

# **ZTE Corporation**

## **Corporate Social Responsibility (CSR) Report 2008**

### **Preface**

ZTE Corporation (hereinafter referred to as “ZTE” or “the Company”) is a listed integrated communications manufacturer and one of the providers of global telecommunications solutions providers. Through twenty-four years’ development, ZTE has scaled up its operation, at the same time, has seriously implemented the scientific development concept, actively fulfilled the corporate social responsibility, and consciously put the corporate social responsibility in the mindset of the company’s strategy, corporate culture and operating activities, thus making every efforts to establish harmonious corporate. The report reflects and reveals the overall status of ZTE carrying out the corporate social responsibility and makes a concrete exposition of the following aspects, including relations between its shareholders and creditors, and its relations with the employees, suppliers, clients, environmental conservation, social public undertakings etc, aiming at establishing sound communication with all walks of life and promoting the construction of internal quality management and public image.

In February, 2009, ZTE has formally become a member of the United Nations Global Compact. ZTE will take this as a new starting pointing to bring the Global Compact and its Ten Principles into its corporate culture and business concept to make great effort to promote the harmonious development among economy, environment and society, thus committing itself to become the paragon of the Global Corporate Citizenship.

### **I. Company Profile**

As a large-scale telecommunications manufacturing company listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, ZTE is currently the largest telecommunications equipment manufacturer in China’s A share market in terms of market capitalisation , operating revenue and net profit. The company has succeeded in gaining access to the global telecommunications market with respect to each of its major product segments.

ZTE firmly believes that enterprise is an important integral part of the society, so the company actively participates in all kinds of environmentally friendly and public service activities while constantly improving operation, thus devoting itself to the common development of society. In 2008, the company specially set up CSR implementation team to be responsible for the overall management of CSR and had established preliminary CSR management system covering the whole company. In addition, in 2008, the company carried on effective CSR management work, accomplished the research to the relevant standards of CSR, conducted overall training to the core CSR members in the company, and established primary CSR

index system.

In 2008, ZTE won the title of “Most Respected Corporation in China” jointly evaluated and selected by the Economic Observer and the Case Management Research Center of Beijing University for a fourth consecutive year. In the result of the “Top 200 Most Respected Asian Corporations Survey” issued by the *Wall Street Journal* (Asia), ZTE swept two awards, namely “Top 10 Most Respected Corporations in China” and “Top 10 Innovative Corporations in China”, and ZTE was the only one telecom corporation in the list. By virtue of successful internationalization strategy and stable development condition, ZTE joined the list of “Top 100 Global IT Corporations”, becoming the only one Chinese telecommunications equipment manufacturer in the list, ranked forty-fifth. Thanks to joining the list of the first group of “Innovative Corporations” jointly issued by the Ministry of Science and Technology of the People’s Republic of China, State-owned Assets Supervision and Administration Commission of the State Council and All China Federation of Trade Unions, Mr. Hou Weigui, the Chairman of ZTE, as a representative of the Innovative Corporations, attended the “Working Conference of Innovative Corporations Construction” held in Beijing and made an address at the conference. In addition, Mr. Yin Yimin, the President of the company, was honored *Forbes* Best Boss. By means of its outstanding contribution to the earthquake relief efforts, ZTE won “First Charity Prize---Special Prize for Earthquake Relief in Shenzhen” promulgated by the People’s Government of Shenzhen Municipality.

## **II. The Protection of the Rights and Interests of Shareholders and Creditors**

The company constantly improves its governance structure and the construction of its interior control system to standardize the operation of the corporation, thus assuring to be fair, public and equitable to all shareholders and ensuring that all shareholders enjoy all kinds of legal rights and interests formulated by the law, regulations and rules, and guaranteeing the interests of creditors in mechanism.

