ZTE Corporation Sustainability Report 2017

March 2018

Content

About This Report

Compiling standards

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

Reporting period

Information and events in this report occurred from Sunday, January 01, 2017 to Sunday, December 31, 2017.

Reporting cycle

The sustainability report is issued annually by ZTE Corporation. This report is the 10th one.

Reference remarks

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

Source and scope of data

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

Content compiling

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

Access to this report

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

A Message from the President

2017 is such an important year in the development of the information and communication technology industry. In this year, the development of the fifth-generation mobile communication technology (5G) has made a series of breakthroughs around the world, revealing an ever-clear future of the industry. With the application and popularization of 5G network, we are entering a more imaginative future society where everyone's life will be profoundly changed. And the change in user experience will further trigger the development of new industries, new businesses and new models. The 19th CPC Congress Report clearly calls for the deep integration of Internet, big data and artificial intelligence with the real economy and the cultivation of new fields to develop new growth potential and new growth momentum. The future ICT industry will have a more comprehensive and sufficient capacity to serve the sustainable development of human society, accelerate economic development and social progress, and create a better intelligent era for all.

At present, there are still imbalances and inadequate problems in the process of economic and social development in China. In the future, to further improve the quality and efficiency of development and meet people's needs for better lives, ICT industry and technology will need constantly upgrade to give society new growth momentum, promote the modernization of public administration system and governance capacity, and break up the information barriers in society. The ICT industry also plays an important role in the implementation of the United Nations Sustainable Development Goals (SDGs), providing effective solutions to promote global economic prosperity, eradicate poverty and respond to climate change. Facing such historic opportunities and challenges, ZTE is fully prepared. As a member of both UN Global Compact and the Global e-Sustainability Initiative (GeSI), ZTE has been committed to serving the economic and social development of society with information and communication technology with a profound understanding of the great transformation and impact of promoting sustainable development globally, both in China and around the world. To implement the "Belt and Road" Initiative and promote win-win development of all countries, businesses are an indispensable force, besides governments, in promoting global sustainable development. We see this as an important opportunity for both the development of the Company and the realization of the Sustainable Development Goals. In response, we will align our own development framework with the global SDG framework and create shared values for our business and society by making full use of ZTE's unique business model in promoting decent work and economic growth, building infrastructure, responding to climate change and other sustainable initiatives.

Inspired by ZTE's culture of "endeavoring with creativity", we focused on the development of 5G in 2017, aiming at creating more convenient connectivity for the world by strengthening technological innovation and continuously promoting the research on key technological evolution. As a core member of the IMT-2020, we took the lead in the studies of more than 30% of the research topics, successfully piloted the first commercial viable 5G low frequency base station in the world and developed a full range of solutions for the 5G Core Network and base stations. Our efforts brought 5G to reality, enabling better changes of people's lives with smart life and intelligent network by connecting everyone and everything.

Meanwhile, we carried out industrial collaboration in a more open manner to build an industrial ecological chain with a win-win cooperation, allowing ICT to play a greater role in boosting the development of the real economy. With the continuous development and improvement of information network and intelligent network, industrial applications such as public administration, transportation, medical care, etc. are expected to become fully intelligent in the

near. These industrial upgrades will improve the core competences and values of these industries, creating an ecological system of a virtuous circle. We took an active part in practicing and collaborating on sustainable development with the information industry. We sincerely cooperated with our partners on many aspects, such as ensuring product safety, promoting energy conservation and emission reduction, and building a sustainable supply chain, so as to create shared-value in the long run.

The development of ZTE is the result of the strong dedication and hard work of everyone at ZTE. Once we have clarified the direction of strategic development, talent becomes the most important condition for us to realize our strategic goals. Being an innovation-driven and talent-driven company, we recognize, respect and value the employees who create and protect the value for the company. We constantly enhance employee satisfaction and encourage all employees to grow and become the most important growth driver of the Company.

Looking forward, we will focus more on our main businesses, continue to innovate, take 5G as our core strategy, and fully devote ourselves to the development of standards and products, so as to speed up the realization of the intelligent new era with everything connected. The best way to predict the future is to create one, and ZTE will embrace the great new era with the concepts of innovation, dedication and win-win cooperation.

Zhao Xianming

A Message from the Executive Representative for Sustainability

It is the unwavering principle of ZTE to conduct our business with compliance and a focus on sustainability. In 2017, we continuously strengthened our management and internal control, improved compliance governance, carried out in-depth analysis of the expectations of our stakeholders, industry trends and government policies, and focused on the following four aspects to improve our sustainability capabilities and create values for our stakeholders and society.

Sustainable business management

We have established a sound corporate governance structure, set up the Sustainable Development Committee of the Company, and improved the decision-making and management mechanism regarding sustainable development, so as to ensure the consistency between business development and sustainable development requirements. We further improved our risk prevention and control by continuously improving compliance management, establishing the "three lines of defense" for compliance management, and revising and updating a series of compliance management systems.

Sustainable products and services

Innovative technology, products and services are the core competence for ZTE to continuously make breakthroughs. It is the strategic focus of our development and the core measure for the Company to create values for customers and society with connectivity and trigger industry upgrade in future. In the revolutionary era of 5G, we accelerated the promotion of the innovation driven strategy and the development and innovation process in 5G and other cutting-edge technologies, so as to provide advanced communication solutions and inject momentum into the development of the ICT industry.

While promoting technological progress, we also focused on building a complete and sound security management and control system and intellectual property protection system, protecting the information security of customers and partners' core information assets and their legitimate rights and interests, building a comprehensive security barrier.

Sustainable ecological environment

We actively responded to the environmental initiatives put forward by the United Nations Sustainable Development Agenda and establish a sound environmental management system in strict compliance with the ISO14001 environmental management system and ISO 50001 energy management system. We fully considered the environmental impact of our operations, products and solutions and continuously innovated on green technologies and green solutions. We developed a variety of environmental protection and energy conservation solutions for energy, transportation, agriculture, construction and other sectors to help reduce their environmental impact and mitigate and respond to climate change.

Sustainable community

We fully understand that the success of an enterprise is closely related to its employees, partners and the society. We kept on growing our economic value, and at the same time we never forgot to create values for our stakeholders and shared our development achievements with them.

We endeavored to protect the legitimate rights and interests of our employees, constantly

improved employee training and career development system, stimulated employee vitality, enhanced the employees' sense of identity, creating a respectful working environment for our employees to give full play to their capabilities and potentials. We established dimensional development channels for employees to help the employees find the positions and career directions that best suited them. We respected the participation of employees, ensured decent work for our employees to grow together with the Company.

We worked closely with our suppliers globally to share advanced management experience, help suppliers improve management efficiency and reduce supply chain risk. We consistently worked together with our partners in full compliance with business ethics and the laws and regulations of where we operated to build a responsible, transparent and sustainable supply chain.

We focused on the four key areas of technology development, education for poverty alleviation, vulnerable group assistance, and environmental protection and legal aid to help local communities improve livelihood and solve development problems with activities featuring around the keywords of "technology, education and innovation". In 2017, the ZTE Public Welfare Foundation donated over nine million yuan to support children in poverty and care for World War II veterans, making our contribution to a better society.

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

1.About Us

1.1 Company Profile

Company Name: ZTE Corporation

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

Business: The Group is dedicated to the provision of ICT products and solutions that satisfy the needs of customers, integrating design, development, production, sale and services with a special focus on carriers' networks, government and corporate business and consumer business.

