ZTE中兴 2011年企业社会责任报告

2011 Corporate Social Responsibility Report

Winners of the 2011 ZTE Gold Awards

CSR

Content

About This Report

This report is the fourth edition of the Corporate Social Responsibility Report released by ZTE Corporation.

● *Preparation Standards:*

This report refers to the requirements of the 10 Principles of the UN Global Compact and G3.1 Sustainable Development Report Instructions set out in the Global Reporting Initiative (hereinafter referred to as "GRI").

After self-evaluation, ZTE has lived up to a Grade B standard as specified by the GRI.

● *Selection of Content:*

This report contains a collection of information gathered from different channels over the past year. In the selection of content, adequate consideration was given to the matters which the key stakeholders of the company care about. Furthermore, it follows the principles of integrity, comparability and involvement by stakeholders concerning the GRI, and has defined the material content of the Corporate Social Responsibility Report.

The report is divided into eight main sections: Corporate Goverance and Business Ethics, Strategy of Corporate Social Responsibility, Bringing You Closer, Serving with Dedication and Being Committed to Our Customers, People, Environment, Supply Chain and Social Welfare.

● *Scope of the Report:*

The report spans the period between Jan. 1, 2011 and Dec. 31, 2011. The report is released in both Chinese and English. The electronic version of the report can be downloaded from the ZTE Corporation Website at www.zte.com.cn.

Message from Top Management

We understand that the world's economic, social and environmental interests are highly dependent on each other for existence. We must join hands to seek new ideas and explore solutions for permanent, healthy and sustainable development.

We realize the key role of enterprises in the economy and in society, and we advocate and insist on the sustainable development concept of "Harmonious Coexistence" on a long-standing basis. Through cooperation, we optimize value and create opportunities for continuous economic growth and steady employment, utilize complementary advantages and share risks and benefits, create healthy economical operations, and achieve long-term win-win situations.

We insist on creating value for customers continuously with "Sustainable Technology Innovation." The reason why the global communications industry has grown rapidly and maintained strong innovative vigor is because of the active participation and collaboration of the communication enterprises, including ZTE Corporation. We have more than 30,000 R&D staff members dedicated to technological innovation, and insist on investment in R&D with more than 10 percent of our revenue from operations every year. We have set up 15 R&D centers worldwide and established joint facilities with a number of first-class customers and industrial chain partners for collaborative innovation. In 2011, ZTE Corporation ranked first in the world in number of international patent applications with 2,826 PCTs.

During ZTE's internationalization development, we insist on the policy of "Integrated Development Together with Local Societies and Economies," using communication technologies to help people in different areas enjoy equal freedom of communication while showing respect for the local culture and striving to be excellent citizens. We fully consider the economic, social and environmental interests of local societies and communities, and expand local procurement. We provide practical and reliable technology transfers, and recruit international and local talent to work for our company. With our four overseas training divisions and 14 training centers, as well as our cooperation with a number of universities, we provide training on technology and managerial capability improvement for customers, employees, community members and university students. As of the end of 2011, we have trained more than 320,000 domestic and foreign customers, covering over 400 operators from more than 100 countries and regions, and cultivated the talent of numerous communications employees in those countries and regions.

As a member of the United Nations Global Compact (UNGC), the Global e-Sustainability Initiative (GeSI) and GreenTouch, we insist on the concept of sustainable development worldwide, and carry out the concept of "Innovative, Integrated, and Green" throughout the life cycle of our products and throughout the processes of research and development, production, logistics and customer service in order to reduce our global carbon emissions. We cooperate whole heartedly with our suppliers and

continuously share, spread and promote corporate social responsibility to create a responsible, green supply chain. In 2011, we studied and discussed "Supply Chain Risks" and "Green Supply Chains" with our partners and provided CSR training for 476 top-level management members and CSR technicians from 292 suppliers in order to improve CSR throughout the whole supply chain.

We realize that every step the company takes is relevant to the arduous efforts of the employees holding different positions at various locations around the world as well as the understanding and support of their families. In 2011, during the "Discussion on Excellence," our employees spoke freely and shared personal stories. At the ZTE forum, our leaders communicated openly with our employees about such issues. When things went wrong in Libya, we urgently contacted SOS for evacuation via chartered planes. After the evacuation order was given on February 24, the last batch of employees working in Libya arrived at the Hong Kong International Airport on February 28. No matter when or where, the company will provide strong support for everyone!

We carry out social welfare services and salvation works worldwide. We have established China's largest children's fund, "Special Fund for Children's Care," and participated in the salvation efforts after natural disasters such as the recent earthquake in Japan and the flood in Thailand.

In the future, ZTE Corporation will continue to expand and deepen its cooperation with global partners to jointly respond to the fast-changing challenges in the field of global communications and achieve sustainable development worldwide.

Company Profile

Name of company: ZTE Corporation

Address: ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, People's Republic of China

Date of incorporation: February 7, 1985

Business of the group: Dedicated to the design, development, production, distribution and installation of various advanced telecommunications equipment, including: operators' networks, terminals, telecommunications software systems, services and other products.

Total turnover in 2011: 86,254,456 (1,000 RMB)
Net profit in 2011: 2,060,166 (1,000 RMB)
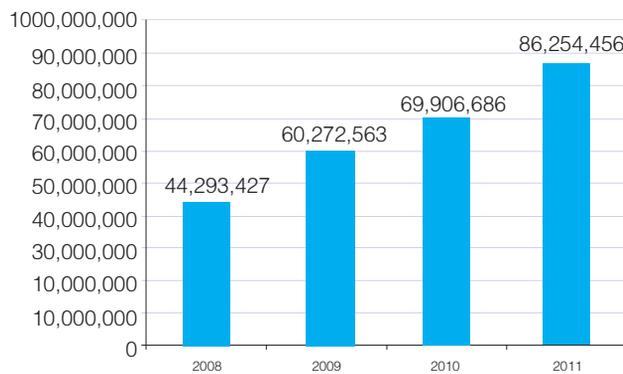
Diagram 1: Continued growth in turnover from 2008 through 2011 (1K RMB)
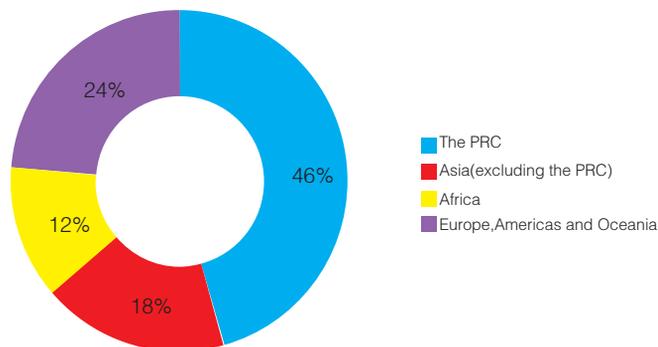
Diagram 2: Continued growth in turnover from 2008 through 2011 (1K RMB)
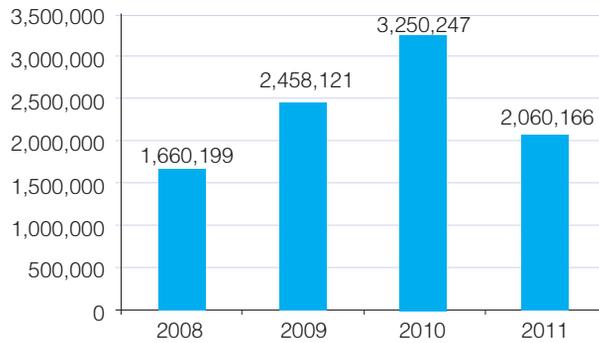
Diagram 3: Net profits from 2008 through 2011 (1K RMB)

Total number of employees in the group: 89,786 (Among which 72,096 were employees of the parent company).

Key controlled subsidiaries: 31

(Key controlled subsidiaries refer to the subsidiaries whose shares are controlled by ZTE Corporation, with a registered capital greater than or equal to 10 million RMB).

Stock exchange of listed securities: Shenzhen Stock Exchange and Hong Kong Stock Exchange

Retain membership of the following major CSR organizations: UN Global Compact, GeSI, GreenTouch

Retain membership in the International Standardization Organization and the following forums: More than 70 memberships in all, including ITU-T, ITU-R, ITU-D, ETSI, 3GPP, 3GPP2, NGMN, OMA, BBF, GSMA, IEEE, and others.

Total tax payment for 2011: 106.37 hundred million (RMB)
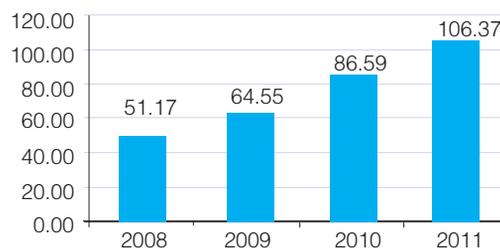
Diagram 4: Tax payment of ZTE Corporation from 2008 to 2011 (100 million RMB)

Number of patents: In 2011, 3,565 cases of China's patent authorization, and 2,826 cases of international patent applications. According to a report officially released by the World Intellectual Property Rights Organization (WIPO), ZTE Corporation's international patent applications ranked first in the world in 2011.
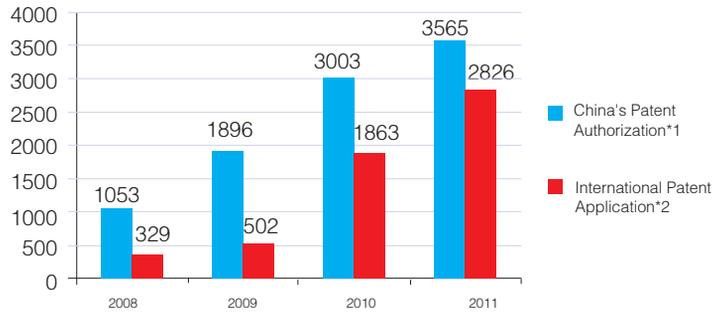
Diagram 5: Number of China's Patent Authorization and International Patent Application Publications from 2008 to 2011 at ZTE Corporation

*(Note: *1: The data mentioned above comes from statistics from the official search websites of China's National Intellectual Property Rights Administration. *2: The data mentioned obove comes from the official report released by the World Intellectual Property Rights Organization (WIPO).*

ZTE's Vision:

To become a world-class, excellent enterprise.

ZTE aims to be a global communications leader. To accomplish this goal, the company's main business should rank among the world's top-three, and the average annual growth rate of busness income and market value should be higher than the industry average.

Corporate Governance and Business Ethics

Corporate Governance

The company has established a governance structure to enable all shareholders to be entitled to all forms of rights and equal status. The company's Board of Directors is responsible for calling meetings for shareholders, reporting to meetings for shareholders, and executing resolutions made at the meetings for shareholders. It is also responsible for supervising the development of overall operational strategies, determining business guidelines and investment plans, and supervising and directing the management of the company.

The Board of Directors consists of 14 directors, including one chairman and two vice chairmen. All directors (except the administrative president and two executive directors) are non-executive directors, independent from the management, including five influential directors with good experience in telecommunications, financial affairs, laws and financing, and with academic and professional qualifications, and six non-executive directors with extensive experience in business and management. All of the directors help execute rigorous reviews and control programs and ensure the interests of all shareholders, including medium and small shareholders.

With regard to the company's governance structure, ZTE Corporation selects and appoints directors strictly subject to the company law and the procedures set out in the company's Articles of Association, thus ensuring transparency, justice, fairness and independence in the selection of directors. In order to completely embody the opinions of small shareholders, the company adopts an accumulative voting system for the selection of directors. The Board of Directors uses a rational and professional structure to practice sincerity in favor of the optimal interests of the company. The company has formulated the Rules of Procedures of Meetings of Directors, with the summoning of meetings of directors strictly subject to the provisions specified in the Articles of Association of the company and the Rules of Procedures of Meetings of Directors. In order to improve its governance structure, the Board of Directors has established its nomination committee in accordance with the Rules for the Control over Listed Company, Audit Commission and Salary and Remuneration and Assessment Commission. Independent directors account for the majority of each professional commission and provide scientific and professional opinions and references for the decision making by the Board of Directors.

In 2011, the Salary and Remuneration and Assessment Commission under the Board of Directors of the company followed the Management Procedures for Salary and Remuneration and Performance of Officers to link salaries and remuneration for officers with the company's performance and individual performance The appointment of officers is strictly subject to the provisions specified under the relevant laws and regulations and the Articles of Association of the company. In order to establish a long-term incentive mechanism closely linked with the company's performance and long-term strategies to improve the salary and remuneration structure systems of the company as a whole, and to provide competitive advantages in human resources for the long-term, continuous development of the company, in 2007, the Salary and Assessment Commission under the Board of Directors formulated the first stock incentive program in company history. The program has been approved and implemented through a meeting of the company's shareholders.

The company strictly observes the company law, the securities law, the basic specifications for corporate internal control and other laws and regulations, as well as the requirements of the China Securities Regulatory Commission set out in the normative documents for listed companies. In light of the industrial characteristics and the characteristics of the company itself, the company has been constantly improving and standardizing its internal control organization frameworks and operating mechanisms to guarantee the compliance of operations and management, security of assets, and the truth and integrity of financial reports and other relevant information of the company. This is to push forward the effective implementation of all business activities of the company, and to promote the achievement of the strategies of the company. In 2011, based on the original internal control team, the company focused on investment in resources for internal control construction and set up an Internal Control Construction Project Team with Chairman Mr. Hou Weigui as the chief of the Project Steering Committee. At present, the company has set up its internal control construction system with its Board of Directors, Audit Commission, Risk Control Commission, Internal Control Construction Project Team and Audit Department as the main framework, which fully covers the company and its operations on multiple levels.

The company has conducted a self-assessment on the effectiveness of the design and operation of its internal controls for the year ended Dec. 31, 2011 in accordance with the Basic Rules for Corporate Internal Control, Guidelines for Corporate Internal Control Assessment, and the requirements of other pertinent laws and regulations. The Board of Directors is of the view that the company has developed, in respect to businesses and matters within the scope of assessment, an internal control system that meets the needs of its operational requirements and covers all segments of the company's operations in effective implementation, and that the company's internal control objectives have been achieved without any significant deficiencies. In the future, the company will continue to adjust and improve its internal control procedures, regulate the implementation of its internal control system, and strengthen supervision and inspection of its internal controls in order to facilitate sound and sustainable development.

Diagram 6: Information about cash distribution over the past three years

RMB 10K

Year of dividend distribution	Amount of dividends in cash (including taxes)	Net profits attributed to shareholders of listed company in consolidated statements in the year of dividend distribution	Ratio of net profits attributed to shareholders of listed companies in consolidated statements	Annual distributable profits (10K RMB)
2010	841,297	3,250,247	25.88%	2,354,995
2009	560,361	2,458,121	22.80%	2,644,766
2008	402,999	1,660,199	24.27%	2,395,734
Percentage of total cash dividend amounts in annual average retained earnings over the last three years				73.21%

In 2011, in accordance with BS25999-2:2007 Business Continuity Management Part II Specifications, ZTE Corporation continued to actively boost the BCM system construction, established a BCM system covering product R&D, contract delivery, production and after-sales, and extended the BCM organizational structure to some of the overseas branches.

The establishment and operation of the BCM system improves the company's capability to resist disasters and expedite post-disaster reconstruction, helps the company reduce operational risks,

promotes the sustainable development of businesses, improves the confidence of customers, and greatly supports the development of international markets, thus promoting the common growth of the company, shareholders, customers, employees, suppliers, and other stakeholders.

