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**ZTE中兴** 中兴通讯股份有限公司  
ZTE CORPORATION

**2009 Corporate Social Responsibility Report**





## Message from Management

It is the 25th anniversary of ZTE on 7 February 2010. Over the past 25 years is an extraordinary 25 years. Under the influence of Shenzhen's reform and opening up, ZTE has yielded remarkable achievements and has evolved from a small processing factory into a world-renowned communication technology enterprise with more than 70,000 employees and markets covering all over the world. ZTE was listed in Shenzhen and Hong Kong Stock Exchanges in 1997 and 2004 respectively.

Depending on powerful strength in wired products, wireless products, service products and terminal products, ZTE becomes one of the major equipment suppliers for the global telecommunications market, providing high-quality and cost-effective products and services for more than 500 operators including many of the world's top multinational operators, in more than 140 countries .

Along with the economic development, company have gradually become the main part of the social economy as well as the producer of creating social wealth. As an responsible company, economic benefit is not the only one pursuit, it should also achieve the higher goals that promoting enterprise development and staff development, making their contributions to the country, prompting a sustainable development of society and environmental protection, as well as the contributions to the overseas community. ZTE takes an active role in fulfilling its social responsibility when it is developing at a rapid speed. In February 2009, ZTE Corporation was officially assigned as a member of the United Nations Global Compact. ZTE integrates the Global Compact and the Ten Principles into the corporate business operation and culture. The corporate social responsibility has become an important part of ZTE's corporate culture.

Our social responsibility is not only in China, we should also make contributions to the global regions where we are present and contribute to the local economic and technical development, including training personnel, increasing local staff rate and promoting local employment, etc. The corporate social responsibility is closely integrated with the corporate business development, and mutually driving each other.

In future ZTE will continue to meet challenges, build the world-renowned brand, and create a world-class excellent enterprise, so as to become a leader in global corporate social responsibility.

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## Corporate Social Responsibility Strategy

For ZTE, corporate social responsibility is not an accessory, it is incorporated into all strategies of ZTE, comprising an important component of the corporate enterprise culture.

### Corporate Vision & Core Values

#### ◆ ZTE's Mission & Vision

ZTE aims to be a global communications leader, which provides the clients worldwide with satisfying and customized products and services.

Employee's career development and their benefits are highly concerned and guaranteed to be growing along with the company's development at the same pace.

ZTE strives for the best return on its shareholders' investments and assumes social responsibilities proactively. To become a world-class excellent enterprise in 2015.

#### ◆ ZTE's Core Value

Respecting each other and being faithful to the ZTE Cause  
Serving with dedication and being committed to our customers

Endeavoring with creativity to establish a famous ZTE brand

Operating with scientific management to increase corporate performance

### CSR Mission & Strategy

ZTE had released the new CSR mission and strategy at the end of December, 2009.

#### ◆ ZTE's CSR vision is to

Conduct all business in an ethical and sustainable way that protects and advances the human rights, health, safety,

well-being and personal development of all people working directly or indirectly for ZTE,

Operate always in an environmentally responsible manner and actively contribute to solving the world's current and future challenges

Help all its customers – internal and external – take advantage of the opportunities of a changing world and to positively impact societies on a local level around the world.

◆ **ZTE'S CSR strategy**

ZTE's CSR strategy is to pro-actively develop, implement and improve CSR compliance throughout ZTE and its supply chain based on industry best practices, continuous learning and improvement efforts. Its objective is to develop into a global CSR leader long-term

## Structure of Corporate Social Responsibility

By drawing on the experiences of Global Report Initiative, SA8000, EICC and other international standards, ZTE has basically established the corporate social responsibility management system covering 6 large areas: environmental responsibility, product responsibility, economic responsibility, social welfare, supply chain CSR, human rights and labor rights.



**Structure of ZTE CSR**

In 2005, ZTE has gradually established environment and occupation health and safety management system, passed the ISO14001 and OHSAS18001 certification, and introduced EU WEEE/RoHS Directives. In 2006, ZTE further set to research the international CSR standards such as SA8000. In 2007, ZTE officially carried out CSR system, appointed the executive vice president of the corporation as the executive representative of CSR, and also established the corporation-level CSR promotion team.

## Future Action Orientation of ZTE CSR

In recent years, ZTE has been vigorously promoting the corporate social responsibility, during the promoting process, we have gradually realized that though ZTE has made certain achievements in its own CSR, there is still a gap compared with the CSR level of international renowned companies. And it needs to make further improvement of the whole corporate CSR awareness and even the CSR awareness of the whole supply chain in China. In future, ZTE shall continue our efforts in the following aspects to improve the corporate capability of undertaking and executing the corporate CSR, and strive to become the CSR leader in the communication industry.

Firstly, it shall be the future focus of ZTE to improve the supply chain's CSR. ZTE intends to take the supplier's management as the first step, to increase the management's CSR sense, and help the supplier to establish a mechanism to manage CSR, so as to improve the whole society's CSR with the help of ZTE and other corporations finally.

Secondly, ZTE will increase more investment in the R&D of environmental protection, to reduce the environmental pollution and build a good environment for green communication. Integrate environmental protection into every operating link of ZTE and the product's life cycle. Meanwhile, give influence on other suppliers to realize the sustainable development of the whole industry.

## Corporate Governance and Ethics Standard

In the corporate governance structure, ZTE selects directors strictly according to the Company Law and Articles of Associations, which ensures the selection of directors to be open, fair, impartial and independent. In order to fully reflect the views of minority shareholders, ZTE has, according to the law, appointed an independent director who can fully express independent ideas. The Board of Directors has a reasonable professional structure, it is driven by the best benefits of the company to act honestly. ZTE has formulated the rules of procedure for the board of directors, the board meeting shall be convened and held in strict accordance with the Articles of Association and Rules of Procedures for the Board of Directors. To improve the governance structure, the board of directors has set up the nomination

committee, audit committee and remuneration & evaluation committee according to the Corporate Governance Guidelines. The independent directors occupy the majority of each professional committee, and act as the convener, who shall provide scientific and professional suggestions and references for the decisions of the board of directors.

The Board of Directors is composed of 14 directors, including one chairman, two vice chairmen and 11 non-executive directors who are independent in the management. 5 of the 11 independent non-executive directors are influential and proactive, having rich experiences in the fields of telecommunications, finance, law and banking, with an academic and professional qualification, while the other 6 have rich experiences in services and management. It helps to strictly review and monitor the management program, ensuring the interests of all shareholders including the small and medium shareholders.

ZTE attaches great importance to the construction of credibility, and the internal oversight of anti-bribery. On the one hand, based on national laws and regulations, ZTE has established the High Voltage Line for ZTE Employee Behavior Standards. The ZTE High Voltage Line includes: intentional false reimbursement, receiving

kickbacks, revealing the company trade secrets, engaging in the activities which are commercially competitive with the company, and covering up violations of the law and breaches of discipline. Meanwhile, we have conducted the anti-bribery education, and invited the officers from the judicial system to conduct legal training for the corporate management. ZTE Corporation Newspaper has opened a column of Law Story, which reports typical cases, to form a good atmosphere of anti-commercial corruption. On the other hand, ZTE reinforces the momentum to crack down commercial bribery behavior. ZTE auditing department provides reasonable auditing assurance against commercial bribery by the means of auditing retired cadres, regular auditing and auditing on special topics, and seriously deals with any behavior against the law, disciplines and regulations.

## Stakeholders Engagement

To better carry out the corporate social responsibility, listen to the voices from all stakeholders, understand their expectations upon ZTE, and learn from their advantages, ZTE has established various communication channels with stakeholders.

### Stakeholders Engagement

Stakeholders	Communication	Communication Result
Customer	Investigation of customer satisfaction: Carry out the satisfaction research according to the specified research method. Each year, entrust the third-party research organization to carry out the research on satisfaction.	To understand the customer expectations and requirements by continuous communication with the client. Continuously evaluate the customer satisfaction and loyalty to ZTE, find out the key factors for improving the customer satisfaction, make the improvement plan, and continuously improve the customer satisfaction and loyalty by continuous monitoring and improvement.
	Technical communication and symposium: Organize the technical and R&D personnel from the customer and ZTE to conduct communication and discussion about the scheme, technology and product requirement.	
	Visit: Take the opportunity such as client visits, product launch, tender, demonstration testing, etc., make face-to-face communication with the customer, to understand the customer's ideas and requirements.	
	Survey: List the questions which need to be got clear answers from the customers, and then send them to the customer for research and analysis.	
	Cooperation with third-party professional consulting organization: Through the third-party consulting corporation to investigate, analyze and determine the requirements of customers.	



