

ZTE Corporation
Tomorrow Never Waits



2014 Sustainability Report

About This Report

Compiling standards

This report is compiled by referring to the UN Global Compact's ten principles, ISO 26000: Guidance on Social Responsibility, and the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 3.1.

Reporting period

Information and events in this report occur from January 1, 2014 to December 31, 2014.

Reporting cycle

The sustainability report is issued annually by ZTE Corporation. This report is the 7th one.

Reference remarks

"ZTE Corporation" is referred to as "ZTE", the "Company", or "we" in this report.

Sources of data

All data in this report comes from official documents and statistical reports issued by ZTE.

Content compiling

This report contains information gathered from all sources during 2014, and the report content is made by considering a set of topics that ZTE's major stakeholders (including shareholders, customers, and employees) are concerned about, and in compliance with GRI principles of materiality, completeness, comparability, and stakeholder inclusiveness.

This report is comprised of nine parts: corporate governance, sustainability management, innovation-driven growth, smart city, employee development, environmental protection, information security protection, sustainable supply chain, and benefits for global citizens, in the hope of reflecting ZTE's impact on the economy, society and environment in 2014, as well as its obligations fulfilled in the year.

ZTE Corporation

Tomorrow Never Waits

On December 30, 2014, ZTE announced the official launch of its new corporate logo and new brand slogan "Tomorrow Never Waits."











Designed in a full, round, and smooth manner, the new logo well represents youth, freedom, openness and convergence, and illustrates the new corporate culture CGO (Cool, Green, Open) that ZTE calls for. A cool ZTE is conscious of the times, pursues perfection, and provides higher-than-expected customer satisfaction through technological and user experience innovation. A green ZTE is energy efficient and environmentally friendly, leads in sustainable development, cares for employees, and fulfills its social responsibility. An open ZTE eliminates barriers within the company, and further partners with other links in the industry chain for cross-industry convergence in full swing. The new font and color of the new corporate logo conveys ZTE's commitment to the long-standing quest for the cool, green, and open philosophy, and for common and sustainable development of itself and all circles of the society.

The new brand slogan "Tomorrow Never Waits" carries a message that ZTE is making positive changes now to usher in and stay with the M-ICT era.

Access to this report

This report is available in Chinese and English.
Download this report at www.zte.com.cn.

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A Message from the CEO




Facing the penetration of 4G technologies into every corner of our lives and the challenges brought about by ICT convergence and informatization, all of us are witnessing the fact that the mobile Internet, Internet of Things, and big data are defining an Internet society and quietly transforming our society. We remain convinced that a company's responsibility for society will bring more benefits for its staff, shareholders, consumers and the entire society, and will make more companies, individuals, and organizations benefit from economic growth and prosperity that they never had before through telecommunications.

In time of revolution, what should ZTE do to take this great opportunity to create a more sustainable business model, and to make full use of innovative technologies and products to accommodate the diversified and revolutionary needs of all stakeholders including customers, city dwellers, children, patients, partners, and employees?

Now is the time! The M-ICT era enables ZTE to fulfill its dream and redefine rules. As such, we have proposed the slogan "Tomorrow Never Waits" to convey our commitment to creating new value and possibilities through more connectivity and convergence, and to building a ubiquitous network that interconnects all people and things.

ZTE launched the M-ICT strategy in 2014, and shifted its focus from hardware equipment like systems and terminals to customer benefits, to usher its customers and consumers into an all-new way they do business and live. We have proposed the philosophy of creating a COOL, GREEN, and OPEN (CGO) company. We encourage our employees to rise to the challenge and be creative at work. In this way, we can create an innovation climate with vigor and vitality, an open industrial ecosystem, and a more open, cool, and agile company that we can find a better way to organize.

We are aware of and involved in building a prosperous China and new cities and towns in China, integrating the information technology into all areas of life such as healthcare, education, energy, transportation, and infrastructure, and putting forward innovative solutions, to promote the transformation of industry and society, alleviate a wide range of social concerns ranging from unbalanced economic growth, safety risks, heavy traffic, environmental pollution to over-consumption of resources. In this way, resources will be allocated and used more efficiently and economically, the economy will grow in a greener manner, and human beings live in more harmony with the nature.

In the process of globalization, ZTE is fully committed to operating in a localized and responsible manner to satisfy the needs for social development and better lives for local people, level up local communications capabilities through ICT, and bridge the gap among local people and between them and the world. We purchase local materials and recruit locals to create many local jobs, train local technical engineers, promote growth in local communication and relevant industries, and contribute to a prosperous local economy and society.

The year 2015 is the 30th anniversary of the founding of ZTE Corporation. We will continue to follow the CGO concept, do business in an ethical and sustainable manner, maximize the positive impact of ICT on the economy, society, and people's lives, and team up with our partners to respond to sustainability challenges, to achieve smart transformation of society and sustainable development of the Company.

A Message from the Executive Representative for Sustainability

As the world has ushered into the M-ICT era when all people and things are interconnected, the high integration of globalization and the mobile Internet is profoundly changing the way we live, and posing great challenges and opportunities to corporate operation and sustainability. Always putting the UN Global Compact's ten principles and stakeholders' concerns as its top priorities for sustainability, ZTE constantly takes concrete action to demonstrate its views and propositions on sustainability, and to help define and guide the goal and direction for the world sustainability in the future.

Innovation, the impetus for development

In ZTE, innovation has already fitted into the daily work of every employee. In 2014, we developed steadily and at the same time, made continuous technical innovations. To follow the trend of the times, we proposed the idea of reshaping a cool company and launched the M-ICT strategy to shift from a traditional ICT company to a new M-ICT one. Over the past three decades since its establishment, ZTE has persisted in innovating technologically. According to WIPO, ZTE has ranked first in filing PCT applications among Chinese companies

for three consecutive years, with over 50,000 patents reserved all over the world.

Smart city, the bridge to the world

We provide telecommunications products and services in the hope of allowing people in different countries and nations to communicate equally and freely through voice, data, multimedia, and wireless broadband. Guided by the nation's beautiful China and new urbanization plans, we actively explore a new smart city model exclusively for China, and integrate M-ICT technologies into urban governance, public services, and industry development to improve the environment where people produce and live and promote the sustainability capability of cities. ZTE's integrated smart city solution iCity has been widely used in more than 110 cities in China and 40-plus countries and regions worldwide, resulting in ZTE being awarded the Smart City Benchmark Enterprise of China by a world-renowned research institution IDG.

Employees, the enabler of the future

In the burgeoning mobile Internet era, we know well that only change-sensitive, passionate, and innovative

employees can continuously create value for customers and society. We are devoted to eliminating barriers within the company, inspiring employees' creativity and vitality, and creating an equal and diversified work environment for employees to get the best out of their abilities and talents. We encourage employees to start from zero and fulfill their missions in a professional and CGO manner, and to involve themselves in the mobile Internet revolution to create a better future with ZTE. We launched the 2014 talents program last year to recruit from all over the world 100 elite graduates showing strong technical and managerial capabilities, to train them so that they will be competent to lead in the evolution of the company.

Environment, our obligation to protect

Keeping in mind environmental protection in every operating link and throughout the product lifecycle, we roll out new energy-efficient products and services boasting greater business value with scientific rigor, and apply the green strategy in product R&D, manufacturing, supply chain, logistics, and engineering, to put ZTE on a sustainable path. Last year, to tackle the air pollution problems in cities, we independently developed the wireless

charging technology and successfully applied it to new energy electric cars, providing a practical solution for making our cities green and suitable for living.

Information security, worldwide concern to tackle

As the Internet evolves, digital technologies are profoundly changing the way people live, facilitating their work and life while paving the way for huge information security risks. Such problems have become increasingly prominent in recent years, causing concerns worldwide. As a global leading provider of integrated telecommunications solutions, ZTE is willing to make every effort to create an inclusive and effective information security system, and is ready to partner with counterparts both technologically and in terms of service provisioning to guarantee information security and offer reliable security terminals.

Sustainable supply chain, the CSR to undertake

We are deeply aware that a company's responsibility for society includes not only strengthening its own Corporate-Social-Responsibility (CSR) management ability, but more importantly, propelling other companies on the supply chain to

improve their awareness and ability to fulfill their responsibility for society. To do this, we must be more open-minded to collaborate closely with global suppliers and distributors, sharing procurement information and management experience with them, regularly identifying and evaluating risks on the supply chain, and assisting them in improving their efficiency. By doing so, we can build up a CGO corporate identity among our partners and deliver our CSR management requirements in the supply chain in a more effective way, to urge companies up and down the supply chain to fulfill their responsibilities and create a transparent and sustainable supply chain.

Benefits for global citizens, our vision and promise to deliver

As a global leading provider of integrated telecommunications solutions, ZTE combines its technological strengths with its corporate responsibility for society to maximize the benefits of CSR. ZTE values support and appreciation from all stakeholders. While exploring the global market and developing itself, ZTE makes best use of its telecommunications merits and technologies to bridge the digital divide and help people in different regions build a digital society where they can

enjoy better lives, and more convenient, more inclusive education and healthcare services. ZTE is also actively involved in disaster relief, environmental protection, and public welfare technologies for sustainability in society and in the countries and regions that it operates in.

This report presents what we have done in the long process of sustainability in the growing global marketplace. Through this report, we hope to make it more accessible and perceivable how ZTE contributes to the world economically, socially and environmentally. We are convinced that through dialogue and engagement among various stakeholders, we are sure to make continuous progress, become more competent to address economic, social and environmental concerns, and play an even more critical role in accelerating sustainability of the world.




About Us



About ZTE

Company name:
ZTE Corporation

Address:
No. 55, Hi-tech Road South, Shenzhen, P.R.China

Scope of business:
ZTE is committed to designing, developing, manufacturing, distributing, and installing first-class telecommunications systems and devices, covering operator networks, handsets, telecommunications software, services, and other products.

Annual turnover in 2014:
81,471,275,000 CNY

Net profit in 2014:
2,633,571,000 CNY

Employees:
75,609 (including 58,731 in the parent company)

Major holding subsidiaries:
36 (including the subsidiaries with the registered capital no less than 10 million yuan and held or wholly owned by ZTE Corporation)

Listed stock exchanges:
Shenzhen Stock Exchange, and Stock Exchange of Hong Kong Limited

Annual turnover in 2014 (billion CNY)

81.471

Net profit in 2014 (billion CNY)

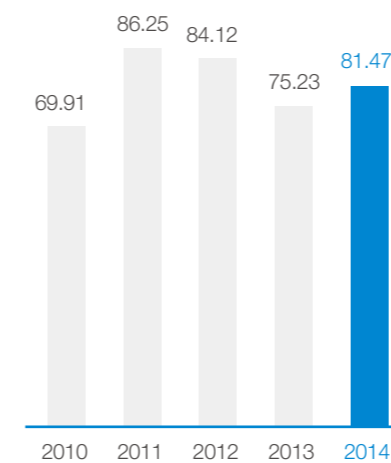
2.633

Total tax paying in 2014 (billion CNY)

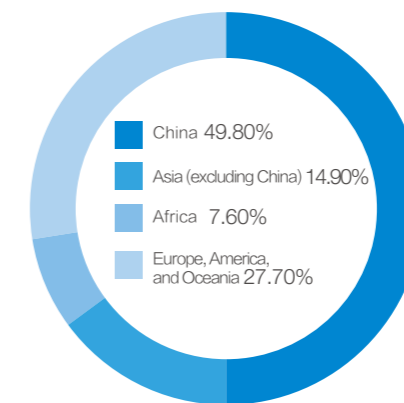
9.903

Annual Turnovers from 2010 to 2014

unit: billion CNY

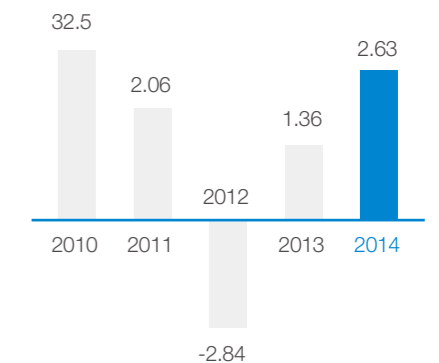


Turnover Ratios by Regions in 2014



Net Profits from 2010 to 2014

unit: billion CNY



Globalization

ZTE started to go international dating back to the late 20th century, following the guideline of exploring the international market from terminals to systems, from periphery countries to core countries, and from rural areas to urban areas. Having contributed to at least one billion among five billion mobile communications connections worldwide, and serving over 160 countries and regions with telecommunications products and services, ZTE has grown into one of the top five telecom equipment providers in the world.

By 2014, with the international market share exceeding 50% and more than half of the staff locally employed, ZTE has become a leading Chinese company in market, talent, and business globalization.

Corporate Governance

Governance Mechanisms

In compliance with the basic principles of the Company Law, Securities Law, Code of Corporate Governance for Listed Companies in China, and other relevant laws and regulations of the CSRC, ZTE continues to improve its corporate governance mechanism, regulate corporate operation, and optimize its internal control system.

Shareholders and shareholders' meetings:

The Company has established a corporate governance structure that ensures fair treatment toward all shareholders, especially minority shareholders. All shareholders are able to enjoy equal rights and to bear the corresponding duties based on the shares they hold. The board of directors can earnestly study and arrange the agenda for a shareholders' meeting. During a shareholders' meeting, each item on the agenda is given a reasonable amount of time for discussion. In accordance with the newly revised Rules for Shareholders' Meetings for Listed Companies, the Company utilizes the online voting means to facilitate participation of shareholders in the shareholders' meetings. To fully reflect opinions of minority shareholders, the vote result made by them is disclosed separately in the resolution announcements of the meetings. Shareholders can contact the Company through the shareholder hotline during working hours, or send emails to the designated mailbox, or send messages on the Shenzhen Stock Exchange forum for investors. The Company also adds a special column called "Investor Protection" on the official website, to solicit, publish, and repost information about investor protection.

Listed company and its controlling shareholders:

The controlling shareholder of the Company is ZTEHoldings. The controlling shareholder strictly complies with the laws and regulations while exercising their rights as investors, and is prevented from damaging the Company's or other shareholders' legal rights and interests. The controlling shareholder nominates the candidates for directors and supervisors in strict compliance with the terms and procedures provided for by laws, regulations and the Company's articles of association. The Company is separated from the controlling shareholder in such aspects

as personnel, assets and financial affairs, is independent in institution and business, practices independent business accounting, and independently bears risks and obligations. The controlling shareholder does not directly or indirectly interfere with the Company's decisions or business activities conducted in accordance with laws.

Directors and board of directors:

The Company has established a standardized and transparent procedure for director election in its articles of association, to ensure the openness, fairness, impartialness and independence of the election. The election of directors fully reflects the opinions of minority shareholders. A cumulative voting system is earnestly advanced in shareholders' meetings for the election of directors. Directors faithfully, honestly and diligently perform their duties for the best interests of the Company and all the shareholders. The Company has formulated rules of procedure for its board of directors in its articles of association to ensure the board of directors' efficient function and rational decisions. The board of directors of the Company has established an audit committee, a nomination committee, and a remuneration and appraisal committee in accordance with the Code of Corporate Governance for Listed Companies in China. Independent directors constitute the majority of the committees and act as conveners to provide professional opinions and recommendations on the decisions of the board.

Supervisors and the supervisory board:

Supervisors shall have professional knowledge or work experience in such areas as management and accounting. A cumulative voting system is earnestly advanced for the election of supervisors. The supervisors supervise the corporate finances, the legitimacy of directors, managers and other senior management personnel's performance of duties, and protect the Company's and the shareholders' legal rights and interests. The Company has formulated in its articles of association standardized rules and procedures governing the steering of the supervisory board. The supervisory board's meetings are convened in strict compliance with the rules and procedures.

Performance assessments and incentive and disciplinary systems:

Annually, the remuneration and appraisal committee of the board of directors links the compensation and other rewarding arrangements for the person reviewed to the individual's work performance in accordance with the incentive and disciplinary rules for senior management personnel. The recruiting of the management personnel of the Company is conducted in strict observation with relevant laws and regulations and the Company's articles of association. To establish an incentive and reward system associated with the Company's performance and long-term strategy, improve the overall remuneration system of the Company, and reserve human resources for sustainable development of the Company, the remuneration and appraisal committee of the board of directors has formulated a stock options incentive scheme that has been approved by the shareholders' meeting. Stock option grants and grant registrations have been conducted in October and November 2013 respectively.

Internal control:

In compliance with the provisions of the Company Law, Securities Law, Code of Corporate Governance for Listed Companies in China, Standard for Enterprise Internal Control, and other relevant laws and regulations, the Company has established a sound and effective internal control mechanism to strengthen internal control, improve the Company's operation management and risk prevention abilities, and guarantee the safety, compliance, and effective operation of the Company's assets. A comprehensive multi-level internal control improvement system is also created, mainly led by the board of directors, the audit committee, the risk control leadership group, the risk control team of the Internal Control and Audit Dept., the risk control director of each business unit, and the risk control manager. In accordance with the regulations of the Basic Standard for Enterprise Internal Control and its supporting guidelines and other regulatory requirements on internal control, and based on routine supervision and special supervision on internal control, this system follows the Company's internal control mechanism and evaluation

method to assess the effectiveness of the Company's internal control on December 31, 2014 (the benchmark date for the internal control evaluation report).

According to the result of internal control over the Company's financial statement, if there is no critical internal control defect by the benchmark date for the internal control evaluation report, the board of directors concludes that the Company has complied with the enterprise internal control mechanism and relevant regulations, and maintained effective internal control over the financial statement. As specified above, by the benchmark date for the internal control evaluation report, no critical internal control defect has been found.

For more details about corporate governance, refer to the 2014 Annual Report of ZTE Corporation.

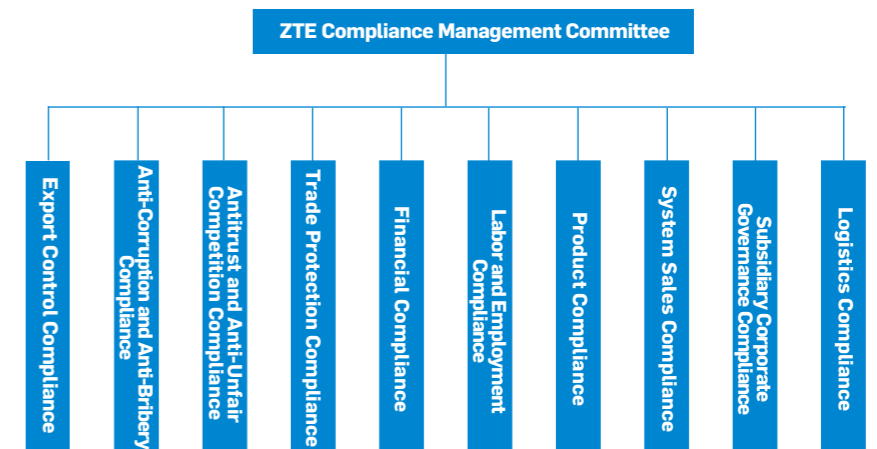
Compliant Business Operation

ZTE always takes maintaining the highest standards of business ethics and complying with the laws and regulations of the countries that it operates in as the basic principles of its global compliance business operation. The Company upholds the philosophy of creating value through the adherence and adoption of these principles and calling for law and regulation compliance by everyone, advocates doing business in compliance with ethics, laws and regulations, and has zero tolerance toward any violation of business ethics, laws and regulations. We proactively, efficiently, and scientifically carry out compliance programs, create a corporate compliance culture, and devote ourselves to setting a right and leading example in the industry, to achieve sustainability with all global customers, suppliers and other business partners.

Compliance Management

In 2014, the ZTE Compliance

Compliance Areas



Management Committee further enhanced its operation mechanism. In addition to the existing routine operation projects in the charge of compliance directors and compliance managers, the committee set up compliance projects concentrating on compliance risk management, with leaders of relevant business units as project managers. Moreover, the committee also classified compliance programs as ten compliance areas based on company business, each of which is assigned a person in charge of the corresponding compliance work.

Compliance Training

ZTE attaches great importance to compliance promotion. It includes compliance training as a part of employee training schemes, and periodically pushes compliance related information to employees through emails and intranet blogs. In 2014, the anti-corruption and

bribery training and exam were carried out throughout the entire company. On the online ZTE University system, the anti-corruption and bribery course was registered by 46,337 employees and studied for 80,864 times. A total of nine compliance knowledge feature articles were released and pushed during the whole year.

In 2014, the Company implemented a skill improvement project for professional integration teams. After pondering and assessing positions in the company, national representatives, deputy national representatives, managers of domestic city offices, account managers, overseas logistics managers, and overseas HR managers were identified as the first key positions, and compliance manuals for these six key positions were provided.



Sustainability Management

ZTE regards the concept of sustainability as the fundamental driving force for its development, and integrates it into all its strategies to form a unique proposition, which unites and inspires all staff by virtue of the power of culture to facilitate the sustainable development of the Company.