- The company regards the general meeting of shareholders as its important activity. According to the relevant provisions in the *Company Law of the People's Republic of China* and the *Opinions on the Standardization of the General Meetings of Shareholders of Listed Companies* as well as the *Articles of Association* formulated by itself, the company draws up the *Rules of Procedure for the General Meeting of Shareholders of ZTE Corporation* and each time the general meeting of directors will strictly comply with the relevant regulations to deal with all kinds of work concerning the general meeting of shareholders, such as announcement and convening, to ensure that the rights and interests of all shareholders including small and medium shareholders will be smoothly realized. By being strictly in accordance with the related provisions to the network investment of the general meeting of shareholders implemented by the Shenzhen Stock Exchange and Hong Kong Stock exchange, the company can do good job in network voting, thus ensuring that the shareholders can fully exercise their rights.

- As a company listed on both the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, the company strictly complies with the relevant provisions in *Rules Governing the Listing of Securities on the Shenzhen Stock Exchange* and *Guideline on Format for Information Disclosure*, as well as *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* to do good job in information disclosure, thus ensuring the fairness of information disclosure and protecting the legal rights and interests of the investors. By means of investor relationship hotline, email and investor reception etc, the company maintains favorable communication with the investors, thus making the investors get sufficient information about ZTE.
- Redounding upon the shareholders and the society is the important responsibility of the Company's operation and development. By strictly complying with the relevant provisions in the *Company Law of the People's Republic of China* and the *Securities Law of the People's Republic of China*, the company draws up its profit distribution plan. The profit distribution situation of the company in the recent three years is as follows: in 2005, allot 2.5 RMB cash (the price inclusive of tax) for each ten shares, based on 959,521,650 shares, total share capital on December 31st, 2005; in 2006, allot 1.5 RMB cash (the price inclusive of tax) for each ten shares, based on 959,521,650 shares, total share capital on December 31st, 2006; in 2007, increase four shares for each ten shares and allot 2.5 RMB cash (the price inclusive of tax) for each ten shares, based on 959,521,650 shares, total share capital on December 31st, 2007.
- The company pays attention to the protection of the shareholders' rights and interests, at the same time, attaches great importance to the protection of the legal rights and interests of the creditors. The company strives to ensure the financial soundness, the safety of its property and capital, and give attention to the rights and interests of the creditors.

### **III. Establish Harmonious Labor Relations**

#### **1. The protection of the employees' rights and interests**

The company always adheres to the principle of "people-oriented", respects and concerns about its employees, safeguards the legal rights and interests of its employees, promotes the value realization and the capacity development of its employees, to achieve the common growth of the corporate and the employees. By strictly complying with the labor laws and regulations including the *Labor Law of the Peoples Republic of China*, *Labor Contract Law of the Peoples Republic of China* and the *Implementation Regulations of the PRC Employment Contract Law* and scrupulously abiding by the local laws and regulations in the course of internationalization, the company establishes a set of legitimate Human Resources Management System and conducts persistent updating and improvement. Following the principle of "Distribution according to Work, and Equal Pay for Equal Work", the company provides the employees with sufficient salary payment in time. The

company carries out the remuneration system based on the position value, personal development and performance improvement of the employee, implements stock options incentive plan to the key staff, thus achieving the win-win of the corporate and its employees. The company sets up social security system in accordance with the requirement of the government, to provide the employees with five social securities, namely social endowment insurance, medical insurance, employment injury insurance, maternity insurance and employment insurance.

When strengthening the internationalization expansion, the company unswervingly pushes forward the localization construction of the employees, which not only recruits the local common employees, but also actively introduces the local high-end talents to form a diversified management team in the world. In addition, the company organizes all kinds of activities and training and implements cross-cultural understanding and communication, thus promoting multicultural team cohesiveness. By the end of 2008, the localization rate of employees in the overseas market of the company has reached 60%.

The company pays attention to the career development of the employees, and provides the employees with three different development modes, namely management, technology and business, which makes the employees preferably realize the combination of self-worth and company value based on the personal interest and specialty, thus achieving the common growth of him/her and the corporate. At the same time, the company has set up online “internal job market”, which allows the internal employee turnover, thus encouraging the employees to bring their facilities into full play at the most suitable position.