<b>Employee</b>	Internal newspaper/website: ZTE Communications, ZTE Corporation Newspaper, Intranet, etc.	Provide various communication channels for the employee. Improve the employees' working environment, and increase the employees' satisfaction and loyalty according to the communication result.
	Staff survey: reasonable suggestion, Q12 employee loyalty survey, logistics satisfaction survey and training satisfaction survey, etc.	
	Labor union: ZTE has established the labor unions both in China and in overseas branch offices, which has organized and provided various activities for the employees.	
	Employee complaint channel: CEO mailbox, department director mailbox and internal BBS	
	Various associations: Photographing association, dancing association and mountaineering association.	
<b>Shareholders and Investors</b>	In strict accordance with the laws, regulations, Listing Rules and Articles of Association, reveal the related information in a true, accurate, complete and timely manner, and ensure that all shareholders have equal chance of acquiring information.	Make sure that all shareholders have an equal chance to acquire information. Keep good communication with the investors, so that make the investors can better understand the corporation.
	Keep good communication with the investors by hotline, email box and investors reception.	
<b>Suppliers</b>	ZTE supply chain management website	By the different communication channels with the suppliers to know about the supplier's demands and help the suppliers to make continuous improvement and reduce the CSR risk on supply chain.
	Annual suppliers conference and supplier's CSR training	
	Make regular communication, mutual visits and learning with the high level of key suppliers, to improve CSR level together.	
	Supplier evaluation and review	
<b>Community</b>	Respect the local culture and habits	Keep good relations with the local community by open communication with the community. Make contributions to the sustainable development of the local community.
	Make contribution to the local economy and sustainable development	
	Take part in the public service activities of the local community. Provide help and assistance in first time when the surrounding areas are in disaster.	
<b>Welfare Organization</b>	ZTE has made full cooperation with the welfare organizations. Up to now, there are three funds in ZTE that ZTE Special Fund for Children Care, relief fund for Yunnan Veteran and ZTE Love Fund for Education Donation.	To understand the difficulties in the public interest cause within China and around the world via full communication with the public interest organizations,. ZTE shall make further contributions for the public interest cause by taking advantage of its own industry superiority.



# Protecting the Interests of Shareholders and Creditors

## Protecting the Interests of Shareholders

### **1.Mechanism of Protecting Shareholder's Interests**

As the company listed in Shenzhen and Hong Kong Stock Exchanges, ZTE has been strictly complying with the provisions in laws and regulations such as Company Law, Securities Law, Corporate Governance Guidelines, Shenzhen Stock Exchange Listing Rules, Hong Kong Stock Exchange Listing Rules, Administration of Information Disclosure of Listed Companies, to improve the level of corporate governance, perfect the internal control system, and standardize the corporation operation. ZTE has gradually formed the corporate governance rule system based on the Articles of Association, with the major structure of corporate Rules of Procedure for Shareholders Assembly, Rules of Procedure for Board of Directors, and Rules of Procedure for Board of Supervisors. ZTE has also established the corporate governance with the shareholder assembly, board of directors and board of supervisors as the power, decision-making and oversight organizations, which have distinct rights and responsibilities with the

management, carry out their own duties, effectively balance with each other, make scientific decisions and operate in a coordinate manner. It effectively helps to guarantee equity, openness and justness for all shareholders and ensure all shareholders can enjoy the legitimate rights and interests which are stipulated in law, regulations and rules.

### **2.Legal and Compliant General Meeting of Shareholders**

The general meeting of shareholders is the supreme body in ZTE. The Articles of Association and Rules of Procedure for Shareholders have explicitly specified the functions and rights executed by the general meeting of shareholders. If the general meeting of shareholders can be convened and held under the premise of being legitimate and effective, it can grant sufficient discussion time for each decision, and therefore serve as a good bridge of communication between the board of directors and the stockholders. In strictly accordance with the related regulations on Internet voting for shareholder's assembly of Shenzhen Stock Exchange and Hong Kong Stock Exchange, the Internet voting is provided when examine and approve major issues. During the reporting period, ZTE has convened altogether 3 shareholder's assemblies: Annual Shareholder's Assembly



of 2008, First Provisional Shareholder's Assembly of 2009, and Second Provisional Shareholder's Assembly of 2009. In order to ensure the examine and approve process is in accordance with the regulations, when make vote for the proposal the shareholders who are involved in it shall withdraw vote.

**3.Shareholder's Returns**

It's the important duty for corporate operation and

development to return to the shareholders and society. ZTE always attaches importance to making reasonable returns to the investors, and has implemented schemes of cash dividends and Capitalizing of Common Reserves, etc. The proposal of amending some clauses of Articles of Association and Rules of Procedure for Shareholder's Assembly has been approved in the annual shareholder's assembly of 2008, which was held on 19 May, 2009.

**Profit Allocation for Recent 3 Years of ZTE**

Year	Profit Allocation Scheme	Total Amount of Allocated Cash Dividends (Unit: 100 million in RMB)
2006	Allocate 1.50 RMB for each 10 equities (including tax)	1.44
2007	Allocate 2.5 RMB for each 10 equities (including tax), capitalizing 4 equities for each 10 stocks of common reserves funds	2.40
2008	Allocate 3 RMB for each 10 equities by cash (including tax), capitalizing 3 equities for each 10 stocks of common reserves funds	4.03
Total		7.87

According to the amended Articles of Association, the Corporation can allocate dividends by cash or stocks, and can make medium-term cash dividends. The accumulated profits allocated by cash in the recent 3 years shall not be less than 30% of the annual average allocable profits in recent 3 years. This provision provides a more specific basis for protecting better profits of the shareholders. ZTE has implemented the profit allocation of 2008 on 5 June, 2009: taking the total equities of 1,343,330,310 on 31 December, 2008 as the foundation, every 10 equities were distributed with 3 Yuan by cash (including tax), altogether 403 million RMB, each 10 common reserve funds were capitalized into 3 equities, altogether 402,999,093 equities were transferred. ZTE has implemented the profit allocation of 2006, 2007 and 2008 in 2007, 2008 and 2009 respectively, as shown below:

**4.Fulfill the obligations of information disclosure, make good management of investor relations**

According to the related provisions in Information Disclosure Management System and Investor Relations Management System, the secretaries of board of directors and related professionals shall be in charge of corporate information disclosure, receiving visits and providing consultation. ZTE shall truthfully, accurately, completely and timely disclose

information as required by related laws and regulations, as well as provisions in Fair Information Disclosure of Listed Company in Shenzhen Stock Exchange and Articles of Association, ensuring that all shareholders have equal chance to acquire information, and guaranteeing the legitimate interests of the investors. Keep good communication with investors by the means of investor relations hotline, email and investor reception, etc, so that make the investor can fully know about the company.

**Protecting the Interests of Creditors**

During the production and management process, ZTE strictly complies with the related contracts and systems, and takes the creditor's legitimate interests into full consideration. There is no case of damaging the creditor's interests happened since its foundation, and both parties has been keeping good cooperation relationship between each other. The convertible corporate bond (stock options is separated from bond), which was issued on 30 January, 2008, has been fully paid the bond interest on 2 February, 2009 and 1 February, 2010 according to related provisions of Prospectus of ZTE Convertible Corporate Bonds (Share Options is Separated from Bond) and Company Bonds Listing Announcement. It protects the creditor's legitimate interests.



## Serving with Dedication and Being Committed to Our Customers

'Serving with dedication and being committed to our customers' was summarized by Chairman Hou Weigui of ZTE, it is not only the essence of years of successful customer service experiences, but also the values guiding customer services of ZTE. ZTE has always been pursuing the service principle of providing customers with professional, cordial, highly-efficient and perfect products and services.

