ZTE Corporation Sustainability Report 2016

March 2017

About This Report

Compiling standards

This report is compiled in accordance to Environmental, Social and Governance Reporting Guidelines issued by Hong Kong Exchanges and Clearing Limited. It also follows the requirements in the Global Reporting Initiative (GRI) Sustainability Reporting Guideline (G4), the UN Global Compact's ten principles, and ISO26000: Guidance on Social Responsibility.

Reporting period

Information and events in this report occurred from Friday, January 01, 2016 to Saturday, December 31, 2016.

Reporting cycle

The sustainability report is issued annually by ZTE Corporation. This report is the 9th one.

Reference remarks

"ZTE Corporation" is referred to as "ZTE", the "Company", or "we" in this report. In this report, the measuring unit "yuan" always refers to "RMB" or "Renminbi" unless otherwise specified.

Source and scope of data

All data in this report comes from official documents and statistical reports issued by ZTE. Unless otherwise specified, the data scope disclosed in this report includes data from ZTE and all its major holding subsidiaries.

Content compiling

This report follows the content selection principle described in Environmental, Social and Governance Reporting Guidelines on the importance of reporting, as well as the materiality, integrity and stakeholder participation principles described in the Global Reporting Initiative (GRI) to make sure that the contents disclosed in the sustainability development report are not only the key points of the company's strategic development, but can also fully reflect concerns of the company's main stakeholders, including shareholders, customers, employees, suppliers, and partners.

Access to this report

Download this report at www.zte.com.cn.

Content

A Message from the CEO

In the past year, prosperity of the ICT industry, and emergence of 5G, virtuality, cloudification, large video, IoT, big data, and artificial intelligence had created a huge imagination space for the social and economic growth. It can be predicted that, in the coming future, such tendencies will re-define the current living and production style, and new ICTs will make the society more vigorous.

Fast changes in the industry challenge ZTE but also present great development opportunities. 2016 is strategically important to ZTE as we put forward the M-ICT 2.0 strategy based on our business advantages and experience, our insight into development trends, the national "Internet+" strategy and the M-ICT 1.0 strategy we have raised in 2014. The M-ICT 2.0 strategy covers five pillars, including virtuality, openness, intelligence, cloudification, and Internet of Everything, to brave all industrial development hot points in the future and strive to be an industrial enabler.

Based on our advantages in Pre5G commercial application and 5G technologies, ZTE accelerates the 5G development layout all over the world. Take Network2020 as a base for our whole-network solution, we help customers to reconstruct their solutions through virtuality and cloudification in preparation for the era of 5G. In the field of IoT, we cooperate with industrial partners openly centering on smart city, intelligent household, industrial Internet, and vehicle networking. We use AnyLink, an IoT platform, to help industrial partners to excavate data value in the IoT era, and provide intelligence capabilities for IoT terminals. We launched the Smart City 3.0 solution, to use new generation information technologies to improve the urban governance and public service capabilities, and realize all-round intelligence of governmental affairs, traffic, medical treatment, and other municipal infrastructures. Smart city has become a master work of ZTE in governmental affairs, and has been applied in more and more countries. It helps local governments build industrial advantages, improve regional cooperation, and enhance their core competitiveness, forming a benign ecosystem.

Led by the M-ICT 2.0 strategy, ZTE will stick to the "Cool, Green, Open(CGO)" principle, work together with industrial partners to make ICTs better serve economic and social development, and turn more information and communication concepts into reality. Besides, ZTE will cooperate with partners to respond to social sustainability, enable a more intelligent society and realize company's sustainable development, to welcome a reforming era.

Zhao Xianming

A Message from the Executive Representative for Sustainability

ZTE always sticks to the principle of doing business in a compliant, moral, and sustainable way. We always take concerns of stakeholders as a key practice direction for our sustainable development. In 2016, we will further enhance our sustainability and create share values for stakeholders and the society in the following seven fields based on industrial development tendencies and national strategies.

Innovation, the impetus for development

Innovation is always the cornerstone of ZTE's breakthroughs in business operation and management. ZTE always takes independent innovation as its core strategy, optimizes its capabilities to continuously create values for customers, and promotes continuous progress and development of the industry and the whole society. In 2016, ZTE increased its innovation and R&D investment, and made great breakthroughs in Pre5G and other advanced technologies. According to the report officially released by World Intellectual Property Organization, ZTE listed the first in PCT patent applications by 4,123 applications. We have received accumulatively 7 gold awards and 31 excellence awards related to patents in China, ranking the first in the ICT industry.

Smart city, the bridge to the world

Cities in the future will be smart cities based on information technologies of new generation, with better city governance and public service capabilities. ZTE commits to promoting deployment of smart city worldwide by using new generation technologies such as IoT and 5G, promote maturity and application of information technologies through smart city development, so as to form a benign ecosystem. By the end of 2016, the ZTE smart city solution had been widely applied in over 40 countries and regions, and ZTE products and services had been available all over 160 countries and regions.

Employees, the enabler of the future

ZTE well knows employees' contributions to the company development. ZTE always devoted to improving the employee training and the salaries and benefits system, inspiring employees' creativity and vitality, and creating an equal and inclusive 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. In 2016, we continued our efforts to create a sound training system to help improving employees' professional skills during practice. By the end of 2016, there have been 31 ZTE employees who won the company's highest individual honor – ZTE gold and silver awards. They are the "most valuable players" in the company's growth.

Environment, our obligation to protect

ZTE attaches great importance to effect of our operating activities on the environment. We actively fulfill our environmental protection responsibilities, and take into full account the environment impact of each operating link and the environmental requirements through the product lifecycle. We implement the green and environmental protection strategy in all our business fields, and promote the industrial chain and the society to fulfill the environmental protection responsibilities together through new products and services with higher commercial values and environmental protection efficiency. In 2016, ZTE established the energy management system and passed through the ISO50001 certification, continuously explored innovative energy saving and emission reducing solutions, and increased our environmental protection efforts.

Information security, worldwide concern to tackle

It is our bounden duty to protect information and product security. Based on a comprehensive and efficient information and product security management system, ZTE performs strict security control according to general quality standards in the international telecommunication industry, formulates strict security guarantee mechanisms, develops security technologies, products, and services, so as to build a comprehensive security protection system. In 2016, ZTE run and improved our information and product security management systems according to ISO/IEC27001 and TL9000. No information leakage or other security accidents occurred in 2016.

Sustainable supply chain, the CSR to undertake

ZTE works closely with global suppliers and distributors in sharing purchase information and management experience to help them improve supply chain efficiency and manage supply chain risks. ZTE required its partners to adhere to business ethics, comply with the laws and regulations of the country where they are doing business, and work together with ZTE to build a responsible, transparent and sustainable supply chain. In 2016, ZTE signed the corporate social responsibility (CSR) agreement with more than 90% of our suppliers, and provided CSR training for 111 suppliers, which enhanced the CSR concept on the supply chain.

Benefits for global citizens, our vision and promise to deliver

ZTE does business all over the world. We always regard ourselves as part of the local communities and contribute to the prosperity and development of local communities. ZTE values support and understanding from stakeholders. We make best use of our telecommunication merits and technologies to create values for communities. Though poverty relief, education, disadvantaged group care, and other public welfare activities, ZTE helps citizens of countries and region where we do business have a better life. In 2016, ZTE donated more than 6.55 million yuan through ZTE Public Welfare Foundation. While continuing care for veterans and other public welfare activities, ZTE increased our efforts in targeted poverty relief, and implemented diversified public welfare activities in different countries worldwide, further promoting the ZTE public welfare brands to the world.

Next year, ZTE will promote the national Internet+ strategy and ZTE M-ICT 2.0 strategy, and brave difficulties to achieve the company's goal for 2020. ZTE will provide assistance in the economic transformation and upgrading in China, and undertake its historical mission and responsibilities.

<div align="right">Xiong Hui</div>

1. About Us

Company Name: ZTE Corporation

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

Business: The Group is committed to the design, development, production, distribution and installation of various advanced ICT systems, equipment and terminals, for operator networks, government and enterprise businesses, and end-consumers.

Organizational structure:
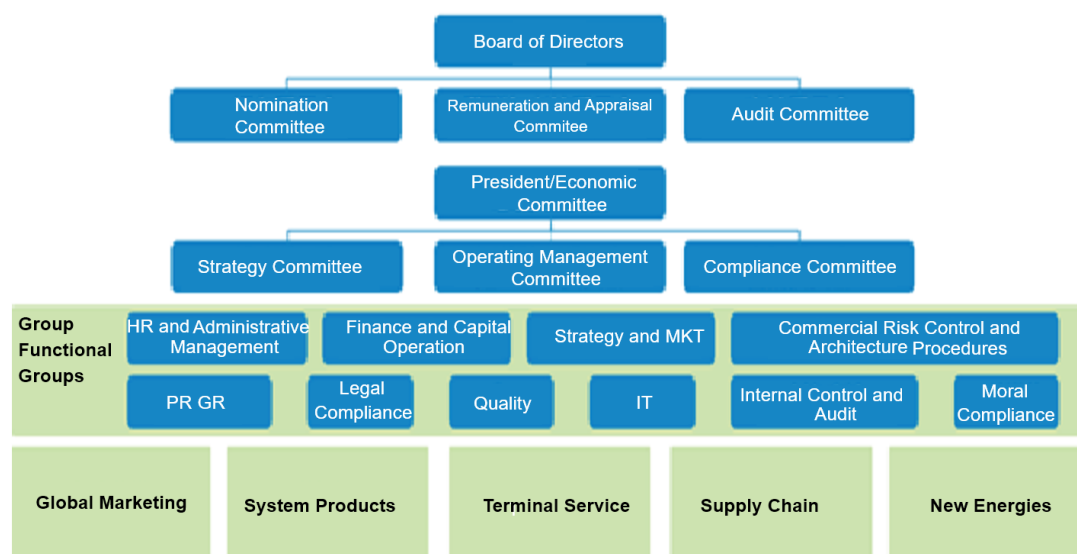
Major holding subsidiaries: 56 (Including the subsidiaries with the registered capital no less than 10 million YUAN and held or wholly owned by ZTE Corporation)

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

Total number of employees in 2016: 81,468 (57,040 employees excluding subsidiaries)

Annual turnovers from 2011 to 2016 (Unit: 100 million yuan)					
2011	2012	2013	2014	2015	2016
862.5	841.2	752.3	814.7	1,001.9	1,012.3

Net profits from 2011 to 2016 (Unit: 100 million yuan)					
2011	2012	2013	2014	2015	2016
20.6	-28.4	13.6	26.3	32.1	-23.6

Turnover ratios by regions in 2016 (Unit: %)			
China	Asia (excluding China)	Europe and Oceania	Africa
57.84%	14.39%	22.09%	5.68%

2. Corporate Governance

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

2.1 Governance Mechanisms

About Shareholders and Shareholders' Meeting

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 site voting means and 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.

About Controlling Shareholders and the Listed Company

The Company's controlling shareholder is Shenzhen Zhongxingxin Telecommunications Equipment Company Limited. The controlling shareholder strictly complied with the laws and regulations while exercising the 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 institutions 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.

About Directors and the Board of Directors

The company hires directors in strict accordance with the conditions and procedures formulated in the *Articles of Association*, to ensure that directors are elected with openness, fairness, impartiality and independence, to fully reflect the opinions of the minority shareholders. The Company appoints directors through cumulative voting. 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.

About Supervisors and the Board of Supervisors

Supervisors of the Company have professional knowledge and experience in management and accounting, and are selected and recruited through the cumulative voting means. Supervisors

of the Company shall inspect and monitor the Company's financial status, the compliance of directors, CEO, and other senior managers fulfilling their duties, and protect legal rights and interests of the Company and shareholders. The Company has formulated the Rules for the Supervisor Meetings. The supervisor meetings shall be convened and held according to the Company's articles of association and the Rules for Supervisor Meetings.

About Performance Evaluation and Incentive/Constraint Mechanisms

In 2016, the Company's Remuneration and Appraisal Committee of the Board of Directors links the remuneration of senior managers to individual performance according to the Senior Manager Performance Management Regulations. The recruitment of the Company's senior managers is done in strict accordance with relevant laws and regulations as well as the articles of 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. The first phase of the Company's stock option incentive plan is from November 2, 2015 to October 31, 2016, and a total of 34,556,670 stock options are exercised, and 327,690 stock options that are not exercised are revoked. Currently, the vesting conditions for the second phase of the stock option incentive plan are maturated. The qualified objects of the stock option incentive plan can exercise their stock options in the second exercise period from November 1, 2016 to October 31, 2017.

About 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. 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 2016 Annual Report of ZTE Corporation.

2.2 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.

In 2016, the company compliance investigation team has investigated suspected violating behaviors in terms of anti-commercial bribery, product R&D, logistics, tax compliance, labor, and sales, and filed 13 investigation and inquiry cases. Employees whose violating behaviors are confirmed were punished according to the compliance investigation management rules based on their violation severity and consequences. Besides, the compliance investigation team sends rectification notifications to relevant business units to urge them to make rectifications within the specified period.

Anti-corruption Compliance Construction

In 2016, based on existing compliance management organizations and systems, ZTE further strengthened the anti-corruption compliance construction, and adhered to high moral codes and integrity principles in our business activities all over the world.

The company launched the anti-corruption and anti-bribery compliance CEO initiative. Mr. Zhao Xianming, CEO of ZTE, reemphasized our zero-tolerance for corruption and bribing behaviors in any form, and put legality and compliance as prerequisite and bottom line for company operating.

The Company formulated comprehensive anti-corruption and anti-bribery plans, established an independent anti-corruption and anti-bribery compliance department, employed legal and compliance experts to take charge of the global anti-corruption and anti-bribery compliance management of the company, and integrated anti-corruption and anti-bribery compliance management rules into business procedures. The Company formulated the business conduct standards and anti-corruption and anti-bribery polices and compliance guidelines which are applicable for the headquarters, all overseas subsidiaries and affiliates. In 2016, a total of 1,262 training courses related to anti-corruption and anti-bribery compliance were held, with nearly 113,295 attendees, covering all employees of the Company.

The Company's business conduct standards, anti-corruption and anti-bribery policies, and compliance guidelines aim at explicitly prohibiting any person from directly or indirectly participating in blackmailing, cheating, money laundering, and other illegal activities in any way.

In a survey report by Transparency International on more than 100 large transnational enterprises in July 2016[1], ZTE was ranked the 13th among the top 15 enterprises with the highest transparency in emerging markets, which make ZTE the only Chinese enterprise listed in the report.

Improved Internal Reporting Mechanism

In 2016, the compliance investigation team expanded the reporting channels, enhanced information protection and system construction, highlighted the reporting content, and periodically reviewed the internal reporting mechanism, so as to improve the internal reporting mechanism.

The company employees and outsiders can report any violations through the 24-hour hotline +86-400-830-8330 or +86-755-26771199 (both English and Chinese are acceptable) or the email complianceaudit@zte.com.cn. Besides, company employees can submit clues through the LCM system. The investigation team has improved the confidentiality management systems and measures, strengthened confidentiality inspection, and standardized reporting information viewing and verification procedures, so as to reduce the reporters' worry. The

---

[1] *The survey by Transparency International mainly focuses on enterprises' anti-corruption mechanism and performances.

Company has further strengthened verifying the authenticity and effectiveness of reporting content. Investigation on reported behaviors will be finished within certain working days when the reporting content is real and has sufficient evidences. The Company has improved the work efficiency through strengthening system construction, team building and retrospective summary, improve the team members' professional skills, enhance the compliance investigation level, so as to improve management over the compliance investigation team.

More Efforts to Promote Compliance Training

ZTE highly values the compliance training and education. In 2016, the Company expanded compliance knowledge education channels based on existing education modes. For example, the Company held anti-corruption and anti-bribery compliance training and examination oriented to all employees, and export regulation compliance training for managers and personnel at important posts, and invited legal consultations to provide onsite training for frontier business units.

In 2016, the Company held three compliance training courses for layer-4 managers and 22 compliance training courses for layer-3 managers in such fields as R&D, terminals, marketing, and governmental and enterprise affairs. A total of 435 education activities were held, increased by 41.7% on a year-on-year base, among which 399 were about case progress report, pre-warning, and guidelines, 12 were about compliance knowledge education, 6 were about legal compliance topics, 25 about legal compliance capability integrated construction projects, 6 were about legal compliance live broadcasting pushes, and 18 about management education.

Establishment of Moral Compliance Committee

In recent years, there were many reports about professional ethics, social morality, and work style among leaders and employees, having great bad influence, but the Company had no regulatory mechanism. Therefore, the Company has formed a moral compliance committee and established a mechanism integrating internal supervision with external supervision, and integrating self-discipline and external discipline, so as to guide and supervise company leaders and employees to follow relevant laws and regulations, undertake social responsibilities, and adhere to professional ethics. The moral compliance committee is the supreme moral compliance judgment organization consisting of three levels. The company CEO serves as the chairman of the moral compliance committee, all members of the economic management committee serve as committee members of the moral compliance committee. The moral compliance office belongs to the moral compliance committee, and is a level-3 organization under direct charge of the headquarters.

The moral compliance office supervises and manages dispatched leaders and senior managers of subsidiaries in terms of selection, service term, and compliance; punishes employees with moral problems and bringing negative influence on company image; makes efforts to build a team of leaders and employees boasting strong will, quality performance, precise management, and strict discipline.

3. Sustainability Management

Sustainability Vision

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 or 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 customers to change the world in various opportunities and exert an active influence all over the world.

Sustainability Organizational Chart

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.

Sustainable development specialist teams are set up under the Sustainable Development Management Committee to cover the Company's sustainable development activities including innovation management, digital gap elimination, staff development, environmental protection, communications security, supply chain management and the public welfare. The teams are also responsible for optimizing the management regulations and processes in the sustainable development fields to ensure the implementation of the Company's sustainable development strategy in respective fields.
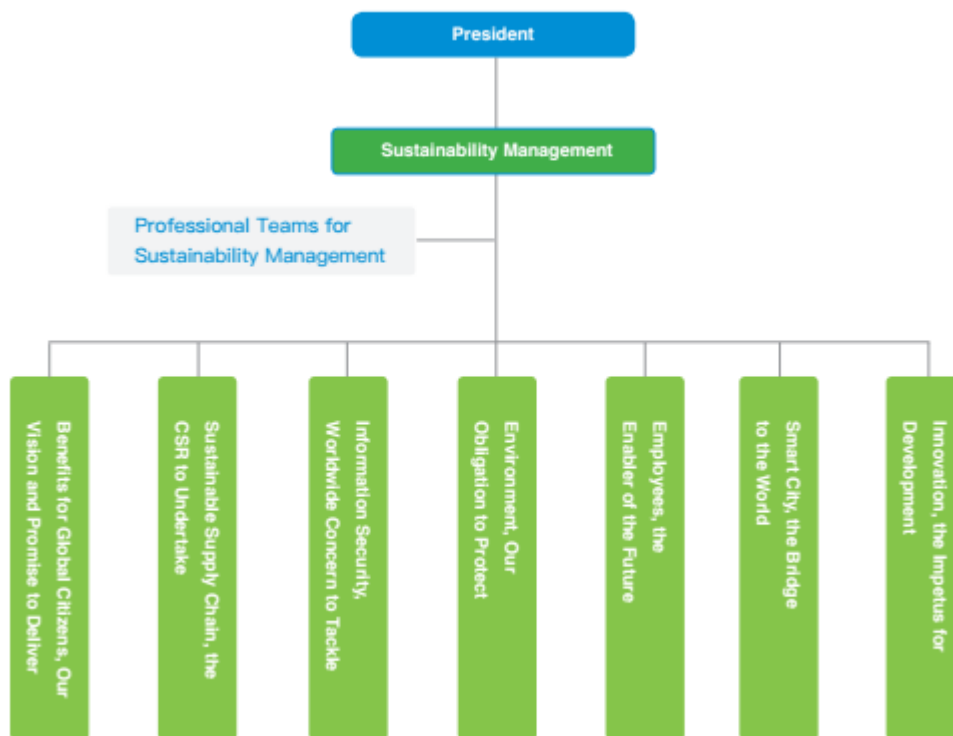
Sustainable Material Issues

In 2016, 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.