According to the provisions of the *Company Law of the People's Republic of China* and the *Articles of Association*, employee supervisors are elected to ensure that the employees can enjoy full rights in the corporate governance. In light of the relevant provisions of the national law, the company sets up workers' congress and establishes normative *constitution of workers' congress of ZTE*, and the employees' representatives elect the labor union committee, which is the standing body of the workers' congress when it is not in session, to ensure that the employees' representatives can express the willingness of employees, and participate in the democratic management of the corporate on behalf of the interests of employees. At the same time, according to the provisions of the *Company Law of the People's Republic of China* and the *Articles of Association*, employee supervisors are elected to ensure that the employees can enjoy full rights in the corporate governance.

## **2. Focus on the career development of employees**

Employees are the important resource of ZTE. The company is quite concerned about the promotion of the employees' personal skills when developing rapidly. In 2008, no matter in China or the 135 overseas countries with its business, ZTE has provided the employees with a broader range of training, thus allowing the employees to constantly improve their management level and technological capability.

The sustainable development of corporate depends on the capacity of “organizational learning” and every employee’s willing to accumulate, share and apply valuable knowledge, information, the atmosphere of best practice and spirit of innovation. The company has set up powerful information sharing platform to manage these information assets, which allows the employees to handily find the learning curriculum, data and the best sharing cases, thus building the favorable atmosphere for “initiative study and training”.

### **3. Attach importance to the occupational health&safety of employees**

The health and safety of employees is the base of employees’ personal development and the development of the corporate. The company always takes ensuring the occupational health&safety of employees as the top priority of the safety management.

The company establishes strict regulatory framework and sound health record for employees, and regularly arranges the employees to undergo physical examination. It also increases the capital input to improve the dustproof, noise-reducing, air-conditioning and safety facilities on site and standardizes the labor protection appliances management. In addition, the company invites municipal occupational disease prevention institution to detect and evaluate the hygiene situation in the workplace with toxic or hazardous substance in the company each year, to actively create safe, hygeian and comfortable work environment for the employees.

The company sets up safety committee to implement standardized, procedural, and specialized safety management mode. The company’s safety management policy is people-oriented, prevention first and elimination combined with prevention, and insisting on safety and efficiency simultaneously so as to maintain the normal scientific research and the order of production in the company and protect the safety of the employees and the property of the company. Moreover, adopt feasible management measures to fully eliminate or minimize the potential safety hazards, and some manners such as the safety training to improve the security awareness of employees.

### **4. Employee Assistance Program (EAP)**

In order to implement the talents strategy of people-oriented, relieve the work stress of employees, promote the employees’ working enthusiasm and achieve higher-level harmony, ZTE introduced Employee Assistance Program (EAP) service within the company in 2008. The service is a set of systemic and long-term service project set up by the organization for its employees, which can assist improving the environment and atmosphere of the organization, solving all kinds of psychological and behavior problems concerning the employees and their family members and improving the work performance of the employees in the organization by virtue of the diagnosis and suggestion to the organization by experts and professional consultation, instruction and training provided to the employees and their direct relative.

## **IV. The Protection of Rights and Interests of Suppliers, Clients and Consumers**

### **1. Provide the clients with high-quality products and meritorious service**

“Serving with dedication and being committed to our customers” is the essence of successful customer service experience summarized for many years by Mr. Hou Weigui, the Chairman of ZTE and also the mission to instruct the customer service of ZTE. ZTE possesses the most complete communication products in the industry, and always focuses on the customers in the aspect of products and service. It implements the TL9000 quality management standard in the industry and exerts a variety of methods, such as 6SIGMA, to improve quality. For this reason, ZTE establishes the all-round quality management and improvement mode based on customer satisfaction, field running of products and internal processes, including three after-sales service centers, namely global customer support center, global maintenance & repair centre, and training center, to achieve the quality assurance in the whole business process, thus building the comprehensive advantage of ZTE, namely “Leading Products, Reliable Quality and Excellent Service” to constantly provide the customers with competitive products and service.

