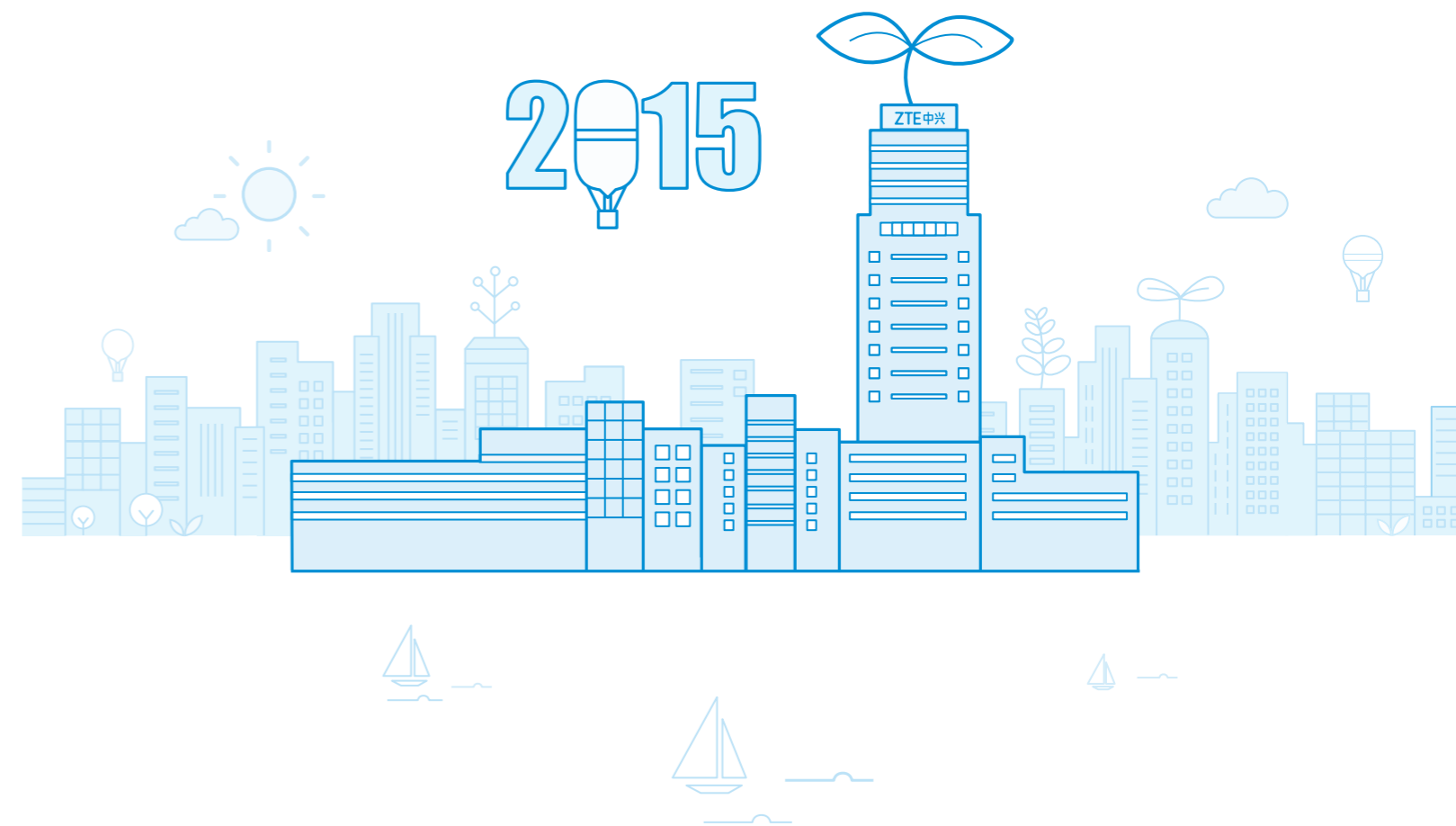


ZTE CORPORATION SUSTAINABILITY REPORT



About This Report

Compiling standards

This report is compiled by referring to the UN Global Compact's ten principles, ISO 26000: Guidance on Social Responsibility, and the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 4.0.

Reporting period

Information and events in this report occurred from Thursday, January 01, 2015 to Thursday, December 31, 2015.

Reporting cycle

The sustainability report is issued annually by ZTE Corporation. This report is the 8th 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.

Sources of data

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

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

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

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A Message from the CEO

Over the past 30 years, ZTE has been growing together with China's and the world's communications industry and competing against giants of the West to the end that the cost of communications devices have been slashed by more than ten times, the global communications industry has seen more popularity at an accelerated pace, and ZTE itself has grown into an international player with an annual revenue of over 100 billion yuan. The company has experienced a transition from CT to ICT, and from 2G to 3G and 4G, while it is going global. Today, the global systems for mobile communication are connecting a global population of 5 billion, at least 1 billion out of which are connected through ZTE-provided devices or services.

The year 2015 is the first year that ZTE practiced the M-ICT strategy in a bid to redefine the company's future.

We ushered in a "better ZTE", made a steady and rapid revenue growth, and remarkably improved its core capability of creating values for customers. Specifically, ZTE has become a strategic partner in terms of bearer network and fixed-line broadband products. ZTE is now a co-leader in the wireless technology industry of Pre5G & 5G and is trying out trail-blazing cooperation with a couple of global top forerunners to the end that the Chinese, Japanese and South Korean markets will see



the first commercial launch of 5G technology in the world. ZTE's cloud computing and IT products are leading the video industry while its big data and distributed database have made breakthroughs in the financial industry. In addition, ZTE's handset brands, especially Axon and Nubia, are becoming more popular due to their product quality and creativity. In conclusion, a better ZTE is even more demanding in terms of management and culture. ZTE people are determined to go beyond preset goals to reach new heights. ZTE is 30 years old now. We are always ready to start afresh. We will continue to follow the CGO concept, do business in an ethical and sustainable manner, maximize the positive impact of ICT on the economy, society, and people's lives, and team up with our partners to respond to sustainability challenges, to achieve smart transformation of society and sustainable development of the Company.

A Message from the Executive Representative for Sustainability

Always putting the UN Global Compact's ten principles and stakeholders' concerns as its top priorities for sustainability, ZTE constantly takes concrete action to demonstrate its views and propositions on sustainability, and to help define and guide the goal and direction for the world's sustainability in the future.

Innovation, the impetus for development

Thanks to its devotion to innovation, ZTE has grown rapidly from having weak technological power, to boasting advanced international technologies, to developing in parallel with or even surpassing western telecom giants. Innovation is always the cornerstone of ZTE's breakthroughs in business operation management. The past 30 years have witnessed its long-standing strategic priority to independent innovation, through which ZTE continues to create value for its customers and push forward the progress of the industry and even human society. ZTE has been one of the three enterprises that have the most PCT applications for six consecutive years, and is the only enterprise in China that has gained this achievement for six years in a row.

Smart city, the bridge to the world

ZTE is an active promoter of urban informatization construction. It is committed to promoting the M-ICT in the entire world and is playing an important role in the construction of new-model urbanization and smart city in China. ZTE provides end-to-end services including top-level design, product solutions, integrated delivery, financing and operations globally. Its smart city

series solutions have been widely used in more than 40 countries and regions. By the end of 2015, ZTE's products and services have covered 160 countries and regions.

Employees, the enabler of the future

We are devoted to eliminating barriers within the company, inspiring employees' creativity and vitality, and creating an equal and diversified work environment for employees to get the best out of their abilities and talents. We encourage employees to start from zero and fulfill their missions in a professional and CGO manner, and to involve themselves in the M-ICT revolution to create a better future with ZTE. By the end of 2015, there have been 23 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

Keeping in mind environmental protection in every operating link and throughout the product lifecycle, we roll out new energy-efficient products and services boasting greater business value with scientific rigor, and apply the green strategy in product R&D, manufacturing,



supply chain, logistics, and engineering, to put ZTE on a sustainable path. In 2015, all new recruits attended the EHS Fundamentals training. There were no penalties related to violations of environmental protection throughout the year.

Information security, worldwide concern to tackle

ZTE is making efforts to build information security, set up a comprehensive and efficient information security management system, provide customers with more reliable products, guarantee secure communications at major events and activities, achieve the depth of cooperation with partners from technologies to services, and jointly create secure terminals. In 2015, ZTE's information security management system was successfully upgraded to the ISO/IEC27001: 2013 edition.

Sustainable supply chain, the CSR to undertake

ZTE is working 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 requires 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 2015, ZTE visited 95 high-risk suppliers for on-site audit to push necessary rectifications.

Benefits for global citizens, our vision and promise to deliver

While exploring the global market and developing itself, ZTE makes best use of its telecommunications merits and technologies to bridge the digital divide and help people in different regions build a digital society where they can enjoy better lives, and more convenient, more inclusive education and healthcare services. ZTE is also actively involved in disaster relief, environmental protection, and public welfare technologies for sustainability in society and in the countries and regions that it runs business in. ZTE is also actively involved in the field of disaster relief, environmental protection, public science and technology for sustainable development of countries and regions where ZTE has operations. In 2015, in China, ZTE made donations of more than 4 million yuan through ZTE Public Welfare Foundation. In the United States, ZTE has benefited 68,000 people through activities jointly conducted by ZTE and the NBA and local charity organizations.

Next year, ZTE will strengthen the innovation and hard work to promote the M-ICT strategy, practice CGO strategic thinking, arouse passion and enthusiasm, seize opportunities, and brave difficulties to achieve the company's goal for 2020. ZTE understands helping upgrade the industry in China is a historic mission and has shouldered the responsibility, as it is also making every ZTE people to “be my better self!”



About Us

Annual Turnover from 2015
(unit: 100,000,000 YUAN)

1001.9

Net Profit from 2015
(unit: 100,000,000 YUAN)

32.1

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-users.

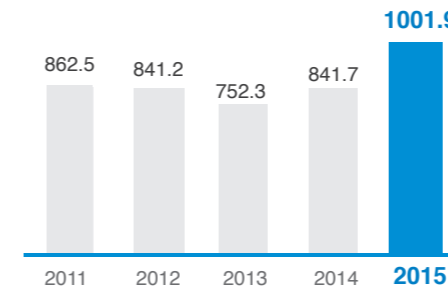
Major holding subsidiaries:
41 (Including the subsidiaries with the registered capital no less than 10 million YUAN and held or wholly owned by ZTE Corporation)

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

Employees:
84622 (including 60758 in the parent company)

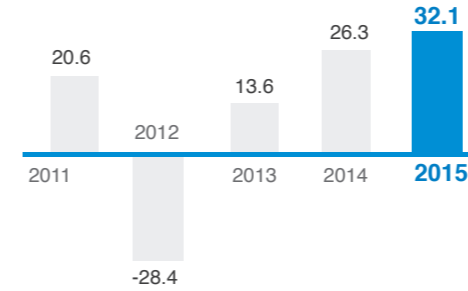
Annual Turnovers from 2011 to 2015

(unit: 100,000,000 YUAN)

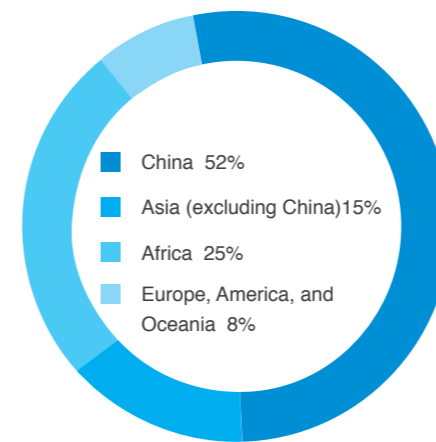


Net Profits from 2011 to 2015

(unit: 100,000,000 YUAN)



Turnover Ratios by Regions in 2015



2015	<p>Key words: 50 billion connections</p> <p>Milestone events: Become a CGO-driven company in the M-ICT era towards 50 billion connections</p>
2014	<p>Key words: 1 billion people</p> <p>Milestone events: Establish M-ICT strategies to help the world's 1 billion people connected to mobile communication</p>
2011	<p>Key words: NO.1</p> <p>Milestone events: Jump to a top enterprise in terms of international patent applications with its 2826 PCT international patents</p>
2010	<p>Key words: US\$10 billion</p> <p>Milestone events: Annual revenue of more than US\$10 billion</p>
2008	<p>Key words: 100 million</p> <p>Milestone events: A total of 100 million handsets produced, the first in China as one of the Chinese handset producers</p>
2007	<p>Key words: 50%</p> <p>Milestone events: Made breakthroughs into global mainstream telecom operators, with its revenue from the international market exceeding 50% of its total revenue for the first time</p>
2004	<p>Key words: 0763</p> <p>Milestone events: Going public in Hong Kong Stock Exchange, becoming the first mainland China company listed in both A and H stock exchanges</p>
1997	<p>Key words: 000063</p> <p>Milestone events: Going public in Shenzhen Stock Exchange, the stock price on the day rose by more than 21 yuan at most</p>
1996	<p>Key words: 10000</p> <p>Milestone events: The first 10,000-line office was commissioned with the ZXJ10, putting an end to the market situation of "8 systems from 7 counties" in China</p>
1993	<p>Key words: 3 million</p> <p>Milestone events: Establish ZTE Corporation, the first state-owned private-run enterprise in China, in Shenzhen with a registered capital of 3 million yuan</p>
1986	<p>Key words: 8</p> <p>Milestone events: An R&D team with 8 people developed a PBX at the renowned "Shenzhen speed"</p>
1985	<p>Key words: 7</p> <p>Milestone events: Seven pioneers went south to establish Zhongxing Semiconductor, connecting the planning economy to the market</p>



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.

600

By the end of 2015, we have formed a compliance team of more than 600 people, who are committed to pushing forward the organization, mechanism, processes, and capabilities of the three-tier architecture of compliance management.

110

ZTE had provided 110 trainings for front-line business units around the globe



Governance Mechanisms

About Shareholders and Shareholders' Meeting

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

About Controlling Shareholders and the Listed Company

The company's controlling shareholder is Shenzhen Zhongxing New Telecommunications Equipment Co., Ltd.

The controlling shareholder strictly complies with the laws and regulations while exercising their rights as investors, and is prevented from damaging the Company's or other shareholders' legal rights and interests. The controlling shareholder nominates the candidates for directors and supervisors in strict compliance with the terms and procedures provided for by laws, regulations and the Company's articles of association. The Company is separated from the controlling shareholder in such aspects as personnel, assets and financial affairs, is independent in institution and business, practices independent business accounting, and independently bears risks and obligations. The controlling shareholder does not directly or indirectly interfere with the Company's decisions or business activities conducted in accordance with laws.

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. Directors faithfully, honestly and diligently perform their duties for the best interests of the Company and all the shareholders. The Company has formulated rules of procedure for its board of directors in its articles of association to ensure the board of directors' efficient function and rational decisions. The board of directors

of the Company has established an audit committee, a nomination committee, and a remuneration and appraisal committee in accordance with the Code of Corporate Governance for Listed Companies in China. Independent directors constitute the majority of the committees and act as conveners to provide professional opinions and recommendations on the decisions of the board.

About the Supervisors and the Board of Supervisors

The supervisors shall possess professional knowledge and work experience in management and accounting. The Company appoints supervisors through cumulative voting. The supervisors supervise the corporate finances, the legitimacy of directors, managers and other senior management personnel's performance of duties, and protect the Company's and the shareholders' legal rights and interests. The Company has formulated rules of procedure for its board of directors in its articles of association to ensure the board of directors' efficient function and rational decisions.

About Performance Evaluation and Incentive/Constraint Mechanisms

In 2015, 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 the 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.

In November 2015, the vesting conditions for the first phase of the Company's stock option incentive plan are matured, the qualified objects of the stock option incentive plan can exercise their stock options in the first exercise period from November 2, 2015, to October 31, 2016.

About Internal Control

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 2015 Annual Report of ZTE Corporation.