Stakeholders Engagement

To better carry out sustainable development, we recognize those important stakeholders, and establish a variety of channels of communicating with the stakeholders, listening to all stakeholders, understanding their expectations of ZTE, and making active responses.

Material Issues	
1. Digital Divide	2. Green Products and Solutions
3. Acceleration of the Internet Era	4. Occupational Health Management
5. Technological Innovation	6. Promotion of the Scientific & Technological Industry
7. Product Quality and Security	8. Response to Climate Change
9. Sustainable Supply Chain	10. Low-carbon Operation
11. Diversity and Inclusiveness	12. Tax Compliance
13. ICT Talent Development	14. Public Science & Technology
15. Globalization	16. Volunteering
17. IPR Management	

Stakeholders Engagement and Topics

Stakeholders	Communication Channel	Topic
Customer	Regular meetings, including technical seminars and workshops Routine conversations and visits Customer certification and reception Questionnaires and customer satisfaction survey Customer services hotline	1) Sophisticated internal CSR management system 2) Energy-saving and low-carbon green solutions 3) Reliable products and technologies to bring value to our customers 4) Supply chain CSR strategy and management 5) Respect for business ethics 6) Respect for intellectual property 7) Product security and security operation
Consumer	Research on relationship between consumers and business Consumer satisfaction survey Regular talks and visits	1) Product security 2) Product energy-saving 3) Impact on environment
Employee	Posts on internal publication such as newspapers and periodicals, Share website (http://share.zte.com.cn), and mailbox 3rd-party employee dedication survey, rationalization proposal Labor Union and employee representatives	1) Remunerations 2) Training and career development 3) Healthy and safe working environment 4) Human rights and labor

Stakeholders	Communication Channel	Topic
	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 Corporate website Shenzhen Stock Exchange forum for investors (http://irm. cninfo.com.cn) Hotlines, mailboxes, and investor reception	1) Returns for shareholders 2) Overall performance of the Company's CSR
Government/ Community	Regular visits and talks Workshops Discussions on government policies Government censorship and self inspection	1) Observe the law and business ethics 2) Pay taxes following the tax law 3) Actively create employment opportunities and develop local talents 4) Independent innovation and intellectual property strategy 5) Environment protection 6) Products and technologies that benefit the local economy and livelihood 7) Social welfare
Supplier	ZTE supply chain management website Annual ZTE Corporation Supplier Day, and CSR training and conferences for suppliers Regular high-level exchanges and visits Supplier assessment and review CSR agreements and codes of conduct for suppliers	1) Business ethics 2) Reasonable price 3) Supply chain CSR policy and requirements 4) Supplier capability improvement
Industry group/ Research institution	Industry forums Industry meetings and conference calls Face-to-face interviews	1) Healthy and sustainable development of the industry 2) Best CSR case
NGO	Regular visits and talks Cooperative programs Annual CSR report	1) Impact on environment 2) Compliance operation 3) Staff care

Stakeholders	Communication Channel	Topic
		4) Protect consumers' rights and interests
Media industry	Interviews Communication by phone	1) The Company's overall CSR strategy 2) The Company's CSR activities 3) The Company's overall CSR performance

4. Features: Jointly Building the "Information Silk Road" to help connect the world

Since the One Belt and One Road Initiative was proposed three years ago, many countries along the route have responded to the Initiative and have expressed their supports. As the core barrier of the Initiative, Chinese enterprises have invested over 50 billion dollars in these countries, effectively driving their economic development. However, the infrastructure interconnectivity among the relevant countries has been lagged behind, which leads to the difficulty in information exchange, creating an obstacle both for some collaboration projects and the potential of local economic and social development.

On this consideration, ZTE proposed the concept of the Information Silk Road Interconnectivity. We carry out deep collaboration with relevant countries and regions to bridge the digital gap so as to become leader of the One Belt and One Road Initiative, and the starting point for breakthroughs. Meanwhile, we devote many efforts in training international talent in the relevant countries so as to realize the sustainable development of their communication industry, promoting international interconnectivity.

4.1 Bridge the digital gap

As a communication technology enterprise with an international vision, ZTE is professional and experienced in building national telecommunication infrastructure and offering informational services for relevant capital construction enterprises and technical enterprises. Putting up the concept of the Information Silk Road Interconnectivity, we dedicate ourselves to help the One Belt and One Road Initiative relevant countries and Chinese Going-out enterprises to build the information highway so as to lay a solid foundation for future cooperation in broader fields.

The Information Silk Road Interconnectivity propose is based on ZTE's global vision and layout. With the implementation of its international strategy for more than a decade, ZTE has established a strong sales and service platform. By the end of June 2016, ZTE has established 53 permanent offices, provided wireless network service in 40 countries, and cable network service in 52 countries among 65 One Belt and One Road Initiative relevant countries.

Cross-border network interconnectivity, national network speed-up and service interconnection are the concrete ways of implementation the Information Silk Road Interconnectivity. ZTE will cooperate with the three main telecommunication operators in China to provide cross-border network interconnectivity service, which is part of their Going-out strategy. This will enhance the interconnectivity of the backbone links of the relevant countries. Meanwhile, ZTE will continue to promote China's communication standards and technology, at the same time cooperate with local operators to level up their wired and wireless communication networks. With the steady progress in layout in relevant areas, ZTE will rely on current technologies to provide more detailed services such as communication link hiring and building, IDC data center and more for relevant countries and multinational enterprises, thus realizing service interworking. The ultimate goal of digital transformation is to achieve efficient communication on human to human, human to thing, thing to thing bases, thus changing people's life for better.

Bangladesh data center construction

With local people's growing need of communication services, Bangladesh telecommunication companies are asking for more data centers. The traditional mode of using overseas data centers, which means a high cost yet low efficiency, is no more suited for today's situation. Therefore, the Bangladesh government put forward the Digital Bangladesh national strategy, which is an effort in building a world-class national data base center for the use of government departments and enterprises, promoting economic and social development.

As the major participant of the project, ZTE took the overall responsibility for civil engineering of the data center park and buildings, data center infrastructure, IT hardware and software, operation service and more. Adhering to its consistent sense of mission and its responsiveness to customers, ZTE carried out the construction based on the world's highest level Uptime Tier IV standard. Once completed, the data center will be the first Tier IV one in Asia.

The construction project of the Bangladesh national data center will bring considerable economic and social benefits for the country. The high-tech park where the national data center is located in will develop high-end industry agglomeration effect; the government will be able to carry out big data collection and analysis based on the data of national data center, thus developing and providing electronic government affairs, electronic education, e-commerce, electronic agriculture services and more to promote the social development; moreover, the national data center will make IT personnel training possible, thus enhancing national human value and realizing talent output. As a model in South-Asian communication technology area, Bangladesh national data center will in return improve the country's national image.

The construction of a high end national data center is only the first step for Bangladesh towards its new digital era. ZTE will always stand by the side of the people of Bangladesh, benefit more people with Digital Bangladesh project and build an interconnected future.

"ZTE has always been dedicated to provide comprehensive, high-quality data center solutions for our customers. We focus on independent research and development just to improve customers' return on investment and enhance customer experience."

Chen Pei, ZTE's chief architect for global cloud IDC

The Ethiopian National Grid Infrastructure Development Project

The Ethiopian National Grid infrastructure development project (NGIDP-I) is the first electrification power optical cable project of the country, with an overall length of the cable of 1,234.63km. However, the yearly rainy season for more than three months will make the electrification construction almost impossible.

As the contractor of the project, ZTE has overcome many difficulties, delivering the project on schedule with no casualties on 22th June 2016. With a guarantee of the construction quality, ZTE levered local engineering talent training with the long-term development of the Ethiopian communication technology and the country's economy.

The completion of the grid infrastructure project is an important achievement of China's One Belt and One Road economic cooperation strategy and The Information Silk Road Interconnectivity. ZTE will expand its cooperation with Ethiopian Electric Power Corporation to promote the development of Ethiopian electric power communication.

ZTE -Transformer of how Indonesian watch television

The application of Internet Protocol Telecommunication Technology (IPTV) has enabled people of video recording and watching on-demand videos, with which they will not be restricted to the broadcasting time of traditional cable TV programs. It means people can arrange their time more freely, enjoying this huge convenience in life. In order to benefit more people, ZTE delivers this technology to thousands of Indonesian households, putting its concept of The Information Silk Road Interconnectivity into practice.

To meet Telkom Indonesia's demands of expanding the number of broadband users, ZTE proposed the idea of achieving a breakthrough in IPTV. This idea was embarked in 2012 with customers' recognition.

Up to now, Telkom Indonesia IPTV boasts a total number of users of more than 1.5 million and 4 million broadband users, with an annual growth of almost one million users. ZTE is setting an example for Chinese Going-out enterprises with its intelligence and capability.

ZTE is awarded the Best Internet Service Provider in Indonesia

On the telecommunication summit held by Secular Magazine, an official magazine affiliated to Indonesian communication ministry, on May 26th, 2016, ZTE was once again awarded Best Network Technology. This was owing to ZTE's technical advantages, the successful network transformation in Celebes and the deep cooperation programs with local operators. This award means that ZTE's advantages in wireless technology solutions and its special contributions to the development of local operator communication networks are fully recognized.

"We are proud to receive recognition from the industry. ZTE will continue its innovations and progress to become the most solid partner of Indonesian operators."

--Gong Ming, ZTE's CTO in Indonesia

4.2 International talent training

It's an urgent demand to train international talent for deepening the One Belt and One Road Initiative and driving the economic and social development in the relevant countries and regions. On July 15th, 2016, China's Ministry of Education issued *Jointly Promoting the One Belt and One Road Educational Action*, which clearly states that education is the foundation and pioneer in The Belt and Road Initiative and advocates relevant countries to establish an education community so as to jointly carry forward the constructions of the One Belt And One Road Initiative.

The overseas operation and development of an enterprise lie upon the construction and

management of its international talent team. ZTE actively promotes the competence of its international talent through cooperation with governments and colleges at home and abroad, so as to innovate its international talent training system, thus promoting the development of ICT industry and talent training in the One Belt and One Road Initiative relevant countries and regions.

The One Belt and One Road International Human Resource Development Association Proposal

In 2016, ZTE co-launched the Belt and Road International Human Resource Development Association Proposal with the School Planning and Construction Development Center of China's Ministry of Education and other organizations. The proposal aims to establish a trans-national, cross-industry and trans-disciplinary international talent training mechanism, build an international human resources service platform and contribute to the construction of the think-tank of both Chinese enterprises and the One Belt and One Road Initiative relevant countries. In 2016, the One Belt and One Road International Human Resource Development Association proposed the construction scheme of Silk Road International College, where resources like ICT equipment, local and expatriate teachers, ICT Colleges and business courses, infrastructure, capital and more will be invested to open 64 international excellent courses. These courses will help solve all the 11 types of problems, including comprehensive competence, marketing, commercial contracts, operations management, logistics management and others, brought by the international operation of enterprises. Beyond that, the proposal will rely on the basic principles of co-construction, sharing and all-win to promote the international development of education and enterprises.

- Core Institutions of The Silk Road International College

the international base for college talent, the overseas training center of enterprises, exhibition center of enterprises, educational exchange centers, overseas customer support center of enterprises

---

ZTE (France) International Talent Training Program

In July 2013, ZTE co-initiated Sino-French Talent Training Program with the University of Poitiers in France. The program is dedicated to developing practical talent with an international vision, all round qualities and various professional skills for ZTE as well as the ICT industry. By 2016, the program has come to its 4th round of training, with more than 800 college student applicants from across the country and over 200 accepted into the official training period.

The program integrates theoretical study and overseas internship to cultivate talent n communication engineering and business management. It provides students with specialized courses teaching, French training and professional training for customized courses. The training period in France will be one year. Graduates will receive a vocational bachelor degree of the University of Poitiers and a professional certification from ZTE. Excellent graduates will have access to ZTE's Green Channel For Talent.

In 2016, ZTE further pushes forward its innovative cooperation with colleges from across the country, founding "Sino-French International Class" program along with Xi'an International University, Xi 'an Transportation& Engineering College, Nanjing Pujiang college and more. Up to now, the total number of students is more than 300. And the program successfully promotes partner universities to innovative their mode of overseas talent training and user forward the One Belt and One Road educational move.

The Equatorial Guinean Training School Project

The population size of Equatorial Guinea is less than one million, and the country boasts only one national university of liberal arts. Therefore, ICT Education and telecom infrastructures development are lagged behind. Since 2013, ZTE takes its business advantages and cooperates with the Equatorial Guinean government to help build ICT training schools and cultivate professional communication talent with strong practical capabilities, thus promoting local telecom infrastructures and level up ICT informatization.

ZTE provides a set of knowledge service-oriented solutions which includes capital construction, engineering, equipment and more. In order to cultivate local ICT talent, ZTE put forward a customized promotion training program which includes local short-term and mid-term training, so that the students can finish their four-year undergraduate study in China's first-class communication colleges and a one-year internship in ZTE. In 2016, the first group of excellent overseas students from Equatorial Guinea has completed their four-year undergraduate study. As seed lecturers, they went back to their homeland to assist in teaching duties in local training schools.

The Training School Project co-founded by ZTE and the Equatorial Guinean government is strategically important in improving the country's influence to its neighboring countries through enhancing the capacity of communication technology and developing communication talent. Meanwhile, it is an active exploration an effective experience in expanding China's international influence in African educational moves.

5. Innovation, the Impetus for Development

5.1 Strategy, Advancing with the time

In July 2014, ZTE announced the strategy M-ICT 1.0 to give power to industrial revolution. With the customer and cooperators from all over the world, comes the IoT Generation. We develop ICT industry through innovation. New technology, new career, and new pattern in ICT have come into bud. ICT industry remains big spaces to be imagined with innovation. In August 2016, based on M-ICT1.0, we combined the latest development and announced M-ICT 2.0. We hope we can welcome and face this changing era with customers and cooperators from all over the world.

With the flow of the great business, everything gets connected and virtual world is combined with the reality. Business things are cloudified. Sharing data and openness have become the flow. We think that important revolutions are shown in these five directions – Virtuality, Openness, Intelligence, Cloudification, and Internet of Everything, which is as known as "VOICE".
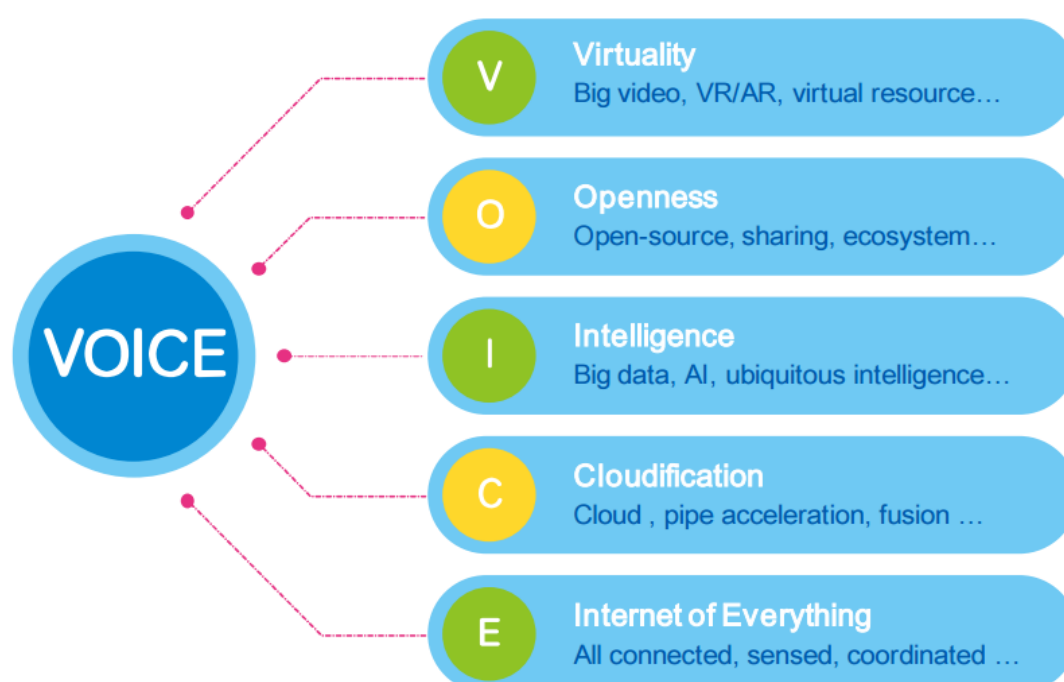
VOICE is the core of the digitalization of future society. Different aspects help and stimulate each other. They will form a new business system which regards need as the core, the technology as the backup and the business mode as the energy. Facing the new generation with innovation and imagination, our company will spread our business category and connotation with VOICE to generate new goal for our company and win the future with the customers and partners.

5.2 Management of Innovation and Intellectual Property

ZTE makes the technologic innovation and IPR into its core strategies in the telecommunication industry. The technology is concentrated and telecommunication is one of the most intensive and active industries related to innovation. At the same time, we faced strong competitors from everywhere which makes the storage of innovation and IPR as our guard while getting into the global market. Through the advance in the strategy - M-ICT, we plant the idea of innovation into every ZTEr's heart which makes our company have good achievements in innovating new technology and offer energy to ICT industry and company.

ZTE has two management rules about IPR, namely *Strategy of IPRs' Planning and Practicing* and *Rule of Integrated Management of IPR*. And we build a complete group system in

technologic innovation and IPR. The managing department forms the ZTE IPR Strategy Community which charge for the decisions. At the same time, our company established a department for IPR's storage, operation, and law. We put 10% of our revenue into R&D. It has been over 50 billion yuan in the past six years. Only in 2015, we put more than 10 billion yuan into R&D. In 2016, the R&D investment accounts for 12.6% of the company's income, which keeps enhancing the power of innovation to sustain ZTE's growth.