Business Ethics

The company attaches great importance to building good faith and internal supervision of commercial bribery. In 2011, in respect to system construction, the company carefully selected highly-regarded local law firms based on field research on key overseas countries and the domestic sales representative offices, prepared and published the Legal Compliance Book and the Anti-Bribery Guidebooks in both Chinese and English, and organized training, promotion and implementation, covering 40 countries and regions, including China, North America, Europe, India, South America, the Middle East, Africa, and Southeast Asia. The company published and implemented the ZTE Corporation Code of Business Conduct internally, which sets forth specific requirements for handling relationships with suppliers and partners. Any violation of the standards will be treated in accordance with the system of the company, and the case will be transferred to the judicial organ when the illegal act constitutes a crime. With respect to publicity, the notice on strengthening the study of the Anti-Bribery Guidebooks in main countries in the form of a company document was issued to require all administrators and employees to realize that lawful operation is the basis of survival as well as the values of the company, and to promote an atmosphere of "knowing the laws and abiding by them" throughout the company.

The ZTE Corporation newspaper reveals activities that violate the law and the consequent disciplinary measures. In 2011, the company provided pre-job qualification training about relevant laws for key positions and organized special training programs for staff members going abroad and onsite training for the staff members of overseas offices. ZTE also verified the effectiveness of the training through examinations and carried out diversified promotional activities to educate staff members about relevant laws, including lectures from the judicial organ of the company and discussions with staff members who hold sensitive positions, so as to effectively prevent crime.

Strategy of Corporate Social Responsibility

Corporate social responsibility is not just an accessory for ZTE Corporation, but is integrated in all strategies of ZTE Corporation as one of the most important parts of the corporate culture of ZTE Corporation.

CSR Vision and Strategy

ZTE Corporation released its CSR visions and strategies 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 the people working directly or indirectly for ZTE.

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

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

- ZTE's CSR strategy

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

CSR Structure

By referring to the instructions of the sustainable development reports of the Global Reporting Initiative, SA8000, EICC and other international standards, ZTE Corporation has built its corporate social responsibility management system, which includes economics, the environment, product responsibilities, human rights and labor rights, social benefits, and supply chain CSR.

In 2005, ZTE Corporation started to gradually establish its environmental and occupational health and safety management system, obtained certification from the ISO14001 Environmental Management System and the OHSAS18001 Occupational Health and Safety Management System, and introduced the EU WEEE/RoHS directive. In 2006, the company was engaged in the study of international CSR standards such as the SA8000. In 2007, it officially carried forward the CSR System, appointed the Executive Vice President of the company as CSR Champion for corporate social responsibility, and formed the CSR promotion team. In 2009, the company joined the UN Global Compact, and in 2010, the company established a hazardous substance management system and received the QC080000 certification from the Hazardous Substance Management System. In 2011, the company appointed the chief OHS officer to be fully responsible for the occupational health and safety of employees and promote the health and safety system globally. In 2011, the company joined the Global e-Sustainability Initiative (GeSI) and GreenTouch in order to, through the cooperation with the international advanced CSR organizations, improve continuously

and share experiences with partners in respect to sustainable management and continually improve and boost global CSR.
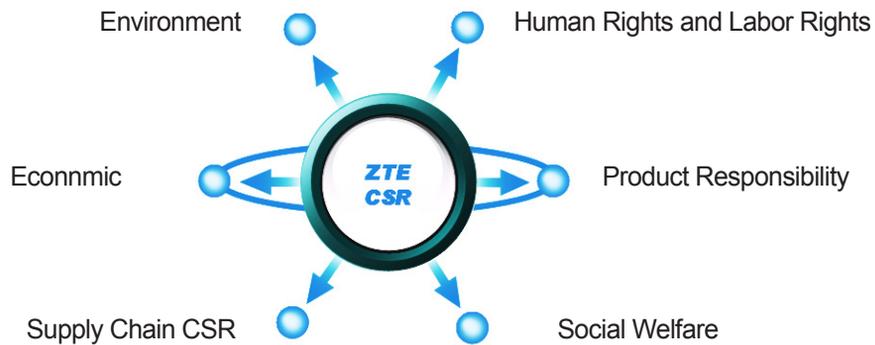
Diagram 7: ZTE CSR Structure

Stakeholders Engagement

In order to promote corporate social responsibility, and to hear the voices of stakeholders and their expectations of ZTE Corporation, ZTE Corporation has established different communication channels with all stakeholders.

Diagram 8: Communication between Stakeholders

takeholders	Topics Concerned	Communication Channels	Effects
Customers	Providing top−quality products and services at reasonable prices.	Survey of customer satisfaction: Surveys of satisfaction are made according to pre−determined survey methods. Each year, a third−party survey agency is entrusted to perform a survey of satisfaction.	ZTE Corporation understands customer expectations and demands through continuous communication and exchanges with the customers, performs continued evaluation of ZTE Corporation's customer satisfaction and loyalty, identifies key improvement factors affecting ZTE Corporation's customer satisfaction, designs ZTE Corporation's improvement action plans, and through continuous supervision and improvement, constantly enhances customer satisfaction and loyalty.
		Technical exchanges and special seminars: to organize customers and ZTE Corporation's technical and R&D personnel to carry out centralized exchanges and discussion about solutions, technical and product requirements, etc. Customers are invited to attend suppliers' CSR meetings of ZTE Corporation to understand and convey to supply chain personnel the CSR requirements of the customers.	
		Interviews: to take advantage of door−to−door visits or product releases, tenders, presentation tests and other means for the chance to directly face customers and hold face−to−face exchanges with customers to understand their ideas and requirements.	
		Questionnaire survey: to list questions in regard to customers' perceptions and expectations of ZTE Corporation, and analyze the answers.	
		Cooperation with third−party professional consulting agencies: to perform survey analysis and studies to determine customer demands.	

Employees	Welfare and benefits, employees' prospect development and working environment.	Internal newspapers and Websites: ZTE Corporation Journal, ZTE Corporation newspaper, ZTElite, system journals, EAP periodicals and other publications.	Provide employees with multiple communication and exchange channels and through communication and exchange, improves employees' working environment and enhances employees' satisfaction and loyalty.
		Survey of employees: rational advice, Q12 employees enterprising survey, logistics satisfaction survey, training satisfaction survey, etc.	
		Labor union: ZTE Corporation has set up labor unions in China and overseas branches. The labor unions are organizations for employees, and have provided colorful activities for employees.	
		Channels for employees' complaints: President's mailbox, department manager's mailboxes and internal forums.	
		Different associations: photography association, dance association, mountaineering association, etc.	
Shareholders, Investors	Values and market values of the company, public disclosure of information, and protection of rights and interests of shareholders	Strictly adhere to the laws, regulations and rules of listed companies as well as the Articles of Association of ZTE Corporation. Relevant information is disclosed on the basis of authenticity, accuracy, completion and timeliness, and all shareholders are guaranteed equal opportunities to acquire information.	Ensures that all shareholders have equal opportunities to acquire information, maintains good communication with investors, and enables investors to better understand ZTE Corporation.
		Maintain good communication with investors via hotline telephones, emails, investors' receptions and other means.	
Governments	Construction of a harmonious society, steady growth, taxation, employment opportunities, innovation, etc.	ZTE Corporation will observe all applicable laws and regulations and pay taxes according to the laws. Support all governmental policies. Create employment opportunities. Insist on the strategy of independent innovation and intellectual property Communicate with the governments (e.g. environmental bureau) via meetings, face–to–face discussions, telephone, etc.	Observe all laws and regulations, pay taxes according to the laws, provide employment opportunities, and earn national and governmental trust. Insist on the strategy of independent innovation and intellectual property
Suppliers	Reasonable prices, win–win solutions and sustainable development.	ZTE's supply chain management website.	By means of different exchange channels with suppliers, understand suppliers' demands, induce suppliers' continuous improvement and reduce CSR risks in supply chain operations.
		Annual meetings of suppliers, suppliers' CSR training, and suppliers' CSR meetings and conferences.	
		Perform regular high–ranking exchanges, visits, learning and mutual improvement of CSR levels with key suppliers.	
		Evaluation and review of suppliers.	
		Supplier CSR agreement, Supplier Code of Conduct	

Communities	Not causing pollution or destruction to communities, protecting the environment, and avoiding accidents.	Actively learn and respect the culture and customs of the area where the company is located.	Through open communication with community members, maintain good relationships with the local communities and make contributions towards their sustainable development.
		Understand the demands of the community where the company is located and make contributions towards the local economy and sustainable development.	
		Participate in social welfare activities for local communities and provide immediate help and assistance to the surrounding disaster areas.	
International Organizations	Sharing experience with the industry, boosting the sustainable development of the industry	Joined international organizations such as United Nations Global Compact (UNGC), GeSI, and GreenTouch.	By joining international organizations, share the company's experience with the industry and boost its sustainable development.
		Actively participate in the meetings of trade organizations and share ZTE Corporation's experience in CSR at the meetings.	
Welfare Organizations	Participation in public welfare activities and providing help for people in need	Fully cooperate with the welfare organizations and fully understand their needs. Set up Special Fund for Children Care, and ZTE Love Fund for Education. Actively participate in various activities organized by domestic and foreign welfare organizations, financial donations, etc.	Through full communication with the welfare organizations, understand the difficulties in the programs for public good and further contribute to the programs for public good by utilizing ZTE Corporation's industry advantages.

Future CSR Orientation

In 2012, supply chain CSR, overseas CSR, and green environment protection are the key issues for ZTE Corporation's CSR strategy. ZTE Corporation will continuously improve its CSR undertakings in these aspects and strive to become a CSR leader in the communications industry:

Firstly, the improvement of social responsibility throughout the supply chains will remain an area of concern for ZTE Corporation in the near future. ZTE Corporation will start with the management of suppliers to increase their awareness of CSR and help suppliers establish CSR management systems, and with the help of ZTE Corporation and other partners, boost the continual improvement of CSR in the society as a whole.

Secondly, the improvement of overseas CSR includes the improvement of overseas health and safety. In 2012, ZTE Corporation will continue to expand the establishment of the health and safety system in key overseas countries and branches.

Thirdly, ZTE Corporation will continuously increase capital investments in the research of green environmental protection to further develop green, low-carbon products and technologies, and combine environmental protection into every flow of ZTE Corporation and the life cycles of all of its products. Furthermore, such will be gradually promoted throughout the supply chain to help achieve sustainable development throughout the entire industry.

Bringing You Closer

Independent Innovation: Letting Every ZTE Employee Dare to Be Innovative

Innovation can bring "dreams" that once seemed unreachable and wildly fantastic to our real life, and boost the continuous progress and development of society. Insisting on independent innovation has always been a strategic emphasis in ZTE Corporation's development. Through continuous innovation, the company creates value for customers and boosts the overall technical progress of the industry. The investment in research and development every year accounts for about 10 percent of the company's expenses. The company has set up 15 R&D centers worldwide, with more than 30,000 R&D staff members dedicated to technological innovation.

The company widely cooperates with universities and academies in the field of telecommunication. The ZTE University Industry Collaboration Forum has been established, which is the largest university-industry collaboration organization in the telecom communication industry and currently has 24 member units. The company hopes to fully mobilize scientific research resources from various sources by establishing a complete technology innovation system in coordination with universities and operators to expedite technological innovation and boost the integration of research, product development and application.

The ultimate goal is to create value for the society and customers through innovation, promote industry innovation, and let the world enjoy the benefits of technological progress.

Intellectual Property Strategy: Harvesting a Global Patent Portfolio

Since we began expoloring intellectual property work in 1996, ZTE Corporation has taken full account of IP. The company respects the IP rights of others, and commits itself to improving its own IP rights and forming core competitiveness for free development of the enterprise through continual innovation and IP protection. The company always takes IP, including patents and trademarks, as an important component of its strategic plan and has actively promoted the planning and implementation of its IP strategy.

In 2004, Chairman Hou Weigui announced that the company would list its IP strategy as one of its six core strategies and introduced a series of important measures. At present, an IP work system has been formed, which covers all levels and departments. A complete IP work routine and related assessment and incentive system have been formulated and effectively implemented, and a team of full-time enterprise IP staff members with extensive experience has been formed, from which two members were chosen among China's top-100 senior IP experts.

Patents are one of the important indexes of the enterprises' innovation capability. The company has formed a patent portfolio covering the world. In 2011, the company ranked first in the world in respect to number of international patent applications with 2,826 PCT patents.

Top 10 International Joint Innovation Centers: Doing Research and Development Jointly With Leading Operators in the World

In 2011, the company built ten joint innovation centers with some of the world's leading operators. The innovation centers will provide a platform to conduct research and develop forward-looking technologies in

order to better grasp the market demands and customer experiences.

These international joint innovation centers involve joint labs, joint operations and joint tests to jointly develop innovative technologies, product solutions and business operation modes, which can provide great value for the global telecommunications market development and assist the operators in expanding new businesses, reducing one-time payouts and operation costs, and saving energy and reducing consumption.

Internal venture fund: Innovative Mode Inspiring Employees to Build "Dreamworks"

In 2011, the company set up an Internal Venture Fund promoting innovation with an investment of 100 million RMB and issued the Internal Venture Fund Management Program. The program is intended to mobilize all employees to pursue innovation beyond the planned business of the company, and support and incubate valuable VC project teams through review so as to produce mature projects proven by the market and technology as well as create market opportunities. Through this bottom-up innovation initiative and an effective innovation management mode, the company and its employees commonly convert innovative projects to productive technology.

Since the announcement of the internal venture fund program, many employees' passions for innovation have been inspired. An active, innovative culture has been created, and the development of the innovation strategy has been boosted. In 2011, ZTE Corporation collected 243 venture projects in respect to technology, products, solutions and business modes, and selected ten incubation projects after review and evaluation.

Supporting Open Communication

The development of communication technology has greatly influenced people's life and is positively changing society. During the formation of the information society, communication becomes more accessible and the distance between people is shortened. Business has changed significantly, and the diversity of resources has improved working efficiency. Education has been further popularized and an improvement in the quality of education has benefited society as a whole. People's individuality is fully revealed and their development becomes more free and diversified. People's quality of life is significantly improved, and worldwide cooperation becomes possible.

During this process, we are faced with huge challenges: different countries have different communication requirements; communication costs must be further reduced to make communication affordable for everyone; social differences and a digital divide create challenges; certain populations use communication technology differently.

These challenges can't be solved without the development and application of communication technology. The company has been utilizing its own technology to allow diverse populations to enjoy communication technology, so as to contribute to the elimination of the digital divide.

Ethiopia: Rapidly Improving the Level of Communication

Ethiopia is one of the countries in Africa with the best communication resources. The rapid development of telecommunications industry in Ethiopia has benefited from close cooperation between ZTE and the government and telecommunications authority of Ethiopia.

ZTE entered the telecommunications market of Ethiopia in 1996 and established an Ethiopian subsidiary

in 2007, with the headquarters located in Addis Ababa, and offices in Dire Dawa, Jimma, Dessye, Mek'ele, Bahir Dar, Nekemte and Awasa. With its advanced communications equipment and network technology, ZTE Corporation has not only dramatically improved the overall level of communication in Ethiopia, but also created employment opportunities for the local people and trained local employees.

In November 2006, ZTE Corporation exclusively built the national network of Ethiopia and helped Ethiopia become one of the countries with the highest level of communication in Africa. In four years, the capacity of GSM rapidly increased from 1.2 million lines to 20 million lines. The CDMA network covers all big cities and most of the rural areas, with the number of mobile telecommunication users increasing from 900,000 to 16 million. Such rapid development in communication resources and quality are rare worldwide. The cooperation was honored as the Sino-Africa cooperation model.

In addition to the rapid development of telecommunications infrastructure, ZTE Corporation is full of enthusiasm about basic education and programs for public good in Ethiopia. ZTE Corporation has put forward a plan for training 1,000 engineers in Ethiopia for free. At present, ZTE Corporation has trained full-time lecturers for all kinds of products, including 496 GSM, CDMA, data and fixed networks. In 2010 and 2011, ZTE Corporation provided a total of 11,353 individual training sessions to Ethiopians. ZTE Corporation donated communication equipment with a value of about 8 million USD to Ethiopia, donated 3 million ETB (equivalent to about $179,641 USD) to build a hope primary school, and donated nearly 1.6 million ETB (equivalent to about $95,808 USD) to the orphanages and poverty-stricken primary schools in Ethiopia.

