

ZTE Corporation
Conflict Minerals Report 2021/22

2022.7

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Introduction

Founded in 1985, ZTE Corporation (“ZTE”) is a global leader in telecommunications and information technology committed to sourcing responsibly and respects human rights in accordance with international conventions and practices. With a vision of balanced, sustainable development in the social, environmental and economic arenas, the company promotes freedom of communication around the world. ZTE does not tolerate any activity that fuels conflict or violates human rights. ZTE conducted due diligence within supply chain to determine whether the necessary conflict minerals (gold, tantalum, tin, tungsten and cobalt) in our own products originated from conflict areas of the Democratic Republic of Congo and adjoining countries, as known as the Covered Countries include Central Africa Republic, Sudan, South Sudan, Zambia, Angola, the Republic of the Congo, Tanzania, Burundi, Rwanda, and Uganda, or illegally taxed on trade routes, either of which is controlled by non-governmental military groups, or unlawful military factions. For many years, ZTE has been able to make substantial progress towards ensuring responsibly sourced minerals, for more information, please visit [ZTE Conflict Minerals Management](#).

ZTE is committed to respect human rights and the environment in accordance with all accepted international conventions and practices, such as those of the UN Global Compact etc. We want to ensure that all materials used in our products come from socially and environmentally responsible sources. We won't tolerate any kind of participation, trigger conflict, leading to negative environmental effect or human rights violations. ZTE has been contributing to work internally in the company and externally with suppliers, peer companies, industry associations and global officials to help fight mineral resource conflicts.

ZTE is not subjected to the SEC Conflict Minerals rule since the company is not listed on New York Stock Exchange. To ensure the accuracy and professionalism, ZTE Conflict Minerals Report 2021/2022 is prepared with reference to the Rule 13p-1 under the Securities Exchange Act of 1934 (“Rule 13p-1”). This ruling is also known as Dodd-Frank or SEC 1502.

Reporting Period

ZTE publishes its Conflict Minerals Report on a yearly basis, ZTE began to issue the Conflict Minerals Report since 2020, this is the third report.

This report covers activities related to conflict minerals from August 1st 2021 to July 31th 2022.

Glossary

RCOI – Responsible Country of Origin Inquiry (Survey / Ask)

3TG – Tin, Tantalum, Tungsten & Gold

Co – Cobalt

DRC – Democratic Republic of the Congo
CC – Covered Countries (also known as the adjoining countries of the DRC)
SORs – Smelters or Refiners
CMRT – Conflict Minerals Reporting Template
CRT – Cobalt Reporting Template
OECD – Organization for the Economic Cooperation and Development
RMAP – Responsible Minerals Assurance Process
RMI – Responsible Minerals Initiative
LBMA – London Bullion Market Association
RJC – Responsible Jewelry Council
CEO – Chief Executive Officer
CQO – Chief Quality Officer
COO – Chief Operating Officer
RBA – Responsible Business Alliance
DDMS – Due Diligence Management System
SEC – (U.S.) Securities and Exchange Commission
GESI – Global e-Sustainability Initiative
ESG – Environment, Social and Governance
MSCI – Morgan Stanley Capital International Index
CAPs – Corrective Action Plan
CCCMC – China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters
RCS – Responsible Commodity Sourcing
CAICT – China Academy of Information and Communications Technology
RBI – Responsible Battery Initiative
RCI – Responsible Cobalt Initiative

Reasonable Country of Origin Inquiry (RCOI)

We found that small quantities of the five metals (3TG+Co) are present in parts and components used to manufacture products in our business through the material content analysis. ZTE conducted a RCOI to determine whether the necessary conflict minerals in our own products originated from the DRC or the CC. One of the principal methods to confirm the country of origin is the use of CMRT / CRT created by the RMI, a supply chain survey designed to identify the SORs, which is widely used by industry. The collected SORs list was compared to the list of RMAP to confirm whether they are validated as conflict free. The RMAP has agreed on mutual cross-recognition of gold refiner audits with LBMA and RJC are reflected in the RMI list of validated SORs.

<http://www.conflictreesourcing.org/conflict-free-smelter-refiner-lists/>

ZTE will turn to other forms of due diligence like direct contact with SORs using other assessment tools if the country of origin cannot be confirmed by the method mentioned above. For detailed result of RCOI, please refer to the section of “ZTE Due Diligence Measures Undertaken and Results in 2021/22”

in this Report.

Based on our RCOI, we found the possibility that the necessary conflict minerals contained in our products may come from the DRC or the CC. As a consequence, we established our own Conflict Minerals Program with reference to the five-step framework set forth in the OECD Due Diligence to determine whether the necessary conflict minerals utilized in our products were “conflict free.”