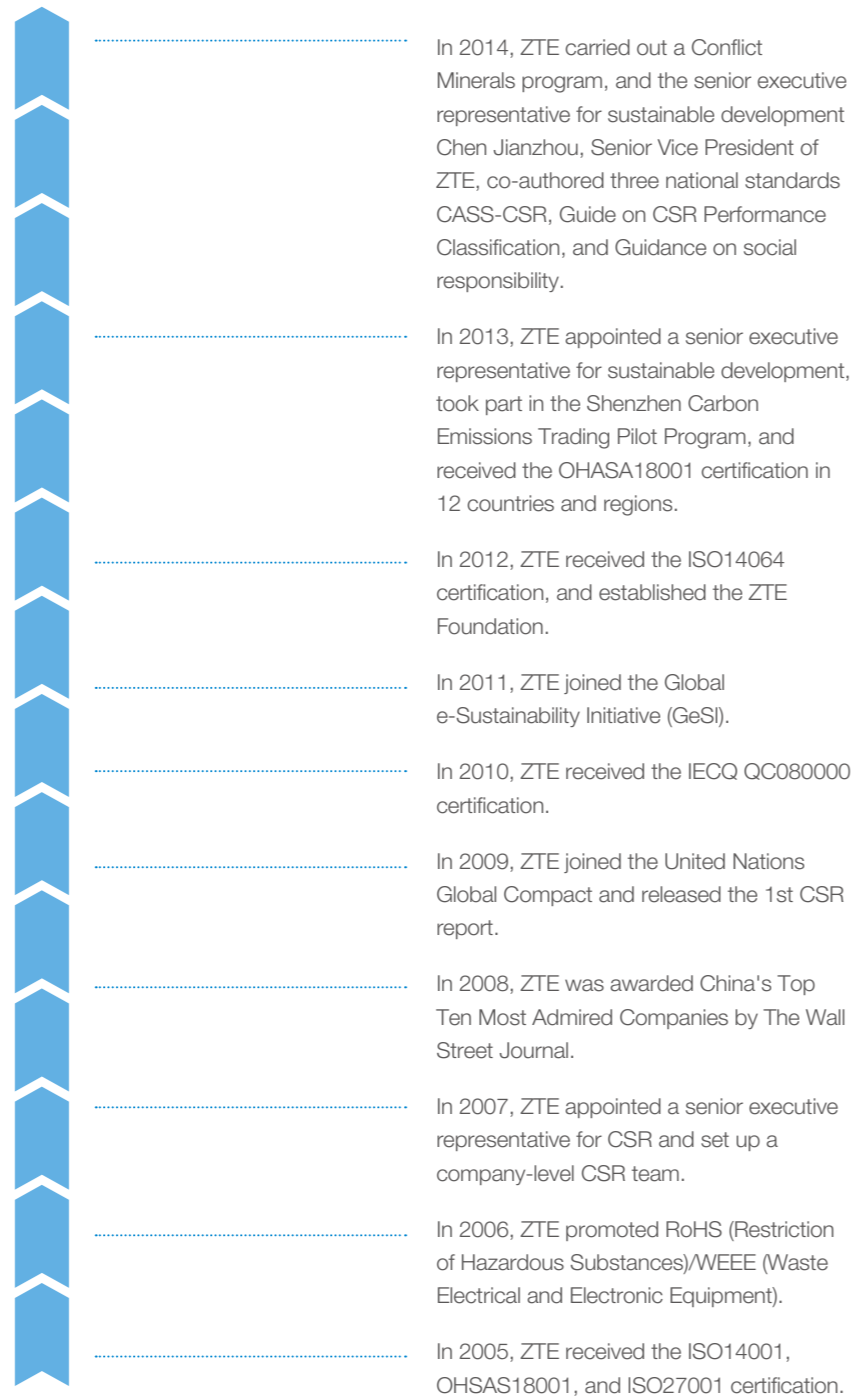
Visions of Sustainability

Run all of our business in an ethical and sustainable manner, and guarantee and promote human rights, health, safety, benefits, and individual progress of all those who directly and indirectly work for ZTE.

Operate the Company in an environmentally responsible way, and spare no effort to respond to the current and future challenges.

Help all customers, both internal and external, and take as many opportunities as possible to make positive change to or impact on the world.

Sustainable Development Process

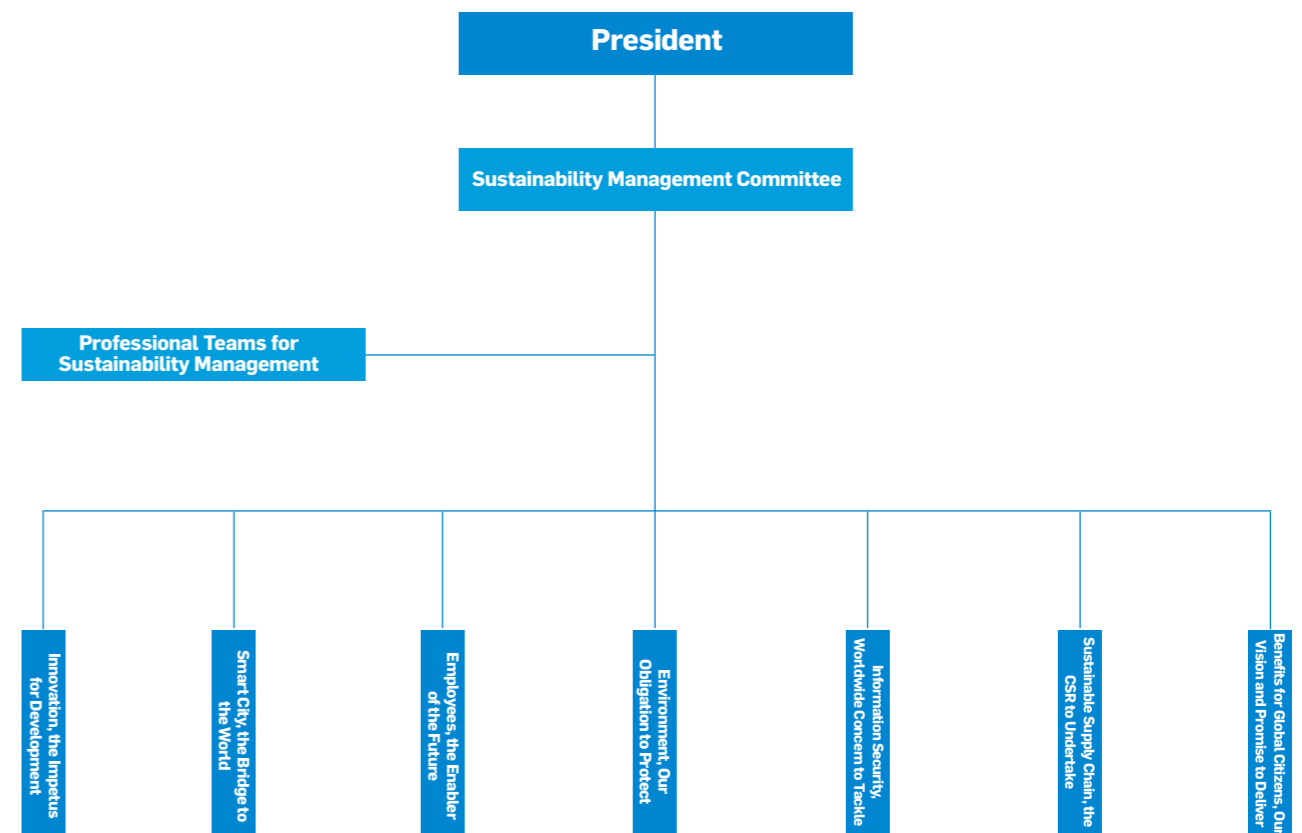


Organizational Structure for Sustainability Management

The Company has established the Sustainability Management Committee to further boost the CSR and sustainability activities and improve the sustainability management mechanism.

The Sustainability Management Committee is comprised of all senior executives of the Company. Serving as the supreme decision-making body for sustainability management, the committee sets up a professional management mode and an efficient, normative management system to fulfill CSR, guarantee the effective implementation of sustainability regulations throughout the Company, and ensure that the Company can develop healthily and sustainably to benefit the world socially and globally.

Professional teams are set up under the committee to be responsible for the work in various sustainability areas including innovation management, digital divide elimination, employee growth, environmental protection, communication security, supply chain management, and social benefits. These teams optimize the management systems and processes in their respective area to guarantee the implementation of the Company's sustainability strategy.



About Us



Corporate Governance



Sustainability Management



Innovation, the Impetus for Development



Smart City, the Bridge to the World



Employees, the Enabler of the Future



Environment, Our Obligation to Protect



Information Security, Worldwide Concern to Tackle



Sustainable Supply Chain, the CSR to Undertake



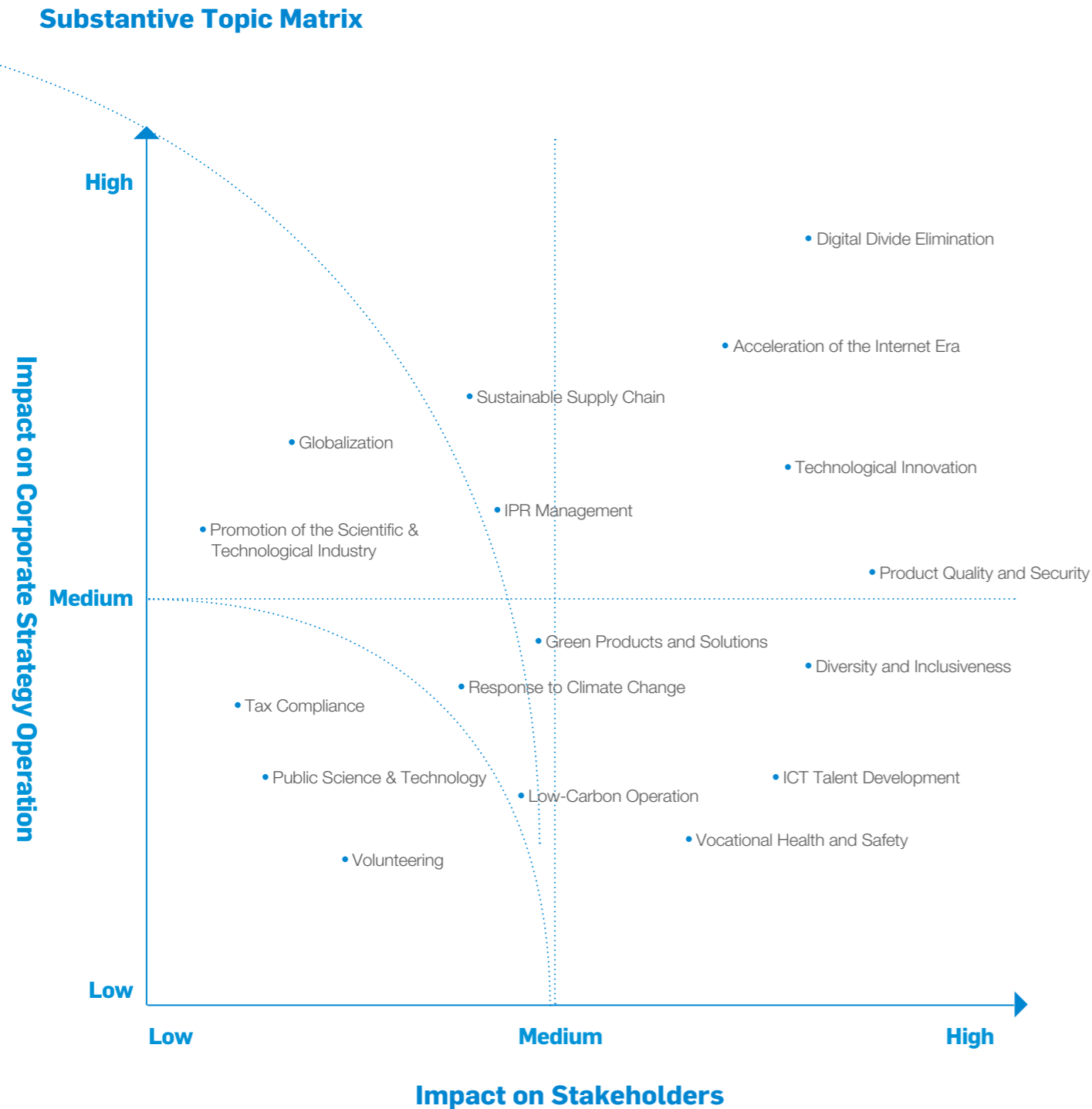
Benefits for Global Citizens, Our Vision and Promise to Deliver

Identification of Substantive Concerns

In 2014, in accordance with international CSR standards and based on the review of impact on its own operation, the Company reassessed its stakeholders' concerns in two dimensions — impact on company strategy operation and on

stakeholders, and sorted them in order of importance, to disclose operation management information as precisely and comprehensively as possible.

Substantive Topic Matrix



Communication and Engagement among Stakeholders

From ZTE's point of view, the following are two basic practices for a company to fulfill its CSR: The company should be aware of its social responsibilities, and should identify stakeholders and involve them in the CSR process. The engagement of stakeholders will make the company more

aware of its responsibility for society. To further practice CSR, we have identified key stakeholders and established diversified communication channels with them to listen to their opinions, understand what they expect of ZTE, and positively respond to their needs and expectations.

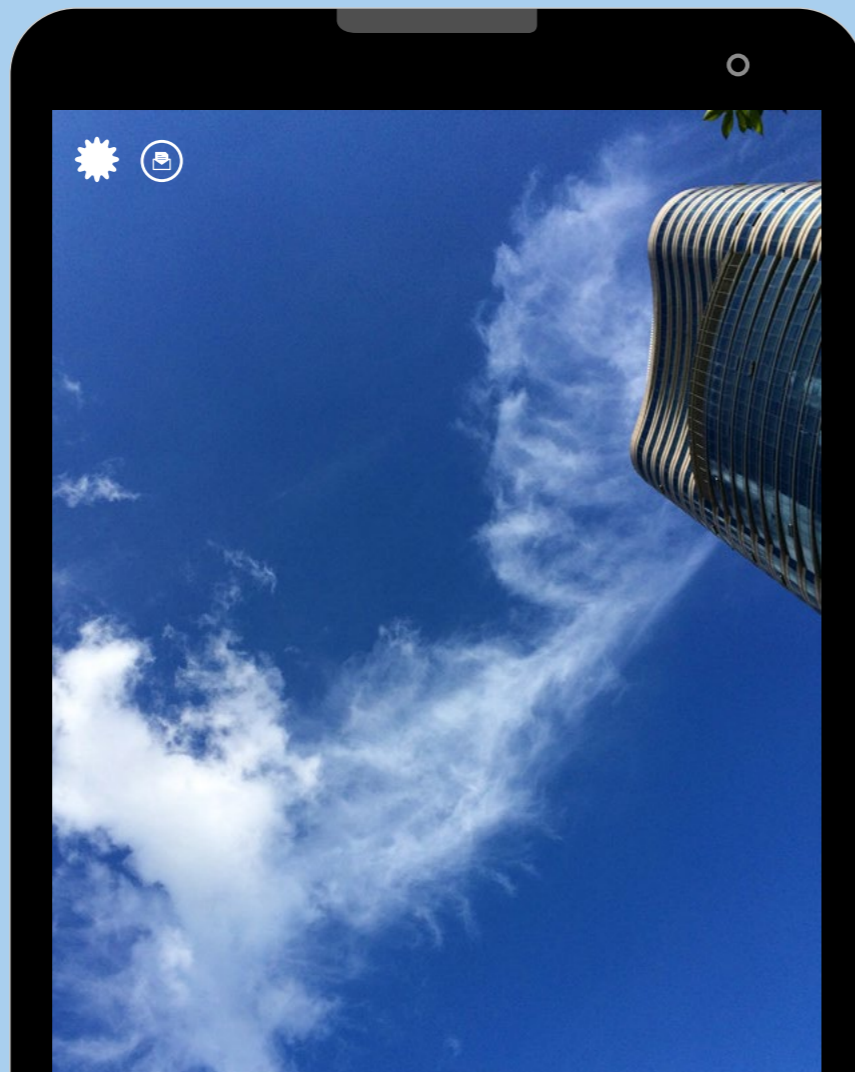
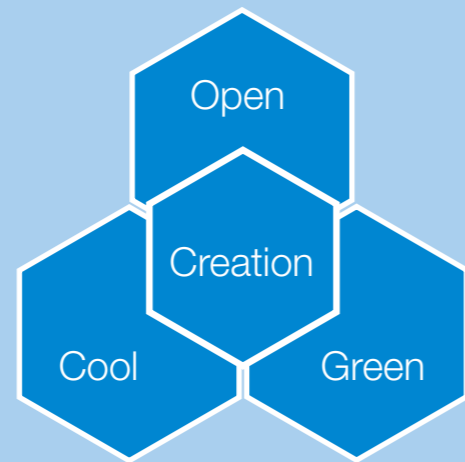
Communication Channels for Stakeholders

Stakeholder	Communication Channel
Customer	Regular meetings, including technical seminars and workshops Routine conversations and visits Customer certification and reception Questionnaires and customer satisfaction survey Customer services hotline
Consumer	Research on relationship between consumers and business Consumer satisfaction survey Regular talks and visits
Employee	Posts on internal publication such as newspapers and periodicals, Share (http://share.zte.com.cn), and mailbox Employee survey to collect reasonable suggestions Labor Union and employee representatives Employee appeal channels: president mailbox, director mailbox, and internal forum Online interview with the company management Staff associations, for example, voluntary association, photographic association, and sports association
Shareholder/Investor	Announcements including regular reports and interim announcements published through designated media Official website of the Company Shenzhen Stock Exchange forum for investors (http://irm.cninfo.com.cn) Hotlines, mailboxes, and investor reception
Government/Community	Regular visits and talks Workshops Discussions on government policies Government censorship and self inspection
Supplier	ZTE supply chain management website Annual ZTE Corporation Supplier Day, and CSR trainings and conferences for suppliers Regular high-level exchanges and visits Supplier assessment and review CSR agreements and codes of conduct for suppliers
Industry group/Research institution	Industry forums Industry meetings and conference calls Face-to-face interviews
NGO	Regular talks Cooperative programs Annual CSR report
Media	Interviews Communication by phone



Innovation, the Impetus for Development

Thanks to its devotion to innovation, ZTE has grown rapidly from having weak technological power, to boasting advanced international technologies, to developing in parallel with or even surpassing western telecom giants. Innovation is always the cornerstone of ZTE's breakthroughs in business operation management. The past 30 years have witnessed its long-standing strategic priority to independent innovation, through which ZTE continues to create value for its customers and push forward the progress of the industry and even the human society.



PCT patent applications in the world for five consecutive years ranked

Top 3

Number of Chinese patent grants in 2014

2218

Number of members of ZTE industry-university research cooperative forum

30

Strategy and Culture of Commitment to Innovation

In ZTE, innovation has already fitted into the daily work of every employee. In 2014, we developed steadily and at the same time, made continuous technical innovations. To follow the trend of the times, we proposed the idea of reshaping a cool company and launched the M-ICT strategy to shift from a traditional ICT company to a new M-ICT one.

Reshaping a Cool Company

Aiming to become the enabler of the M-ICT era, we devote ourselves to leading in providing products, platforms, and services to create value with information. In this way, we can enhance the way customers collect, distribute, store, transmit, and consume information, to explore more value for them and improve user experience.

Interpretation of the M-ICT era

Last year, ZTE released the Ten Industrial Trends in 2014: Embracing the M (Mobile) ICT era, in which, for the first time, ZTE defined the M-ICT era when all things are interconnected through wireless technologies. ZTE believes that, with the convergence of IT and CT and the rapid prevalence of portable smart terminals, the ICT (Information Communication Technology) industry has inevitably evolved toward the M (Mobile) era. M implies M2M (Man-Man, Man-Machine, and Machine-Machine connectivity), M (Mobility), and more profoundly, Man, who leads in the M-ICT era and whose needs are the first and foremost impetus for a prosperous M-ICT world.

A CGO ZTE

C: COOL. A cool ZTE is conscious of the times, pursues perfection, and provides higher-than-expected customer satisfaction through technological and user experience innovation.
G: GREEN. A green ZTE is energy efficient and environmentally friendly, leads in sustainable development, cares for employees, and fulfills its social responsibility.
O: OPEN. An open ZTE eliminates barriers within the company, and partners with other links in the industry chain for cross-industry convergence in full swing.

Promote Strategy

M-ICT Strategy Four Core Areas

Operator • Enterprise • Terminal • New Product Market

Facilitate Transformation

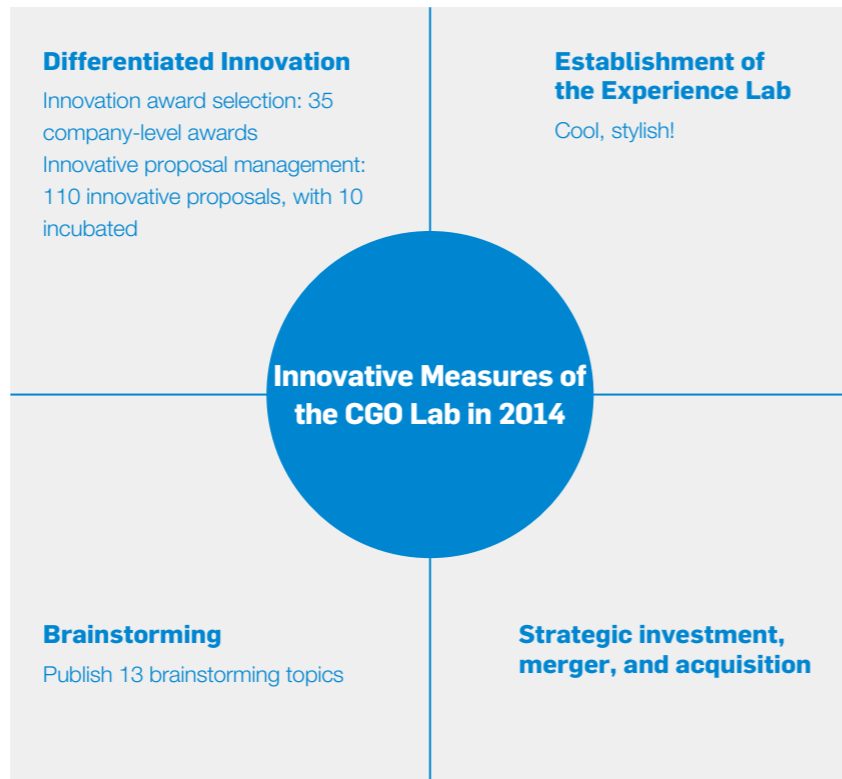
Enterprise Transformation

From equipment provider to service provider
 From focusing on science & technology and products to customer needs
 From an enterprise to an information ecosystem integrator

Encouraging Every ZTEer to Innovate

It is our belief that employees give business innovation roots. We provide various opportunities for all staff to show their passion for innovation and to inspire their potential to innovate, so that the company as a whole will become more creative. In 2014, we set up a CGO laboratory to support company-level innovative projects, the blue ocean program, and multi-division innovative and strategic projects. We carried out effective management measures, for example, formulating the CGO project operation mechanism, clarifying CGO project responsibilities and business processes, and standardizing project approval and handover policies, to promote the incubation of present CGO projects.