Compliant Business Operation

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

Compliance Management Organizational System

ZTE has built a compliance management system that contains effective compliance organization, perfect compliance plan, comprehensive compliance matrix, advanced information system, and good compliance environment, to provide the Company with professional and impeccable compliance guidance and help the Company achieve compliance-based operations. A three-tier architecture of compliance management is formed under the leadership of the Compliance Management Committee. The three tiers respectively refer to the strategic tier of the HQs, leadership tier of divisions/operation departments/functional units, and execution tier of representative offices/product lines/departments. The longitudinal compliance operation team and compliance project team respectively shoulder routine compliance operations level-2 units and key compliance risk management. At the same time, the Compliance Management Committee appraises the business units, compliance teams and compliance projects. The director of the Compliance Management Committee is held by Fan Qingfeng, the EVP of the Company, while the committee members are taken by EVPs and SVPs of other businesses of the Company, as well as owners in the compliance risk field. The Legal and Compliance Department is the secretary unit and daily office institute of the Compliance Management

Committee.

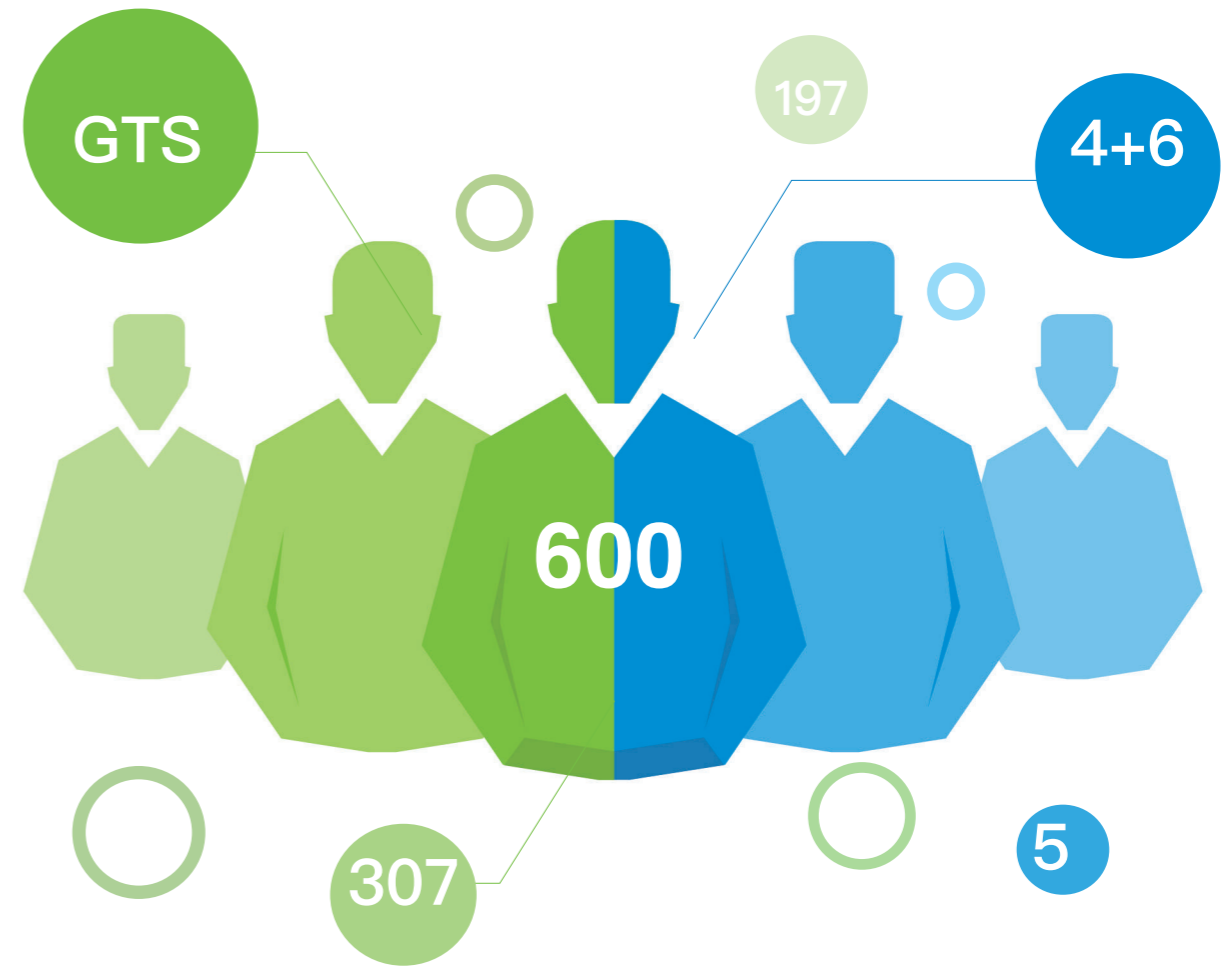
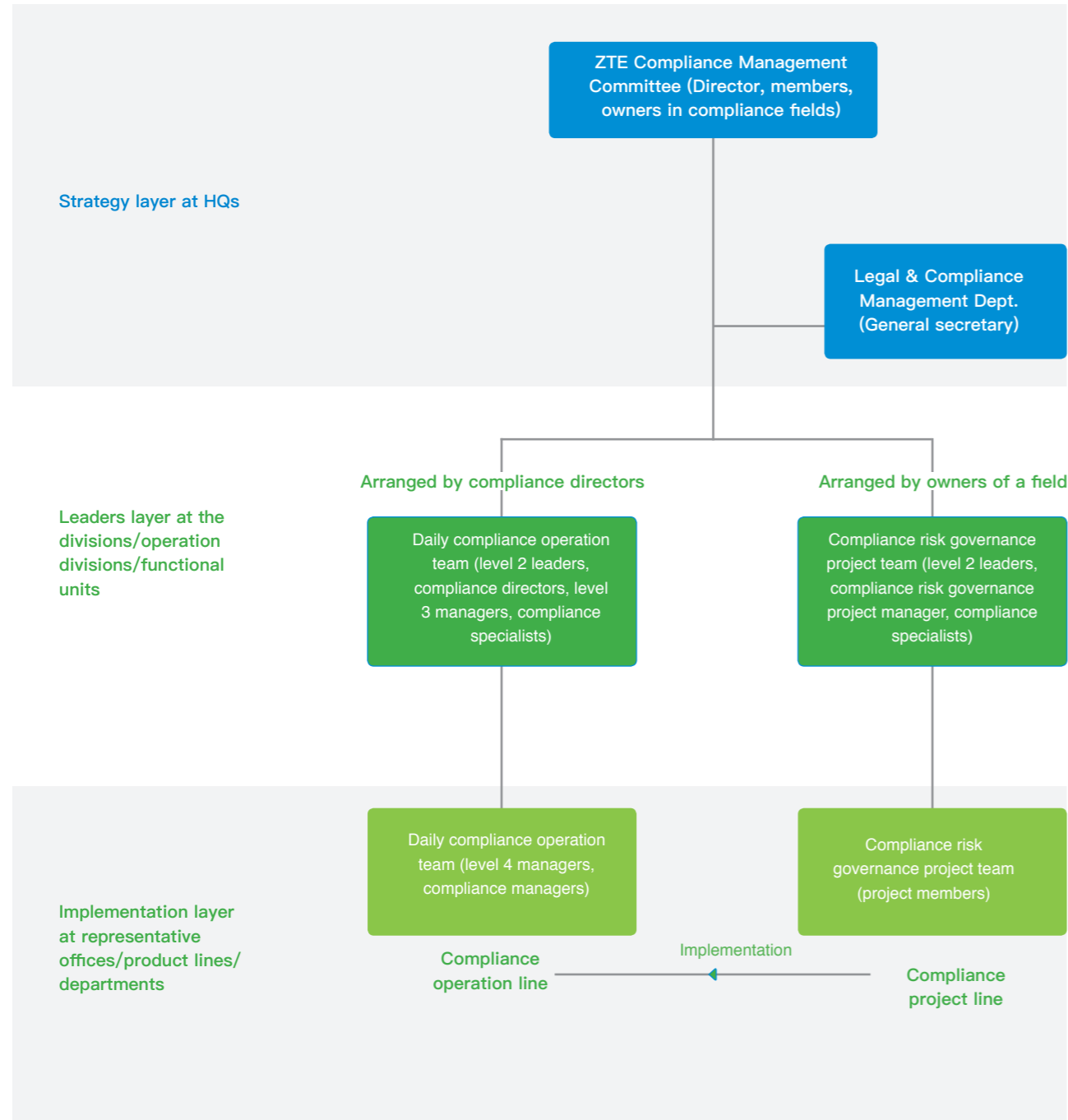
By the end of 2015, we have formed a compliance team of more than 600 people, who are committed to pushing forward the organization, mechanism, processes, and capabilities of the three-tier architecture of compliance management.

The Company's compliance management is oriented toward risks and targeted at the control of critical risks in the "4+6" field. From the perspective of business lines, risks are put under centralized control in project operating mode. From the perspective of management line, compliance management work plans are formulated at the company level. In 2015, the compliance committee members conducted four maturity assessments of compliance management on 19 level-2 units in five aspects including organization, leadership, planning, implementation, and examination and improvement, and the results showed that by the end of 4Q of 2015, the good rate of compliance management maturity of level-2 units reached 100%. In 2015, we launched the risk management module in the Law & Compliance Management system to support the compliance-related services, processes, and risk control with solutions and carry out law and compliance management online. In this way, the risk indicators are monitored and alarms are given when necessary, and the compliance asset are

reserved, knowledge transferred, and capability output continuously. In order to monitor and audit the whole process of export control in a visible way, the Company

has set up the GTS system, to balance business opportunities and risks in the decision-making process in a quantitative way.

Figure 4 Risk-Oriented Compliance Management



Further Promoting the Compliance Training

ZTE attaches great importance to the compliance-related training and propagation, and has made compliance-related training an indispensable part in new recruit orientation and management cadres' reading class. Through regular emails, intranet blogs, and on-site trainings, the compliance-related knowledge is pushed to every employee. In 2015, the Company carried out overall anti-corruption and anti-bribery compliance trainings and examinations, export control compliance trainings for management cadres and important posts, and on-site lectures by legal advisers to front-line business units. In 2015, there had been 5 compliance trainings along with the level IV management cadres' reading class in

the fields of R&D, handset, marketing, and government and enterprise business, 4 compliance trainings along with the level III management cadres' reading class, and 110 trainings for front-line business units around the globe. There had been 307 propagation events, 197 of which were case progress reports, warnings and guidance, 23 of which were propagations of compliance knowledge, 5 of which were major propagations on law & compliance topics, 27 of which were propagations of legal & compliance capability integration projects, 11 of which were pushes of the law & compliance live studio, and 44 of which were management-related propagations.



Sustainability Management



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



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 and indirectly work for ZTE. Operate the Company in an environmentally responsible way, and spare no effort to respond to the current and future challenges. Help customers to change the world in various opportunities and exert an active influence all over the world.

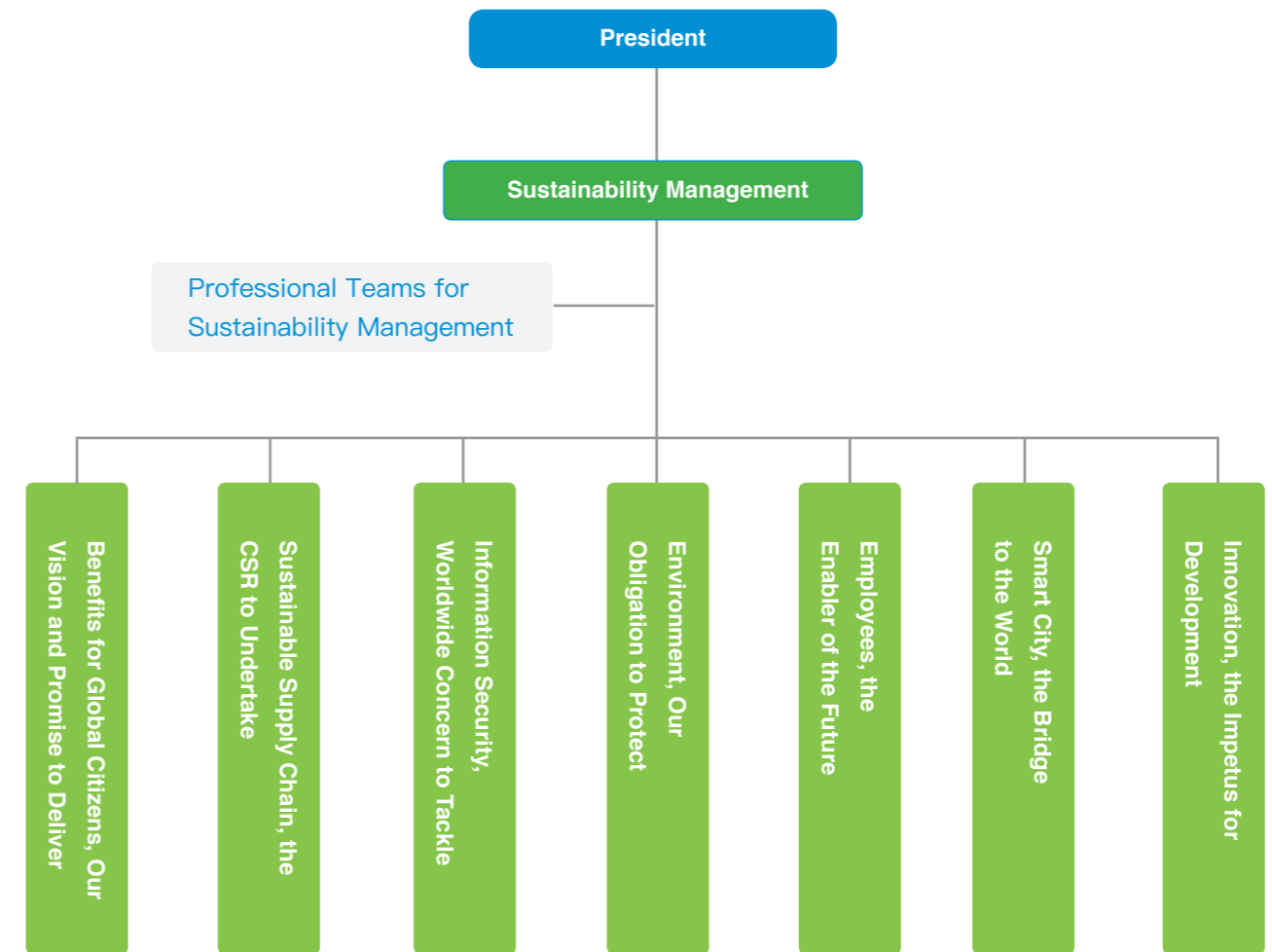


Sustainability Organizational Chart

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

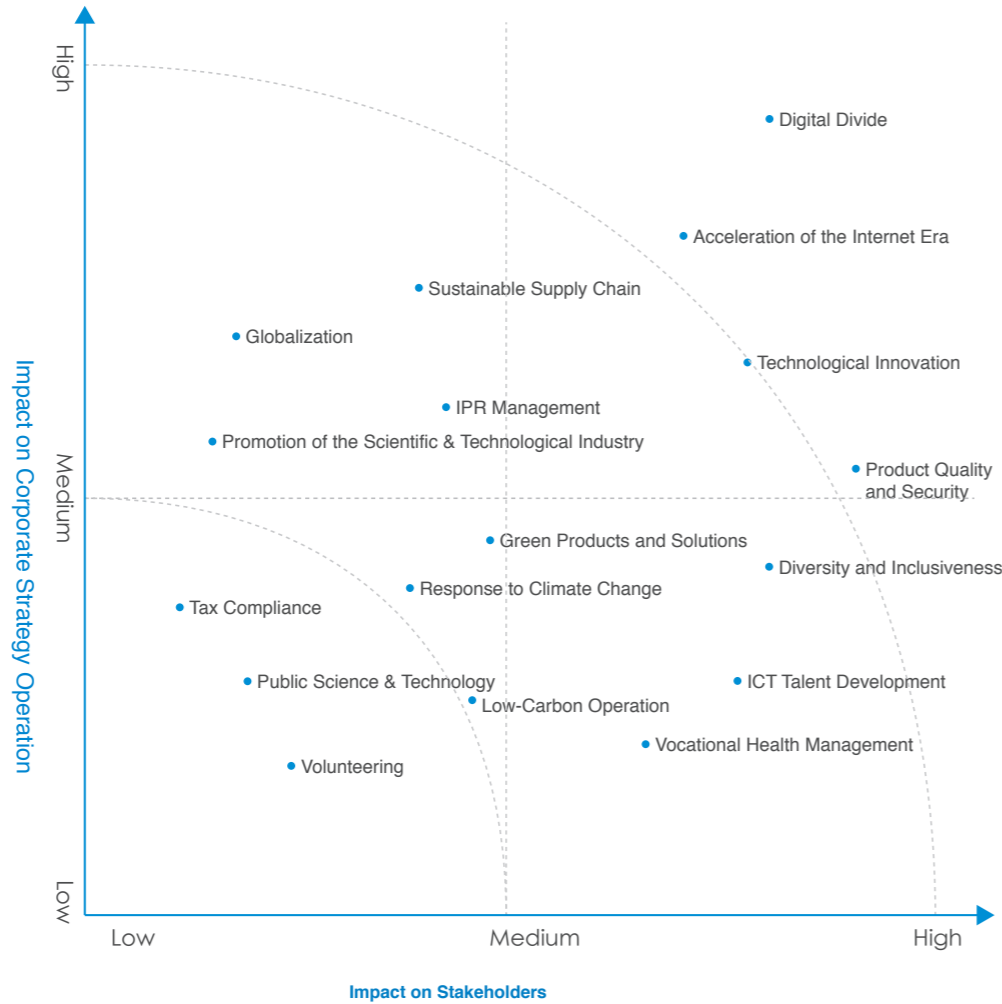
socially.