Organizational structure:
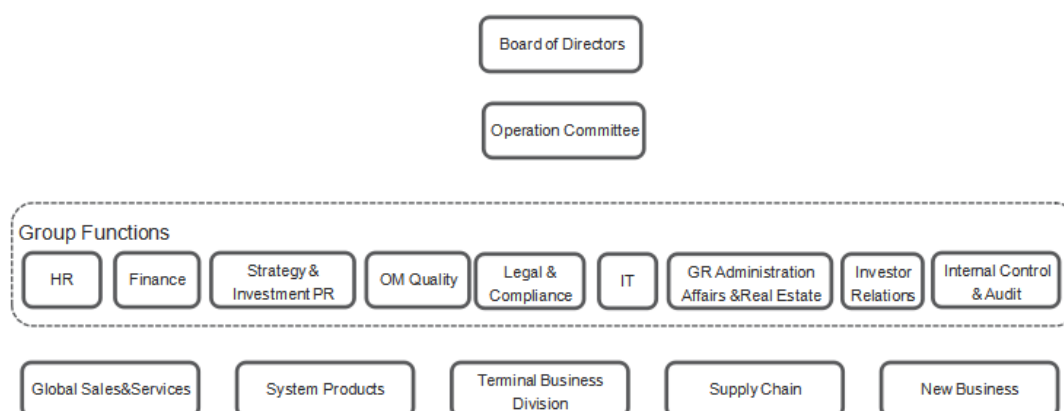
Major holding subsidiaries: 58 (Including the subsidiaries with the registered capital no less than 10 million YUAN and held or wholly owned by ZTE Corporation)

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

Total number of employees in 2017: 74,773 (58,940 employees excluding subsidiaries)

Annual turnovers from 2013 to 2017 (Unit: 100 million yuan)				
2013	2014	2015	2016	2017
752.3	814.7	1,001.9	1,012.3	1,088.2

Net profits from 2013 to 2017 (Unit: 100 million yuan)				
2013	2014	2015	2016	2017
13.6	26.3	32.1	-23.6	45.7

Turnover ratios by regions in 2017 (Unit: %)			
The PRC	Europe, Americas and Oceania	Asia (excluding the PRC)	Africa
56.9%	25.1%	14.5%	3.5%

2. Sustainable Business Management

2.1 Corporate Governance

In compliance with the basic principles of the Company Law, Securities Law, Code of Corporate Governance for Listed Companies in China, and other relevant laws and regulations of the CSRC, ZTE continues to improve its corporate governance mechanism, regulate corporate operation, and optimize its internal control system

Shareholders and General Meetings

The Company has established a corporate governance structure to ensure that all shareholders, minority shareholders in particular, can fully exercise their rights and enjoy equal status. Sufficient time is provided at general meetings of shareholders, which are convened legally and validly, for the discussion of each proposal, to provide a good opportunity for communications between the Board of Directors and the shareholders. In accordance with the revised Rules for General Meetings of Listed Companies, the Company has introduced on-site and online voting to afford convenience for shareholders participating in its general meetings, as well as the practice of separately disclosing the votes of minority shareholders in announcements of resolutions of general meetings to give an adequate account of the views of minority shareholders. In addition, shareholders may contact the Company through its shareholder hotline during normal working hours or contact and communicate with the Company through its designated e-mail address and the investors' relations interactive platform of the Shenzhen Stock Exchange. The Company also maintains an "Investor Protection Promotion" column on its website to collect, compile, publish or cite information relating to investor protection.

Controlling Shareholder and the Listed Company

The Company's controlling shareholder is Shenzhen Zhongxingxin Telecommunications Equipment Company Limited. The controlling shareholder exercises its rights as an investor in strict compliance with the law, without compromising the lawful rights and interests of the Company and other shareholders. Candidates for election as Directors and Supervisors are nominated in strict compliance with laws and regulations and the terms and procedures as set out in the Articles of Association. The staffing, assets, financial affairs, organisation and business of the controlling shareholder of the Company are independent from those of the listed company, with the controlling shareholder and listed company each carrying out independent auditing and assuming its own responsibilities and risks. The controlling shareholder of the Company was not engaged in any direct or indirect interference with the decision-making and business activities of the Company in circumvention of the general meeting.

Directors and the Board

The Company appoints directors in strict compliance with the criteria and procedures set out its *Articles of Association*, ensuring that the directors are appointed in an open, fair, just and independent manner. In order to fully reflect the opinions of minority shareholders, a cumulative voting scheme is adopted for the appointment of directors. The Company has formulated the Rules of Procedure of the Board Meetings, and board meetings are convened and held in strict compliance with the Articles of Association and Rules of Procedure of the Board Meetings. To optimise the corporate governance structure, three specialised committees — the Nomination Committee, Audit Committee and Remuneration and Evaluation Committee — have been established by the Board of Directors in accordance with the Governance Standards for Listed Companies. The majority of members and the respective convenors of these committees are Independent Non-executive Directors, providing scientific and professional opinions for reference by the Board of Directors in its decision-making.

Supervisors and the Supervisory Committee

The Supervisors possess professional knowledge and work experience in management, accounting and other areas and are elected by way of cumulative voting. They shall monitor the financial affairs and supervise the lawful and regulatory performance of duties by the Company's Directors, the Chief Executive Officer and other members of the senior management to safeguard the legal rights and interests of the Company and shareholders. The Company has formulated the Rules of Procedure for Supervisory Committee Meetings. Meetings of the Supervisory Committee are convened and held in strict compliance with the Articles of Association and the Rules of Procedure for Supervisory Committee Meetings.

Performance appraisal and incentive mechanism

During the year, the Remuneration and Evaluation Committee of the Board of Directors linked the salaries of the senior management with the results of the Company and personal performance in accordance with the Scheme for the Administration of Senior Management's Performance. Senior management personnel are recruited and appointed in strict compliance with relevant rules, regulations and the Articles of Association. The Company has established a long-term incentive mechanism closely linked with the Company's business performance and long-term strategy, so as to help optimise the overall remuneration structure and create a competitive advantage in human resources that will contribute to the long-term, sustainable growth of the Company's operation.

Internal Control

In order to enhance internal control, improve the Company's operational management standard and risk aversion ability and ensure the assets security, compliance and effective operation, the Company has established a reasonable and effectively operating internal control regime in accordance with provisions of *the Company Law, the Securities Law, Corporate Governance Standards for Listed Companies, Basic Rules for Corporate Internal Control and Supplementary Guidelines for Corporate Internal Control* and other pertinent laws, regulations and regulatory documents. The Company has established an all-encompassing and multi-level structure for internal control development comprising mainly the Board of Directors, the Audit Committee, the internal control committee, the internal control teams of various business units and the internal control and audit department. Based on the work of identifying significant deficiencies in the Company's internal control in relation to financial reporting and non-financial reporting, as at the record date for the internal control assessment report, the Company has no significant deficiency in internal control in relation to financial reporting and was not aware of any significant deficiency in internal control in relation to non-financial reporting.

For more details about corporate governance, refer to the 2017 Annual Report of ZTE Corporation.