In addition, we created an internal forum — ZTE Innovation Club — in 2014, where employees keen on innovation and inquisitive about new technologies, new products, and new business models gather to exchange their views and seek partnerships with each other.



Industrial Cooperative Alliance for Innovation

Following the differentiated innovation strategy, we strengthen collaboration with universities and institutes in the communications field. We have established a comprehensive technological innovation system involving universities and operators to make best use of all technological research resources, to accelerate technological innovation, boost integration of technological research and product R&D and application, and improve our competitive strength in sustainability.

We have teamed up with prestigious Chinese universities and scientific research institutes to set up the ZTE Industry-University Research Cooperative Forum, which has been registered by 30 members with over 400 cooperative programs signed by the end of 2014.

First smart city laboratory:

We have set up, in partnership with the Institute of Urban Planning and Design, Nanjing University Co. Ltd, a smart city laboratory, the first one in China co-founded by a software company and a university-run institute. Both parties will explore how to integrate information technologies into urban planning to build a better and innovative smart city, and will work together in urban planning and big data mining and application. By taking full advantage of the technology and resource strengths of ZTE and the scientific research power in data analysis of the institute, we will work on how to make data more applicable, how to innovate in the use of big data in cities, and how to provide creative solutions and applications for urban planning and smart city enhancement.

First joint center for innovation:

We have, together with Tianjin University, created the Tianjin University — ZTE Corporation Joint Center for Innovation, the first joint center ZTE has established with a university in China. The slogan "One Team, One Dream!" was proposed. Both parties agreed to seek partnerships first in smart education and annually hold a software contest sponsored by both parties.

National-level joint laboratory for urban security:

We have partnered with the Digital City Engineering Research Center of Chinese Society for Urban Studies of the MOHURD to set up a national-level special laboratory for smart city — Joint Laboratory for Urban Security. The lab will focus on specialized urban security areas including normal management, emergency dispatch, and public safety, develop and integrate new technologies, and develop national standards. By doing so, we can help the country gain experience in top-level design, and solution and key technology provisioning in urban security, to push the achievements made in the lab toward the market, create and improve the national standards for urban security that suits China's national conditions, provide strong support for the booming urbanization process in China, and do more for the prosperity of cities.

Inclusive IPR Management

We respect the Intellectual Property Rights (IPR) of others and improve our own IPR. We continue to innovate and protect IPR to make ourselves competitive for smooth growth. We always list IPR including patents and trademarks in the Company's strategic plan, and push for the planning and implementation of the strategy. We have approved the incentive regulations for IPR, established an internal venture foundation as much as hundreds of millions of CNY, and taken advantage of the ten international joint centers for innovation as a higher-level platform for employees, to create an endogenous driving force for innovation.

Innovation base for converged ICT production and education:

Supported by the Ministry of Education of the People's Republic of China, local administrative departments of education will, from 2015 to 2020, organize and recommend undergraduate universities, and select 20 partner universities as the innovation bases for converged ICT production and education. ZTE will donate facilities worth 5 million CNY for each base on average, with a total donation of 100 million CNY. ZTE will send a team of experts to, jointly with each partner university, work out talent development schemes and teaching materials, establish platforms for practice and teaching, resource pools for joint R&D and teaching, and provide job opportunities. In addition, ZTE will introduce corporate R&D projects derived from market demands to the bases as their R&D and service requirements, to elevate their ability to participate in scientific research in the industry and to enhance their expertise through scientific research.

partner universities as the innovation bases for converged ICT production and education

20

total donation (million CNY)

100

By the end of 2014, we have had over 60,000 patents worldwide, among which 17,000-plus are granted patents. ZTE has become the first Chinese company in the top-ten list of European patent applicants, with 815 LTE EPs accounting for 13% of the global LTE EPs.

Last year, ZTE received 2,420 Chinese patent grants, topping the list of the companies with the most patent grants in China.



Smart City, the Bridge to the World

The advancement of information and communications technologies boosts the information industry. Better yet, it penetrates deeply into economic and social activities and people's lives, and demonstrates its multiplier effect on them. In particular, it is playing an increasingly important role as the impetus for fueling other industries. It is more general in developing countries, where evolved information technologies have greatly pushed forward the national economy.

We proposed the concept of "smart city, the bridge to the world", which conveys ZTE's commitment to eliminating the digital divide and to creating information-based education, employment, healthcare, social security, public safety, environmental protection, chemical engineering, construction, and agriculture through ICT for a sustainable world.

Number of cities that ZTE's smart city solution serves

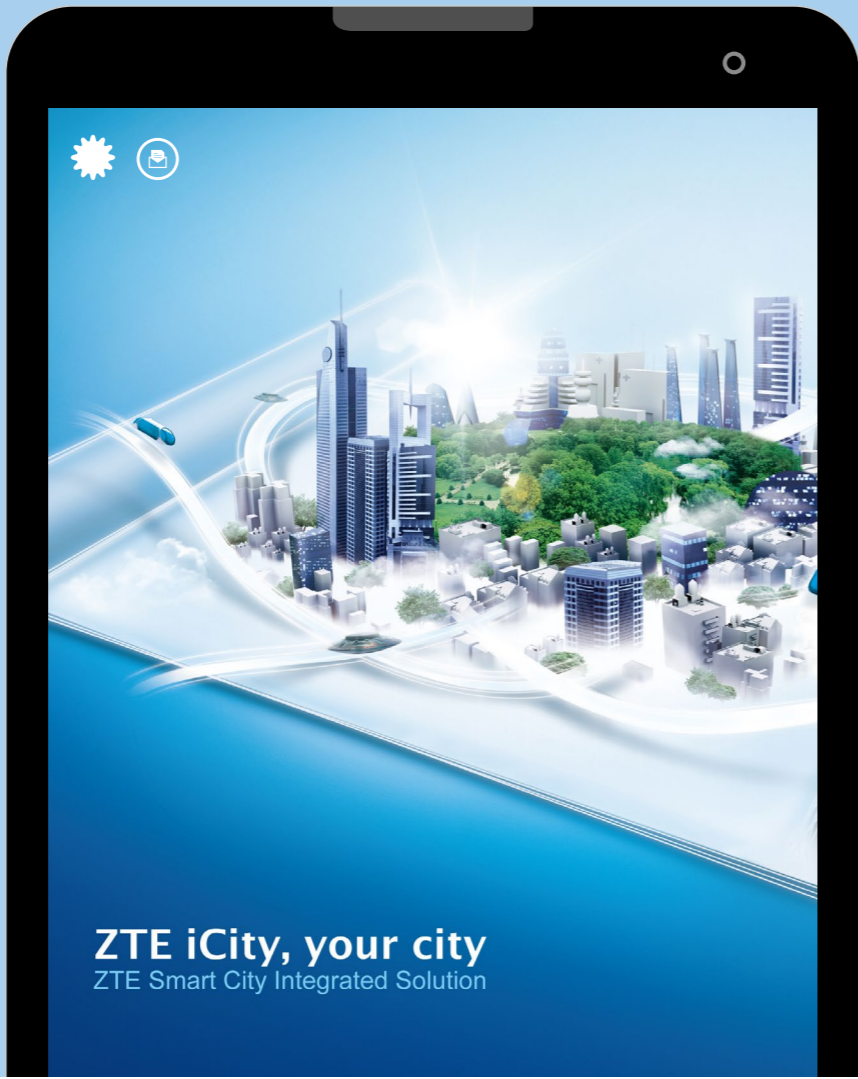
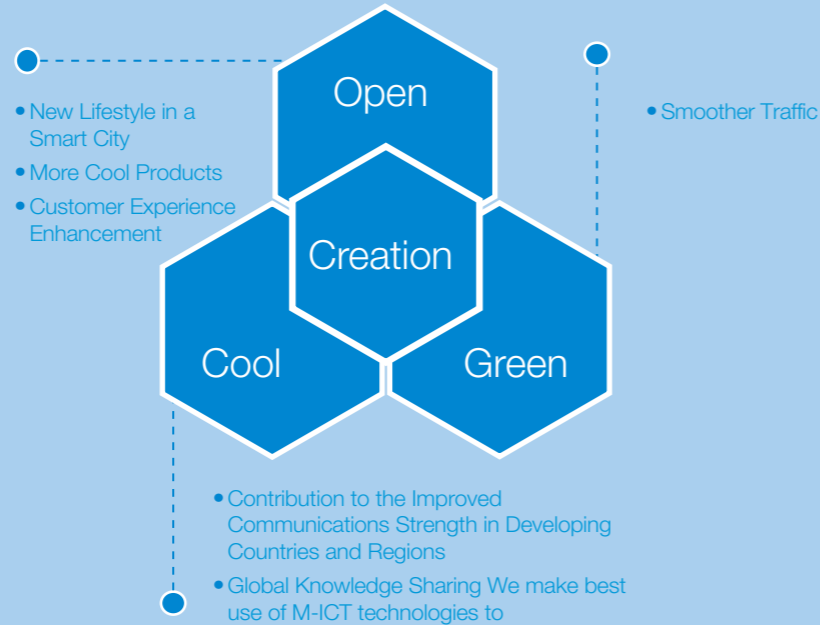
110

Number of times that ZTE's E-Learning system is used online (million)

2

Number of customers having received ZTE's knowledge services

600,000



New Lifestyle in a Smart City

The concept of smart city well represents the integration and application of innovative information technologies in urbanization. It is these information flows that give birth to a new city. As one of the first companies entering the smart city area in China, ZTE is, with 30 years of technological know-how and experience in ICT, dedicated to further integrating information technologies

into management, security, park, transportation, healthcare, education, tourism, logistics, and environmental protection, so that people can manage the way they produce and live in a more elaborate and dynamic manner. By doing so, ZTE aims to help cities respond to new challenges and make them smarter cities where people can live a quality life.

Feature: Building Smart Cities in Beautiful China

Guided by the nation's beautiful China and new urbanization plans, we actively explore a new smart city model exclusively for China, assist in building human-friendly cities and towns, and integrate M-ICT technologies into urban governance, public services, and industry development, to improve the environment where people produce and live, and to promote the

sustainability capability and environmental affordability of cities. ZTE's integrated smart city solution iCity has been widely used in more than 110 cities in China and 40-plus countries and regions worldwide, resulting in ZTE being awarded the Smart City Benchmark Enterprise of China by the world-renowned research institution IDG.

City Solutions for Cities in Different Types

City Type	Characteristics	Strategic Priorities	Typical Example	ZTE's Solution
Large city	<ul style="list-style-type: none"> Strong economic strength and well-developed industries Sound single-organization information foundation Plan for data integration and mining among organizations 	<ul style="list-style-type: none"> Plan and develop the city in an overall and comprehensive manner Expand integrated transport and improve municipal facilities. Improve the quality of the urban ecological environment Establish healthcare, education and technological facilities and credit systems. Focus on data interconnection among subsystems 	Provincial capital Yinchuang	In the Yinchuan Smart City project, ZTE introduced the innovative Public-Private-Partnership (PPP) business model involving government purchase services, social capital investments, professional company operations, and established a diversified, multi-channel, and multi-level investment and financing system. This system addresses the funding problems during construction, solves governments' difficulties in following up operation, maintenance, and upgrade, promotes governments' transition from infrastructure and public service providers to regulators, and accelerates the transition to service-oriented governments. In this way, ZTE effectively improves urban management and urban life satisfaction, and achieves a win-win situation among the governments, enterprises, and society.
Mid-sized city	<ul style="list-style-type: none"> Rapid economic growth and great potentials Abundant energy resources and featured industries like tourism 	<ul style="list-style-type: none"> Improve urban infrastructure Strengthen ecological environment planning Advocate the features of the city Prioritize measures for developing featured fields 	Port city: Qinhuangdao	The Qinhuangdao Smart City project consists of five parts: smart tourism, smart healthcare, smart traffic, safe city, and a smart city cloud platform. With progressive implementation of the phase-1 project, the Qinhuangdao government will be able to manage the city's basic information in a precise manner and make decisions based on data. The phase-1 project was completed at the end of 2014, which focuses on tourist-centric, industry-specific, and management-oriented principles to make tourists feel secure, calm, and comfortable during their stay in Qinhuangdao.
Small-sized city / Special park	<ul style="list-style-type: none"> Relatively low urbanization level and weak information technology strength Less-developed information systems used to support government management and services Smaller coverage, more specialized, and more government-predominant 	<ul style="list-style-type: none"> Do research and complete plans for the city in an overall manner Plan and set up integrated networks and platforms Available for business operation 	Technology park: Hechuan	The Hechuan Smart City Industrial Park project involves five areas: education, healthcare, transportation, tourism, and intelligence. Centered in Chongqing, this project attracts hundreds of technology companies on the industry chain to enter the park, and regularly expands throughout the southwest region in China. For example, citizens can go to the Health Hut, swipe their ID cards, and stand in front of an ultrasound machine. They can simply click on the big screen to have their height, weight, and blood pressure measured. They can be provided with a health report including information about their blood pressure, blood glucose, and electrocardiogram, as well as health advice.

About Us
Corporate Governance
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Innovation, the Impetus for Development
Smart City, the Bridge to the World

Employees, the Enabler of the Future
Environment, Our Obligation to Protect
Information Security, Worldwide Concern to Tackle
Sustainable Supply Chain, the CSR to Underlie
Benefits for Global Citizens, Our Vision and Promise to Deliver

Safer City

We focus on the basis and status quo of urban safety, invest more in technology R&D, and optimize public safety solutions, to help city agencies enhance public security control, strengthen digital and intelligent surveillance and their emergency response capability, and thus safeguard social stability and build safe cities.

Smoother Traffic

We explore traffic-related big data in China, provide the analysis result for policy makers as the basis for urban traffic system planning and improvement, and offer cutting-edge information and communications products and services to create smart traffic.



Case study

World's first digital trunking solution based on integration of narrowband and broadband for police affairs

As required by modern police affairs, when executing tasks, public safety officers must be able to "see clearly and investigate accurately" as well as "get through and pull up", and therefore can "win" eventually. In 2014, ZTE used both the broadband and narrowband digital trunking technologies to build up a converged network with different radio systems (PDT and LTE) for unified dispatch and management. PDT provides seamless network coverage within a jurisdiction for police officers to communicate and respond to emergencies. LTE base stations are established in three areas (case-prone areas, CBDs, and densely populated areas) and four places (public safety checkpoints, city entrances and exits, major road junctions, and the government buildings) provide mobile office, video surveillance, and visual dispatch.



Case study

Industry's most practical integrated dispatch system for emergency communication

An effective integrated dispatch system for emergency communication plays an important role in the emergency platforms for all levels of governments and all industries. ZTE is committed to providing government customers with integrated public safety solutions for social harmony and stability. The integrated dispatch system launched by ZTE in May 2014 combines wireless, wired, trunking, microwave, and satellite communication technologies to provide unified dispatch to improve the emergency rescue efficiency of the government.

Traffic Category	Vehicle Traffic	Rail Transit	Air Traffic
Solution	Mobile WiFi platform for buses	4G LTE solution	4G air-to-ground broadband
Typical Application	In March 2014, ZTE signed a strategic partnership agreement with Bus Online to build a smart IoT platform, which will provide bus passengers with mobile TV services, mobile app download, and local services. This will allow people to enjoy social, entertainment, and payment services on buses.	In August 2014, ZTE won the bid for the 4G TD-LTE train-to-ground communication project for Line 4 of the Hangzhou Metro. With ZTE's solution, videos and images captured on metros operating at a high speed can be uploaded to the dispatch center, and multimedia information can be downloaded to the displays on the metros in real time, to provide better user experience.	In July 2014, on-board Internet services were provided on Air China flight CA4116 and CA4109. As the only provider of the ground base station equipment for the air-to-ground broadband system, ZTE offers technical and service support throughout.
Significance	China's largest mobile WiFi platform for buses	A breakthrough in attempt to apply new technologies to rail transport in China	Leading China's civil aviation into the air Internet age

More Effective Management

We use the state-of-the-art information technologies to optimize production and management processes of companies to increase their operating efficiency and alleviate resource consumption and environmental pollution problems facing them. It is our hope that we can assist enterprises in sustainability to further contribute to the sustainable development of the city itself.

More Accessible Finance

In response to the rapidly growing Internet banking, we integrate a broad range of innovative ICT technologies and propose the Light Finance concept aiming to provide everyone with free, equal, and quality financial services. ZTE's Light Finance concept includes four integrated innovative solutions: mobile banking solutions, mobile payment solutions, financial service center solutions, and financial cloud computing data center solutions. These solutions provide customized transformation and upgrade services for traditional banking, Internet banking, mobile Internet banking, and other scenarios, and allow people to benefit from financial services more conveniently and inclusively.

Open and smart hardware platform at the edge of an enterprise network

Always focusing on employees who use the enterprise information platform and delivers the value of the information, ZTE integrates and optimizes enterprise resources according to its business processes, and makes use of Internet applications and enterprise big data analysis applications to build a new information service platform for employees.

Digital Oilfield IOT System

ZTE's digital oilfield IOT system provides automatic production and operation, as well as optimized production and management processes, for higher efficiency, better labor force allocation, and elaborate oilfield production management. In this way, oil and gas can be explored in a digital, informative, and smart manner to build a sustainable green energy industry.



Case study

Yunnan Forestry Cloud Service to Benefit Farmers

Yunnan province has the second largest forestland in China, with a large scale of forest-related industries and a huge number of foresters. Coupled with a vast territory, dispersed population, complex environment, and diversified service demands in this province, traditional information technologies and systems can hardly provide services capable of benefiting foresters as required by the Yunnan government.

By virtue of its technological strengths, ZTE, together with the Forestry Department of Yunnan Province, launched the "Yunnan Forestry Cloud Service to Benefit Farmers" to help the local forestry sector acquire digital resources through mobile Internet technologies. Covering 16 cities and 129 counties in Yunnan, this service uses mobile phones to deliver forest tenure information and the government's preferential policies to foresters more rapidly, and to provide information services for them anytime and anywhere. This service integrates forestry and e-commerce to build up an electronic trading platform for forest commodities, thus to form a centralized online trading platform for forest products and create new sales models. This service integrates forestry and financial services to provide foresters with tailored financial services as well as one-stop services involving banks, insurance companies, and other financial institutions, thus to promote the added value of forest resources and lead foresters in Yunnan to a better-off life.



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Fiji mobile payment project

Fiji boasts rich tourism resources, and attracts a large number of tourists. Given this, the Government of Fiji requires a low-cost mobile payment solution with rapid deployment. Through close communications with relevant Fijian sectors, function verification, and field study, ZTE successfully established a nation-wide mobile payment network, providing major services, such as one-card pass applications in schools at all levels, national public transport networks, and nationwide supermarket applications, and regularly covering hotels, small supermarkets, taxis, docks, cruises, and

other places. ZTE provides different user groups with different types of cards, such as student cards, ordinary cards, and discount cards. Different card users enjoy different financial payment services, and the tariffs and settlement methods of different card types are also differentiated. Moreover, this project integrated offline and online payment. A user having a card or cell phone can make a credit card payment in only 0.3 seconds. Both local users and tourists can enjoy fast and convenient trade experience in Fiji, which has greatly promoted tourism and services in this area.

China's first demonstration zone for mobile Internet finance

To promote the construction of Smart City and the international financial center in Shanghai, ZTE collaborated with China Mobile, China UnionPay, and Shanghai Pudong Development Bank (SPD Bank) to form an industrial complex for mobile Internet finance. In this complex, they played different roles and complemented each other's advantages, to make the Zhangjiang Hi-Tech Park China's first demonstration zone for mobile Internet finance.

implemented in ZTE's Shanghai R&D center and its neighborhood. This complex integrates quality resources to provide users with secure, stylish, and convenient mobile payment and mobile banking services. With progressive implementation and improvement of this project, people in the Zhangjiang Hi-Tech Park can enjoy various exclusive value-added services on cell phones, such as financial investment and planning, in addition to the one-stop services involving transportation, attendance, catering, fast shopping, access control, and office. They can also enjoy excellent personalized and customized O2O financial products and services through mobile Internet.

The project of the Zhangjiang demonstration area for mobile Internet finance will be implemented in three phases. The phase-1 project is now being



China Mobile deploys 4G TD-LTE outdoor base stations in this area



China UnionPay upgrades the card payment devices and systems in supermarkets and restaurants in this area to support NFC payment



SPD Bank upgrades metro and bus card payment systems in this area



ZTE provides users with smartphones featuring a secure NFC payment function

More Convenient Healthcare

In the information healthcare area, we seek to work out the most comprehensive and professional solution for the medical industry. We provide hospitals, primary healthcare institutions, disease control centers, social security authorities, and public health administrative institutions with integrated products and solutions including underlying networks, modular data centers, telemedicine, cloud desktops, virtualization, regional health information platforms, and collaborative office. In China, South America, and Southeast Asia, in addition to disease prevention, we also provide self-examination, health alert, health management, health advice, medical treatment consultation, clinical diagnosis, and teleconsultation throughout the healthcare lifecycle. We are willing to work hand in hand with our partners to build advanced healthcare systems to benefit people all over the world.



Smart medical logistics and information-based medical system project for Venezuela

ZTE has deployed a nation-wide smart medical logistics and information-based medical system for the Venezuelan Ministry of Health. This is the first large intelligent health system in Venezuela. This project covers a smart medical supply chain management system, five large automated drug distribution centers, and digital systems in regional hospitals.

The smart medical supply chain management system provides intelligent drug purchases, order processing, inventory management, transport management, planning, and business intelligence functions. The five large automated drug

distribution centers are built for automated package services of the receipt, storage, and movement of drugs and for efficient warehouse management. The digital systems in regional hospitals, which are based on geographic information databases and electronic maps, monitor the status of drug transport vehicles in real time to avoid drug loss.

This project makes intelligent drug management in Venezuela a reality. It can greatly reduce logistics costs of drugs, and improve medical management and healthcare in Venezuela.