Key Figures:

ZTE has applied for patent almost 70,000 pieces, and 90% of them have done.

In 2016, ZTE listed the first in PCT patent applications by 4,123 applications.

In the 18th Award for Chinese Outstanding Patented Innovation, we received one gold and two excellence awards. By far we have accumulatively received 7 gold and 31 excellence awards related to patents in China, ranking the first in the ICT industry.

In 2009, ZTE started to found the biggest industry-university-research platform, ZTE industry-university-research forum. The members include NTHU, PKU, ZJU, and other famous colleges and institutes. We will invest thousands of million yuan in the forum. At the leading edge of technology, we explored the cooperation patterns with "Decentralized Cooperation", "Keeping Rolling Cooperation" and "United Innovation Center". Our company has invested almost 200 million yuan for supporting hundreds of researches. We have created 3 co-innovation centers, organized 30 forum members and cooperated on more than 600 projects.

5.3 Development of Innovative Technology

With the explosive growth of mobile broadband business and IoT (Internet of Things), the 4G network gradually become the development bottleneck. In 2016, we presented the idea of Pre5G and series of solution. They upgrade 4G's network performance and help 4G develop into 5G.

As a pioneer of 5G, we started to research on 5G since 2009. Now we have almost received a thousand patents related to the key 5G technology. With the leading innovation and stable investment, ZTE have signed 5G cooperation agreements with many domestic and foreign operators.

On June 28th, 2016, ZTE published the whitepaper on Pre5G. ZTE presented the idea of Pre5G and a basket of solutions. They upgrade 4G's network performance and help 4G develop into 5G.

As the bridge from 4G to 5G, Pre5G pays more attention to enhance three hot areas of mobile broadband, IoT, and Cloud-computing. Compared to 4G, Pre5G's system complicity will be expanded 6 times. The customers' average bandwidth will rise to 5 times more and the number of connections per unit area will rise to 100 times. Pre5G effectively serves the customers' ultimate needs of ultra-bandwidth. It serves full-scale solutions to verticals' high-speed growth and creates IoT's ecosystem and innovative application.

Based on 5G's technology innovation, we presented the application of VR (virtual reality). It is the first technology based on 5G demonstrates wireless VR business. It helps VR have good preparation to be involved into our career and life.

During MWC2016 in Barcelona at the beginning of 2016, Pre5G Massive MIMO base station's creativity and innovation gained the biggest award - "Best Mobile Technology Breakthrough" and "Outstanding overall Mobile Technology-The CTO's Choice 2016". On October 19th, 2016, ZTE were rewarded "Best Wireless Broadband Innovation" with Pre5G Massive MIMO.

In the future, the 5G network will be an open ecosystem. ZTE is working closely with different parties in the industry, making efforts to create a colorful experience with 5G in the future. ZTE have already signed strategic cooperation agreements with Telenet, Hutchison Telecom, Spanish Telefónica, SoftBank, Korea Telecom, China Mobile, China Telecom, China Unicom and other operators. Technological and industrial cooperation in all dimensions will be made in the 5G industry.

Cooperating with SoftBank, ZTE launched products with Pre5G Massive MIMO technology into the Japanese markets. On September 1st, 2016, the heavy rain covered the feather park in the Bodo, Fukuoka, which must have unfavorably impact on the transmission of wireless signals. However, using the Massive MIMO technology, users could still watch VR videos on VR terminals while downloading several files in a high speed at the same time. This is a perfect example of the advanced technology of Pre5G.

SoftBank started its commercial services based on Massive MIMO in 43 cities since the September 16th, 2016. Besides Japan, Massive MIMO gained its popularity in Austria, Belgium, Italy, South Korea, Singapore, Indonesia, Malaysia, Spain, Saudi Arabia and so on. Many test systems have been launched in these countries.

In the future, 5G will need the overall layout including the system network and the terminals. In February 2017, ZTE 5G overall solution has achieved the breakthrough, and realized the deployment ahead of the way towards the 5G development path.

During the 2017 MWC Expo, ZTE officially launched the first Gigabit Phone in the world, which has become the world's first cell phone whose download rate can be up to 1G bit per second.

With the latest mobile chip platform, the download rate of ZTE Gigabit Phone can reach 10 times faster than LTE terminal of the first generation, by combining carrier aggregation technology, 4 x 4 MIMO antenna technology and 256-QAM high-order modulation technology together.

Benefiting from the technology accumulation of the ZTE system platform in the field of 5G, and based on the Pre5G Giga + MBB wireless network solution, gigabit phone can effectively improve the throughput capacity more than tripling with the existing spectrum, so that the users can enjoy quasi-5G experience before the arrival of the 5G era.

Based on the gigabit high-speed network, and ZTE 5G technology accumulation in terms of the system and the terminal, smart terminal experience will achieve a qualitative leap, compared with the existing 4G network. And it will become an important cornerstone for moving towards the 5G mobile Internet experience. ZTE Gigabit Phone will be equipped with more abundant application scenarios and imagination space in AR, entertainment, cloud storage, instant APP, and other aspects. Combined with tourism, entertainment, medical and other fields, the 360-degree real-time transmission of virtual reality content and its panoramic immersive experience will achieve the extensive value in practical use; by changing the access mode of original mobile Apps, instant App will provide the pleasant online use without downloading or installation; breaking the storage space limitation, and achieving the cloud "unlimited" storage, this cloud storage will be comparable to the local flash memory.

"Wireless base station intelligence factory of products", propounded by ZTE, is one of first state-approved new system of intelligence manufacturing in the communication industry.

"Wireless base station intelligence factory of products" project creatively delineates flexibility, agility, high quality, optimization with low cost and construction of the factory.

ZTE, with its sharp mind and sophisticated technology in the industry, serves as a good example of smart manufacturing system to satisfy customer's various demands, reduces the producing time, raises the quality and lowers the cost. Relying on automatic equipment, industrial internet, industrial Apps, industrial big databases and so on, the project is geared towards different procedures of test, assembly, packing and logistics. It sets up a digital factory integrating the smart equipment, production, management, research and development. It is predicated that the efficiency of production will be raised by 30%, cost lowered by 25%, defective fraction reduced by 25% and energy consumption lowered by 13%.

Smart manufacturing is the digital transformation mean to realize the M-ICT 2.0 strategy in the manufacturing industry. It employs the world's mature and advanced technologies to achieve the interconnection of all things and maximize the value in the manufacturing industry.

Set up in 1955 in Germany, the Red Dot Award initiates one of the world's biggest and most influential designing competitions. It is considered as Oscar Award in the industrial design along with IF Design Award. Our FLYLISTEN ultrasonic detector won the Red Dot Design Concept in 2016. Targeted at upcoming products, Red Dot Design Concept fixes its eyes on the future, becoming the barometer of the future design orientation and trend. There were 4698 designs from 60 countries competing for the award this year, while only 286 won the award with a mere rate of 6.1%.

Average power consumption: 1mW

Working life: 10 years /26Ah lithium battery
(free of maintenance)

*Solar panels as optional equipment

LoRa transmission power: 14dBm

Weight: 1Kg

Installation: hinges

Wireless network: LoRa-based IoT

Expected cost: 100USD

Mass production plan: 1.5 years

Based on IoT, our FLYLISTEN ultrasonic detector can examine gas leakage. It is a terminal which looks like a black box. Its original demand is to be a closed box in the open air, which seems easy but actually hard to make. Finally, the idea came: let the function determines its shape. The shape turned out to be the most simplistic geometry.

The main part of the product is designed as a cube that has an universal interface on its five facades. In this way, the pickup cover can face the ideal direction wherever the product is installed. The available accessories are trumpet-shaped wide angle pickup cover, cylindrical precise pickup cover, serpentine pickup cover which can probe into the tube of the equipment, and solar panels.

The perfect combination of shape and function was the key to win the award.

6. Smart City, the Bridge to the World

The development of communication technologies is bringing about profound changes to people's lifestyle and the developing mode of cities. In 2005, ZTE put forward the idea of huge data-sharing cloud based on cities, PPP innovative business model and city cooperative management plus complete entry into an age 2.0 as smart cities. ZTE has explored and launched the construction of new smart cities in 40 countries and 145 cities such as Yinchuan, Shenyang, Wuxi, Qingdao and Qinhuangdao, becoming the important participant and promoter in building smart cities in the world.

With the smart city version 2.0 achieving the goal of making a city as a unit, collection and overall plan of huge data, ZTE creatively proposes the idea of smart city version 3.0 which utilizes the big data to promote new city construction. By maximizing the value of data, ZTE achieves the data application in optimizing decision-making and the smart management of cities, which has promoted the social cooperation.

6.1 Connecting executive functions, providing convenient service.

Scenario 1: Time: around 10 a.m. Place: an ordinary community in Yinchuan

The cleaner, Liu Qingxia, receives a text which reads the No.3000 garbage bin is full. The sender is no other than the garbage bin itself.

Scenario 2: Time: 3 p.m. Place: administrative examination and approve service hall

Wang Haiping, the legal person of Ningxia Haoyicheng Labor Service Co. Ltd., with officially stamped business license, organization code certificate, state tax registration certificate, local tax registration certificate and an enterprise stamp in his hand, praised, "the stamping procedure lasted more than two days in the past, but now half a day is enough, saving much time for us."

An intelligently transformed city can realize the management by a mobile phone covering services from community environment management to the administrative procedures for certification. These scenarios which can only be imagined in the past now become the reality in the "Smart Yinchuan" project.

With the built-in solar panels and sensors, the intelligently transformed garbage bin connect to the IoT when the garbage is piled up to a certain height, and send a message to cleaner's phone. Thus, the city's garbage production and the overall plan can be clearly seen on a phone.

By sharing the data among departments, Yinchuan administrative examination and approval center replaces the 26 approval seals of various administrative departments with a single seal. The new service has benefited more than 7400 companies and 20700 individuals with an almost tripled efficiency rate since it implemented three years ago. At present, 227 administrative procedures for examination and approval can be followed through the official App on the phone, making people's life more convenient.

"Smart Yinchuan" is the first smart city project which takes a city as a unit for top-level design. Cooperating with Yinchuan municipal government, ZTE has made overall plans for 10 large systems and 13 submodules through the construction of big data since February 2014, including smart policy, transportation, community and environmental protection. It initiates five functions: mitigating city diseases, bettering service for citizens, promoting the derivation and development of industry, innovating the city management, and pushing the reform of administrative examination and approval system. Also, it forms a replicable and widely applicable "Yinchuan model". Big data not only supports the development of the industry, but also innovates and improves the mode and level of city management. It transforms the present passive, follow-up management into an active, forward-looking and preventive management.

Global TMF Smart City Summit settled in Yinchuan in September 2016, which represents that Smart Yinchuan had become the new benchmark in the domain of smart industry. Li Keqiang, CPC Central Committee Political Bureau Standing Committee and State Council Premier, once commented on the smart government affairs co-built by ZTE and Yinchuan municipal government, "This is the streamline administration and institute decentralization as well as information support." He personally inspected the Yinchuan's city hall and praised the "one window, one official stamp" reform for the administrative examination and approval system. Recently, during the third inspection by the State Council, Yinchuan has gained the circulated notice of commendation for its innovative city management and promotion of smart city construction. It has become a good example to be promoted around the country.

"Smart Yinchuan built by ZTE solves the non-intelligence of the city. It realizes the data integration, providing citizens with convenient and efficient service."

-C114 Network

Based on its experience, ZTE will continue its efforts to achieve the goal of smart city version 3.0 in the future. At present, ZTE has cooperated with Shenyang municipal government and preliminarily built the leading city-level fundamental database. ZTE invented 4 initial Apps including "My Shenyang", open data, social credit, and policy support. ZTE has finished the data collection of 430 million pieces of data from 27 Commission Offices, covering the whole population in the city. ZTE helps Shenyang achieve three goals of "benefiting people, developing affairs and better the policy". Meanwhile, it helps the country implement the strategy of revitalizing the Northeast China. In the huge data industrial summit, Smart Shenyang unified platform won the "Outstanding Achievements of Big Data Technology and Solutions Award"

6.2 Creating smart streets, sharing smart life

Streets are the veins of the city. Under the framework of smart city, ZTE targets at existing problems in the blocks with its specific combination of technology and product application. It creatively expands the application of the IoT, ameliorates the convenience of the city in order to make the veins open and cures various city diseases.

Smart parking - No Longer Worry About Finding A Parking Spot

Based on the IoT, ZTE invents a smart parking system as to solve the problem of parking in cities. It can not only get the real-time information of the parking lot by the sensor installed, but also record the parking data through the management system on the cloud. The driver can check the occupancy of the parking lot, search for a vacant parking spot, use navigation or even pay the parking fee through the mobile app. The system effectively soothes the headache of parking for drivers.

Smart parking plan not only offers convenience for drivers, but also offers an important reference of city management. Made into sheets, the parking data can help management department detailed analyze the occupancy of all the parking lot and provide data support for municipal planning. In addition, sensors can be installed on the no parking areas in order to find the illegal parking in time, send message to the manager automatically and reduce the illegal parking.

The system is easy to install and the product is easy to take apart, which makes the maintenance well-directed and lower its cost. ZTE's smart parking system has already launched in Wuzhen, Romania and other areas.

Pic: screen shot of "ZTE's micro parking App" and real map
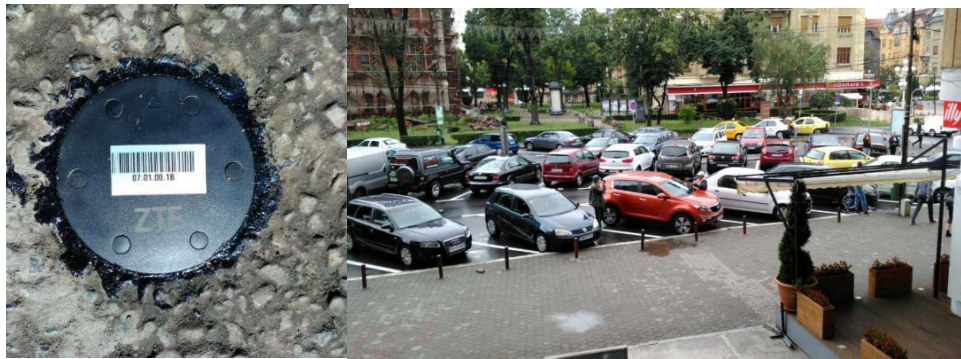
Pic: ZTE smart parking landing project in Romania

Smart Street Lights - Enlighten the "Aladdin Lamp" in the City

Through intellectualized transformation of the seemingly unnoticeable street lights, the interconnection between Internet and lighting, communications, security, sensors, information dissemination and charging pile docking will be built, which can serve as a key interface for the Internet of Everything. Keenly seizing this opportunity, ZTE has proposed an innovative program called BluePillar - Smart Street Lights. ZTE uses modular design to save the cost and time for assembly and maintenance. Also, via adopting energy-saving design, it can achieve the highest energy efficiency of more than 70%, without blocking the normal use.

"City of Light", a smart city project launched by ZTE Paris, is a typical application of smart street lights. Through the sensors on smart street lights, we can not only realize the centralized management over street lights, energy saving, operation and maintenance optimization, but also bring a brand-new experience for the digital city. The program plans to cover more than 350,000 lighting points, over 1,800 crossroads, and is expected to save more than 30% energy than usual. In the near future, WIFI, smart parking and other intellectual functions will also be integrated into this system. The city of romance will shine more brightly by merging the classic and traditional elements from Paris together with the modern and technological smart city from ZTE.

So far, ZTE has deployed more than 20,000 smart street lights in over 20 countries around the world, covering a mileage beyond 400 kilometers.

Smart Covers-Eradicate the "City Killer"

The manhole cover is one of the chief culprits for traffic accidents. Especially in China, since many local roads are in disrepair, it is easy to leave serious hazards that give rise to the accidents. In the south and other cities, when heavy rain causes the submersion of roads due to the untimely drainage, the covers will be opened or shifted, without effective detection, leading the occurrence of traffic accidents. In order to solve this problem, in 2016 World

Mobile Conference Shanghai station, ZTE and China Mobile jointly presented a municipal IoT (Internet of Things) application - the smart cover. Through the NB-IoT technology, the program can effectively improve the coverage area of the smart covers monitoring system, eliminate the coverage holes, and ensure the timely warning for reducing the occurrence of traffic accidents when the covers are opened and displaced. Meanwhile, the construction and maintenance costs can be naturally cut down.

Smart Police System

With emerging ICTs of the new generation, the smart policy system can not only substantially enhance the efficiency of police work, but also bring a significant revolution in the public security management concepts, working patterns, business procedures and other aspects. Facing with the gradually complicated public security and societal environment, ZTE has launched smart police solutions in the field of informational police, holding the aim of "strong integration, extensive sharing and advanced application", which means through the one-stop big data analysis and application services, the smart and refine police work can be realized to fully meet the future needs in this field. So far, ZTE's public security solution has been applied in more than 40 countries and regions, achieving the popularity among customers. Also, the whole series has been appraised by the authoritative consulting company - IHS as "the most comprehensive solution".

In terms of monitoring, the smart police system has fully upgraded the existing high-definition video surveillance system, reaching an unprecedented level in the perception of the pervasiveness and depth of the collected content. Thus, benefiting from the massive data collected by the "clairvoyant", plus the police big data and cloud platform, data can be shared among different departments, and other intelligent work, such as behavior analysis, license plate identification, face recognition, video retrieval, and so on will also come into use. What is most valuable is that the system also supports the meta-analysis and comprehensive judgment on the obtained relevant information. Accordingly, it can be used to intelligently predict the development trend of events, and the secondary and derivative disasters, with setting early warning and generating the corresponding disposal options.

Command and dispatch play an important role in the public security law enforcement and emergency management processes. Through the construction of an oblate command system, plus providing multimedia fused schedule, police PDA (Personal Digital Assistant), and integrated command and dispatch program, ZTE's smart police system helps the managers have more comprehensive perception of the events, and control the development trend so as to improve the efficiency of information flow. Also, during disposal of emergencies or law enforcement, this project can assist relevant departments in rapidly arranging the personnel scheduling with intelligent analysis, maximizing the effectiveness.

Besides emergency management and law enforcement, news release, online alarm system, household Q&A, etc., the system all lets the public fully experience the convenience and efficiency of police service in this information era. Additionally, the system vigorously motivates the transformation of the public security office from the control-based mode to the service-oriented form, enhancing the law enforcement and service levels.