Conflict Minerals Program Design

ZTE designed and developed due diligence program of conflict minerals to monitor and determine conflict minerals risks, and to better help avoid contributing to responsible mineral conflicts. ZTE supports and recognizes SORs that have passed RMAP certification. ZTE conducts research and inspections on all suppliers, as for high-risk suppliers, ZTE conducts prioritized investigation with tracking; ZTE then evaluates the rationality of their mineral procurement practices effectiveness. ZTE’s due diligence program of conflict minerals is based on internationally recognized due diligence framework of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High-Risk Areas, to ensure accuracy and legitimacy. ZTE is committed to provide the most truthful and accurate due diligence program for conflict minerals possible.

Below is an introduction of ZTE due diligence program of conflict minerals’ 5-Step OECD Framework:

1. Develop and strengthen management systems

Design supply chain policies to strengthen the management structure, build internal management team to lead and monitor performance, develop management systems to help identify and manage risks, cooperate with suppliers to better understand their risks and set up plans to assist suppliers, introduce grievance mechanism and anti-bribery policies to insure transparency.

2. Determine and manage risks in the supply chain

Research and identify the SORs in the supply chain, determine and establish the scope of the risk assessment of the mineral supply chain. Evaluate the due diligence completion rate of the SORs to determine the risks of the SORs.

3. Responding to identified risks

Identified risks will be confirmed by the team and reported to senior-level management, management will set up meetings and conclude risk management plans and establish taskforce to implement the plans. If the supplier cannot provide effective and credible risk assessment and management policy evidence, it must accept a comprehensive third-party audit. If the supplier fails to conduct a comprehensive third-party audit as

recommended or refuses to improve or does not cooperate with the improvement, the company will terminate the contract in accordance with internal policies.

4. Carry out independent 3rd party audits of SORs' due diligence practices

Engage the independent 3rd party to audit SOR's due diligence report. Establish third-party audit procedures and tools to encourage suppliers to improve their own mineral tracking.

5. Publish and report due diligence

Due diligence and related disclosures will be published within ZTE Sustainability Report or independently as publicly available information.

Description of Conflict Minerals Program Performed

1. ZTE Conflict Minerals Management Systems

Overview

ZTE has policies and guidelines in place to demonstrate our commitment to respect human rights and the environment, stipulate the conflict minerals management procedures. The Policy on Conflict Minerals Management is in line with industry and internationally accepted principles, including the United Nations Global Compact. Policy on Conflict Minerals Management is publicly available on our website:

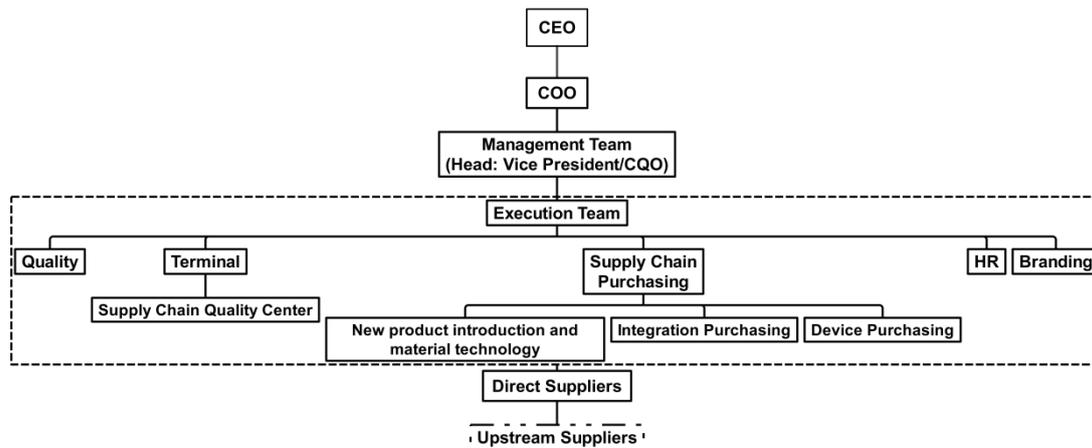
https://res-www.zte.com.cn/mediares/zte/Files/PDF/white_book/20180820CTKC.pdf?la=zh-

We also established the Conflict Minerals Management Standard to facilitate the implementation of the Policy on Conflict Minerals Management. The roles and responsibilities of management and relevant departments are clearly listed in the Conflict Minerals Management Standard. It also outlines ZTE's requirements on suppliers on the sourcing of conflict minerals and ZTE conflict minerals due diligence procedures. In 2022, ZTE reviewed and renewed all the management policies relating to conflict minerals, amended the Conflict Minerals Management Standard, updated the names, corresponding responsibilities and management process of some posts, and further enhanced the comprehensiveness of the Conflict Minerals Management Standard with reference to the feedback from different stakeholders and internationally recognized industry standards.