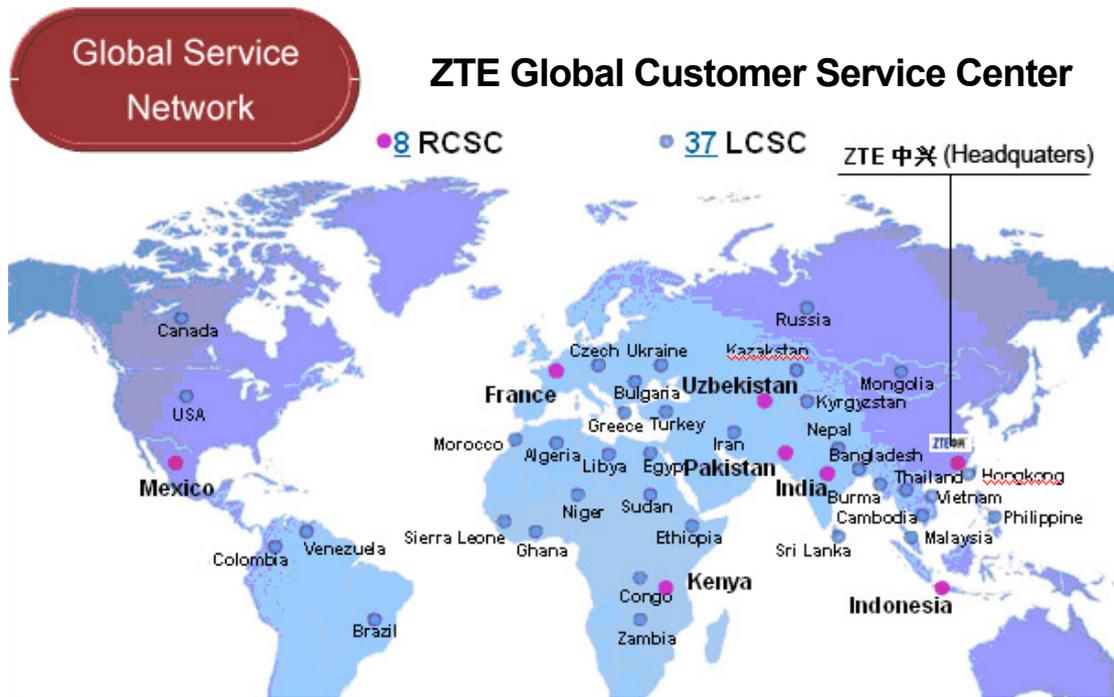
In 2009, ZTE has continuously kept carrying out quality assurance and quality improvement. To improve the customer's feeling about telecom network, the quality assurance project is made to guarantee the stable running of network, ensuring that each wireless 3G network and wired network are running stably in domestic and international market. Continuously improvement has been made in the aspect of product quality, pertinently product hardware quality and software quality, to realize the continuous improvement of product quality. Each service flow inside ZTE is perfected, monitored and improved, so as to increase the capability of ZTE in product quality and service level by the improvement of internal procedures. After implementing the above three measures in 2009, the

product quality and service level of ZTE has continued to be stable according to the satisfaction survey conducted by a third party, and no major quality or security accidents occur throughout the whole year.

### Global Customer Service

ZTE Global Customer Service Center provides after-sales technical support service for the communication equipment of customers twenty-four hours a day and seven days a week, backed up by 9 sub-centers, several advanced labs in the R&D base and a team of well-trained technical support engineers. With complete technical solutions and advanced lab simulation environments, it is able to quickly and effectively dispatch and utilize technical resources worldwide.

ZTE is committed to continuously improving the capability of global customer support services. It has set up 8 regional customer service centers (RCSC) and 37 local customer service centers (LCSC) around the world, established a 3-layer technical support service system comprising the local, the regional and the headquarter, as well as a stable



localized onsite support service team, to fully implement the standardized management of customer support service. Through various service modes such as online support, remote diagnosis and onsite troubleshooting, they can make rapid response, and process customer service requests and technical counseling efficiently with high quality, which effectively guarantees the safe and stable running of the customer's existing equipment.

**1. Multi-channel customer request handling and communication feedback platform**

ZTE provides global customers with the channels handling customer requests and customer complaints such as hotline, fax, email, mail and website. Assisting the customer to access services conveniently, ZTE has also constructed the technical support website and Internet Customer Service Center (ICSC). ZTE technical support website is the Internet-based window providing the customers with technical support service, which can support around-the-hour online technical support services for the customers. The website provides the service functions such as knowledge database, service center, technical forum and technical documents. Internet Customer Service Center (ICSC) is the Internet-

based technical support service platform, which can provide the customer with real-time interactive online technical support service. Compared with the traditional online technical support via call center, it's faster and more convenient in responding to and solving the customer's problems.

**2. Sound management flow for customer support service**

A standardized service flow management is the foundation of stabilizing the customer support service specifications and capability. Based on ITIL model, ZTE has set up a set of complete customer support service management flow system and IT system platform. A complete and stable flow system and a globally-deployed IT system have been established for the customer support services such as 'fault management, problem management, technical counseling, service modification, version management, service level management'.

By customer support service operation and management, ZTE monitors the implementation of global customer support service flow, making timely statistics and analysis of the customer service KPI for global customer service organizations, acquiring the situation of customer

service flow implementation and customer evaluation in time, adopting corrective and preventive actions for existing problems, and guaranteeing the highly-efficient and standardized running of global customer support services.

### **3. Continuous improvement of customer support service capability**

ZTE customer service is committed to focusing on 'customer satisfaction', strictly complying with TL9000 quality

management standards, adopting 6SIGMA to improve its flow capability, and realizing continuous improvement by adopting the continuous quality improvement management method.

## **Customer Satisfaction Survey**

ZTE has hired the internationally-renowned counseling Nielsen to carry out a customer satisfaction survey annually,

**ZTE Customer Service KPI**

KPI	2009	2008
Fix Response Time(FRT) for Reported Customer Problem	99.00%	97.75%
Restoration Response Time(RRT) for Customer Critical Incident	94.88%	92.51%
Customer feedback Satisfaction	96.28%	95.38%
Online Support Callback Satisfaction	99.47%	98.13%

and make comparison and analysis with the previous data, serving as the most important basis for improving the brand, quality and services in the next year.

In 2009, while continuously exploring into the high-end operator's market in Europe and America, ZTE also encountered the challenges of customer service requirements from European and American high-end operators. Through innovating and improving the customer service flow, ZTE has won the trusts from European and American high-end operators, and the customer service capability has also been greatly improved.

## **Customer Training**

Established in July, 2003, ZTE University is the corporate university founded by ZTE. It was founded to provide ZTE customers with professional training, counseling services and professional publications with significant value, and to provide the knowledge solution plans.

Relying on the strong technical force, with 14 years of professional training experiences, taking advantages of advanced training facilities, standardized training management and excellent tutor team, for the past 6 years, ZTE University has completed domestic and overseas customer trainings for more than 19,000

trainees, covering system trainings, trainings on maintenance topics and management quality trainings, among them 30,000 are foreign customers from more than 120 countries. Particularly in 2009, ZTE University implemented technical and management trainings for domestic and overseas customers, covering 50000 trainees.

Up to now, the training network of ZTE University has covered more than 120 countries around the world, which provides customized, personalized and in-depth management and technical trainings for more than 2000 domestic and overseas operators.

To further take localized advantage of the regional training centers around the world, train and reserve telecom talents for the local society, ZTE established the overseas training center construction and social training development projects in 2009, which are orientated to develop social trainings for college students in 12 regions including Asia-Pacific, South Asia, India, Southeast Asia, the CIS, South America, Eastern and Western Europe, North America, South Africa, North Africa and the Middle East. In 2009, altogether 4642 persons were trained, 438 of whom are employed by the branch company and the cooperators, fully representing ZTE's commitment of social responsibility to the international community.



# People

As the fastest-growing global telecom solution provider in recent years, ZTE knows that talents are the key to guarantee the company cause to be everlasting. It's the main strategic target of ZTE to become the model enterprise in global market, and be the model employee trusted company by different nations and different nationalities.

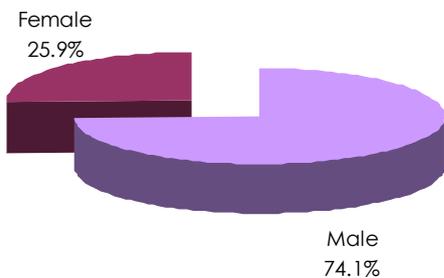
belief, etc). By the end of 2009, ZTE has offered more than 70000 positions around the world, in which female employees account for nearly 30%, and there are more than 100 disabled persons and more than 1700 minorities. ZTE has also provided posts for local residents in more than 100 countries besides China. The localizing rate in overseas regions has reached 65%.

## Respecting Employee Diversity

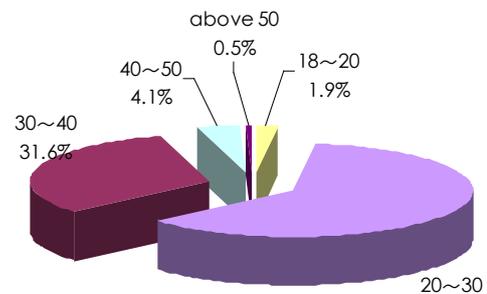
For recruitment, ZTE sticks to the principle of equal employment, and provide equal employment chances for applicants (no matter what nationality, age, gender, religion,

## Salary & Benefit

ZTE offers its employees complete and featured salaries and benefits, where the salary is closely related with the



**Employee Gender Ratio**



**Employee Age Ratio**

employee's development, personal performance and organizational performance. To establish a long-term incentive mechanism that closely links the company performance with a long-term strategy, improve the overall salary structure and achieve a win-win situation between the company and employees, ZTE First Equity Incentive Plan was implemented for the first time in 2007, after being approved by the first provisional shareholder's assembly, held on 13 March, 2007. Besides the full payment for the employee's various statutory social insurance (including retirement insurance, medical insurance, work injury insurance, maternity insurance and unemployment insurance), as well as the statutory holidays and paid annual leave according to the labor contract, ZTE also offers the

commercial accident insurance, female workers' prenatal leave, annual leave for overseas employees and their spouses' overseas home leave, international emergency assistance for permanent or traveling overseas employees and accompanying policy for overseas excellent backbone staff, so as to make the employee to work without worries and improve their life qualities.