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 2015, 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.

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

Stakeholders	Communication Channel	Topic
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 3 rd -party employee dedication survey, rationalization proposal Labor Union and employee representatives Employee appeal channels: president mailbox, director mailbox, and internal forum Online interview with the company management Staff associations, for example, voluntary association, photographic association, and sports association	1) Remunerations 2) Training and career development 3) Healthy and safe working environment 4) Human rights and labor
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 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



Innovation, the Impetus for Development

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

top 3

In 2015, ZTE ranked the world's top 3 of PCT applications in terms of quantity for the sixth consecutive year, and is the only enterprise in China that has gained this achievement for six years in a row.

1500,000

In 2015, we helped operators build more than 1500,000 4G base stations in China.

12%

In 2015, we invest 12% of the revenue into R&D.

Strategy and Culture of Commitment to Innovation

2015 was the year when ZTE commenced its M-ICT strategy. We released *the White Paper on M-ICT Strategy: To Usher in an M-ICT Era*. The White Paper describes the marketing and product positions of ZTE in the M-ICT era, and determines three major strategic directions, including further digging into the operator market, creating values in the government and enterprise business market, and integration and innovation in the consumer market, to help operators and enterprise customers improve efficiency and made transformation.

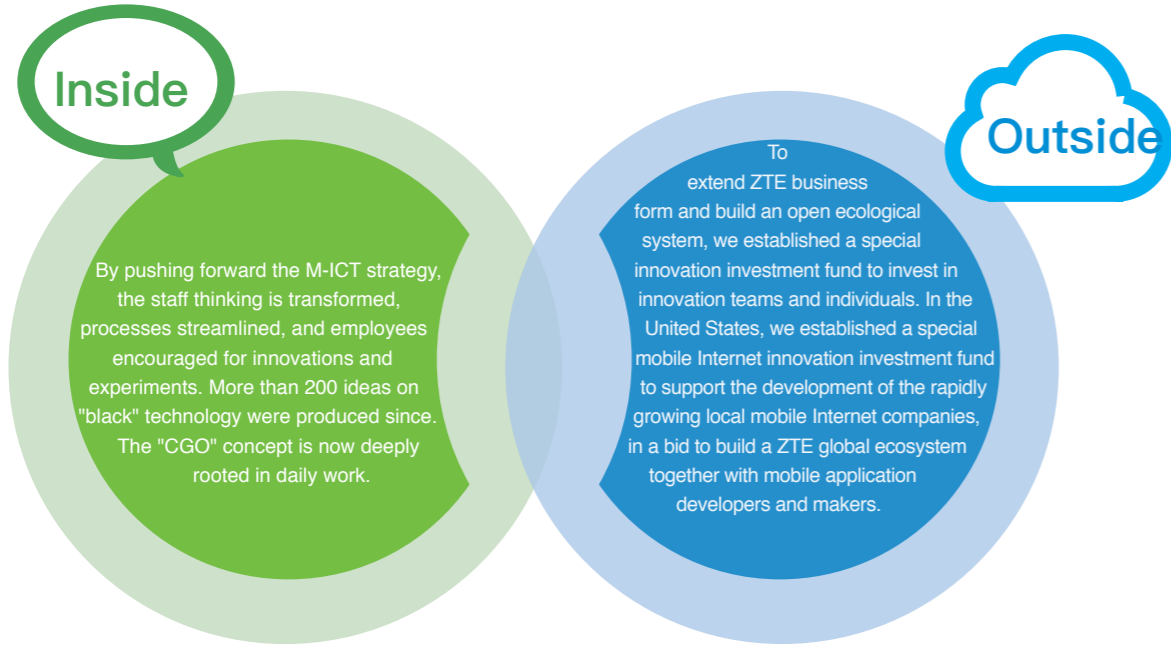
In 2015, we carried out a series of activities to promote the M-ICT strategy to the end that every ZTE people is fully aware of the strategy as well as the CGO spirit.



Encouraging Every ZTE People to Innovate

It is our belief that employees give business innovation roots. We provide various opportunities for all staff to show their passion for innovation and to inspire their potential to innovate, so that the company as a whole will become more creative.

By the end of 2015, ZTE has set up 19 R&D centers and 10 international joint innovation centers around the world for its employees to make high-level innovations.



Co-establish Innovation Base for Converged ICT Production and Education with the Ministry of Education of the People's Republic of China

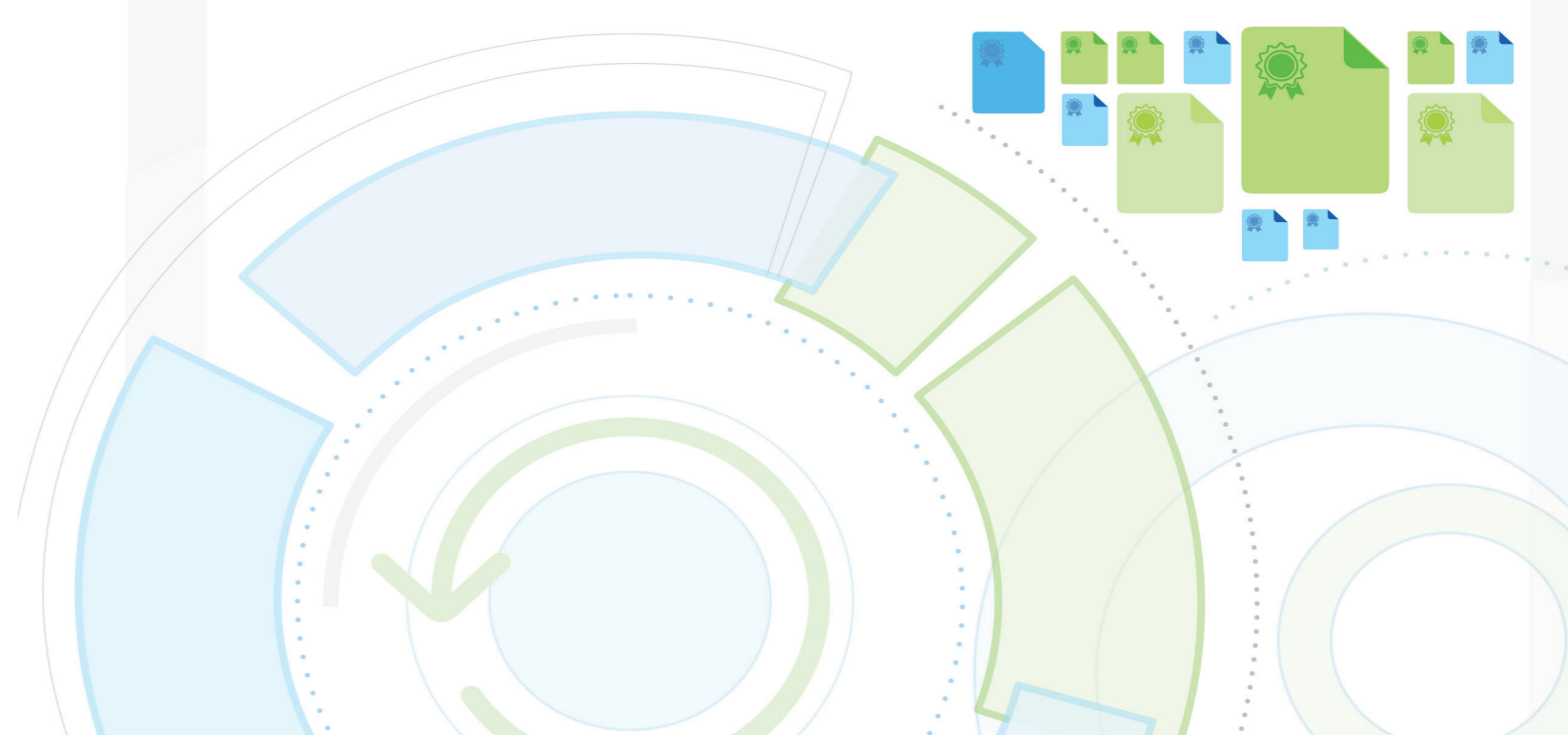
Supported by the Ministry of Education of the People's Republic of China, local administrative departments of education will, from 2015 to 2020, organize and recommend undergraduate universities, and select 20 partner universities for the Innovation Bases for Converged ICT Production and Education. ZTE will donate facilities worth 5 million yuan for each base on average, with a total donation of 100 million yuan. In 2015, four universities have been selected. ZTE will send a team of experts to, jointly with each partner university, work out talent development schemes and teaching materials, establish platforms for practice and teaching, resource pools for joint R&D and teaching, and provide job opportunities. In addition, ZTE will introduce corporate R&D projects derived from

market demands to the bases as their R&D and service requirements, to elevate their ability to participate in scientific research in the industry and to enhance their expertise through scientific research. During the cooperation period, ZTE will support in different ways the local undergraduate universities in the league that are transforming into applied technology universities. Specifically, ZTE will train free 1000 teachers who not only closely follow technology applications of the industry, but also have practical engineering abilities. ZTE will also provide complete training courses on teaching and scientific research management, and open its information teaching platform so that the courses for universities and the teaching platform can follow the application technology development.

Whole-Process Intellectual Property Management

We respect the Intellectual Property Rights (IPR) of others and improve our own IPR. We continue to innovate and protect IPR to make ourselves competitive for smooth growth. ZTE boasts the industry's most complete IPR system, covering IPR strategy planning, application, licensing, operation, and management. We follow the idea of elaborate management throughout the entire company, including R&D, marketing, and sales, to create IPR assets, protect IPR competition, prevent and control IPR risks, and efficiently operate IPR assets. ZTE applies the IPR awareness to every link of its production activities, to not only control infringement

risks and respond to patent litigation likely to arise in the international market, but also identify potential patents as early as possible to protect new technologies. By the end of 2015, ZTE had more than 66,000 global patent applications and more than 24,000 authorized patents, more than 90% of which were patents for invention. ZTE has been one of the three enterprises that have the most PCT applications for six consecutive years in the world, and is the only enterprise in China that has gained this achievement for five years in a row. ZTE has more than 800 LTE basic patents, accounting for 13% of the world's total, which indicates a leading position in the industry.





Smart City, the Bridge to the World

ZTE is an active promoter of urban informatization construction. It is committed to promoting the M-ICT in the entire world and is playing an important role in the construction of new-model urbanization and smart city in China. ZTE provides end-to-end services including top-level design, product solutions, integrated delivery, financing and operations globally. Its smart city series solutions have been widely used in numerous countries and regions.

 **160**

By the end of 2015, ZTE's products and services have covered 160 countries and regions.

Smart

In 2015, ZTE's "Smart Yinchuan" project won the President's Special Award of Telecom Management Forum (TMF) and the Asia-Pacific Region Leading Wisdom City Top Design Award of International Data Corporation (IDC).

AXON

In 2015, the AXON mobile phone won the Swan Award, the highest award of China mobile phone design and innovation competition.

Promoting Global Interconnection and Interworking

Under the "going global" policy, ZTE is bringing advanced products and quality services to different countries and regions in the world. We share with the world our advanced technology and knowledge, speed up global communications, and promote interconnection and interworking in the world.

Globalization

ZTE started to go international dating back to the late 20th century, following the guideline of exploring the international market from terminals to systems, from periphery countries to core countries, and from rural areas to urban areas. Having contributed to at least one billion among five billion mobile communications connections worldwide, and serving over 160 countries and regions with telecommunications products and services. In 2015, more than 50% of ZTE's overseas staff were local employees, making ZTE a forerunner among Chinese enterprises in terms of market, talent, and operation internationalization.



Fastest growing FN market share

In 2015, OVUM, a market-leading research and consulting business, released Market Share Report: 2Q15 FTTx, DSL, and CMTS on fixed network products, which showed that from the 2Q of 2014 to the 1Q of 2015, the market shares of ZTE's broadband access products have been growing the fastest in the globe. Among them, the DSL product has grown the most obviously, and the PON product has grown at a steady pace—it has the second largest market share in the Asia-Pacific region and the largest in Central and South America.

Contribution to the Improved Communications Strength in Developing Countries and Regions

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

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

• How to make communications technologies more accessible to special user groups All of these challenges cannot be met without the development and application of these technologies themselves. We have been using our resources from the very beginning to enhance the communications strength of developing countries and regions, and to help eliminate the digital divide.

Global Knowledge Sharing

We make best use of M-ICT technologies to provide our employees, customers and partners with professional learning services, which consist of Competence Transfer Services, Evaluation & Certification Services, Management Consulting Services and Learning Tools, to create learning-oriented enterprises, build a sustainable learning ecosystem, and contribute to effective talent training and knowledge operation of global customers. In 2015, ZTE University set up training centers in 15 countries and regions in the world, covering South

America, Central America, North America, South Asia, Southeast Asia, Middle East, South Africa, North Africa, India, Ethiopia, Asia-Pacific, Western Europe, Eastern Europe, and Russia. These training centers have provided training, consultancy, assessment, certification, and other knowledge services for over 600,000 customers in more than 100 countries and regions all over the world. Of which, the delivery capability of managed services grew steadily and has covered 230 million users around the world.

New Lifestyle in a Smart City

The advancements made in the information and communication technology are greatly improving the economic and social development and people's living standards. ZTE adheres to the concept of "Communicating with the world in smart ways," practices the commitment of bridging the digital gaps, and pushes forward the society's sustainable development by applying the ICT in education, health care, social security, public safety, environmental protection, chemical industry, construction industry, agriculture and other industries. By the end of 2015, ZTE has participated in the smart city projects of 140-plus cities in 40 countries, completed the smart city deployment in 110 Chinese cities, and carried out the Smart City 2.0 in Yinchuan. The city management information silos are ended with data sharing enabled on centralized platforms.

India

Vietnam

Algeria

 **Help people in Varanasi enjoy the 4G home broadband**

Recently, an Indian operator, Tikona Digital Networks (hereinafter referred to as "Tikona"), officially launched 4G LTE home broadband services in Varanasi, Uttar Pradesh, becoming the third operator following Bharti Airtel and Aircel to launch 4G services in India.

As a sole provider of the entire network, ZTE provides about 80% of the equipment, including wireless and core network equipment.

 **Provide an effective solution on efficient reuse of frequency resources**

In 2015, ZTE signed the U900 Refarming & U2100 expansion contract with Vinaphone, Vietnam's third largest operator. Since the GSM900 network still had a large number of active users, and the 900 MHz could not be freed up for the UMTS yet, ZTE provided a solution to reuse the frequencies between the GSM 900 and UMTS 900 systems. The solution comprised advanced SDR distributed base station, MicroTCA platform with a unified architecture, a new distributed RF module, and unified hardware platform and network management. The solution featured efficient frequency reuse with the advantages of high integration, fast installation, and simplified network maintenance. This project is expected to be completed in 2016, covering around a third of Vietnam's area and involving up to 20 million users.