#### **1.1 Product quality system**

- In order to improve the customers satisfaction, the company implements the investigation of global customers satisfaction to the products and service quality expected by the customers around the world each year, and carries on quantitative evaluation system to the internal management.
- Actively participate in the formulation and implementation of the industry standard in light of the TL9000 quality management standard. Compare the field running index form of the products with other corporates in the industry to carry on target-oriented products quality improvement.
- In light of the customers satisfaction and products running quality, realize the supervision to quality assurance point of the business process in the company and establish quality measurement framework to realize the monitoring to the process.
- When quality problems occur, ZTE regards customer first and products first as its fundamental principle, to take measures and make every effort to prevent the recurrence of problems. When product fault occurs in the global telecom operators, the status will be input to the global customer support center-GCSC system within 24 hours, which allows the company to promptly know this information, monitor the troubleshooting process and urge improvement.

#### **1.2 Product safety measurement**

- By integrating the related regulations in the America, Europe & developed regions and all requirements to IEC related products safety standard, ZTE establishes its own R&D and production standards and intensifies its design review and testing verification.

- ZTE has invested a large amount of capital, human and material resources to set up self-contained reliable laboratory and safety laboratory in the research & development organization of various regions and strictly complied with the international standard ISO17025 to operate, thus ensuring that the product safety work can be smoothly rolled out.
- These laboratories have been approved by China CNAS, and have become the testing laboratories approved by internationally accepted product institutions, such as America UL, Canada CSA and German TUV etc.

### **1.3 Hotline platform of response center**

The call response business in ZTE was started in October, 2002, which can provide the customers with online technical support and quickly responsive field troubleshooting service for 7\*24 hours. It possesses 13 products subcenters, a variety of advanced laboratories and a team consisting of well-trained technical support engineers.

After going through six years' development, the response center has currently provided the ZTE's users in more than one hundred of countries with high-quality hotline service, which is the window for the global users to learn the products quality and service quality of ZTE, and the window to show the excellent brand image of ZTE.

### **1.4 ZTE University**

To the focus problems concerned by the customers, ZTE takes effective measures to make every effort to improve customer service, and actively create customers satisfaction to achieve harmonious customer relations; and base upon its own specialty to "Teach One to Fish". For this reason, when conducting training to its own employees, the company also promotes the most advanced technology and management training to the customers, to help them improve governance mechanism and raise the management level, thus realizing the effective combination of advanced technology export and management export. At present, the ZTE University has set up twelve training centers to train customers around the world. Up to 2008, there has been more than 0.2 million external customers who have participated the different levels of technology and management training conducted by the ZTE University, among which nearly thirty-thousand customers are from the overseas regions or countries.

### **1.5 Handset Services & Support**

By adherence to the profound deposits of independent innovation and robust growth which has existed for more than 20 years, and under the guidance of the corporate culture essence, namely "Serving with dedication and being committed to our customers", ZTE always takes "Professional Service Starting From Heart" as its service concept, always sticks to the service attitude of "Being Sincere, Enthusiastic, Attentive, Heartfelt and Concerned", and always revolves around the service promise

of “Being Professional, Standardized and Convenient” to meticulously build and constantly improve its service system, thus sincerely creating excellent service brand.

#### ◆ **Hotline platform**

The handset call business of ZTE was started in March, 2003, and was formally operated on the March 15<sup>th</sup>, 2003. After going through five years’ development, the company has currently provided its handset users in more than one hundred of countries around the world with high-quality hotline service. In addition, the company always takes the “providing the customers with high-quality service” as its responsibility, and adheres to serve each handset user of ZTE with care, love and empathetic understanding, which is the window for the global users to learn the products quality and service quality of ZTE’ handset, and the window to show the excellent brand image of ZTE’ handset.

At abroad, the company has set up the local call centers in the countries with hotline requirement or established contact with the key countries via overseas call forwarding. At present, the company has set up call centers in the United States, India, Indonesia, Brazil and Australia to cope with the complaint from the overseas users at the first moment.

At present, the management capability and service quality of the call centers have reached the leading level in the industry, and both the one-stop resolution rate and the full customer satisfaction are above 90%.

#### ◆ **Quickly responsive global after-sales technical service**

The after-sales technical support team specially composited by the technical elites in ZTE, provides the technical support to the customer service center, maintenance and repair center and call center at the front line., and is responsible for the R&D of handset after-sales technology and the development of after-sales tool, etc, which is endville in the industry.