ZTEd mobile education solution

To meet the requirements of information-based education, ZTE launched the ZTEd mobile education solution in 2014. This solution is a convergence of education content, education design, and informatization tools. Based on the "Cloud-Pipe-Terminal" mode, the solution integrates the education cloud platform, interactive classroom system, micro lecture production, and mobile learning applications to provide a one-stop learning experience and to allow anybody to learn any teaching materials on any terminal at anytime. This solution lifts the time and space restrictions on education services, provides better teaching experience for teachers and better learning experience for students, and allows one-to-one digital learning and explorative learning.

More Open Education

We uphold that to develop education is essentially to make all knowledge and educational resources available for sharing and to allow everyone to enjoy an equal opportunity in education. We spare no effort to build an information-based education ecosystem, where we take advantage of big data to analyze teaching and learning behaviors for precise resource provisioning. In this way, we can support education administrators in making policies, assist students in individual growth and teachers in professional development, provide data analysis-based operation, and achieve teaching-learning, teaching-teaching, and learning-learning interactions.

Contribution to the Improved Communications Strength in Developing Countries and Regions

The evolution of communications technologies greatly changes people's lives and plays a positive role in social progress. However, this also brings us huge challenges:

- How to fulfill communications demands that vary with countries and regions
- How to minimize communication tariffs to make it affordable to everyone
- How to make the Internet available to more people
- Differences in societies and digital capabilities
- How to make communications technologies more accessible to special user groups

All of these challenges cannot be met without the development and application of these technologies themselves. We are all along using our resources to enhance the communications strength of developing countries and regions, and to help eliminate the digital divide.

Customer Experience Enhancement

We keep in mind "Deliver Quality Services to Customers", one of the Company's core values, all the time when we produce every product and provide every service, to effectively protect the interests and rights of customers and consumers. We follow the TL9000 quality management system and the Six Sigma management system to improve quality, and establish a quality management and improvement model that guarantees customer satisfaction and field product commissioning, and covers all internal processes. In this way, we can enjoy an all-embracing advantage in providing cutting-edge products and quality services, to continue to serve our customers with competitive products and services.

Faster Internet Access

In 2014, we became the first in the industry to successfully deploy a full 4G industry chain, providing fast, convenient, and flexible 4G services for all levels of operators and government and enterprise customers, to eventually provide better user experience for Internet users together.

In Indonesia

We helped Telkom Indonesia upgrade their backbone networks and modernize their networks, so that their networks are highly flexible, scalable, reliable, and secure; are easy to maintain and efficient to operate and manage; and boast an ultra-long transmission capability with as large as 100 GB transmission capacity.

In the Dominican Republic

We helped the Dominican Republic build the first 4G TD-LTE network, which is technologically advanced, as well as being stable and high performance. With this network, people in this country can enjoy mobile broadband services, benefit from the bridged digital divide, and have better entertainment and education.

In Bolivia

We worked with a local operator in Bolivia to deploy the largest fiber access network, covering most areas of the country. This epoch-making project will greatly enhance the information communication infrastructure of Bolivia, improve the user experience of individuals and enterprises, and reduce the digital divide between different regions of this country.

In Nigeria

We signed a contract for the Nigerian railway modernization project, aiming to provide reliable, efficient communications and information systems and devices, as well as device debugging and commissioning services. This project will strongly support the efficient operation of modern railways in this country in the future. This railway will be the first standard railway constructed by a Chinese company in Nigeria, and the first modern railway in Nigeria.



Case study

More cool wireless system product — ultra-broadband RRU (UBR)

With its cool design, ZTE's ultra-broadband RRU (UBR) product outperformed 6,000-plus entries of all walks of life from 1561 enterprises worldwide, and won the 2014 Red Star Design Award. In addition to its extraordinary exterior design, the UBR product highly integrates its key functions into the design, becoming a number of firsts in a range of industries. It is a powerful tool for working through the key challenges to multi-frequency, multi-system coexistence in the 5G era and rolling out quality 4G networks for operators. The UBR product:

- Is radically innovative in ultra-broadband technologies and flexible power allocation for base stations. It lowers TCO and facilitates base station provisioning and OAM for operators.
- Uses the new power amplifier technology and advanced DPD structure and algorithm.
- Is the first in the industry to provide 365 MHz transmit bandwidth through a single channel.
- Boasts an advanced cooling technology and internal structure interconnect technology, provides 2 × 80 W transmit power with only 12 L in size, making the smallest RRU with the same transmit power in the industry.

With its cool design, ZTE's ultra-broadband RRU (UBR) product outperformed 6,000-plus entries of all walks of life from 1561 enterprises worldwide

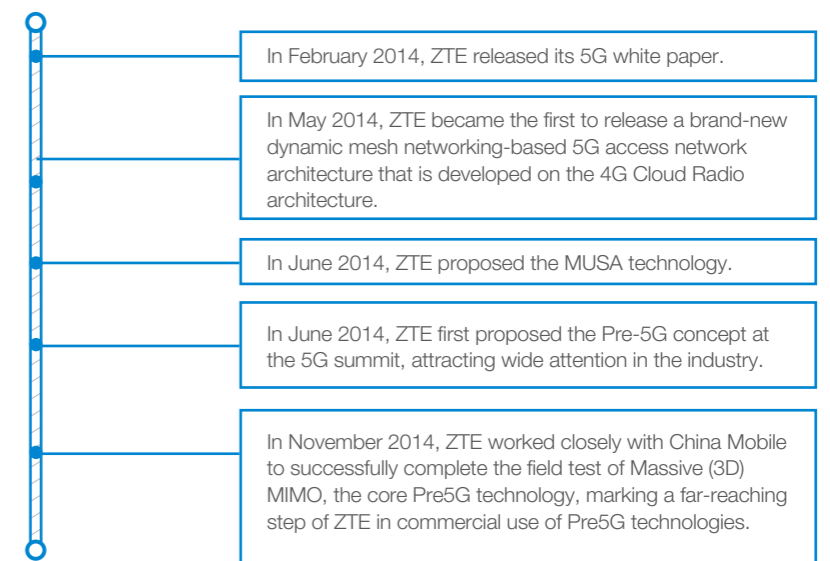
6,000



Case study

ZTE's Progress in 5G

ZTE has started working on 5G technologies including SDA since 2009. ZTE is a major contributor and participant in researches on global 5G standards. As a major member of the IMT-2020 (5G) Promotion Group, ZTE leads over 30% of the 5G researches.



Vision for the 5G Era – Superb Mobile Communications Experience

5G technologies will provide users with super large-capacity bandwidth and provide industries with massive connections, to achieve ubiquitous services and superb experience.

- The data rate of 5G is 10 to 100 times that of 4G, with a peak rate exceeding 1 Gbps.
- The traffic of 5G is 1,000 times that of 4G, allowing concurrent broadband accesses of most users in densely populated areas.
- The capacity of 5G is 100 times that of 4G, with support for over 50 billion P2P, P2M, and M2M connections.
- The service latency of 5G is one fifth that of 4G, less than 1 ms.
- The battery life in 5G is 10 times as long as in 4G, with 5 to 10 days of usage before another charge.

More Cool Products

A CGO company requires us to continuously serve our customers with cool products boasting high performance and reasonable prices. In 2014, we continued, as we promised, our endeavor to empower users to enjoy a better product and service experience.

Better Services

Continuously working on improving our ability to support global customers, we have built one global customer support center, seven regional customer support centers, and 46 local customer support centers, with more than 10,000 after-sales service personnel and over 3000 outsourced partners. This powerful technical support system and stable local support team serve customers in a comprehensive and standardized manner, and handle their service requests rapidly, efficiently, and effectively through online support, remote diagnosis, and field support, to guarantee the security and stability of customers' devices used in the networks.

In 2014, we provided smartphone users with a diversified and efficient customer services model. In addition to regular hotlines and repair services, we also opened the WebCall and provided online services on Sina/Tencent Weibo, Business QQ, WeChat, and RMA, allowing customers to raise questions and solve problems about the use of their smartphones on the online platform they use most frequently. In this way, we have provided customers with improved user experience.

Smart voice of ZTE Star 2 smartphone

In 2014, ZTE unveiled its "most obedient cellphone" ZTE Star 1 and the upgraded ZTE Star 2. With the speech recognition rate as high as 90%, it takes ZTE Star 2 only 1.2 s to identify a name, according to the statistics of 1,500 names, ranking first in the speech recognition rate and response speed in the world. Without the need for an Internet connection, voice operations can be made on any UI, allowing users to experience the

Case study

First smart watch in the world

ZTE launched the world's first smart watch Grand Watch in 2014. Featuring the ZTE Health Cloud and a Bluetooth bracelet with the sports, health, and heart rate monitoring functions, the Grand Watch provides a complete end-to-end solution for wearable devices.

The Grand Watch is integrated with professional sports-assist features, such as a pedometer that can record a user's action data around the clock, and an app that can precisely analyze how you burn fat. It supports multiple third-party social apps including QQ, WeChat, Weibo, Facebook, and Twitter, and can remotely control a smartphone to play music, take photos, and enable other entertainment options. It is embedded with many useful tools like the clock, calendar, weather report, and anti theft protection, and has common communications functions including incoming call reminder and rejection, and SMS and Gmail message check. It is compatible with smartphones developed on Android 4.0 and above, thus it is very easy to use. Its strong waterproof feature makes it possible to work properly ten meters under water. It also has a long battery life of up to seven days.

pleasure of being hands free. ZTE Star 2 is designed with the unique driving mode, in which the screen is automatically switched to the landscape mode. The smartphone is also integrated with the voiceprint unlock feature. Once the voiceprint of a user is matched, the screen is automatically unlocked even after the screen goes dark. In this way, the user can simply enable the offline navigation and query the route to the destination without taking his/her hands away from the steering wheel.

Case study

From the nubia Z5 mini used by China's First Lady, to the Grand S II as a national gift

ZTE handsets were a hit, and repeatedly outperformed other strong competitors in the global mobile phone industry during 2014. During President Xi Jinping's visit to Europe in March 2014, First Lady Peng Liyuan took pictures using a nubia Z5 mini in public, sparking a nationwide frenzy for the nubia brand. At the SCO summit held in Dushanbe, the capital of Tajikistan in

September, President Xi Jinping sent state gifts to leaders of Tajikistan and other SCO member states. In addition to silk, porcelain, paintings, and other traditional works of art, the Grand S II provided by the Chinese company ZTE was listed as a state gift for the first time.

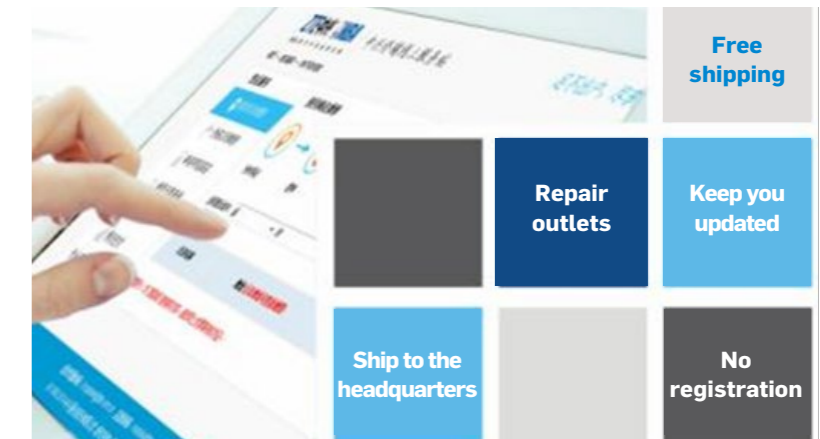


Case study

ZTE Online Services for five-star VIP customer services

In 2014, to further strengthen the "Customers First" philosophy proposed by the after-sales service division, ZTE launched the ZTE Online Services application, using Internet technologies to provide comprehensive online

repair services. With this application, users can enjoy excellent services including VIP hotline, free shipping and repair, reservation for free repair, free maintenance, preferential maintenance and repair, and 30-day free return.



Global Knowledge Sharing

We make best use of M-ICT technologies to provide our employees, customers and partners with professional learning services, which consist of Competence Transfer Services, Evaluation & Certification Services, Management Consulting Services and Learning Tools, to create learning-oriented enterprises, build a sustainable learning ecosystem, and contribute to effective talent training and knowledge operation of global customers.

In 2014, ZTE University set up training centers in 15 countries and regions in the world, covering South America, Central America, North America, South Asia, Southeast Asia, Middle East, South Africa, North Africa, India, Ethiopia, Asia-Pacific, Western Europe, Eastern Europe, and Russia. These training centers have provided training, consultancy, assessment, certification, and other knowledge services for over 600,000 customers in more than 100 countries and regions all over the world. The online E-Learning system has as many as 8,792 online courses, with over two million enrollments conducted on the system.

Case study

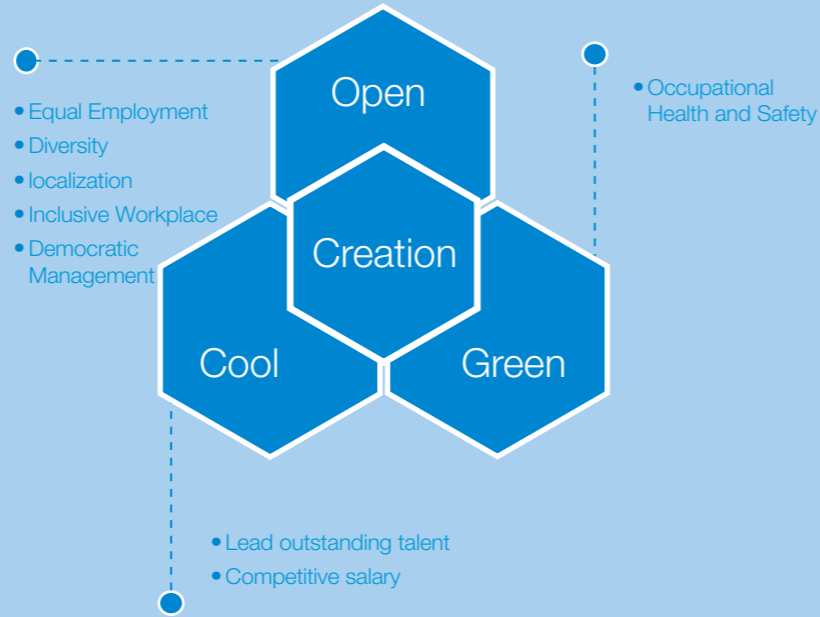
Joint research and training center with Universiti Teknologi MARA (UiTM) in Malaysia

ZTE, together with UiTM in Malaysia, established a joint research and training center in 2014, aiming to transfer skills and techniques and train local students for Malaysia through student exchange, academic visit, and other programs with prestigious universities in China. A communications research center was built to constantly introduce and update wireless, core network, transmission, data, and other major technologies and applications. It is predicted that this center will develop 5,000 qualified communications engineers and 100 communications experts for Malaysia in the coming five years.



Employees, the Enabler of the Future

In the burgeoning M-ICT era, we know well that only change-sensitive, passionate, and innovative employees can continuously create value for customers and the society. We are devoted to eliminating barriers within the company, inspiring employees' creativity and vitality, and creating an equal and diversified work environment for employees to get the best out of their abilities and talents. We encourage employees to start from zero and fulfill their missions in a professional and CGO manner, and to involve themselves in the M-ICT revolution to create a better future with ZTE.



Total number of employees in 2014

75,609

Number of times that employees attended training in 2014 (million)

1.2663

Localization rate of overseas employees in 2014

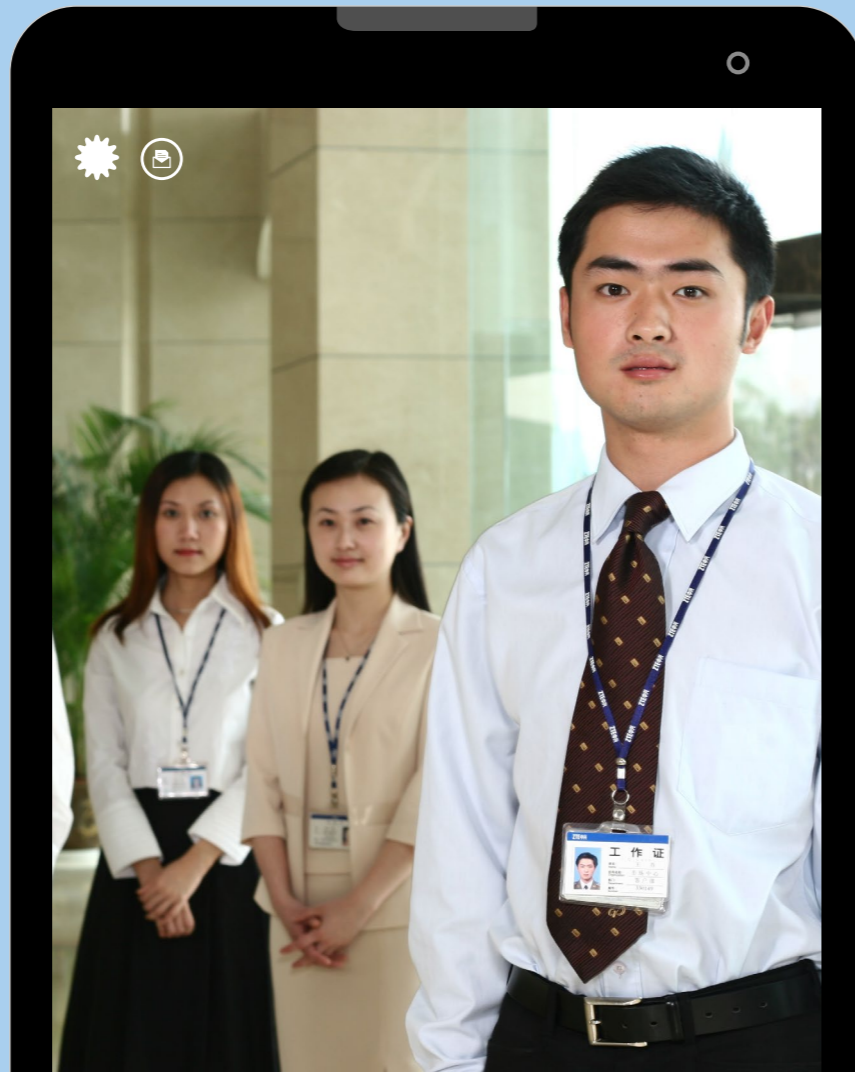
54%

Employee satisfaction with remuneration (proportion of employees who gave 4 and above out of 5)

66%

Employee satisfaction with EAP (on a scale of 10)

9.1



Innovative Talents

Innovative talents are key to successfully carrying out the Company's future strategies, and the core competitive strength for leadership in the technology industry. We offer a diversity of training and promotion opportunities to all employees, helping them develop their individual careers. In this way, they can both realize their own value and contribute to the growth of the Company.

New Employee Development

We place particular emphasis on new employee recruitment and development. We create a positive, open, favorable, and healthy environment for them to develop their careers and develop themselves into open-minded, respectful, and collaborative talents.

Vocational Training

We have a complete employee training system that provides employees with systematic training on business skills and operation management, and offers targeted training for new employees and the leadership. To satisfy employees' needs for more information and knowledge about the technology industry, we have made the most of new technologies to create a learning community where employees are happy to learn and happy to share. In 2014, 1,266,300 training enrollments were conducted with a total of 227,100 hours of classroom time, and all new employees received the orientation training.

Case study

Blue Sword talent recruitment plan for team leaders

To attract more talented students and reserve talents for the technology industry, ZTE launched the Blue Sword talent recruitment plan, aiming to recruit all over the world 100 elite graduates showing strong technical and managerial capabilities, to train them so that they will be competent to lead in the evolution of the company. The Company offers them competitive salaries and benefits, and sets three-year training programs for them, inviting senior executives and chief experts as their one-to-one career mentors, and taking measures to make a full range of technical and business opportunities available for them.

Case study

Enterprise-university partnership for practical talents

To develop graduates into practical talents that meet enterprises' needs, ZTE partnered with the Ministry of Education and 100 Chinese technical schools to launch an enterprise-university cooperative program in July 2014, which will provide preceding courses, set up joint laboratories, and send students to ZTE for internship. In this way, we can tell what we expect from graduates before they graduate to prevent academic education from being out of line with practical skills required, and allow these talents to fit into their posts as early as possible to maximize the work efficiency of the Company, thus to achieve a win-win result.

Case study

ZTE E-Learning

We have built a learning platform for all our employees worldwide. It flexibly incorporates the VOD learning system, learning management system, online examination system, and online assessment system to manage learning and knowledge in a one-stop, full process and visual manner. In 2014, the E-Learning system had as many as 8,792 online courses, with over two million enrollments conducted on the system.

training enrollments were conducted (million)

1.2663

Case study

ZTE MicroUniversity

In June 2014, ZTE launched ZTE MicroUniversity on WeChat to adapt to the new media era. It integrates offline training notification, training demand feedback, technology industry news, socializing, and test evaluation, to create a platform for employees to get training information and communicate with others so that they can choose training courses as needed.

online courses in the E-Learning system

8,792



Case study

First professional college in the business area

ZTE pays close attention to developing top high-tech talents. In May 2014, ZTE established the first professional college in the business area — ZTE Electronics Manufacturing Vocational College. This college aims at developing a pyramid-shaped technical talents team comprised of top experts outstanding at research, practice, and innovation. In July, the college held the launch ceremony of the first advance class, which lasts three years with 14 courses totaling 160 hours of classroom time in the "lectures in class and practices after class" teaching mode.



Diversity and Inclusiveness

In the ever-increasingly diversified and competitive world market, the diversity of talents is critical for competitiveness and innovation. We must create an inclusive work environment to maximize this competitive edge and allow employees to share, gain, and value different views and experience.

Capability centers

The capability centers focus on position management, optimize position and label settings, provide position allocation guides and requirements, specify job responsibilities, match personnel with positions, identify expert teams, and carry out position assessment to improve employees' competence with their positions.

First position appraisal and appointment of the highest-level technical experts

This position appraisal and appointment demonstrates the Company's full recognition and encouragement of employees' development in technologies, inspiring them to continue to dive into technologies and become top technical experts.