Governance

ZTE's conflict minerals management is guided by the management team headed by our Vice President/CQO, with the execution team consisting of appointed representatives from different departments, including quality, terminal, supply chain purchasing, human resources, and branding

departments. The management team is responsible for the overall management and implementation of the Standard to ensure the applicability, transparency, and effectiveness of the Standard to monitor the risk over the conflict minerals of our supply chain. The management team conducts regular review on the performance indicators and reports to the senior management, our CEO and COO. The execution team, equipped with relevant competence and experience, are responsible for coordinate with stakeholders on executing the Conflict Minerals Management Approach as outlined in our Standard, including the annual Conflict Minerals Risk Assessment. The conflict minerals risk and/or opportunities identified will be reported to our senior management in timely manner through the management team, so that our senior management can formulate corporate strategies related to conflict minerals.



Supplier Requirement and Engagement

ZTE aims to build long-term relationships with its suppliers by constantly communicating with suppliers on its expectations and driving improvements through the provision of support and capability building activities.

ZTE requires all relevant suppliers to guarantee that all materials are procured from environmentally and socially responsible sources. Requirements and specifications related to conflict minerals are incorporated in either the supplier contracts or Declaration of Metal Conflict-Free. All suppliers are required to sign either Declaration of Metal Conflict-Free or supply assurance contracts with terms and conditions incorporated to commit and comply to our policies and requirements on conflict minerals. The requirements include the submission of CMRT or CRT, and participation in related training and due diligence activities every year.

To support and build capabilities of suppliers on conflict minerals management, ZTE also provides both online and offline conflict-free minerals training programs for suppliers. Existing suppliers of ZTE are encouraged to contact ZTE sourcing team if they wish to seek additional guidance and assistance on conflict minerals management.

ZTE encourages and welcomes suppliers and external parties to report any

problems,

concerns or violations relating to our conflict minerals program through our official grievance mechanism. The contact details are as follows:

Email: complianceaudit@zte.com.cn

Hotline: 400-830-8330 / +86 0755 26771706

Online: <https://www.zte.com.cn/global/whistleblowing/report>

2.Risk Identification and Assessment in Supply Chain

ZTE does not purchase or procure raw or refined minerals directly from SORs, which means there're many complex risks in ensuring a conflict-free supply chain. The OECD guidance also recognizes that it's quite difficult for downstream companies to identify upstream suppliers. Nevertheless, ZTE tried its best to fulfill conflict-free supply chain.

In 2022, we amended the Guide to Supplier Conflict Mineral Risk Management by renewing its scope of application, the names and responsibilities of some posts, and the scoring standards for the adequacy of competition among suppliers. We also modified the Guide to Conflict Mineral Investigations by renewing the scope of relevant suppliers and the names and responsibilities of some posts, for a clearer identification of the suppliers' conflict minerals risks. In addition, we updated the CMRT/CRT to the latest version by referring to the official website of RMI, based on which two other tools (Supplier Conflict Minerals Management Questionnaire and Supplier Conflict Minerals Risk Assessment Tool) were designed to further comprehend the conflict mineral management of relevant suppliers.

ZTE conducts the annual conflict minerals survey using CMRT / CRT and Supplier Conflict Minerals Management Questionnaire, requesting information from our direct suppliers to identify the SORs they purchased with, and to report their management performance on conflict minerals. The scope of direct suppliers which involved in the supply chain inquiry is determined by our material research and design department.

After receiving the response, we will consolidate the supplier survey responses for 3TG and cobalt according to the type of conflict minerals used and compare the results with the RMI known SOR lists and the RMAP or other external sources to verify SORs, country of origin, and their conflict-free status.

Another self-developed Supplier Conflict Minerals Risk Assessment Tool is applied to assess the risk level of the surveyed suppliers. In 2021, we improved the computing process of the tool by adding the function of automatic summarization, to further enhance its assessment accuracy. This Tool considers overall conflict minerals risk of suppliers from two dimensions, namely the influence of suppliers on ZTE's operation and the risk of their own conflict minerals management. Supplier's spend, replacement, compliance

history, conflict minerals management performance, location, and the location of related SORs are all be considered as impact factors for risk evaluation. In particular, risk of SORs and supplier's location is assessed with reference to the internationally recognized resources recommended by the RMI, including Heidelberg Conflict Barometer, Control Risk Worldmap and INFORM Worldmap. Suppliers' overall risk levels will be classified into three categories: high, medium and low with the use of risk matrix.

Records related to the conflict minerals program will be maintained at our database for at least five years.

