---------------------------|--|
| Applicant (Filing Person) |  |
| Position                  |  |
| Department                |  |

|                                                                                                                              |  |
|------------------------------------------------------------------------------------------------------------------------------|--|
| The Recipient of Facility Payments                                                                                           |  |
| The Reasons of Facility Payments                                                                                             |  |
| The Purpose of Facility Payments                                                                                             |  |
| The Location of Facility Payments                                                                                            |  |
| The Payment Method of Facility Payments                                                                                      |  |
| The Currency of Facility Payments                                                                                            |  |
| The Amount of Facility Payments                                                                                              |  |
| Amount in RMB (if applicable)                                                                                                |  |
| Explanation of the reason why the application cannot be submitted prior to the Facilitation Payment was made (if applicable) |  |

|                                                                              |  |
|------------------------------------------------------------------------------|--|
| Explanation of missing supporting documents such as receipts (if applicable) |  |
|------------------------------------------------------------------------------|--|

|                                         |                                    |       |
|-----------------------------------------|------------------------------------|-------|
| Applicant (Filing Person)<br>Signature: | Appropriate Compliance Department: | Date: |
| Date:                                   | Supervisor of Financial Unit:      | Date: |