 **Help with the public infrastructure construction**

In 2015, ZTE won the bid for Algeria telecom LTE phase II project and obtained the first PO to expand the LTE network in 10-plus provinces along the north-eastern advanced coastal area of Algeria. Algeria telecom is the only fixed network operator, who is bound to undertake the country's infrastructure construction and carry out livelihood projects, including the national broadband network and E-Algeria.

Pilot Smart City: Smart Yinchuan

Since February 2014, ZTE worked closely with the Yinchuan government in building the Smart Yinchuan 2.0. The mode has the "Internet +" at the core, that is, "Internet + city" for the urban ecology and urban management, "Internet + government" for the improvement of government's service capabilities, "Internet + enterprise" for the industrial economic transformation, and "Internet + city residents" for the improvement of people's livelihood. By the end of 2015, the Smart Yinchuan has opened 10 systems and 13 sub-modules, covering urban management (for the government), convenience-for-people measures (for residents), and industrial development (for enterprises) in a brand new urban ecological system. Smart Yinchuan has become a model of global smart city 2.0.

In the future, we will further refine the Yinchuan mode, formulate a national standard and development mode, and help build beautiful Yinchuan into a strategic pivot of the silk road economic belt.

The innovative features reflected in the Smart Yinchuan project embodies to a large extent the direction of future development of the industry and technology. The project is the most perfect and innovative representative of all smart cities."

— Peter Sany, CEO of TMF

Safer City

ZTE is concerned about safer city construction. ZTE continues to help governments enhance the emergency response capacity and emergency management competence. The public safety solutions of ZTE have been used in more than 40 countries and regions. In 2015, ZTE launched the latest emergency management system V2.0, which, based on the original emergency management system and big data analysis technology, has a better performance of emergency control as it optimized the emergency early-warning and decision-making modules and established new concepts on big data-based emergency management.

Smoother Traffic

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

ZTE is the first vendor in the industry that uses the LTE technology in railway communications and has achieved commercial launch, and is also the only vendor in the industry who can provide multi-level, full system

redundancy and high-reliability GSM-R solutions. By the end of 2015, ZTE's railway transportation solutions have been successfully applied in many countries and cities, including Nigeria, Ethiopia, Morocco, Russia, Vietnam, Hong Kong, Beijing, Shenzhen, and Shanghai. ZTE's urban transportation solutions are used in more than 100 projects at home and abroad. ZTE's ground-to-air wireless broadband technology is covering major US airlines.

In 2015, ZTE launched the smart railway solution—"iRail", an integrated ICT solution that is targeted at railway applications. The solution is powered by the state-of-the-art railway communications, signal and information technology innovations. It can not only improve the efficiency of railway operations, but also provide passengers with a variety of entertainment and office experiences.

We hope that the iRail solution is bringing new ideas to the railway transportation modernization in Africa and helping railway companies provide more quality services to customers."

— Yang Jun, VP of ZTE

More Effective Management

We use advanced information technology to help enterprises optimize production and management processes and enhance operational efficiency, while addressing resource consumption, environmental pollution and other issues. We want to achieve sustainable development of cities by helping enterprises in cities to develop sustainably.

With the wide application of smart terminals and rapid development and popularity of 4G networks, there is an explosive growth in enterprises' need of obtaining, exchanging, and processing information from mobile networks. Unified communications and collaboration solutions are ideal tools for businesses, hotels, education, government and other industries to better communicate and cooperate through instant messaging, voice, and video approaches. In October 2015, ZTE launched "Super MOA", a unified

communications and collaboration solution based on the new-generation platform, to help businesses achieve efficient internal and external communications and collaboration.

The ZTE "Super MOA" video and audio integrated communications platform is deployed on the cloud to provide enterprises with scalable service options at a reduced cost. It provides complete UC&C functionalities and can be combined with the original business processes of an enterprise for efficient mobile office workflows. On a variety of terminals, the MOA client provides uniform user experience of internal and external collaborations. Users are able to send the latest market information, competition information, and customer requirements to the company on the one hand, and present the latest design and solution of his/her enterprise to the customer on the other.

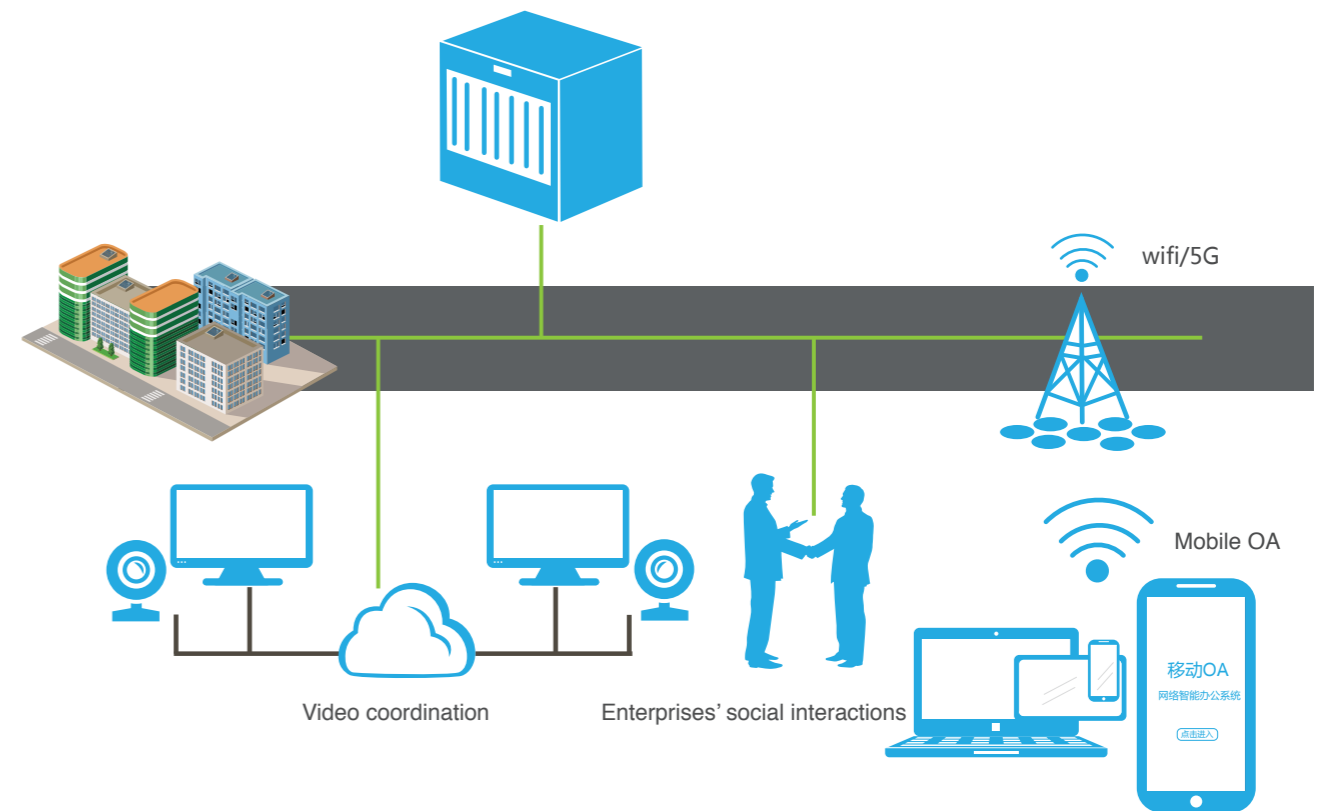


Figure 7 Unified Communications and Collaboration Platform of ZTE

More Accessible Finance

Our brand is targeted at "light weight and wide application." We stick to the three-word philosophy: fast, accurate, and steady. We are committed to quality financial services with equal freedom for everyone. "Light Finance" is the brand name of ZTE's Internet financial service, which comprises four comprehensive innovative solutions: mobile finance solution, mobile payment solution, financial outlet solution, and financial cloud computing data center solution. These four solutions cover ICT's four layers: access layer, transport layer, core layer and application layer. All are independently developed by ZTE. ZTE has launched the "uSmartDC" cloud data center, "GoldenData" big data solution, and "@gileBank" smart bank solution, all of which are used to provide the financial industry with customized platform-based one-stop solutions to improve work efficiency and help bring about business innovations.



More Open Education

We spare no effort to build an information-based education ecosystem, where we take advantage of big data to analyze teaching and learning behaviors for precise resource provisioning. In this way, we can support education administrators in making policies, assist students in individual growth and teachers in professional development, provide data analysis-based operation, and achieve teaching-learning, teaching-teaching, and learning-learning interactions. By the end of 2015, ZTE's smart education products, with the goal of making education accessible to everyone, have been successfully applied in multiple projects in more than 30 countries and regions. The projects are: Huanggang Education Valley of Hubei (China), distance education of Egypt, distance education of Papua New Guinea, National Digital Library of Ethiopia, and IPTV education of Indonesia.

Build the first communications school in Equatorial Guinea

In 2015, on the eve of Independence Day of Equatorial Guinea, the completion ceremony of the first communications training school constructed and jointly operated by ZTE in Equatorial Guinea was held in Oyala. The Oyala training school has excellent teaching and learning environment, advanced teaching equipment, and various communication networks and laboratories. ZTE will help train communications talents for the government of Equatorial Guinea by providing powerful knowledge service support and extensive experience in operation management.

Set up Smart City Institute to promote ecosystem construction

On January 6, 2015, ZTE Smart City Institute was officially founded at the ZTE headquarters in Shenzhen City. The Institute will uphold the "openness, collaboration, integrity, innovation" spirit to play its role as a link and platform for production, learning and research, so that advanced concepts and good practices can be spread and shared, and the entire concept of smart city be promoted in the industry. The Institute gathered specialists in the fields of technology, finance, and engineering, and has established strategic partnership with the State Information Center, Nanjing University, SADI Group, Govmade Information Consultant Co., Ltd. In its early years, the Institute will focus on the city top-level design, smart government, and smart transportation. It will also work out innovative planning ideas, technology architecture, building model, and business model of smart city, to provide sustainable and efficient engines for urban development.

We are pleased to help Equatorial Guinea by training more professionals in communications. We take this first communications school in Equatorial Guinea as a good opportunity to develop a long-term commitment to the local development. We will also work together with Equatorial Guinea and other African partners to increase investment in ICT-related education, so as to help more and more African customers to enjoy high-quality education resources.

—Gao Linfeng, representative of ZTE



More Convenient Healthcare

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

Three Star Solutions of Smart Medical Care



Regional health information solution, to achieve the interconnection and sharing of medical information, as well as business collaboration among health institutions, to optimize the management and service quality of health institutions and ultimately enhance the health level of residents.

We helped construct the regional health information system for Qinhuangdao. The "one card, one network, one center, three platforms and nine service systems" aims to provide residents with handy and harmonious medical service, and help achieve quantitative management of medical institutions. In 2015, the "smart medical care pass" card was launched in Qinhuangdao City. The card enables Qinhuangdao residents to make hospital appointments and cost settlement in an easy way without the need to wait in line for a registration at the hospital. The card can be recharged online.



Digital hospital solution, to rely on the health information network to help hospitals set up basic information platform for information interworking and thus improve the management efficiency and service quality.

We helped Venezuela establish a computer network and management information system to adapt to the modern hospital development. The solution aims to achieve advanced management mode and transparent processes, support management, and make hospitals more efficient and energetic.



Telemedicine solutions, to use network technologies to achieve online checks, communication, diagnosis, and expert consultation, so that patients can just stay at home and enjoy online medical services.

Customer Experience Enhancement

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

Faster Internet Access

We believe that the future broadband will have the "fast, simple, open and intelligent" features. To solve the technological bottlenecks of existing broadband networks, ZTE has been focusing, based on the self-developed chips and innovative technologies, on

optimizing the wireline products and researching the next-generation technologies. ZTE has launched a series of end-to-end wireline broadband solutions, which aim to the deployment of 100G/super-100G in backbone, 10G-to-home, and 1G-to-desktop networks.

Promoting the development of 5G with years of preparation

In 2014, ZTE proposed the idea of Pre5G during the early phase of 4G network construction and commercial launch. The core technologies of the ZTE Pre5G solutions include Massive MIMO, Ultra Dense Network and Multi-User Shared Access. In 2015, ZTE put an investment of over 100 million Euros into the 5G R&D. There are more than 800 specialists working on Pre5G in a dozen of research institutes located in China, the United States and Europe. ZTE also signed strategic cooperation memorandums with telecom operators, including China Mobile, Softbank (Japan), KT (South Korea), and U Mobile (Malaysia), to jointly launch experiments and verifications, technical assessment and research and development on 5G technologies. In early 2016, thanks to the excellent performance of Pre5G Massive MIMO, ZTE won the "Best Mobile Technology Breakthrough

Award," the global mobile award, which is also known as the "Oscars" in the field of wireless communications.

"The 5G-related technological changes are different from anything we've known about 2G, 3G or 4G, as they combine both IT and CT technologies to change our lives and even the whole society. While pushing the commercial launch of Pre5G, ZTE is also working hard together with leading operators on the 5G standards"

— Howdy, Chief Designer of ZTE



Ultra-flexible "soft next-generation mobile networks iSDN"

In March 2015, ZTE launched the next generation-oriented SAME (softnet architecture for mobile) concept and system that use a mobile network architecture based on NFV and SDN technologies to enhance the efficiency and flexibility of future mobile networks. By deploying SDN technology for the packet gateway, the SAME separates the control plane signaling processing module, user plane basic packet forwarding module and complex packet value-added processing module. It also deploys

the control plane modules in a centralized way, deploys user plane basic packet forwarding modules in a distributed way, and achieves fast or flexible forwarding of the forwarding modules. By dispatching resources with the Service Chain technology, the SAME not also optimizes the user plane performance but also saves equipment costs. While ensuring the service continuity, the SAME provides operators and end users with more efficient, flexible and reliable networks.

Better Services

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



PT/EXPO COMM CHINA 2015 in Beijing



More Cool Products

We've always been committed to providing customers with cool products that have high performance and excellent cost performance.

ZTE V7 MAX

New-generation dual-mode STB operating on TVOS

Adhering to the design idea of "customer experience first," ZTE launched the dual-mode DVB-C+OTT set-top boxes that are operating on TVOS in March of 2015. The STB has two main features, reinforced kernel security and the expanded drive, both greatly enhancing the product security and making the product manageable and controllable.