#### ◆ **World-famous after-sales brand**

In the end of 2004, by aiming at creating “Chinese First Handset After-Sales Service Brand”, ZTE meticulously designed the brand image of “Hearty Service” to set its sights on providing the users with “Five-star Service”, sincerely serving each customer, zealously meeting each customer, carefully coping with the handset problem encountered by the customers, providing affectionate tracking service to the sold handset of ZTE, being concerned with all rights and interests of the customers and taking care of the customers with concentrated attention.

With the constant development of its international business, in 2007, the company created a brand-new international brand to convey the distinguished service concept of “Hear what you want, Serve for what you need, See what you desire, Know what you think, Wait where you will be”, thus allowing each user of ZTE around the world

to enjoy the high-quality service from ZTE.

## **2. Growth with the suppliers**

The company develops and establishes well-deserved suppliers channel, namely, to set up and implement strict supplier resources analysis, supplier review, on-the-spot audit, pull-in and assessment system, and reasonably and fully expands its supplier resources according to the business plan of the corporate. Moreover, the company also introduces market competition mechanism into the purchasing business of the corporate to publicly, fairly and justly establish high-effective, standardized and disinterested business environment. In addition, ZTE also determines the strategic supplier object to be propelled, formulate the strategic cooperation propulsion plan and arrange the implementation of the plan according to the strategic cooperation standard, and establishes long-term, stable and win-win cooperative relationship with the key suppliers.

The company strictly executes *Sunny Purchasing Policy* to improve the work flow of negotiating and communicating with the suppliers, and establish corresponding supervisory mechanism to make the purchasing work more standardized and the information more transparent. The company adopts a lot of manners to manage the suppliers and constantly learns the supplier management experience of international advanced corporates to ceaselessly improve its supplier management level and realize real win-win of the supply and requisitioning parties, thus creating favorable and stable supply chain system. It also fully communicates with the suppliers to analyze the moral standards expected by the suppliers, thus ensuring that the value culture and mission-oriented standard of the suppliers are in line with the standards of ZTE.

In order to establish more harmonious cooperative relationship, ZTE always aims at becoming the best customer of the suppliers, encourages the suppliers to become the corporates with social responsibility, and shares its experiences in technology, market and management with the suppliers to assist the growth of the suppliers.

## **3. Launch a campaign to combat bribery in business**

According to the relevant spirits and regulations of China Securities Regulatory Commission, the company carries out a campaign to combat bribery in business in a deep-going way. It establishes a leading group for the campaign to combat bribery in business and sets up an office to implement the policies and guidelines to combat bribery in business, thus providing organic safeguards for launching the campaign. The company is determined to correct and preclude the malpractice in the production, operation and management work, to enhance the education of a clean and honest administration to the employees, to exert its function of supervision, such as monitoring and auditing, through improving the management system and strengthen the internal control etc, and constantly promote the improvement of the management level and efficiency of the corporate, thus laying a solid foundation for the joint development of the company and its suppliers and customers.

## **V. Environmental Protection**

The telecommunications equipment manufacturing industry that ZTE belongs to, is not an industry with high pollution and high energy consumption, but the company, for the past many years, has been engaged in improving and promoting its environmental performance and has spared no effort to maintain the effective running of ISO14001 Environmental Management System and build up well-deserved corporate image in the society, thus ensuring the sustainable development of the corporate. In 2008, ZTE has spent a lot of energy and time to focus on energy saving and consumption reduction, green products and the recycling of solid waste.

### **1. Energy saving and consumption reduction**

“To see all nations and families in the past, the extravagance causes failure and success comes from thrift.” To corporate, energy conservation means to reduce waste and save cost, while to the country, it contributes to relieve the pressure of energy supply and construction, and save the social resources, thus being more propitious to the sound and sustainable development of the national economy. ZTE is engaged in pushing forward the energy policy of “energy saving and consumption reduction, pollution reduction and efficiency improvement”, and enhancing the scientific management within the corporate, to reduce the material and energy consumption in all sections, such as the disposal of raw materials and waste materials, production, and consuming. At the beginning of 2008, ZTE has broken down and implemented the index of energy saving and consumption reduction, and has accomplished the objective for the whole year by virtue of a series of measures and solid foundation.