3.Management Strategies on Identified Risk with Suppliers

As a responsible company, ZTE will not terminate business relationship with the high-risk suppliers identified immediately. Instead, we actively collaborate with suppliers to optimize their management on conflict minerals through different risk mitigation measures according to their levels of conflict minerals risk.

For all suppliers, ZTE provides annual training programs on enhancing their conflict minerals management. In May 2022, we held a conflict minerals supplier meeting on conflict minerals issues for 82 suppliers (110 people in total), including the background of conflict minerals, introduction to the management regulations on conflict minerals, ZTE's management requirements on conflict minerals, matters requiring cooperation from suppliers, etc., are discussed.

In addition, we uploaded bilingual training courses on conflict minerals covering the definition and background of conflict minerals, management regulations on conflict minerals, introduction to standards, ZTE's management requirements on conflict minerals and main matters requiring cooperation from suppliers on suppliers' websites. All registered suppliers can have access to such courses.. We encourage our suppliers to formulate a Conflict Minerals Free Policy to regulate their sourcing activities. And suppliers are required to ensure the upstream smelters and refiners have obtained valid conflict-free third-party certification and send the relevant proof to ZTE as part of the risk mitigation plan.

For medium and high-risk suppliers, ZTE provides specialized conflict minerals management training programs based on the improvement area of the suppliers. These aim to provide suppliers with resources and knowledge to establish necessary conflict minerals management procedures and documents. We maintain on-going communication with the medium and high-risk suppliers to review the effectiveness of the new management procedures until the overall risk level is reduced to low.

In addition, as a member of RBA and GeSI, ZTE will audit the management performance of conflict minerals for all suppliers at risk. The qualified internal audit teams conduct audits in accordance with the audit requirement of Downstream Assessment Program of RMAP. The audit forms include on-site

specialized audit and integrated audit. Assessment factors include company management, risk assessment, risk mitigation and SORs due diligence throughout their conflict minerals supply chain. In the last part of the audit, we will summarize the findings and provide corresponding corrective measures to strengthen supplier's conflict minerals management. In 2022, ZTE conducted specialized audit on conflict minerals for 10 suppliers at high risk, implementing online audit for 8 of them (affected by the epidemic) and on-site audit for the other 2, and issue rectification projects and provide guidance to suppliers based on the findings of the audit. The conducted rectification projects including amendment on suppliers' conflict minerals procedure documents, modification of suppliers' risk management and control measures on conflict minerals, revision of suppliers' due diligence process for conflict minerals and rectification of suppliers' module audit contents of conflict minerals, etc., , in order to foster their management ability of conflict minerals and continue to improve their management, for the elimination of risks of conflict minerals.

Furthermore, we ask suppliers to report their rectification measures for disqualified items within 2 weeks. The validation of rectification measures is usually included in the next specialized audit for suppliers. If the supplier does not cooperate or can't meet our requirements after rectification, necessary penalties will be imposed which ultimately may lead to the termination of business partnership. In 2021/22, ZTE did not cancel its collaboration with any of its suppliers for the reason of conflict minerals.

4.Independent Third-party Certification of Supply Chain Due Diligence

Although we have no direct relationship with upstream SORs, we understand the importance of the third-party conflict-free verification at the smelter or refinery level in the supply chain for downstream enterprises. We require all our direct suppliers to provide detailed list of upstream SORs used through supply chain due diligence. We compare the list against the validated smelters and refiners lists of RMAP or other external sources to confirm whether these SORs are validated as conflict-free.

Besides that, we renewed the Guide to Third-Party Audit on Conflict Mineral by amending the application scope of the standards in Section 2 "Overview" and some position names and job responsibilities in Section 4 "4 Responsibilities", to better guide our direct suppliers and their upstream SORs to obtain effective third-party certification. The Guidance provides detailed procedures on how to perform effective third-party audits, such as the qualifications of auditors, pre and post audit procedures, and required third-party audit documentations.

5.Report on Supply Chain Due Diligence

The summary of our policies and efforts on supply chain due diligence is disclosed annually and accessible on our Corporation Sustainability Report in addition to this Report.

ZTE Corporation Sustainability Report is available on the company website at:

<https://www.zte.com.cn/global/about/citizenship/CSR-Reports>

A list of all identified conflict minerals smelters and refiners and their third-party certification status is available for our business partners and investors upon requests.

The content of any website referred to in this Report is included for general information only and is not incorporated by reference in this Report.

ZTE Due Diligence Measures Undertaken and Results in 2021/22

The scope of direct suppliers which involved in the supply chain inquiry is determined by our material research and design department. Suppliers being phased-out and products sourced from third parties and subsequently resold by ZTE without influence over the manufacturing or design of such products were not in scope.