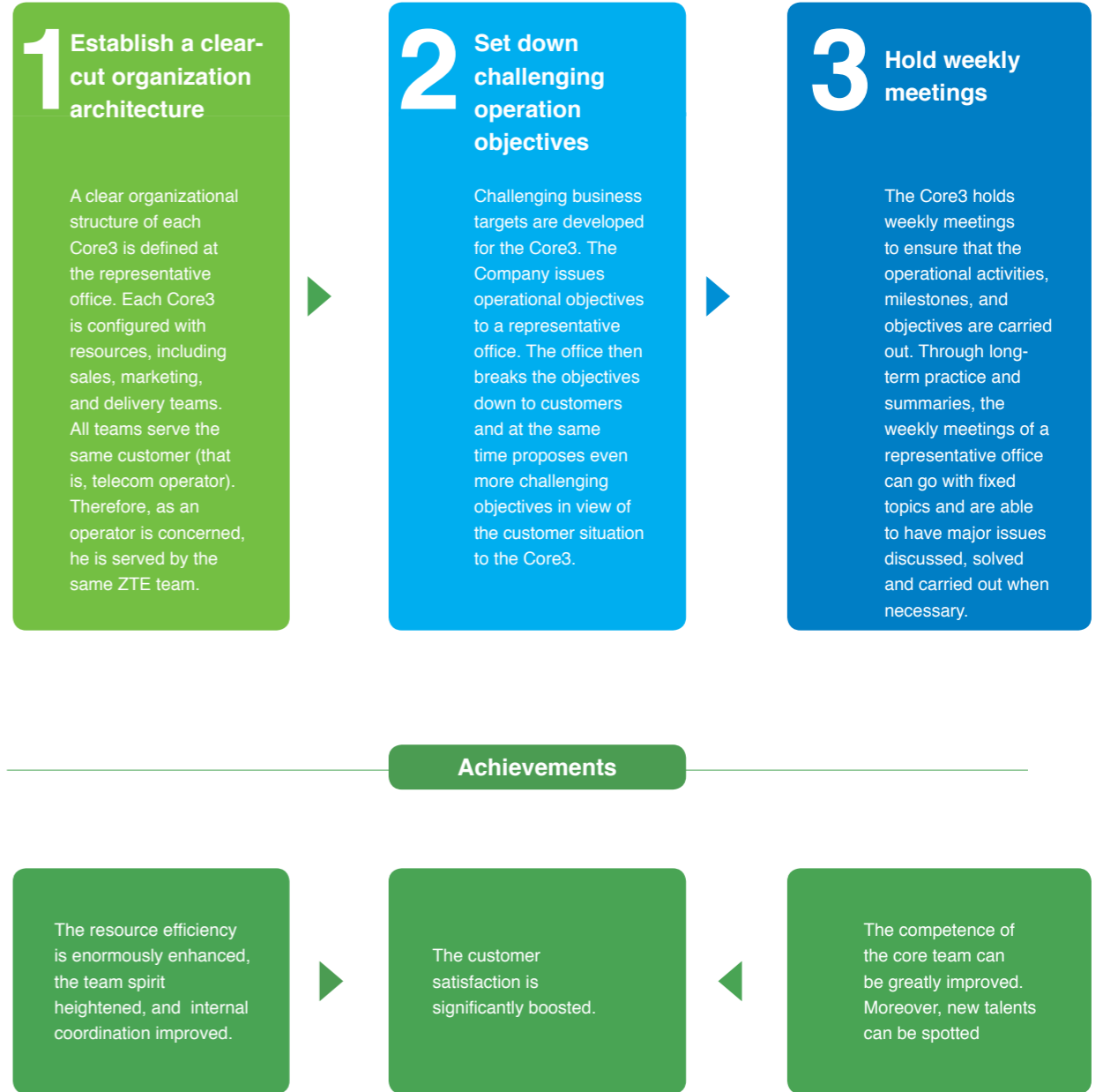
The DVB-C+OTT dual-mode STB uses the dual-core CPU of the Cortex-A9 architecture, has a 1GB memory and a 4GB Flash to ensure smooth operation and allow for more applications. The STB supports 1080p video output and also both DVB-C and OTT for live and on-demand services. In addition, it supports games, Internet surfing and online-shopping. Furthermore, it features "smart home" services, such as family album, home monitoring, TV smart assistant, and multi-screen interactive services.

Axon, a high-end flagship cell phone, hit the US market

In July 2015, ZTE's flagship cell phone "AXON Pro" was released in Manhattan, New York. This is a smart phone designed in the United States for the US market. Axon Pro uses an innovative antibacterial screen that was registered and certified in the US Environmental Protection Agency with both sterilization and antibacterial level meeting the industry's highest level. The rear camera is equipped with dual lens so that pictures can be quickly captured with an autofocus function. Better still, the camera is capable of making 4K HD videos. In terms of audio function, Axon Pro goes with a Hi-Fi music player and dual microphones for high-definition recording effects.

Customer-centered normal Core3 integrated operation of the Pakistani representative office

The Pakistani representative office has set up an experimental mode of the customer-centered normal Core3 integrated project management since 2012. Targeted at serving the customer well, it is to integrate resources and assign the same market commercial manager, technical solution manager and contract delivery manager to take care of the same customer, that is, the CEO, CTO and CMO of the customer, for the better service quality.





Employees, the Enabler of the Future

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

 **1050000**

In 2015, 1.05 million man/times have participated in trainings.

 **30**

In 2015, we held four members' conferences, received more than 30 proposals and reviewed, approved and publicize nine events.



Innovative Talents

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

Competence Enhancement

We have a complete employee training system that provides employees with systematic training on business skills and operation management, and offers targeted training for new employees and the leadership. To satisfy employees' needs for more information and knowledge about the technology industry, we have made the most of new technologies to create a learning

community where employees are happy to learn and happy to share.

In 2015, 1.05 million training enrollments were conducted with a total of 290,000 hours of classroom time, and all new employees received the orientation training. 98,000 courses were conducted offline.

ZTE E-Learning

We have built a learning platform for all our employees worldwide. It flexibly incorporates the VOD learning system, learning management system, online examination system, and online assessment system to manage learning and knowledge in a one-stop, full process and visual manner. In 2015, the E-Learning system had as many as 7,786 online courses, with over 24,000 hours on the system.

ZTE Micro University

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



Diversified Career Development

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

Statement of the winners

"It was an experience of pain and also happiness when I worked in Yinchuan for more than a year. By pain I mean that the deadline was pressing, the task was heavy and demanding, and everyone in the project teams felt great pressure. Yet we worked overtime with high team spirit and finally met the deadline.

By happiness, meanwhile, I mean that during the year I learned even more than what I had learned in 10 years. Those I learned from the project head as how to grasp the overall situation, to work efficiently, to make quick improvement, and to confirm every detail, are such valuable asset for my whole life."

— Liu Bin, China Domestic Government & Enterprise Network Sales Center, Government & Enterprise Business Division

Honors and Recognition

We always value and encourage employees' contributions to the Company. We have established various commendations and rewards for employees. The ZTE Gold/Silver Prize is the top individual reward for front-line employees in recognition of their outstanding contributions in general positions. In 2015, 10 employees were awarded the gold prize and 13 won the silver prize.

Cadre appointment mechanism with "separation of powers"

In 2015, ZTE first proposed the "separation of powers" and defined the rights of recommendation, review, and decision-making in selecting a level III management cadre. A business unit has the right to make a recommendation, the review team made up by a business executive and the corporate culture department has the right to review the candidate's qualifications, and the Operation Committee of the Company has the right of making a collective and final decision. This appointment mechanism is designed to avoid major errors for major role's selection and help with the Company's sustainable development.

Diversity and Inclusiveness

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

Equal Employment

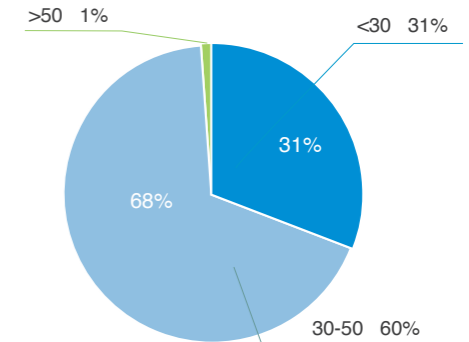
We respect human rights, and strictly comply with the International Labor Conventions and other labor laws, regulations and policies of the countries that we run business in. In terms of recruitment, selection, promotion, punishment, individual development, benefits, and labor contract termination, we prohibit discrimination on the grounds of race, color, nationality, language, wealth, social origin, social status, age, gender, sexual orientation, disability, pregnancy, religion, political beliefs, union membership, marital status, or other circumstances. We prohibit the use of child labor, or forced or compulsory labor in any form. We prohibit insulting behavior on employees. We make clear the shortest notice period for any change to the vital interests of employees. We have zero tolerance toward any on-site or off-site harassment by the management or colleagues. We do not allow any form of physical punishment, mental or physical coercion, or verbal abuse. We respect employees' rights of joining or not joining any association, including labor unions and collective bargaining.

By December 31, ZTE had a total of 84622 employees (including 60758 of the parent company).

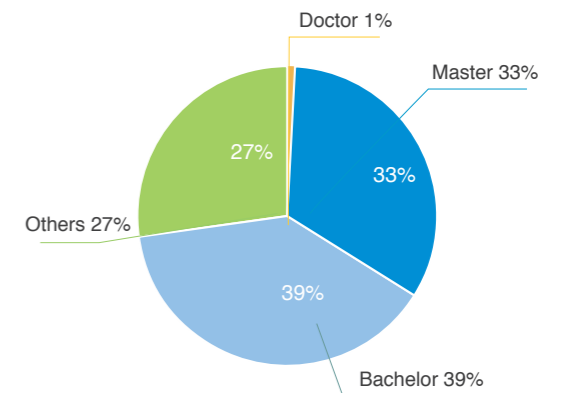
Career Development of Females

We provide female employees with a variety of opportunities and training for their career development, allowing them to reach their full potential and ingenuity. We help them balance their work and life by offering lectures and activities on special topics involving women's health, marriage and family, and parenting each year.

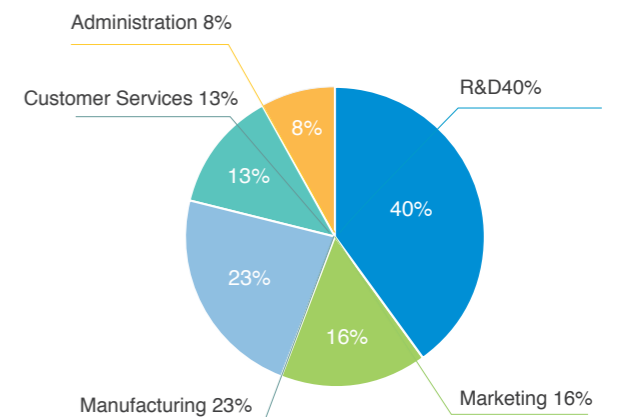
Proportions of Employees by Age Group



Proportions of Employees by Level of Education



Proportions of Employees by Position Classification



Pregnant employees can enjoy antenatal leave specified by the Company, in addition to maternity leave according to relevant Chinese laws. We have set up special dining areas for pregnant women, and provided maternal & child services for female employees in the lactation period.

Staff Localization

ZTE is pushing forward the talent localization strategy as local staff is more familiar with the local resources. We are at the same time promoting intercultural communication to make local staff better understand the corporate culture and the Chinese staff enjoy local cultures better. We believe that in this way, we can all work in a fair, open, and energetic workplace.

Orientation training of local staff

On August 7, 2015, we provided systematic training for about 30 local new employees of pre-sales, post-sales and handset departments in Venezuela. The training courses were on the company history and culture, market and product, and common internal systems. The orientation courses helped new blood fit in faster.

ONE-ZTE—Intercultural communications

We recognize the important value of local staff for business development and operation promotion and thus attach great importance to the cross-cultural communications between Chinese and local staff. In 2015, we launched "ONE-ZTE" activities in overseas offices to enhance awareness of the local staff of the enterprise and the corporate culture. We also designated 40 cross-cultural ambassadors to help bridge local employees and the company headquarters and to guarantee the smooth implementation of the "ONE-ZTE" activities.

Democratic Management

We have a sound employee representative congress system to guarantee employees' rights to know, to participate, to express themselves, and to supervise in the Company. This system allows 600-plus employee representatives to exercise their rights of democratic election, management, and supervision in online and offline ways including the HR Online – Labor Union Election, NOTES – Employee Representative Congress Vote, and DMS systems. In 2015, we held five congress meetings, received five proposals, and reviewed, approved and publicized five events involving the shuttle bus and catering services, affordable housing, and foundation auditing and reporting.

Inclusive Workplace

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

Competitive Remuneration and Benefits

To attract and retain talents, we keep improving our remuneration mechanism. We combine the individual abilities, position, and performance of an employee together for appraisal, and establish long-term effective incentives to provide employees with equitable and competitive remuneration.

<p>Five social insurances and one housing fund</p> <p>ZTE provides legal social security insurances, including the pension insurance, health insurance, maternity insurance, work-related injury insurance, unemployment insurance, and public housing fund.</p>	<p>Commercial insurances</p> <p>ZTE buys more than two personal casualty insurances for employees, and offers commercial insurances (including disease insurance, casualty insurance, and critical disease insurance) for them, their spouses, and their children, to help respond to sudden difficulties.</p>	<p>Overseas employees</p> <p>ZTE provides overseas employees with annual leave and spouse visit leave, offers international emergency support to overseas resident employees and employees on business trips, and specifies spouse accompanying policies for excellent employees overseas, to guarantee their safety and alleviate their homesickness.</p>
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Occupational Health and Safety

To achieve this, we advocate healthy life through the Share website and the Labor Union's mailbox for commercial insurances, and by holding lectures on health and disease prevention. We organize checks of accident risks around employees to build a safe, healthy, and life-centered work environment. We care for employees in special work environments or with heavy workloads, pay attention to employees' mental health, and pay visits to and help those in hospital due to injuries or diseases in a timely manner.

EAP for mental health of employees

The Employee Assistance Program (EAP) is a systematic and long-term benefit and support program that ZTE offers to its employees and their families. ZTE EAP provides counseling, publicity, training, and crisis intervention services covering career, marriage, parenting, and physiological science. In 2015, this program provided counseling for 914 employees. 85.63% feedback showed that the consultation was very helpful (on a "helpful" scale from

0 to 9, the result was 7) in easing the mood, improving family relationship, and relieving pressure. Moreover, we regularly publish articles on mental health on the intranet, official WeChat account, and monthly e-magazines, so that employees can know more about and pay more attention to mental health. Our EAP lecturers provided personalized trainings on social relationships and emotion management at representative offices at home and abroad.

Care and Concern for Employees' Lives

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

Balance Between Work and Life

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



Hobby Associations

- Sports associations covering basketball, football, badminton, swimming, table tennis, tennis, dancing, Yoga, Tai Chi, martial arts, and aerobics.
- Recreational associations covering calligraphy, entertainment, and reading.

Recreational Activities

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

Sports

- ZTE Sports, sports games with fun, football matches, basketball matches, hiking, and plank relay
- ZTE sponsored the marathons in San Francisco and Shenzhen and encouraged staff to join the game.

Strengthen shuttle service management

To strengthen shuttle service management, we further optimize the shuttle App, standardize shuttle routes, supervise shuttle suppliers, improve service quality, and ultimately improve employee satisfaction.

Improve dining environment and create new service models

We have launched online food order and delivery, and offered higher-grade catering services. We build Employees' Home to provide mini tea bars. We will go on to improve service models and dining environment, meet more consumer requirements, and make better cost control.

All-Embracing Life Services

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



Environment, Our Obligation to Protect

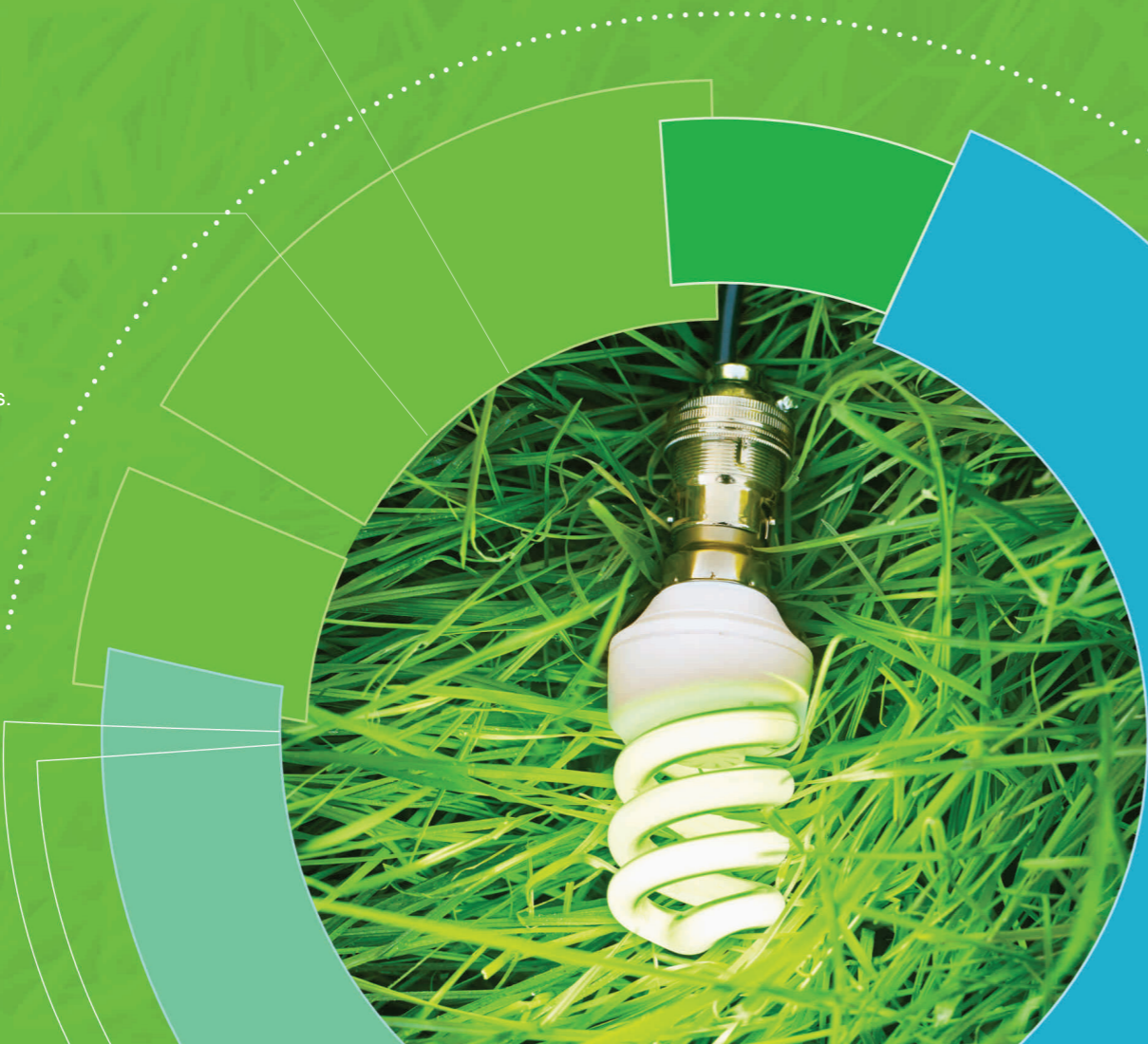
We roll out new energy-efficient products and services boasting greater business value with scientific rigor, and apply the green strategy in product R&D, manufacturing, supply chain, and logistics, to put ZTE on a sustainable path.