In July 2008, “China's Telecom Industry List” disclosed that ZTE won the first place in the single rating of “Social Responsibility Top 10” with full score (20 points) by means of its contribution to promote the energy saving and emission reduction as well as social public undertakings.

### **2. Green products**

When strengthening its core competitiveness, ZTE also takes a close interest in environmental protection. By virtue of its strict management to the supply chain, the products provided by ZTE is not only accordance with the *Management Methods for Controlling Pollution Caused by Electronic Information Products Regulation* taking effect since March 1<sup>st</sup>, 2007, but also the EU RoHS Directive taking effect since July, 2006. ZTE actively puts forward the forbidden requirements to more materials and strictly requires to use environmental friendly raw material, thus to protect the environment and the health of human body to the maximum extent. At the same time, as the world's leading wireless equipment suppliers, ZTE constantly introduces green products and program starting from the concept of the harmonious coexistence of human being and nature, and by a series of technology based on overall lifetime plan, realizes to greatly decrease power consumption under the premise of ensuring base station coverage and evolution ability, thus assuring the harmonious coexistence of

high-quality mobile network and green environmental protection.

### **3. Recycling of solid waste**

The company conducts classification management to solid waste, which is classified as hazardous waste, industrial waste and household garbage and employs professional solid waste management contractor to transfer, classify and mark, store, recycle and dispose, finally realizing the harmlessness, resource reclamation and reduction of waste. According to the *National Management Measures on Hazardous Waste Transfer Manifest*, ZTE regularly deliveries the hazardous waste to the qualified company to carry on unified disposition.

## **VI. Establish charity fund to help the poor**

With the quick development of ZTE, ZTE and its employees are always engaged in repaying the society and the cities and countries where it locates. Based on principles of “never leave and never give up, constant concern and there is love in ZTE”, ZTE is engaged in the social public undertakings by professional operating method and transparent operating mode.

UP to August, 2008, the labor union of the company has set up ZTE Special Children Care Fund, Second World War Veteran Salvation Fund, ZTE Study Aid Fund, and ZTE Employee Salvation Fund. Except that the ZTE Employee Salvation Fund is set up for helping the internal employees of the company, the other three funds are separated to help the children in Wenchuan earthquake-hit area, the Second World War veterans and the dropout children in poor area. What should be mentioned is that the above-mentioned funds are from the donation of the company and the voluntary donation of its employees. This means that more and more ZTE’ employees are becoming qualified social citizens to join the line of repaying the society, the cities and the countries, when ZTE is grown into qualified corporate citizen.

### **1. ZTE Care Fund: never leave and never give up, constant concern**

On May 17th, 2008, the fifth day after the Wenchun earthquake occurred, China Children and Teenagers’ Fund and the ZTE announce to jointly establish ZTE Special Children Care Fund (hereinafter referred to as “ZTE Care Fund”). The employees of ZTE have donated 5 million RMB and ZTE has donated 5 million RMB, amounting to 10 million RMB, applied for salving the children in earthquake-hit area, rebuilding schools and developing the education undertaking in poor area. Up to December 2008, ZTE Care Fund has a definite budget expenditure of 9.6 million RMB, among which 5 million RMB is used to build ten earthquake-proof spring bud schools, 3.6 million RMB is used to buy facilities in the schools, and 1 million is used to salve the children who had lost their parents in the earthquake.