Honors and Recognition

We always value and encourage employees' contributions to the Company. We have established various commendations and rewards for employees. The ZTE Gold/ Silver Prize is the top individual reward for front-

line employees in recognition of their outstanding contributions in general positions. In 2014, 10 employees were awarded the gold prize and 20 won the silver prize.

ZTE Gold Prize winners



Juanjose Daibo Guoehui Kongqingyun Leiting



Liweifeng Meijunyao Wangdeju Xiezhihua Yaoliming

Career Development

We closely follow our strategic priorities and business needs to improve position management, specify position duties, identify position standards, and distinguish position values, to build a layered position structure with multiple classes, and provide a variety of opportunities for employees to develop their careers in a diversified manner.

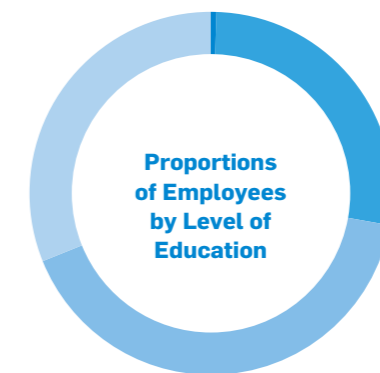
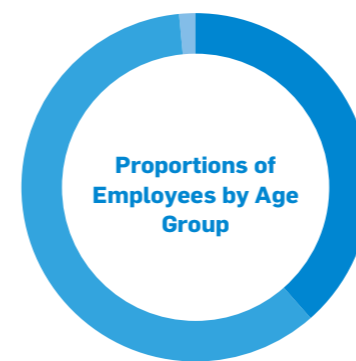
Equal Employment

We respect human rights, and strictly comply with the International Labor Conventions and other labor laws, regulations and policies of the countries we run business in. In terms of recruitment, selection, promotion, punishment, individual development, benefits, and labor contract termination, we prohibit discrimination on the grounds of race, color, nationality, language, wealth, social origin, social status, age, gender, sexual orientation, disability, pregnancy, religion, political beliefs, union membership, marital status, or other circumstances.

We prohibit the use of child labor, or forced or compulsory labor in any form. We prohibit insulting behavior on employees. We make clear the shortest notice period for any change to the vital interests of employees. We have zero tolerance toward any on-site or off-site harassment by the management or colleagues. We do not allow any form of physical punishment, mental or physical coercion, or verbal abuse. We respect employees' rights of joining or not joining any association, including labor unions and collective bargaining.

Career Development for Female Employees

We provide female employees with a variety of opportunities and training for their career development, allowing them to reach their full talent and ingenuity. We help them balance their work and life by offering lectures and activities on special topics involving women's health, marriage and family, and parenting each year. Pregnant employees can enjoy antenatal leave specified by the Company, in addition to maternity leave according to relevant Chinese laws. We have set up special dining areas for pregnant women, and provided maternal & child services for female employees in the lactation period.



Employees, the Enabler of the Future

Environment, Our Obligation to Protect

Information Security, Worldwide Concern to Tackle

Sustainable Supply Chain, the CSR to Understrate

Benefits for Global Citizens, Our Vision and Promise to Deliver

About Us

Corporate Governance

Sustainability Management

Innovation, the Impetus for Development

Smart City, the Bridge to the World

Democratic Management

We have a sound employee representative congress system to guarantee employees' rights to know, to participate, to express themselves, and to supervise in the Company. This system allows 600-plus employee representatives to exercise their rights of democratic election, management, and supervision in online and offline ways including the HR Online – Labor Union Election, NOTES – Employee Representative Congress Vote, and DMS systems. In 2014, we held five congress meetings, received five proposals, and reviewed, approved and publicized five events involving the shuttle bus and catering services, affordable housing, and foundation auditing and reporting.

Inclusive Workplace

We build an inclusive workplace to inspire employees' creativity and vitality, and to strengthen their sense of teamwork with others in different locations and businesses. We have created diversified internal communication bridges to encourage employees to share their opinions, raise questions, and make suggestions, making them proactively involved in strategy planning, business management, and product innovation. From online interviews, face-to-face talks with senior executives, ZTE Communications in Chinese and English, Share website, internal forum, IM, president mailbox, Operation Committee mailbox, EAP journals, magazines of divisions, members of the Labor Union, to employee representatives, multiple channels are available for employees to communicate with the management, colleagues, and partners of ZTE smoothly in a timely manner.

"Join Jeff for Coffee"

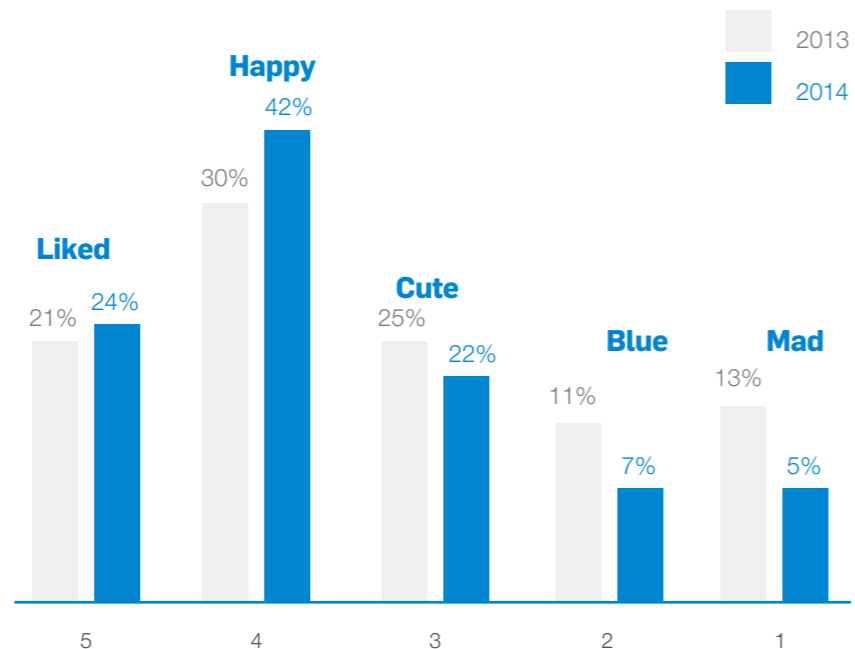
Comment from employees: We have a chance to talk face to face with the senior executive about CGO. It is COOL because we feel cozy in such an atmosphere where we can both enjoy a good cup of coffee and talk very frankly with Jeff. It is GREEN because no extravagant stuff is provided. All we have are simply paper, pens, coffee, desserts, and photos, environmentally friendly and in good taste. It is OPEN because anyone from any post is welcome. We are free to speak and share our opinions on anything from the corporate strategy to individual development. Everyone here is open-minded, and we can talk about our work, our dreams, our hobbies, and moments of our lives.

Jeff, Chen Jianzhou, Senior Vice President of ZTE, the executive representative for sustainability

Competitive Remuneration and Benefits

To attract and retain talents, we keep improving our remuneration mechanism. We combine the individual abilities, position, and performance of an employee together for appraisal, and establish long-term effective incentives to provide employees with equitable and competitive remuneration. In 2014, the Company offered a pay rise. According to the survey on this pay adjustment, 66% of all Chinese employees (including those whose payment was not adjusted) gave four and above on a scale of five, up 15% year-to-year.

Furthermore, we have an improved benefit package. In addition to full payment of all legal social insurance premiums, the Company also offers multiple commercial insurances for employees, their spouses, and their children.



Benefit Package Provided by ZTE

Five social insurances and one housing fund

ZTE provides legal social security insurances, including the pension insurance, health insurance, maternity insurance, work-related injury insurance, unemployment insurance, and public housing fund.

Commercial insurances

ZTE buys more than two personal casualty insurances for employees, and offers commercial insurances (including disease insurance, casualty insurance, and critical disease insurance) for them, their spouses, and their children, to help respond to sudden difficulties.

Overseas employees

ZTE provides overseas employees with annual leave and spouse visit leave, offers international emergency support to overseas resident employees and employees on business trips, and specifies spouse accompanying policies for excellent employees overseas, to guarantee their safety and alleviate their homesickness.

Occupational Health and Safety

A safe and healthy workplace is an important component of ZTE's commitment to responsible business operation. To achieve this, we advocate healthy life through the Share website and the Labor Union's mailbox for commercial insurances, and by holding lectures on health and disease prevention. We organize checks of accident risks around employees to build a safe, healthy, and life-centered work environment. We care for employees in special work environments or with heavy workloads, pay attention to employees' mental health, and pay visits to and help those in hospital due to injuries or diseases in a timely manner. In 2014, 6,577 employees attended the training on EHS basics.

employees attended the training on EHS basics

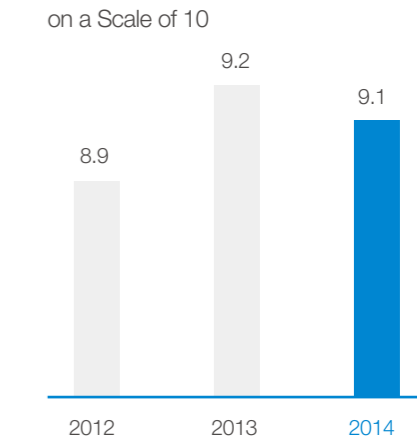
6,577

Case study

EAP for mental health of employees

The Employee Assistance Program (EAP) is a systematic and long-term benefit and support program that ZTE offers to its employees and their families. ZTE EAP provides counseling, publicity, training, and crisis intervention services covering career, marriage, parenting, and physiological science. In 2014, this program provided counseling for 5,623 employees, helping 17 employees and families affected by psychological crisis due to sudden mental diseases, or unexpected natural or man-made injuries through their difficulties. Moreover, we regularly publish articles on mental health on the intranet, official WeChat account, and monthly e-magazines, so that employees can know more about and pay more attention to mental health.

Employee Satisfaction with EAP from 2012 to 2014



Care and Concern for Employees' Lives

We attach great importance to humanistic care and team building activities for our employees. We have been exploring new cultural and sports mechanisms for years to help them balance work and life, provide them with better work and living conditions, and improve their sense of happiness and belonging.

Balance Between Work and Life

We have introduced flexible work schedules in some places, so that employees working there can avoid the peak hours to reduce the time spent on the way and arrange their work and life more reasonably. We encourage the establishment of various communities, associations, blogs, and clubs on the intranet. We regularly hold a diversity of cultural and sports activities to help employees relieve their stress, balance work and life, and to create an open, efficient, healthy, and happy atmosphere for them.

Hobby Associations

Sports associations covering basketball, football, badminton, swimming, table tennis, tennis, dancing, Yoga, Tai Chi, martial arts, and aerobics.

Recreational associations covering calligraphy, entertainment, and reading.

Recreational Activities

Guessing lantern riddles on the Lantern Festival, Family Day, parenting activities on Children's day, spring and autumn outings, activities during the Water Splashing carnival, activities on the Dragon Boat Festival, new year parties, and blind date activities.

Sports

ZTE Sports, sports games with fun, football matches, basketball matches, hiking, and plank relay

Case study

Pioneer Club

We established the Pioneer Club in 2014. Themed with Gratitude, Growth, and Dedication, this non-material incentive-oriented club aims at caring for excellent employees more deeply in more aspects, to make them feel happier and more satisfied, and to create a corporate culture that is more harmonious, healthy, energetic, and creative. Since its establishment, the club has organized activities of various kinds, for example, advanced physical examination for families of club members, summer campus on studies of Chinese ancient civilization for children of club members, travel for good program, and "Convergence" field training.



First Entrepreneurship Cup Calligraphy and Painting Contest



ZTE Sports



Star Employee Award Ceremony and Sports Games at the Pakistan Representative Office



Happy Train – Splendid China Water-Splashing Carnival

All-Embracing Life Services

In the era of Internet and big data-based logistics, we provide employees with a continuously improved integrated e-commerce platform — ZTE e+ — to meet employees' needs for birthday and festival celebration, insurance guarantee, entertainment and tourism. We offer lower-price healthy food through group buying, and provide more convenient shuttle bus services and customized catering services by virtue of Internet technologies.

questions were answered under the topic of "Shuttle Bus and Catering Services"

608



To strengthen shuttle service management, we have established an iconic shuttle management system to allow employees to enter their information, query shuttle routes, and provide comments and suggestions, to make optimized routes, lower costs, and improve employee satisfaction.



To improve dining environment and create new service models, we have launched online food order and delivery, and offered higher-grade catering services. We are planning to build Employees' Home to provide mini tea bars.

Case study

Labor Union Moments for employees' appeals

To provide employees with better services, the Staff Service Dept. under the Labor Union proactively investigates the logistics services, discovers problems, and sets a topic called #Shuttle Bus and Catering Services# on the Share website to exchange views with and solicit opinions from employees. By the end of the online interview, a total of 608 questions were answered under this topic. As a new and convenient way for feedback from employees, the Company has set this as a regular forum for the shuttle bus, catering, and other Labor Union services. You can also find the contact information of the persons in charge of the shuttle bus and catering services in each place, as well as all shuttle bus routes, in the More Labor Union Info area on the Share website.



CGO-Themed Cycling Attended by Senior Executives



Autumn Outing in Ningxia – A Wonderful Date with the Desert

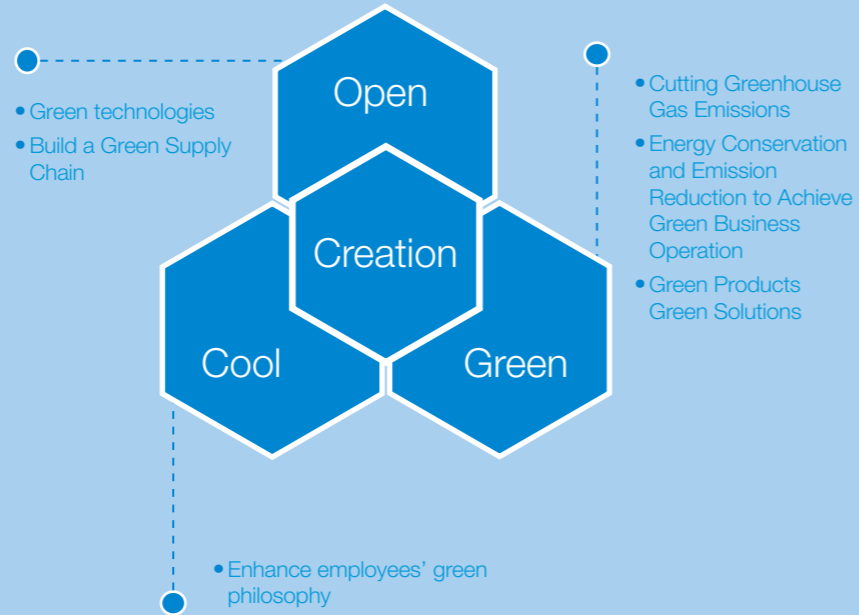


CGO-Themed Hiking Tour



Environment, Our Obligation to Protect

How to protect our environment and how to combat climate change are two most pressing challenges to the human beings today. Keeping in mind environmental protection in every operating link and throughout the product lifecycle, we roll out new energy-efficient products and services boasting greater business value with scientific rigor, and apply the green strategy in product R&D, manufacturing, supply chain, logistics, and engineering, to put ZTE on a sustainable path.



6,577 employees attended the on-the-job training on EHS basics and fire safety knowledge in 2014.

6,577

All new employees have attended the training on EHS basics.

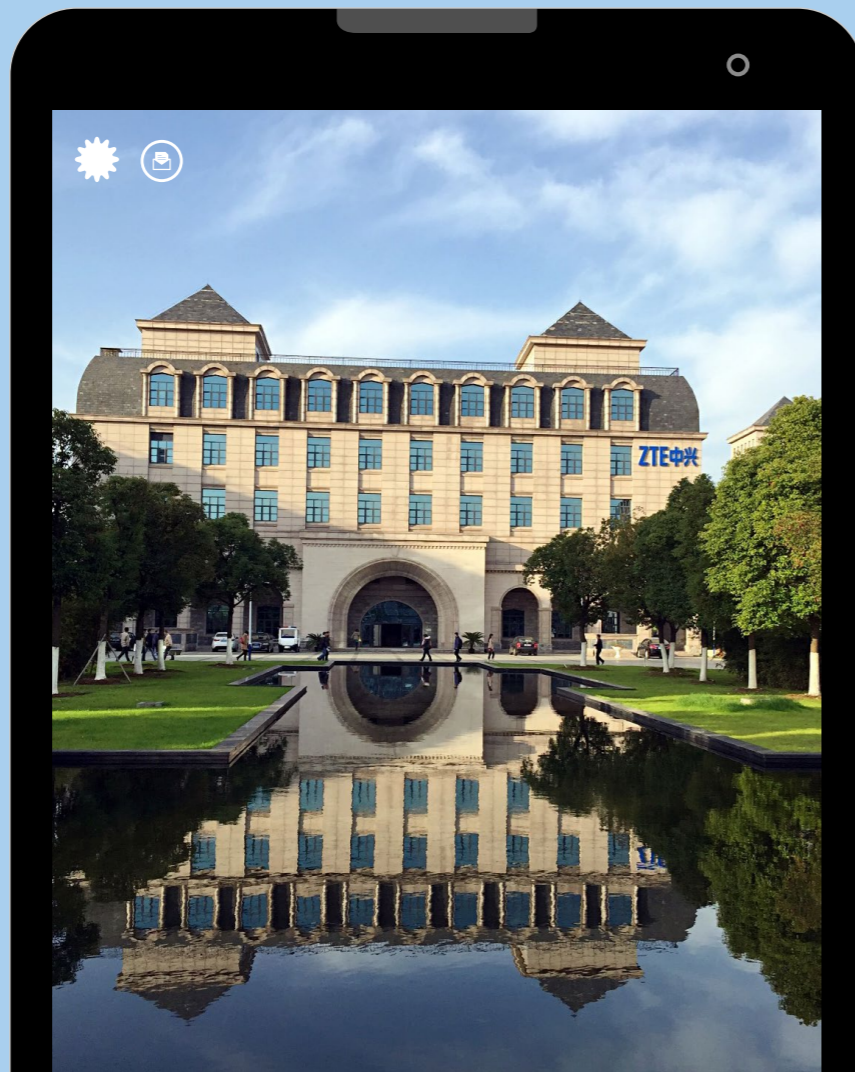
100%

Green ICT effects have been widely used by 300-plus operators in 100-plus countries and regions all over the world.

100

No environmental protection related violations or punishment occurred in the entire 2014.

0

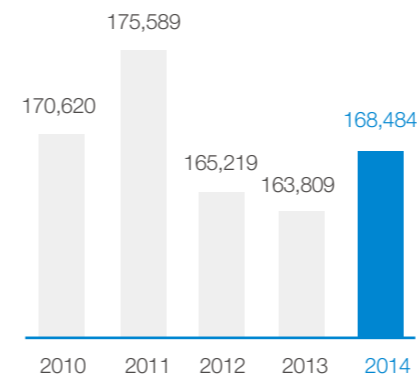


Greenhouse Gas Emission Reduction to Combat Climate Change

ICT plays an important role in combating climate change and reducing greenhouse gas emissions. GeSI SMARTer 2020 shows that by 2020, the ICT industry will reduce its greenhouse gas emissions by 1.3 billion tons of CO₂e, accounting for 2.3% of that around the world. With the ICT technologies and solutions applied to the electricity, transportation, agriculture, construction, manufacturing, consumer goods, and service industries, 16.5% of the global greenhouse gas emissions will be reduced, totaling 9.1 billion tons of CO₂e.

To mitigate climate change and reduce greenhouse gas emissions, ZTE has set an example to cut the emissions during its own business operation, and provided multifaceted innovative green technologies, products, and solutions to help customers and the society lower greenhouse gas emission. In 2014, ZTE was among the first enterprises that took part in the Shenzhen Carbon Emissions Trading Pilot Program. Its endeavor has made its actual carbon dioxide emission only three quarters of the carbon allowance given by the government.

Annual Greenhouse Gas Emissions (tCO₂e) from 2010 to 2014



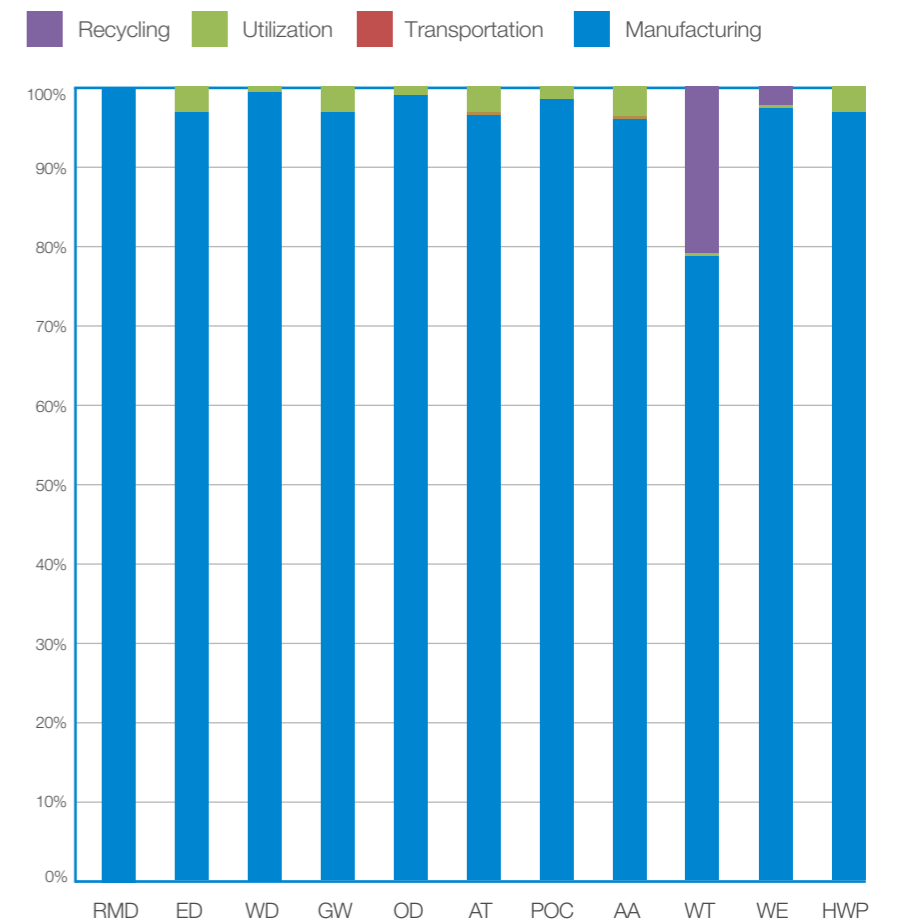
Cutting Greenhouse Gas Emissions during Its Own Business Operation

ZTE pays close attention to environmental protection throughout the product lifecycle, and strictly complies with the ISO 14040: Environmental Management — Life Cycle Assessment — Principles and Framework — to improve its overall product lifecycle assessment capability. Expert teams have been established to analyze, quantify, and improve 11 categories of environmental indicators within the lifecycles of mobile phones, multimedia terminals, broadband terminals, bearer network devices, base stations, and other products. These indicators include raw material depletion (RMD), energy depletion (ED), water depletion (WD), Global Warming Potentials (GWP), ozone depletion potentials (ODP), air toxicity

(AT), photochemical ozone creation (POC), air acidification (AA), water toxicity (WT), water eutrophication (WE), and hazardous waste potentials (HWP).