## Employee's Career Development & Growth

### **Employee's career development**

ZTE is actively expanding the employee's personal development scope, providing them with a "3-channel"

#### **List of Main Benefits in ZTE**

5 Main Social Insurances	Commercial accident insurance
Labor Insurance Supplies	Meal allowance
Legitimate national holidays such as annual paid leave, maternity leave, etc.	Employee dining hall
Labor Union Activity Charges	Free-of-charge shuttle vehicle
Female worker's prenatal leave	Regular physical examination

career path including the promotion on technical channel, the promotion on service channel and the promotion on management channel, so that the employee can better combine his own value with the company value, based on his/her personal interests and expertise, and thus achieve the common growth of themselves and the company.

### **Employee learning and growth**

ZTE has always been attaching importance to the employee's training and education, and it's an important component of the company's long-term strategy to create a learning organization. By comprehensively balancing the requirements of long-term strategic goals, an annual development plan, job responsibilities and performance improvement, as well as the employee's capability difference and vocational development requirements, the employee's learning and development plan will not only help realize the company's overall goal, but also meet the requirements of the employee's personal capability and career development, thus achieving a win-win situation between ZTE and the employee.

By offering various training resources and channels, ZTE has built a comprehensive training system, including the employee's orientation training, on-the-job training, continuous education and the upgrading training for managers, etc. In consideration of the characteristics of adult learning, it adopts various training methods and approaches for employee training. The employee training methods include systematic training, training by hired tutors, external training, internal lectures, concentrated self-learning and self learning. The training approaches include lectures, onsite demonstrations, role playing, case analysis, learning from games, project authentication and self-learning. To adapt to the development of internationalization, ZTE also delivers its training programs to staff all over the world via E-learning platform (ZTE E-University) and multimedia courseware.

Considering employee's increasing desire of promoting academic qualifications, ZTE has attempted the cooperation mode between enterprise and colleges in 2009 which can help the employee to achieve a promotion during their



**International New Employee Orientation**

spare time. Besides, ZTE has also set a channel for the employees promoting from technical secondary school qualification to junior college qualification. In 2009, ZTE has cooperated with Shenzhen Polytechnic as pilot. More than 500 employees submitted their applications, where 269 employees were officially registered and 157 employees were officially enrolled. To encourage employees to study conscientiously, ZTE and Shenzhen Polytechnic also jointly

set up a scholarship for employees with an outstanding performance.

To enhance the overseas employee's understanding and recognition for ZTE to fully improve the employee's quality and skills, and to promote the cross-cultural integration, the company launched the program of "Sunshine Action". Due to enhanced training methods of foreign employees coming to China for learning, remote learning or local training center,



the overseas employee training coverage has increased by more than 80% and 100% coverage for new employees.

Meanwhile, ZTE has set up 12 training centers in 12 global regions, the training services covering in North and South America and Western Europe, Eastern Europe, the Middle East, Asia Pacific, Southeast Asia, South Asia, North Africa, South Africa, the CIS, and India. Ten of them have been built completely and have been put into operation.

## Employee Praises

In recognition of the achievements made by employee and team, ZTE has established various praises for them.

For the team there are performance awards, marketing awards, project awards, competition excellence/team awards and special contribution awards.

In 2009, ZTE firstly set the highest personal honor “ZTE Gold/Silver Award in 2009”. This was the first time that ZTE set an individual honor award for the first-line staff, including normal R&D engineers, service engineers, bottom-layer engineers and other staff working consciously in the front line. It was selected out from the candidates by direct vote, and finally 10 employees achieved the golden award, and 20 employees achieved the silver award. This award played a great incentive upon the employees.



## Equal and Harmonious Internal Communication

ZTE has created various internal communication channels for the staff. Every employee can keep timely and smooth communication with the leaders, colleagues and cooperative partners through ZTE Corporation Newspaper, ZTE Elite website, internal forum and IM (instant message), etc.

## Colorful Cohesion Activities

Based on the great importance to corporate culture and cohesion of staff members, ZTE has earmarked a considerable amount of money for building cohesion and holding large-scale theme activities, such as ‘Spring Festival Show’, ‘Sports Game’, ‘Employee Family Day’, ‘DIV4 Photography Contest, and ‘I Speak for My Cell Phone’. More

### ZTE Corporation Newspaper, Intranet



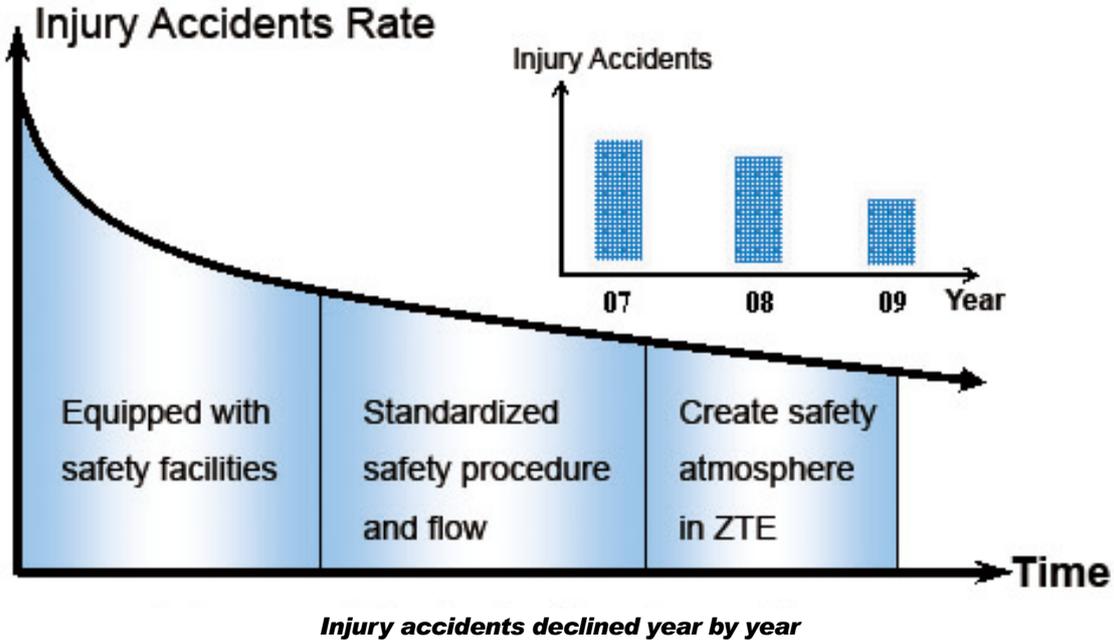


and more such activities are becoming the special holidays of ZTE people and their families.

### Health and Safety

According to ZTE's internationalization strategy, ZTE shall

strive to create an open safety culture. Unlike the old safety management style which depended too much on safety equipment, procedures and mandatory administrative orders, the new safety culture will be respected by executives and welcomed by every staff member. Therefore, as material conditions and standardization processes



are growing mature, it appears very important for the company to shift the focus on how to cultivate staff's safety consciousness and realize the ultimate objective of creating a safe atmosphere around us.

In order to build a better safety culture, ZTE is dedicated to carrying out an occupational health and safety management system. Early in 2005, ZTE had passed OHSAS18001 certification. Meanwhile, the well-known PDCA cycle (Plan-Do-Check-Action) is widely adopted in daily health and safety management.

Through PDCA cycle, ZTE keeps optimizing health and safety standardization processes, increasing investment to perfect dust, noise, air-conditioning and other safety facilities, building employee health records and organize periodic health checks for employees. Besides, ZTE actively creates a safe, sanitary, and comfortable working environment for our employees through inviting external

occupational disease prevention and control institutions to inspect and evaluate health conditions in toxic and hazardous workplaces.

As the company is growing bigger and stronger, potential safety risks are increasing as well, which demand us to consider how to further reduce risks to the minimum. In 2009, ZTE implemented a series of changes, such as optimizing KPIs in safety work, establishing internal safety communication platforms in each system, developing review criteria, conducting quarterly safety evaluation and ranking, etc. In addition, ZTE put more efforts into many details, including safety promotions, training, inspection, reworking, major workplace management, and emergency practice. Considering emergency practice, the practice frequency in 2009 is tripled compared to the last year, and some were conducted without earlier notice. New approaches such as high-altitude rescue, were also adopted to make the practice

resemble real scenarios as much as possible, and enhance the last defense line which is prevent from the destructive strike

To optimize our health and safety process, ZTE has taken a series of feasible measures under the guidance of the government and passed the certification by numerous overseas companies. Now, ZTE's working environment is continuously improving, while the figure of safety accidents is declining year by year. In spite of these achievements, ZTE will not stop our pace of progress, as ZTE know that safety is a long-term cause.