ZTE Brazilian Industrial Park: Building the Largest Teleommunications Base in Brazil

The ZTE Brazilian Industrial Park project is the largest model of strategic cooperation in the field of high technology between China and Brazil, and will become the largest R&D, production and training base for telecommunications equipment in Brazil. The project is planned to occupy an area of about 500,000 square meters, with a gross building area of about 80,000 square meters, and is divided into four parts: R&D center, production base (including logistics and delivery center), management and service center, and living area.

The construction of the Brazilian Industrial Park not only strengthens the degree of localized operations for ZTE the company in Brazil, but also improves delivery efficiency and customer satisfaction, better meets the rapidly-increasing customer requirements in the Brazilian telecommunications market, and supports telecommunication construction in Brazil. At the same time, the Brazilian Industrial Park project will increase local employment with an estimated 2,000 new jobs, boost the development and maturity of the local telecommunications equipment manufacturing industry chain, and promote the economic development of Brazil. With the expanded operations of the R&D center, production base, and regional logistics center, the trade radiation and economic influence of the field of telecommunications equipment in Brazil will also be increased.

India: Establishing a Global HR Center

On August 18, 2011, the company announced it would utilize the talented human resources in India by establishing a Global HR Center based on the current ZTE India subsidiary. The center provides not only local services, but also global technical services.

India is a major source of human resources. Previously, ZTE India has transferred 200 Indian employees to

countries throughout the world to support local projects. It is estimated that the number of employees at the center will increase to 2,000 during the next two years.

ZTE India views the localized operations strategy as a long-term strategy and supports internationalization based on localization.

Better Life in Rural Communities with ICTs

 The International Telecommunications Union has determined the theme of the World Telecommunication and Information Society Day this year is, "Better life in rural communities with ICTs." The union has called on the governments and enterprises of the member countries to pay attention to and give full credit to the role of information communication technologies in benefiting rural areas.

In 2011, with the witness of the leaders from China and Chile, China Development Bank, ZTE Corporation, and Chile Rural Telecommunications Co., Ltd. signed a memorandum of understanding on tripartite cooperation regarding building broadband networks in the rural areas of Chile. The three parties agreed to jointly build broadband networks and improve the coverage of broadband services, hence improving local education and employment. ZTE Corporation will provide its industry-leading end-to-end broadband access solution for the network. The signing of the MOU shows deeper cooperation in the field of telecommunications between China and Chile.

Serving with Dedication and Being Committed to Our Customers

ZTE Corporation conducts its work in products and services by following the motto of "Serving with dedication and being committed to our customers," as said by Mr. Hou Weigui, Chairman of the Board of Directors of ZTE. The company keeps customers as the focus of its concerns, executing the TL9000 Quality Management System and making use of 6SIGMA and other methods to perform quality improvement. Therefore, the company has established an overall quality management and improvement method based on customer satisfaction, field operations of products, and internal flows. ZTE Corporation constructed the integrated advantages of the company as "Leading Products, Reliable Quality and Top Services" to continue to provide competitive products and services for customers.

In order to enhance customer satisfaction, ZTE Corporation implements a survey of global customer satisfaction each year in respect to products and service quality, and utilizes a quantitative evaluation system for its internal management.

Service Commitments

The following list is the minimum service standard committed to customers by ZTE Corporation. If customers have any higher or more specific demands, they will be subject to the service level agreements (SLA) entered into with customers.

Diagram 9: Commitment to response time by telephone support

Levels of failures	Response time
Crucial troubles (Level 1 failures)	Immediately
Gross troubles (Level 2 failures)	Less than 30 minutes
General troubles (Level 3 and level 4 failures)	Less than 30 minutes
Technical consulting	Less than 2 hours
Reply from the technical forum	Less than 24 hours
Other troubles	Less than 48 hours

Diagram 10: Commitment to recovery and closing time for failures in equipment

Levels of failures	Commitment to recovery time	Commitment to closing time
Crucial troubles (Level 1 failures)	Less than 4 hours	Less than 3 days
Gross troubles (Level 2 failures)	Less than 24 hours	Less than 15 days
General troubles (Level 3 and level 4 failures)	Less than 7 days	Less than 30 days
Technical consulting	–	Less than 2 days

Global Customer Service Center

The Global Customer Service Center provides customers with 24/7 technical support. It boasts nine product sub-centers, nine advanced laboratories, one skilled technical support team of engineers, perfect technical issue solution banks, an advanced analog laboratory environment, and quick and effective control

and use of technical resources, ensuring that ZTE Corporation's global customers will enjoy technical support services in a convenient and quick manner.

ZTE Corporation is dedicated to constant improvement of its capacity of global customer service, and it has gradually built eight regional customer service centers (RCSC) around the world, along with 45 local customer service centers (LCSC). The company has also established technical support service systems consisting of local, regional and head offices to provide steady localized field support service teams for the overall implementation of customer support service. Through online support, remote diagnosis, field troubleshooting and other service modes, ZTE Corporation delivers quick responses and high-quality treatment for service requests from customers, as well as technical consultation to effectively guarantee the safe and steady operation of customers' online equipment.

ZTE Corporation provides global customers with hotline telephones, fax numbers, email addresses, physical addresses, websites, and customer complaint acceptance channels. Furthermore, in order to give customers more convenient services, the company has set up technical support websites. ZTE Corporation's technical support website is an Internet-based window, providing customers with technical support services. The website also offers knowledge banks, service centers, technical forums, technical documents and other service warranty functions.

Standardized business flow management is the foundation of customer support service specifications. ZTE Corporation's ITIL-based model has formed a set of complete customer support service management flow systems and an IT system platform. Currently, it aims at failure management, issue management, technical consulting, service changes, version management, service management and other customer support services, thus providing an overall steady flow and regulation system.

In 2011, in the customer support service process optimization project, ZTE Corporation was boldly innovative in respect to customized service levels and open service process requirements as well as B2B docking work with the customers' systems, which met the requirements of the main operators and promoted the service capability improvement of the company. From the following key indicators of customer support services, we can witness the improvement of ZTE Corporation's customer services in 2011:

Diagram 11: Key Indicators of ZTE Corporation's customer services

Key Indicators	2011	2010	2009
On−schedule closure ratio of customer reports	99.1%	99.1%	99.0%
On−schedule recovery ratio of customers' key problems	96.5%	94.9%	94.9%
Satisfaction ratio of customers' return visits	98.1%	97.3%	96.3%

Survey of Customer Satisfaction

ZTE Corporation appoints the world-famous research company, Nielsen, to perform objective third-party surveys of customer satisfaction, and pays close attention to levels of customer satisfaction, so as to provide the basis for the improvement of the brands, products and services of the company.

In 2011, faced with the challenging requirements of high-end operators, the company continuously improved its products, service levels and overall international strength, improved and innovated its

solutions, service performance and corresponding processes, and delivered improved services in overseas markets, which won the trust and recognition of high-end customers.

The customer satisfaction evaluation for 2011, particularly the satisfaction evaluation aimed at customers that are regarded as decision makers in overseas high-end markets, showed good results. The customers have recognized the overall performance of ZTE Corporation, and the level of customer satisfaction has continued rising year-by-year. The high-end customers have recognized the products, services (including solutions and support services) and contract performance of ZTE Corporation, and provided suggestions for improvement, which will help ZTE Corporation to better serve these customers in the future.

According to the results of the evaluation, and by combining the opinions and suggestions of high-end customers, the company conducted an overall analysis and put forward improvement requirements in various aspects, and urged and required the related departments and units to carry out improvement activities throughout all customer service activities, which improved the capability of the company and won the full trust of customers.

Customers Training

The ZTE University was founded in July 2003 as a corporate university initiated by ZTE Corporation. The purpose of establishing the university was to provide customers and employees with valuable professional training, consulting services, publications and knowledge solutions.

The ZTE Universtiy has establsihed four overseas branches and 14 training centers around the world, providing training services in North America, Middle America, South America, Western Europe, Eastern Europe, the Middle East, Asia-Pacific, Southeast Asia, South Asia, North Africa, South Africa, Ethiopia, India, and the CIS. The company also undertakes customer training, employee training and social training. It has completed domestic and overseas customer training for more than 320,000 individuals, of which over 100,000 people were with international customers. The customers represented more than 400 operators from more than 100 countries and regions. In recent years, with the high-end and overall entry of ZTE Corporation's infrastructure equipment in Europe and America, technical training has been extended in an overall manner in high-end markets, with top quality and efficient training delivery extensively appraised by the main operators.

Diagram 12: ZTE Corporation's global training centers

In 2011, technical and managerial training was implemented by ZTE Corporation for 47,200 individuals from global customers, with the content of training mainly concentrating on technical transfer and managerial capability enhancement. Among them, the number of international trainees was 13,800 people, and the number of domestic trainees was 33,400. ZTE Corporation provided training for communities and university students in France, Brazil, Ethiopia, and India, thus cultivating numerous contributors to the communication industries in these countries.
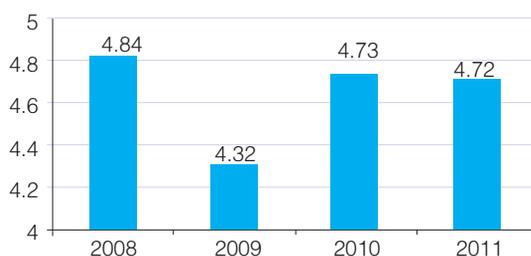
Diagram 13: Number of customer trainees (1=10,000 people)

Overseas Training Center Construction

In order to further capitalize on the advantages of global and regional training centers, and to train and reserve telecommunication personnel for the local communities, ZTE Corporation provided social training in the Asia-Pacific, South Asia, India, South-Eastern Asia, the Commonwealth of Independent States, South America, Eastern Europe, Western Europe, North America, South Africa, North Africa and the Middle East. From 2009 to 2011, the total number of trainees accounted for 29,348 people, from which 1,938 people were selected for employment by ZTE Corporation or its partners.

Moreover, ZTE Corporation has cooperated with several universities including Javeriana University of Colombia, Mackenzie University of Brazil, Universite de Poitiers of France, IT TELKOM of Indonesia (ITT), NPTIC (Algerian Post and Communication University), Inatel University of Brazil, and Addis Ababa University of Ethiopia (AAU), and established training centers used to provide training services for students, customers, employees, and partners.

People

As the fastest-growing global telecom solution provider in recent years, ZTE Corporation recognizes that human resources are a key asset for the ongoing business of ZTE Corporation. We regard it a major strategic target to become a model employer in the markets of different countries, and a trusted corporation by different nationalities and cultures.

ZTE Corporation defines its personnel strategy as "people-oriented," and has established a set of mechanisms to introduce, train, use and stimulate global personnel. ZTE Corporation rigorously observes the labor laws and makes continuous improvement in equal employment, benefits for employees and labor unions. The company places emphasis on the rights and interests of its employees, and by providing training and distinct vocational development channels, it helps employees with their individual growth. ZTE Corporation also shows concern for customer evaluations, increases human resource efficiency, and is dedicated to the achievement of win-win solutions for its customers, shareholders, employees and the society.

Good individual development space, competitive salaries and remuneration, and a respectful and harmonious cultural atmosphere help gain a good reputation for ZTE Corporation in global human resource markets. Furthermore, a team of personnel with strong educational backgrounds, good competency, and professional attitudes provide very powerful support for R&D and market expansion.

Respect for the Diversification of Employees

During recruitment, we stick to the principles of equal employment regardless of race, age, sex, religion, beliefs and other personal factors, providing candidates with equal employment opportunities.

At the end of 2011, the total number of individuals employed by ZTE Corporation Group was 89,786, among which 72,096 were employees of the parent company, with an average age of 30, and 76 retired employees. ZTE Corporation and all of its employees have entered into labor contracts by law. ZTE Corporation follows the strategy of internationalization of the workforce, and pushes forward localization very firmly. The company has provided employment posts for local residents from more than 100 countries. At the end of 2011, the overseas localization rate was 65 percent.

ZTE Corporation boasts an R&D team of more than 30,000 people, with R&D personnel accounting for 33.6 percent of the total workforce. ZTE Corporation's personnel are distributed into categories as follows:
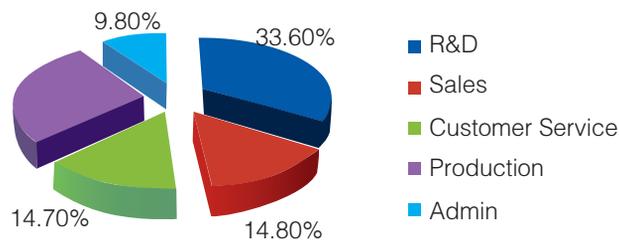
Diagram 14: Personnel categories of ZTE Corporation

The employees working for ZTE Corporation are relatively young, with an average age of 30. The age distribution of the workforce is as follows:
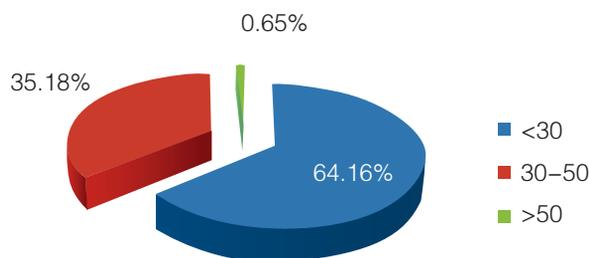
Diagram 15: Distribution of ages of personnel of ZTE Corporation

The educational degree structure of the personnel of ZTE Corporation is as follows:
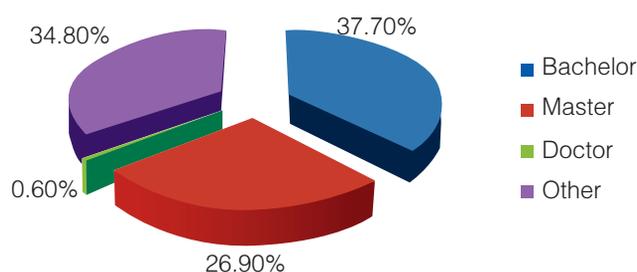
Diagram 16: Structure of educational backgrounds of ZTE Corporation

Salaries and Benefits

ZTE Corporation provides employees with appropriate salaries, remuneration and benefits. Salary and remuneration bear close relationships with employee development, individual performance, and organizational performance. In order to establish long-term incentive mechanisms closely linked with ZTE Corporation's performance and long-term strategies, to improve overall salary and remuneration structure systems, and to achieve win-win agreements between ZTE Corporation and its employees, the first issue of ZTE Corporation's stock incentive program was determined and adopted by the first interim meeting of shareholders held on March 13, 2007, before being implemented. The number of subjects for the first issue of the stock incentive program of ZTE Corporation was 4,022 people, including only 19 directors and officers of ZTE Corporation. The other people were medium ranking cadres and core employees in technology, sales and management positions, and 60 percent of them were R&D personnel. As of December 2011, the primary, secondary and third group of stocks in the first issue of authorized stocks were unlocked to be sold in the market. Also in December 2011, the first and secondary group of stocks of the second issue of stocks were authorized to be sold.

In addition to full payment of all statutory social insurances (including retirement insurance, medical insurance, work injury insurance, maternity insurance, and unemployment insurance) to its employees, and in addition to statutory leave and holidays and annual leave with pay according to labor contracts, ZTE Corporation also provides its employees with commercial accident insurance, maternity leave for female workers before giving birth, overseas employees' annual leave and home leave to visit families, international first-aid services for stationed and travelling personnel, and accompanying policies for excellent employees overseas to reduce the strees of employees and to improve their living quality.