Through analyzing smartphones, we have found that the product manufacturing cycle jeopardizes the environment most because it emits the most greenhouse gas and consumes the most raw materials and energy resources. As such, we place how to lower the impact of product manufacturing on the environment and cut greenhouse gas emissions as a key priority of the Company, and set environmental KPIs and greenhouse gas KPIs each year to achieve this goal.

Smartphone Lifecycle Assessment Result



Employees, the Enabler of the Future
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 Sustainable Supply Chain, the CSR to Understrate
 Benefits for Global Citizens, Our Vision and Promise to Deliver

About Us
 Corporate Governance
 Sustainability Management
 Innovation, the Impetus for Development
 Smart City, the Bridge to the World

Helping Customers and the Society Reduce Greenhouse Gas Emissions

Through innovation, ZTE provides customers with green, effective, and efficient technologies and solutions for energy conservation and emission reduction, to help our customers and the society reduce greenhouse gas emissions.

Compared with existing wireless architecture technologies, we propose our innovative architecture and low-carbon product series boasting 70% to 90% lower energy consumption. Assume that there are one million base stations among the three major operators in China, a total of 7.9 billion kwh of electricity can be saved and 1.05 million tons of carbon dioxide emissions can be cut each year. In 2014, we deployed a fast and green 4G network for Hong Kong CSL, lowering its annual energy consumption by 39%, equivalent to a reduction of 7,000-plus tons of carbon dioxide emissions.

Energy Conservation and Emission Reduction to Achieve Green Business Operation

We highly value resource conservation and environmental protection. We strive to integrate this awareness into all business links, and fulfill our commitment to low-carbon and green business operation. We have built a sound environmental management system globally based on the ISO 14001 standard. In 2014, we also started planning an ISO 50001-based energy management system in positive response to climate change.

Energy and Resources Conservation

Energy conservation

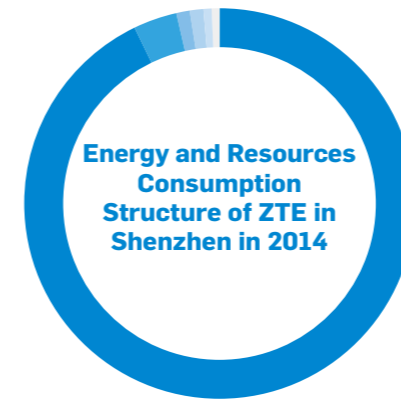
ZTE has established the ZTE Energy Conservation Committee and developed relevant regulations to comprehensively manage and promote energy conservation and consumption reduction. At the product level, we take energy-saving measures and promote cleaner production to increase energy efficiency. At the business operation level, we upgrade equipment and strengthen daily energy management to make energy conservation more concrete and operational.

We regularly publish energy conservation information on the intranet to improve employees' awareness and capability of consumption reduction. All divisions inspect themselves and the administrative departments of the Company implement regular inspections, to find out violations and impose penalties on involved departments and personnel, and to reward individuals and teams with excellent performance in this aspect, thus to encourage more employees to contribute to energy conservation and emission reduction. In 2014, ZTE in Shenzhen consumed different types of energy equivalent to 21,932.12 tons of standard coal, of which purchased electricity accounted for 93.71%.

Water resource conservation

Because the Company consumes water from urban water supplies for daily office and living use, and no industrial water is consumed in the manufacturing process, we do not pose serious impact on rivers, lakes, underground water, and glaciers. We develop and continue to improve water resource management, and apply the latest water conservation technologies to each link of our business operation.

No.	Project	Electricity Saved (10,000 kwh/year)	Carbon Dioxide Emission Cut (tons/year)
1	Energy-saving transformation of terminal air cabinets in Buildings B1 and B2 of the Industrial Park	264.94	325.61
2	Transformation of the cooling water system for central air conditioning in Building B3 of the Industrial Park	37.54	46.14
3	Transformation of chilled-water thermal storage for the central air-conditioning system	470	577.63



- Purchased electricity (10,000 kwh) 93.71%
- Gas (10,000 m³) 3.24%
- Petrol (tons) 1.33%
- Diesel (tons) 1.03%
- Piped water (10,000 m³) 0.42%
- Liquefied petroleum (tons) 0.28%

Pollution Emission Reduction

Wastewater treatment

Because ZTE mainly focuses on product assembly, no industrial wastewater is generated in the manufacturing process. Household wastewater mainly comes from toilets in office buildings and canteen kitchens, which contains no toxic or harmful or special substances. Oily wastewater generated from canteen kitchen cleaning is first filtered through the strainer of a cleaning pool. After the preliminary filtering, solid debris is filtered out, and then the kitchen wastewater flows to a three-level grease trap for grease treatment. After the removal of major pollutants, the wastewater is discharged into the municipal sewer network.

Waste gas treatment

The waste gas generated by ZTE comes from process exhaust gas and generator exhaust gas in the manufacturing process. In accordance with the Air Pollutant Release Standard of Guangdong Province, all the waste gas is purified and then discharged through pipelines to the high altitude after reaching the required standard.

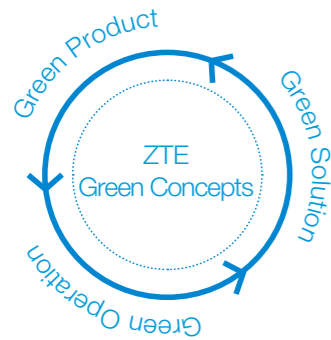
Solid waste treatment

Most solid waste generated by ZTE is electronic waste. The Company strictly follows the regulations on waste electronic equipment management of all countries, and actively promotes recovery and recycling of used products and resources. To do this, we have set up a professional reverse logistics processing department. Moreover, we have collaborated closely with the world's leading environmental service providers to establish a global network for recycled material processing to achieve one-stop disassembling and recycling of telecom equipment all over the world.

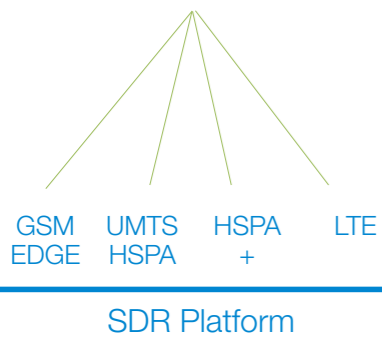
Noise control

The noise generated by ZTE mainly comes from air conditioning units, air compressors, cooling towers, fans, pumps, and other auxiliary power equipment. We purchase and use imported or high-quality domestic equipment together with acoustic ceilings and walls in dynamic areas, and build green belts to control noise. The monitoring results show that the noise at the factory boundary meets the class II standards of the GB12348-2008 Emission standard for Industrial Enterprises Noise at Boundary, contributing very little to the surroundings.

Green Concept to Provide Green Products and Solutions



ZTE Corporation



Solar-Powered Mobile Phone



Green Packaging



With the green concept embedded in all production and operation activities of the Company, ZTE is developing from a good company into an excellent



CGO (COOL, GREEN, OPEN) company. GREEN is rooted in energy conservation and sustainable development.

Green Products

Environmentally friendly design

ZTE employs the ecological design concept at the product design stage, aiming to design products in a recyclable, universal, and compact manner. We choose and use materials that meet the EU's WEEE directive on the design requirements for the recycling rate and re-utilization rate for communications electronic products, so that the two rates for all ZTE products can reach higher than 75% and 65% respectively. ZTE does all it can to minimize the impact of a product throughout its lifecycle on the environment as early as possible.

We use energy-efficient solutions to design network and product architectures. By the end of 2014, a total of 14 mobile phone products have passed the ULE certification, among which one product has received the Speed (N9130) certificate.

Safe control

ZTE conducts hazardous substances control throughout the process from product design, procurement, distribution, production, to delivery in strict compliance with the latest requirements of the QC 080000 specification that helps manufacturers of electrical and electronic products and components implement a Hazardous Substance Process Management (HSPM) system, with up to 29 types of level-1 controlled substances and 151 to-be-declared substances. In addition, the Company has established environmental protection labs, gained RoHS and halogen-free testing capabilities, and was certified by both CNAS and DILAC. We have also introduced the advanced environmental protection system WPA (Windchill Product Analytics) and integrated it into the internal IT system, to systematically capture and validate data of suppliers, collect contents of hazardous substances in materials, manage environmental compliance analysis, and ensure that suppliers follow the Company's requirements on materials and substances. Moreover, we carry out exchanges and research in collaboration with a number of partners and professional institutions, to lift the industry's safe control to a new level.

Green Solutions

Innovative green technologies

ZTE's innovative green technologies, such as the Software Defined Radio (SDR) platform, and the Advanced Telecom Computing Architecture (ATCA) platform, can reduce energy consumption by more than 50%. These technologies have been widely used by 300-plus operators in 100-plus countries and regions all over the world, covering the electricity, transportation, agriculture, construction, manufacturing, consumer goods, service, and other industries.

Relying on advanced equipment and environmental information systems, ZTE provides integrated smart energy-saving solutions on the basis of mobile Internet, cloud computing, Internet of Things, and environmental technologies, aiming at online environment monitoring, smart energy-saving, and environmental waste recycling. Through real-time online management of pollution sources, the Company provides scientific energy-saving solutions for efficient recycling and centralized safe disposal of waste, to achieve automated, information-based, and intelligent energy conservation.

Green new energy

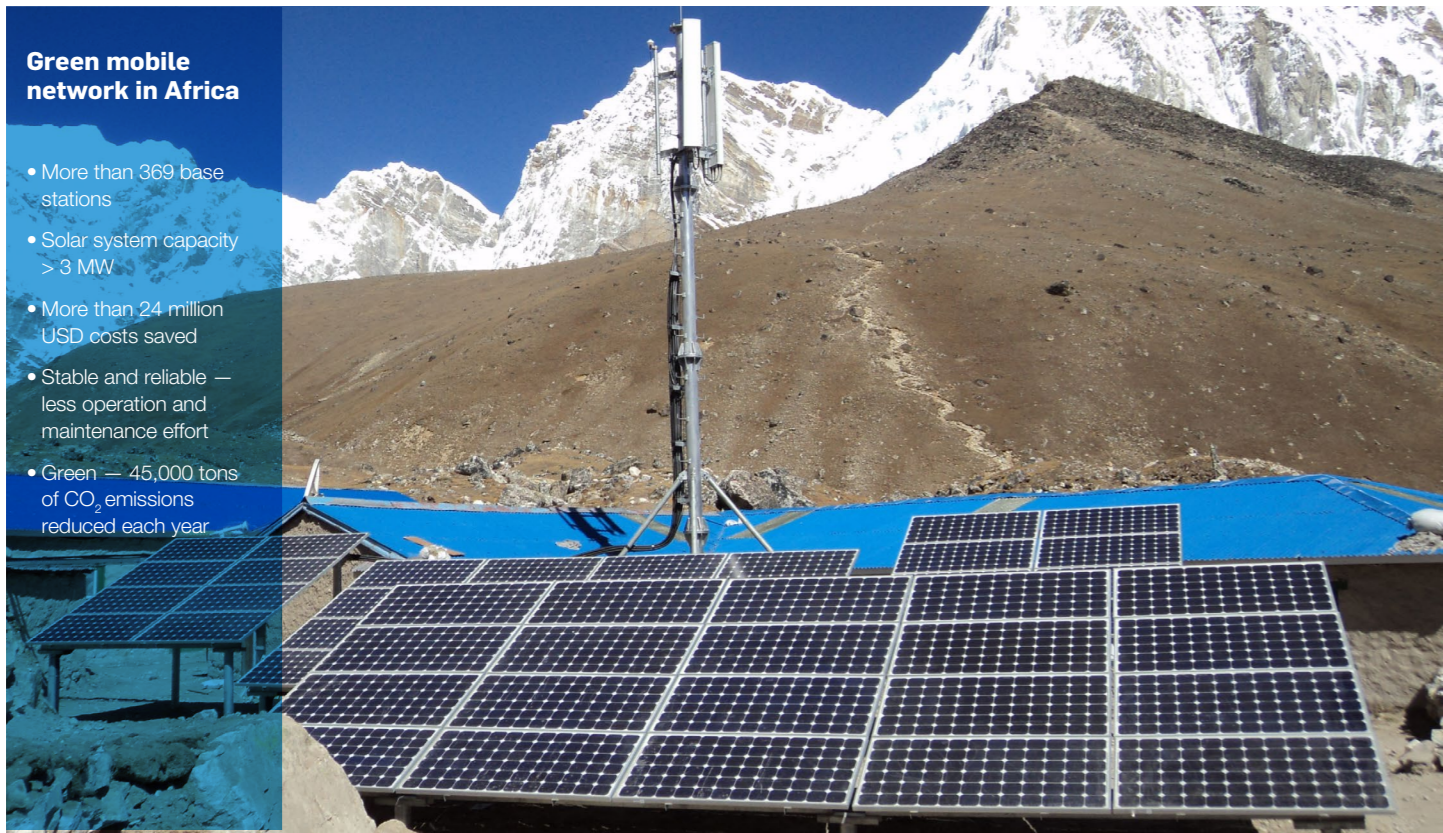
At present, energy shortages have become the number one constraint on the development of many countries and regions. Solar energy, as a new green energy, is clean, renewable, safe, reliable, and cost effective, and thus is receiving more attention from a growing number of countries, especially those suffering from energy shortages.

With over 20 years' experience in energy exploitation and utilization, ZTE is the first Chinese company to provide solar energy products and services for overseas customers, and has created the largest solar power system for communication networks (9.18MW solar network, Ethiopia) in the global market. In 2014, we rolled out a number of green solutions and applied them in Africa, Asia, South America, and other regions in the world. Solutions include the oil-electric, all-solar, optical-oil, and wind-optical-oil power supply solutions, solar video surveillance system, solar pumping system, household solar systems, and solar systems for microgrids. On a global basis, ZTE has provided 300 MW green electricity for 52 countries and regions.

Base Station, Shenzhen China

- Wind-solar powered system
- Zero impact on the environment
- Zero noise or carbon footprint
- Easy to install in open spaces or on roofs
- 1,090.4 tons of CO₂ emissions reduced each year





Green mobile network in Africa

- More than 369 base stations
- Solar system capacity > 3 MW
- More than 24 million USD costs saved
- Stable and reliable — less operation and maintenance effort
- Green — 45,000 tons of CO₂ emissions reduced each year

In August 2014, ZTE received the Africa ICT Green Energy Technology Leadership Award of Frost & Sullivan 2013 Best Practices Awards, which praised the outstanding achievements of ZTE's green energy products and solutions in the Africa market. Naila Govan-Vassen, an industry analyst at Frost & Sullivan said: "ZTE has become a leading provider of green energy solutions in the communications and other industries. Their solar power supply solutions fit a number of scenarios and have been widely used worldwide."

Green cloud conferencing

The ZTE meeting shared services center (referred to as "meeting SSC") was officially put in use in 2010. We encourage employees to hold video conferences and conference calls to reduce the number of business trips and thus to lower transport vehicle emissions, energy consumption, and carbon emissions.

In 2014, the Company developed new initiatives in conference system improvement, meeting room management, and conference security, which significantly reduced travel costs and enhanced communications efficiency. 62,572 video conferences were held in 2014, 3,328 more than 2013, representing a 6% increase. A network management system covering video conference terminals, projectors, and switches was built to monitor important devices in conference rooms in real time, and 22 overseas war rooms were established last year to effectively reduce overseas business trip expenses.

Green packaging

ZTE launches the concept of green packaging to reduce packaging types, facilitate device storage, save space, improve the logistics turnover efficiency, reduce carbon emissions, and greatly lower transportation costs.

In 2014, ZTE rolled out green packaging solutions for seven products. Wooden cases were replaced with cartons to save 120,000 timbers and 1.3 million CNY procurement costs each year.



Case study

Optical-oil-electric power supply solution for energy conservation

ZTE's optical-oil-electric power supply solution has been successfully used in India Airtel's network, representing a typical success story of ZTE's green energy solutions. This solution effectively integrates solar energy into the current diesel generator solution to reduce the use of diesel engines by 80% and greatly optimize capital expenditure. In addition, the oil-electric power supply solution provided by ZTE for a Nigerian customer helped reduce fuel-related costs by 30% to 50% and maintenance costs by 50% to 70%, thus contributing to the green development of the customer.

the use reduction of diesel engines

80%



Case study

World's first wireless charging solution for urban "last-mile" commutes

Air pollution in cities has come under the spotlight in recent year, and the usage of electric buses is, without doubt, an important tool for reducing urban vehicle emissions and building green and livable cities. In October 2014, ZTE partnered with Shudu Bus to launch the world's first wireless charging-powered bus solution for urban "last-mile" commutes, which has effectively tackled auto pollution in cities.

This solution is the optimal one because it integrates innovative technologies and business models with requirements on the market, customer experience, safety, energy conservation, and environmental protection. It is tailored for densely populated big and medium-sized cities in China, and is also an innovation in new energy-powered public transport boasting both favorable social and economic benefits.

This solution has the following five prominent advantages:

- No special land is required. Charging stations can be built rapidly and safely in any existing parking spaces or on streets around communities.
- The bus can be recharged along the bus route to cut battery expenses, minimize the weight of the bus, enlarge available space in the bus, and improve energy efficiency.
- The bus can be charged whilst at work along the regular route, and does not need to take a detour for recharging.
- The bus can be automatically charged in an unattended and maintenance-free way, and is completely not affected by lightning or storms. Therefore, it is safe and convenient.
- The bus can be recharged regularly to avoid over-charge and over-discharge of the battery, thus to effectively extend the battery life and reduce route operating costs.



Partnership with Suppliers to Build a Green Supply Chain

ZTE is dedicated to establishing partnerships with suppliers in a green and all-round manner. We manage our suppliers in the procurement process in an environmentally-friendly way to team up with them to protect the environment, improve the overall competitive edge of the industrial chain, and achieve green management throughout the industry.

We treat suppliers' impact on the environment during procurement as one assessment criterion, and all suppliers must sign the Supplier CSR Agreement before they can be published online as trial suppliers. As specified in the Headquarter Purchase Supplier Certification flow, all products, components, and materials offered by suppliers must be tested by a third-party testing agency authorized by ZTE, and a test conformance report must be provided.



Employees, the Enabler of the Future



Environment, Our Obligation to Protect



Information Security, Worldwide Concern to Tackle



Sustainable Supply Chain, the CSR to Underlie



Benefits for Global Citizens, Our Vision and Promise to Deliver

About Us

Corporate Governance

Sustainability Management

Innovation, the Impetus for Development

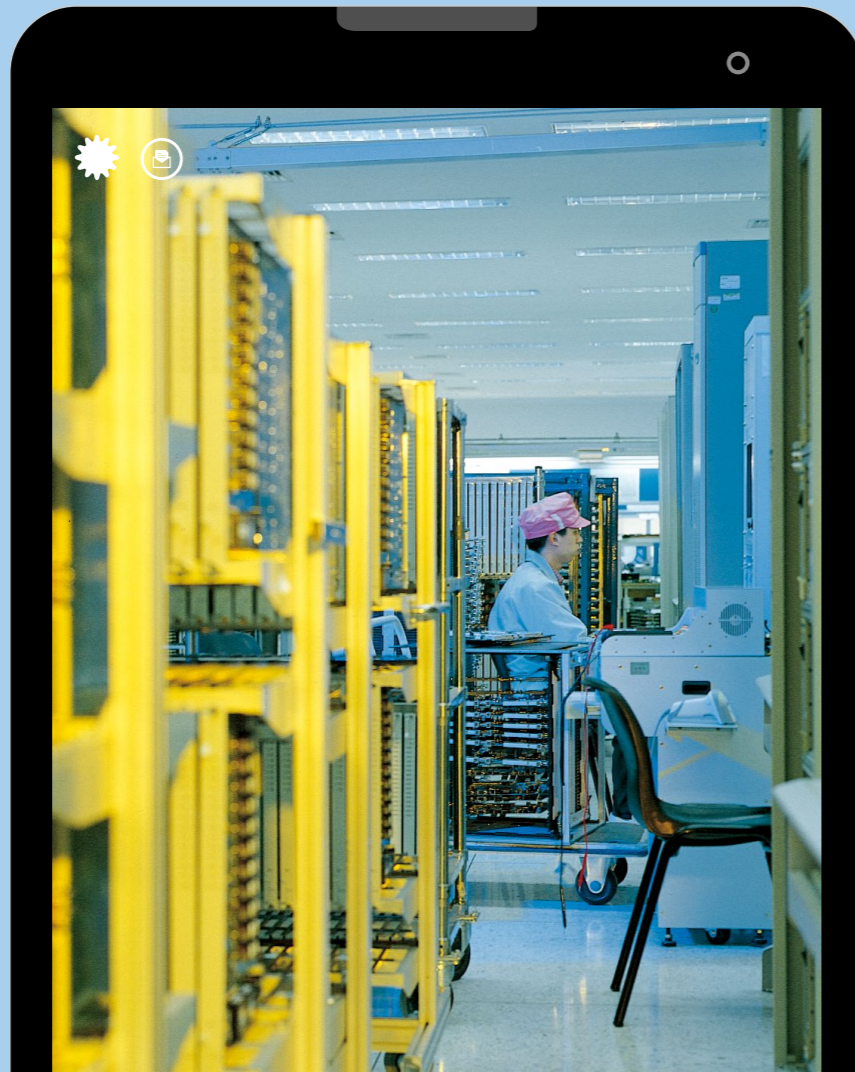
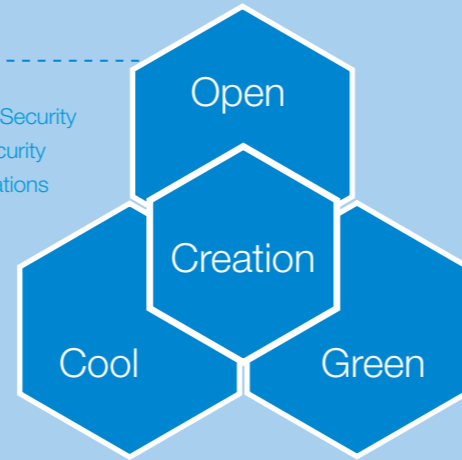
Smart City, the Bridge to the World



Information Security, Worldwide Concern to Tackle

As the Internet evolves, information security problems have become increasingly prominent in recent years, causing concerns worldwide. As a global leading provider of integrated telecommunications solutions, ZTE is willing to make every effort to create an inclusive and effective information security system, and is ready to partner with counterparts both technologically and in terms of service provisioning to guarantee information security in China and offer reliable security terminals.