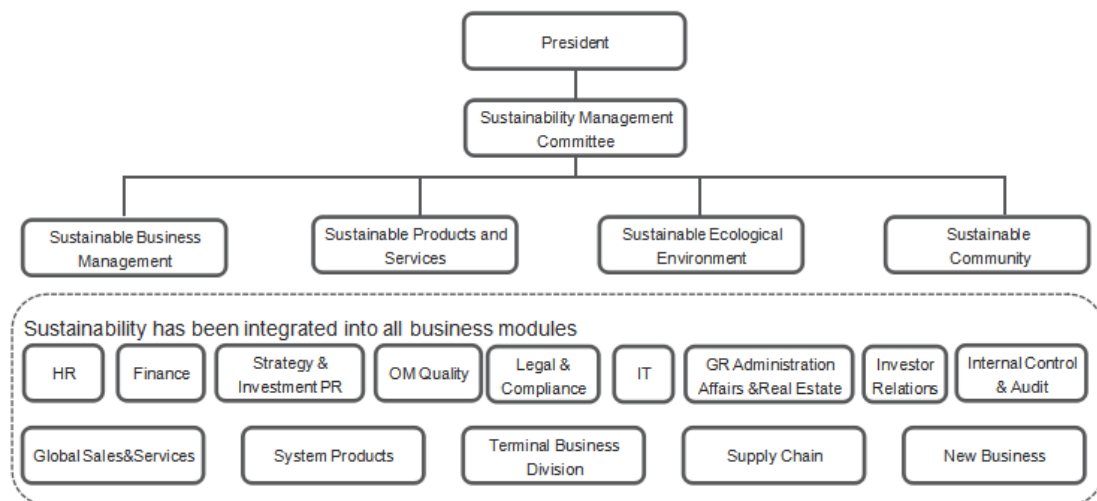## 2.2 Sustainability Management System

ZTE's Sustainability Vision is to

- conduct all business in an ethical and sustainable way that protects and advances the human rights, health, safety, well-being and personal development of all people working directly or indirectly for ZTE

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

- help all ZTE's customers – internal and external – take advantage of the opportunities of a changing world and to positively impact societies on a local level around the world.

Sustainability Management Organization

The Company has established the Sustainability Management Committee to further boost the CSR and sustainability activities and improve the sustainability management mechanism. The Sustainability Management Committee is comprised of all senior executives of the Company and is serving as the supreme decision-making body for sustainability management. The director of the Committee is Xiong Hui, EVP in charge of human resources.

In 2017, of the 27 meetings convened by the Company's top management, 12 meetings discussed on sustainability issues and decisions were made in terms of sustainability subjects such as export control, anti-corruption, anti-commercial bribery, environmental protection, employee benefits, internal control, and product safety.

Sustainability Management System

ZTE actively participates in industry organizations of sustainability and communicates with the industry to share its best management practices. ZTE is currently a member of the UN Global Compact (UNGC), Global e-Sustainability Initiative (GeSI), QuEST Forum and many other organizations.

ZTE has established ISO9001 Quality Management System, TL9000 Telecommunications Industry Quality Management System, QC080000 Hazardous Substances Management System, ISO14001 Environmental Management System, OHSAS18001 Occupational Health and Safety Management System, ISO27001 Information Security Management System, ISO50001 Energy Management System, ISO28000 Supply Chain Security Management System, all of which have been certified by a third party professional organization.

ISO9001 TL9000 QC080000 ISO14001 OHSAS18001 ISO27001 ISO28000

On the basis of the above-mentioned management systems, the Company has optimized its management system of sustainable development in accordance with the corporate strategy, ISO26000, and stakeholders' requirements. In 2017, the Company focused on optimizing and continuously improving health and safety and product safety.

Sustainability Goals

ZTE establishes its sustainability goals every year. In 2017, the sustainability goals and progress are as follows:

Goals in 2017	Status	Process
Improvement of Sustainability System: to increase the Ecovadis Sustainability Assessment score by 5%	●	Received silver medal in Ecovadis Assessment with a 5.5% increase in score over last assessment
Management System: to be certified by ISO28000 (Supply Chain Security Management System)	●	Has been officially certified by ISO 28000 (Supply Chain Security Management System), and the procurement, manufacturing and logistics businesses of 26 major telecom products (including terminals) in Shenzhen Science Park and Xili Industrial Park are all certified.
Compliant Business Operation: to be integrated into Compliance Ecosphere, establish specific standards and create compliance values	●	As a pilot unit, it participated in the formulation and publication of national and industry standards such as *the Compliance Management System Guide*, *Anti-Bribery Management System*, and *the CSR Management System of China's Information and Communications Industry*.
Intelligence changes: to publish *the ZTE Artificial Intelligence White Paper*	●	The Company has released *the Artificial Intelligence Boosting Network Intelligence-ZTE Artificial Intelligence White Paper*
Innovation: to launch "ZTE Technology Progress Award"	●	"ZTE Technology Progress Award" has been launched with the single highest prize of 1 million yuan to stimulate the original technical inventions with high value and R&D teams.
Energy Conservation & Emission Reduction: The Shenzhen headquarters shall promote green & clean production, and aim to be certified and audited by the third party during the Thirteenth Five-year Period	◎	The Company has initiated green & clean production and aims to go through the certification and audit by the third party
Female Employee Care: to achieve a over 90% maternity return rate for female employees	●	The maternity return rate has reached up to 97%
Goals in 2017	Status	Process
Professional Health and Safety team building: 5 health and safety professionals receive Nebosh IGC certification	●	13 health and safety professionals have received Nebosh IGC certification.
Sustainable Supply Chain: to carry out 100% on-site audit of medium/high risk	●	160 medium/high-risk suppliers received on-site audits with a 100% completion rate

suppliers		
Social Welfare: to launch "ZTE Young Scientist Award"	●	"ZTE Young Scientist Award" has been launched. It is selected once a year, and each selection shall win no more than 10 awards. Each award-winning achievement award amount is 2 million yuan

● Done ◎ in process ○ Not reached

Stakeholders Engagement

Every year, ZTE listens to the voices of stakeholders through various channels, learns about the latest industry, laws and regulations, and sustainability, such as the UN Sustainability Goals, and the latest customer requirements, etc., identifies potential opportunities and risks of the Company, constantly improves the Company's sustainability strategy, and focuses on the most important fields and issues, thus ultimately achieving the Company's sustainability goals.