Furthermore, for female employees, ZTE Corporation has specially set up a maternity leave system before giving birth. For employees experiencing pregnancy or lactation, ZTE Corporation has set up special dining zones and mother-baby rooms.

Diagram 17：List of major benefits in ZTE Corporation

Major benefits	Major benefits
Five social insurances	Commercial accident insurance
Personel protective equipments	Meal allowance
Annual leave with pay, maternity leave and other national statutory holidays	Employee dining halls
Labor union	Free shuttle buses
Special maternity leave for female workers before giving birth	Regular physical examinations

Communication and Development

Employees' Career Development and Growth

ZTE Corporation actively expands its employees' individual development space, and provides them with technical channel promotion, business channel promotion and management channel promotion as the "three-channel" development mode system. This system allows employees to realize their own value in combination with ZTE Corporation's value based on individual interests and special skills, and realize the synchronous growth along with ZTE Corporation. Each year, about 25-30 percent of the company's employees are promoted via the above mentioned channels. The percentage of employees receiving assessment of regular performance and career development is 100 percent.

ZTE Corporation always pays special and close attention to training and education of its employees, and will create a learning atmosphere as one of the most important parts of its long-term strategies. By means of integrated balancing of long-term strategic objectives, annual development plans, post duties and performance improvement requirements, and difference in employees' abilities and career development requirements, the company will enable employees' learning and development to promote the achievement of ZTE Corporation's overall objectives and satisfy the employees' demands for individual ability and career development.

ZTE Corporation provides different kinds of training resources and channels, and has built a comprehensive training system, including new employees' post-orientation training, on-duty training, further study, and managerial improvement training. In consideration of the characteristics of adult learning, corporate training applies multiple training modes and methods. The modes of employee training include systematic training, external appointment, external dispatch, internal lectures, and centralized self-education and teaching. Training methods include classroom lectures, field presentations, role playing, case analyses, educational games, project certification, and self-study.

In order to adapt to the international development of ZTE Corporation, the company delivers training to employees around the world via the ZTE eLearning Website. ZTE eLearning provides rich learning opportunities based on the "Learning Cloud" concept of improving employees' ability. There are more than

3,000 multimedia courses covering technology, administration, marketing, occupational skill, enterprise culture, foreign languages, and case studies for employees to study. In countries and regions with poor network conditions, the ZTE offline learning tools can be used. Employees may study at any time according to their needs of work and career development. After the new Website was launched in November 2011, the volume of visitors on the homepage of ZTE eLearning Site exceeded 160,000 visitors, and the course registration volume exceeded 80,000 by December 31, 2011.

To really improve employees' ability, ZTE Corporation should not only provide scientific and systematic training, but also develop strong learning motivation and good self-study habits. Therefore, ZTE Corporation formulates different training strategies and training directions according to different training subjects, utilizes a number of training methods to improve learning efficiency and employee interest in learning, and takes training and learning as the key assessment indicators for administrators leading teams as well as the necessary route for employees' growth and development. ZTE University has set up the "Employees' Ability Development and Promotion Project," including 10 sub-projects for different personnel in key posts such as new employees, management cadres, business personnel, R&D technical personnel, and overseas and local employees. The implementation of the project is divided into four periods - project registration, approval, implementation and acceptance - with the strategic objective of enhancing core capacity of employees to satisfy the demands of ZTE Corporation's different fields of rapid business development.

In order to enhance overseas employees' understanding and recognition of ZTE Corporation, to improve employees' quality and skills in an overall manner, and to promote cultural cohesion, ZTE Corporation has developed the "Sunshine Action Project." Through encouraging foreigners to study in China, remote learning opportunities, and local training centers, the company has enhanced training and made the coverage of overseas employee training reach 80 percent or more, and the coverage of new employees up to 100 percent.

In 2011, ZTE Corporation completed 1,348,958 individual training sessions for different posts and in different courses in management, R&D, marketing, logistics, finances, handsets, and other subjects, and completed training for 19,172 new overseas and local employees. The monthly centralized training volume per employee in 2011 was 8.04 hours, and for managerial cadres, there were an additional 40 hours available.

In order to satisfy increasing expectations for the promotion of advanced education, in 2009, ZTE Corporation attempted a mode of cooperation with various colleges so that common employees would be able to pursue educational degrees in their spare time. ZTE Corporation has set up secondary college education degree promotion channels for employees. In 2011, ZTE Corporation continued to take Shenzhen Polytechnic, Shenzhen Open University, and other schools as pilot cooperators.

In 2011, ZTE Corporation entered into a cooperation agreement with the Heyuan government, and construction of the ZTE Heyuan Production and R&D Training Base began in Heyuan. When the base is completed, it is estimated to accommodate about 46,000 persons, in which the number of production line employees is estimated to be about 40,000. The facility will provide numerous employment opportunities for the people of Heyuan and the surrounding cities and improve the employment environment and conditions for the people in poverty-stricken areas. ZTE Corporation has expanded in-depth cooperation with the middle vocational schools in Heyuan to cultivate talented individuals. As of the end of 2011, more than 500 students were recruited to study electronic technology, computer applications, logistics management, and hotel management. The number of students recruited is estimated to reach 1,000 persons by 2014.

Commendation of Employees

To appraise achievements made by employees and teams, ZTE Corporation has set up multiple channels to facilitate commendations of employees.

For teams, the company has set up performance awards, marketing awards, project awards, competition awards, teamwork awards, and special contribution awards.

For individuals, the company has promoted "One-minute Praise" every week since 2009 via email, as well as the highest individual honor, the ZTE Gold and Silver Awards. The awards are individual prizes set up to honor the company's most dedicated personnel, and all candidates are voted on by other employees.

In 2011, 10 employees were granted gold awards, including five employees from the R&D system, three employees from the marketing system, and two employees from other fields. 20 employees were granted silver awards, including seven from R&D system, seven from marketing system, and six in other fields. The award plays an extremely stimulating role in motivating employees.

Equal and Harmonious Internal Communications

ZTE Corporation has created multiple internal communication channels for employees, and employees can maintain timely and successful communication by means of ZTE Corporation's Chinese and English journals, the ZTElite Website, internal forums, instant messenger, the president's mailbox, EAP periodicals, and system journals.

Colorful Employee Activities

ZTE Corporation places great emphasis on its corporate culture and cohesion of employees. ZTE Corporation appropriates funds for the construction of employees' cohesion and holds activities to promote cohesion. Employees' birthday parties, New Year's Day parties, system sports meets, tourism, Employees' Family Members' Day, and other colorful activities are common festivities for every employee.

The internal "Cupid's Corner" builds a friend-making platform for employees in search of a happy marriage. The "Parent-child Corner" cares for the growth of children and allows colleagues who are new parents to share their experiences in childcare and solve related problems. The volunteer association, photography association, motorists' club, cycling association, outdoor association, dance association, badminton association, basketball association, football association, psychological association, and other clubs help provide a healthy balance between the work and life of employees.

Health and Safety

It is an essential duty of the company to care for the health and safety of its employees, and it directly relates to employees' life and the company's sustainable development. In 2005, corporate headquarters got certification of the OHSAS18001 Occupational Health and Safety Management System. In 2007, ZTE's Shenzhen Xili branch got the system certification, and in 2009, the Hangzhou branch got the system certification. In 2010, the company started to cover the occupational health and safety management system for plant production and R&D, engineering installation, and maintenance service delivery, from China to key overseas countries. In January 2011, the company appointed the Chief Occupational Health and Safety Officer of the company full responsiblity for employees' health and safety and pushed forward the global occupational health and safety management system. As of 2011, the company had established the OHSAS

management system in a number of countries, of which four countries have passed the OHSAS18001 management system certification.

In 2011, the company carried out a number of safety initiatives including the establishment of fire protection safety regulation, establishment of a potential fire protection early warning mechanism, organization of a number of special safety inspections, promotion of national emergency exercises and general knowledge on nuclear radiation protection, development of fire crisis management plans using computer software, development of a new IT management system for H&S, and establishment of an electronic safety approval process.

The company controls and reduces internal safety accidents by means of training, multiple styles of propagation, emergency drills, safety inspection reviews and other actions. In 2011, our various safety efforts operated normally, including domestic safety training for 35,096 persons and 212 emergency exercises. A total of 13 minor injury accidents occurred during the year.
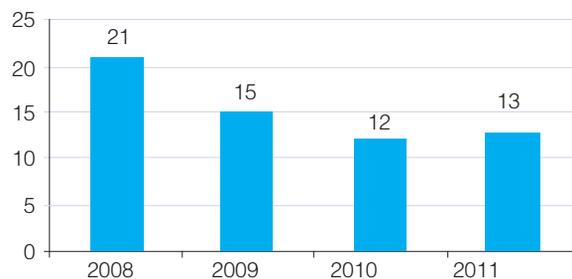
Diagram 18: Safety accidents from 2008 to 2011

Employee Assistance Program

EAP (Employee Assistance Program) is a systematic and long-term welfare and support project set up by ZTE Corporation. It provides professional psychological direction, training and consulting to employees and their family members to help them solve different kinds of psychological and behavioral issues. Currently, psychological consulting has been accepted by the majority of employees from ZTE Corporation, and has become one of the most important approaches to reduce mental stress.

In 2011, ZTE Corporation's EAP department continued to focus on overall services in the integration of consulting, propagation, training, and crisis intervention.

In 2011, ZTE Corporation:

● Built the Beijing EAP room. At present, ZTE Corporation has established EAP rooms in Shenzhen, Shanghai, Nanjing, Xi'an, Sanya and Beijing, where professional consultants are engaged in providing face-to-face consultation for employees. The content includes stress relief, love, marriage and family matters, education, and other topics with the purpose of improving employees' happiness;

● Provided 1,907 people with different kinds of psychological consulting services, including face-to-face consulting services for 1,443 individuals, email consulting for 324 individuals, hotline consulting for 60 individuals, and IM consulting for 80 individuals;

● Released 26 issues of EAP periodicals, including special issues on love, marriage and parent-child relationships, work-stress relief, personal relationships, natural disasters, a special

issue on overseas EAP, and a special issue on World Mental Health Day;

● Handled 10 cases of crisis intervention and ensured the employees involved were correctly guided and treated. After ZTE Corporation's staff returned from Libya due to the war in March, the company prepared a psychological brochure to provide direction and counseling for the employees;

● With respect to training, the company provided 39 EAP lectures of nearly 1,500 individuals by external and internal lecturers, with the topics involving health care, stress management, love and marriage management, and education;

● Established an internal psychological association which holds activities such as outdoor reading and a psychological salon to unify employees and create a healthy psychological atmosphere within the company.
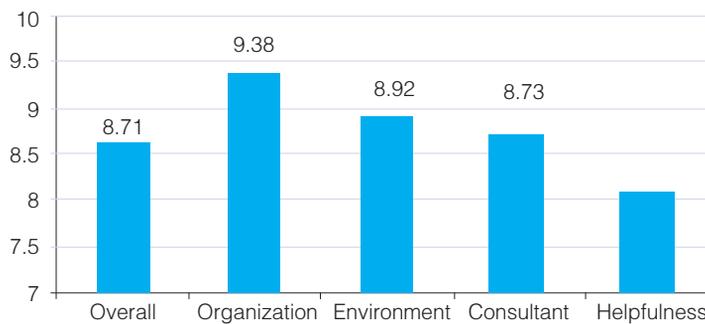
Diagram 19: Interview Satisfaction Indicators

Libya Action: Putting Employees' Life and Safety First

At 12:40 on February 28, the CA934 flight arrived in Beijing safely, and more than 20 Chinese ZTE employees staying in Libya who took the flight finally set foot on their motherland. Although they were tired after the long-distance flight, they still smiled when they came home at last!

The conflict in Libya had been ongoing, and at that moment, the biggest wish of our employees was to come home.

As the situation was rapidly getting worse, on February18, the company established a regional emergency group with the regional general manager as the leader.

On February 21, President Shi Lirong personally approved the establishment of a company-level "Middle East and Africa Emergency Response Committee," and required "putting employees' life and safety first," to protect employees' safety at all costs.

On February 24, nine family members of employees and one female employee returned home on the first chartered plane.

On February 25, the company contacted SOS for chartered planes and rapidly completed the urgent international payment.

On February 26, 112 employees left Libya by SOS chartered plane and arrived in Paris.

On February 27 and 28, the employees went back to Hong Kong, Beijing, Shanghai and Shenzhen successively and were warmly received at each stop.

Although the colleagues just coming from Libya were already in the peaceful and safe mainland China, their frightened hearts were still unsettled.

"After people encounter a major crisis, they will have many very violent reactions, including those of body, mood and spirit. Sometimes these reactions appear immediately; sometimes the symptoms won't appear until several days, several weeks or even several months later. For example, after experiencing turbulence, people may take firecrackers for gunshots even after a very long time and will be very nervous. This may continue for some time and is a normal reaction. Do not set a time limit for yourself and force yourself to eliminate this situation within the specified period, instead, be patient and tolerant."

This was the explanation on reactions of the colleagues after experiencing the Libya incident given in a group counselling session by the senior consultant and enterprise coach, Mr. Fang Ruiwu, who was invited by the company.

After the employees came home from Libya, the company's EAP team planned and organized a series of EAP caring activities:

1. Organized a group-counselling session with the theme of onsite stress relief and emotional counseling in Shenzhen for the employees having come home;

2. Provided one-to-one stress relief and emotional counseling via phone for the colleagues and family members who did not participate in the group counselling;

3. Prepared a mental crisis intervention self-help book to help the employees improve their understanding of their mind and body symptoms, help them recover from the crisis as soon as possible, and restore normal work and life.

Environment

It is the most urgent challenge to mankind to protect the environment and cope with climate change. The communication equipment manufacturing industry which ZTE Corporation is engaged in is not a high-pollution or high energy consuming enterprise. However, as an enterprise responsible for such actions, ZTE Corporation has a good understanding of the social significance of protecting the environment and creating sustainable development by combining environmental protection into every operational link of ZTE Corporation and the life cycles of its products. ZTE Corporation applies product life cycle assessment (LCA) to constantly launch new products and services of with more environmental protection efficiency with a scientific and rigorous attitude. The company integrates green strategies throughout product development, production and manufacturing, supply chains operations, logistics, engineering and other operations.

In 2004, ZTE Corporation started the construction of the ISO14001 Environmental Management System. In 2005, the Shenzhen headquarters building recieved the certification of ISO14001. In 2007, the Shenzhen Xili branch got the certification of ISO14001. In 2009, the Hangzhou branch got the certification of ISO14001. In 2010, ZTE Corporation set up the QC080000 Hazardous Substance Management System and got its certification. In 2011, the company joined GeSI (Global e-Sustainability Initiative) and GreenTouch to share the vision of sustainable development with the partners leading the world and make unremitting endeavors for the sustainable development of information and network technology. In 2011, the company entered into the ISO14064-1 Greenhouse Gas Inventory Project with China Quality Certification Center to begin the greenhouse gas inventory work systematically.

Green Strategy

ZTE Corporation, as a leading global provider of telecommunication equipment, always emphasizes corporate social responsibility and pushes forward green environmental protection actions within the corporation. ZTE Corporation views sustainable growth, continuous innovation, and green environmental protection as its most significant goals. ZTE accepts responsibility to positively meet challenges, to construct green and sustainable networks with operators, and to realize an environmentally friendly and informed society. ZTE Corporation positively carries forward green production, a green culture, green management, and green value chains. "Innovation, Flexibility and Green Solutions" are ZTE Corporation's three development strategies, and green is the essential objective for innovation and combination. Green strategies have been brought deep into the criteria for R&D, production, logistics, engineering and all of ZTE Corporation's operational activities. Energy saving and reduction of chemical discharge is one of the driving factors for product and technical innovation, and it is carried out throughout the planning, design, R&D and manufacturing phases. The company positively promotes green technical standards within the industry, and along with partners, pushes forward the construction of green networks in all streams of the industry. Within the enterprise, the company implements efficient production flows and promotes the construction and execution of green management mechanisms such as E-office and 5S strategies. ZTE Corporation also strives to popularize the use of green energy products such as solar and wind energy, and along with its partners, pushes forward energy saving and reduction of discharge, and joins efforts to study and research development of new sources of energy.