 **100%**

In 2015, 100% new recruits attended the EHS Fundamentals training.

 **0**

In 2015, there is no occurrence of environmental protection-related violations or penalties.



Greenhouse Gas Emission Reduction to Combat Climate Change

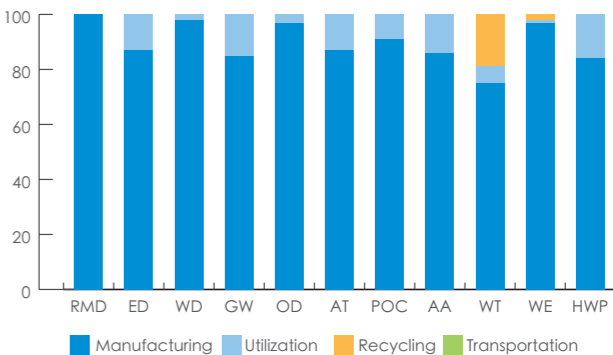
ICT plays an important role in combating climate change and reducing greenhouse gas emissions. GeSI SMARTer 2020 shows that by 2020, the ICT industry will reduce its greenhouse gas emissions by 1.3 billion tons of CO₂e, accounting for 2.3% of that around the world. With the ICT technologies and solutions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

Cutting Greenhouse Gas Emissions during Its Own Business Operation

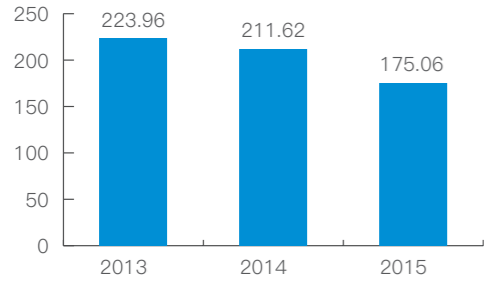
ZTE pays close attention to environmental protection performance throughout the product lifecycle, and strictly complies with the ISO 14040: Environmental Management — Life Cycle Assessment — Principles and Framework to improve its overall product lifecycle assessment capability. Expert teams have been established to analyze, quantify, and improve 11 categories of environmental indicators applied during the lifecycles of mobile phones, multimedia terminals, broadband terminals, bearer network devices, base stations, and other products. These indicators include raw material depletion (RMD), energy depletion (ED), water depletion (WD), global warming (GW), ozone depletion potentials (ODP), air toxicity (AT), photochemical ozone creation (POC), air acidification (AA), water toxicity (WT), water eutrophication (WE), and hazardous waste potentials (HWP).

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

Smartphone Lifecycle Assessment Result in 2015



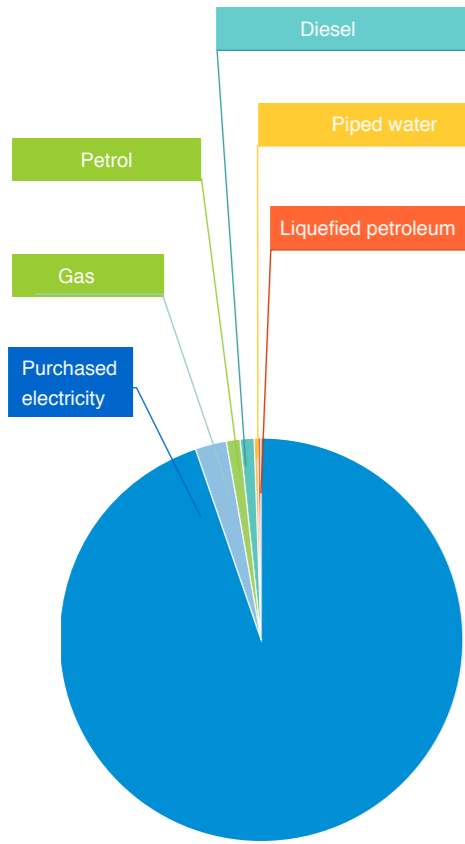
Carbon Emissions of Unit Sales in 2013-2015
(unit: tCO₂e/one hundred million yuan)



Helping Customers and Society Reduce Greenhouse Gas Emissions

Through innovation, ZTE provides customers with green, effective, and efficient technologies and solutions for energy conservation and emission reduction, to help our customers and society reduce greenhouse gas emissions. Compared with existing wireless architecture technologies, we propose our innovative architecture and low-carbon product series boasting 70% to 90% lower energy consumption. Assume that there are one million base stations among the three major operators in China, a total of 7.9 billion kWh of electricity can be saved and 1.05 million tons of carbon dioxide emissions can be cut each year.

Energy Conservation and Emission Reduction to Achieve Green Business Operation



Energy and Resources Consumption Structure of ZTE in Shenzhen in 2015

We highly value resource conservation and environmental protection. We strive to integrate this awareness into all business links, and fulfill our commitment to low-carbon and green business operation.

Energy and Resources Conservation

By the end of 2015, ZTE in Shenzhen consumed different types of energy equivalent to 24973.75 tons of standard coal, of which purchased electricity accounted for 94.67%.

Energy and Resources Conservation

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

Energy conservation

ZTE has established the ZTE Energy Conservation Committee and developed Energy Conservation and Consumption Reduction Regulations to comprehensively manage and promote energy conservation and consumption reduction. At the product level, we take energy-saving measures and promote cleaner production to increase energy efficiency. At the business operation level, we upgrade equipment and strengthen daily energy management to make energy conservation more concrete and operational. We regularly publish energy conservation information on the intranet to improve employees' awareness and capability of consumption reduction.

In 2015, we set up and passed the ISO 50001 energy management system certification.

All divisions inspect themselves and the administrative departments of the Company implement regular inspections, to look for violations and impose penalties on involved departments and personnel, and to reward individuals and teams with excellent performance in this aspect, thus encouraging more employees to contribute to energy conservation and emission reduction.

Pollution Emission Reduction

Wastewater treatment

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

Waste gas treatment

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

Solid waste treatment

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

In 2015, a total of 125.25 tons of hazardous waste was generated and all has been recycled by companies with professional qualifications.

Noise control

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

Green Concept to Provide Green Products and Solutions

Based on its technical advantages, ZTE is able to serve its customers with green production and green life by providing environmentally protective and energy saving products and solutions.

Green Products

Environmentally friendly design

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

By the end of 2015, a total of 17 mobile phone products have passed the ULE certification, among which two products have received the platinum-level certificate.

Safe control

ZTE conducts hazardous substances control throughout the process from product design, procurement, distribution, production, to delivery in strict compliance with the latest requirements of the QC080000 specification that helps manufacturers of electrical and electronic products and components implement a Hazardous Substance Process Management (HSPM) system, with up to 30 types of level-1 controlled substances and 163 to-be-declared substances. In addition, the Company has established environmental protection labs, gained RoHS and halogen-free testing capabilities, and was certified by both CNAS and DILAC. We have also introduced the advanced environmental protection system WPA (Windchill Product Analytics) and

integrated it into the internal IT system, to systematically capture and validate data of suppliers, collect contents of toxic substances in materials, manage environmental compliance analysis, and ensure that suppliers follow the Company's requirements on hazardous materials and substances. Moreover, we carry out exchanges and research in collaboration with a number of partners and professional institutions, to lift the industry's safety control to a new level.

Green Solutions

Innovative green technologies

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

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



Giving full play to the advantages of wireless charging technology, to adapt to the new energy automobile market

In response to the national call for the development of new energy vehicles and also out of the sense of responsibility for a better living environment, ZTE has been working actively on a package of solutions on the new energy vehicle plan, including: To develop wireless pure electric bus leasing, investment in the infrastructure and services for urban electric vehicle charging, provide on-demand supporting financing options for the customer. On January 23, 2015, ZTE started a joint venture with a subordinate enterprise of the Sichuan Electric Power Company of State Grid to explore the new energy automobile market. The joint venture will, on the basis of traditional centralized charging mode, take advantage of ZTE's industry-leading wireless charging solutions to set up distributed wireless charging stations for automobiles. Such stations enable easy, fast, safe, automatic, and unattended charging, thus significantly reducing infrastructure management costs.

Compared to cable charging, the wireless charging technology of ZTE is more convenient for the new energy automobiles as it does not require other extra floor or wall space than a parking space. That is, weather factors do not have to be considered. The wireless charging system can still work properly even after being soaked in water. The new energy automobiles only have to park at the target parking space and then the underground electromagnetic wireless energy sending module can start automatically to complete charging to the wireless charging system pre-installed on the cars.

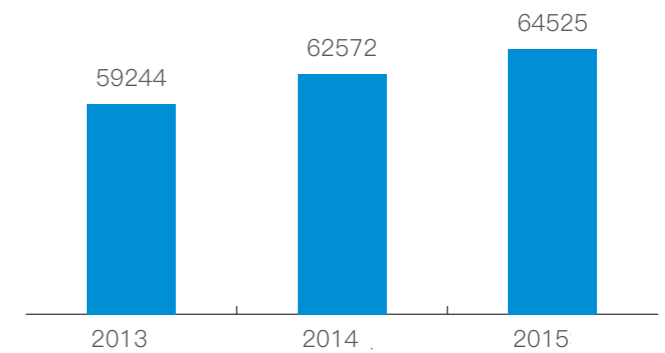
Green new energy

At present, energy shortages have become the number one constraint on the development of many countries and regions. Solar energy, as a new green energy, is clean, renewable, safe, reliable, and cost effective, and thus is receiving more attention from a growing number of countries, especially those suffering from energy shortages. With over 20 years' experience in energy exploitation and utilization, ZTE is the first Chinese company to provide solar energy products and services for overseas customers, and has created the largest solar power system for communication networks (9.18 MW solar network, Ethiopia) in the global market.

Green cloud conferencing

The ZTE meeting shared services center (referred to as "meeting SSC") was officially put in use in 2010. We encourage employees to hold video conferences and conference calls to reduce the number of business trips and thus to lower transport vehicle emissions, energy consumption, and carbon emissions. The number of green cloud video conferences has been growing in recent three years. It has become a most

preferred conferencing solution in the Company. To reduce international travels, overseas sales offices of ZTE have started setting up project bidding rooms since 2012 to address issues on project bidding, expert response, and project clarification. By the end of 2015, such rooms have totaled 86 and 8734 remote conferences were held during the year.



Green Cloud Conferencing in 2013-2015



Information Security, Worldwide Concern to Tackle

As a global leading provider of integrated telecommunications solutions, ZTE is willing to make every effort to create an inclusive and effective information security system, and is ready to partner with counterparts both technologically and in terms of service provisioning to guarantee information security and offer reliable security terminals.



successfully upgraded

In 2015, ZTE's information security management system was successfully upgraded to ISO/IEC27001: 2013 Edition.



the first

In 2005, ZTE became the first mainland company that was certified by ISO/IEC 27001: 2005.

Robust Information Security Management Structure

ZTE is the first Chinese company certified to the ISO/IEC 27001:2005 standard. By the end of 2015, we have received the ISO/IEC 27001:2013 certification in the branches in China, India, America, France, Germany, Holland, and Turkey.

ZTE Information Security Management Structure



Product Security

Upholding the principle of "satisfy customers with complete guarantee, rapid response, and secure and reliable products," ZTE is playing a positive role in maintaining network security, individual user data security, and privacy.

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

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

In 2015, we developed multiple products with powerful security performance.

All-round security guarantee system

Supply Chain

Improve product security management for suppliers, and develop precise product security tracing and identification capabilities, to ensure effective operation and continuous enhancement.

Manufacturing

Establish a security management mechanism covering material supply, manufacturing, packaging, and shipment, to ensure consistency and traceability of product information in the manufacturing and delivery processes.

Verification & Audit

Build a comprehensive product security evaluation capability, process, and review mechanism, to ensure the information security guarantee capability of all delivered products, and effective implementation and continuous enhancement of all product security standards.

Service delivery

Strengthen the security delivery operation process, and integrate security requirements for key products into all delivery activities.

Security Management

Establish effective product security information release and emergency response mechanisms to rapidly identify and respond to risks, and ensure that security incidents can have preliminary handling within 24 hours.

R&D

Promptly update and improve product security baselines and product security design standards for major products, perform security scanning and check on hundreds of millions of products' source codes, to ensure the security of communications products and solutions in the R&D process.



Axon has multiple security-related patents

Axon uses "two-way Hi-Fi", dual rear cameras, and biosafety recognition technologies of fingerprint, voiceprint, and eye pattern. It also features innovations and patents (more than 50 core patents) in terms of recording, dual camera focusing, antenna on the metal casing, security, and touch control.

Communications Security Guarantee for Major Events

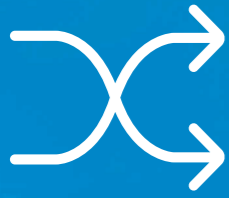
ZTE is committed to providing stable and smooth communications during state visits by Chinese leaders, major events, and disaster relief.

Escorting World Internet Conference Wuzhen Summit

On December 16-18, 2015, the second World Internet Conference Wuzhen Summit was held. ZTE set up a 150-specialist team to guarantee the 24x7 proper operation of the wireless network, bearer network, data network, and cloud network of the three telecom operators in Zhejiang. To guarantee the communications of the Conference, Zhejiang Mobile used the Pre5G product of ZTE and the real data rate tested in Wuzhen reached 530 Mbps with the frequency use efficiency improved by more than 5 times. In terms of transportation routes, the Shanghai-Hangzhou high-speed rail was taken as a pilot site for ZTE to demonstrate the enhanced network performance. In fact, the experience of the high-speed rail passengers was significantly improved in the short term.

Communications network maintenance for the earthquake-hit region in Nepal

On April 25, 2015, Nepal was seriously hit by an 8.1-magnitude earthquake. About 10% of the nearly 2000 base stations built by ZTE in Nepal were damaged. First things first. After the earthquake, ZTE arranged for emergency response and repaired the damaged base stations in critical areas. ZTE staff attended the operator equipment room to ensure smooth communications.



Sustainable Supply Chain, the CSR to Undertake

We collaborate closely with global suppliers and distributors, sharing procurement information and management experience with them, and assisting them in improving their efficiency. By doing so, we build up a CGO corporate identity among our partners and deliver our CSR management requirements in the supply chain in a more effective way, to urge companies up and down the supply chain to fulfill their responsibilities and create a transparent and sustainable supply chain.

322

In 2015, 322 suppliers signed the new Supplier CSR Agreement with us.

95

In 2015, we audited 95 high-risk suppliers on site.



Supply Chain Management System

In 2015, we effectively carried out supply chain CSR management work, continuously improved the supplier CSR management standards, and urged the suppliers to continue to abide by all relevant laws and regulations and the supplier CSR management requirements of ZTE.