Stakeholders Communication Channels and Focus

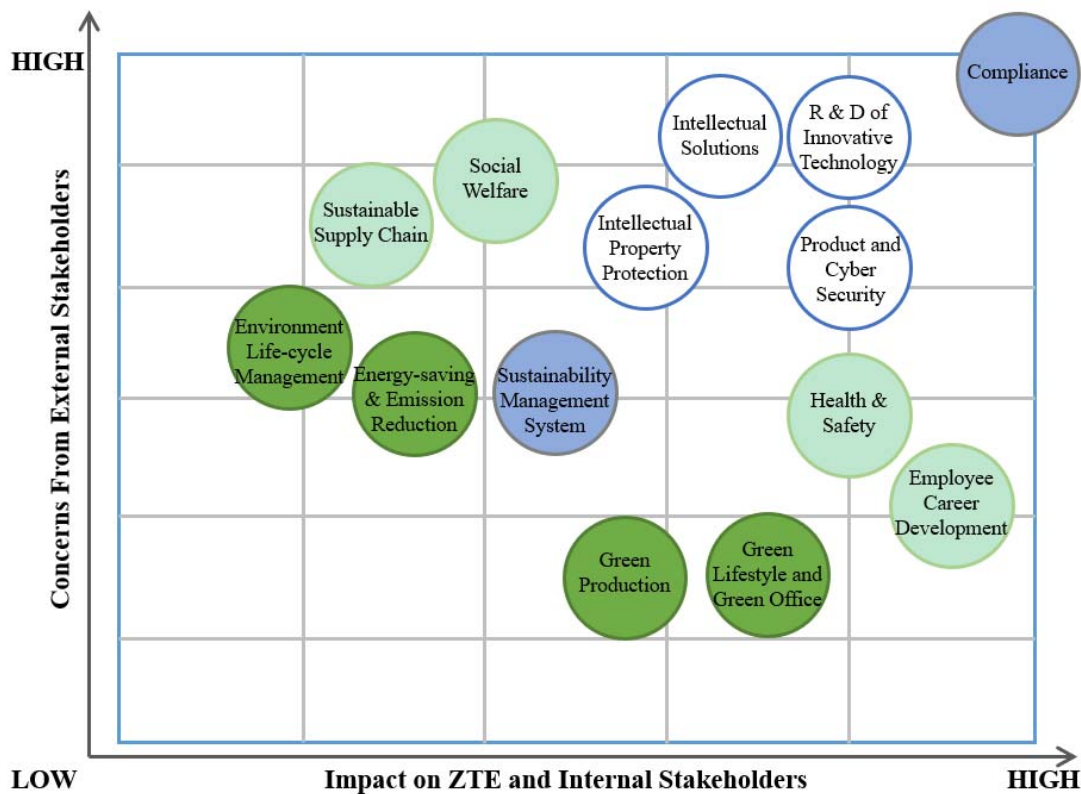| Stakeholders	Communication Channels and Activities	Focus
Client and Customer	− Regular meetings, including technical seminars and workshops − Routine conversations and visits − Customer certification and reception − Customer satisfaction survey − Customer services hotline	− Sophisticated internal CSR management system − Energy-saving and low-carbon green solutions − Reliable products and technologies to bring value to our customers − Supply Chain CSR strategy and management − Respect for business ethics − Respect for intellectual property − Product security and security operation
Employee	− Posts on internal publication such as newspapers and periodicals, Share website (http://share.zte.com.cn), and mailbox − 3rd-party employee dedication survey, and rationalization proposal − Labor Union and employee representatives	− Remunerations − Training and career development
Stakeholders	Communication Channels and Activities	Focus
Employee	− Employee appeal channels: president mailbox, director mailbox, and internal forum − Online interview with the company management − Staff associations, such as voluntary association, photographic association and sports association.	− Healthy and safe working environment − Human rights and labor

Shareholder/ Investor	- Announcements including regular reports and interim announcements published through designated media - Corporate website - Shenzhen Stock Exchange forum for investors (http://irm.cninfo.com.cn) - Hotlines, mailboxes, and investor reception	- Returns for shareholders - Overall performance of the Company's CSR - The Company's sustainability risks - Compliance
Industry group/Research institution	- Industry associations and working teams, such as GeSI、QuEST Forum and so on - Industry forums, industry meetings and conferences calls - Face-to-face interviews	- Healthy and sustainable development of the industry - Best CSR case - The industry's contributions to sustainability
NGO	- Regular visits and talks - Cooperative programs - Annual CSR report	- Impact on environment - Compliance operation - Staff care - Protect consumers' rights and interests
Media industry	- Interview - Communication by phone - Interaction by social media	- The Company's sustainability strategy - The Company's sustainability activities - The Company's overall sustainability performance - Sustainability risk and crisis

Material Issues Analysis

Material issue analysis helps us focus on the most important fields, continuously improve and promote our sustainability management capability.

Through the analysis of sustainability issues of concern to internal and external stakeholders, we have identified the substantive issues that we are most concerned about. The Company shall promote the achievement of sustainability goals more efficiently through optimal resources and input allocation.

Compared with 2016, stakeholders' awareness on products and cyber security, health, safety & wellbeing, and social welfare issues has increased significantly in 2017.

A bubble chart showing materiality assessment. The vertical axis is labeled "Concerns From External Stakeholders" ranging from LOW to HIGH. The horizontal axis is labeled "Impact on ZTE and Internal Stakeholders" ranging from LOW to HIGH. Bubbles include: Compliance, Intellectual Solutions, R & D of Innovative Technology, Social Welfare, Sustainable Supply Chain, Intellectual Property Protection, Product and Cyber Security, Environment Life-cycle Management, Energy-saving & Emission Reduction, Sustainability Management System, Health & Safety, Employee Career Development, Green Production, Green Lifestyle and Green Office.

2.3 Compliant Business Operation

ZTE always regards integrity management as an important part of the Company's sustainability and promotes the concept of integrity and compliance management throughout the Company. The Company has established a Compliance Management Committee, continuously improved its compliance management system, launched a "three lines of defense" for compliance management, risk management and control as the guidance, and regulated compliance as the yardstick. Through the compliance management system, the Company's compliance management has been implemented, so as to prevent the occurrence of potential risks.

The Company conscientiously analyzes the requirements of laws and regulations to complete the corporate rules and regulations, conducts targeted training for employees to raise employee awareness and ability to comply, establishes reporting channels to eliminate the occurrence of unfair practices, thus reducing corporate compliance risks in all directions and creating an environment of integrity management. Meanwhile, we also actively engage in extensive communication with stakeholders such as the government, partners, the public, and industry organizations to share our compliance management experience and continue to improve our compliance management.

In 2017, the Company compliance investigation team has investigated suspected violating behaviors in terms of anti-commercial bribery, export control, finance, labor, filed 34 investigation and inquiry cases. Employees whose violating behaviors are confirmed were punished according to the "Compliance Investigation Management Rules" based on their violation severity and consequences. Besides, relevant business units were required to make rectifications within the specified period.

In January of 2018, ZTE was selected as one of the "Top 100 Global Technology Leaders", becoming one of the three Chinese companies in the top 100 list.

The list was selected after evaluating companies by Thomson Reuters, world's most authoritative business and intelligence information agency. Selected among 5,000 technology companies worldwide, the TOP 100 Companies in the list were evaluated on the 8 dimensions as below: their financial performance, management and investor confidence, innovation, legal compliance, employee and social responsibility, reputation, risk and resilience and environmental impact, and scored via 28 scoring points.

Compliance Management

With the purpose of further preventing and controlling compliance risks in corporate business activities and ensuring healthy and sustainable development of the Company, ZTE released *the Regulations for Compliance Management of Business Partners*, updated and published *the ZTE Business Conduct Guidelines*, and updated and released *the Regulations for Compliance Management of Gifts and Entertainment (Applicable for Mainland China and Hong Kong, Macau, and Taiwan)*, *the Regulations for Compliance Management of Gifts and Entertainment (Applicable for Overseas Countries and Regions)* and *the Regulations for Compliance Management of Business Sponsorship* to implement the policy in *the ZTE Anti-Corruption and Anti-Bribery Policy and Compliance Guidelines* in 2017.