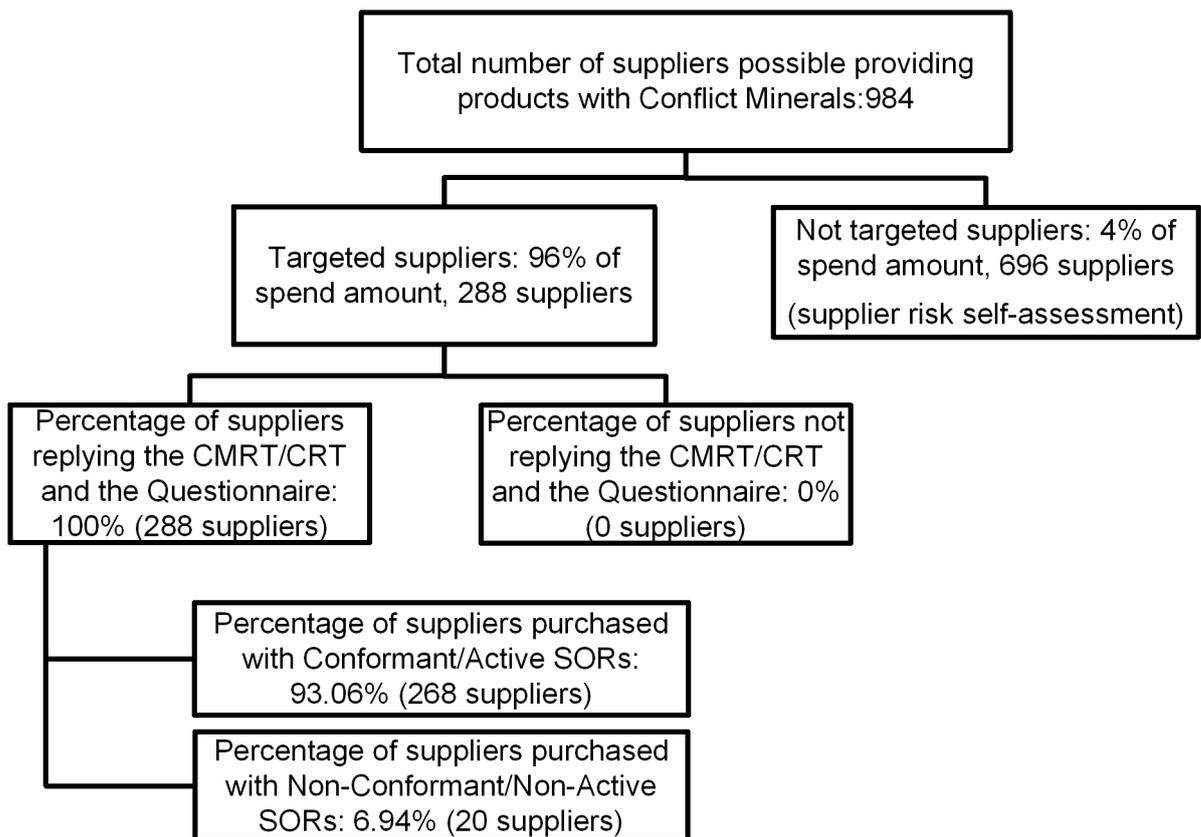
In the primary screening, a total of 984 suppliers were involved with conflict minerals. In 2021/22, the coverage rate of ZTE's due diligence for conflict minerals of suppliers increased to 100%. The survey forms include completion of CMRT and the simplified management mode of risk assessment by suppliers themselves. We set a spend threshold (aggregately accounting for 96% of the original spend, compared with 95% last year) to exclude suppliers which account for relatively low procurement spend. The suppliers accounting for the remaining 4% of the procurement spend conducted the supplier risk assessment by themselves (that is, sending risk self-assessment files to suppliers and collecting them later). After the selection process of spend threshold, there were 288 suppliers remaining in the inquiry scope. We surveyed and evaluated these suppliers through the tools mentioned above.

Key Statistics:

- Supplier Response Rate : 100% (288/288)
- 301 SORs were identified in supply chain, 277's RCOI information was available through validation by RMAP, we contacted with the remaining 24 SORs directly to check their information.
- Conformant SORs: 271; Active SORs: 6; Not participated: 24
- Among the 288 suppliers: 268 Suppliers purchased with Conformant / Active SOR; 20 Suppliers with Non-Conformant / Non-Active SOR (We contacted these 20 suppliers to reconfirm and drive them to cancel cooperation with Non-Conformant / Non-Active SOR).
- 103 suppliers were identified as high risk, and 15 of them were confirmed as high risk later through screening (specialized audit was conducted for 10 of them and integrated audit was conducted for the other 5). The other 88 high-risk suppliers have re-collected CMRT questionnaires from

suppliers and conducted communication, and their risk levels have been reduced to medium or low after the suppliers' reply to the information was clarified. The screening criteria are as follows:

- 1) Suppliers identified by assessment tools as high risk this year;
 - 2) Suppliers at high risk both last year and this year;
 - 3) Suppliers conducting specialized audit for suppliers last year (secondary review).
- 151 audits in total were conducted for validation on all risky suppliers, including 10 specialized audits aiming at high-risk suppliers (2 on-site audits and 8 online audits) and 141 integrated audits for other suppliers at risk. Due to the impact of pandemic, more audits are on the drawing board.
 - 41 supplies used metallic tin from a smelter in Rwanda (CID003387). The smelter was decided as among the smelters approved by RMI after a comparison was made against the approved list of smelters released by RMI on June 29, 2022.



According to the due diligence exercise,

- 91.67% of our direct suppliers have conducted due diligence on their

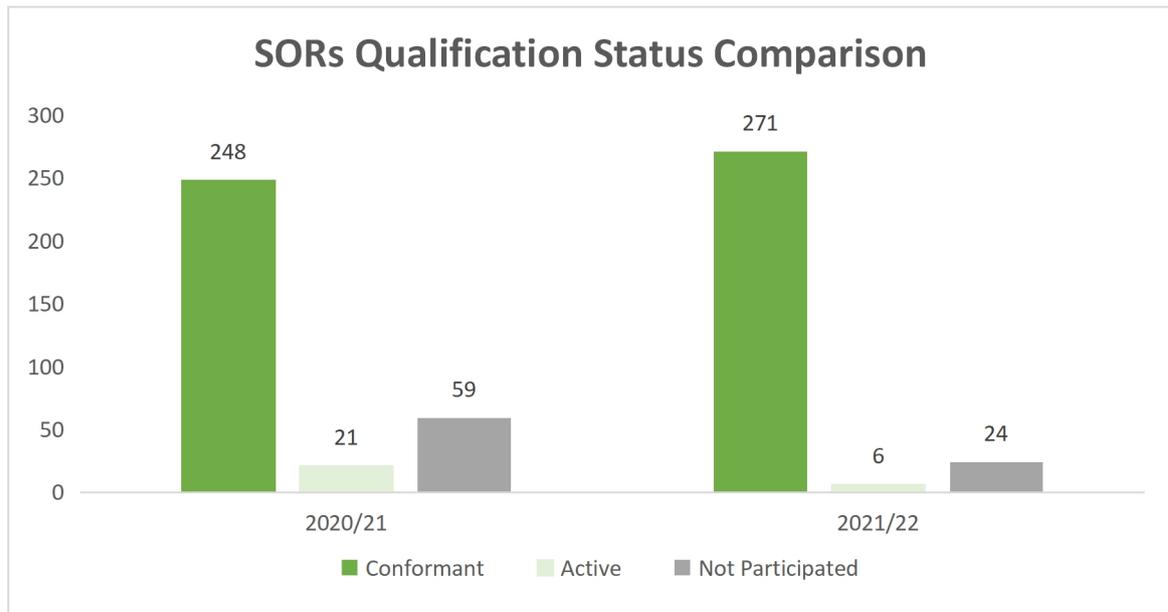
upstream suppliers (264/288)

- 88.54% of our direct suppliers have already formulated a Conflict Minerals Free Policy (255/288)
- 93.06% of our direct suppliers purchase necessary conflict minerals from conformant / active SORs on RMAP lists (268/288): gold 94.32% (166/176), tantalum 100% (96/96), tin 92.56% (199/215), tungsten 94.12% (96/102) and cobalt 70% (7/10) (the increase over last year is due to certification progress of some SORs delayed by the epidemic last year).

Details of RCOI of year 2021/2022

		Conflict Minerals					
		Tantalum	Tin	Gold	Tungsten	Cobalt	Total
Qualification Status	Conformant	40	58	123	39	11	271
		100.00%	87.88%	91.11%	88.64%	68.75%	90.03%
	Active	0	1	2	1	2	6
		0.00%	1.52%	1.48%	2.27%	12.50%	1.99%
	Not Participated	0	7	10	4	3	24
		0.00%	10.61%	7.41%	9.09%	18.75%	7.97%
Total	40	66	135	44	16	301	
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	

Figure: Qualification Status Comparison



***Status is defined as follows:**

Conformant: SORs that are compliant with the RMAP assessment protocols or have been validated by a similar validation program (e.g., the LMBA's Responsible Gold Programme or the RJC's Chain-of-Custody Certification Program)

Active: SORs that have committed to undergo an RMAP audit or have not completed the certification due to the epidemic (especially for the Co-SOR)

Not Participated: SORs that have no plans to participate, but ZTE is assisting with targeted outreach