CSR agreements and codes of conduct for suppliers

We are fully committed to maintaining the highest standards of integrity in our business conduct and fulfillment in our CSR. We strictly adhere to the ZTE Supplier Code of Conduct (hereinafter referred to as the code) and put forward CSR requirements to our suppliers in terms of law abidance, respect for human rights, labor employment, health and safety,

environmental protection, and business ethics. All suppliers, especially the key suppliers having long-term partnerships with ZTE, are required to comply with the code and relevant laws and regulations of the countries they run business in. 322 suppliers signed the Supplier CSR Agreement with us in 2015.

Strict and Impartial Supplier Evaluation Mechanism

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

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

We conduct supplier risk evaluation every year. In 2015, we introduced and expanded partnership with 266

suppliers, and conducted field evaluation on 95 high-risk suppliers. Based on the analysis and review result, we developed targeted and focused improvement plans for them to establish effective CSR management systems and promote their overall CSR management.

In 2015, we made more effort in training full and part-time CSR auditors, and arranged two classroom training and 8 field training sessions for part-time CSR auditors. The Company also improved the supplier CSR management process and released the supplier CSR auditing guidance tool kit to boost the efficiency and quality of supplier risk evaluation and review.

Conflict Minerals

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

chain with our leading role in the supply chain. To better understand policy trends, ZTE actively participates in industry projects, and has joined the Global e-Sustainability Initiative (GeSI), one of the main tasks of which is to study the conflict minerals and

formulate mineral conflict-related tools (for example, the report template, audit guide, Conflict Minerals Free Smelters of tantalum, tin, tungsten and gold).

We continue to improve the conflict mineral system, and appointed a vice president of the Company as the conflict mineral management representative. We have published ZTE's Policy on Illicit Trade in Natural Resources, and require all suppliers to sign the agreement of Conflict-

free Metal Declaration of Commitment as a promise of no purchase or use of conflict minerals from conflict-affected and high-risk areas. In 2015, we released the *Report on Conflict Minerals* to provide relevant parties with our progress in conflict mineral management. Furthermore, we have established a conflict mineral complaint mechanism to facilitate timely communication with suppliers about conflict mineral-related risks.

Improvement of a Sustainable Supply Chain

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

Supplier CSR Training

We strengthen the cooperation with suppliers, share good practice experience, and help suppliers improve the sustainable development ability. In 2015, we worked much more in CSR training and field coaching for suppliers, especially for the senior management

of suppliers. The company provided CSR training for 138 management and CSR technical personnel from 119 suppliers on ZTE's environmental protection requirements.

"Stronger Together" – ZTE Supplier Day 2016

On November 11, 2015, ZTE's annual global supplier conference with the theme of "Stronger Together" was held in Shenzhen. It was pointed out in the conference that in the era of M-ICT, ZTE will create customer values at the core, focus on four major markets, including operators, government and enterprise business, mobile terminals, and the blue ocean, to accelerate cross-border integration of information technology and traditional industries. ZTE proposed a prospective idea of developing a smart supply chain, demonstrated a blueprint of value chain and ecological chain with the smart supply chain platform at the core, and called on all partners to work efficiently together towards an excellent smart supply chain, pass on and share values, and ultimately construct an ecosystem in the M-ICT era. The conference grants 7 categories of awards to 75 suppliers worldwide.

Enhancement of Channel Partners' Management Capability

We work with global channel partners to help regulate their business conduct, maximize procurement flexibility, and improve their sustainability, to the end of building impartial, open, clean, efficient, and transparent channels.

A Green Supply Chain in the Making with the Help of Suppliers

ZTE signs "ZTE Supplier Environmental Protection Commitment", "ZTE Supplier CSR Agreement" and "ZTE Supplier Code of Conduct" with existing and newly certified suppliers. The CSR module is included in the annual audit of suppliers, where energy conservation

and emissions reduction is an important content of CSR auditing. Every quarter, we make performance appraisal on suppliers from the aspects of technology, quality, delivery, cost, service and CSR, where environmental impact is covered in the CSR part.

Value Sharing among the Global Supply Chain

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

Localized Procurement

Purchasing materials and parts overseas can greatly reduce purchase costs, and create job opportunities for involved countries and regions to promote the local economy. We have formulated the Mandatory Requirements for Overseas Local Material Suppliers, specifying ZTE's overseas local procurement policies on supplier certification, material certification, business negotiation, product delivery, quality control, payment, and performance assessment.

In some focus countries, we conduct quarterly appraisals on suppliers. We evaluate their performance

in techniques, quality, delivery, and services, and communicate with them to make joint effort to improve their performance.

Diversified Supply Chain

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

U.S.	Following local laws and regulations, we prefer companies started by females for cooperation.
South Africa	We prefer companies with a higher proportion of black people employees for cooperation, so as to support the BEE plan of local government. We require our partners of South Africa, including material suppliers, outsourcers, and logistics providers, to hold the BEE certificate, and to be qualified as an at least level 4 contributor before they can establish partnerships with ZTE. We do so in the hope of weakening racial discrimination and creating an equitable and orderly job market in that region. We received a total of 24-plus BEE certificates in 2015, largely covering key partners having in-depth collaboration with ZTE. This has effectively helped ZTE establish a good social image among local customers and created opportunities for long-term cooperation with them.



Benefits for Global Citizens, Our Vision and Promise to Deliver

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

8+ 4.082

In 2015, ZTE Foundation made a donation of 4.082 million yuan, excluding some overseas and other donations.

10 years

ZTE launched the war veteran assistance program in 2005 on the 60th anniversary of the victory of World War II. The project won the title of "Welfare Model· Best Practice" of "2015 Enterprise Welfare Blue Book" released by the Corporate Social Responsibility Research Center of Chinese academy of Social Sciences.



Creation of an Innovative Social Climate

In ZTE, innovation has already fitted into the daily work of every employee.

"ZTE Cup" science and technology innovation contest for graduate students

In April 2015, ZTE and the graduate school of Xi'an University of Posts and Telecommunications co-hosted the "ZTE Cup" graduate student innovation contest and the 3rd "Innovation Cup" contest of academic and sci-tech works. 100-plus graduates in 25 teams took part in the competition that lasted for more than 60 days. 12 teams entered the finals. The competition was concerned with six fields including hardware design, software design, and mathematical modeling. Works covered the construction and development of an education website platform, the control system of a mechanical arm through facial recognition, 3D magic invitation card, PM2.5 real-life data measurement analysis, and greenhouse environment monitoring system development. Such a competition was not only mind blowing but also pragmatic with good social benefit.

Sponsored the ICT innovation competition in Ethiopia

In August 2015, the 4th ICT Innovation Contest of Ethiopia sponsored by ZTE was held. It is the only nationwide large-scale ICT-related competition continuously held in the country. The theme for 2015 was "The 4th National ICT Innovation Competition with ZTE". There were more than 150 college students and other ICT specialists who participated in the competition. Teach them to fish is better than giving them fish. ZTE's sponsorship was helpful for the competition, helped local innovative talents to emerge, and ultimately pushed the local information industry forward.

ZTE Charity Night in USA



Tree-planting activities in Ethiopia



Promotion of the Technological Capability of the Industry

We are positively engaged in exchanges and partnerships with counterparts in the communications industry. We act as an active participant in formulating industry standards, and share our development experience and outcomes, to make the industry healthy, prosperous, and sustainable. We increase communication and exchanges with counterparts to boost the industry by hosting and participating in industry forums and exhibitions in China and abroad. By the end of 2015, we have become a member of more than 70 international standard organizations and forums.



Time	Meeting	Participation
2015.03	The 1st Voice Salon of the world's first voice technology alliance—Smart Voice Alliance	To share the future development trend of voice smart terminals
2015.03	CeBIT	To pass on the "Enabler@M-ICT" ideas and demonstrate abundant solutions and products
2015.07	CANTO the 31st Trade Expo	To share total solutions at the expo that ZTE attended for the first time
2015.07	Small Cell global summit	To share innovative Qcell solutions
2015.10	2015 Global Broadband Forum	To share iCDN solutions of Smart Pipe and Smart Life
2015.12	World conference of Internet "M-ICT Forum"	President Shi Lirong shared the M-ICT strategy

Impetus for Community Development

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

Helped Build Smart School in Belarus

In October 2015, the Electronic Teaching Equipment Donation Ceremony of ZTE was successfully held in Minsk 23rd Middle School. This school is so special (and unique in Minsk) that it has a Chinese course taught in Belarusian. 2016 will be the graduation year of students who take the first Chinese test. Recent years have seen many students from this school winning various Chinese contests. For example, Sophia, a student from the 23rd Middle School, won the first place in the Chinese Bridge contest in Belarus and will go to Yunnan Province of China to participate in the Chinese Bridge Final. For a better teaching and learning environment of the 23rd Middle School, ZTE donated 20 ZTE tablets, digital all-in-one projectors and the Wi-Fi coverage of the whole school.

"We set up a teaching center at the communications institute, which not only helps college students, but also primary and middle school students. I sincerely hope that they enjoy the learning environment and that the smart school can grow smoothly in Belarus."

—Tang Luhao, National Representative of Belarusian Office

"Teenagers are the hope of their homeland and the world, as well as the bridge between two countries. Belarus and China share the same education principles and we are happy to join in the efforts in creating a better future for the new generation. I believe that a better tomorrow is coming after today's endeavors."

—Cui Qiming, China's extraordinary ambassador to the republic of Belarus

Devotion to Charitable Donations

We strongly encourage and advocate all kinds of public welfare and philanthropic activities, sparing no effort to help disadvantaged groups and make contributions to society. In 2015, ZTE public foundation donation had a donation income of 4.342 million yuan, 2.249 million yuan of which was from ZTE Corporation and its affiliates, employees, cooperative enterprises, 2.093 million yuan of which was from investment income and other income. The foundation made an external donation of 4.082 million yuan.

Season of giving community charity program

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

On November 22, 2015, ZTE volunteers, together with Dwight Howard, a professional basketball player for the Houston Rockets of the NBA, went to distribute food and Thanksgiving gifts to 50 families covered by the "Hunger Elimination Plan", a local charity organization.

On December 10th, 2015, ZTE volunteers, together with Trevor Ariza and Houston Rockets bear mascot, held a special holiday loving party for children of local famous charity team "The

Boys & Girls Club".

On December 12, 2015, the "ZTE Charity Night" was held during the NBA game between Houston Rockets and Los Angeles Lakers to share with Rockets fans the charity activities co-performed by an enterprise and an NBA team.

ZTE has a tradition of serving the community and return the society. This is our third year in a row to hold the Thanksgiving season series of community charity events in collaboration with the Rockets! We feel very proud to hold such charity activities with an NBA team that also has great social responsibilities!"

—Cheng Lixin, CEO of ZTE USA



Aid the Anti-Japanese War veterans in ten consecutive years

2015 was the 11th year since ZTE launched the war veteran assistance program in 2005 on the 60th anniversary of the victory of World War II. ZTE was the first enterprise to aid the war veterans in Baoshan, a main battle field in western Yunnan that saw more than one hundred thousands of soldiers sacrificed their lives in the Anti-Japanese War. Now there are only 102 veterans in Baoshan and their average age is 91. Each year, we send consolation money to war veterans, to not only help them economically in their old age, but also convey a message to them that we never forget them, we respect them, and we cherish their contributions. This will also inspire their families and friends to respect and care for them more. In the past 11 years, ZTE has been helping an increasing number of war veterans and an increasing amount year by year. Now the amount for every veteran has increased to 5000 yuan per year. We've also set up the "Anti-Japanese War Veteran Fund" to ensure that the veteran care charity can sustain for years to come.

ZTE's charity donations have driven the attention of the local government. Tengchong and Longling governments started to issue 1000 yuan allowance per person from their annual budget to the Anti-Japanese War veterans living in their counties. They also provide 1-2 charity medical checks to the veterans every year. A growing number of local civil society groups have also started to make periodical donations to the veterans.

More and more social groups have been joining to care for the war veterans in recent years, but ZTE is the only one who has persisted for 11 years till now. ZTE is one of the enterprises who started to made donations to war veterans. ZTE tried very hard to send the money to the hands of the veterans, no matter how difficult it is to reach them. In some cases ZTE people have to trek through mountains.

—Zhao Xueliang, Deputy Minister of United Front Work Department, Baoshan Municipal Party Committee



Vocabulary

This vocabulary lists technical terms used in this report. Some may not have exactly the same interpretation or usage as when they occur elsewhere in the industry.

- 2G** It refers to the second-generation Global System for Mobile Communications (GSM) and Code Division Multiple Access (CDMA) mobile networks that use digital radio technology for higher network capacity and improved voice quality and security, and at the same time provide seamless international roaming. GSM is a global cellular mobile telephone communication system that uses time-division multiple access codes and is originated in Europe, while CDMA is one of the spread spectrum technology standards. The capacity for 2G data can reach 115.2 Kbps. The GSM technology uses enhanced data rate (EDGE) and delivers a rate of up to 384 Kbps.
- 3G** It refers to the third-generation mobile network that provide peak rate of up to 144 Kbps when a user is moving fast, up to 384 Kbps when a user is walking, and up to 2 Mbps when a user is in an idle state.
- 4G** It refers to the fourth-generation mobile networks that, according to the ITU-defined IMT-Advanced standards, include the LTE-Advanced and Wireless MAN-Advanced (802.16m) standards. They are able to deliver 1 Gbit/s (in fixed status) and 100 Mbit/s (in mobile status) peak downlink rates theoretically.
- 5G** The fifth-generation of mobile communications extensively refers to the collection of post-4G broadband wireless communications technologies. A general view of the 5G is that it is able to provide higher data throughput (1,000 times of current networks), more connections (100 times of current networks), more efficient energy use (10 times of current networks), lower end-to-end delay (1/5 of current networks), and can cover a variety of scenarios beyond man-to-man communication, such as ultra-dense network of communication, machine-to-machine communication, and Internet of Vehicles.
- Pre-5G** The pre-5G technology uses the 5G technology and the current air interface standard and even the current terminals, allowing users the early access to 5G experience.
- LTE** LTE stands for Long Term Evolution. It is an evolved 3G technology, that is, a fourth-generation mobile communication technology with OFDM as the core technology. LTE is promoted by 3GPP standards organization and is still evolving. By duplex mode, it can be divided into Frequency Division Duplex (FDD-LTE) and Dime Division Duplex (TDD-LTE). It supports mixed operation of FDD-LTE and TDD-LTE. In terms of networking, it supports homogeneous networks of macro station + macro station and also heterogeneous networks of macro station + micro station.

ICT IT refers to information processing technology. CT refers to the communication (messaging) technology. ICT refers to the new products and services produced after the integration of information and communication technologies.

Cloud Radio It refers to an innovative wireless solution that is capable of choosing the best coordination mode according to the mobile network properties and the mobile carrier conditions. It is able to effectively inhibit the inter-cell interference in an LTE network and greatly improve network performance at the cell edge.

QCell It means that the Ethernet is used to connect BBU (Baseband Processing Unit) to PICO RRU (a small radio frequency remote module) and to supply power to the PICO RRU. Therefore, the indoor coverage of an LTE network can be provided only if the Ethernet network cable is deployed.

UBR It refers to an ultra-broadband radio frequency that can support 170 MHz of bandwidth at the 800 MHz frequency band or support 365 MHz of bandwidth at the 1.8-2.1 GHz frequency band, both of which are far more than what a conventional traditional RRU (Radio Frequency Remote module) can support.

Magic Radio It refers to an innovative technology that enables GSM and LTE to share a spectrum, so that in a limited spectrum width, more GSM and LTE services can be supported.

RCS RCS stands for Rich Communication Suite. It helps operators to take advantages of the telecommunications networks and use the users' community relations database as the core to build the Internet ICT converged communications network services. By opening the cooperation access of converged communications to Internet manufacturers and enterprises, the current VoIP and IM communications channels can be integrated into the converged communications network so that the information asset of users can be accumulated and the value of mobile Internet traffic can be increased.

PTN PTN stands for Packet Transport Network. It is a network that is designed to meet the requirements of burst packet traffic and statistical multiplexing transmission, supports multi-service provisioning with the packet traffic at the core, and uses the MPLS-TP technology. PTN has a lower total cost of ownership while features the traditional advantages of a optical transmission network including high availability and reliability, efficient bandwidth management mechanisms and traffic engineering, convenient OAM and network management, scalability, and high security.