Besides, in the field of government office, ZTE and Telecom have jointly launched a security encryption version — "ZTE AXON 7". Thereinto, in the administrative law enforcement vertical industry, ZTE and Shanghai Traffic Law Enforcement Corps have jointly developed the first traffic mobile law enforcement APP in China. And via AXON 7 with this law enforcement APP, the 24-hour investigation and disposition of traffic violations will be realized, without any interruption or space limitation. The mobile law enforcement system is designed from three oriented perspectives — the "management issues", "industry regulation refinement" and "improvement of the overall law enforcement efficiency". With the traffic

enforcement APP, law enforcement officers can combine evidence collection, live realism, information query, case registration, service deployment, supervision and other functions as a whole, so that to realize "a phone in hand, no worry in law enforcement."

The introduction of the country's first mobile law enforcement APP has already achieved the deep integration between Internet and the government, which provides a new idea for the development of industry "Internet +". It also promotes the development of legal government, innovative government, incorrupt government and service-oriented government.

Pic: A traffic law enforcement official is using a ZTE AXON 7

International cooperation and recognition

In the field of smart city, ZTE attaches great importance to the cooperation and exchanges between the relevant institutions both at home and abroad, and also with the same enterprises. On November 16th, 2016, during the Sixth World Smart Expo (SMART CITY EXPO WORLD CONGRESS) held in Barcelona, ZTE and the research leaders of smart city — the United States SCC (Smart Cities Council), signed the official Cooperation Agreement, sharing the knowledge, experience and resources of developing the smart city, and jointly promoting the global sustainable development in this field, as to better serve the city and the public.

Photo: Mr. Philip Bane, General Manager of American Smart City Council, and Mr. Xu Ming, Assistant to the President of ZTE

Awards:

1. In 2016, ZTE won the most professional and authoritative award in the government-enterprise market in China — "Best Smart City Top Design Provider" in the CEIA China Enterprise IT Awards.

2. In the "2016 Asia-Pacific Smart City Development Summit" and "2016 China International Hi-Tech Fair" co-sponsored by the National Information Center and the International Data Group (IDG), the two cities — Yinchuan and Shenyang, of which ZTE had participated in the construction, won the title of "2016 Asian-Pacific Leading Smart City". Yinchuan, Shenyang, Wuhan and Zhuhai was named "2016 China Leading Smart Cities", and Jining won the" 2016 China Smart City Innovation Award "

3. In addition, ZTE also won the "2016 Asia-Pacific Manufacturers for Leading Smart City", "2016 China Manufacturers for Leading Smart City", "2016 China Top Design for Leading Smart City" and "2016 China Top Design Solutions Business for Leading Smart City", etc.

The tide of smart city is sweeping the whole world. In the era of the Internet of Everything and smart city, ZTE considers each received award as the affirmation for our long-term cultivation in the field of smart city, and moreover, as the cornerstone for the future construction and development. Looking forward into the future, ZTE will be directed by M-ICT 2.0 strategy as always, keep innovating the construction concept for smart city, create leading smart city solutions, build smart city ecosystem and industrial chain, and guide the industrial development trend of smart city worldwide.

7. Information Security, Worldwide Concern to Tackle

7.1 Information security management Structure

For modern enterprises, information security management serves as the base for upgrading the effectiveness of enterprise management, requiring enterprises not only to protect their own core information assets, but also the same for their customers and business partners. Thus, as early as in 2003, ZTE has begun the establishment of information security management structure, and became the first listed company in China certificated by the ISO/IEC27001 information security management system. So far, 8 units, including ZTE Corporation, ZTE Corporation Technical Services Limited Liability Company, ZTE USA, Inc., ZTE Telecom India Private Ltd. have passed the ISO/IEC27001 certification. In strict accordance with the requirements of certification standards, ZTE has established sound systems in 14 fields, including organization, business activities and IT systems, and embedded the information security structure in the development, sales and other main business processes.

ZTE has established a three-layer operation structure of the information security organization system. The information security management committee led by CEO serves as the supreme governing body of the company's information security management; the information security management department, the security management groups and other departments are responsible for the daily work concerning information security within the company and their respective business units and departments.

ZTE has established a three-layer audit system consisted of the external audit, the company level audit, and the business unit self-audit, in which way to find deficiencies in the daily information security work from every perspective, and to list the rectifications, implementing to the corresponding responsible individual until the end. Ultimately, it will benefit the constant perfection of the company's information security structure.

In order to keep pace with the continuous development of international business, ZTE keeps strengthening the security management level of overseas branches. Due to the differences in the legal systems and cultural habits in different countries, ZTE will make efforts to establish the information security management structure in line with the local laws, regulations, culture and industry practices.

All new recruits shall sign the *Information Security Commitment*. The company organizes the annual information security training and examination of all staff. In addition, we are enhancing the staff's awareness of information security through daily propagation of information security cases and strategies. We also organize reading training classes for all management employees to strengthen the knowledge of information security.

Protection for Personal Data and Privacy

ZTE attaches great importance to privacy protection. The privacy data of customers and the employees are all included as the particular concerns in our business code of conduct, data protection compliance policy and information security requirements, and as the confidential information, which are under full protection. Considering the security of these privacy data during in the process of access, transmission and storage, ZTE has been engaged in all-round management to meet international security requirements in terms of confidentiality, integrity and availability.

The ZTE compliance management committee shall direct and supervise the privacy protection in each business unit. In the aspect of personal data protection, ZTE adopts the "Data Protection Impact Assessment (DPIA)" processes in main businesses, such as R&D, sales, and operation and maintenance, and organizes risk analysis and takes risk control measures. For example, at the development stage, ZTE will create a data dictionary for the collected individual data from each type of products, and then ensure the safety by applying a number of protection measures in the authority, logs, encryption, anonymity and other aspects. Before disposing and transferring the data, ZTE first confirms the relevant national laws and the requirements in applicable international rules, and fulfills the relevant obligations in accordance with the provisions. For instance, the collection of customer information cannot be conducted without clearly informing the customers of the type of the required information, and achieving their agreements.

ZTE constantly organizes the data protection compliance training for business staff, in order to avoid possible risks such as hacking, misuse and illegal access during data collection, storage, transfer and destruction. Particularly, compliance officers have been dispatched to key countries and regions to guide staff to ensure that the compliance requirements are implemented.

ZTE has consistently adhered to the basic principles of "lawfulness, fairness and transparency", "purpose restriction", "minimum scope", "accuracy", "integrity and confidentiality", "reasonable storage" and "attributable". In terms of data protection, ZTE keeps the continuous refinement of management practices to strengthen staff training and the implementation of each management initiative. ZTE is committed to creating an end-to-end privacy protection mechanism. Meanwhile, ZTE calls for more efforts from government, enterprises and organizations to focus on privacy data protection and creates a global atmosphere that fully protects privacy data and shares the responsibility and obligations for the protection of privacy data.

7.2 Product Security Control

ZTE is always following the principle of "safety first" in terms of products and service. In order to ensure the safety and reliability of all products, the company has a set of strict management mechanisms, and implements strict internal and external safety standards. R&D design process of the products need to be identified through the identification as well as the design stage, with strict checks. After the delivery of production, the products should also be checked for the consistency, completing the product safety certification to ensure that the product market compliance.

ZTE has set up a product security committee and continues to perfect the product security management structure, integrating IEC-related product quality and security standards in Europe and the United States to form the R&D and production standards for ZTE itself. ZTE has released its enterprise product standard, *Product Safety General Requirements*, which defines the company's product security objectives, organization structure, security framework, and sets the security requirements cover the lifelong period of products from the R&D, supply chain, manufacturing, verification audit, and delivery to the security management. We hold the *Product Safety General Requirement*s and TL9000 *International Telecommunications Industry General Quality System Standards* as programmatic documents for our product security, and believe the security policy which always focuses on customers, comprehensive protection, timely response, safe and credible product, and undertake the responsibility for protecting network security, user data and privacy. We also strengthen the design review and verification process, and organize a series of product quality and safety topics training every year.

Our complete system of product reliability laboratory, electromagnetic compatibility laboratory, product safety laboratory and radio frequency and SAR laboratory in each research and development center has been built, operating in strict accordance with the ISO17025 International Standard. These laboratories have been recognized by China National Accreditation Service for Conformity Assessment and have become accredited laboratories in the United States UL, Canada CSA and Germany TUV and other internationally recognized product safety certification bodies, mastering the ability and qualification to directly carry out quality and safety certification testing. They not only provide a means of detection and management for the company's product quality and security, but also enhance the credibility of quality and security of the products from ZTE.

ZTE continues to research, innovate and seek the most reliable security solutions in terms of product security. For example, for the differences in the stability of power grids around the world, we manage to identify the most fluctuating voltage range, and then develop the internal testing standards so that the products must pass strict voltage fluctuation test to ensure that the power supply instability will not cause any security risks. Besides, taking different application scenarios into consideration, we have set a variety of types of dangerous occurrence in our products, and brought the occurrence mechanisms of these risks into the product development processes through the tests so as to minimize the possibility of occurrence of these problems.

The product security management runs through the life cycle of the products. We implement long-term strategies for product security baselines and assessments based on the standards and market requirements.

The security baseline is the basic security requirements for a class of products according to the product characteristics, requirements, industry safety standards and the best practice results. It is one of the security features that the products must be equipped with, and also an important element for operators to assess the level of maturity of the supplied product in terms of design and development. We have now developed guidelines for the preparation of security baselines for our products. And through the training of the main products and projects, we will help the product develop its own ability to develop safety baseline documents. So far, the company has owned nearly 100 product security baseline documents that ensure and enhance the security of the foundation of R&D products

Safety evaluation serves as a necessary means to verify the security of products, based on automated testing, combined with product characteristics, environmental features and testing needs of specific projects to configure and deploy. We now have CISSP, CISA, CCIE, CISAW and other international certification experts in the security field, with mature code audit, vulnerability scanning, penetration testing and other multi-dimensional security evaluation capabilities. Relying on this base, we promote the source code audit, vulnerability scanning

and system security assessment work for nearly 200 product versions, and find the potential serious security flaws, which turns out to be a effective result.

Security response is a channel for manufacturers and customers to communicate product security issues in a timely manner. We open the product security column and vulnerability bulletin board on our official website, bring the vulnerability disposing process and reported the channel to the public. Meanwhile, we also open a WeChat public account — "ZTE Product Security". Through all the above, now customers and the industry can interact with us about product safety issues through different channels.

Maintaining the protection of our product security, we actively participate in domestic and international safety industry organizations and exchange activities as well. ZTE owns the membership in ITU-T SG5, IEC TC108 and CCSA and other quality and safety standardization organizations to make our contribution for the field. ZTE is also a member of the Network User Group of China National Vulnerability Database, signing the *China Internet Society Convention on Self-discipline for Vulnerability and Disclosure*, and joining the FIRST (Emergency Response and Security Group) of the International Security Emergency Response Organization.

7.3 R&D Process

Over the past two years, we have increased the support for the research and development efforts of product safety, and has constantly introduced higher safety performance to the new product.

Research on Malicious Samples

At present, ZTE has mastered the detailed analysis capability of a various file types, different languages, and the malicious samples in the system. Thanks to the increasing richness and maturity of debugging and analysis means, we can accurately analyze the behavior of malicious samples, plus their means of confrontation and the real intention, and set timely detection and alarm system. Next, we feed back the typical sample characteristics to the anti-APT products, helping to improve the detection accuracy of the products.

Palm Steward

In order to improve the safety performance of ZTE mobile phone, we have designed and developed the security software—"Palm Steward", with security protection, system optimization, software rights management, mobile phone security and other functions, making ZTE mobile phone products successfully pass the five security certifications from the Ministry of Industry. At present, "Palm Steward" has been adapted and pee-installed in all domestic delivery ZTE mobile phone, with the total number of users reaching over ten million so far, and the monthly activity staying over 40%.

Secure Phone

The secure phone — ZTE AXON, launched for the government, has become a strong force in the present secure phone market for its advantage in systematic integration of intelligent encryption.

Integrate four major security capabilities Launched mobile secure office solution

In the phone market for government, security is an important premise for mobile office. Different from the simplex hardware or software encryption on the market, ZTE secure phone groups the four security capabilities — "hardware + system + platform + communication", together in a single intelligent encryption mode, which breaks the limitations of local encryption on the market, building a more comprehensive and solid secure information space.

In terms of the hardware, the chip of ZTE secure phone is certified by the National Password Authority, using Chinese national encryption algorithm. It truly realizes the encryption for the underlying hardware, and its security capabilities have achieved the authoritative certification from the China Financial Certification Center, reaching the security standard of financial level. In terms of the term system, by using the safe-isolation dual system, ZTE secure phone can completely isolate the office system and the daily life system. Meanwhile, ZTE also collaborates with communication operators to encrypt call transmission channels so as to make encrypted calls possible. Additionally, relying on the mobile secure access platform and the security control platform, ZTE secure phone further strengthens the information security from the platform side. With the secure smart terminal plus security platform, it will provide users with integrated solutions.

Via the above four major security capabilities, ZTE secure phone has built a one-stop mobile secure office solution called "end - tube - cloud". Also, according to the users' needs, it provides a variety of security platform deployment model to meet different customized requirements.

United with operators and partners, ZTE phone will focus on the government-enterprise industry, and put strong efforts on police, finance, communication, education and other industries to promote the level of mobile informational office, becoming the leader in the field of mobile secure office.

On January 10th, 2017, ZTE won The Best Innovation Network Security Solution Provider on the annual China Enterprise IT Award.

In 2016, we pursued a new generation of Adaptive Network Security, establishing an intelligence-adaptive, interconnected network security frame centering prediction, defense, monitoring, backtrack techniques. We offered information security solutions based from three key aspects: network safety, application safety and management safety. And we built our comprehensive security system from various aspects like terminal, network, platform, application, data and more.

By 2016, ZTE network security solutions have been applied in more than 40 countries and areas. In the construction of Smart Yinchuan, our network security solutions were successfully applied in the top-level design, implementation and service of Yinchuan Smart City. During the informationalization of Hunan, Hubei, Yunnan, Hebei and Liaoning, we strengthened the security system of government departments, contributing to the

informational safety system construction of these cities. Apart from these, we also actively cooperated with our allies in industry to joint-construct an urban network security ecosystem.

As regard to product recall procedures, we formulated the *Product Replacement Procedure* based on the requirements of TL9000 *Quality Control Manual*. The procedure states clearly the replacement procedures when products of a company cannot or are not suited to work under the following circumstances:

- The product endangers the safety of human or another person property

- The product cannot meet the relevant national, industry or enterprise standards

- The product cannot meet the needs of customers;

- Serious effects may be caused by the further use of the product

In 2016, no replacement or recall occurred to ZTE products due to product safety problems.

7.4 Response to client requirements

In order to make sure that we respond to customer complaints timely and effectively, ZTE worked out customer Complaint handling procedures based on ISO10002:2004 *Quality Management-Customer Satisfaction - Guidelines for Complaints Handling in Organizations*. The procedures state clearly the customer complaint hot-line and the technical support website to our customers. They can file complaints through phone calls, the internet and other channels. We have also built a quick response mechanism so that product feedback problems will be responded to in 30 minutes. For complaints of different types, we ought to solve within limited time so as to make up our customer loses.

ZTE strictly adheres to the principle of "Objective, Justice, Free of Charge and Confidential" to handle customer complaints. We will make faithful record of all the dealing procedures. No one will have access to these procedures without authorization. In 2016, ZTE received 154 complaints about our system and products from at home and abroad, 96.5% of which were responded to and handled on time.

8. Employees, the Enabler of the future

At present, ZTE is faced with fierce market competition at home and abroad, and the core lies in talent competition. In order to better adapt to ZTE's transformation development and strategic adjustment, we focus on absorbing and training practical and innovative talents, provide all-around development support for employees and give full play to their creativity by creating rich and diversified learning environments, offering unobstructed career development paths and creating a cultural atmosphere filled with equality, respect and care. We will join hands with all employees to create a new era for ZTE's development.

8.1 Vocational Ability Training

For the purposes of continuing to elevate employees' professional ability and comprehensive quality and meeting their personal development needs, in combination with ZTE's technological advantages, we have been committed to constructing ZTE's community-based and ecological learning environment themed on "facilitating learning, advocating learning and enjoying learning" on a long-term basis, providing interactive and diversified forms of learning and course contents, getting through online and learning paths, and constantly optimizing and improving the employee training system. Moreover, we pay close attention to university-enterprise cooperation, and assist in training outstanding talents for the communications industry through providing college students a learning platform that combines theory with practice.

In 2016, ZTE offered 110,000 offline courses, with 303,000 periods and 5.19 million training hours in total. 1.9795 million person-times of employees have participated in these training, with the training coverage of 97%, the on-boarding training coverage of 100%, and the employee training satisfaction score of 90 above.

ZTE has been continuing to develop the e-learning system platform, and independently researched and developed the "ZTE e-Learning" online learning system to train employees' habit of using fragmented time in learning and to improve their work ability. In 2016, ZTE's e-Learning system online training covered 25,256 courses, with 21,900 periods and 760,000 training hours in total.

ZTE e-Learning APP

Stimulating employees' learning enthusiasm and continuing to enhance their core business ability is an important factor for ZTE to elevate market competitiveness. The Company has developed the ZTE e-learning APP mobile learning platform, and devoted itself to making a mobile learning product that "adds more fun to learning" to enable employees to learn anytime in any place and to apply what they have learned. The ZTE e-learning APP platform has terse and forceful course contents close to business practice, and is arranged with such functions as curricula, information, exams, live webcast, survey, classes, breakthroughs, interaction and sharing. Through creative curriculum design and presentation, it stimulates learners' passion for interactive participation. So far, the platform covers nearly 50% of Chinese employees, with the activity degree of 20%.

ZTE e-University Smart Classroom

To effectively satisfy global customers and partners' requirement for more flexible and efficient training, in 2016, the Company officially launched the ZTE e-university smart online classroom in combination with the "Internet+" development trend, and offered offline real classrooms, as well as a remote interactive teaching and online learning

platform, thereby, expanding learning channels. The platform provides knowledge content services of online courses on demand and live open courses, O2O training services of class management, study plans, etc., customized services of live course customization, learning cards and the like, statistic services of self-study condition, credit points and so on, as well as assessment services of test base management, test paper release and courseware recording service.

To assist the smart classroom in achieving a high-quality live webcast classroom, ZTE developed PC, mobile and PAD interactive classrooms to facilitate customers' participation in learning and sharing anytime in any place. So far, ZTE has established three major smart classrooms in Shenzhen, and one branch classroom in Nanjing, Xi'an and Beijing respectively, which can realize the interactive teaching with live webcast among major classrooms and between major and branch classrooms. As of December 2016, the platform has realized the enrolment of 21,337 persons, the live webcast of 42 courses including 22 open lessons, and the registration of 12,000 person-times.

Student comment 1: "Thank ZTE University for offering such an amazing platform, allowing me to learn knowledge anytime in any place and broadening my horizons."

Student comment 2: "It's a good platform. There are many friends sharing knowledge with me."