Green Life Cycle Concept

It is one of ZTE Corporation's core developmental philosophies to be a responsible green enterprise. In respect to management and control of life cycles, ZTE always insists on introducing the most advanced management flows and quality standards in the industry, and in light of corporate specifications, realizes efficient control and management of all life cycles from collection of raw materials through product design, manufacturing, marketing and recycling. ZTE Corporation not only conforms to the environmental protection standards such as RoHS and WEEE, but also takes an active part in the formulation and development of related green organizations and green criteria.

Consumption of Energy and Resources

ZTE Corporation has organized and established the "ZTE Corporation Energy Saving and Emission Reduction Committee" to comprehensively manage and boost energy savings, emission reduction, and consumption reduction throughout the life cycle of products.

Total Consumption and Consumption Structure of Energy and Resources
In 2011, ZTE's corporate building consumed different kinds of energy equivalent to 20,425.969 tons of standard coal, of which, electricity accounted for 92.29 percent. In order to reduce carbon emissions, ZTE Corporation actively explored and used new energy and introduced solar photovoltaic power generation equipment. At present, the equipment is used via grid connection and provides new energy power of 1.36 million kWh yearly, thus reducing carbon emissions by 1,290.5 tons.
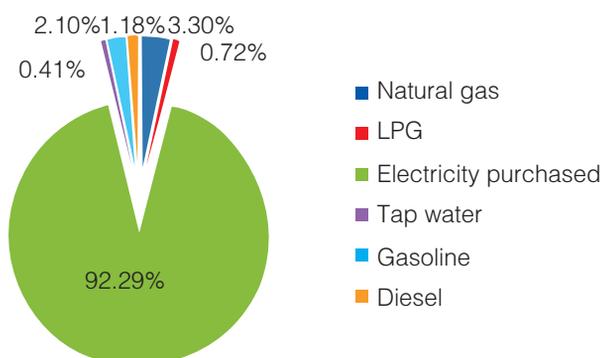
Diagram 20: Energy and resources consumption structure

Water Consumption
The water used by ZTE Corporation is mainly from the urban water supply system, without material effect on rivers, lakes, underground water or glaciers. No industrial water is involved during production. At present, ZTE Corporation only uses water in offices and for employees' personal needs. The company uses the combination of management and updated technology and equipment for its water-saving management efforts. At ZTE headerquarters, water-saving faucets are used in all areas. The related responsible departments conduct water balance tests regularly to ensure the pipe network has no leakage points. Many water-saving management systems have been formulated to strengthen water-saving management.

Despite the increase in staff members, the total water consumption was reduced from 1,059,300 tons in 2010 to 971,200 tons in 2011.
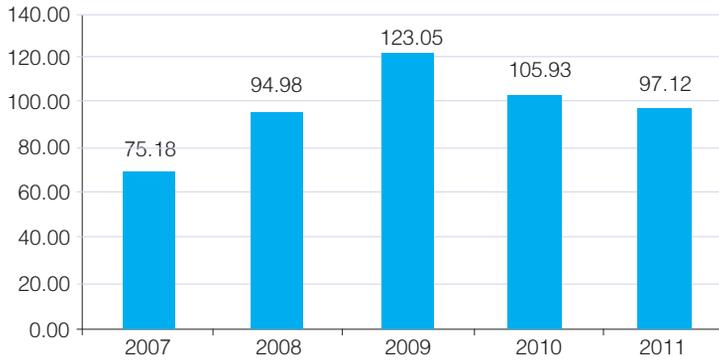
Diagram 21: Water consumption of ZTE (Shenzhen) in 2007-2011

Energy Saving and Consumption Reduction

Power Saving Management and Projects

Among energy and resources consumption, the electricity purchased accounted for 92.29 percent. Power saving management has always been a regular energy saving endeavor. The number of power saving staff members of the responsible departments is up to 24 employees, who are in charge of the energy saving work of the company.

The energy saving reconstruction projects carried out in 2011 are as follows:

Diagram 22: Energy saving projects and effect in 2011

No.	Energy Saving Project	Power Saved (10K kWh/year)	Carbon Emission Saved (ton/year)
1	In 2011, the company installed solar photovoltaic power generation equipment on the top of the main office and other buildings at ZTE Shenzhen, with the photovoltaic field covering an area of more than 16,000 m2. More than 4,500 polycrystalline silicon solar cell components were installed, with the gross installed capacity of up to 1.27MWp and annual power generation of 1.36 million kWh, thus reducing carbon emission by 1,290.5 tons.		1290.50
2	SMT production line reconstruction. Single–rail production lines were reconstructed to double–rail production lines. 5 double–rail lines * 300 days * 24 hours * 30 kW * 20 percent power saved = 216,000 kWh	21.60	204.96

3	Nitrogen added for wave soldering. The core is to reduce soldering tin oxidation by using nitrogen. Owing to the inertness of nitrogen, the formation of welding spots becomes easier. Therefore, the temperature can decrease by 5 degrees among the technological parameters for forming welding spots of the same quality. Thus, it is projected that the output power of each oven can basically be reduced by 0.4kW, and the power saved per year of 10 ovens is 10 * 300 days * 24 hours * 0.4 kW = 28,800 kWh	2.88	27.33
4	High temperature room reconstruction. The power consumed by a common high temperature room per hour is 37.18kWh, and the power consumed per day is 37.18kWh/h*24h=892.32kWh. Twenty high temperature cabinets can handle the output of a high temperature room. The power of each high temperature cabinet is 40W, so the power consumed per day is 20*40W*24h=19.2kWh. 840 high temperature cabinets were added. If the utilization rate is 60 percent, they are equivalent to 25 high temperature rooms, then the power saved in eight months is (892.32−19.2)*30*8*25=5,238,720kWh.	523.87	4971.00

SSC

In 2010, the ZTE Conference Service Sharing Center (Conference SSC) was built to reduce business trips and further reduce exhaust emissions and energy consumption from transportation by holding video and telephone conferences. At present, the video conference coverage in major cities in China is 100 percent, the global video and telephone conferences coverage is above 80 percent, and the IM conference coverage is 100 percent. In 2011, the cost of business trips saved by video and telephone conferences exceeded RMB 100 million, and at the same time energy consumption and carbon emission were reduced.

Document Printing Integration Project: Reducing Energy and Resources Consumption

ZTE Corporation insists on document and material circulation by using the digital management platform. The document printing integration project has been implemented since 200 7. Nearly 2,000 sets of outdated equipment with single functions have been integrated into 285 sets, with the use of consumable items reduced from 9,500 pieces in 2006 to 1,100 pieces in 2011, and paper consumption was reduced by nearly half.
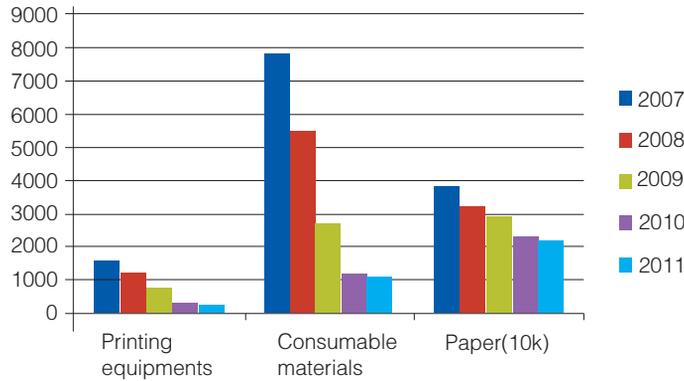
Diagram 23: Office equipment, consumbale materials,
paper depletion in the ZTE Shenzhen office from 2007 to 2010

(Note: Such office equipment refers to office purposes only, with production purposes not included herein.)

Green Products

Green Design

ZTE Corporation considers the principles of recyclable design, universal design and minimized design at the product design stage, and insists on the design requirements of the EU WEEE directive of recyclability and reuse rate of telecommunication equipment, with recyclability rates of more than 75 percent and reuse rates greater than 65 percent.

In 2011, ZTE Corporation established a product energy efficiency evaluation standard system, formulated internal evaluation methods for all kinds of products by combining the industrial standards and customer requirements, and evaluated the energy efficiency of 22 types of products according to the evaluation methods.

In 2011, ZTE Corporation utilized the product life cycle evaluation method to establish the product carbon emission database for all kinds of products of the company and embedded the product life cycle evaluation concept into product development through the R&D process to achieve ecological designs of products, form process management, and provide a guarantee for product lifec ycle evaluation and continual improvement. The company established a professional product life cycle environment design and evaluation team, and completed seven key position training sessions during the year, with more than 170 R&D and testing staff members participating.

Hazardous Substances Management

ZTE Corporation conducts hazardous substances control strictly according to the requirements of the QC080000 management system, with up to 26 types of Level-1 controlled substances, and carries out hazardous substance free process research in collaboration with a number of partners and professional organizations. In 2011, ZTE Corporation's first type of halogen-free mobile phone was completed and planned to extend to all terminal products of the company. At the same time, the company established environmental protection labs, introduced professional chemical analysis equipment such as gas chromatography and mass spectrometry (GC-MS), ICP-OES, UV spectrophotometer, an X-ray fluorescence analyzer, and a ion chromatograph, and achieved RoHS and halogen-free testing capability.

The company utilizes the IT system platform to collect contents of hazardous substances in materials and manage materials, and requires suppliers to disclose the contents of hazardous substances in their products in the system in the format specified in the IPC1752 standard.

Product Recovery

As a leading company in the industry, ZTE Corporation fully understands its responsibility in respect to disposal of recovered products, strictly abides by the waste electronic equipment regulations of the various countries, and actively boosts the recovery of used products and resource recycling.

The company has set up a professional reverse logistics disposal department responsible for green recovery and recycling work of ZTE Corporation. "Safe, Environmental, Professional" is the promise of the company in regard to equipment recycling.

In today's information society, the company attaches importance to information safety. For equipment recycling, the company will conduct a series of strict safety and environmental evaluations before deciding on disposal methods to ensure the information safety of the process and result of disposal, and to ensure that the disposal process is fully transparent and traceable. Green recycling is the company's basic requirement of recycled equipment disposal. The company ensures that recovery and disposal meet the requirements of domestic and international regulations.

The company maintains close cooperation with the world's leading environmental protection service providers and has built a recycled materials disposal network covering the whole world, thus realizing one-stop disassembly and recovery disposal of telecommunication equipment worldwide to dispose electronic waste in an environmentally friendly manner and to reuse resources. The company has set up a recovery disposal master control platform in Shenzhen and regional disposal platforms in various regions throughout China to realize local disposal and service of scrapped materials produced by the various regions. Overseas, the company cooperated with excellent environmental service providers in Asia, Europe, Latin America, and Africa to build regional recycled materials disposal platforms and track the recycled materials disposal process till the recovery disposal is completed, thus ensuring no resources that can be used will be wasted and realizing environmentally friendly disposal of waste.

Green Innovative Technology

ZTE Corporation pays close attention to green technology innovation of products and considers energy saving and emission reduction technology as a significant aspect of green technology innovation at the level of product application. ZTE Corporation's green technology innovation has experienced a long period of development and research and has continued to further improve the energy saving and emission reduction capability of the network. With respect to the equipment platform, the energy consumption of the SDR platform, ATCA platform, dynamic energy saving technology, energy saving technology based on software, innovative exchange architecture, and highly integrated design can be reduced by 50 percent. With respect to board-level and chip-level energy saving, the innovative technologies including component efficiency improvement, modular design, board density increases, chipset transceivers, and port power consumption control play a crucial role.

SDR Technology Based Wireless Device Convergence Optimizing Network Energy Consumption

 are faced with mobile communication network problems created by multisystem (GSM/WCDMA/LTE) and multiband (900M/1800M/2100M) equipment. Operators encounter the problems of repeated investments and construction of equipment with different technology systems if the network is built with the traditional method, which causes a rise in network energy consumption.

In the field of wireless devices, ZTE Corporation has innovatively launched the SDR based wireless solution and provided a multisystem wireless solution device on the same platform to effectively solve the problems faced by operators. ZTE SDR based low energy consumption base station devices can save energy consumption by 50 percent in network construction.

High Sensitivity Receiving Technology for Wireless Devices

The most effective method to reduce network energy consumption of device level energy saving technology in wireless equipment is to enhance the coverage of devices and reduce the number of base stations, particularly in the rural and grassland areas with low telephone traffic and wide coverage. Coverage, rather than capacity, is the first consideration. Through a number of coverage-enhancement solutions, when the same network capacity and coverage quality are guaranteed, ZTE Corporation fully utilizes the coverage enhancement technology to improve the uplink and downlink coverage and reduce the number of stations to be built, thus reducing the network energy consumption and investment costs.

One of the major aspects is the high sensitivity receiving technology for wireless devices. The sensitivity of a receiver directly influences the coverage of base stations, thus determining the number of base stations in a certain coverage area. In the suburbs and rural coverage areas, the coverage radius increases by about 22 percent for every 3dB increase, thus bringing a 45 percent coverage area enhancement, 30 percent station reduction, and about 25 percent reduction in energy consumption of the network.

Dynamic Energy Saving of Wireless Base Station Controllers

In a communication network, the traffic usually shows cyclical fluctuations: the load is very high during busy times, but very low during idle times during the day. The ZTE RNC device supports reduction of the overall power consumption of system devices by executing consumption reduction actions according to the uniform strategy when the traffic is low.

For the RNC system, if the device has excessive processing capacity, energy saving and consumption reduction can be realized by setting certain single-board processors to sleep mode or off. If the RNC system has inadequate processing capacity, the single board processors in the energy saving mode are activated or powered on again to increase the processing capacity of the system. The interface board, switch board, operation maintenance equipment, and supporting equipment can't be offline, and the initiation of sleep and power-off mode is not executed, thus achieving intelligent power saving of devices.

Wider Operating Temperature Range of Wireless Devices

Regular base station devices rely on an equipment room with an air-conditioned environment for operation. ZTE's wireless devices, such as ZXSDR BBU, have a wide normal operating temperature range of -10 degree centigrade to 55 degrees centigrade, thus significantly reducing the reliance on air conditioning, meeting the requirements of most rooms without an air-conditioned environment, and reducing the energy consumption of air conditioning and cooling systems.

Green Energy Saving Technology for Fixed Network Access Devices

As a major part of the replacement of copper cables with optical fiber cables and metro optical networks, FTTx PON devices are widely used. The platform-level energy saving of the device can significantly reduce the overall energy consumption of fixed network access. ZTE Corporation achieves energy saving of fixed network access devices by applying this critical energy saving technology.

On the OLT and ONU sides, there are four main energy saving technologies that can be used: Fast Sleep Power Saving Technique, Dozing Power Saving Technique, Deep Sleep Power Saving Technique, and Power Shedding. For example, the Deep Sleep Power Saving Technique is used mainly on the ONU side, where power saving is achieved by closing one or all service functions, with only the minimum activation check function operating. When any service request is detected, such as an interruption in service or a request for the date or local timer expiry, the equipment will be awakened and resume normal status.

In addition, through the energy saving design (such as electromechanical management, intelligent speed regulation of fans, and a fan-free cooling technique) of the main device, the energy saving effect on fixed network access devices can be improved. The energy consumption of ZTE's fixed network access devices is far lower than the requirement of the strict EU CoC V4 2011.

Green Energy Saving Technology for IPTV CDN and Set-Top Box Device

ZTE IPTV CDN devices use the following energy saving technology, which has a good effect.

High-performance, low power consumption streaming service blade using ZTE Corporation's patented technology. With the intelligent power saving control module added to the system, the power consumption of the blade can be reduced by about 30 percent, and the high-voltage DC power supply program improves the efficiency of the whole power supply system by 10-12 percent, compared to the basic traditional system structure.