## Employee Assistance Program

Employee Assistance Program (EAP) is a systematic and long-term welfare and support project. ZTE employees, as well as their immediate families, can be offered professional psychological guidance, training and consultation by EAP, which help them solve various psychological and behavioral

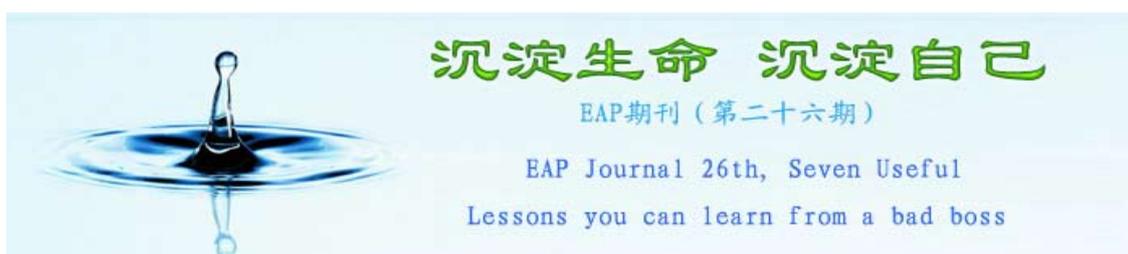
problems, and improve employees' working performance.

The EAP mechanism which was set up in ZTE in 2009, providing psychological care for employees at four levels: health care, consultation, intervention and referral.

In the year 2009, ZTE

- set up four counseling rooms, two in Shenzhen, one in Shanghai, and one in Nanjing,
- offered psychological consultation services to almost one thousand employees via Email, hotline, interview and Instant Message, etc.
- published 18 EAP periodicals
- built an employee assistant homepage and EAP forum

Till now, ZTE had held 40 'ZTE Healthy Growth Lectures' throughout China, covering all types of topics ranging from love, marriage, children, and family to career, emotion and stress management. Meanwhile, various forms of psychological health activities have been organized, such as psychological salon, outdoor parent-child interaction, etc.





2009

Corporate Social Responsibility Report



## Environment

Nowadays people are facing two pressing challenges: environmental protection and climate change. Although ZTE, as a telecom equipment manufacturer, is not in a sector of high pollution and consumption, we know clearly about our social responsibilities and the significance of environmental protection and creating sustainable society. Bearing this in mind, we shall incorporate environmental protection into every section of our operation as well as the whole product lifecycle. By adopting the product lifecycle appraisal (LCA) model, we hope to launch more and more new products and services with higher commercial as well as environmentally-friendly values. Now, the Green strategy has been penetrated into all business activities of the company from product development, production to supply chain, logistics and engineering, etc. We are searching for a green and environmental protection road integrated with enterprise development.

### ZTE's Green Strategy

As a global leading telecom equipment manufacturer, ZTE keep stressing the corporate social responsibility

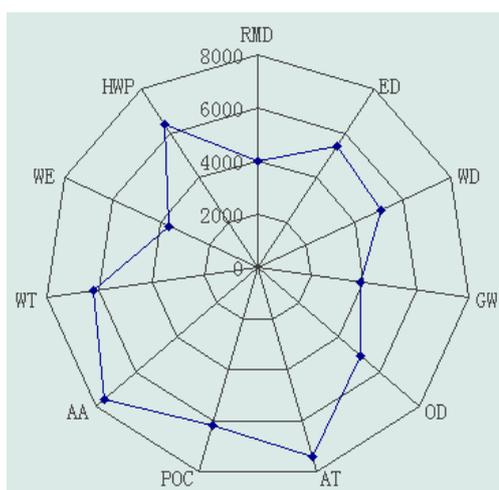
and carrying out the green campaign in our company. Aimed at sustainable growth, continuous innovation and green environment, ZTE is willing to overcome all sorts of challenges and cooperate with operators to build sustainable and green networks and create a friendly environmental information society. Therefore, ZTE actively promotes a strategy of four 'Greens', namely, Green Production, Green Culture, Green Management and Green Value Chain. ZTE takes 'Innovation, Convergence and Green' as its three development strategies, and the Green strategy, is the ultimate objective of the other two strategies. Now, the Green strategy has penetrated into all business activities of the company from product development, production to supply chain, logistics, engineering, etc. For example, the concept of energy conservation and emission reduction has become one of the driving forces of our production and technology innovation, and is being implemented in planning, design, R&D and manufacture. In addition, ZTE actively promotes green technology standards in the industry and together with our partners, from upstream to downstream, to build green networks. In the company, ZTE implements highly effective and green production

processes, and applies green management mechanisms, such as E-office and 5S policies. Besides, ZTE also vigorously promotes the use of green energy products, such as solar energy and wind energy, etc., and cooperates with partners in developing new types of energy.

## Green Concept throughout Product Lifecycle

To be a responsible 'green' enterprise is one of the core development concepts being adhered by ZTE.

Thus, ZTE has introduced state-of-the-art management flows and quality standards regarding product lifecycle control. By combining these external standards with internal enterprise specifications, ZTE has achieved highly effective monitoring and management through the product lifecycle, from raw material selecting, product design, manufacture to marketing and recycling. ZTE had already complied environmental protection standards such as EU RoHS and WEEE. Apart from this, ZTE has actively participated in green organizations for developing green standards.



- RMD: Raw Material Depletion
- ED: Energy Depletion
- WD: Water Depletion
- GW: Global Warming
- OD: Ozone Depletion
- AT: Air Toxicity
- POC: Photochemical Ozone Creation
- AA: Air Acidification
- WT: Water Toxicity
- WE: Water Eutrophication
- HWP: Hazardous Waste Production

### product LCA analysis

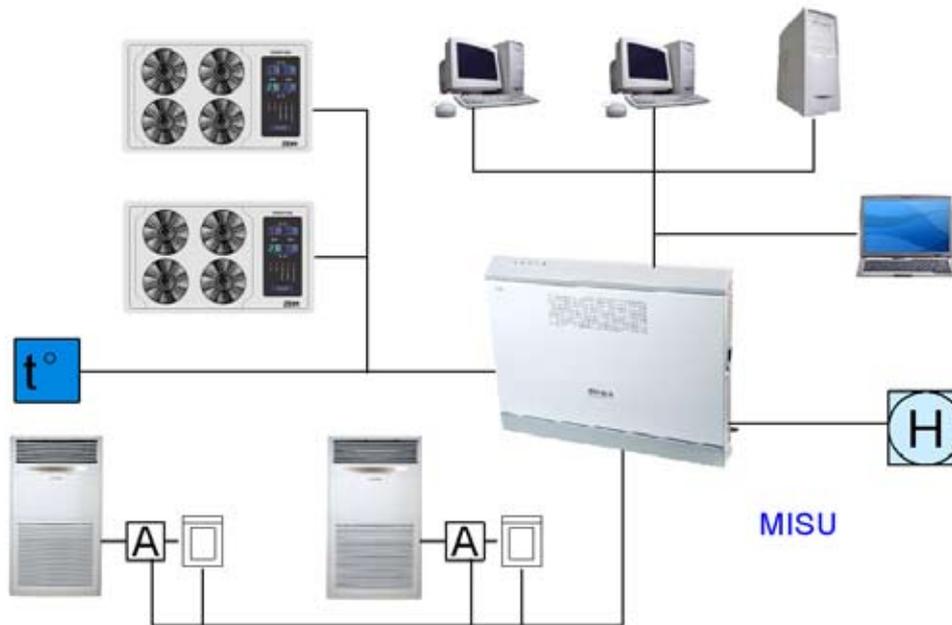
ZTE has built company-level EUP energy efficiency and LCA analysis teams to promote low-energy consumption products at the corporate level. For the product design, ZTE carries out the concepts of low consumption, power saving, and recycling throughout the product lifecycle according to EU's design standards. Moreover, 11 major indexes are used to evaluate the environmental condition in the whole lifecycle, including raw material depletion (RMD), energy depletion (ED), water depletion (WD), Global Warming (GW) and ozone depletion (OD), etc.

According to ZTE's statistics on the existing network energy consumption, most network energy is consumed by the access network. Wireless networks energy consumptions of mobile operators account for over 70% of the total consumption, and the energy consumptions of access networks of fixed operators is reaching almost 50%. From this, we can see that wireless base station, cable access network, power supply and new energy will be the focuses of green product innovation.