In 2017, the Company continues to strengthen its import and export compliance program building. Specifically，timely disclosure relevant information and same time analyze and assess export control scope, proactively Risk management and control measures

"Three Lines of Defense" of Compliance Management

The ZTE compliance management system follows the "three lines of defense" theory, which specifies that the three roles of business units, compliance management units, and supervision and inspection units bear common but differentiated responsibilities in compliance risk management, and fulfill compliance management responsibilities, and ensure compliance work, to effectively manage company compliance risks and achieve value creation. Under the leadership of the Compliance Management Committee, the three roles perform their duties and coordinate their efforts to effectively participate in compliance management and form a joint force for compliance management.

− The 1st line of defense: All business units, branches and subsidiaries and other branches take the initiative to carry out daily compliance control, regularly perform compliance identification and self-examination, define compliance risk information or risk points, and conduct compliance risk management and assessment.

− The 2nd line of defense: Compliance Management Department, Global Customs Compliance Office, Cyber Security Department, Global Tax Compliance Office, Quality and EHS Department conduct compliance management of business activities in various professional fields, organize, coordinate, support, manage, and supervise related businesses to carry out various compliance management.

− The 3rd line of defense: The Compliance Inspection Team regularly conducts independent inspections of the Company's compliance management and investigates and punishes violations and behaviors.

Compliance Training

In 2017, ZTE Compliance Management Committee established a variety of learning resources for all employees, key populations, full-time and part-time compliant personnel through various channels such as ZTE e-Learning, LCM (Legal Compliance System) and global broadcast platforms. Various types of learning resources, including course library, system library, case base, knowledge document, are used to enhance the compliance ability and organizational skills of the Company's professionals and staff, and to comprehensively improve their compliance capability. ZTE held within the year:

- On-site compliance training for new recruits: a total of 95 training courses, covering 4,500 trainees, and training ratio of new recruits reaching 100%

- On-site compliance training for managers: a total of 15 training courses and covering 1000 attendees.

- Online compliance training related to anti-corruption for all employees of the Company: covering over 50,000 attendees.

- Online course training related to all employees' awareness of export control and key positions (including sales, R&D, finance, purchase and delivery): covering a total of 50,000 attendees.

ZTE Internal Reporting Mechanism

In order to safeguard the legitimate rights and interests of reporters, ZTE encourages individuals and organizations to report suspected violations of various compliance regulations to further clear channels for employee complaints and reports and has issued the "*Regulations on the Protection and Reward of Real-name Compliance Reports*" to effectively protect and reward real-name reporting behaviors. All employees and external personnel of the Company can report and consult suspected violations through public reports. Company reports include:

①　　　Tel: +86-755-26771199, 400-830-8330；

②　　　Mailbox: audit@zte.com.cn, complianceaudit@zte.com.cn;

③　　　Official website supervision and reporting platform:

　　　　<http://www.zte.com.cn/china/whistleblowing/report>

Besides, company employees can submit clues through the LCM (Legal Compliance Management) system.

The Company has improved the confidentiality management systems and measures, strengthened confidentiality inspection, and standardized reporting information viewing and verification procedures, so as to lessen the reporters' worry; has further strengthened verifying the authenticity and effectiveness of reporting content. Investigation on reported behaviors will be finished within certain working days when the reporting content is real and has sufficient evidences. The Company has improved the work efficiency through strengthening system construction, team building and other methods, improved the team members' professional skills, and enhanced the compliance investigation level.

3. Sustainable Products and Services

3.1 R&D of Innovative Technology

Innovation is the cornerstone of ZTE, and also serves as the Company's core ability to continuously make breakthroughs in all aspects of its operations and management. ZTE has always insisted on independent innovation as the core strategic focus of its corporate development. By optimizing its own capabilities, ZTE will continue to create value for its customers and promote the continuous progress and development of the industry and even human society.

Innovation Impetus

ZTE makes the technologic innovation into its core strategies in the telecommunication industry. The technology is concentrated and telecommunication is one of the most intensive and active industries related to innovation. We plant the idea of innovation into every ZTEer's heart which makes our Company have good achievements in innovating new technology and offer energy to ICT industry and company and serve for the development requirements of the industry and the whole society.

ZTE spent 11.9% of its operating income on research and development in 2017 to further strengthening innovation and research and development efforts to support the Company's development.

In 2017, ZTE's new patents are mainly concentrated on the 5G field and the NB-IoT field. Among them, 5G patents cover core technology strengths in wireless system side and core network side, NB-IoT patents cover NB-IoT standards further evolution and NB-IoT application scenarios.

> **ZTE industry-university-research forum**
>
> In 2009, ZTE founded the biggest industry-university-research platform, ZTE industry-university-research forum. The members include NTHU, PKU, ZJU, and other famous colleges and institutes. We will invest thousands of million yuan in the forum. At the leading edge of technology, we explored the cooperation patterns with "Decentralized Cooperation", "Keeping Rolling Cooperation" and "United Innovation Center". Our company has invested almost 200 million yuan for supporting hundreds of researches by the end of 2017. We have created 3 co-innovation centers, organized 32 forum members and cooperated on nearly 700 projects.

5G Innovation

Throughout the world, governments and operators have planned to commercialize 5G in a large scale by 2020. After the popularity of 5G networks, the world will enter an unprecedented era of the Internet of Everything. More technological solutions will rely on 5G networks to better serve the sustainability of the global economy and society.

In 2017, ZTE first proposed that Massive MIMO will become a key technology for significantly increasing spectrum efficiency, capacity, and coverage in the 5G era. It was the first to overcome technical difficulties and apply it to 4G networks. As a result, 5G technology was significantly advanced on the application time in the scale of commercial network. This brings about up to 8x higher spectrum efficiency, which not only enables operators and users to immediately

benefit, but also accelerates the process of industrialization and continuous innovation of Massive MIMO. It also contributes many technical proposals including measured data to the 5G standard.

In response to the demand for massive access to 5G networks, the industry has proposed non-orthogonal multiple access technology (NOMA). ZTE has proposed the MUSA as the alternative program at the appropriate time, which can enable the system to support 3-6 times more users to have access to 5G network at the same time and frequency resources, truly avoiding scheduling, and greatly reducing the terminal power consumption. In the second phase of 5G in China, the MUSA program achieved 90 million access/MHz/hour, far exceeding the ITU-defined targets. Due to the originality and leading edge of MUSA technology, ZTE Corporation, as the first drafter, took the lead in 3GPP RAN1 and passed the NOMA research project, leading the advancement of industry standards. In 2017, the Company won the "2017 5G Commercial Leading Award", "2017 Most Innovative Telecom Equipment Dealer", "5G Technology Leading Enterprise" and other awards.

Publishing of *White Paper on Pre5G*

On June 28th, 2017, ZTE officially published the *White Paper on Pre5G*. ZTE presented the idea of Pre5G and a basket of solutions. They upgrade 4G's network performance and help 4G develop into 5G.

Pre5G realizes the smooth evolution based on the existing 4G network, effectively reduces the network construction cost and completes rapid deployment. The cost-effectiveness is greatly improved. In actual deployment, thanks to the unique advantages of Pre5G, it is possible to highly focus on and flexibly solve such "Three High" demands as high-density traffic, high-end users, and high-speed business to achieve accurate delivery and satisfy customers' needs at one time.