The ZTE IPTV set-top box devices use an overall energy saving design to reduce the power consumption of the devices. High-efficiency, high-quality chips are selected; the program design is optimized; high performance, low power consumption, energy saving chipsets are used for the mainframe; the power consumption of the line driver that accounts for above 30 percent of the power consumption of the whole chipset is optimized; integrated chipsets are used to reduce the number of peripheral components of the chips. A high-efficiency power conversion chip is used to further reduce the power consumption of the whole machine. Through the above measures, the power consumption of the whole machine is reduced by above more than 50 percent, from 10W to less than 5W. The software uses a number of intelligent energy-saving designs and has an automatic standby function. When the user has not operated the device for a long time, the set-top box will pop up a prompt asking whether to continue to watch. If the user has no response, it will enter standby mode automatically. The standby time threshold can be set within a certain range to achieve the purpose of saving power and bandwidth resources. In standby mode, the power consumption of the set-top box can be reduced by more than 60 percent, from 5W to less than 2W. With the hard disk energy saving control function, the power consumption of the hard disk is about 1.8W during normal operation and 0.2W in standby mode, reducing power consumption by more than 88 percent.

Green Energy Saving Technology for Switches

All ZTE switch products use state-of-the-art system architecture. The high-end and middle-end series devices use advanced technologies, including cross-bar based space division switch matrices and network

processor architecture. The low-end series devices use multi-bus integration technology. The advanced system architecture makes the product design more reasonable, reduces redundancy, and eliminates unnecessary upward compatibility and application of nonstandard systems, thus reducing energy consumption.

Green Energy Saving Technology for Routers

ZTE router products use such energy saving solutions such as optimal hardware design, innovative power consumption management based on software, and reasonable product structure to help operators achieve energy saving and emission reduction more easily.

In the structure design, ZTE router products have a reasonable layout integrating whole-machine heat dissipation air ducts and single board heat dissipation. Low-consumption hardware design and good thermal design also make the whole machine heat dissipation more efficient and reduce the number of heat dissipation fans used.

Power is supplied to devices by area, which significantly improves the utilization rate of the power supply and saves 30 to 50W of power. With the board-level power supply management, the power supply of the board in a slot is closed or opened according to the user configuration commands, and 100 to 300W of power can be saved when a line card is closed. The switch plane channel can be adjusted according to the specific traffic flow of the device, and 100W of power can be saved when a switch plane is closed.

Green Energy Saving Technology for Wavelength Division Devices

ZTE wavelength division devices use new highly-integrated subrack design to realize single rack 80 wavelength OTM station configuration. In addition, some boards have smaller sizes, occupying only half of the slot, which improves the integration level of the system and effectively saves the space of equipment room and the overall power consumption level.

For 40G and 100G services, ROADM technology is used for wavelength scheduling. The power consumption of 40G+ROADM is 30 percent lower than that of 40G+ electronic crossing.

By using the ultra-long span transmission solution, numerous OLA stations on the transmission line and stations for relay can be saved, the CAPEX/OPEX costs can be reduced significantly; and the number of devices in use and power consumption of the system is reduced.

Green Energy Saving Technology for PTN Device

ZTE Corporation was the first to launch the self-cooling heat dissipation PTN device that uses fan-free double-layer daughter board architecture design, which has broken through the bottleneck of the air-cooling heat dissipation design of traditional devices. The self-cooling heat dissipation devices use fan-free ultra silent design that reduces noise to 0dB theoretically, thus significantly improving the comfort of use. After the fan and fan control panel are eliminated, the devices emit less carbon and are more environmentally-friendly. The power consumption is reduced by about 5W, 876kWh power is saved throughout the entire life cycle of the devices, and carbon emissions are reduced by 700kg.

Green Network Technology Innovation

The key to ZTE Corporation's green communication network construction is to establish a low energy consumption network. The innovation of network architecture is the key to the building of green communication networks, as well as an energy saving approach to radically solve the problems of high-

energy consumption. The network evolution featured in all-IP and flattening characteristics can promote the energy saving and emission reduction of the entire network. Aiming at the access network accounting for the most energy consumption of the network, ZTE Corporation's architecture transformation of wireless access networks and cable access networks, with C-RAN and Fttx as representatives, can significantly reduce the energy consumption of communication networks by 60 to 80 percent.

Network architecture determines the energy consumption of a communication network, so ZTE Corporation's energy saving technology innovation starts from network architecture, including:

Access section: Innovative wireless access architecture, C-RAN and broadband cable access architecture, FTTx;

Core equipment room: Innovation of architecture layout with convergent core network as a uniform data center;

Transmission section: Energy saving and emission reduction are realized by convergent and flat transmission network architecture.

C-RAN: "High-Capacity and Few Exchanges" Architecture Favorable to Green Wireless Access Network Deployment of Operators

With the popularization of the Internet and the development of mobile Internet usage, operators need green, sensitive, low-cost networks to support all their business development. The "high-capacity and few exchanges" network construction solution provides a solid guarantee for operators' green networks. ZTE Corporation's C-RAN architecture was developed by combining the current access network technology transformation trend and the demand for network construction. The use of few exchanges means zero station equipment rooms are needed, which not only significantly saves the energy of air conditioning and supporting equipment, but also effectively reduces rental expenses of stations. When the C-RAN architecture is used, indoor units, such as BBU and transmission products, are centralized in the central equipment room, which not only eliminates the need for equipment rooms, but also matches the trend of future network evolution, with the effect of transmission convergence, thus optimizing the transmission network from base stations to core networks.

With the C-RAN architecture, the convergence and reduction of equipment rooms through the BBU resource pool with base stations greatly benefits network construction for operators. Based on the actual deployment cases of ZTE C-RAN, it is estimated that the ZTE C-RAN architecture can, compared to the commonly distributed station address mode, save 20 percent CAPEX of access networks, about 63 percent OPEX, about 40 percent TCO for 10 years, and reduce one-third of the construction cycle. By combining the fundamental characteristics of network convergence and facing future demands, the effective implementation of C-RAN architecture can meet the access network building requirement of operators for 5 to 10 years.

The C-RAN architecture can also save energy significantly, by 67 to 80 percent, compared to the traditional methods, as shown in the table below.

Diagram 24: Comparison of energy saving effects in networking between C-RAN architecture and traditional methods

Scale of C–RAN	Energy Saving %
Small scale (5–6 stations)	Above 67%
Medium scale (15–20 stations)	About 76%
Large scale (more than 30 stations)	Up to 80%

FTTx: "Replacement of Copper Cables with Optical Fiber Cables" Realizing Green Energy Saving

ZTE Corporation carries out FTTx reconstruction of the existing fixed access networks by starting from network convergence, network flattening, and high-bandwidth large splitting ratio, which can significantly reduce the energy consumption of fixed access networks and electricity expenditures, save operational costs, and improve profits of the operators. At present, ZTE FTTx networks are widely used in the green broadband network construction of operators worldwide.

Network Convergence, Building Fttx Networks to Realize Green Energy Saving

At present, most access networks are independently built as voice networks or broadband networks, with various devices and high power consumption. ZTE Corporation provides the PON based FTTx network reconstruction program, which converges various existing networks to realize unified delivery of multiple converged services, which enables energy savings and emission reduction of access networks.

Network Flattening, Reducing Network Layers to Realize Green Energy Saving

By building large-capacity, convergent OLT, the network switches deployed on convergence layers can be saved, which meets the operators' requirements of network flattening design, thus realizing a reduction in energy consumption of the networks.

High Bandwidth Large Splitting Ratio, 10G PON Significantly Reducing Energy Consumption per Unit of Traffic Flow

With the users' increased demand for network bandwidth, the reduction of energy consumption per unit of traffic flow can significantly reduce the overall energy consumption of networks. By improving the capacity of networks, for example, building 10G PON networks, a high-bandwidth, large splitting ratio can be realized, with the energy efficiency per Mbit of bandwidth improved by more than 30 percent compared to E/GPON technology, thus significantly reducing the energy consumption per unit of bandwidth and promoting energy saving and emission reduction of the access networks.

According to the actual deployment and model estimation, under the same conditions, FTTx-based access networks can significantly save energy consumption by about 30 percent.

Core Equipment Room: Using Innovation of Architecture Layout to Save Energy Consumption

The overall design of ZTE Corporation's data center green energy saving program basically adopts blade and virtualization of IT devices and reduction of the number of servers to reduce the energy consumption

of servers, with 30 percent energy consumption saved compared to the traditional methods.The DC power supply technology is used as far as possible to save energy consumption by 10 to 20 percent. The liquid cooling technology is used to make the cold source nearer to the heat source, thus reducign cross-ventilation heat dissipation and saving energy consumption by 30 to 50 percent or higher compared to the traditional packaged air conditioning technology. The precise air supply technology is used to make the cold air concentrated to exchange heat with the server, thus saving energy consumption by 20 to 40 percent. The modular or container design program is used to effectively integrate the resources of the various subsystems in the data center. Finally, the PUE value is reduced effectively and the DciE value is increased efficiently.

Transmission Network: Convergent and Flat Architectures Bringing Energy Consumption Saving

According to the development trend of transmission networks, network layers of the future all-IP carrier networks should be reduced as much as possible. Network flattening is one of the measures to realize energy saving and emission reduction of the operators' networks.

ZTE Corporation believes that the realization of IP layer and OTN layer collaborative planning at the level of backbone networks is favorable for improving the resources utilization rate of the transmission networks and the efficiency of traffic transmission. The OTN layer and IP layer can share network resource information, optimize transmission path planning, improve the utilization rate of optical layer networks, and realize rapid service deployment and fault locating, thus improving the operational efficiency and reducing the energy consumption of networks by 25 percent.

Green Equipment Room Technology

The energy consumption of equipment rooms is the biggest concern of operators in "energy saving and consumption reduction" work, in which, the energy consumption of the cooling device for equipment rooms, such as air conditioning, accounts for more than 40 percent of the equipment room. Therefore, finding a way to guarantee reliable work of the devices and reduce energy consumption of the cooling devices through the thermal management technology of the equipment room is the emphasis of the thermal design of equipment rooms.

According to the analysis and the degree of attention of operators, ZTE Corporation established a special project team in 2011 to focus on studying and practicing the thermal management technology of equipment rooms. Our major research areas are the precise air supply technology and the intelligent ventilation technology. These two technologies have extremely high value in terms of energy savings as well as return on investment and reliability of heat dissipation in equipment rooms, and operators gradually use them. Therefore, the objective of the key technology solution based on the above research areas is to grasp the above technology solution, tackle the problems in these areas, and form a set of competitive "energy saving and emission reduction" thermal management integrated solutions.

Through research and application, ZTE Corporation's ventilated equipment room precise air supply program uses the variable air volume precise air supply technology to achieve the objective of refined cooling by "cooling the devices before cooling equipment room," further improving the energy saving efficiency of the system, and realizing distribution according to needs by thermal loss of the devices. The data obtained through modeling and simulation system analysis show that the precise upward air supply,

precise downward air supply and new air energy saving system realized by the platform can save energy by more than 20 percent for the central equipment room.

ZTE Corporation's maintenance-free intelligent ventilation technology is used by an operator in Gansu after experimental station reconstruction, and the data monitoring shows that the cooling system can save energy by 38.58 to 89.92 percent in the test cycle. According to the local annual temperature analysis, the system can save energy consumption of air conditioning by 58.18 percent during the course of a year.

ZTE Corporation's liquid-cooling heat dissipation technology significantly improves the power density of communication and server devices. The efficient heat dissipation method allows the whole system to reduce energy by more than 30 percent.

Application of Green New Energy

With the trend of high energy prices, low carbon, energy saving and environment protection, and with the advancement of technology and the reduction of costs, the green energy program, led by solar energy and wind energy, will become more and more important in the field of communication power supply. ZTE Corporation has extensive experience in the field of renewable energy sources. The pure solar energy solution, solar energy-petrol hybrid power supply solution, wind-photovoltaic hybrid solution, and solar energy-mains supply hybrid solution have been put into commercial use. All of the solutions can be flexibly configured according to customers' requirements and the local weather conditions, and support a number of application scenarios, thus significantly reducing TCO for customers, improving their return on investment, and meeting the requirements of green energy saving and emission reduction.

The ZTE solar energy controller uses the independently developed state-of-the-art MPPT (Maximum Power Point Tracking) technology to allow customers to make the best use of light energy to generate electricity. It can save investment in components by 10 to 20 percent compared to the traditional mechanically-switched controllers, drive obvious cost reduction of station device transportation, land acquisition and civil work, and shorten the financial return cycle of new energy use. ZTE solar energy controllers and wind energy converters use the same hardware design, are compatible various energy sources, and can be flexibly designed and applied in a number of power supply scenarios. With modular architecture design as well as the features of hot plug and flexible expansion (50A-800A), they can provide green, reliable power supply for customers.

ZTE renewable energy source products and solutions are applied by more than 70 operators in more than 40 countries. For example, the solar energy system built in Ethiopia in 2011 can reduce CO_2 emission by 45,000 tons per year.

Green Supporting Program

ZTE Corporation has created a series of supporting product combination solutions and wireless station-integrated solutions. The series of solutions, aiming at the various wireless and transmission networking modes, various station application scenarios and application environments, with the theme of differential innovation, low cost, green energy saving and rapid station building, can meet the different requirements of operators, improve the overall market competitiveness of wireless products and the delivery capability of turnkey projects, and continuously reduce the TCO of all life cycles of wireless base stations.

Efficient Power Supply Technology

Power supply efficiency is the key technology that directly influences the whole machine efficiency. The improvement of power supply efficiency is the most direct reflection of energy consumption. Through heavy investment and improvement of power supply technology, ZTE Corporation uses efficient digital power supply technology to generally improve the efficiency of power supply modules by as much as 90 percent. For a station with power consumption of 5,000W, every five-percent increase in power supply efficiency can save power consumption of about 250W. If about 6 kWh of power are saved every day, more than 2,000 kWh of power can be saved every year. In respect to RRU indoor coverage, when AC power supply is being used, one AC/DC power supply conversion can be eliminated, thus saving power by 10 percent.

Base Station Temperature Control System

At present, the typical temperature control program used for stations in indoor communication networks is air conditioning cooling, with the reference temperature in the indoor environment set to 25 to 27 degrees centigrade. The advantage of the program is ensuring the normal, reliable operation of devices. However, there exist some problems, such as continuous operation of air conditioners, high failure rates, high maintenance costs, tremendous power consumption of about 20,000kWh per year per base station, and failure to sustain the optimal working temperature requirements for devices. In consideration of the inadequacies of the traditional program, ZTE Corporation has proposed an innovative zone temperature control solution, or intelligent ventilation system + air conditioning battery cabinet program, for stations in indoor communication networks.

In respect to base station devices, the storage battery is the bottleneck for temperature control. The optimal working temperature is 20 to 25 degrees, far lower than the maximum working temperature to which other communication devices can be exposed. Aiming at the above characteristics, stations in indoor communication networks can use the intelligent ventilation system + air conditioning battery cabinet program, in which the storage battery is put in the air conditioning battery cabinet and the equipment room uses the intelligent ventilation mode. The advantages of this temperature control program are: zone temperature controls are realized, with the base station energy consumption reduced by about 35 percent; the intelligent ventilation system substitutes for the air conditioners, saving 25 percent CAPAX for the base station temperature control system; the storage battery operates in the range of optimum ambient temperature, so its useful life is guaranteed.

Environment Friendly, Efficient Storage Battery System

The lead-acid storage battery is widely used in the communications industry. However, it has many shortcomings: due to the impact by the environment and use scenarios, the actual useful life of VRLA is far shorter than the designed life; acid mist and failure to find environmentally friendly options for disposal of waste are also prominent. The lithium iron battery is applied in the storage battery system by right of its advantages.