WDM WDM stands for Wavelength Division Multiplexing. It is a technology which multiplexes a number of optical carrier signals onto a single optical fiber by using different wavelengths (i.e., colors) of laser light. This technique enables bidirectional communications over one strand of fiber, as well as multiplication of capacity.

OTN OTN stands for Optical Transport Network. OTN was designed to provide support for optical networking using wavelength division multiplexing (WDM). OTN uses the “digital transport system” and “optical transport system” specified by ITU-T standards, including G.872, G.709, and G.798, to solve the problems of a traditional WDM network, including no wavelength, poor dispatching capability of the sub-wavelength, weak network capability, and weak protection capability.

PON PON stands for Passive Optical Network. The PON technology is used to provide customers with optical fiber access in a point-to-multipoint topology structure. It saves the backbone fiber resources and at the same time has the functions of traffic management and security control. It can be classified into FTTH, FTTP, FTTB and FTTC depending on the destination of the fiber, or GPON, EPON, 10G EPON, XG PON by the technical standard.

IPTV IPTV stands for Interactive Personality TV. It is also referred to as interactive network TV. It is a new technology that uses broadband network and integrates Internet, multimedia and communications technologies to provide household users with digital television and other multiple interactive services.

IDC IDC stands for Internet Data Center. It is a location that hosts the servers of enterprises, merchants, or websites. It is the infrastructure for different e-commerce forms to operate in a secure way and also the platform for enterprises and their business alliances (its distributors, suppliers, customers, etc.) to carry out value chain management. IDC provides Internet Content Provider (ICP), enterprises, media and websites with large-scale, high-quality, secure, reliable, and professional server hosting, space renting, network bandwidth wholesale and services such as ASP and EC.

IOT IOT stands for Internet Of Things. It is also known as the sensor network, which combines all kinds of information sensing devices (such as radio frequency identification device, infrared sensor, global positioning system, and laser scanner) and Internet to form a huge network. Its purpose is to let all the items to connect with the Internet for easy identification and management.

P-OTN P-OTN stands for Packet Optical Transport Network. It is based on the unified cell exchange kernel to implement MPLS-TP packet switching and ODUk cross-connection. At the same time, it can support service dispatching of 100% packet to 100% service access based on the mixed PO line card. It can be widely used in mobile backhaul, group customer dedicated line and home broadband services with effective separation of services of different natures.

SDN SDN stands for Software Defined Network. It is a new type of network architecture. It separates the control plane and data plane, and turns the originally enclosed software and hardware telecommunications devices into a new network architecture that features centralized control, open interface and programmable software.

CDN CDN stands for Content Delivery Network. It is a network architecture that is able to redirect user requests to the service node nearest to the user in view of the network traffic, connection and load status of all nodes, and information including distance to the user and response time.

Mobile Internet It means that the Internet is accessed through mobile terminals including the smart phone, portable digital assistants, tablet, and laptop. More mobile Internet services are coming out along with the popularity of smart terminals, including mobile computing, mobile music, mobile phone games, positioning, wireless community, and wireless payment.

Cloud computing Cloud computing is the integrated and developed product of traditional computer technologies and network technologies, including grid computing and distributed computing. Basically it puts massive computing resources interconnected on a network under centralized management and scheduling, thus forming a computing resource pool to provide services by demand. The cloud computing is applied in SaaS, PaaS, and IaaS.

Big data Big data refers to large and various types of data sets, which can hardly be processed with the existing conventional database management technologies or tools. New data processing and management technologies are required to acquire values from big data in fast and economic ways. This is of revolutionary and long-term significance for information-based smart society and business modes. Big data features big volume, big variety, high velocity and high values.

Smart city A smart city uses cloud computing, IoT and big data technologies, as well as the wireline and wireless broadband technologies to sense, measure, analyze, and integrate all kinds of key information on the core system of city operation, so as to make smart response to requirements concerning people's livelihood, environmental protection, public security, urban services, and commercial and industrial activities. In this way, the smart city management and operation can be achieved, a better life be created for the people in the city, and thus the harmonious and sustainable development of the city.

Industry 4.0 It is a term coined by a group set up by the German Federal Ministry of Education and Research. Discussions about Industry 4.0 took center stage at Hannover Fair in 2013. The vision of Industry 4.0 is for "cyber-physical production systems" in which sensor-laden "smart products" tell machines how they should be processed; processes would now govern themselves in a decentralized, modular system. Smart embedded devices start working together wirelessly either directly or via either the Internet 'cloud' - the Internet of Things (IoT) - to once again revolutionize production. Rigid, centralized factory control systems give way to decentralized intelligence as machine-to-machine (M2M) communication hits the shop floor. This is the Industry 4.0 vision of the Fourth Industrial Revolution.

M-ICT Strategy

The strategy of ZTE is "Enabler@M-ICT, making information create values". "M" has the following connotations: 1) Mobile. The popularity of mobile terminals results in ubiquitous ICT services. 2) M2M: Man-Man, Man-Machine, and Machine-Machine. 3) Multiple connections. 4) Multiple services, more coverage and accessibility. 5) More secure, more reliable and easier to use.

M-ICT+

It is to use the M-ICT strategy to promote Internet+, help operators transform, help government and enterprise customers improve the efficiency and transform, and ultimately improve the quality of people's life. Internet+ interconnects Internet and traditional industries, and open Internet for interconnection and sharing, so that the concept of business innovation can be combined with the manufacturing and services of traditional industries, and traditional industries can be upgraded.

1 Cloud, 1 Network, and 1 Map

This is the core technology mode of ZTE's smart city 2.0 solution. "1 cloud" refers to the big data center cloud platform and upper applications that supports petabytes of data storage, sharing, and mining. "1 network" refers to the over 10000G optical backbone network, IoT, LPWA and other cross-city high-bandwidth elastic network that support safe isolation, secure and reliable data transmission, elastic and adaptation. "1 map" refers to the multi-dimensional spatial node positioning, diversified spatial data service based on intelligent sensing and true three-dimensional geographic information.

CGO Laboratory

The CGO Laboratory is responsible for the Company's innovation project incubation, blue ocean project development and management to support the Company's blue-ocean strategy to be carried out in the M-ICT strategy and the transformation to a more "cool, green, and open" strategy.

Wearable Devices

Wearable devices are the new-form terminals that are integrated with hardware and software, to be worn on the human body, capable for continuous interaction, and have certain computing capability. They are a product of the "people-oriented" and "man-machine-in-1" computing ideas along with the development of the communication, computer, and microelectronics technologies. Wearable devices can be watches, bracelets, glasses, helmets, shoes and socks, etc.

ESG GUIDE

● for full disclosure ⊙ for partial disclosure ○ for not covered / for not applicable

Indicator for Disclosure		Level of Disclosure	Position in the Report
Category: Environment			
A1: Emission			
General disclosure		⊙	Environment, our obligation to protect
A1.1	Types of emissions and related emissions data.	⊙	Environment, our obligation to protect
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
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
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
A1.5	Describe the measures to reduce emissions, and the results.	⊙	Environment, our obligation to protect
A1.6	Describe the method of handling hazardous and non-hazardous wastes, reducing the output, and the results.	⊙	Environment, our obligation to protect
A2: Use of resources			
General disclosure		⊙	
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
A2.2	Total water consumption and density (e.g., in terms of per yield unit, or per facility).	●	Environment, our obligation to protect

Indicator for Disclosure		Level of Disclosure	Position in the Report
A2.3	Describe the plan of energy use efficiency, and the results.	⊙	Environment, our obligation to protect
A2.4	Describes if there is any problem in seeking for the applicable water source, and the plan of improving the water use efficiency, and the results.	⊙	Environment, our obligation to protect
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
A3: Environment and natural resources			
General disclosure		⊙	Environment, our obligation to protect
A3.1	Describe the major impacts of business activities on the environment and the natural resources and actions taken to manage such impacts.	⊙	Environment, our obligation to protect
Category: Society			
Employment and Labor Standards			
B1: Employment			
General disclosure		●	Employees, the enabler of the future
B1.1	Total number of employees by gender, employment type, age group and the regional division.	⊙	Employees, the enabler of the future
B1.2	Employee turnover rate by gender, age group and the regional division.	—	—
B2: Health and safety			
General disclosure		●	Employees, the enabler of the future
B2.1	Death toll because of work issues and ratio	—	—
B2.2	Loss of working days because of industrial injury.	—	—
B2.3	Describe the occupational health and safety measures adopted, and related implementation and supervision methods.	⊙	Employees, the enabler of the future
B3: Development and training			
General disclosure		●	Employees, the enabler of the future

Indicator for Disclosure		Level of Disclosure	Position in the Report
B3.1	Percentage of trained employees classified by gender and employee category (such as senior management, middle management, etc.).	⊙	Employees, the enabler of the future
B3.2	Average training hours per employee classified by gender and employee category.	⊙	Employees, the enabler of the future
B4: Labor guidelines			
General disclosure		●	Employees, the enabler of the future
B4.1	Describe measures to avoid the hiring practices of child labor and forced labor.	●	Employees, the enabler of the future
B4.2	Describe the steps taken to eliminate any effects when some violations are discovered.	⊙	Employees, the enabler of the future
Operational practices			
B5: Supply chain management			
General disclosure		⊙	Sustainable supply chain, the CSR to undertake
B5.1	Number of suppliers divided by regions.	—	—
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
B6: Product responsibility			
General disclosure		⊙	Smart city, the bridge to the world
B6.1	Percentage of sold or shipped products to be recalled due to safety and health reasons.	—	—
B6.2	Number of received complaints about products and services and the methods of dealing with the complaints.	—	—
B6.3	Describe the practices related to the maintenance and protection of intellectual property rights.	—	Smart city, the bridge to the world
B6.4	Describe the quality verification process and product recycling program.	—	—

GRI Content Index

● for full disclosure ⊙ for partial disclosure ○ for not covered / for not applicable

	GRI Indicator	Level of Disclosure	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 statement made by a top management on sustainable development
	G4-2 Provide a description of key impacts, risks, and opportunities.	●	President statement/sustainable development/senior executive statement
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.	○	/
	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.		/
	G4-11 Report the percentage of total employees covered by collective bargaining agreements.		/

Indicator for Disclosure		Level of Disclosure	Position in the Report
B2.3	Describe the occupational health and safety measures adopted, and related implementation and supervision methods.	⊙	Employees, the enabler of the future
B6.5	Describe consumer data security and privacy policy, and related implementation and supervision methods.		Smart city, the bridge to the world
B6.6	Percentage of sold or shipped products to be recalled due to safety and health reasons	/	/
B7: Anti-corruption			
General disclosure			Corporate Governance
B7.1	Number of corruption lawsuits and the result of litigation during the period of reporting to the issuer or its employees.	/	/
B7.2	Describe the preventive measures and reporting procedures, and related implementation and supervision methods.	●	Corporate Governance
Community			
B8: Community investment			
General disclosure		⊙	Benefits for global citizens, our vision and promise to deliver
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
B8.2	Use of resources (e.g., money or time) in focused categories	●	Benefits for global citizens, our vision and promise to deliver

	GRI Indicator	Level of Disclosure	Position in the Report
Organizational Profile	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.		
	G4-16 List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization participates.		
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.	—	—
	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 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.	○	—
	G4-21 For each material Aspect, report the Aspect Boundary outside the organization.	○	—
	G4-22 Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	○	—
	G4-23 Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	○	—
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

	GRI Indicator	Level of Disclosure	Position in the Report
Stakeholder Engagement	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	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.	●	About This Report
	G4-32 Report the 'in accordance' option the organization has chosen. Report the GRI Content Index for 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.	○	—
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.	●	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
	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

	GRI Indicator	Level of Disclosure	Position in the Report
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
	G4-38 Report the composition of the highest governance body and its committees.	⊙	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).	—	—
	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.	⊙	Corporate Governance
	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 stakeholders.	⊙	Corporate Governance
	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 reflected to economic, environmental and social impacts.	⊙	Corporate governance/ sustainable development management
	G4-43 Report the measures taken to develop and enhance the highest governance body's conflictive knowledge of economic, environmental and social topics.	⊙	Sustainability Management
	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 organization 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
	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.	⊙	Sustainability Management

	GRI Indicator	Level of Disclosure	Position in the Report
Governance	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 materials Aspects are covered.	—	—
	G4-49 Report the process for communicating critical concerns to the highest governance body.	⊙	Sustainability Management
	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.	—	—
	G4-51 Report the remuneration policies for the highest governance body and senior executives. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	—	—
	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 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 the 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.	⊙
G4-57 Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as help-lines or advice lines.		⊙	Corporate Governance

	GRI Indicator	Level of Disclosure	Position in the Report
Ethics and Integrity	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, whistle-blowing mechanisms or hotlines.	◎	Corporate Governance
	G4-DMA Report why the Aspect is material. Report the impacts that make this Aspect material. Report how the organization manages the material Aspect or its impact. Report the evaluation of the management approach.	●	About This Report
Economic	G4-EC1 Report the direct economic value generated and distributed (EVG&D) on an accruals basis including the basic components for the organization's global operations.	●	About Us
	G4-EC2 Reports risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue or expenditure.	●	President statement/ sustainable development management
	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.	/	/
	G4-EC8 Significant indirect economic impacts, including the extent of impact.	◎	Smart city, the bridge to the world
	G4-EC9 Proportion of spending on local suppliers at significant locations of operation.	◎	Sustainable supply chain, the CSR to undertake
	Environmental	G4-EN1 Materials used by weight or volume.	◎
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

	GRI Indicator	Level of Disclosure	Position in the Report
Environmental	G4-EN4 Energy consumption outside 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 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.	/	/
	G4-EN19 Reduction of greenhouse gas (GHG) emissions.	●	Environment, our obligation to protect

	GRI Indicator	Level of Disclosure	Position in the Report
Environmental	G4-EN20 Emissions of ozone-depleting substance (ODS).		
	G4-EN21 NOx, SOx, and other significant air emissions.		
	G4-EN22 Total water discharge by quality and destination.		
	G4-EN23 Total weight of waste by type and disposal method.		
	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 ² Annex I, II, and III, 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.		
	G4-EN30 Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.		
	G4-EN31 Total environmental protection expenditures and investments by type.		Environment, our obligation to protect
	G4-EN32 Percentage of new suppliers that were screened using environmental criteria.		Sustainable supply chain, the CSR to undertake
	G4-EN33 Significant actual and potential negative environmental impacts in the supply chain and actions taken.		Sustainable supply chain, the CSR to undertake
	G4-EN34 Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.		

	GRI Indicator	Level of Disclosure	Position in the Report
Social—Labor Practices and Decent Work	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.		Employees, the enabler of the future
	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.		
	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.		Employees, the enabler of the future
	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.		
	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.		
	G4-LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.		
	G4-LA14 Percentage of new suppliers that were screened using labor practices criteria.		Sustainable supply chain, the CSR to undertake
	G4-LA15 Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.		Sustainable supply chain, the CSR to undertake
	G4-LA16 Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.		

	GRI Indicator	Level of Disclosure	Position in the Report
Society — Human Rights	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.	—	—
	G4-HR3 Total number of incidents of discrimination and corrective actions taken.	—	—
	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.	—	—
	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.	—	—
	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 resolved through formal grievance mechanisms.	—	—
Social — Society	G4-SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs.	⊙	Benefits for global citizens, our vision and promise to deliver
	G4-SO2 Operations with significant actual and potential negative impacts on local communities.	—	—

	GRI Indicator	Level of Disclosure	Position in the Report	
Society — Society	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.	—	—	
	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.	—	—	
	G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	—	—	
	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-SO11 Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	—	—	
		G4-PR1 Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	—	—
		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.	—	—
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.		⊙	Innovation drives for development/protect environment	
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.		—	—	
G4-PR5 Results of surveys measuring customer satisfaction.		—	—	
G4-PR6 Sale of banned or disputed products.		—	—	

	GRI Indicator	Level of Disclosure	Position in the Report
Society— Product Responsibility	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.	/	/
	G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	/	/
	G4-PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	/	/

Questionnaire

Dear reader:

First of all, I would like to take this opportunity to 2015 Sustainability Report.

Thank you very much!

2015 Sustainability Report
March 2016

I. Your personal information:

Name:

Company:

Phone number:

E-mail:

II. Put a ✓ next to the option that feels right for you

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

Yes Average No

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

Yes Average No

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

Yes Average No

4. Do you think the information disclosed in this report 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.