"To Speak" Project

For the purpose of elevating employees' comprehensive vocational quality in an all-around way, ZTE provides soft strength training regarding communication skills, time management, etc. for employees. In 2016, we carried out the "To Speak" project, devoted ourselves to forging a vocational quality learning eco-circle, and provided a specialized platform for management skill and workplace experience sharing. We have selected and trained part-time lecturers of management quality oriented towards internal employees, and offered eight courses concerning efficient communication skills, time management, career planning, executive ability, business etiquette, business model innovation, structural thinking and consumer psychology to gradually improve ZTE's training management system.

Since the official launch of the project in July 2016, we have recruited 96 members in our curriculum development team, organized all these members to participate in PPT training, one-on-one tutoring, content sharing, cultivation and other activities, and constantly elevated lecturers' personal vocational quality and professional skills so as to impart them to employees in a better way. So far, "To Speak" curricula have covered 2,288 employees, and 35 learning classes have been held. Meanwhile, we provided new employees the sharing of 7 vocational quality courses through diversified learning modes such as face-to-face teaching, remote teaching, salon, workshop and live webcast, enhancing employees' quality and ability.

We have actively developed university-enterprise cooperation to jointly cultivate outstanding talents for the communications industry. For a long time, we have carried out the "Outstanding Engineer" enterprise course cooperation with many universities, and provided the learning and practice platform and specialized guidance concerning cutting-edge technologies in the fields of optical communication, microelectronics, optoelectronics, computers, software, automation, etc. for students majoring in Electronics Science and Technology so as to help students to combine professional knowledge with actual technologies, to have an understanding of the application of electronics and communication technology in engineering enterprises, to gradually master the ways of thinking and solving problems and to enhance their innovative practice ability.

In the recent four years, we have cooperated with over 20 universities on training, offered more than 50 corporate courses, provided 1-6 months of engineering practice & internship, etc., and completed the training of more than 2,000 person-times.

8.2 Diversity and Inclusiveness

Creating an inclusive working environment and developing diversified talent structures is a significant source for an enterprise to maintain sustained creativity. Employees' wisdom and inspiration propel the continuous elevation of our business and service ability, and meet more diversified and personalized market demands. We strive to construct and perfect an equal communication and interaction platform, improve employees' career development paths, promote the integrative development, exchanges and collisions between domestic and overseas employees, and create a more inclusive and energetic working environment.

Equal Employment

We always insist on equal employment, and strictly observe the *Law of the People's Republic of China on Promotion of Employment*, the *Law of the People's Republic of China on Employment Contracts*, the *International Labor Conventions*, as well as other domestic and overseas labor laws, regulations and policies. 100% employees of the Group (excluding subsidiaries) have signed labor contracts with legal compliance, and all are labor contract employees. We prohibit any discrimination on any ground such as race, color, nationality, language, fortune, social origin, social status, age, gender, sexual orientation, ethnic origin, disability, pregnancy, belief, political faction, membership of a particular social group or marital status in the links of employee recruitment, promotion, development, punishment, benefits, termination of labor contracts, etc.

For the purpose of effectively evading the labor employment risk, ZTE attaches importance to normalizing written materials like recruitment announcements in the process of employee recruitment so as to avoid any employment discrimination regarding gender, marital status, nationality, registered permanent residence, health condition and so on, and train recruitment managers in the aspect of response to the labor employment risk to ensure labors' enjoyment of the right of equal employment. In the process of employee dismissal, we relieve and

terminate the working procedures of the labor contract pursuant to the requirements of such laws and regulations as the *Law of the People's Republic of China on Employment Contracts* and ZTE's *Measures for Administration of Employee Turnover*, and maintain the dismissed employees' legal rights and interests. In the aspect of employee's salary, welfare and man-hours, we fully comply with the laws and regulations of China, as well as the countries and regions where ZTE operates.

In accordance with the *Regulation on Special Protection for Underage Workers of the People's Republic of China* and corresponding laws and regulations in overseas countries, we have developed the corporate level system *Regulation on Special Protection for Underage Workers*, examining and verifying applicants' valid identification in the links of employee recruitment, employment approval, report for duty and so forth. If it is found that any child labor is recruited by mistake or for any other reason, we will immediately provide necessary assistance, and deal with this matter according to the most beneficial method to the child labor. In case it is found that any new recruit is underage, ZTE will immediately report this matter to the local labor administration department above the county level, go through registration procedures, and provide health examination, safety education and training pursuant to related laws and regulations. Moreover, we will enhance the protection and management for underage workers through the quarterly statistical monitoring sheet for underage workers so as to guarantee employment with legal compliance.

ZTE's labor contract explicitly stipulates that employees are entitled to refuse to execute any forced labor, and have the right to criticize, inform against and sue ZTE's managers for any act imperiling laborers' life and health. In 2016, no child labor employment or forced labor occurred in ZTE.

ZTE does not tolerate any form of harassment in work sites, and respect employees' right to participate in collective negotiation. Besides, we are concerned about women's career development, provide diversified training contents for female employees, stimulate female employees' potential and provide development opportunities and platforms for them to give play to wisdom and ability.

In 2016, the total number of employees in the Group was 81,468 (57,040 excluding employees in subsidiaries), with the female percentage of 24% and minority percentage of 10.4%. More than 90% of ZTE's employees are distributed in Asia, and the remaining employees are distributed in Europe, Africa, Oceania, North America, South America and other regions.

Employee percentage classified by age (excluding subsidiaries)	Percentage of employees < 30	Percentage of employees between 30-50	Percentage of employees > 50
2016	33.7%	64.9%	1.4%

Employee percentage classified by education	Doctor	Master	Bachelor	Other
2016	0.5%	27.5%	38.6%	33.4%

Employee percentage classified by specialty	R&D	Marketing	Customer service	Production	Finance	Administrative management

2016	36.9%	16.5%	16.6%	22.7%	1.1%	6.2%

Diversified career development

We provide diversified career development channels for employees by specifying post responsibilities, post standards and post value and establishing hierarchical & classified post sequence, and attract and retain outstanding talents through special development plans and incentive mechanisms.

"Blue Sword Plan"

In the fierce talent market competition, to introduce and retain cutting-edge technology research talent, ZTE began launching the "Blue Sword Plan" oriented towards highly cutting-edge talents in 2014, providing larger development space, faster development opportunities and higher salaries for them. The employees engaged in the "Blue Sword Plan" will obtain guidance from ZTE's senior executives and top experts. After successfully making breakthroughs (one breakthrough every year) in three years, the employees will directly enter the level-4 technical post, and enjoy such treatment as base salary, Blue Sword allowances, deferred bonuses and comfortable housing. ZTE has implemented the "Blue Sword Plan" for nearly three years. The members engaged in the plan play a significant role in propelling the solving of ZTE's R&D problems.

Employee Localization

With the development of ZTE's international business, the selection and training of local talents becomes important support for us to boost the development of overseas business. We actively promote cross-cultural fusion, enhance domestic and overseas employees' understanding of the local culture and social development situations of countries, and promote the overseas local employees' recognition of the enterprise. While creating employment positions for the local regions, we jointly boost the development of the local communications industry.

Cross-cultural Communication and Integration

The development and management of local employees is of great importance for the enterprise to enhance overseas business capacity. ZTE actively promotes the cross-cultural communication among representative offices worldwide, and enhance local employees' recognition of the corporate culture.

In 2016, ZTE carried out the "Cross-cultural Ambassador" project in 45 key representative offices to promote the cross-cultural integration between local and Chinese employees and to enhance the exchanges and understanding between overseas employees and managerial staff by establishing the "Open ZTE" online communications circles and registered ZTElite official micro-blog account, arranging ZTE Culture Walls and carrying out various staff activities.

Picture: Cross-cultural communication of Belarus

Picture: Cross-cultural communication of India

Boosting MKT Localization Development

In recent years, ZTE has been attaching great importance to local construction, and actively promoting the marketing localization development. In 2016, ZTE organized 37 foreign MKT backbone employees to receive training in China for the first time, with the aim of elevating their comprehensive quality and laying a good foundation for MKT localization development.

Through carrying out a series of training contents concerning MKT seminars, product line visits, experts' interactive exchanges and trainees' speeches & oral defenses, and discussing with ZTE's leaders on such key issues as career development, company documents, IT support and comprehensive solution packaging which attract foreign employees' attention, ZTE has elevated foreign backbone employees' high-end communication & speech ability and product knowledge ability, and further enhanced their sense of belonging and sense of identity.

Local Talent Training of ZTE Indonesia Subsidiary

"The local employees of Indonesia Subsidiary cannot all hold the posts of ordinary staff. They ought to account for a larger proportion in important posts. In this aspect, we still have a long way to go." Mei Zhonghua, General Manager of ZTE Indonesia Subsidiary, expressed his view on improving local employee management in an interview.

Two years ago, due to the high demand for "mesh optimization" (special type of work) talents, Indonesia Subsidiary was faced with the problem of failing to retain local talents. After undergoing one year of "throes", Mei Zhonghua was anguished. He once wanted to give up looking for local employees. Through communication and industry survey with related experts at home and abroad, Mei Zhonghua realized the important significance of propelling the "local" talent strategy to ZTE's business development. Finally, he "poached" Deady, an Indonesian local employee. Through dispatching Chinese experts to provide training and supporting him to study in ZTE University, ZTE provided him all-around support, and encouraged him to train more local talents.

After two or three months of efforts, Deady's team got about 20 members, and had a sharp rise in income, number of users and business volume, with high customer satisfaction. Mei Zhonghua tasted the sweetness. He continues to expand the scale of local employees, and cooperates with Indonesian universities to jointly training local communications talents. So

far, there are 1,000 employees in ZTE Indonesia Subsidiary, including 600 local employees.

To commend and encourage local employee development, ZTE may give non-financial rewards to the local outstanding employees in three lengths of service (three years, five years and ten years) in ZTE every year, show timely recognition to local employees' effort and contributions, enhance the communication and interactive learning among employees, and further elevate their work ability and business level.

Feature: Pioneers of 2016

ZTE has established a normalized mechanism for employee honor incentive, determining the winners of ZTE's "gold and silver prizes" by means of the monthly, quarterly and annual selection of "Fighting & Innovation Pioneer Rankings" and recommendations level upon level. ZTE not only gives incentives to the employees with excellent work performance at ordinary times, but also praises the outstanding grassroots employees who have made outstanding contributions to ZTE's performance in the current year.

Through constructing ZTE Museum open to employees, employees' families and ZTE's partners in all circles, we not only show ZTE's historical development course and achievements, but also manifest the influential pioneer employees making positive contributions to the Company. In addition, we show employees' good mental outlook and set excellent examples for all employees by displaying pioneer employees' office portraits.

In 2016, ZTE's "Fighting & Innovation Pioneer Rankings" selected 31 pioneer employees, including 23 domestic employees, 5 expatriate employees and 3 overseas local employees. For employees' top prizes, "gold and silver prizes", we have issued gold medals to 10 employees and silver medals to 21 employees.

Domestic employee (male): 2016 gold prize winner

He entered ZTE in 2006. He is a "talent" who achieved extraordinary performance on an ordinary post, and gives the best interpretation of "fighting and innovation" with practical actions.

In his many years of work experiences, he has been always filled with innovation inspiration: he owns over 40 pending patents, nearly 20 authorized patents and more than 80 international proposals for boosting ZTE's innovation schemes, and has published articles regarding telecommunications and security technology in some periodicals like Information Security Research sponsored by the State Information Center. Moreover, he is also a programming master who is skilled in JAVA coding and design mode. He is not stingy about using his mastered skills. From learning to practice, from book reading to technology sharing, he leads his team members to grow and make progress together.

Overseas local employee (female): 2016 gold prize winner

Over the 9 years of working in ZTE, I have been persistently looking for various opportunities to make my best contributions to ZTE. I believe an excellent sales team is not as simple as selling products or services, but lies in establishing a trust relationship with customers.

The year of 2016 is a year filled with challenges. Our team started from bumpiness. Through unremitting struggle and sterling efforts, we led our team to reach our initial goal within half a year. We pursue not only the delivery of excellent network quality, but also the delivery of unparalleled optimal network quality.

Overseas local employee (male): 2016 gold prize winner

In 2015, ZTE's specialty, sincerity and development prospect impressed me, so I chose to join ZTE. I wish to make contributions to ZTE and develop with ZTE.

Time flies. I've worked in ZTE for nearly two years. ZTE's team is a team that respects competitors and is filled with professional dedication and high-end professional skills. Though we come from different countries and product lines, we have successfully formed a multicultural high-tech team, enabling customers to feel comfortable, trust us and finally choose ZTE as their sole supplier.

Under the guidance of ZTE's M-ICT 2.0 strategy, we utilize our professional skills, professional dedication and sincere attitude to be customers' reliable consultant, and realize win-win results with customers. I believe ZTE's future will be better and better!

8.3 Employee Care

Paying attention to employees' health and safety is our important responsibility. We attach great importance to employees' mental health and balance between work and life, and provide more humanistic services for female employees. In addition, we enhance safety management, elevate employees' safety awareness and actively safeguard employees' legal rights and interests.

Employees' Health and Safety

ZTE has been committed to providing safe working environments, and supporting all employees' health & safety and their balance between work and life. In 2005, ZTE established the health and safety management system based on OHSAS18001 standard. It is one of the earliest enterprises implementing health and safety standardization management in the industry. So far, ZTE has established a health and safety management system covering whole business process and main branch countries worldwide.

In 2017, to further enhance ZTE's health and safety management, ZTE established the Health and Safety Committee, covering the health & safety management of such business processes as project delivery, production R&D and supply chains. The Health and Safety Committee is the top decision-making organ for ZTE's health and safety management. It is responsible for planning and developing ZTE's health and safety strategies, guaranteeing resources, determining the strategic direction and objectives for the health and safety management of ZTE and its supply chain, and establishing ZTE's health and safety culture.

Based on staff health & safety awareness and ability training, daily health & safety publicity and internal/external communication, compliance evaluation of laws and regulations, health & safety inspection in production process and emergency drill, regular internal & external auditing on health & safety, management review, etc., ZTE's health & safety management level is constantly elevated and improved.

In 2016, ZTE established 15 element document systems for work safety, and developed 19 safety knowledge picture publicity activities, covering fire control, hazardous chemicals, electricity safety, equipment safety, first aid and escape. Each quarter, before and after extreme weather and during holidays, ZTE may check potential safety hazards in an all-around way, and trace the rectification and implementation. In July 2016, ZTE carried the safety month activity. In the whole year, 1,034 have received level-3 safety education and training.

Combining the "119 Fire Prevention Publicity Day", ZTE simultaneously carried out comprehensive fire drills and publicity activities in six production bases of Shenzhen, further enhanced employees' fire safety consciousness, and enabled them to master fire prevention/suppression knowledge and escape & self-rescue ability, thereby, laying an important foundation for creating a favorable safety environment.

Picture: Comprehensive Fire Drill and Publicity Activity

In 2016, ZTE passed the National Class-3 Certification for Work Safety. No duty-related fatal accident occurred. There were two industrial accidents in the production field.

We continue to improve employees' living and service quality. Through constructing employees' shower rooms, fitness facilities and the like, we create favorable work and amusement environments for employees. We continue to optimize the dining environment of the mess hall, provide different levels of diet consumption, and offer employees with logistics services of better quality. Besides, through normalizing and neatening employees' shuttle bus routes, updating shuttle buses and elevating comfort degree, we gradually optimize employees' daily commuter services, and improve service experience and employees' sense of happiness. For needy employees, we set up an assistance fund to help them pull through.

We insist on people orientation and actively care for female employees. In 2016, ZTE took the lead in carrying out the environment improvement project for mother-and-baby rooms so as to create a more comfortable breastfeeding environment for female employees. So far, ZTE has newly added and reconstructed 10 mother-and-baby rooms in five research institutes, covering 100,000 female employees. In addition to the maternity leave according to relevant national laws, pregnant employees can enjoy antenatal leave specified by the Company. We have set up special dining areas for pregnant. Moreover, we enrich female employees' spare-time life by offering lectures and activities on special topics involving women's health, marriage & family and parenting each year.

Employee Assistance Program (EAP)

ZTE pays close attention to employees' physical and psychological health. Since 2009, we have continuously carried out the Employee Assistance Program (EAP) to provide employees psychological health services, including psychological health knowledge dissemination, psychology training, psychological consulting and psychological crisis intervention. In the meantime, we also provide employees psychological micro-courses on family relations by releasing electronic psychology journal and inviting psychologists to make series video *Standing amongst Three Generations,* for the purposes of promoting employees' happy life and efficient work.

In 2016, there were 1,125 person-times in the Company using the telephone or face-to-face psychological consultation services offered by EAP, wherein, 88% of the service users held that ZTE's psychological consultation services were helpful or very helpful for their current life puzzles. We have received 8 requests for help from employees who suffered from psychological crises due to significant misfortunes in life. Through coordinating such resources as communities, hospitals and ZTE's departments of law, we have assisted business units in supporting employees and their families, and provided ZTE's care and support for employees suffering from significant misfortunes in life.

Picture: EAP lecturer provides emotional management training for overseas managerial staff

Picture: EAP lecturer explains mental health knowledge to the leaders of production lines

Protection of Employees' Rights and Interests

To effectively listen to employees' requests and protect their legal rights & interests, ZTE has established a labor union information platform, continued to perfect the publicity system, and attached importance to employees' opinions and suggestions. In 2016, ZTE convened the membership representative conference for five times, deliberated over and passed a number of decisions concerning the *Regulation on Investigating and Treating Crisis Behaviors*, the *Measures for Administration of Responsibility Investigation*, the *Measures for Administration of Employee Performance* and the like related to employees' vital interests.

We have set up a "sunshine platform", perfecting the employee complaint mechanism. Employees may anonymously raise complaints to the platform. Then, ZTE will further conduct reexaminations with relevant investigation departments according to the complainants and complaint contents, and will publicize the complaint settlement results according to the complainants' willingness. In 2016, we have received 4 employees' complaints via the sunshine platform, and such complaints are in the reexamination stage.

We strengthen employee welfare system guarantee, and elevate employees' centripetal force to the Company. ZTE provides such legal social security as pension, medical treatment, unemployment, work-related injury, maternity and housing provident fund for domestic employees, and handle commercial insurance for employees' families to enhance employees' risk resistance ability. In accordance with relevant local laws and regulations, we provide overseas local employees with such welfare as insurance/healthcare programs, paid leave and travel subsidies. ZTE's vacation management system specifies holiday types and time, providing a system reference for subsidiaries to safeguard employees' legal holiday welfare.

9. Environment, our Obligation to Protect

China is a high energy consumption country in the world, with outstanding problems related to "high energy consumption, high pollution, low output and low benefits". In earlier 2016, Shenzhen published the *Notification on the "13th Five-Year" Energy Audit and Energy Conservation Planning for Key Industrial & Commercial Energy Consumption Units in Shenzhen*, requiring all key energy consumption units in Shenzhen to carry out energy auditing and to intensify the effects of technical energy saving and management-based energy saving. As an industry-leading enterprise, we continue to perfect our own environmental management system for production and operation and to propel green packaging through developing green foods and services. Moreover, we work with global customers to jointly cope with climate changes and protect our beautiful home.