The advantages of the lithium iron battery in green energy saving include safe use; no pollution or waste; outstanding high-temperature properties, allowing it to be used normally at 60 degrees centigrade with no additional air conditioning equipment required, thus significantly saving the energy consumption of air conditioners for equipment rooms. ZTE Corporation has gradually promoted the replacement and application of lithium iron batteries in storage battery systems for equipment rooms.

Green Engineering

Green engineering is an important means towards achieving human-oriented harmony between 'humans, communication and nature.' Thus, it's required that communication network engineering conforms to the principles of health, comfort, safety and environmental protection, and uses resources in an efficient way (by saving energy, land, water and materials, reducing radiation, and existing in harmony with the surrounding environment) to minimize the negative effects of engineering on the environment as much as possible.

The scope of green engineering covers green planning, green materials and green construction. ZTE's SDR distributed base stations require less space during site construction, which reduces the difficulty of finding locations. The system also can improve unit capacity. The network planning optimization tool, which was independently developed by ZTE, is targeted at conserving energy and reducing consumption in the early planning stages, and provides the best network performance with perfect coverage schemes and site selection policies. With respect to construction materials, ZTE uses new types of environmentally-friendly materials, electronic materials and paperless design. Reusing existing materials is another approach to protect the environment. In respect to the new site construction, 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 set standards. In network construction, ZTE adopts systematic and effective processes and uses helpful software tools to realize rapid, high-quality and highly efficient engineering installation.

Green Logistics

ZTE Corporation has introduced the concept of green logistics: continuously introducing green packages to reduce packaging types, making device storage convenient, saving space, and improving the turnover rate of logistics.

Green packages are harmless to the ecological environment and human beings, can be reused and recycled, and meet the requirement of sustainable development. The green packaging programs adopted by ZTE Corporation include:

(1) Metal cages, which are suitable for the shipment of large equipment and engineering materials and can be used 10 times;

One shipment using metal cages can save 0.059 m3 wooden plywood cases, equivalent to 0.2655 m3 of timber.

(2) Metal trays, which are suitable for the shipment of small equipment and can be used five times;

One shipment using metal trays can save 0.132 m3 of timber.

In 2011, in a project implemented by ZTE Corporation for an operator, the scale undertaken by ZTE Corporation was 499,375 carrier frequency, in which, 397,583 carrier frequency was shipped with green packages, with a total 30,281 green packages used, realizing the green package implementation ratio of 80 percent and saving 8218.39 m3 of timber.

Supply Chain

ZTE Corporation realizes that ZTE Corporation's CSR is not only embodied in the improvement of its own responsibility, but also in pushing forward the continual improvement of ZTE Corporation's entire supply chains' corporate social responsibility. ZTE Corporation cooperates with global suppliers, and performs continuous evaluations to measure and improve the level of corporate social responsibility of the parties involved, to push forward the benefits and improvement of the supply chains as a whole. ZTE Corporation and its suppliers join efforts to build responsible, transparent, and green supply chains, creating more value for the customers and working together towards excellence in operations.

Supply Chain CSR

In order to establish more friendly cooperation, ZTE Corporation always makes it a goal to become the best customer of suppliers, and encourages suppliers to become enterprises accountable to the society, and shares technology, markets and management experiences with suppliers to help them grow.

In 2008, ZTE Corporation started to perform field assessments of corporate social responsibility of key suppliers of terminal parts. In August 2008, the company worked out overall corporate social responsibility promotion and execution solutions for the supply chains of ZTE Corporation, including suppliers' risk evaluation, field assessment, corrective actions, suppliers' experience exchanges, and other aspects.

ZTE Corporation carries out in-depth cooperation with suppliers in all fields of social responsibility for the purpose of jointly building responsible, transparent and green industrial chains, which are mainly embodied in the following:

Supply Chain CSR Management System

In 2011, ZTE Corporation continuously improved the supplier CSR management standards, effectively carried out the supply chain CSR management work, and urged the suppliers to continue to abide by and insist on all relevant laws and regulations of supplier CSR management of ZTE Corporation, including:

- Updated the Supplier Code of Conduct and continuously required the suppliers to follow the ZTE Supplier Code of Conduct;
- Established a supplier CSR management experts team;
- Used the customers and third parties' advanced experience in CSR for reference, continuously updated and improved the supplier CSR management process documents, and auditing procedures and requirements.
- Continuously improved internal CSR skills and invited third-party professional organizations to provide a number of trainings;
- Thoroughly implemented CSR and shared the CSR evaluation results with stakeholders, including customers and suppliers;
- Required the suppliers to establish an effective CSR management system, including CSR control of sub-suppliers;

● Actively and effectively carried out supply chain CSR training to improve the CSR awareness of suppliers' top management and helped suppliers improve their CSR techniques.

Effective Supply Chain CSR Training

In addition to the continued provision of CSR training for the personnel of ZTE Corporation, it is also a focus of concern for ZTE Corporation to help supply chain members continuously improve their overall CSR levels, share the best practices of CSR in the industry, and successfully implement the key factors of CSR.

In 2011, ZTE Corporation continued to carry out CSR training for suppliers. In addition to suppliers' middle management and CSR managers, top managers of suppliers are the focus of ZTE Corporation's concern. Only if the top management of suppliers can recognize the importance of CSR, emphasize CSR from the perspective of strategy and culture, and personally participate in and push forward the construction of the company's and sub-suppliers' CSR to reduce risks in CSR, the entire supply chains' CSR can constantly forge ahead.

In 2011, ZTE Corporation provided CSR training for 292 suppliers, 476 officers and CSR technical personnel from suppliers. It also invited high-end customer representatives from Europe and UK, and professional tutors from third-party agencies to share optimal practices in the industry, customers' CSR demands, and CSR professional knowledge. The content of the training included: CSR system requirements, how ZTE implements CSR, and corporate EAP construction. Meanwhile, after the end of the training, the company tested the trainees, granting them completion certificates, with average training satisfaction scores of 85 or more.

Diagram 25: Statistics of supplier CSR training of ZTE Corporation for 2011

Supplier training		Number of suppliers	Number of trainees
Regular training	1st quarter	21	32
	2nd quarter	32	39
	4th quarter	28	63
Special training	Training on Halogen Free Regulations	46	73
	Training on Key CSR Issues	30	48
	Training on Product Environment Protection Regulations and Standards	135	221
Total		292	476

New Supplier Introduction

In order for suppliers to have a more definitive understanding of ZTE's CSR requirements, ZTE Corporation conducts CSR surveys on ZTE's supply chain Website. ZTE also releases "ZTE's Code of Conduct." Suppliers for ZTE Corporation must comply with ZTE's CSR requirements, local laws and regulations. Moreover, for new suppliers, the company specifies a "CSR Zero Tolerance Policy." In addition,

ZTE Corporation advocates diversity of supply chains during the process and suppliers' introduction, encouraging equal involvement by suppliers with different cultures, nationalities. At the same time, the company also instructs suppliers to develop their own diversified supply chains.

In 2011, ZTE Corporation introduced 106 new suppliers who had all been evaluated in respect to CSR. Through the analysis of nonconformities, it was found that the nonconformities are mainly distributed in health and safety, human rights, labor, and environmental protection. Aiming at the statistical analysis of nonconformities, ZTE Corporation formulated a targeted and focused guidance improvement plan and required the suppliers to establish an effective CSR management system so as to improve CSR at the system level.

Continual CSR Improvement of Existing Suppliers

In addition to providing continuous training on CSR for suppliers, the audit and evaluation of the existing suppliers is also a focus of ZTE Corporation's CSR control.

In 2011, ZTE Corporation recruited professional CSR supplier administrators, drafted a special supplier CSR agreement, and signed a new version of the CSR agreement with 260 suppliers. The company also updated the supplier CSR audit checklist, conducted onsite audits of suppliers with medium to high risks, and continuously tracked and coached the suppliers in respect to continual improvement of CSR.

Future Challenges and Planning

Diagram 26: Challenges and planning of supplier CSR implementation

No.	Challenges	Planning
1	Further optimization of supplier CSR management	1)To interact with suppliers in order to fully understand their requirements and difficulties; 2)To cooperate with stakeholders (governments, NGOs, trade organizations, etc.) in order to share information and best practices; 3)The CSR professionals of the company will continuously audit and evaluate the CSR of suppliers, analyze the results of audits and evaluations, and optimize the CSR management methods of suppliers.
2	The requirements of supply chain CSR are becoming stricter and higher.	1)Through the "Green Environment Protection" project, continuously promote the implementation by suppliers and finally establish a green supply chain. 2)To cooperate with international CSR organizations, share the updated CSR information and best practices, and continuously deliver to the supply chain.

Social Welfare

ZTE Corporation and its employees have always been dedicated to paying service to the society, cities and nations where we do business. ZTE Corporation has set up the Special Fund for Children Care,Second World War Veterans Relief Fund, ZTE Love Fund for Education, and the ZTE Employee Assistance Fund. The ZTE Employee Assistance Fund is set up for internal employees, and the other three are set up for children in the disaster areas of Wenchuan earthquake, Second World War veterans and dropout students in poverty-stricken areas respectively.

The above four funds are funded by contributions from the company and voluntary donations of the employees. As ZTE Corporation develops to become a qualified corporate citizen, more and more ZTE employees are becoming qualified social citizens by paying back to society, cities and nations.

In 2011, in addition to continuing to support the above four funds, ZTE Corporation carried out a number of charity events worldwide.

Public Welfare Projects in China

Affection for Home of the Yi Nationality, All the Way with You

In the southern part of Xichang City, Sichuan, there is the largest gathering place for the Yi nationality in China – Yanyuan County. Due to the unbroken mountain ranges and valleys and inconvenient transportation, the Yi people have been living below the poverty line, with the annual per capita income less than RMB 4,000 and the education and health services far behind the national development level. The children there have a much stronger desire to understand the outside world and seek knowledge than those of the same age in cities.

On August 12, 2011, ZTE Corporation donated RMB 1 million to the Yanyuan County Education Bureau and Health Bureau to construct a building for Yuji Primary School and improve the education and health environment.

Love without Borders

In 2011, ZTE Corporation sponsored the "Big Love without Borders" event, donating RMB 300,000 to provide financial support for the hope schools in Jinping and Malipo – the poverty-stricken areas in the national poverty-stricken counties in Yunnan.

Wu Wenjun Artificial Intelligence Science and Technology Award

In May 2011, ZTE Corporation donated RMB 300,000 to set up the "Wu Wenjun Artificial Intelligence Science and Technology Award."

The purpose of the award was to implement the policy of "Respect for knowledge, talents and creation," fully arouse the enthusiasm and creativity of intelligence technology workers in China through an incentive mechanism, vigorously commend advanced characters who have made major breakthroughs and great contributions in the field of artificial intelligence technology, boost the technological innovation and industrial development in this field, and continuously improve the university-industry collaboration strategy in intelligence technology to serve in the construction of an "innovative country."

The objects of the award mainly include: significant discoveries, inventions and technological innovation achievements in the field of intelligence science and technology, outstanding contributions to the creation of great economic benefits and social benefits through technology innovation and management innovation, creation of self-help intellectual property industries and famous intelligent product brands, and the advancement of intelligent products in China.

International Social Activities

India
On June 15, 2011, the members of ZTE India Company located in Kerala visited the Thodupuzha Mother and Child Foundation (a local welfare institution that adopts children who were abandoned or mistreated by their parents) and donated school bags, umbrellas and food to the needy children.

Spain
On October 30, 2011, ZTE Corporation and a Spanish children's charity, Soñar Despierto, made joint efforts to hold a charity golf tournament in Madrid to raise money. ZTE Corporation offered the SKATE 4.3 and LIGHT PRO as prizes for the tournament and the lucky drawing. The particpants were active in buying lucky drawing lottery tickets to support the healthy growth of the orphans in Spain.

The money raised was used for projects for integration into society designed for children and youngsters, including Christmas events, New Year's events, regular outings, regular psychological counselling, guidance and teaching for youngsters, and buying necessary school supplies.

South Africa
On June 14, 2011, ZTE Corporation made a charitable contribution to the schools and hospitals in the remote and border areas in Mafikeng, South Africa. ZTE Corporation donated ZTE network cards, routers, printers, and other equipment to Lapologang High School and Kebonang High School, and donated network equipment, printers, photocopiers, and other equipment to the Montshioa Town Health Centre.

Japan
In March 11, 2011, an earthquake that meassured 9.0 on the Richter scale occurred in northeast Japan, which caused secondary disasters such as a huge tsunami and leakage accidents at nuclear power stations, as well as heavy casualties and property loss.

When the disasters occurred, ZTE Corporation actively donated communication equipment costing JPY 20 million and cash of JPY 2 million to the disaster areas in Japan. "Prosperity makes friends". The company was active in action, paying back society and supporting the disaster areas, and made great contribution to the enhancement of friendship between the Chinese and the Japanese peoples.

CSR Awards

ZTE Corporation's efforts in CSR were acknowledged by governments and international organizations. The following are some awards obtained by ZTE Corporation in 2011:

1.In March 2011, ZTE's High-Efficiency Rectifier and Communication Power Supply System and Green IDC Power Supply Solution were awarded the "Green Communication Energy-saving Application Innovation Award 2011" and the title of "Green Communication Excellent Solution 2011" respectively by the organizing committee of the 2011 China Green Communication Conference, China Electronic Information Industry Development Research Institute, and China Communications Weekly Office.

2.In April 2011, ZTE Corporation was honored among "China's Top 100 Green Companies 2011" by the Daonong Center for Enterprise.

3.In May 2011, ZTE Corporation was awarded the title of "Leader-Type Enterprise" of the "Golden Bee CSR China Honor Roll."

4.In July 2011, ZTE Corporation was awarded the "China Children Charity Award - Outstanding Contribution" presented by the China Women's Federation and China Children and Teenagers' Fund.

5.In September 2011, ZTE Corporation won Harvard Business Review's 5th Management Action Award.

6.In November 2011, at the 13th-annual China Patent Award Ceremony sponsored by the State Intellectual Property Office and World Intellectual Property Organization, ZTE Corporation once again won the "China Patent Gold Prize" for its TDD technology.

7.In November 2011, ZTE Corporation was awarded the "Green Data Center Technology Innovation Award 2011" and the title of "2011 Cloud Computing Solution Provider of the Year" by Frost & Sullivan for its cloud computing sollutions.

8.In October 2011, ZTE Corporation's CEO, Shi Lirong, ranked 18th overall in the "Global Telecoms Business Power100" by Global Telecoms Business, UK.

9.In November 2011, ZTE Corporation was awarded the "Business Continuity Management - Pioneer Award" by the British Standards Institution.

10.In December 2011, at the 2011 Readers' Choice Suppliers event held by Telecom Asia, ZTE Corporation was awarded the "Broadband Innovation of the Year" award.

11.In December 2011, ZTE Corporation's CEO, Shi Lirong, was awarded the title of "CCTV China Economic Figure of the Year 20

Glossary

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

2G
Second-generation mobile networks utilizing digital wireless technology to provide larger network capacity, improved voice quality and encryption and seamless international roaming for users. Existing mobile communications networks are mainly 2G GSM and CDMA utilizing IS-95B technology for GSM, GPRS and CDMA with a data supply capacity of up to 115.2 Kbps, or 384 Kbps in case of GSM featuring EDGE technology.

3G
Third-generation mobile networks supporting peak data rates of 144 Kbps at mobile user speeds, 384 Kbps at pedestrian user speeds and 2 Mbps in fixed locations, although some initial deployments were configured to support just 64 Kbps. ITU coordinates 3G standards through its IMT-2000 project and key standards bodies such as 3GPP and 3GPP2.

4G
IMT-Advanced standards as defined by ITU, including LTE-Advanced and Wireless MAN-Advanced (802.16m) standards, supporting theoretical download rates of 1Gbit/s in fixed locations and 100Mbit/s in motion.