As the bridge from 4G to 5G, Pre5G pays more attention to enhance three hot areas of mobile broadband, IoT, and Cloud-computing. Compared to 4G, Pre5G's system complicity will be expanded 6 times. The customers' average bandwidth will rise to 5 times more and the number of connections per unit area will rise to 100 times. Pre5G has improved the user experience of mobile broadband up to Giga, thus effectively serving the customers' needs of ultra-bandwidth. It serves full-scale NB-IoT solutions to verticals' high-speed growth and creates IoT's ecosystem and innovative application. The cloudification of Pre5G will start with IaaS and virtual network-based functions, gradually expand to PaaS's openness of programmable network, and ultimately achieve network capabilities of XaaS's all-round openness to support end-to-end 5G slice network and business innovation.

5G E2E Network Slice Solution

In February 2018, ZTE announced the 5G E2E network slice solution, which is the first end-to-end slice solution for 5G business innovation throughout the entire network within the industry. The release of the 5G E2E slice solution will push the technology maturity of the 5G commercial system to a new level, lay a solid foundation for the 5G slice-based network operation model, build NSaaS (Network Slice as a Service) capability, and continue to take the lead of 5G application innovation for the vertical industry.

This solution directly addresses the needs of 5G differentiated service scenarios. With the core characteristics of "Agile, Smart, and Open", it constructs an end-to-end full-cloud network slice solution that runs through 5G wireless access networks, core networks, and

bearer networks. The solution adopts the industry-leading microservice architecture to achieve reasonable integration of sub-slices, including unified air interfaces, virtualized core networks, and SDN bearer. Based on an intelligent operation and arrangement system, the solution conducts a life cycle management of end-to-end slice of the network. Business needs-oriented, it provides on-demand customization and instant openness of network slices. Meanwhile, the solution introduces the AI strategy engine to enable 5G slices to continuously enhance intelligent operation level and business support capabilities.

5G is not only an upgrading of wireless communication industry, but also a major technological change. Together with digital transformation technology and artificial intelligence technology, it has become an important driving force for the transformation and upgrading of the national economy. Based on 5G networks, human beings will have a very large space for imagination in terms of productivity enhancement, smart living, etc. 5G will help human society to enter a comprehensive and intelligent era.

Innovative Culture and its Dissemination

Under the background of the favorable policy environment nationwide and innovation boom worldwide, ZTE has continued to create innovative culture and innovation organizations, and actively explore new businesses. As a leading company in the 5G industry, ZTE will adhere to continuous independent innovation and technological leadership, spare no effort to create core technology products to generate values for customers, and constantly improve customer satisfaction and achieve a win-win situation.

In 2017, ZTE focused on the needs and pain points of mainstream customers to innovate and create value for customers. Meanwhile, in order to effectively motivate R&D frontline leaders to work hard, innovate, and achieve technological advancement, the Company set up "the ZTE Technology Progress Award" for the first time in 2017, with a single bonus of up to 1 million yuan to encourage original high-value technology invention and R&D teams. In 2017, the Company also successfully held the "Differentiated Innovation Award" selection activity, which gave a key recognition of the technological innovation and product program innovation of main products, etc., increased the incentive for innovative talents, and generated great inspiration for the Company's outstanding technology and sales talents.

In 2017, the Company held its first innovation event featuring innovation as its theme and full participation: "Chuangxing Day", which includes innovation commendation conference, high-end technology forum, innovative equipment experience and other links. It integrates "monitoring, practice, learning, communication, interaction, and entertainment" and ignites all staff's innovation enthusiasm in a relaxing and pleasing manner. Chuangxing Day has built a good platform for the exchange of innovative ideas inside and outside the Company, highlighted the innovative cultural atmosphere of ZTE and created a comprehensive innovation activity with ZTE characteristics.

In 2017, the Company successfully held the "ZTE Maker Contest", committed to exerting the Company's years of project hatch experience and ability, selecting projects for new businesses, training talents, and disseminating innovative skill & knowledge and cutting-edge technology information through open roadshows to develop employees' innovative thinking and create a corporate innovative atmosphere. As a learning platform for innovative methodologies and a platform for communication with partners, the contest has played a role in enhancing the Company's innovation efficiency.

In October 2017, the Company established ZTE Maker Space Investment Management Co.,

Ltd. and ZTE CGO Labs AI Double Innovation Center, thus providing more means for ZTE to realize the early deployment of the Company's early-stage hatch funds, expand corporate innovative organizational boundaries, form innovative ecology with business partners, and accelerate internal innovation through the integration of external resources.

5G Innovation Center

On October 5th, 2017, the 5G Innovation Center jointly built by ZTE and Telenet was unveiled in Brussels, Belgium. The Innovation Center will provide venues for network connectivity, entertainment, value-added services and new technology testing of customer experience. Partners can also apply for Telenet's patented technology for project testing. At the same time, this center will also serve as an important venue for the sharing of knowledge and innovative technologies of the Liberty Global Group.

As an important partner of the Telenet 5G Innovation Center, ZTE closely participates in the deployment of the Innovation Center, shares the concept of leading 5G innovation with Telenet, and strives to raise the telecommunications business to a higher level.

3.2 Intellectual Property Protection

ZTE Corporation has always attached great importance to the protection of intellectual property. The Company endeavors to prevent intellectual property risks, publicize the concept of intellectual property, and establish a civil law-abiding business that respects the intellectual property rights of third parties through various means. ZTE has two management rules about IPR, namely *Strategy of IPRs' Planning and Practicing* and *Rule of Integrated Management of IPR*. And we have built a complete group system in technological innovation and IPR. The managing department forms the ZTE IPR Strategy Community which charges for the decisions. At the same time, our company has established a department for IPR's storage, operation, and risk control.

By the end of 2017, ZTE has accumulatively achieved 39 awards for Chinese Outstanding Patented Innovation, including 7 gold and 32 excellence awards.

ZTE has more than 69,000 global patent applications and 30,000 authorized patents; more than 90% are invention patents with a high degree of patent stability and technical quality, including numerous basic patents covering international communications technology standards, as well as the core patents covering key technologies within the communications industry.

ZTE has ranked the top three of the PCT international patent applications for the seventh consecutive year, also continuously ranked top one of the number of chip patents in China and ranked top one of the number of patents for the Internet of Things. Meanwhile, more than 90% of the patents held by ZTE are invention patents, including numerous basic patents covering international communications technology standards such as 5G/4G, cloud computing, and big data, as well as core patents covering key technologies in the communications industry. There are 20,000 terminal patent applications, 4,500 authorized patents, and 2,000 terminal patent authorizations in Europe and the United States. What is particularly worth mentioning is that in the field of 4G communications, ZTE has 815 necessary patents for the 4G LTE standard, accounting for more than 13% of the world's total.

In the past two years, with the advent of the 5G era and the accelerated application of ICT

technologies in various fields, ZTE's core strategic deployment has begun to lead 5G innovation. Over 3,000 technical experts in the Company are engaged in 5G R&D. In terms of core technologies and standards, ZTE is the first to promote Massive MIMO commercial products within the industry, which started the 4G of the 5G technology. At the same time, leading the industry, it published 5G bearing 5G Flexhual program and series of 5G bearer pre-commercial equipment; in terms of the formulation of 5G standard, ZTE led the launch of NOMA, the core project of 5G NR, and served as a leader seat in March 2017.