ZTE has established the environmental management system and energy management system in accordance with the international standards ISO14001 and ISO50001, and has identified its possible impact on the environment. According to the "Environmental Impact Review and Approval", ZTE will not discharge industrial waste water and gas, and the industrial hazardous wastes will be commissioned to qualified units for deposition. The corresponding management procedures have also been conducted. In terms of energy use, ZTE relies mainly on electronic consumption, plus the certain demand of natural gas, gasoline and diesel from the company canteen and vehicles.

9.1 Green Operation

As an ICT enterprise, we shoulder the responsibility and arduous task of improving energy efficiency and leading the energy saving and loss reducing in the industry. In 2005, ZTE established the environmental management system pursuant to ISO14001 international standard, and passed the third-party certification. ZTE strictly follows applicable national and local environmental laws and regulations, to conduct environmental monitoring on the discharged waste gas, wastewater and noise every year on a regular basis to ensure that the discharge meets the national standards.

Energy Resource Management

In 2016, ZTE passed the ISO50001 international standard certification, becoming one in the first batch of units establishing the energy management system in Shenzhen. Through the energy auditing and energy conservation planning review on 198 key energy consumption enterprises conducted by the Economy, Trade and Information Commission of Shenzhen Municipality, ZTE becomes one of the nine outstanding enterprises in Shenzhen.

To enhance energy management, we established the Energy Conservation & Emission Reduction Committee to build ZTE's energy management system in an all-around way. Relying on the energy management system and energy auditing, we have completed energy consumption identification, energy auditing, compliance evaluation, performance monitoring, internal system audit and management review, and released 18 standard documents concerning energy conservation & emission reduction, energy management and green production to gradually solidify energy management process and institutional norms. By means of analyzing ZTE's energy consumption situations and identifying feasible energy-saving measures & solutions, we continue to improve ZTE's energy efficiency. Meanwhile, we lay emphasis on training professional personnel. Now, we have trained 22 internal auditors of the energy management system to boost ZTE's energy conservation & emission reduction management.

Picture: ZTE's ISO50001 Certificate of Energy Management System

In daily operation and management, we have implemented water pump motor energy-saving renovation and energy-saving kitchen range renovation for mess halls in the Science Park, and conducted feedback-oriented load improvement on high-temperature equipment so as to reduce energy consumption. We developed and improved the water management system, used the latest water-saving technology and water-saving taps and carried out water balance testing on a regular basis so as to ensure the nonexistence of leaking points in the pipe network and to strengthen water-saving management. Moreover, we publish publicity information related to water and electricity saving through ZTE's internal website, e-mail and other channels, and give warning notifications for waste phenomena so as to enhance employees' energy-saving consciousness.

Overview for ZTE's Energy Management Scheme in 2016

Content	Investment (10 thousand yuan)	Annual savings
Implement water system renovation in the plant area of the Science Park, adopting energy-saving renovation for water pump motors.	190	460,000 KWh
There are 18 kitchen ranges in the mess halls. New energy-saving kitchen ranges are used to replace the original ordinary kitchen ranges.	20	Before renovation, the natural gas consumption is 20,270M^3; after renovation, it becomes 18,919M^3, with the energy-saving volume of 21.28tce
High-temperature cabinet load adopts feedback, which can return to equipment load. The improved feedback mode directly returns to high-temperature cabinet DC supply.	20	The original total power is 728KW. After renovation, the actual total power is 156KW, saving power 572KW, with the annual saved electric quantity of 4.1184 million KWh.

In 2016, the carbon emission of ZTE's gasoline was 585.05tCO$_2$e, and the carbon emission of diesel was 481.37tCO$_2$e. The Company consumed various types of energy equivalent to 21,469.07 tons of standard coal, of which, purchased electricity accounted for 93.77%[*].

Table: ZTE's Energy and Resources Consumption in 2016[23]

---

[2] The data are relevant data from the HQ building of ZTE in Shenzhen

[3] ZTE total industry output value in 2016 is 158,640,306,000 yuan

Energy type	Actual quantity	Energy consumption per unit of output value (per 10 thousand yuan)	Equivalent to standard coal (ton)	Percentage out of the total energy consumption
Natural gas (10,000m^3)	68.05	0.0429	826.33	3.59％
Purchased electricity (10,000 KWh)	17,565.55	0.00111	21,588.06	93.77％
Tap water (10,000m^3)	100.48	0.06334	86.11	0.37％
Gasoline (ton)	210.11	0.00001	309.16	1.34％
Diesel (ton)	146.79	0.00001	213.89	0.93％
Total	-	-	23,023.55	100.00%

Pollution Emission Reduction

Reducing greenhouse gas emission and positively coping with climate changes is the significant responsibility of an ICT enterprise. Starting from sources, we reduce greenhouse gas emission and waste discharge in each link of operation and production, and attach importance to waste treatment to boost the sustainable development of the human living environment. There are no legal or non-compliance cases related to pollution and emission in 2016.

Each year, we reduce the impact on the environment by setting environmental objectives & indexes and greenhouse gas emission objectives & indexes. We may reduce the emission of 4,300 tons of CO_2 every year. In 2016, ZTE carried out carbon transaction inspection in Shenzhen, with the greenhouse gas emission equivalent to 169,245 tons of CO_2.

Indicator	2014	2015	2016
Carbon emission of unit sales (tCO$_2$e/100 million yuan)	211.62	175.06	167.19

The waste gas generated in ZTE's operation mainly comes from the technology waste gas and generator waste gas in the production process. After undergoing purification treatment, all waste gases shall follow the local standard of Guangdong – *Emission Limits of Air Pollutants*. After meeting standard, such gases may be discharged in air through pipelines. All discharged waste gases completely meet the requirements of national laws and regulations. In 2016, ZTE discharged 0.187 tons methane and 0.055 tons NOX in Shenzhen.

ZTE's daily water is from the urban water supply system, with the main use of domestic water in offices. ZTE's wastewater mainly comes from the water discharged from office toilets and kitchens, and does not involve the discharge of any toxic substances or special substances. For the oily wastewater generated from cleaning of the kitchens in mess halls, we will filter solid impurities through cleaning strainers. The kitchen water after receiving preliminary filtration will flow into the level-3 grease trap. Through oil separation, the water with main pollutants removed will be discharged into the municipal sewage pipe network.

In the production process, we focus on product assembly, which does not involve the industrial water link and will not generate technology wastewater. Thus, it will not produce a severe impact on continental rivers, lakes, underground water and glaciers. In the meantime, we will gradually propel the implementation of the smart water supply pipe network and fully enhance water resource management.

Solution for Five Water Treatment

Strengthening water resource monitoring is an important means for the government to improve management efficiency. Through releasing the solution for five water treatment, we made an online full-automatic intelligent environment monitoring & control system integrating water sampling, water sample pretreatment, automatic water quality analysis, data acquisition & transmission, retaining of water samples and remote monitoring & control, which can effectively realize flood prevention, water-logging prevention and pollution prevention, and achieve the effect of five water treatment regarding cleaning and saving water resource.

The solution for five water treatment has been selected into the List of China's Communication Industry (10th) of 2015-2016, and won the Most Competitive Product/Technology Award. We will jointly promote water resource protection with customers to make water clearer and mountains greener.

We strictly observe the Management Rules for Waste Electronic Equipment in countries worldwide, and actively propel the recovery of waste products and cyclic utilization of resources. A specialized reverse logistics treatment department is established in the Company, which is responsible for ZTE's green recovery and cyclic utilization. Through the close cooperation with world-leading environmental protection service suppliers, we have established a material recycling & treatment network covering the world, and conducted one-stop dismantling and further recovery treatment for the telecommunication equipment worldwide, realizing resources recycling.

In 2016, ZTE generated 410 tons of non-hazardous waste and 245.6 tons of hazardous waste in total within Shenzhen area. The hazardous waste was recycled by the unit with a professional qualification.

9.2 Green Service

Supporting the development of energy conservation & environment protection, new energy and other industries is one of the themes in China's "13th Five-Year" Plan. We continue to explore the R&D and application of new energy technology, gradually cover power, traffic, production, service and other industries, and strive to release diversified green products. Moreover, we continuously perfect product and service quality.

Green Product and Service

We continue to meet governments, enterprises, social organizations and the masses' requirements for green products and services by creating green office products, strict hazard-free product control, etc., ensure that all links of products in the full life cycle conform to relevant domestic and overseas standards, and continuously improve service quality.

Cloud Desktop

To respond to the call for energy conservation & emission reduction and low-carbon office from the state, we launched uSmartView cloud desktop, bringing usage experience exceeding users' expectations with good security properties as well as an intelligent and visual operation & maintenance mode. In 2016, Guilin government authorities, universities, etc. introduced 450 ZTE cloud desktops. Considering that the energy consumption of the cloud desktop only accounts for one fifth of that of traditional PC, and its service life is longer, we will propel the energy conservation & environmental protection practice together with users by further expanding the usage scale of the cloud desktop.

Hazard-free Control

We conduct hazardous substance management throughout the process concerning product design, procurement, distribution, production, delivery and other links in compliance with the latest requirements of the QC080000 Hazardous Substance Process Management System for Electrical and Electronic Components and Products, with 30 types of level-1 controlled substances and 169 substances to be declared so far.

Green Test

We have constructed a cloud test environment to achieve the cloud sharing of testing instruments, which can save 630,000KWh electricity per year. For the product aging test, we adopt an auto-thermal high-temperature scheme, and utilize the self-heating of communication equipment as an aging environment, which can lower 14 million KWh electricity demand per year.

Green Production Management

In the manufacturing link, we carry out lean production, and fully implement the electronic KANBAN and electronic information management board, reducing 20% of paper consumption in the production link.

Scheme Optimization for System Product Loading

We have established a specialized loading team, and optimized the loading scheme to continuously improve the container loading rate of system equipment. In 2016, the container loading rate was increased from 64% to 80%, with the reduction of 1,800 containers, the saving of 1,104 tons of diesel oil and the transportation cost reduction of over RMB 50 million in total.

New Energy Technology Application

As mobile Internet enjoys support among the people, a higher requirement is raised for data storage and transmission. The green energy saving of the data center relates to the sustainable development of the entire environment. Relying on strong technical strength and years of accumulation in the field of data centers, ZTE further advances the research and practice of green energy saving in data centers, and is widely recognized in the industry.

At present, ZTE has released the next generation of green data center ZEGO, using multiple innovative technologies that can increase efficiency to construct the solution for the next generation of modular data center regarding green energy saving. This center will realize the PUE of 1.1 below, save 30% energy more than that of the current data center, and boost the further elevation of the energy efficiency of the global customer Internet data center.

Constructing the Western Laboratory for Customers

In May 2016, ZTE constructed the Western Laboratory for customers, adopted solar PV clean energy, commercially used the natural cooling unit with indirect evaporation for the first time in China, with the addition of ZTE's independently developed intelligent management platform for infrastructure of the iDCIM Data Center, which has the characteristic functions of green energy saving, fast delivery, mobility and so forth.

Relying on industry-leading technical highlights, ZTE won two awards, "Internet Data Center" and "Modular Deployment" issued by Data Center Dynamics (referred to as DCD), which are praised as the "Oscar" in the data center industry.

Solution for New Generation of Hybrid Energy Power Supply – PowerMaster ONE

To enable telecommunication operators to further improve network energy efficiency and lower the total cost of ownership (TCO), ZTE released a new solution PowerMaster ONE, and adopted integrated design, supporting the input and unified management of such energy as utility power, solar energy, wind energy and stored energy. Moreover, ZTE has integrated its iEnergy network energy management software based on cloud technology, which can implement real-time monitoring on the whole communication network and achieve visual operation and fine management of network energy.

Energy Master Scheme

ZTE has been committed to providing one-stop all-around services for network power supply and energy management, and developing a communication station power supply scheme with environment-friendliness, low cost and high reliability. In 2016, for the renovation requirement on the power supply system of China Tower Jiuquan site, we provided the energy master scheme, and conducted integrated cabinet rectification indoors to help it realize the reliable power supply, integrated control and remote intelligent management of remote sites with no weak utility power.

Before the renovation of Jiuquan site, the base station was arranged with multiple sets of new energy power supply system, but lacked unified site management. As a result, the generating capacity of solar energy and wind energy could not be optimally utilized, and the backend could not monitor the equipment operation state of the site, with frequent station stoppage out of service. The scheme supports diversified hybrid energy input and multiform output, and can combine various energy storage devices, meeting diversified loading requirements.

Since 2009, ZTE has been engaged in new energy automobile industry in an in-depth way, propelling the development of power batteries and materials, wireless charging, smart transport, vehicle networking, as well as the new energy bus business, and boosting the construction of urban green life.

9.3 Green Packaging

We continue to propel green packaging, lower resource consumption, reduce the environmental footprints of ICT and slow down the pace of global climate change. In 2016, ZTE consumed 30,782 tons of packing materials.

We actively implement the green packaging scheme of replacing wood with paper and iron, and promote the recycling of packing materials so as to reduce the consumption of packing resources. So far, over 70% of ZTE's cabinet products have achieved carton packaging, wherein, 98% of power and wireless products have achieved carton packaging; the wood pallets used for integrated packaging and delivery of over 70% of small products have been replaced by iron and paper pallets.

We adopt packaging material reduction design, and research on using new packing materials. We have reduced the carbon emission of 17,164 tons and wood of 2,136m^3 in total. Through optimizing mobile phone packaging, ZTE reduced the using of 1,800 containers and saved the diesel oil consumption of 1,104 tons in 2016.

10. Sustainable Supply Chain, the CSR to Undertake

ZTE Supplier Code of Conduct is the Company's basic management guideline for suppliers, which puts forward sustainable development 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 are required to comply with the Code and relevant laws and regulations of the countries they run business in. The Company has signed the CSR Agreement with suppliers accounting for more than 90%.

The *CSR Management Practices for Suppliers* published by the Company formally established the supplier CSR management system, covering the five modules of labor rights, health and safety, environmental protection, corporate governance and supply chain CSR. In the process of supplier evaluation and certification, introduce the certification requirements for supplier's social responsibility.

- There are 9 thresholds in supplier qualification certification, in which CSR has a veto as one of the key threshold.

- Suppliers are required to sign the *Supplier CSR Agreement* and the *Supplier Code of Conduct* in certification.

- The supplier CSR questionnaire and the self-assessment form are issued to the supplier in certification to conduct a thorough investigation of the CSR basic situation of the supplier. According to the investigation, conduct a CSR risk assessment of the supplier, and implement CSR on-site audit on medium and high risk suppliers.

- The supplier on-site audit contains four modules (SSA/QSA/QPA/CSR), in which the CSR module accounts for 10%. If the audit result of CSR module is not up to standard, the audit cannot be "passed". The supplier CSR on-site audit module includes labor rights, health and safety, environmental protection and corporate governance.

In the new supplier certification audit in 2016, some suppliers failed by one-vote veto because of the CSR issue and the audit did not pass.

We always maintain communication and cooperation with our suppliers in corporate social responsibility, share practical experience in the industry with our suppliers and help them improve their sustainable development ability. We provided CSR training for 111 suppliers and representatives in 2016.

As the world's leading integrated communications equipment manufacturer, we are inevitably involved in the issue of conflict minerals in the manufacturing process. We take an active part in relevant industry projects, join the Global Electronics Sustainable Development Promotion Association, and improve our own management methods for the issue of conflict minerals. The Company appointed a vice president as our representative of the conflict minerals management, we also release the *ZTE's Trade Policy on Natural Resources*, require suppliers to sign the *Declaration of Metal Conflict-Free* in the supplier certification stage, promising not to purchase and use metal minerals from conflict areas or high-risk areas. In the supplier survey phase, we also use the EICC-GeSI survey template to conduct a survey of conflict metals to promote the conflict-free supply chain with ZTE's leading position in the supply chain. On December 9th, 2016, ZTE 2017 annual global supplier conference with the theme of "Together for a Better Future" was held in Shenzhen. 246 strategic suppliers and senior representatives of core suppliers from around the world attended the conference.

At the conference, the Company shared M-ICT2.0 strategy, product development strategy, industry strategy and supply chain strategy under the guidance of M-ICT2.0 strategy with the core partners, and invited supplier partners for discussion and interaction on the topic of "deep coordination".

CEO Zhao Xianming together with senior leaders present at the conference signed the *Letter of Commitment on Honest Procurement and Co-construction* at the conference, promising to create a sunshine procurement environment with openness, fairness, impartiality and full competition for the suppliers, build the sunshine supply chain and enhance suppliers' confidence in cooperation, at the same time require suppliers to strictly abide by the *Letter of Commitment on Supplier Sunshine Cooperation* to eliminate corruption and other immoral, illegal business practices, jointly create a cooperative environment of sunshine integrity, and jointly promote the healthy sustainable development of ICT industry.

The conference set nine awards, such as the World's Best Partner, Best Overall Performance Award, Best Quality Performance Award and so on, honoring 75 supplier partners with excellent performance in the cooperation in 2016.

11. Benefits for Global Citizens, Our Vision and Promise to Deliver

ZTE cherishes the support and understanding of all stakeholders, advocates public spirit, fulfills corporate responsibilities and promotes the development of public welfare. ZTE Public Welfare Foundation, as a separate executive department of the Company's public service, strives to build the brand project of special public welfare, guides and mobilizes influential people in the industry and people from all walks of life to participate in public welfare, takes educational poverty alleviation, environmental protection legal aid, poverty alleviation, care for Anti-Japanese War veterans and overseas public welfare development as the Foundation's public strategic focus, and has carried out a number of public welfare activities.

In 2016, the Company's Public Welfare Foundation made an annual external donation of 6.5506 million Yuan. In April 2016, ZTE Public Welfare Foundation was awarded the "Annual Poverty Alleviation Award" by China Foundation for Poverty Alleviation. In December 2016, ZTE received the Annual Overseas Contribution Award of the 11th People's Corporate Social Responsibility Award organized by the People's Daily Online. The project of "Care for Veterans of the Anti-Japanese War in West Yunnan" won the annual "Top Ten Brand Commonweal Project" selected by the Corporate Social Responsibility Research Center of School of Economics of Chinese Academy of Social Sciences, "Charity Paradigm Project" of Shenzhen Pengcheng Charity Award and other awards.

2016 China International Philanthropic Movie Festival

On November 1st, 2016, "2016 China International Philanthropic Movie Festival" supported by ZTE Public Welfare Foundation was held in Nanshan District, Shenzhen City. With the theme of "seeing the love in the world", this festival is China's only national and innovative visual imagery festival with the theme of public welfare. A total of 733 public films at home and abroad participated in the selection, in which "Home, the Heaven", a music video shot by ZTE Public Welfare Foundation to veterans of the Anti-Japanese War in West Yunnan won the special contribution award.