GSM
A global system for cellular mobile communications originated in Europe, which has been deployed in more than 170 countries using TDMA radio propagation scheme.

CDMA
Code division multiple access, one of the standards for 2G mobile communications. It is a spread spectrum technology standard that assigns a pseudo-noise (PN) code to all speech and data bits, sends a scrambled transmission of the encoded speech over the air and reassembles the speech in its original format. By assigning a unique correlating code to each transmitter, several simultaneous conversations can share the same frequency allocations.

TD-SCDMA
Time division synchronous code division multiple access, a 3G technology developed in China to support voice and data transmission.

CDMA2000
The CDMA2000 standards are set by 3GPP2, featuring various versions such as Release 0, Release A and EV-DO. Currently, data services supported by single carrier wave EV-DO are capable of simultaneously providing voice and high-speed packet data services utilizing 1.25MHz standard carrier wave, with a peak rate of 3.1Mbit/s.

FTTX
Abbreviation of "Fiber-to-the-X", a collective name given to various methods for fiber access. FTTX commonly includes: FTTN (Fiber-to-the-Node), FTTC (Fiber-tothe- Curb), FTTB (Fiber-to-the-Building), FTTH (Fiber-to-the-Home).

xPON
Optical access that applies WDM technology with optical fiber as transmission medium, enabling high access bandwidth and end-to-end POS (passive optical splitting) transmission. xPON has a significant edge over other optical access

technology.

EPON
Ethernet passive optical network, an optical access network technology that utilizes the "point-to-multipoint" passive optical technology at the physical layer and the Ethernet protocol at the link layer to benefit from the strengths of both PON technology and Ethernet technology.

LTE
LTE (Long Term Evolution) refers to the long-term evolution of 3G technology with OFDM as the core, and is regarded as 4G in the making. LTE is being promoted by 3GPP and its major performance targets include maximum speeds of 100Mbps (download) and 50Mbps (upload) using 20MHz bandwidth. It can be distinguished into frequency division duplex (FDD-LTE) and time division duplex (TDD-LTE) according to the mode of division duplex.

C-RAN
A low-cost and high-performance green radio access network architecture, which is a cooperative wireless network comprising a centralized baseband pool, a remote radio frequency unit and an antenna group. C-RAN is conducive to lower construction and operating costs for mobile networks, energy conservation and higher utilization of infrastructure, while enabling better frequency spectrum efficiency and broader bandwidth for users.

SDR
Software Defined Radio, a radio communication system where different protocol technologies are implemented by modifications in software and configuration without hardware replacement. The SDR technology provides solutions to a multi-mode, multi-frequency and scalable wireless system. The SDR platform is a new-generation multi-mode, multi-frequency and scalable wireless technology platform developed by ZTE.

UPP
Unified Packet Platform, a platform for future medium- to high-end products developed by ZTE using IP division technology. It supports a wide range of medium and high-end products in various product lines such as carrying networks and core networks and raises the start-up thresholds of various products through standardisation and shared core components for better R&D efficiency and product competitiveness. It supports two in-depth measurements to satisfy general application requirements of carriers and corporate users.

V4
A new-generation system platform designed and developed by ZTE to meet market demands for new-generation core network products, wireless base station controls, services and wirelines. Its software is based on a sound intermediary software framework system with high availability and its hardware represents an improved version of ATCA.

ATCA
Advanced Telecom Computing Architecture, an advanced telecom computing structure announced by PICMG (an international manufacturer of PCI industrial computers) in 2002 to provide a standardised platform system architecture for telecom-grade applications. It is being extensively used in the telecommunications industry.

ICT
New products and services arising from the integration of IT (information technology) and CT (communications (i.e., the transmission of information) technology).

IPTV Interactive TV services utilizing wireline broadband network and carried by IP protocol.

Wireless City Wireless network access using multiple wireless access technologies to provide wireless network access on an–demanded basis. The Wireless City is a multilayered, all–compassing information network that features broadband connection, extensive presence and fusion. It integrates the information application platforms of the Internet, Mobile Internet and Internet of Things and amasses a large volume information and applications, such as public services, retail discounts, tourist information, wireless government services, news and handheld entertainment.

Cloud Computing A concept underlining the fusion of traditional computing technologies (such as grid computation and distributive computation) with network technologies. The core idea is to centralise the management and modulation of massive computing resources connected through the network, forming a pool of computing resources that serve users on an–needed basis. Cloud Computing is applied in commercial offerings such as SaaS, PaaS and IaaS.

ID Net A new network architecture that essentially assigns a fixed ID to each terminal so that such terminal could maintain service continuity while in motion. It is an attempt to resolve issues in IP network technologies arising in the context of the Mobile Internet.

Internet of Things A network interconnecting all things in the physical world, characterised by comprehensive sensors, reliable transmission and smart processing and aiming at connection among any objects at any time, any location. It can help to realize the organic integration of the human society with the physical world, so that humankind can manage production and life in a more detailed and dynamic way to generally enhance the level of informatisation of the society.

Wireless Multiple Network Fusion

The fusion of wireless technologies with different standards and protocols to achieve maximum network operating efficiency and consistency in end–users' experience. This includes the fusion of 2G, 3G, LTE and WLAN at the system equipment level and the terminal level.

3 Networks' Integration The integration of the television broadcast network, telecommunications network and the Internet. In practice, this may refer to the provision of the same services and contents on both the television broadcast network and the telecommunications network, or it may refer to the complementary operation of the television broadcast network and the telecommunications network to achieve business integration, such as centralising all video broadcast functions at the former and interactive functions at the latter.

Mobile Internet Internet access service facilitated through mobile terminals such as smart phones/ handheld digital assistants, notebooks and Pad. Enriched by the popularization of smart terminals, Mobile Internet services now include mobile computing, mobile music, smart phone games, positioning technology, wireless communities and wireless payments, etc.

Core Network	A mobile network comprises a wireless access network and a core network, the latter of which provides services such as call control, billing and mobility.
Access Network	In the public telecommunications network, the access network operates between the local exchange and the users and is mainly responsible for connecting the users to the core network. It is formed by a line of equipment between the service node interface (SNI) and the user network interface (UNI).
Carrying Network	Carrying level network that provides the basic carriage function for the services. It directs each service information flow from its source to the destination according to various service requirements and modulates network resources on the basis of the attributes of these requirements to ensure the functionality and performance of these services, providing QoS assurance and network safety assurance for communications of different types and natures.

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No.	Perfomance Indicator	Relativity	Status	Reference
1.Strategy and Analysis				
1.1	Statement from the most senior decision maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	High	●	2–3
1.2	Description of key impacts, risks, and opportunities.	High	●	2–3
2.Organizational Profile				
2.1	Name of the organization.	High	●	4
2.2	Primary brands, products, and/or services.	High	●	4
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	High	●	5
2.4	Location of organization' s headquarters	High	●	4
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	High	●	4
2.6	Nature of ownership and legal form.	High	●	5
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	High	●	4
2.8	Scale of the reporting organization	High	●	4
2.9	Significant changes during the reporting period regarding size, structure, or ownership	High	●	4
2.10	Awards received in the reporting period.	High	●	50
3.Report Parameters				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	High	●	1
3.2	Date of most recent previous report (if any).	High	●	1
3.3	Reporting cycle (annual, biennial, etc.)	High	●	1
3.4	Contact point for questions regarding the report or its contents.	High	●	1
3.5	Process for defining report content	High	●	1
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	High	●	1
3.7	State any specific limitations on the scope or boundary of the report.	High	●	1

3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	High	○	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	High	●	1
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods).	Low	○	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Low	●	1

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| 3.12 | Table identifying the location of the Standard Disclosures in the report. | High | ● | 55–63 |

Assurance

| 3.13 | Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s). | High | ○ | |

4.Governance, Commitments, and Engagement

Governance

4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	High	●	7–8
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	High	●	7–8
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	High	●	7–8
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	High	●	7–8
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	High	●	7–8
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	High	●	7–8
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	High	●	7–8
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	High	●	7–8

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4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	High	●	7−8
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	High	●	7−8
Commitments to External Initiatives				
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	High	●	7−8
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	High	●	5
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	High	●	5
4.14	List of stakeholder groups engaged by the organization.	High	●	11−13
4.15	Basis for identification and selection of stakeholders with whom to engage.	High	●	11−13
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	High	●	11−13
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	High	●	11−13
5.Management Approach and Performance Indicators				
Economic Performance Indicators				
Aspect：Economic Performance				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	High	●	4−5
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	High	○	
EC3	Coverage of the organization's defined benefit plan obligations.	High	●	23
EC4	Significant financial assistance received from government.	High	○	
Aspect：Market Presence				
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	High	●	23
EC6	Policy, practices, and proportion of spending on locally−based suppliers at significant locations of operation.	High	●	45−47
EC7	Procedures for local hiring and proportion ofsenior management hired from the local community at significant locations of operation.	High	●	22
Aspect：Indirect Economic Impacts				

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EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in–kind, or pro bono engagement.	High	○	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	High	○	
Environmental				
Environmental Performance Indicators				
Aspect：Materials				
EN1	Materials used by weight or volume	High	○	
EN2	Percentage of materials used that are recycled input materials	High	○	
Aspect：Energy				
EN3	Direct energy consumption by primary source	High	●	31–32
EN4	Indirect energy consumption by primary source	High	●	31–32
EN5	Energy saved due to conservation and efficiency improvements	High	●	32–33
EN6	Initiatives to provide energy–efficient or renewable energy based products and services, and reductions in energy requirements	High	○	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	High	●	32–33
Aspect：Water				
EN8	Total water withdrawal by source	High	●	31–32
EN9	Water sources significantly affected by withdrawal of water	Low	○	
EN10	Percentage and total volume of water recycled and reused	Low	○	
Aspect：Biodiversity				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Low	○	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Low	○	
EN13	Habitats protected or restored	Low	○	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Low	○	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Low	○	
Aspect：Emissions, Effluents, and Waste				

EN16	Total direct and indirect greenhouse gas emissions by weight	High	●	31–32
EN17	Other relevant indirect greenhouse gas emissions by weight	High	○	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	High	●	32–33
EN19	Emissions of ozone–depleting substances by weight	Low	○	
EN20	NO, SO, and other significant air emissions by type and weight	Low	○	
EN21	Total water discharge by quality and destination	High	●	31–32
EN22	Total weight of waste by type and disposal method	High	●	31–32
EN23	Total number and volume of significant spills	High	●	No spills
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Low	○	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by discharges of water and runoff	Low	●	31–32
Aspect：Products and Services				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	High	●	34–43
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	High	●	44
Aspect：Compliance				
EN28	Monetary value of significant fines and total number of non–monetary sanctions for noncompliance with environmental laws and regulations	High	●	No fine
Aspect：Transport				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	High	○	
Aspect：Overall				
EN30	Total environmental protection expenditures and investments by type	High	○	
Social Performance Indicators				
Labor Practices and Decent Work				
Aspect：Employment				
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	High	●	22–23
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	High	●	22–23

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LA3	Benefits provided to full–time employees that are not provided to temporary or part–time employees employees, by significant locations of operation	High	●	23–24
LA15	Return to work and retention rates after parental leave, by gender.	High	●	23–24
Aspect：Labor/Management Relations				
LA4	Percentage of employees covered by collective bargaining agreements	High	○	
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	High	○	
Aspect：Occupational Health and Safety				
LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs	High	○	
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work–related fatalities by region and by gender	High	●	27
LA8	Education, training, counseling, prevention, and risk–control programmes in place to assist workforce members, their families, or community members regarding serious diseases	High	●	24–29
LA9	Health and safety topics covered in formal agreements with trade unions	High	○	
Aspect：Training and Education				
LA10	Average hours of training per year per employee by gender and by employee category	High	●	24–25
LA11	Programmes for skills management and lifelong learning that upport the continued employability of employees and assist them in managing career endings.	High	●	24–25
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	High	●	24–25
Aspect：Diversity and Equal Opportunity				
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	High	●	22–23
Aspect：Equal Remuneration for Women and Men				
LA14	Ratio of basic salary of men to women by employee category, by significant locations of operation.	High	●	22–23
Human Rights				
Human Rights Performance Indicators				
Aspect：Investment and Procurement Practices				
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	High	●	45–47
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	High	●	45–47

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HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	High	●	24–25
Aspect：Non-Discrimination				
HR4	Total number of incidents of discrimination and corrective actions taken	High	●	22
Aspect：Freedom of Association and Collective Bargaining				
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	High	●	Not found
Aspect：Child Labor				
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	High	●	Not found
Aspect：Forced and Compulsory Labor				
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	High	●	Not found
Aspect：Security Practices				
HR8	Percentage of security personnel trainedin the organization's policies or procedures concerning aspects of human rights that are relevant to operations	High	●	24–25
Aspect：Indigenous Rights				
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	Low	○	
Aspect：Assessment				
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	High	●	45–47
Aspect：Remediation				
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	Low	○	
Social Performance Indicators				
Aspect：Local Communities				
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	High	○	
SO9	Operations with significant potential or actual negative impacts on local communities	High	●	48–49
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	High	○	
Aspect：CorruptionAspect：Corruption				

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SO2	Percentage and total number of business units analyzed for risks related to corruption	High	●	9
SO3	Percentage of employees trained in organisation's anti−corruption policies and procedures	High	○	
SO4	Actions taken in response to incidents of corruption	High	○	
Aspect：Public Policy				
SO5	Public policy positions and participation in public policy development and lobbying	High	○	
SO6	Total value of financial and in−kind contributions to political parties, politicians, and related institutions by country	Low	○	
Aspect：Anti−Competitive Behavior				
SO7	Total number of legal actions for anti−competitive behaviour, anti−trust, and monopoly practices and their outcomes	High	○	Refer to ZTE's annual report
Aspect：Compliance				
SO8	Monetary value of significant fines and total number of non−monetary sanctions for noncompliance with laws and regulations	High	○	Refer to ZTE's annual report
Product Responsibility Performance Indicators				
Aspect：Customer Health and Safety				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	High	●	14−17
PR2	Total number of incidents of non−compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	High	○	
Aspect：Product and Service Labeling				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	High	○	
PR4	Total number of incidents of non−compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcome	High	○	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	High	●	18−21
Aspect：Marketing Communications				
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	High	○	
PR7	Total number of incidents of non−compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorshipby type of outcomes	High	○	

Aspect：Customer Privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	High	○
Aspect：Compliance			
PR8	Monetary value of significant fines for non–compliance with laws/regulations concerning the provision and use of products and services	High	○

Status: ●: covered; ○: not covered

Index of 10 Principles of the UN Global Compact

Category	Principles	Reference
Human rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.	People Supply Chain
Labor standards	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labor, Principle 5: the effective abolition of child labor; and Principle 6: the elimination of discrimination in respect of employment and occupation.	People Supply Chain
environment	Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.	Environment Supply Chain
Anti–corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Corporate Governmance and Business Ethics

Feedback Form for Readers

Dear readers:

Thank you for reading the Corporate Social Responsibility Report of ZTE Corporation for 2011. ZTE Corporation welcomes your suggestions on the CSR report 2011. Kindly please give your suggestions and opinions.

Preparatory Team of the Corporate Social Responsibility Report of ZTE Corporation for 2011

May 2012

Name						
Contact	Tel：			Email：		
Company						
Evaluation	Balance	Comparability	Accuracy	Timeliness	Reliability	Clarity
Corporate Governmance and Business Ethics						
Strategy Of Corporate Social Responsibility						
Bring You Closer						
Serving With Dedication And Being Committed To Our Customers						
People						
Environment						
Supply Chain						
Social Welfare						
Overall evaluation						
Your expectations of the next report						

Please give direct scores ranging from 1 to 5, with 1: minimum and 5: maximum.

You can fax your suggestions to: +86–755–26770985

ZTE CORPORATION