3.3 Intelligence Changes

The development of communications technology is bringing profound changes to people's lifestyles, the development model of cities, and the operating model of enterprises. As one of the most important technological trends in the next decade, artificial intelligence will bring about tremendous changes for all walks of life. In recent years, domestic and foreign communications operators have been committed to constructing intelligent networks. The introduction of artificial intelligence technology will further enhance the level of intelligence in the network. Its high computational power, precise algorithms, and massive big data will help the evolution of traditional networks into highly intelligent networks that are autonomous, automatic, self-optimizing, and self-healing. Through replacing manual operations with automation, artificial intelligence networks will enable operators to reduce labor costs and increase production efficiency and operating revenue.

In 2017, ZTE cooperated with many major operators at home and abroad and accelerated the iteration and commercialization of algorithms and solutions through joint R&D and design, collaborative testing in the outfield, and optimization of actual network data collection training, which helps operators introduce new technologies more easily and create the next generation of intelligent networks in the wave of artificial intelligence.

Network Intelligence

Intelligentization is the future trend of network development. The fundamental changes will take place in the network operation and operation & maintenance modes, which will gradually evolve from self-driven human-based governance models to autonomous self-driven networks. The intelligent network will perceive multi-dimensional data such as network data, service data, and user data, and achieve a high degree of autonomy based on the three basic capabilities of big data, large computing power, and large algorithms.

ZTE Corporation, as the world's leading provider of integrated communications & Information solutions and 5G leader, is highly concerned about the digital transformation of telecom operators and the evolution of network intelligence. On September 7th, 2017, ZTE released an artificial intelligence solution. With its unified artificial intelligence platform, ZTE can provide multiple applications such as cloud services, intelligent networks, chips, and terminals. In terms of cloud service applications, voice and video services based on face recognition, human-vehicle recognition, voice recognition, NLP, etc. can be provided; in the aspect of intelligent networks, intelligent network operations & maintenance, intelligent network optimization, intelligent network operation and other programs can be provided based on artificial intelligence algorithms; in chips and terminals, it can provide self-developed AI chips, robot modules, smart phones, home smart terminals and so on.

Publishing of *the Artificial Intelligence Supporting Network Intelligence-ZTE Artificial*

Intelligence White Paper

In February 2018, ZTE formally announced to the industry *the Artificial Intelligence Supporting Network Intelligence-ZTE Artificial Intelligence White Paper*. Combined with ZTE's latest research and practice in network intelligence, the white paper focuses on the artificial intelligence of communications network, and comprehensively expounded the structure, solutions and scenarios of future intelligent network in the vision of "network autonomy, anticipating the future, moving on demand, and smart operation". In terms of recent hot spots in the industry, the white paper focuses on ZTE's artificial intelligence uSmartInsight platform solution and typical application scenarios such as intelligent 5G, intelligent operation & maintenance, intelligent optimization, smart operation, and smart home.

Sharing Intelligence

ZTE is committed to promoting the deployment of smart cities on a global scale through a new generation of technologies such as the Internet of Things and 5G. With the help of next-generation information technology, it will enhance urban governance and public service capabilities, and achieve full intelligence of government, transportation, medical, neighborhood and other municipal infrastructure, and promote the maturity and application of information technology through the development of smart cities, landing in more and more countries in the world to help build local industrial advantages, enhance regional cooperation, enhance core competitiveness, and form a virtuous circle of ecological system .

AU Health Cottage

On October 26th, 2017, in Addis Ababa, the African Union Commission (AUC) and ZTE held the unveiling ceremony for the health cottage of the ZTE Smart Healthcare Demonstration Center. As the pilot project for ZTE's smart healthcare deployment in all of Africa, the launch of "Health Cottage" is a milestone in the leap-forward development of smart healthcare across the continent.

As the most basic structure of the CDC, the "Health Cottage" can provide health check services in remote areas throughout Africa. The data can be uploaded to data centers customized for AU member countries for analysis. After abnormal data are discovered, unknown disease control risk will be predicted and informed. At the same time, "Health Cottage" can also be docked with city center hospitals to achieve the function of distant telemedicine, providing quality medical services for residents in remote areas.

Solution to Smart Parking Lot

Since 2016, taking the Company's intelligent parking program as the cornerstone, ZTE, jointly with China Unicom and China Mobile, has taken the lead and been engaged in the formulation of the "The Y.SPL Standard of Smart Parking Lot Requirements and Functional Structure". In January 2018, during the Geneva meeting of the 20th Research Group of the ITU (ITU-T SG20 Internet of Things and Smart City Study Group), the standard was successfully approved and is about to release officially.

 "The Y.SPL Standard of Smart Parking Lot Requirements and Functional Structure", is the first international standard for supporting smart parking within the industry. Based on the Company's intelligent parking solutions and elaborated from the perspective of use cases,

requirements, and structure, the standard regulates functions and services that smart parking plots should provide. It has far-reaching influence on the establishment of the ZTE's smart city plan in the industry field and has played an important role in expanding the Company's smart parking product program.

The government big data solution won the "ICT China Urban Innovation Solutions Award"

The overall structure of ZTE's government big data follows the standards of *the General Architecture of the Public Affairs Platform for Smart Government* issued by the Ministry of Industry and Information Technology, including the data resource center, big data processing platform, data management service platform, big data application, standard specification system, security protection system, operation and maintenance management service system, etc. By establishing a powerful and complete government data resource center and building a demonstration data application program with the superior performance of the government big data processing platform, it can help governments at all levels to provide comprehensive high-quality and safe information consulting services and people-benefit services to promote local industrial development, and strive to build a big data support service platform for governing well, benefiting people and promoting business.

The project won the "ICT China Urban Innovation Solutions Award" during the China International Telecommunication Exhibition on September 28th, 2017.

Cloud Security Integrated Defense System

In order to protect the security of the country and enterprises, accelerate the independent innovation of network information technology, enhance the defense capabilities of cyberspace security, and make unremitting efforts to build a cyberpower, in recent years, ZTE has proposed an integrated defense system for cloud security, and has created a complete life-cycle closed-loop defense system for the cyber threats through the effective linkage of testing, analysis, response, and monitoring.

In 2017, ZTE reached cooperation on cloud security products with foreign large-scale operators, VEON and OG, and successfully commercialized the products in Russia, Indonesia and eight other countries respectively. They successfully won the bid for China Mobile project in China and helped China Mobile realize virtualized reconstruction. By the end of 2017, ZTE's cloud security products have successfully landed in dozens of countries and regions around the world. At the same time, ZTE launched an advanced continuous threat detection system and anomalous behavior analysis system for networks, and established a benchmark for advanced threat defense governance, honored with the title of "2017 Telecom and Internet Industry Cyber Security Pilot Demonstration Project" issued by the Ministry of Industry and Information Technology and selected in *the Cyber Security Industry White Paper* published by the China Institute of Information and Communications in 2017 due to its innovative detection & defense technology.

In the meantime, in order to promote the 5G technology, provide multiple levels of security to meet different application scenarios and promote industrial transformation and upgrading, ZTE actively participates in 5G security construction, provides security solutions for 5G networks, and cooperates with future forums to release the *5G Information Security White Paper*, and undertakes the Major Projects of National Science and Technology in *Research and Standardization of the Overall Structure of 5G Security*.

3.4 Information and Cyber Security

Safeguarding information security and cyber security is our responsibility. From the perspective of building a comprehensive and efficient information & product security management system, we strictly abide by the general quality standards of the international telecommunications industry for security management and control, and have established strict security-related systems, researched and developed security-related technologies and product services to build a comprehensive security shelter.