Based on the information collected, the countries of origin of conflict minerals in the supply chain of ZTE may include:

- *The countries of origin for Tantalum may include: Brazil, China, Estonia, Germany, India, Japan, Kazakhstan, Macedonia (the former Yugoslav Republic of), Mexico, Russian Federation, Thailand and United States of America.*
- *The countries of origin for Tin may include: Belgium, Bolivia (Plurinational State of), Brazil, China, India, Indonesia, Japan, Malaysia, Myanmar, Peru, Philippines, Poland, Spain, Taiwan (Province of China), Thailand, United States of America and Vietnam.*
- *The countries of origin for Gold may include: Andorra, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Czechia, France, Germany, India, Indonesia, Italy, Japan, Kazakhstan, Korea (Republic of), Kyrgyzstan, Lithuania, Malaysia, Mexico, Netherlands, New Zealand, Philippines, Poland, Russia Federation, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan (Province of China), Thailand, Turkey, United Arab Emirates, United States of America and Uzbekistan.*
- *The countries of origin for Tungsten may include: Austria, Brazil, China, Germany, Japan, Korea (Republic of), Philippines, Russia Federation,*

Taiwan (Province of China), United States of America and Vietnam.

- *The countries of origin for Cobalt may include: Belgium, China and Finland.*

Inherent Limitations on Due Diligence Measures

As a downstream purchaser of conflict minerals, our due diligence measures can provide only reasonable but not absolute assurance regarding the source and chain of custody of the necessary conflict minerals. Since there's no direct contractual relationships with smelters and refiners, we rely on our direct suppliers to gather and provide specific information. Besides we depend, to a large extent, on information collected and provided by independent third-party audit programs. Such sources of information may obtain inaccurate or incomplete information and may be subject to fraud.

Win-win Cooperation

ZTE realizes that conflict minerals matter involves multi-dimensional issues that require industry-wide efforts, so we collaborate with industry peers and partners to establish a win-win cooperation for everyone.

ZTE worked hard during the past few years to increase the conflict mineral management level and was successfully invited as a member of the RMI (Responsible Minerals Initiative) by GESI (Global e-Sustainability Initiative). RMI is one of the most utilized and respected resources for supply chain minerals due diligence. The RMI operates and manages the RMAP (Responsible Minerals Assurance Process). By joining as a member of the RMI, ZTE gathered new insights on the current global critical conflict mineral issues. This initiative also allows ZTE to communicate with other members as well as learn and share more about improving the management level of conflict minerals. In 2022, ZTE continued to actively participate in regular RMI online meetings, to grasp global hot topics on and political developments in conflict minerals and adjust management policies of ZTE on the mineral supply chain in a timely manner according to the discussion results of RMI meetings, to strengthen management on responsible mineral survey.

ZTE began working with supply chain audit and advisory firm RCS Global in 2021, to conduct independent supply chain due diligence audits of ZTE' s supply chain. In 2021, ZTE successfully completed audits for one of their cobalt supply chains starting from battery supplier, to cathode material supplier, and through to the refiner.

These audits focus on ZTE' s cobalt supply chain to identify cobalt suppliers and assess risks related to any potential human rights abuses in its cobalt supply chain following the OECD Guidance 5-Step Framework. Additionally, the audit results enable ZTE to successfully identify the country of origin of their cobalt-containing material in their supply chain, which is Democratic

Republic of the Congo (DRC). After the audit of each supplier is completed, ZTE will continuously communicate with the supplier and follow up the rectification of problems according to CAP. Building on the success of the audit program in 2021, ZTE continued to work with RCS Global in 2022 to conduct additional due diligence audits further upstream, including audits of both a cobalt smelter/treatment unit and cobalt mine site located in the Democratic Republic of Congo (DRC). Through the two-year traceability of the cobalt supply chain, ZTE has completed the audit of suppliers in all links of the entire cobalt supply chain. All suppliers are located in the same cobalt supply chain, ensuring the consistency and persuasiveness of the audit results. At the same time, we have also completed the cobalt supply chain map.

As a result of the 2021-2022 audit program, ZTE audited and verified one complete cobalt supply chain from battery to mine site, and validated that the supply chain's cobalt country of origin is the DRC. Further, through the supplier mapping tier-by-tier from battery through to the mining operation, ZTE also gained an overall picture of supplier performance against responsible sourcing criteria in different tiers of their cobalt supply chain. As next step, ZTE will continue to encourage suppliers to demonstrate performance improvements regarding due diligence management, responsible sourcing and responsible production of cobalt material.