- Information Security
- Product Security
- Communications Guarantee



The first Chinese company certified to the new ISO/IEC 27001:2005 standard

First

The only Chinese mobile phone vendor certified to the five-level security test for mobile terminals by the MIIT

Only one

Comprehensive and Efficient Information Security Management

Due to the frequent international security events occurring in 2014, many countries, organizations, and individuals expressed their common concerns about information and product security. ZTE has built, improved, and carried out a sound information security management system, and is the first Chinese company certified to the new ISO/IEC 27001:2005 standard. By the end of 2014, we have received the ISO/IEC 27001:2005 certification in the branches in China, India, America, Britain, France, Germany, Holland, Turkey, and other countries and regions.

ZTE Information Security Management Structure

Name	Description	Responsibility
Information Security Management Committee	Supreme governing body of information security management of ZTE, with the President as the director and the EVPs and SVPs as members of the committee	Makes strategies and major decisions on information security of the Company.
Information Security Management Department	Routine office work of the Information Security Management Committee	Promotes the information security management system of the Company.
Information Security Management Team	One for each business unit, with the director of the business unit as leader of the team, and designated information security supervisor and head	Promotes information security of relevant unit.

Institutional Systems

- Strictly comply with the ISO/IEC 27001 standard
- Specify requirements on organizational management, business activities, IT systems, and physical areas, and embed the information security system into R&D, sales, logistics, human resources, finance, and other main business processes

Implementation actions

- Classify confidential information as secret, confidential, and top secret
- Abide by the rules of work relevance, minimum authorization, and strict control. That is, relevant documents are defined as confidential or above to ensure that the core materials and data of customers are not disclosed

Supervision through Auditing

- Set up a three-level audit system consisting of external information security audit, corporate-level audit, and self-audit of business units
- Integrate security audits into the HPPD process and the LTC process
- Sort out all information security audits and problem rectification through the Security Operation Center (SOC) system

Guarantee for Information Security Capabilities

- Each employee must sign the Information Security Commitment Letter when signing the labor contract
- All employees must receive information security training and examinations
- The company provides specific security training regularly for commercial, technical, customer information management, and other key positions to improve employees' capabilities to deal with information security issues

ZTE Information Security Management System

Full-Lifecycle Product Security

In recent years, in addition to the product quality, customers are increasingly concerned about the security and credibility of products. Upholding the principle of "satisfy customers with complete guarantee, rapid response, and secure and reliable products", ZTE is playing a positive role in maintaining network security, individual user data security, and privacy.

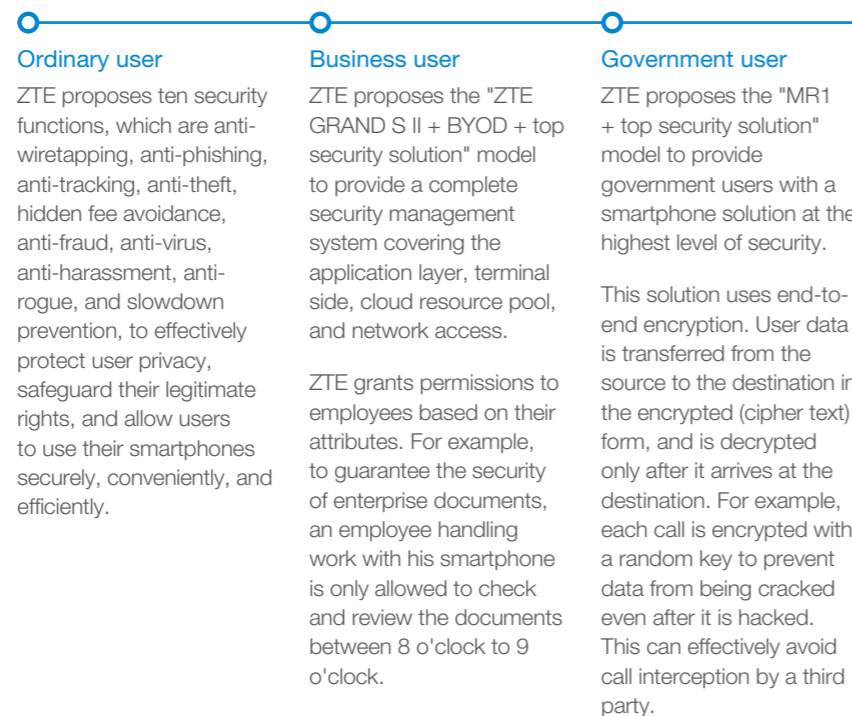
With the Product Security Committee as the leading agency and the Security Committee Office as the operational platform, the Company continuously optimizes the product security management structure, and improves security guarantee mechanism for the product lifecycle covering product R&D, supply chain, manufacturing, validation, service delivery, and security event management, to provide secure products and solutions and ensure their safe operation for all customers.

ZTE has built a product security laboratory as an independent security certification body within the Company for security evaluation. The laboratory is equipped with the world's cutting-edge tools for known vulnerability scanning and unknown vulnerability discovery, to verify, from the perspective of customers, whether products meet the security standards, baselines, and regulations. ZTE is now the only mobile phone vendor in China certified to the five-level security test for mobile terminals by the MIIT. All its security solutions are based on domestically-made networks, chips, and operating systems, thus greatly lowering hardware risks.

Customer-Centric Product Security Guarantee System



We provide targeted mobile phone security solutions for different user groups in different security domains.



Communications Guarantee for Major Events

ZTE remains committed to providing stable and smooth communications during state visits by Chinese leaders, major events, and disaster relief.

Case study

Safeguard for Chinese President Xi's visit to Fiji

During Chinese President Xi Jinping's state visit to Fiji at the end of November 2014, ZTE sent a team to provide advanced and comprehensive communications technologies and support, including expanding the capacity of base stations around the visit site, monitoring performance indexes, renting or buying mobile phones and SIM cards for the embassy, and writing easy-to-use manuals, to guarantee normal use of mobile phones for the delegation. During the visit, the team members also served as volunteers to help in deployment of the embassy and other security work.

Case study

Information security solutions to guarantee the "perfect" performance of the Nanjing YOG

During the Nanjing YOG in 2014, visitors and non-local cars in Nanjing increased dramatically, presenting a serious test for urban governance and security safeguard. ZTE tailored the "Moat of Nanjing" public security system for the Nanjing YOG. The system implements real-time statistics and presentation of people, vehicles, and goods, providing comprehensive, convenient, and efficient data support and management for dispatching, analysis, and vehicle information management, and helping scientifically make security-related decisions. ZTE also collaborated

Case study

Communications guarantee in the quake-hit area

After Ludian County, Zhaotong City, Yunnan Province was hit by an earthquake, ZTE rushed to help resume the local communications network, and worked together with the local government and operators in earthquake relief. ZTE set up a logistics support team first to clear and open emergency roads to ensure that relief supplies and communications equipment including wavelength division, power supply, CDMA, fixed network and other products can be delivered to the quake-hit area as soon as possible. ZTE dived into damage repair in the shortest amount of time to resume local communications.

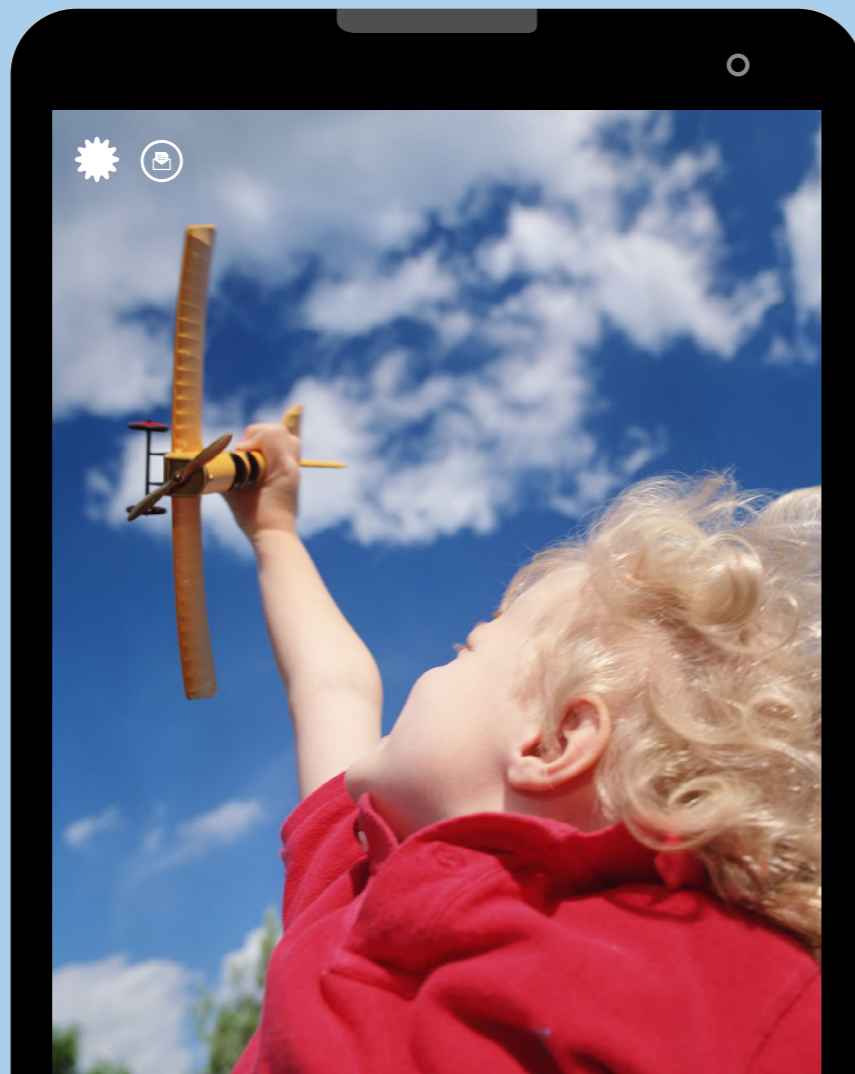
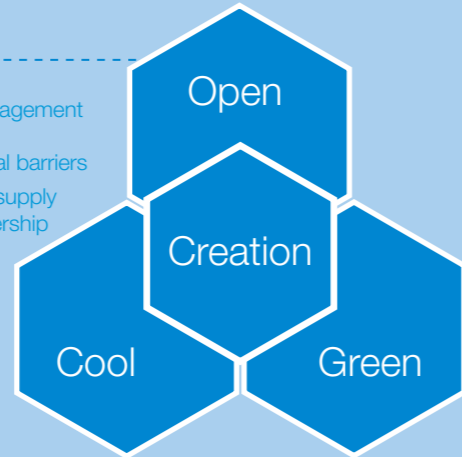
with Nanjing Information Center to launch a smartphone app, which uses Bluetooth 4.0 and virtual 3D technologies to provide a customized platform for athletes to be involved in the YOG. They can obtain information about competition schedules, CEP activities, YOG news, Olympic Village, and 3D venues, get language help, watch live TV programs, and acquire tourist information. By making typical and representative Olympic venues virtual and three-dimensional, users can know better and more intuitively about the spaces and routes of the venues.



Sustainable Supply Chain, the CSR to Undertake

We are deeply aware that a company's responsibility for society includes not only strengthening its own (CSR) management ability, but also more importantly, propelling other companies in the supply chain to improve their awareness and ability to fulfill their responsibility for society. To do this, we must be more open-minded to collaborate closely with global suppliers and distributors, sharing procurement information and management experience with them, regularly identifying and evaluating risks in the supply chain, and assisting them in improving their efficiency. By doing so, we can build up a CGO corporate identity among our partners and deliver our CSR management requirements in the supply chain in a more effective way, to urge companies up and down the supply chain to fulfill their responsibilities and create a transparent and sustainable supply chain.

- Project management break down departmental barriers
- More open supply chain partnership



All of ZTE's suppliers signed the Supplier CSR Agreement in 2014

100%

Number of suppliers investigated by ZTE on conflict minerals in 2014

82

Number of suppliers receiving training and onsite guidance by ZTE in 2014

135

Supply Chain CSR Management System

In 2014, we effectively carried out supply chain CSR management work, continuously improved the supplier CSR management standards, and urged the suppliers to continue to abide by all relevant laws and regulations and the supplier CSR management requirements of ZTE.

Supplier Code of Conduct

We are fully committed to maintaining the highest standards of integrity in our business conduct and fulfillment in our CSR. We strictly adhere to the ZTE Supplier Code of Conduct (hereinafter referred to as the code) and put forward CSR requirements to our suppliers in terms of law abidance, respect for human rights, labor employment, health and safety, environmental protection, and business ethics. All suppliers, especially the key suppliers having long-term partnerships with ZTE, are required to comply with the code and relevant laws and regulations of the countries they run business in. In 2014, 1,000 suppliers signed the new Supplier CSR Agreement with us.

Strict and Impartial Supplier Evaluation Mechanism

We implement strict, impartial supplier introduction and risk evaluation mechanisms, and employ regular reviews and annual reviews to urge suppliers to enhance their supply chain management ability, and thus to improve the overall CSR level of the supply chain.

In order for suppliers to understand ZTE's CSR requirements more clearly, including the new "CSR Zero Tolerance Policy", we add CSR survey in the registration process on our supply chain website.

We follow the supplier risk evaluation criteria to evaluate suppliers every year, covering their plant location, plant size, capital nature, main production activities, volume of business, and CSR certification, and identify their risk levels. In 2014, we introduced and expanded

partnership with 320 suppliers, and conducted field evaluation on 121 high-risk suppliers. Based on the analysis and review result, we developed targeted and focused improvement plans for them to establish effective CSR management systems and promote their overall CSR management.

In 2014, we made more effort in training full and part-time CSR auditors, and arranged two classroom training and 14 field training sessions for part-time CSR auditors. The Company also improved the supplier CSR management process and released the supplier CSR auditing guidance tool kit to boost the efficiency and quality of supplier risk evaluation and review.

Conflict Minerals

Conflict Minerals

Since the late 1990s, the exploitation of minerals in the Democratic Republic of the Congo and its neighboring countries and regions has fueled regional armed conflicts, resulting in chronic instability in this area, as well as serious violations of human rights and the environment. In 2012, the U.S. Securities and Exchange Commission (SEC) required all listed companies using cassiterite (for tin), wolframite (for tungsten), coltan (for tantalum), and gold ore during production to disclose their sources of these minerals. Currently, the four conflict minerals have been widely used in the ICT manufacturing industry.

As a global leading provider of integrated communications equipment, we inevitably encounter conflict mineral issues during manufacturing. We proactively call for our suppliers not to use minerals from conflict-affected and high-risk areas, and hope to build a conflict-free supply chain with our leading role in the supply chain.

To better understand policy trends, ZTE actively participates industry projects, and has joined the Global e-Sustainability Initiative (GeSI), one of the main tasks of which is to study the conflict minerals and formulate mineral conflict-related tools (for example, the report template, audit

guide, Conflict Minerals Free Smelters of tantalum, tin, tungsten and gold).

We continue to improve the conflict mineral system, and appointed a vice president of the Company as the conflict mineral management representative. We have published ZTE's Policy on Illicit Trade in Natural Resources, and require all suppliers to sign the agreement of Conflict-free Metal Declaration of Commitment as a promise of no purchase or use of conflict minerals from conflict-affected and high-risk areas. To manage conflict minerals in the supply chain more effectively, we started to compile the ZTE Conflict Mineral Management Regulations in 2014, and plan to release the Report on Conflict Minerals in 2015 to provide relevant parties with our progress in conflict mineral management. Furthermore, we have established a conflict mineral complaint mechanism to facilitate timely communication with suppliers about conflict mineral-related risks.

In 2014, we further widened the scope of conflict mineral investigation on the supply chain. Focusing on the Terminal Business Division that has a relatively high conflict mineral risk, we distributed the conflict mineral investigation template to suppliers and required them to return review results. We received data of 82 key institutions in the supply chain. We evaluated and identified 17 high-risk suppliers according to the investigation result, and collaborated with an independent third-party auditor to conduct due diligence on two of these high-risk suppliers. We also conducted online due diligence on the other 15 suppliers, reviewing their mineral source documentation and conflict mineral management system documents.

Download the ZTE's Policy on Illicit Trade in Natural Resources at:

Web link

http://www.zte.com.cn/en/about/corporate_citizenship/supply_chain/200902/P020131213383884736774.pdf

Improvement of a Sustainable Supply Chain

A sustainable supply chain requires a company to not only play a dominant role in itself, but also work in conjunction with the companies up and down the supply chain. As we believe that there is no cooperative partnership of mutual trust without a transparent supply chain, we have established a sound communication mechanism to strengthen information update and resource delivery throughout the supply chain.

Supplier CSR Training

We hold that enhanced collaboration with suppliers, smooth exchange of best practices in the industry, and contribution to the sustainability of suppliers are fundamental to the improvement of supply chain CSR management.

In 2014, we worked much more in CSR training and field coaching for suppliers, especially for the senior management of suppliers. The company provided CSR training for 389 management and CSR technical personnel from 135 suppliers. The training covered CSR promotion trends of the international community and CSR characteristics of the communications industry; a summary of the enterprise health and safety and environmental management system; FAQs and improvement of human rights, business ethics and labor rights; FAQs and improvement of the health and safety and environmental management systems; occupational health protection requirements and knowledge; and firefighting expertise. The average training satisfaction score was higher than 85 marks.



ZTE Corporation Supplier Day

The ZTE Corporation Supplier Day was held in Shenzhen China on November 24, 2014, themed with "Collaborative Partnership for a Win-Win Future". ZTE explored with representatives from 134 suppliers on the new situations in the M-ICT era and made clear the strategic goals of building a smart supply chain. ZTE also gave awards for the suppliers with outstanding performance.

supplier representatives whom ZTE talked with about on the new situations in the M-ICT era

134

suppliers involved in CSR training provided by ZTE

389

Enhancement of Channel Partners' Management Capability

ZTE credits its prominent product shipments to the full support from channel partners around the world. Building an impartial, open, clean, efficient, and transparent channel is our long-standing quest. We have built a transparent, open channel certification system and management platform to help channel partners regulate their business conduct, maximize procurement flexibility, and improve their sustainability.

In 2014, we updated the Certification and Training Process Guide for ZTE Government & Enterprise Business and the Introduction to the Channel Partner System of ZTE Government & Enterprise Market in China. This helps channel partners to better understand our channel architecture, clarify their own functions and roles, so that they can find their way into the channel certification system more rapidly and more precisely. We have also published the 2014-2015 Certification Standards and Regulations on Star After-Sales Service Providers to implement standardized after-sales service management.

To further explore the government & enterprise market and expand exchanges and communication with channel partners, we have built an official website for ZTE government & enterprise business (enterprise.zte.com.cn), where we use the Partner Relationship Management (PRM) system to set up special business processes for channel partners to provide timely feedback on sales and manage procurement efficiently.



Channel development forum

ZTE held the Government & Enterprise Channel Conference and the Business Market Forum in 2014, highlighting a new model of collaboration called ecosystem-oriented partnership. We call for channel partners to expand joint development and marketing with ZTE, and maximize integration of industrial resources, to more rapidly and efficiently react to and meet diversified and personalized market demands.

Value Sharing among the Global Supply Chain

We have all along been following localization of procurement and diversification of the supply chain. We have procurement networks and sales channels all over the world. In the process of expanding overseas markets, we have been encouraging different types of companies worldwide to join in our supply chain to not only make ourselves more competitive but also empower our M-ICT strategy to play an even greater role throughout the world.

engineering service outsourcers who attended the conference

30

Localized Procurement

Procuring materials and parts overseas can greatly reduce procurement costs, and create job opportunities for involved countries and regions to promote the local economy. ZTE always takes this as one of its corporate social responsibilities.

We have formulated the Mandatory Requirements for Overseas Local Material Suppliers, specifying ZTE's overseas local procurement policies on supplier certification, material certification, business negotiation, product delivery, quality control, payment, and performance assessment.

In some focus countries, we conduct quarterly appraisals on suppliers. We evaluate their performance in techniques, quality, delivery, and services, and communicate with them to make joint effort to improve their performance.



ZTE supplier conference in Pakistan

The first ZTE Service and Material Supplier Partner Conference was held by the Pakistan Representative Office in December 2014. 30 engineering service outsourcers, 19 local material suppliers, four logistics providers, and major Pakistan customers including Telenor, CMPak, and PTCL attended the conference. ZTE introduced its outsourcing and local procurement work in Pakistan in 2014, sharing its successful experience in overseas supply chain management.