The ten schools financed by ZTE Care Fund are the “ZTE Zhongjiang Longtai Earthquake-proof Spring Bud School” “ZTE Liyuan Earthquake-proof Spring Bud

School”, “ZTE Nandu Earthquake-proof Spring Bud Primary School”, “ZTE Jiexing Earthquake-proof Spring Bud Primary School”, “ZTE Jiangyou Earthquake-proof Spring Bud Industrial Technology School”, “ZTE Guangyuan Lizhou District Huilong Earthquake-proof Spring Bud Primary School”, “ZTE Guangyuan Shuigui Earthquake-proof Spring Bud Primary School”, and “ZTE Guangyuan Panlong Earthquake-proof Spring Bud Primary Second Primary School” in Guangyuan, Deyang, Sichuan, “Spring Bud Central Primary School” in Wuguanyi town, Liuba county, Shanxi province and the “Spring Bud Central Primary School” in Guangping town, Ningqiang county.

In the coming years, based on the mission of “never leave and never give up, constant concern and there is love in ZTE” and the principle of “pair assistance and thorough tessellation”, ZTE Special Children Care Fund will pay close attention to the children in Wenchuan earthquake-hit area and depressed areas.

## **2. Donate funds to poor schools and children: from software and hardware construction to spirit assistance**

Since 2000, ZTE has set up ZTE Study Aid Fund for the students in depressed areas. Depending on the fund, ZTE devotes itself to improve the software and hardware construction of the schools in poor areas, at the same time, provides pair assistance to poor students, thus achieving the thorough tessellation of assistance.

ZTE helps improve the hardware construction of the schools in poor area. For instance, it has respectively donated three Hope Primary Schools and three comprehensive teaching buildings in Ji’an, Jiangxi province as well as in Jinping and Qujing, Yunnan province, and the total donating amount is 1.1 million RMB.

ZTE helps to improve the software construction of the schools in poor area, which is mainly reflected in donating computers, study articles etc. In December, 2003, after donating to build a comprehensive teaching building for the Mengqiao middle school in Jinping, Yunnan province, ZTE also donated twenty computers and study articles so as to improve the software and hardware facilities of the school.

Launch one-to-one study aid campaign between employees and the poor students, to help the poor students to finish their study. Statistic displays that up to March, 2008, the total fund amount established for the Hope Project by ZTE and its employees has been about 1.95 million RMB, and the total donating amount is about 1.45 million RMB. And 166 students are donated.

## **3. Aid Second World War veterans**

2005 year is the 60th Anniversary of the Victory of Second World War. The historical gunsmoke has faded away, but those veterans who had fought hard for the destiny of our nationality and country appears in the public view again. In order to allow them enjoy a happy, peaceful and healthy content elderly life, ZTE launched a campaign to aid the Second World War veterans, which is unanimously supported by all levels of the organization. From 2005 to 2008, the company has donated money to the

Second World War veterans for many times. Up to June, 2008, the total amount donated by the employees of ZTE to the Second World War veterans has reached nearly 2 million, and has provided 449 Second World War veterans with 0.46 million of living expenses.

As time goes by, more and more Second World War veterans has left us, but the company will keep on our concern, so as to ensure the Second World War veterans can enjoy worry-free elderly life.

## **VII. Deficiency in performing social responsibility and self improvement**

ZTE has realized that the social responsibility of the corporate and the growth of the corporate is complementary and inseparable. Employees' career development and benefits are given high priority, assuring their simultaneous growth with the company' s progress. ZTE strives for the best return on its shareholders' investments and actively redounds upon the society. In 2008, ZTE has made some progress in the protection of rights and interests between shareholders and creditors, labor relations, the protection of rights and interests of suppliers, clients and consumers, environmental protection, public welfare undertakings etc, but there is still a certain disparity by being compared with the *Guidelines on the Social Responsibility of Listed Companies in Shenzhen Stock Exchange*. In 2009, the company will further comply with the *Guidelines on the Social Responsibility of Listed Companies in Shenzhen Stock Exchange* and the Ten Principles of UN Global Compact to improve the Corporate Social Responsibility Management System and make performing corporate social responsibility run through all sections of the corporate's operation and management; to make further progress in the protection of rights and interests between shareholders and creditors, labor relations, the protection of rights and interests of suppliers, clients and consumers, environmental protection, public welfare undertakings etc, and to be consciously subject to public and governmental supervision, thus achieving the harmonious development between the corporate and the society.

The Board of Directors of ZTE Corporation

March 19th, 2009