The festival this year first set up corporate social responsibility innovation, looking forward to building a platform to connect more social forces to help public welfare development. Finally, more than 28% of the works selected was selected by the enterprise. Enterprises pay close attention to public welfare by means of visual images, which sets a benchmark to the whole society not only in the direction of social responsibility but also in the public welfare and image technology communication culture.

It is ZTE's original intention in the movie festival to spread public welfare with images and so that more people can participate. In the future, public welfare is no longer a simple image presentation, however, more diversified ways of transmission will burst forth glory with the development of science and technology. ZTE Public Welfare Foundation will actively explore the frontier of public welfare as always, and support public welfare development.

11.1 Employee Volunteers

ZTE Public Welfare Foundation established a volunteer team with 1,326 employees, arranging 16 (once a week) care activities for Vcare Center in Shenzhen Children's Hospital, annual veterans care activities, flood relief in Wuhan, 2016 Philanthropic Movie Festival, Winter Clothing Collection and Delivery to Gannan Xiaobanzi Primary School and a series of public welfare activities. Volunteers accumulated services up to 3, 326 hours. In addition, many ZTE employees actively participate in various social welfare projects as volunteers, dedicating their love in more places in need of help.

Charity Hiking

On June 18th, 2016, ZTE, China Love Save Pneumoconiosis Welfare Foundation, ZTE Public Welfare Foundation and Xingyue Public Welfare carried out charity hiking activities in collaboration. This activity was conducted in the Company's 13 research institutes at the same time, attracting the participation of 10,000 company executives, employees and family members, students and customers.

Participants' comments:

"We hope to give more encouragement to true feelings and beauty in the world, hope to do our little bit to the public welfare, and hope to give health more care and love. Let's write life chapter together, work hard together to grow together, so that this heavy love can keep passing and sharing!"

"Looking at rainy wetlands and vast sea in Shenzhen, watching the golden ginkgo leaves falling in Xi'an, tracing the root along Mather River in Jinan, stepping on Jinling City to feel historical changes in Nanjing, sightseeing rainforest, canyons, waterfalls and flowers in Sanya, seeking China's Silicon Valley and Zhangjiang Star in Shanghai. This is the starting point of the story, ten thousand people go hiking, fighting and winning together."

Public Action O2O

On November 19th, 2016, ZTE Human Resources Department and ZTE Public Welfare Foundation carried out "public welfare + colleges and universities" activity together. This activity was carried out in the form of outdoor hiking + online hiking, one day for outdoor hiking and one month for online hiking, attracting the participation of 8,000 company executives, employees and family members, students and customers. A total of more than 400 volunteers in the Company supported the smooth progress of this activity. Donated materials were collected through online registration during the activity, and 3 donators were chosen from 2,000 donors to follow the ZTE public welfare volunteers to Gansu, personally participating in the public welfare activity.

Participants' comments:

"Cherish every moment of feeling touched; every hope lies in your hand. When we reached the end, the sun shed its rays in all directions, emitting burning passion to cheer for everyone. Life has roses and thorns, the history has roaring waves, and ultimately they all pass. Along the way, we support and encourage each other, giving full expression to the team spirit and cohesion of ZTE."

"ZTE's public welfare activities have now formed a certain influence in major cities across the country, however we don't meet the status quo as ZTER, we should make our own corporate culture brand bigger, stronger and better. We should use the persistence in everyone's heart to make constant improvement of idea and action capacity, pass it on well and make our brand enjoy popular support!"

11.2 Poverty Alleviation

We have always taken "no departure, continuous care, ZTE love" as the principle, play our own technological advantages, strengthen the integration of industry resources, promote public spirit to enjoy popular support, and ultimately promote the development of social welfare. Over the years, in terms of educational development, ZTE has donated school buildings in poor mountainous areas in many provinces across the country, raising the

teaching standards of schools from hardware and software facilities, so that more children can enjoy high quality education. In terms of help for disadvantaged groups, ZTE gives a hand to disadvantaged groups suffering from serious diseases, losing labor ability or with low income through contribution in cash and materials, training and learning and other ways. In terms of disaster rescue, ZTE never gives up in major natural disasters from Wenchuan earthquake, Yushu earthquake, the Pacific tsunami, Japan tsunami to the recent floods in Hubei, stretches out a helping hand, accumulates tens of millions of yuan of donated materials to warm the people in the disaster area with love.

ZTE will establish a sound long-term working mechanism to ensure that poverty alleviation work can keep effective implementation. The corresponding poverty alleviation funds are reserved from the budget according to the Company's annual poverty alleviation plan to ensure that poverty alleviation funds are in full use, and professional teams are established to implement poverty alleviation projects, so that poverty alleviation funds can maximize the value. During the year, we invested a total of 3.91 million Yuan for targeted poverty alleviation, in which 3 million Yuan was used to support 400 poor students, 0.51 million Yuan was used to improve school buildings in poor areas and 0.40 million Yuan was used to for individual support of disadvantaged poverty. The Company won the "Silver Award for Pengcheng Corporate Philanthropy" of the third Pengcheng Charity Award.

In the future, we plan to carry out educational poverty alleviation in rural teaching spots, village teachers and high school students in poverty-stricken areas of Gansu and Yunnan, mainly including helping positive and excellent high school students from poor families in Gansu Province to finish school; donating books to rural teaching spots; senior one students' dream-helping plan in western areas to broaden horizons. We will introduce more social resources to join our educational poverty alleviation team through the above actions.

Educational Aid in Gansu

In 2016, ZTE Public Welfare began to carry out student aid cooperation with Gansu Xinghua Teenager Enlightenment Foundation (hereinafter referred to as Xinghua Funds). From 2016, ZTE Public Welfare donated 3 million Yuan to Xinghua Funds every year to entrust it to choose poor and excellent high school students in Gansu for funding. At the same time, ZTE Public Welfare will go deep into the reality, study and broaden the scope of secondary schools funded by Xinghua Funds, and participate in communication with the funded students. If these funded high school students are admitted to the western universities, ZTE Funds will continue to help them finish university.

VCare Charity Space

VCare Public Welfare Space is a public welfare project jointly founded by Shenzhen Project Care Organizing Committee Office, Shenzhen Children's Hospital, Shenzhen Evening News Agency, ZTE and many other enterprises and public institutions, with the purpose of creation of a colorful public welfare space which will carry out a series of public welfare activities to design and introduce interactive activities suitable for different types of children with diseases for participation experience to ease their psychological pressure. It is China's first hospital-based public welfare information port for children medical aid.

ZTE Public Welfare Space is located in the 12th floor of Shenzhen Children's Hospital, mainly for children patients in Kidney Immunology Department and Gastroenterology Department. From 2013, ZTE Public Welfare Foundation donated 0.20 million Yuan to Shenzhen Children's Hospital each year to help children with nephropathy fully recover or significantly improve the condition in short time so that they can re-experience the normal healthy and happy life. The "wish wall", "rescue information query terminal" and other facilities are set up in the space to provide public welfare activities of interactive experience and services.

Children can not only get rehabilitation here, but also feel the enthusiastic service from volunteers in the activities and gain care and warmth from ZTE.

In 2016, ZTE Public Welfare Foundation and the Immunology Department of Shenzhen Children's Hospital jointly established the "Children's Primary Immunodeficiency Disease Fund" and "Association of Patients with Primary Immunodeficiency Disease", which aimed to help poor children with primary immunodeficiency disease with diagnosis and prenatal screening, provide necessary support in the course of treatment, and encourage patients with primary immunodeficiency disease and their parents through the form of association of patients to reintegrate into society.

11.3 Veterans Care Program

It has been 11 years since ZTE launched the project of "Care for Veterans of the Anti-Japanese War in West Yunnan" in 2005. As of 2016, ZTE had visited a total of 273 veterans in Baoshan District, Yunnan, 1,698 person-times in accumulation, and a total of 4.51 million Yuan in total donation amount.

With the passage of time, the door leaves knocked open by volunteers reduce year by year. In 2016, in order to give deep love to the veterans of the Anti-Japanese War in West Yunnan and let the veterans alive enjoy a more comfortable and warmer life in old age, ZTE Public Welfare Foundation launched the "Condolence and Bed Setting Activity", organizing employee volunteers to send 5,000 Yuan of condolence payments to each veteran, and personally set new beds and configured full sets of bedding for 100 veterans alive (including 25 new veterans) in Baoshan District, Yunnan.

Figure: 100-year-old veteran Wu Zhongtang, whose ears were almost exploded deaf by the cannon in the war, the communication with him is limited to paper. Although the old man can not listen, he insists on using his eyes, and looks over all the documents to him to sign no matter how small the words are.

Figure: Veteran Liu Xian specially put on the clothes for the 70th Anniversary of the Chinese Anti-Japanese War Victory Parade to meet us.

Figure: "Sharpshooter" Li Huiying who once came to Shenzhen to participate in the picture exhibition does not have a tough body as last year. He was holding his photograph taken by ZTE volunteers, laughing happily.

Figure: Veteran Xu Benzhen insisted on seeing us off, following us. A volunteer stopped him telling him not to see off, hugged him and parted with reluctance, and the old man stopped in his tracks.
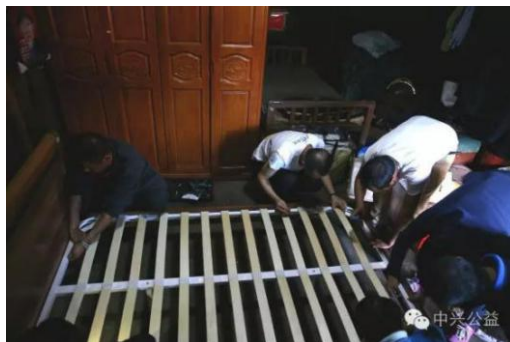

Figure: Installing a new bed, making the bed and bedding, volunteers are more and more skilled in practice.

Figure: Veteran Huang Qichun was sitting in a clean new bed. His room was fixed up last year, and seemed cleaner and brighter with the new bed.

Figure: The old friend of ZTE --100-year-old veteran Wang Xiangjiu presented a banner for ZTE Public Welfare Foundation.

11.4 Global Philanthropy

We have adhered to the concept of "Global Success, Local Wisdom" since the beginning of the establishment of the enterprise to establish the corporate culture and tradition of fulfilling corporate social responsibility and making efforts to contribute to the community. We are engaged in local construction based on the development and culture of different operating countries, committed to becoming part of the community to get local people's recognition.

Sino-Ethiopian Sister School

Love has no boundaries, and public welfare has no borders. ZTE pays attention to positive and earnest fulfillment of their corporate social responsibility in the local places in nearly 20 years of internationalization process, having become beautiful local scenery.

In Ethiopia in Africa, due to lack of vocational education and higher education, a large number of teenagers flow into society after finishing middle school, engaged in simple shepherding, farming, small business and other means of livelihood, so broken ring has appeared in basic talents in social development. In order to close the broken ring, ZTE decided in 2016 to build a "Sino-Egyptian Sister School" next to Yewahniye Preparatory High School in Edja, Ethiopia, Africa, to provide a preparatory study environment for local teenagers and give assistance from the fundamental link of education. "Sino-Egyptian Sister School" includes classrooms, library, staff dormitory, auditorium, school facilities, etc. for hundreds of high school students, and will also include assistance football team. Football playing, popular in Africa, is a unique way for teenagers in Africa.

At the end of 2016, ZTE received the "Overseas Contribution Award" of the 11th People's Corporate Social Responsibility Award organized by the state-run media People's Daily Online.

Community Payback-ZTE's Charity Dinner in Chicago

On November 13th, 2016, the Every Home for Christ (community shelter) in Pacific Garden, Chicago, the U.S. was filled with happy laughers and cheerful voices. A group of receptionists dressed like waiters shuttled back and forth, eye-catching, since they rode the whirlwind in the market and court. However, they held the trays here, no less than the hotel's professional service manager. They were ZTE Senior Vice President Cheng Lixin, NBA Chicago Bulls President Michael Reinsdorf, Bulls' active players Taj Gibson, Rajon Rondo and Cristiano Felicio as well as the legendary stars of the Bulls such as Cocci, Bill Wellington, Horace Grant and so on.

They formed a service squad with more than 20 executive volunteer representatives from the company partner US Cellular to the Community Relief Center located in southern suburbs in Chicago to attend the annual Bulls Thanksgiving Charity Event and offer a delicious turkey dinner for the homeless.

"ZTE has a good tradition of serving the community and returning the society. We are very pleased to provide the warmness of home for the homeless in the most special festival of the year. It has been two years for us to carry out the charity activity with Chicago Bulls that has a common sense of social responsibility. We are very proud to constantly deliver positive energy to the community!" said Cheng Lixin. This tradition has lasted for 14 years and it is the second consecutive year to participate in the activity and repay the local community since the Company became the Bulls' official Smartphone.

The Company has long been committed to the positive energy delivery to the local community, adhered to the long-term community feedback, which has covered many cities along east and west coasts of the U.S., to care for disadvantaged groups and repay the community through such ways as donations to the Children's Cancer Association with Golden State Warriors, donating goods and cell phones to disadvantaged groups, supporting the charity organization's "Hunger Elimination Program", setting "Community Hero" Award with New York Knicks in Greater New York, supporting the children's charity project of "Dream Garden", organizing children from poor families to visit the Children's Museum of Science and Technology with basketball players with Houston Rockets and so on. Up to now, the Company has organized 38 activities, and the direct beneficiaries in the U.S. have reached 110,000 person-times.

"We can't stop since we started this event since 14 years ago. We used the actual charity to drive and influence more communities and individuals to take part in the event. We are so happy that ZTE also joined us two years ago and very proud to have opened a love outreach with particular meanings."

- Michael Reinsdorf, President of NBA Chicago Bulls

Figure: Map of ZTE Global Philanthropy

Countries and regions	ZTE's Actions
Nepal	1. Donate clothes to the orphanages. 2. Set up charity donation boxes to regularly donate to orphans and buy books and food for children.
Myanmar	1. Participate in the Organization Committee for Sino-Myanmar Charity Association. 2. Donate to the people suffering from floods in Myanmar.
Pakistan	1. Provide internship opportunities for graduates every year. 2. Cooperate with China Mobile to build college students' communication laboratories for local schools for free. 3. Donate solar energy equipment to residents.
Indonesia	1. Donate to Raudhatul Jannah Foundation for orphanage construction. 2. Donate to the Indonesian Childhood Cancer Foundation.
The Republic of Belarus	Fund local schools to build smart campuses and donate equipment.
Thailand	Send water and food for worshipping people.
Russia	Annual condolences to local orphanages.
Malaysia	Donate laboratories to Multimedia University.
India	Donate to local orphanages.
The U.S.	1. Cooperate with NBA teams to integrate into the community for charity activities. 2. Fund charities to raise money for local Children Welfare Houses.

Independent Assurance Statement

Introduction:

TÜV Rheinland Greater China, member of TÜV Rheinland Group, Germany (TÜV, We) has been commissioned by the ZTE Corporation (ZTE) to conduct independent assurance of ZTE Corporation Sustainability Report 2016 (version no.: 2017.3.15[4], the Report). All contractual contents for this assurance engagement rest within the responsibility of ZTE. Our task was to give a fair and adequate judgment on ZTE Corporation Sustainability Report 2016.

The intended readers of this assurance statement are stakeholders having relevance to ZTE's overall sustainability performance and impacts of its operations during 2016 (1 Jan 2016 to 31 Dec 2016). We have maintained complete impartiality and independence during the assurance engagement and were not involved in the preparation of report contents.

Scope of Assurance:

Our Assurance engagement covers the following:

- ZTE's sustainability performance as described in the Report in accordance with Environmental, Social and Governance (ESG) Reporting Guidelines issued by Hong Kong Exchanges and Clearing Limited (HKEX), performance indicators and according disclosure on the general disclosures and key performance indicators (KPIs) from Environment & Social aspects, as well as the reporting boundaries;

- By reference to Global Reporting Initiative (GRI) Sustainability Reporting Guideline G4; and

- Evaluation of disclosed information in the Report as per the Assurance Methodology.

Limitation:

The assurance engagement was carried out at ZTE Headquarters at No. 55, Hi-tech Road South, Shenzhen, P.R.China. The consultations with external stakeholders were not carried out. We did not observe any significant situations to limit our assurance activity. The verification was carried out based on (i) the data and information provided by ZTE, assuming they are complete and true; and (ii) interview of the ZTE's report preparation team, assuming information reliable.

Assurance Methodology:

The Independent Assurance was carried out based on the current best practices and the Report was reviewed against the ESG guidelines reporting principles of Materiality, Quantitative, Balance and Consistency.

TÜV has examined the report contents and assess the process undertaken by ZTE from source to aggregate in disclosure of information/data related to sustainability performance. Our judgment is based on the objective review of reported information as per the assurance principles mentioned above.

Analytical methods and the performance of interviews as well as verification of data, were done by random sampling to verify and validate the correctness of reported data and contents in light of contractual assurance agreement. Our work included interviewing about 20 ZTE's representatives including senior management and report preparation staff. The approach deemed to be appropriate for the purpose of assurance of the Report since all data therein could be verified through document evidences, direct response, and verified database entries.

---

[4] It is the Chinese version report no.

The Assurance was performed by our multidisciplinary team of experienced professionals in the field of Corporate Sustainability, Environment, Social and Stakeholder Engagement. Our work offers a sufficient and substantiated basis to enable us to come to a conclusion mentioned below and based on the content of our contract. TÜV shall not bear any liability or responsibility to a third party for perception and decision based on this Assurance Statement.

Conclusion:

In conclusion, we can mention that no instances or information came to our attention that would be to the contrary of the statement made below:

- ZTE Corporation Sustainability Report 2016 meets the requirement of HKEX's ESG reporting guidelines (See the appendix for details).

- The Report includes statements and claims supported by documentary evidences and internal records. The information provided in the Report are accurate and consistent.

- The performance data are collected, stored and analyzed in a systematic and professional manner and were reasonable.

For and on behalf of TÜV Rheinland Greater China

Mr. Harold Hai
Location Manager
Systems (Audit and Certification) Business Stream

Date: 16-Mar-2017

Glossary

This glossary contains definitions of certain technical terms used in this report as they relate to the Group. Some of these definitions may not correspond to standard industry definitions or usage.