Diversified Supply Chain

We encourage suppliers from different cultures and nationalities to equitably and fairly partner with us in the supply chain. The Company also provides guidance for suppliers to develop their own supply chains.

We require our partners of South Africa, including material suppliers, outsourcers, and logistics providers, to hold the BEE certificate, and to be qualified as an at least level 4 contributor before they can establish partnerships with ZTE. We do so in the hope of weakening racial discrimination and creating an equitable and orderly job market in that region. We received a total of 30-plus BEE certificates in 2014, largely covering key partners having in-depth collaboration with ZTE. This has effectively helped ZTE establish a good social image among local customers and created opportunities for long-term cooperation with them.

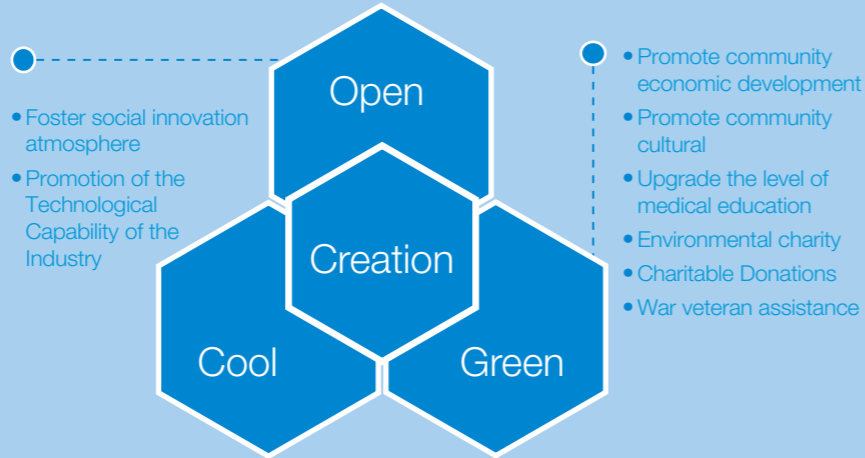
BEE

Black Economic Empowerment (BEE) is a program launched by the South African government in 1994 to revitalize its economy. This program gave certain previously disadvantaged groups of South African citizens, including Blacks, Coloureds, Indians, and Chinese who arrived before 1994, economic privileges previously not available to them to redress the inequalities of apartheid. It includes employment preference, skills development, and property ownership, and other privileges. To take this program further, the South African government has set the BEE Access Framework to evaluate economic entities engaged in economic growth in the industries of South Africa, grading and rating their contributions to this region in this aspect.



Benefits for Global Citizens, Our Vision and Promise to Deliver

ZTE values support and appreciation from all stakeholders. While exploring the global market and developing itself, ZTE makes best use of its telecommunications merits and technologies to bridge the digital divide and help people in different regions build a digital society where they can enjoy better lives, and more convenient, more inclusive education and healthcare services. ZTE is also actively involved in disaster relief, environmental protection, and public welfare technologies for sustainability in society and in the countries and regions that it runs business in.



Amount of donations that the ZTE Foundation received in 2014¹ (million CNY)

4.421

Amount that the ZTE Foundation donated in 2014 (million CNY)

4.071

Number of war veterans receiving assistance from ZTE since 2005

243

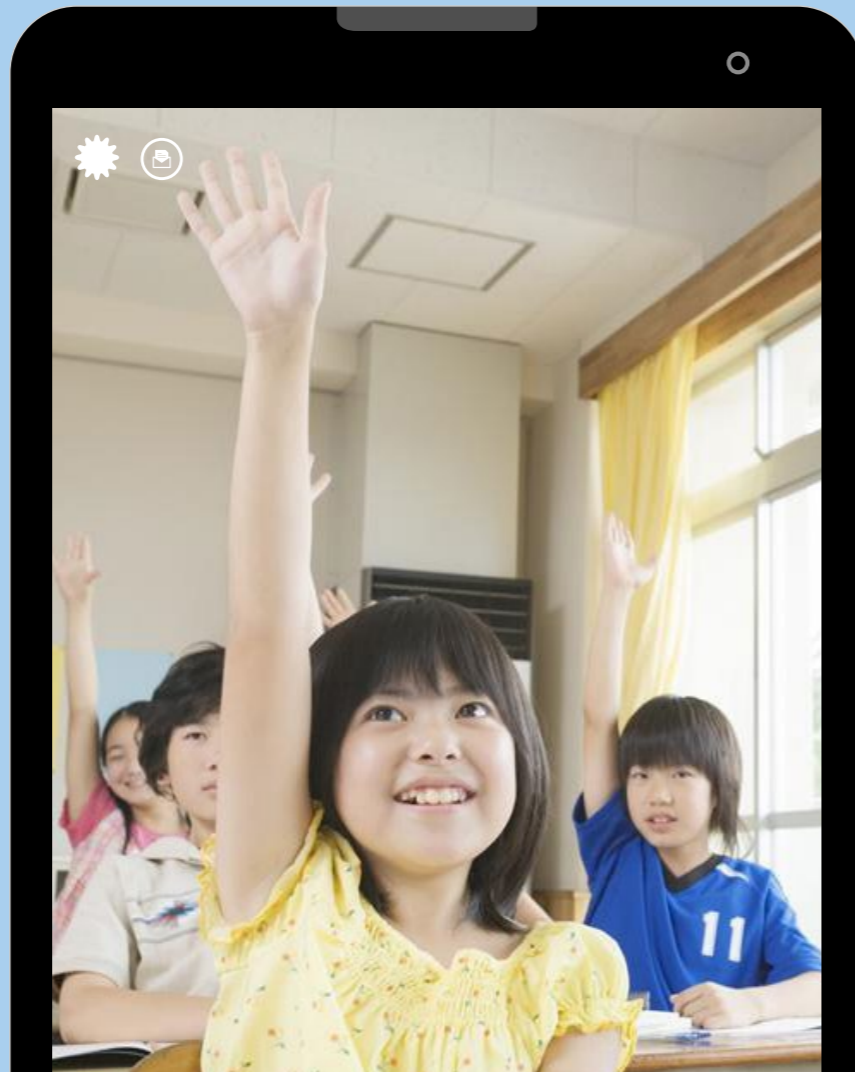
Number of people suffering from accidents or serious diseases that ZTE assisted in 2014

34

Amount that ZTE donated to the relief of accidents and serious diseases in 2014 (CNY)

333,000

¹ ZTE Corporation and its subsidiaries, employees, and partners contributed to 2.011 million CNY, and investment incomes and other revenues make up to 2.41 million CNY



Creation of an Innovative Social Climate

In ZTE, innovation has already fitted into the daily work of every employee. We make every effort to promote technological innovation and focus on our engineers — the innovators of cutting-edge technologies and solutions. We call for the whole society to care for them and improve their social impact to further inspire their creativity.

Case study

Big data to shape a new engineer image

In the public eye, highly educated engineers in all walks of life do complicated and sophisticated work, stay low key, and rarely appear in public. They can simply be described as indoorsmen. However, in 2014, ZTE carried out the "ZTE Engineer Iconography Survey", using the big data analysis technology to bring true engineers to the public.

This survey sampled 10,000 out of 60,000 engineers in ZTE by gender, appearance, emotion, and way of recreation, aiming to use the group image of ZTE engineers as an icon to demonstrate the daily life of so-called "high-end and mysterious" engineers to the public. We hope to crystallize engineers and tell people who they are and how they live through big data, so that all social sectors can better understand the ethos of contemporary engineers and care more for those devoting themselves to the front lines of construction and scientific research.

Case study

Distinguished Engineer Award to boost public science and technology

ZTE values technical talents. We not only pursue independent innovation, but also firmly support the public science and technology cause in China. In 2014, ZTE was announced as the exclusive title sponsor of the Distinguished Engineer Award, which was founded and hosted by the International Scientific Exchange Foundation of China (ISEFC) to commend and reward engineers who have made remarkable contributions to building an innovative China and improving various industries scientifically and technologically. About 100 engineers from a range of fields, including communications, medicine, energy, new materials, petrochemistry, aerospace, architectural design, and mechanical manufacturing, won this award.



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Promotion of the Technological Capability of the Industry

We are positively engaged in exchanges and partnerships with counterparts in the communications industry. We act as an active participant in formulating industry standards, and share our development experience and outcomes, to make the industry healthy, prosperous, and sustainable.

Increasing Exchanges in the Industry

We increase communication and exchanges with counterparts to boost the industry by hosting and participating in industry forums and exhibitions in China and abroad. ZTE has now become the member of over 70 international standard organizations and forums including ITU-T, ITU-R, ITU-D, ETSI, 3GPP, 3GPP2, NGMN, BBF, GSMA, IEEE, OPEN Daylight, DMTF, OMA, and QuEST Forum.



Case study

Participation in developing international 5G standards

ZTE is a major contributor and participant in researches on international 5G standards. As a major member of the IMT-2020 (5G) Promotion Group, ZTE leads a huge number of the 5G researches, such as IEEE-oriented 5G technologies, 5G network architecture, and breakthrough technologies for the physical layer of 5G networks. In June 2014, ZTE first proposed its innovative Pre5G ideas and technology roadmaps, paving the way for great achievements in the commercial use of Pre5G. Its MIMO and UDN technologies can basically meet the requirements for commercial use. In November 2014, ZTE and China Mobile jointly completed a pre-commercial test of the world's first Massive MIMO base station, making ZTE the first in the world to unveil the commercial pre5G base station product. ZTE's effort and achievements in 5G will set a new trend of technologies in the industry.

Participating in Developing Standards

We are deeply involved in developing industry technical standards to play a leading part in the standardized and scientific progress of the scientific and technological industry.

Case study

First technical standard on smart voice in the industry

In September 2014, ZTE launched the "Smart Voice Alliance" together with leading enterprises and institutions in the voice technology field, including Nuance, Audience, Baidu, AutoNavi, and the Institute of Automation, Chinese Academy of Sciences, and officially released the industry's first technical standard for smart voice — 5A protocol. This standard illustrates that a future smart voice solution must feature personalized voice experience (Anyone), intelligent and full

control (Anyhow), all-weather operation (Anytime), tens of millions of local data storage capacity (Anything), and all-environment application (Anywhere). Representing the state-of-the-art concept and top R&D level in the voice industry, this standard provides a standard that can be used as a reference for smart voice terminals, thus greatly accelerating the development of terminal voice technologies and improving consumer experience.

“

Smart terminals are inevitably developing toward the ones integrating smart voice technologies. However, a common response from users shows that the legacy terminals have different voice capabilities, and not all of them provide good user experience. To help the industry out of the dilemma, we need to start with developing industry standards.”

— Zeng Xuezhong, ZTE's EVP, and CEO of the Terminal Business Division

Major Industry Exchanges in 2014

Time	Meeting	Participation
2014. 06	10th Global Analyst Conference	Hosted and launched the M-ICT strategy for the future.
2014. 06	LTE World Summit 2014	Delivered speeches on a variety of topics, and shared experience in LTE evolution, 5G, and network design and architecture.
2014. 10	2014 MENA RAIL & METRO SUMMIT	Shared the leading smart transport and 4G transit communications solutions.
2014. 11	China Smart City Development Summit Forum 2014	Delivered speeches on a variety of topics, and shared experience in exploring new smart city models exclusively for China.
2014. 11	Global City Informatization Forum (GCIF) 2014	Delivered speeches on a variety of topics, such as big data, information security, and smart communities.
2014.11	5G Summit of the Future Mobile Communication Forum	Delivered a speech on ZTE 5G Perspective to present feasible roadmaps for Pre5G and 5G.
2014.11	The Inaugural Meeting of The China Outbound Forum	Delivered speeches on a variety of topics, and shared experience in practicing the "go global" strategy.



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Accountability



Corporate Governance



Innovation, the Driver of Sustainable Development



Smart City, the Bridge to the World

Impetus for Community Development

The mobile and broadband technologies are the powerful impetus for social and economic growth. ZTE is ready, willing, and able to make the best out of its strengths in the communications field to re-allocate resources, push forward education, healthcare, and communities, and share development outcomes with the communities.



Case study

Mobile Internet Village incubator program to help remote mountainous areas usher into the M-ICT era

In recent year, the imbalanced urban and rural economy and the trend of rural labor force into cities have posed serious challenges to the economy and culture in rural areas. The Three Rural Issues have become a top priority of the economic growth in China, and also greatly affected the intangible cultural heritage represented by national culture. Dong village in Liping county, Guizhou Province is the birthplace of the ecological culture of the Dong minority. The Kam Grand Choir, with a history of 2,500 years, has been listed by UNESCO as a world-class intangible cultural heritage since 2009. However, the rapid social and economic development has made the Dong culture very difficult to be inherited. The Dong minority are located in remote and isolated mountainous areas with relatively backward in economy. Many young Dong people drop out of school very early to work in cities, leading to labor shortages in this area and difficulties in Dong cultural heritage.

To boost the rural economy and protect cultural heritage, ZTE joined the Mobile Internet Village incubator program launched by the Tencent

Foundation, aiming to take advantage of ZTE's long-standing experience in the communications field and Tencent's well-developed Internet platform to empower villagers in the Kam Grand Choir ecomuseum to enjoy a smooth, wonderful, convenient, mobile and smart life, and facilitate sustainable development of this area.

On November 22, 2014, Dong villagers in Tongguan village, Yandong town of Liping county, Guizhou Province got their first 4G smartphones donated by ZTE Foundation, and used them to access the 4G mobile Internet. The ZTE Foundation donated 4G terminals including ZTE Grand S II with a total value of 500,000 CNY to this area. In the future, ZTE will continue to provide integrated smart solutions for mobile Internet development in rural areas, and work hand in hand with Tencent, China Mobile, and other partners to explore replicable models that can maximize the cultural and natural value of rural areas. We are willing to promote the rural economy and strengthen Dong cultural heritage through open connectivity and win-win collaboration.



This is a memorable occasion in the history of mobile Internet. It probably witnesses the inception of China's first poor and rural village entering into the mobile Internet era."

— Han Song, senior reporter from Xinhua



Opening ceremony of the Kam Grand Choir Ecomuseum



Case study

V-CARE Space to demonstrate an innovative child healthcare service model

In 2013, the ZTE Foundation, together with the Shenzhen Children's Hospital, jointly implemented the "Welfare Project of Rescuing Children with Refractory Nephrotic Syndrome." To further assist these children, ZTE donated 140,000 CNY to the hospital in 2014 and built a V-CARE Space together with the hospital. The V-CARE Space serves as an arena for innovating in modern child healthcare service models and providing public information about helping children with refractory nephrotic syndrome from poor

families. By offering interactive public welfare activities and services, it creates a colorful space integrating fun, intelligence, fashion, love and care.

This program provides space of physical and mental activities for children patients, aiming to assist them in postoperative psychological adjustments and provide counseling and training for the children's families. Interactive activities are designed for different types of children patients to create a cozy and caring atmosphere that helps alleviate their stress.



Case study

Adream Center to help children explore a new world

ZTE Foundation and Shanghai Adream Charitable Foundation teamed up to build Adream Centers, which include books, multimedia facilities, colorful, durable furniture, and Internet access. In 2014, ZTE donated 550,000 CNY to Zhengzhou, Henan Province, Yuncheng, Shanxi Province, Jinnan, Tianjin, and Tai'an, Shandong Province to build six Adream Centers to facilitate education for all-round development of local children.

by children's imaginative drawings, and desks can be arranged according to children's tastes — a fairytale castle, for example. Here, children can explore the world in books or on the Internet, both of which are readily accessible. The classroom podium is colorful and child-sized, inviting each student to share his/her experience, insights, and passion with fellow classmates.

Each Adream Center is a standard classroom built in schools in rural areas and urban inner-cities. In an Adream classroom, classroom walls are animated



Picture Books and Audio Books



Nutrition Class for Parents



dream Center



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Smart City, the Bridge to the World

Devotion to Charitable Donations

We strongly encourage and advocate all kinds of public welfare and philanthropic activities, sparing no effort to help disadvantaged groups and make contributions to society.



On December 6, 2014, ZTE held the ZTE Charity Night during the home game between the Houston Rockets and the Suns, sharing with 15,000 Rockets fans our contributions together with the team and the players to the community.

ZTE Book Donation by the Ethiopian Representative Office of ZTE

With the idea of always upholding the CSR tradition and giving back to the local community for years, the Ethiopian Representative Office of ZTE conducts charitable donations and other public welfare activities every year. In September 2014, they donated books to three school libraries in Oromiya, Addis Ababa, the capital of Ethiopia, together with sports equipment, successfully establishing its public image as a company caring deeply about education in Ethiopia.



Case study

Season of Giving community charity program

As a leading Chinese communications company in the world, ZTE always practices its global corporate citizenship obligations. We and the Houston Rockets have jointly organized community charitable activities to maintain our tradition to give back to the community.



I am glad that the Houston Rockets and ZTE are like-minded in terms of giving back to the community and we have the opportunity to team up again for this year's Season of Giving."

— Tad Brown, CEO of Houston Rockets

- During Thanksgiving, volunteers from ZTE, together with Dwight Howard, Steve Francis, and other Houston Rockets players, visited a community aid station in Houston, giving gifts to children from 85 vulnerable families.
- On December 2, volunteers from ZTE, together with D-Mo, Jason Terry, and cheerleaders from the Houston Rockets visited children with cancer in the Memorial Hermann Children's Hospital in Houston, bringing them warmth, happiness, and hope.
- The day before Christmas Eve, ZTE and the Houston Rockets jointly held a Christmas party in the arena of this team for children from the Boys & Girls Clubs, Big Brothers and Big Sisters, and other renowned charities in the U.S., giving local children an unforgettable experience with their favorite Rockets players and holiday gifts they might not otherwise receive.



ZTE Book Donation by the Ethiopian Representative Office of ZTE



Case study

War veteran assistance program

From April 21 to 26, 2014, the ZTE Foundation sent 19 employee volunteers to visit Longyang, Shidian, Changning, Longling, Tengchong, and other 41 towns of Baoshan city, Yunnan province, and sent 489,600 CNY consolation money and 520 daily necessities with a total value of 34,000 CNY to 140 war veterans and their families.

2014 is the tenth year since ZTE launched the war veteran assistance program in 2005 on the 60th anniversary of the victory of World War II. Each year, we send consolation money to war veterans, to not only help them economically in their old age, but also convey a message to them that we never forget them, we respect them, and we cherish their contributions. This will also inspire their families and friends to respect and care for them more. By the end of 2014, we have totally assisted 243 war veterans and 1,496 person-times.



Visit to veterans in Longling



Visit to veterans in Tengchong

veterans who received ZTE's assistance

243



Appendixes

Social Benefits

ZTE was awarded the Best Customer Satisfaction Enterprise for Telecom Network Operation and Maintenance Services Year 2013-2014 at the Telecom Network Operation and Maintenance Service Meeting in China 2014.

In August 2014, ZTE received the Africa ICT Green Energy Technology Leadership Award of Frost & Sullivan 2013 Best Practices Awards, which praised the outstanding achievements of ZTE's green energy products and solutions in the African market.

From November 21 to 23, 2014, The Inaugural Meeting of The China Outbound Forum hosted by the Center for China and Globalization was held in Sanya, Hainan Island, China. ZTE was included as one of 50 Chinese Companies Going Global, and one of 10 Chinese companies that have proved particularly innovative and successful in their expansion overseas.

In 2014, ZTE won the Open Digital Award by the French TM Forum. As the only Chinese enterprise that wins the 2014 World's Best Smart City Case, ZTE is employed as vice chairman of the China Smart City Industry Alliance by the Ministry of Housing and the Ministry of Industry and Information Technology, and is the first expert on both telecommunications and Smart City at the Global City Informatization Forum.

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	EC8	Smart City, the Bridge to the World • New Lifestyle in a Smart City; Smart City, the Bridge to the World • Contribution to the Improved Communications Strength in Developing Countries and Regions; Benefits for Global Citizens, Our Vision and Promise to Deliver Impetus for Community Development
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EN9	Not Applicable
EN10	-
EN11	-
EN12	-
EN13	-
EN14	-
EN15	-
EN16	Environment, Our Obligation to Protect • Greenhouse Gas Emission Reduction to Combat Climate Change
EN17	-
EN18	Environment, Our Obligation to Protect • Energy Conservation and Emission Reduction to Achieve Green Business Operation; Environment, Our Obligation to Protect • Green Concept to Provide Green Products and Solutions
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EN20	-
EN21	-
EN22	-
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EN24	Not Applicable
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UN Global Compact's Ten Principles

Category	Principles	Chapter
Human Rights	<p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p>	<p>Employees, the Enabler of the Future</p> <p>Sustainable Supply Chain, the CSR to Undertake</p>
Labor	<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labor;</p> <p>Principle 5: the effective abolition of child labor; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p>	<p>Employees, the Enabler of the Future</p> <p>Sustainable Supply Chain, the CSR to Undertake</p>
Environment	<p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p>	<p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p>
Anti-Corruption	<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>Corporate Governance</p> <p>Sustainable Supply Chain, the CSR to Undertake</p>

Questionnaire

Dear reader:

Thank you for your time on the 2014 ZTE Corporation Sustainability Report. To help us promote sustainability, all comments and suggestions from you are appreciated and welcome!

Thank you very much!

2014 ZTE Corporation Sustainability Report team
March 2015

Your personal information:

Name: _____ Company: _____

Phone number: _____ E-mail: _____

Put a next to the option that feels right for you

1. Do you think this report reflects ZTE's major impact on the economy, society, and environment?

Yes Average No

2. Do you think this report accurately and fully identifies ZTE's stakeholders and analyzes the relations between them and ZTE?

Yes Average No

3. Do you think the information disclosed in this report discloses is complete?

Yes Average No

4. Do you think the information disclosed in this report is readable?

Yes Average No

Open Questions:

1. Is there any information you are concerned about but not disclosed in this report? If yes, please write it down.

2. Do you have any suggestions on improvements to this report? If yes, please write them down.