In 2022, ZTE actively responded to the invitation to the responsible battery initiative (RBI). ZTE participated in the RBI initiating meeting as the first group of initiators of RBI, contributing to the promotion of work related to RBI. RBI is a non-profit cooperation mechanism voluntarily initiated by upstream and downstream enterprises in the supply chain, trade organizations and relevant organs of key minerals of new energy battery (including but not limited to cobalt, lithium, nickel, copper, manganese, mica, graphite etc.) and is a result of an expansion effort based on RCI's successful experience during the recent six years. This meeting aimed to help upstream and downstream enterprises in the supply chain of new energy battery unite and work together in identifying, preventing and mitigating social, environmental and governance risks directly or indirectly related to the supply chain by adopting a systematic approach. ZTE will exert its industrial influence as a backbone enterprise, enhance the ability of due diligence management for the supply chain with RBI, continue to improve standardized management of the mining industry, promote effective communication among interested parties, and dedicate itself to building a responsible, green and sustainable supply chain of new energy battery.

In 2022, ZTE participated in the symposium "Proposal for a Directive of the European Council and the European Parliament: Regarding the Due Diligence of the Sustainable Development of Enterprises and Amendment on Directive (EU) 2019/1937" held by CCCMC, through which it better understood the requirements of the directive on the sustainable development of enterprises

and due diligence of the supply chain, and reviewed and improved its internal management system. ZTE also participated in the 15th Mineral Supply Chain Forum of OECD held by CCCMC, to learn outstanding practice of mineral supply chain management from other companies and cutting-edge knowledge on mineral supply chain management shared by OECD experts. Through participation in activities organized by CCCMC, ZTE continuously learned the process of identifying enterprises in the upstream of the mineral supply chain when accepting RMI audits, the progress of the implementation of the EU Conflict Minerals Law, and the management scope of EU conflict minerals. ZTE has a deeper understanding of EU related regulations on conflict minerals and will continue to follow up on issues related to conflict minerals management.

In addition, ZTE held the ZTE 2022 Supplier Training Camp, to help suppliers understand requirements on conflict minerals and green environmental protection. A total of 82 suppliers and 110 partners participated in this three-day training camp. This training made accurate explanation of the contents of conflict minerals and helped partners gain a full understanding of the background of conflict minerals, the requirements of relevant international regulations and the requirements of relevant NGOs and external rating agencies. It also helped suppliers understand matters requiring their cooperation, including signing Letter of Commitment of Conflict-free Minerals, completing a conflict minerals questionnaire, and tracing the smelters with 3TG sources, in order to better assist ZTE in carrying out work related to conflict minerals due diligence and building its own conflict minerals management system in future.



Figure: Live photo of ZTE 2022 Supplier Training Camp

In future, ZTE will continue to promote the responsible mineral supply chain and work with its peers and partners, to understand developments in the global conflict minerals and make further contributions to human rights issues.

Next Steps

ZTE will undertake the following next steps to improve the due diligence process and mitigate the possibility that we are utilizing conflict minerals that benefit armed groups contributing to human rights violations:

Short-Term Objectives:

1. Combine conflict minerals management with and within the IT platform to increase working efficiency and management effectiveness;
2. Expand the scope of conflict minerals management, improve the on-site taskforce and make sure on-site audits and checks are more accurate and trustworthy;
3. Provide training for the on-site task force's auditors and inspectors to increase their working efficiency and professionalism;
4. Design and offer more training programs for suppliers to raise their awareness and to enhance their conflict minerals management capability;
5. Actively cooperate with upper-stream and lower-stream suppliers to improve business partnership and decrease potential conflict minerals related risks; participate in more international conflict minerals conventions to help the industry and expand influence, contribute to more international groups that fight for conflict mineral matters;
6. Continuously improve conflict minerals management capability to meet customer requirements and exceed the industry average;
7. Continue to require suppliers to reply to CMRT/CRT and maintain 100% response rate;
8. Ensure all qualified suppliers sign the Declaration of Metal Conflict-Free;
9. Verify suppliers' due diligence as part of overall supplier assessments.

Mid-Term and Long-Term Objectives:

1. Actively cooperate with the upstream suppliers and SORs, provide support for suppliers to obtain third-party certification and participate in industry initiatives related to conflict minerals;
2. By 2025, more than 95% 3TG SORs must comply with the independent third-party certification standards (e.g. RMAP);
3. By 2025, at least 80% cobalt SORs obtain the independent third-party certification standards (e.g. RMAP);

4. Collaborate with suppliers, stakeholders, and peers to further improve awareness and due diligence capabilities related to conflict minerals;
5. Establish and strengthen management structure according to the ESG rating requirements and standards of MSCI;
6. Ensure steady improvements on conflict mineral management internally and externally;
7. Expand the audit scope to other key minerals in suppliers from downstream to upstream to improve the completeness of supply chain mapping and transparency of cobalt and other mineral supply chain risks.