### ■ Green Wireless Base Station—Intelligent Reduction of Consumption and Smooth Evolution

#### Highly Efficient Power Amplifier

Among all base station components, power amplifier's power consumption is the highest. Thus, improving the efficiency of power amplifier is the key to reduce the BS's power consumption. To achieve this goal, ZTE has adopted a variety of technologies, and consequently the power consumption of ZTE's products is much lower than the average industry level. The most common one is DPD+Doherty, which can greatly improve power amplifier's efficiency. New technologies, such as ET, are also being explored to further improve it. Dynamic power matching (D-PT), another key technology of ZTE, can realize 'breath-like' power management. It can manage the power suppliers in an intelligent way by tracking load changes and supplying hierarchical variable voltages. That means, if the power amplifier's output power is rather large, then higher voltage



**Intelligent Cooling System**

will be supplied. If the output power is below a certain level, then the supply voltage will be adjusted to a lower level. In this way, the power amplifier can always work with the best efficiency no matter how much the power load is .

**Intelligent Cooling**

With respect to cooling equipment, ZTE adopts the advanced natural cooling technology, which applies the principle that hot air ascends while cold air descends. Therefore, boards and other equipment can be operated without fans. It not only dramatically cuts down extra power consumption, but also minimizes noises during equipment operation. In addition, ZTE adopts various approaches including heat-transfer blind hole, new heat pipe technology and new PCB designs to prolong battery life and create a quieter working environment,

Our intelligent room temperature control system, which can be used without air-conditioner, realizes substantial power saving and base station environment regulation in all-climates condition. On the average, natural ventilation can be used to replace air-conditioning during nearly 80% of time of a year.

**Smooth Evolution—One-time Input in SDR Will Gain in Years**

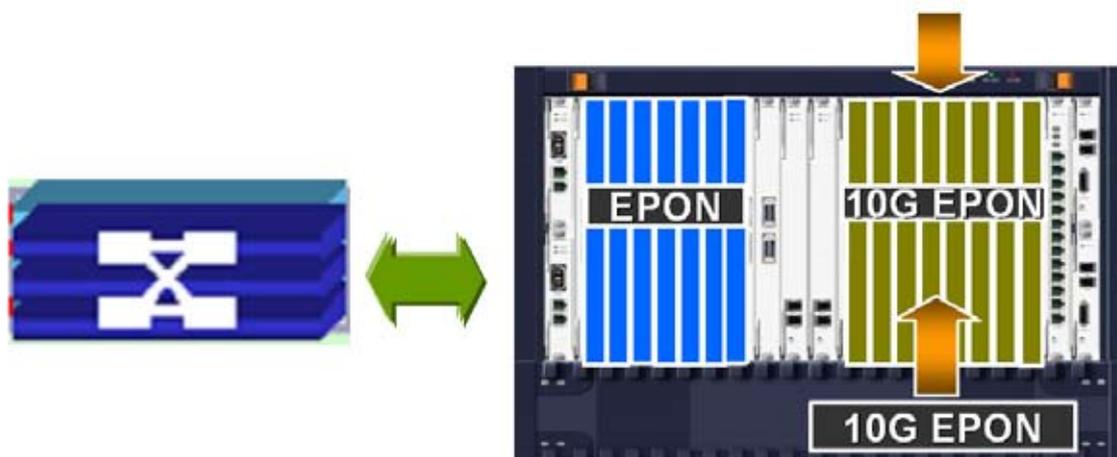
In case of mixed networking of multiple frequencies (such as 900 and 1800) and multiple modes (such as GMS and UMTS), the SDR products can be used to realize simpler implementation. Depending on this product, it not only can

realize racks and even board modules sharing, but also can achieve single module sharing, showing the real meaning of 'software definition'. In addition, as the evolution from GSM to UMTS, HSPA and LTE will be entirely smooth, all the existing hardware can still be used. In the evolution to 4G, hardware reusability will reach 100% with no wasted equipment is produced., which will save much material and do no harm to the environment

■ **Green Fixed Network Broadband Access—Replacing Copper with Fiber**

In fixed networks, access equipment also hold 50% of the total network power consumption. Some is the traditional narrowband access equipment which is existed for many years, the other is broadband access equipment which is becoming more and more popular. NGN reconstruction and replacing copper with fiber are the effective method for green fixed network access.

As for broadband access networks, we devote ourselves to building xPON networks. As a mainstream access approach, the proportion of PON (passive optical network) in the access market is increasing, owing to its advantages in bandwidth, cost as well as passive feature. Compared with legacy access equipment which consumes much energy in switching and convergence, PON saves the excessive energy, and moreover reduces power consumption of air-conditioning for maintaining normal operation of equipment. In addition, due to its passive feature, plenty of costs can be



### **Sharing and Mixed insertion of EPON and 10G EPON**

saved regarding the investment in equipment, space, and maintenance.

In October 2008 and June 2009, ZTE launched 10G-EPON non-parallel and parallel equipment respectively. As the 10G EPON technology has grown more mature, EPON equipment, the natural-born energy saving star, outperforms any other optical access technologies. If this technology is deployed in large scale, we'll surely witness a significant decrease in the average energy consumption of per user.

For the new technologies, ZTE also releases its new products and solutions, such as dynamic dormancy energy saving technology and fan speed temperature control technology, which meet EU's Coc standards in all aspects, are widely used in all series of access products to fundamentally reduce overall energy consumption,

As for stations, we use proprietary integrated outdoor cabinets, which help further increase equipment density and save over 50% of equipment room. In addition, for new products the adaptable voltage scope has been widened, which can cut down about 40% costs of power equipment.

Last but not least, our platform designs realize single sharing and mixed insertion of boards in most fixed networks, thus help operators to construct their networks flexibly.

#### **■ Green Core Network—High Integrity and Overall Energy Conservation**

Core network becomes the greatest concern and the most important part of operators due to the functions of storing subscriber data of the whole network, performing service connection and scheduling. ZTE's CN products had many

advantages in the past. Now, the latest V4-series products extremely fulfill the green and convergence ideas. The new generation CN products, which are on the basis of real all IP platforms, can realize resource convergence and sharing. All CN functions can be provided by only a dozen board modules. Moreover, green technologies are adopted at all levels of hardware and software, making CN products green from all aspects. For example, green hardware designs can realize extremely high capacity with low power consumption. Heat consumption in central equipment rooms is optimized by elaborate layout, heat conduction planning, intelligent temperature control, etc. Series of innovative green software functions are provided, such as dynamic power regulation and shared pool technology, and production material input can be quantified.

#### **■ Green Bearer Network—Energy-saving Architecture**

As one of the fundamental telecom networks, bearer network has the most complicated structure and bulk equipment, which mainly consist of core routers and backbone optical network equipment. With years of experience in bearer network, ZTE has developed many energy saving technologies and manufacture techniques in the aspects of network, equipment and component. It helps to reduce the power consumption in operating and maintaining bearer networks by the roots for customers, and effectively lower the whole network TCO.

Converged IP transmission platform also integrates green ideas. Based on the all-IP platform, ZTE's simple and



reliable PTN transmission network solution adopts the products of the same series. .The PTN uniform transmission platform is another example. It not only solves the problem of time-phase synchronization and has a hierarchical architecture similar to SDH, but also can easily realize OAM and protection functions through an intelligent control plane. In a word, it's a real green solution of high integrity and low energy consumption.

ZTE's end-to-end WDM products can fully satisfy various requirements, from municipal domain access level, core level to backbone level. Meanwhile, by introducing OTN architecture and ROADM/ODUK switching into the core level and deploying 40G/100G platform at backbone level, we can simplify network complexity, increase network bearer capacity, and finally achieve the goal of energy saving and

consumption reduction.

■ Green Data Center

At present, the annual power consumption costs of all global data centers have reached 7 billion USD. It's estimated that 1 USD cost for hardware, 0.5 USD of power expense will be used, and the figure will jump to 0.71 USD in 2011. It's no doubt that data center is the most power-consuming part for all operators. To play our part in green telecommunication, ZTE is dedicated itself to finding better solutions to improve system performance, efficiency and reliability. In the field of data storage, ZTE adopts a universal architecture called ATCA to improve equipment integrity. To some extents, it saves energy for operators. In addition, we put increasing efforts in researching cloud computing and apply some of the mature concepts to



Design Principle	Major Advantages	Benefits to Customer
Reduce	Smaller packaging size, more inner space of packing box can be used, and reduce consumption of raw material.	Benefit 1: less space Based on all the basic requirements of packing box, the smaller box size improves improve the utilization of tray space in transport.  Benefit 2: Efficient logistic recycle Smaller packaging boxes occupy much less warehouse space, and thus greatly increase customer's logistic turnover rate.  Benefit 3: less carbon emission Environmental protection is an important index for evaluating an enterprise's social responsibility. ZTE's environmental-friendly paper box design uses completely recyclable material, which indirectly reduces carbon emission of transport.
Reuse	Giving full consideration to hardware configuration requirements, generic packaging boxes are used to increase reusability.	
Recycle	Considering possible accidents that may occur during logistics process, firm and durable materials are chosen, which can be recycled as required by customers.	
Recover	All packaging material is recoverable.	
Degradable	In the choice of raw material, green network solution is of first consideration, All-IP technology is used in building a flat network that demands less power consumption and provides higher equipment utilization ratio. SDR solution prolongs the life of equipment, reduces power consumption and can be smoothly upgraded by reusing existing material. Zero thickness, use solar energy, wind energy, and other new types of energy to reduce carbon emission.	