4G	Fourth-generation mobile networks operating according to IMT-Advanced standards as defined by ITU, including LTE-Advanced and Wireless MAN-Advanced (802.16m) standards, which support theoretical download rates of 1Gbit/s at fixed locations and 100Mbit/s in motion.
5G	Fifth-generation mobile communications, which is a general reference to the ensemble of post-4G broadband wireless communication technologies. The general view of the industry is that 5G is capable of providing faster data throughput (1,000 times faster than currently available) and more connections (100 times more than currently available), more efficient utilisation of energy (10 times of the current level of efficiency) and shorter end-to-end time delay (1/5 of the current length of time delay). It goes beyond human-to-human communication to cover a wide range of applications such as ultra-intensive networks, machine-to-machine communication and the internet of vehicles.
ICT	New products and services arising from the integration of IT (information technology) and CT (communications (i.e., the transmission of information) technology).
IDC	Internet Data Center, the venue where server groups of hosting corporations, tenants or websites are managed; it is the infrastructure facility underpinning the secure operation of various types of e-commerce activities, as well as a platform that supports value chain management by a corporation and its business alliance (such as distributors, suppliers and customers). IDC provides ICPs, corporations, media and websites with large-scale specialised server management service, space leasing, network bandwidth wholesale, as well as ASP and EC services which are safe and reliable and of high quality.
IoT	Internet of Things, also known as the sensor net, is a massive network connecting all sorts of information sensory devices, such as radio frequency identification units, ultra-red sensors, global positioning systems and laser scanners, to the Internet with the aim of connecting all things to the network for easy identification and management.
IPTV	Internet Protocol Television is a new technology that utilises the broadband cable TV network and integrates Internet access, multimedia and communications in one device, providing a variety of interactive services, such as digital TV, to home users.
ITU	International Telecommunication Union, an United Nation specialized agency of information and telecommunication affairs.
LTE	LTE (Long Term Evolution) which is the long-term evolution of 3G technology, refers to fourth-generation mobile communication technologies with OFDM as its core technology. LTE is being promoted by 3GPP and is

continuously under evolution. There are two types of LTE, distinguished by the mode of division duplex, namely FDD-LTE of frequency division and TDD-LTE of time division. The mixed operation of FDD-LTE and TDD-LTE is supported. In terms of networking, its supports homogeneous networks formed by macro base stations as well as heterogeneous networks formed by macro base stations and micro base stations.

M-ICT Strategy	The strategy of ZTE is to be an "Enabler@M-ICT that facilitates the creation of value through information." The letter "M" denotes a variety of meanings, which include: 1) Mobile: as handheld smart terminals become increasingly popular, ICT services are present everywhere; 2) M2M: the inter-connection of all things (Man-Man, Man-Machine, Machine-Machine); 3) Multiple connection: all-present connection; 4) Multiservice, More coverage and accessibility; 5) More secure, More reliable and easier to use.
NB-IoT	Narrow Band Internet of Things, a 3GPP-defined LPWAN standard applicable to 3GPP-licensed frequency bands specifically designed for IOT connection. It mainly features: 1) connection by massive number of users; 2) substantially stronger coverage compared to traditional cellular network; 3) low power consumption; 4) simplified and optimized radio frequency that reduces cost for end-users.
Pre-5G	The adoption of the 5G technology without modifying existing air interfaces standards, providing in advance a 5G-like user experience on existing terminals.
Big Data	A data set that is too large and complex to be processed by existing conventional database management technologies and tools, and that requires the use of new data processing and management technologies in order to create value from the set in a speedy and economic manner. It has revolutionary long-term implications for the development of informatisation, smart applications and business models of the society. Big Data is often characterised by 4Vs: Volume, Variety, Velocity and Value.
Big Video	Ultra-high-definition videos such as 4K/8K/VR/AR, as opposed to standard-definition and high-definition videos, which feature richer contents and more exacting requirements for channels, signifying the big video era for the video business.
VR	Virtual Reality, a virtual 3D environment created with the aid of the computer system and sensor technologies, providing the visual experience of a highly simulated reality and immersive human-machine interaction by engaging all senses of users (sight, sound, touch and smell).
Smart City	The application of information technologies such as Cloud Computing, Internet of Things and Big Data in combination with wireline and wireless broadband communication technologies to sense, analyse and integrate various key information of the core operation systems of the city, so as to make automated responses to various requirements such as livelihood, environmental protection, public security, urban services and industrial / commercial activities, in realisation of smart management and operation of cities, creating better lives for citizens and facilitating harmony in and

sustainable development for the city.

AR   Augmented Reality, a technology that superimposes virtual objects not existing in reality onto the real world through 3D registration and "aug-mediation", facilitating a natural interaction between virtual objects and the reality to create faked reality with real-time images, which are further projected to end-to-end technologies and devices of other media via monitoring devices.

ESG Reporting Guideline Index

ESG Guidelines subject Areas, Aspects, General Disclosures and KPIs		Locations in the Report	Verified Disclosure Situation
A:Environment			
Aspect A1：Emissions			
General disclosure			Fully Disclosed
A1.1	Types of emissions and related emissions data.	Environment, our obligation to protect - green operation	Fully Disclosed
A1.2	Total greenhouse gas emissions (in terms of metric tons) and (if applicable) density (e.g., in terms of per yield unit, or per facility).	Environment, our obligation to protect - green operation	Fully Disclosed
A1.3	Total hazardous wastes produced (in terms of metric tons) and (if applicable) density (e.g., in terms of per yield unit, or per facility).	Environment, our obligation to protect - green operation	Fully Disclosed
A1.4	Total non-hazardous wastes produced (in terms of metric tons) and (if applicable) density (e.g., in terms of per yield unit, or per facility).	Environment, our obligation to protect - green operation	Fully Disclosed
A1.5	Describe the measures to reduce emissions, and the results.	Environment, our obligation to protect - green operation, green service	Fully Disclosed
A1.6	Describe the method of handling hazardous and non-hazardous wastes, reducing the output, and the results.	Environment, our obligation to protect - green operation	Fully Disclosed
Aspect A2：Use of resources			
General disclosure		Environment, our obligation to protect - green operation, green packaging	Fully Disclosed
A2.1	Total consumption of direct and (or) indirect energies (such as electricity, gas and oil) classified by type (in terms of thousand KWH) and density (e.g., in terms of per yield unit, or per facility).	Environment, our obligation to protect - green operation	Fully Disclosed
A2.2	Total water consumption and density (e.g., in terms of per yield unit, or per facility).	Environment, our obligation to protect - green operation	Fully Disclosed
A2.3	Describe the plan of energy use efficiency, and the results.	Environment, our obligation to protect - green operation	Fully Disclosed
A2.4	Describes if there is any problem in seeking for the applicable water source, and the plan of improving the	Environment, our obligation to protect - green operation	Fully Disclosed

ESG Guidelines subject Areas, Aspects, General Disclosures and KPIs		Locations in the Report	Verified Disclosure Situation
	water use efficiency, and the results.		
A2.5	Total amount of packaging materials used for finished goods (in terms of metric tons) and (if applicable) amount of per production unit.	Environment, our obligation to protect - green packaging	Fully Disclosed
Aspect A3：Environment and natural resources			
General disclosure		Environment, our obligation to protect	Fully Disclosed
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Preserve the ecological environment - green operation, green service	Fully Disclosed
B: Society			
Employment and Labor Standards			
Aspect B1：Employment			
General disclosure		Employees, the enabler of the future	Fully Disclosed
B1.1	Total number of employees by gender, employment type, age group and the regional division.	Employees, the enabler of the future – Diversity and Inclusiveness	Fully Disclosed
B1.2	Employee turnover rate by gender, age group and the regional division.	—	Not Disclosed
Aspect B2：Health and safety			
General disclosure		Employees, the enabler of the future – Employee Care	Fully Disclosed
B2.1	Number and rate of work-related fatalities.	Working together to create the future-staff care	Fully Disclosed
B2.2	Lost days due to work injury.	Working together to create the future-staff care	Fully Disclosed
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Working together to create the future-staff care	Fully Disclosed
Aspect B3：Development and training			
General disclosure		Employees, the enabler of the future – Vocational Ability Training	Fully Disclosed
B3.1	Percentage of trained employees classified by gender and employee category (such as senior management, middle management, etc.).	—	Not Disclosed
B3.2	Average training hours per employee	—	Not Disclosed

ESG Guidelines subject Areas, Aspects, General Disclosures and KPIs		Locations in the Report	Verified Disclosure Situation
	classified by gender and employee category.		
Aspect B4：Labor guidelines			
General disclosure		Employees, the enabler of the future – Diversity and Inclusiveness	Fully Disclosed
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Working together to create the future-diversity and inclusiveness	Fully Disclosed
B4.2	Description of steps taken to eliminate such practices when discovered.	Working together to create the future-diversity and inclusiveness	Fully Disclosed
Operational practices			
Aspect B5：Supply chain management			
General disclosure		Sustainable supply chain, the CSR to undertake	Fully Disclosed
B5.1	Number of suppliers divided by regions.	—	Not Disclosed
B5.2	Describe the practices of hiring suppliers, number of suppliers to whom the practices are performed, and the methods of executing and supervising related practices.	Sustainable supply chain, the CSR to undertake	Partial Disclosed
Aspect B6：Product responsibility			
General disclosure		Information Security, Worldwide Concern to Tackle, Innovation, the Impetus for Development	Fully Disclosed
B6.1	Percentage of sold or shipped products to be recalled due to safety and health reasons.	Information Security, Worldwide Concern to Tackle – R&D Process	Fully Disclosed
B6.2	Number of received complaints about products and services and the methods of dealing with the complaints.	Information Security, Worldwide Concern to Tackle – Response to client requirement	Fully Disclosed
B6.3	Describe the practices related to the maintenance and protection of intellectual property rights.	Innovation, the Impetus for Development – Management of innovation and intellectual property	Fully Disclosed

ESG Guidelines subject Areas, Aspects, General Disclosures and KPIs		Locations in the Report	Verified Disclosure Situation
B6.4	Describe the quality verification process and product recycling program.	Information Security, Worldwide Concern to Tackle – Product security control	Fully Disclosed
B6.5	Describe consumer data security and privacy policy, and related implementation and supervision methods.	Information Security, Worldwide Concern to Tackle – Information security management	Fully Disclosed
Aspect B7: Anti-corruption			
General disclosure		Corporate Governance - compliance management	Fully Disclosed
B7.1	Number of corruption lawsuits and the result of litigation during the period of reporting to the issuer or its employees.	Corporate Governance - compliance management	Fully Disclosed
B7.2	Describe the preventive measures and reporting procedures, and related implementation and supervision methods.	Corporate Governance - compliance management	Fully Disclosed
Community			
Aspect B8: Community investment			
General disclosure		Benefits for global citizens, our vision and promise to deliver	Fully Disclosed
B8.1	Focus on contribution category (e.g., education, environmental issues, labor demand, health, culture, and sports)	Benefits for global citizens, our vision and promise to deliver	Fully Disclosed
B8.2	Use of resources (e.g., money or time) in focused categories.	Benefits for global citizens, our vision and promise to deliver	Fully Disclosed

GRI G4 Sustainability Reporting Guideline Content Index

GRI Indicator		Position in the Report
Strategy and analysis		
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	A Message from the CEO, A Message from the Executive Representative of Sustainability
G4-2	Provide a description of key impacts, risks, and opportunities	A Message from the CEO, A Message from the Executive Representative of Sustainability
Organizational profile		
G4-3	Report the name of the organization.	About Us
G4-4	Report the primary brands, products, and services.	About Us
G4-5	Report the location of the organization's headquarters.	About Us
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	About Us
G4-7	Report the nature of ownership and legal form.	About Us
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	About Us
G4-9	Report the scale of the organization	About Us
G4-10	Report the total number of employees by employment contract and gender	Employees, the Enabler of the future
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	Employees, the Enabler of the future
G4-12	Describe the organization's supply chain.	Sustainable Supply Chain, the CSR to Undertake
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	About Us
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	Corporate Governance
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Innovation, the Impetus for Development, Information Security, Worldwide Concern to Tackle, Sustainable Supply Chain, the CSR to Undertake, Employees, the Enabler of the future

GRI Indicator		Position in the Report
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations	Innovation, the Impetus for Development, Information Security, Worldwide Concern to Tackle, Sustainable Supply Chain, the CSR to Undertake, Employees, the Enabler of the future
Identified material aspects and boundaries		
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	About This Report
G4-18	Explain the process for defining the report content and the Aspect Boundaries. Explain how the organization has implemented the Reporting Principles for Defining Report Content	Sustainability Management
G4-19	List all the material Aspects identified in the process for defining report content.	Sustainability Management
G4-20	For each material Aspect, report the Aspect Boundary within the organization	Sustainability Management
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	Sustainability Management
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	About This Report
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	About This Report
Stakeholder engagement		
G4-24	Provide a list of stakeholder groups engaged by the organization.	Sustainability Management
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	Sustainability Management
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Sustainability Management
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	Sustainability Management
Report Profile		

GRI Indicator		Position in the Report
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	About This Report
G4-29	Date of most recent previous report (if any).	About This Report
G4-30	Reporting cycle (such as annual, biennial).	About This Report
G4-31	Provide the contact point for questions regarding the report or its contents.	Questionnaire
G4-32	Report the 'in accordance' option the organization has chosen. Report the GRI Content Index for the chosen option. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines	About This Report
G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. Report the relationship between the organization and the assurance providers. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	Independent Assurance Statement
Governance		
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	Sustainability Management, Corporate Governance
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	Sustainability Management, Corporate Governance
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	Sustainability Management, Corporate Governance
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	Sustainability Management, Corporate Governance
G4-38	Report the composition of the highest governance body and its committees	Sustainability Management, Corporate Governance
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	Sustainability Management, Corporate Governance
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	—
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to	—

GRI Indicator		Position in the Report
	stakeholders	
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	Sustainability Management, Corporate Governance
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	—
G4-44	Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	—
G4-45	Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	Sustainability Management, Corporate Governance
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	—
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	—
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	Sustainability Management, Corporate Governance
G4-49	Report the process for communicating critical concerns to the highest governance body.	Sustainability Management, Corporate Governance
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	Sustainability Management, Corporate Governance
G4-51	Report the remuneration policies for the highest governance body and senior executives	—
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	—
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and	—

GRI Indicator		Position in the Report
	proposals, if applicable.	
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	—
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	—
Ethics and Integrity		
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	Sustainability Management, Corporate Governance
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	Corporate Governance
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	Corporate Governance
Economic		
G4-EC1	Direct economic value generated and distributed	About Us
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	A Message from the CEO, A Message from the Executive Representative of Sustainability
G4-EC3	Coverage of the organization's defined benefit plan obligations	—
G4-EC4	Financial assistance received from government	—
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	—
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	—
G4-EC7	Development and impact of infrastructure investments and services supported	Features: Jointly Building the "Information Silk Road" to help connect the world, Smart City, the Bridge to the World
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Features: Jointly Building the "Information Silk Road" to help connect the

GRI Indicator		Position in the Report
		world, Smart City, the Bridge to the World
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Sustainability Management
Environmental		
G4-EN1	Materials used by weight or volume	Environment, our Obligation to Protect
G4-EN2	Percentage of materials used that are recycled input materials	Environment, our Obligation to Protect
G4-EN3	Energy consumption within the organization	Environment, our Obligation to Protect
G4-EN4	Energy consumption outside of the organization	Environment, our Obligation to Protect
G4-EN5	Energy intensity	Environment, our Obligation to Protect
G4-EN6	Reduction of energy consumption	Environment, our Obligation to Protect
G4-EN7	Reductions in energy requirements of products and services	Environment, our Obligation to Protect
G4-EN8	Total water withdrawal by source	Environment, our Obligation to Protect
G4-EN9	Water sources significantly affected by withdrawal of water	Environment, our Obligation to Protect
G4-EN10	Percentage and total volume of water recycled and reused	Environment, our Obligation to Protect
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	—
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	—
G4-EN13	Habitats protected or restored	—
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	—
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Environment, our Obligation to Protect
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Environment, our Obligation to Protect
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Environment, our Obligation to Protect
G4-EN18	Greenhouse gas (GHG) emissions intensity	Environment, our Obligation to Protect
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Environment, our Obligation to Protect
G4-EN20	Emissions of ozone-depleting substances (ODS)	Environment, our Obligation to Protect

GRI Indicator		Position in the Report
G4-EN21	NOX, SOX, and other significant air emissions	Environment, our Obligation to Protect
G4-EN22	Total water discharge by quality and destination	Environment, our Obligation to Protect
G4-EN23	Total weight of waste by type and disposal method	Environment, our Obligation to Protect
G4-EN24	Total number and volume of significant spills	—
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	—
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	—
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Environment, our Obligation to Protect
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Environment, our Obligation to Protect
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Environment, our Obligation to Protect
G4-EN32	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	Sustainable Supply Chain, the CSR to Undertake
G4-EN33	Total environmental protection expenditures and investments by type	Sustainable Supply Chain, the CSR to Undertake
G4-EN34	Percentage of new suppliers that were screened using environmental criteria	Environment, our Obligation to Protect
Social		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Employees, the Enabler of the future
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Employees, the Enabler of the future
G4-LA3	Return to work and retention rates after parental leave, by gender	—
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	—
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	—
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Employees, the Enabler of the future
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	—
G4-LA8	Health and safety topics covered in formal agreements with trade unions	—

GRI Indicator		Position in the Report
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Employees, the Enabler of the future
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Employees, the Enabler of the future
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Employees, the Enabler of the future
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Employees, the Enabler of the future
G4-LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Sustainable Supply Chain, the CSR to Undertake
G4-LA15	Percentage of new suppliers that were screened using labor practices criteria	Sustainable Supply Chain, the CSR to Undertake
G4-LA16	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	Employees, the Enabler of the future
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	—
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Environment, our Obligation to Protect
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Employees, the Enabler of the future
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	—
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Employees, the Enabler of the future
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Employees, the Enabler of the future
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	—
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	—
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	—
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	—
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	—
G4-HR12	Number of grievances about human rights impacts filed, addressed, and	—

GRI Indicator		Position in the Report
	resolved through formal grievance mechanisms	
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	—
G4-SO2	Operations with significant actual and potential negative impacts on local communities	Features: Jointly Building the "Information Silk Road" to help connect the world, Smart City, the Bridge to the World, Benefits for Global Citizens, Our Vision and Promise to Deliver
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	—
G4-SO4	Communication and training on anti-corruption policies and procedures	Corporate Governance
G4-SO5	Confirmed incidents of corruption and actions taken	Corporate Governance
G4-SO6	Total value of political contributions by country and recipient/beneficiary	—
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Corporate Governance
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Corporate Governance
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Sustainable Supply Chain, the CSR to Undertake
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	Sustainable Supply Chain, the CSR to Undertake
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Information Security, Worldwide Concern to Tackle
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Information Security, Worldwide Concern to Tackle
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	Information Security, Worldwide Concern to Tackle
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Information Security, Worldwide Concern to Tackle
G4-PR5	Results of surveys measuring customer satisfaction	—
G4-PR6	Sale of banned or disputed products	Information Security, Worldwide Concern to Tackle
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	Information Security, Worldwide Concern to Tackle

GRI Indicator		Position in the Report
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Information Security, Worldwide Concern to Tackle
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Information Security, Worldwide Concern to Tackle

Questionnaire

Dear Reader:

First of all, I would like to take this opportunity to thank you for reading this report. We mostly welcome your opinion on the report as an important tool for ZTE's better sustainability performance.

Thank you very much!

ZTE 2016 Sustainability Report Team

March 2017

I. Your personal information

Name: Company:

Phone number: E-mail:

II. Select which 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 discloses is complete?

Yes □   Average □   No □

III. 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.