**Green Package**

product development. Cloud computing, which uses virtualization technologies to shield software's dependency on hardware, can distribute computing tasks in a resource pool, and can make various application systems acquire computing capabilities, storage space and all kinds of software services according to their demands. By enhancing system maintainability and providing rapid deployment ability, it somewhat achieves the purpose of green telecommunication and solves the existing problem of low utilization of resources and high power consumption due to inability to share system resources and the inflexible peak-based configuration.

Now, we are actively cooperating with partners in promoting the application of cloud computing in the industry to pushing the development of green telecom.

■ **Green Communication Power Supply**

In communication, the best efficiency of a power system

ranges from 50% to 85%. ZTE's breath-like power management technology can open and close the power rectifier module automatically according to the output current, so that the excessive rectifiers can alternately remain in power-off status and the system's load ratio can stay in the range of 50% to 85% in most cases, in this way to improve the working efficiency of the system.

■ **Green Engineering**

Green engineering is an important mean to achieve human-oriented harmony among 'human, communication and nature'. Thus, it's required that communication network engineering should conform to the principles of health, comfort, safety and environmental protection, and use resources in an efficient way (by saving energy, land, water and material, reducing radiation, and being in harmony with the surrounding environment) to minimize the bad effects of engineering on environment as much as possible.



**Solar System of Ethiopia**



The scope of green engineering covers green planning, green material and green construction. ZTE's SDR distributed base station requires less space in site construction, which reduces the difficulty in addressing. It also can improve unit capacity. The network planning optimization tool, which is independently developed by ZTE, is targeted at conserving energy and reducing consumption at early planning stages, and provides the best network performance with perfect coverage schemes and site selection policies. With respect to construction material, ZTE uses new types of environmental-friendly materials, electronic materials and paperless design. Reusing existing material is another approach for environmental protection. In respect of the new site build, ZTE is trying to make use of the existing equipment rooms and rebuild the old equipment. The network disposals are also recycled and reused according to standards. In network construction, ZTE adopts systematic and effective processes and use helpful software tools to realize rapid, quality and highly efficient engineering installation.

#### ■ **Green Logistics and Supply**

The concept of green logistics ZTE proposed covers these aspects: replacing woods and plastics with paper, using uniform packaging to simplify variety of packaging forms, providing convenient equipment storage, and choosing green logistics-intensive transport to avoid second move.

Green packaging complies with the requirements of sustainable development in that it does no harm to either ecological environment or human body, and can be recycled and recovered. Regarding this, ZTE always adhere to the evaluation principle of '4R+1D'.

#### ■ **Wide Usage of Green Energy**

Apart from energy conservation and emission reduction, ZTE is also committed itself to the development and usage of new types of energy.

Solar energy is a green energy which is the most easy to find on the earth. Due to its pollution-free feature and technological maturity, the photovoltaic industry is rapidly developing at an annual increase rate of 40%. The thickness of a solar cell has been reduced from 0.50mm to 0.15mm. The decreasing costs make solar energy increasingly popular. Wind energy, another green energy, is also abundant on the planet. In recent years, the annual growth rate of wind energy has reached 27.6%. Wind-driven generators used in base stations are the mini generators of

1 to 10 KW, the technology of which have been developed gradually. A solar-wind complementary solution is another green energy solution that combines the advantages of both.

ZTE provides all kinds of competitive power supply solutions for different local climate conditions, including independent solar power, solar+oil, solar +wind, and solar+wind+oil. From the perspective of overall cost, we provide an integrated green power supply system of lower costs, higher reliability and easier maintainability.

Till now, ZTE has provided solar power solutions for more than 40 operators in over 20 countries, and the total capacity has reached 6 MW.

#### ■ **Green Operation**

To realize green operation, ZTE has set up company-level environmental management programs, which provide a theoretical basis for the control of water, air and noise pollution and waste management. Among all environmental management activities, ZTE focuses on energy conservation and resource recycling. Adhering to the policy of 'energy conservation, consumption reduction and pollution abatement', ZTE lay stress on internal scientific management in order to reduce material and energy consumption from all perspectives including raw material, production, consumption, waste disposal, etc.

ZTE believes that energy conservation and consumption reduction does not simply mean saving water or electricity as people might think. It's more important to implement process control on all environmental factors in the company's operation. Based on the EHS (Environmental and Health and Safety) system, ZTE has formulated environmental management requirements, objectives, targets and management programs. Evaluation on energy conservation effects is conducted twice a year, and the result will form the basis for raising higher objectives in the following year. To further implement nationwide the policy of 'energy conservation, consumption reduction and pollution abatement', ZTE has began to promote environmental management since September 2008 in all the other ZTE R&D centers in China. In 2009, ZTE participated in and passed the clean production inspection conducted jointly by the Economic and Trade Commission of Guangdong Province and Shenzhen Trade and Industry Bureau.

Meanwhile, ZTE strengthens its waste management from two aspects: recycling of general waste and 100%

**Major environmental-friendly and energy conservation projects**

SN	Project Name	Advantages	Result	Current Situation
1	Replacing T8-36w lights with T5-28w lights	Energy conservation – Using high-performance electronic ballasts can save 20% ~ 30% electricity every year, and thus light costs can be recovered gradually and reduce property operation costs. Comfort – By avoiding frequent flashing of lights, we offer employees a healthier and safer work environment. Environmental protection – Light life is prolonged, and mercury leakage due to improper recycling of discarded lights can be avoided.	On the average, at least 25% electricity can be saved.	Over 80% in the science and tech park in Shenzhen have been replaced with new lights as expected.
2	Integrated printing and copying	Increasing the utilization of resource and energy. Improving customer satisfaction. Raising management efficiency. Reducing costs in printing output.	On the average, electricity, paper, toner, and other resources can be saved by 40%.	Over 80% throughout the company is covered by the project.
3	Reconstruction of intelligent frequency conversion of central air-conditioning water system and wind system	Saving public electricity. Reducing aging rate of equipment. Cutting down the company's energy costs.	According to actual measurement, 25% electricity is saved.	This project will be piloted in over 50% area of Shenzhen office.
4	Clean production inspection	Determining the waste reduction targets and developing effective measures to reduce waste generation. Finding out the bottlenecks and imperfections in the organization management. Improving economic profits as well as the quality of products and services,	The overall economic benefit reached 120 million RMB.	This project is being implemented in Shenzhen office.

recycling of hazardous waste. Now, recycling of hazardous waste has reached 100% which were transferred to qualified organizations in Shenzhen for further treatment, and effectively reduced the rate of pollution. In 2009, ZTE totally recycled 3006 tons of general waste and 279 tons of hazardous waste.

With respect to the inspection and continuous improvement of the environmental management system, ZTE conducts a yearly evaluation on environmental and occupational health and safety, ensuring it complies with all related laws, regulations and requirements (both within China and in countries to which our products are exported). In addition, items that have clear specifications are inspected by qualified testing organizations. For example, process emissions and noise emissions from industrial plants are inspected by the Nanshan District Environmental Protection

Monitoring Station in Shenzhen. In three straight years, all of our inspection indexes have met with the required standards, and no excessive discharge of pollutants were found. We will continue to take corrective and preventive measures, and improve our environmental management according to higher standards.

Meanwhile, as our markets are growing bigger and stronger, an increasing number of branches have been established in other parts of China. ZTE always pays close attention to the application of green technologies in constructing new office buildings, and strictly follow the principle of sustainability in every detail from design to construction. ZTE is aimed to build the safest, healthiest and most comfortable working and living environment by optimizing the use of energy and resources, achieving the situation that human, architecture and environment can coexist and prosper for ever.



## Agile, Efficient and Responsible Global Supply Chain

ZTE is keeping close cooperation with global suppliers to continuously evaluate, measure and improve our social responsibilities, so that all parties in the supply chain will benefit and grow together.

### Social Responsibilities of Supply Chain

To establish a more harmonious relationship with suppliers, ZTE is always targeted to become the best customer of them. ZTE encourages the suppliers to be the enterprises with the sense of social responsibilities, and help them growing by sharing our technologies, marketing and management experience with them.

In 2008, ZTE conducted the on-site social responsibility auditing on major terminal suppliers. From August in the same year, ZTE developed a company-wide program for promoting and fulfilling overall social responsibilities of the supply chain. This program involved on-site auditing, problem tracking, experience exchange with suppliers, and other issues.

To build a green supply chain, ZTE has we have a deep cooperation with suppliers in the field of social responsibility

and environmental management, etc. To be specific, the cooperation covers:

### Active and Effective Supply Chain CSR Training

In 2009, ZTE's supply chain departments organized a large-scale all-staff training program as planned, which not only covered the fundamental knowledge and related standards, such as ROHS, ISO14001, OHSAS18001, SA8000 and QC080000, but also emphasized the requirements and how to effectively implement CSR. Till now, 51 people have passed internal training tests, and 20 have acquired external certifications.

### Strict and Impartial Procedure for Suppliers Introduction

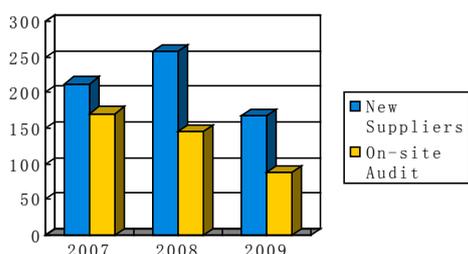
In order to help suppliers better understanding our requirements of social responsibilities of the supply chain, ZTE offers a survey for new suppliers when they register on E-business website. ZTE hopes that potential suppliers can conform to our basic principles of supplier behaviors as well

as local laws and regulations. In addition, as TE advocate supply diversification in the whole process of inviting suppliers, ZTE welcomes suppliers with different cultures, different nationalities and different developing characteristics to cooperate with us on a fair and square basis, and ZTE is willing to assist them in developing their own diversified supply chains.

In 2009, ZTE introduced 638 new suppliers, and conducted on-site auditing on 406 of them. Through auditing, 105 CSR non-compliances were found, and accordingly developed plans to help these suppliers solve the most urgent and critical issues.

## Continuously Improve Existing Suppliers' CSR Level

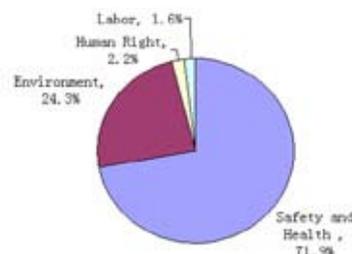
Since 2005, ZTE has provided supplier management



training at regular intervals. Through the training, ZTE hopes that suppliers can understand ZTE's expectations and requirements, and their employees can respect those requirements and be willing to follow the related laws and regulations. This in turn can help suppliers finding and improving their defects. Up to now, more than one hundred commercial QC managers from suppliers have received the training.

In 2008, ZTE performed CSR evaluation mainly on over 100 mobile product suppliers. 34 suppliers were identified as highly risky in CSR, among which 28 received on-site special CSR auditing. 92 CSR non-compliances were found, among which 96% have been closed till now.

In 2009, our supply chain completed more than 500 inspections on system product suppliers, and identified 53 suppliers as highly risky in CSR. For each of them, ZTE had set up customized continuous improvement plans.



**105 CSR Non-compliances Breakdown**



## Challenges and Plans in the Future

### Challenges and Plans of Supply Chain's CSR Implementation

Challenge	Plan
CSR evaluation system is imperfect.	Learn from CSR benchmark enterprises.
On-site CSR auditing does not cover overseas suppliers.	Increase input of overseas manpower. Strengthen overseas auditor training. Conduct pilot on-site CSR auditing on overseas suppliers.
The frequency and coverage of inspection on highly risky CSR suppliers are not enough.	Reevaluate more existing suppliers. Supervise and assist existing suppliers in CSR management.
CSR auditors and trainers are insufficient.	Strengthen training and recruitment. Collect successful CSR cases.



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## Social Welfare

### Spring Bud Schools in Earthquake-stricken Areas

As of May 11, 2009, with the support of ZTE's special fund of Care for Children, ten 'ZTE Spring Bud Schools' have been all put into use, 14 thousand students in earthquake-stricken areas in China are benefited from this.

Among these schools, eight are located in the worst-hit Sichuan province in the Wenchuan earthquake in 2008, and the other two in Shangxi province. Now, these schools are being restored to normal usage, the teachers and students now live and study in bright and spacious frame houses.

In the reconstruction in the earthquake-stricken areas, ZTE focused on psychological as well as material aid. Apart from ensuring that the anti-seismic standard of the school buildings is higher than that of civil buildings, ZTE has equipped these schools with desks, chairs and other teaching facilities. Most important of all, in the long-term study-supporting practice, ZTE holds the belief of 'Young People are the Foundation of a Nation' to form a thinking for study help that 'Physical and

Psychological Health are Equally Important'. ZTE focus on donating sports equipment, computers and books, and have built libraries for these schools.

### Second World War Veteran Assistance

In 2005, the 60th anniversary of Second World War victory, those veterans who fought well for the destiny of the nation re-entered the public view. To let them have a happy and healthy life in their remaining days, ZTE launched a campaign to support these old heroes. The campaign received unanimous support from top to bottom of the company. Statistics show that, as of January 2009, ZTE donated 838,700 yuan as living allowances for 621 veterans.

### International Aid

#### **Indonesia**

At around Jakarta time 5 p.m. on September 30, 2009, a

List of Donated ZTE Spring Bud Schools in Earthquake-stricken Areas	
1. ZTE Longtai Secondary School in Zhongjiang County	Number of people: 2400
2. ZTE Liyuan Primary School in Huanglu Township of Zhongjiang County	Number of people: 650
3. ZTE Nandu Primary School in Nanhua Township of Zhongjiang County	Number of people: 1300
4. ZTE Central Primary School in Jiexing Township of Zhongjiang County	Number of people: 900
5. ZTE Jiangyou Industrial School in Mianyang City	Number of people: 4000 or so
6. ZTE Huilong Primary School in Lizhou District of Guangyuan City	Number of people: 700
7. ZTE Shuigui Primary School in Guangyuan City	Number of people: 350
8. ZTE Panlong No.2 Primary School in Guangyuan City	Number of people: 700
9. Central Primary School of Guangping Township in Ningqiang County of Shaanxi Province	Number of people: 2600
10. Central Primary School of Wuguanyi Township in Liuba County of Shaanxi Province	Number of people: 400



7.6-magnitude earthquake hit the western waters of the Indonesian island of Sumatra, devastating the buildings in Padang city and causing heavy casualties.

On 1 October 2009, Indonesian representative office of ZTE immediately contacted Indonesian Bureau of Civil Affairs and assisted the Indonesian government in the rescue operation by providing tents, small fuel generators, emergency rescue center facilities, first aid kits, rescue

clothing, life-saving equipment and other relief supplies.

**Ethiopia**

When attending an orphanage charity donation ceremony on July 26, 2009, Girma Wolde Giorgis, president of Ethiopia, highly appraised ZTE as a company which had not only played an active role in building the national telecommunication network in Ethiopia, but also done a lot of charities to benefit local people. Now, ZTE is one of



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Ethiopians' favorite foreign companies.

Ever since we set foot in the Ethiopian market, ZTE has remained committed to honest business and reliable technology. Apart from helping Ethiopians build a nationwide telecommunication network, ZTE also participate actively

in local social welfare activities, such as donating money to Children's Welfare Institute, providing free equipment for constructing training centers, and voluntarily teaching local people to learn Chinese language. All these activities have contributed a lot in promoting the Sino-Ethiopia friendship.





## Select 2009 Recognition

Our efforts in fulfilling social responsibilities have been widely recognized by the government, international organizations and the media. The following are major honors and awards we received in 2009:

1. In February 2009, ZTE joined the United Nations Global Compact.
2. In April 2009, the State Administration for Industry & Commerce of the PRC formally granted 'ZTE' the title of well-known trademark.
3. In May 2009, ZTE was awarded 'Chinese Children's Charity Awards' by the All-China Women's Federation.
4. In May 2009, ZTE was selected 'China Communication Industry Leaders in 2009'.
5. In May 2009, president Hou of ZTE was granted the fifth Yuan Baohua Management Award.
6. In June 2009, ZTE entered 'the InfoTech 100 of 2008' selected by 'Business Week'.
7. In July 2009, ZTE was awarded by China Mobile 'Sincere Cooperation Award in G3 Terminal Marketing'.
8. In July 2009, ZTE won Global Telecoms Business Innovation Awards in the national mobile service category.
9. In August 2009, ZTE was awarded 'TOP 50 Best Employers for Chinese College Students'.
10. In August 2009, ZTE defended its title of 'Top 100 Chinese Sci-Tech Companies' for the eighth year.
11. On November 2009, ZTE received clean production certification issued by Guangdong Provincial Economic and Trade Commission and Shenzhen Municipal Trade and Industry Bureau.
12. In December 2009, Environmental Labeling Products' certification was issued to ZXDSL 9806H product due to its design in energy saving, limiting the use of hazardous substances, product recycling and dismantlability.

**Board of Directors of ZTE Corporation**  
**April 9, 2010**

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