Information Security Management System

For modern enterprises, information security management is a basic work to improve the efficiency of enterprise management. It requires enterprises not only to protect their own core information assets, but also to protect the core information assets of customers and partners. As early as 2003, we began to promote the establishment of an information security management system and became the first listed company to pass the ISO/IEC 27001 information security management system certification. At present, 8 units, including ZTE Corporation, ZTE Corporation Technical Service Co., Ltd., ZTE USA, Inc., and ZTE Telecom India Private Ltd., have obtained ISO/IEC 27001 certification. We strictly comply with the requirements of the certification standards, build and perfect the system in 14 aspects such as organizations, business activities, IT systems, etc. and apply information security systems into the main business processes such as R&D and sales.

The Company has established an information security organizational system with a three-level structure. The Information Security Management Committee, headed by the president of the Company, is the top leader in corporate information security management. The Company's information security management department, information security management team and each department are responsible for the daily work of information security within the Company and its own business units and departments.

All newly-recruited ZTE employees and outsourcing staff shall sign the *Information Security Commitment* and *Non-Disclosure Agreement*. To equip employees (including management cadres and executives) with appropriate information security awareness is an effective means to prevent information security risks. Each year, the Company conducts education activities on information security awareness through training, posters, video, official accounts, security tips, security screensavers, and security activity weeks, and test the information security awareness of all employees by virtue of information security exams. During the whole year, a total of over 1,400 information security trainings were organized, covering 67,000 person-times, and the passing rate of information security exams for all personnel reached 99.6%.

ZTE Information Security Management System

Three-Level Structure of the Information Security Organization Management

Level 1

Three-Level Structure of the Information Security Organization Management
- Supreme governing body of information security management of ZTE
- The President serves as the director and the EVPs and SVPs work as members of the committee
- Makes strategies, major decision making, administration and review on information security of the Company

Functional Departments →

Security Management Department
- Promotes the information security management system of the Company

Level 2

Information Security Management Team
- One for each business unit
- The director of the business unit serves as leader of the team and designates information security supervisor and head
- Promotes information security of the relevant unit

Level 3

Departments/Projects
- The management cadres of departments/project managers are first responsible persons of information security.
- Management cadres/project managers assign backbone employees as the contact persons of information security to push forward the information security-related activities of the departments/projects in question.

On the evening of May 12th, 2017, Beijing time, the malware "WannaCry" broke out globally, exerting a baneful impact on about 150 countries across the world. At 3 o'clock on the morning of May 13th, ZTE was heavily attacked by the "WannaCry" virus. In this case, the Company set up an emergency response team at the very first time and put over 200 professional personnel to respond to the incident. We destroyed the virus encryption module and effectively avoiding the economic and information security loss from encryption to the Company.

Cyber Security

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

In 2017, the Company adjusted the Cyber Security Committee to promote product security activities comprehensively and in depth:

- ZTE has established a complete cyber security governance structure, and comprehensively promoted cyber security by specialized institution and professional staff.

- ZTE has revised and published a standard system for cyber security procedure to provide basis and instruction for cyber security activities.

- ZTE has released its enterprise product standard, *Cyber Security General Requirements*, which defines the company's cyber security objectives, organization structure, security framework, and sets the security requirements covering the lifelong period of products from the R&D, supply chain, manufacturing, verification audit, and delivery to the security management.

- ZTE has purchased industry-leading security inspection tools, covering source code checks, system vulnerability scans, and fuzz tests

- ZTE has finished second-line independent safety assessment of key products

- ZTE has carried out internal and external audit work on key cyber security governance.

In 2017, the Company served as a member of the CNA (Common Vulnerability Number Authority) and issued the CVE number for the valuable vulnerabilities of ZTE's products (CVE number is the unique identifier of the Common Vulnerabilities and Exposures vulnerability and is an identifier of common vulnerabilities and risks. MITRE Corporation has designated the CVE number and maintains a record of these vulnerabilities in the CVE system.) The Company has been officially certified by ISO 28000 (Supply Chain Security Management System). The procurement, manufacturing and logistics business of 26 categories of telecommunications products (including terminals) at Shenzhen Science Park and Xili Industrial Park have passed all certifications, making the Company one of the few excellent companies in the telecommunications industry that have passed the certification, and marking that the Company's supply chain security management has reached a higher level.

Cyber security governance runs throughout the life cycle of products. Abiding by standards and market requirements, the Company promotes the long-term strategy of cyber security baselines and security assessments.

The security baseline is a basic security requirement that is customized for a class of products based on product characteristics, requirements, industry security standards, and best practices. It is a security feature that the product must implement, and an important basis for operators to evaluate the supplier's maturity level of product design and development as well. We have now developed guidelines for the preparation of security baselines that are suitable for the Company's products. We help train product lines to develop their own security baseline documentation by conducting training courses on each of the main product lines and project lines. To date, the Company has documented security baselines for more than 100 products, laying the foundation for ensuring and enhancing the security of R&D products.

Security assessment is a necessary means to verify product security. Based on automated testing, specific projects are configured and deployed according to product characteristics, environmental characteristics and detection requirements. We now possess international certification experts in various fields such as CISSP, CISA, CCIE, CISAW, and CCSK, mature multi-dimensional security assessment capabilities such as code auditing, vulnerability scanning, and penetration testing. On this basis, we have promoted source code auditing, vulnerability scanning, and system security assessment work in nearly a thousand product versions, in order to discover potential serious security flaws and have achieved good results.

Security incident response is a channel through which vendors and customers communicate product security issues in a timely manner. We have created cyber security columns and vulnerability announcements on the Company's official website, and announced the vulnerability processing procedures and reporting channels, through which, customers and the industry can interact with us on product security issues via different channels.

While safeguarding the Company's cyber security, we actively participate in domestic and international security industry organizations and exchange activities. We are members of the quality and security standardization organizations such as ITU-TSG5, IEC TC108, and CCSA,

the CNVD (China National Vulnerability Database) network device user group and FIRST (Forum of Incident Response and Security Teams).

Security Performance Improvement of Mobile Phones

In order to improve the security performance of ZTE mobile phone, we have designed and developed the security software—Palm Steward V6.0, adopting a deeply customized Android framework and introducing third-party excellent engines, and enabling Palm Steward with security protection, system optimization, software rights management, mobile phone security and other functions. It has been adapted and pre-installed on all ZTE mobile phones shipped domestically to protect the user's mobile phone.

Privacy Protection

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

The ZTE compliance management committee shall direct and supervise the privacy protection in each business unit. In the aspect of data protection, ZTE adopts the "Data Protection Impact Assessment (DPIA)" processes in main businesses, such as R&D, sales, and operation and maintenance, and organizes risk analysis and takes risk control measures. At the R&D stage, ZTE will create a data dictionary, and then ensure the security by applying a number of protection measures in the authority, logs, encryption, anonymity and other aspects. Before disposing and transferring the data, ZTE first confirms the relevant national laws and the requirements in applicable international rules, and collects data after fulfilling the relevant obligations in accordance with the provisions.

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

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

Quality and Reliability

The Company's complete system of product reliability laboratory, electromagnetic

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

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

In terms of product recall procedures, we have formulated the *Product Replacement Procedures* in accordance with the requirements of the TL9000 *Quality Management Requirements Manual*, which stipulates that when all products produced by the company are in the following situations, they cannot or may not be suitable for the replacement procedure after continuing to work.

- The product is in danger of endangering the safety of people/property;

- Products do not comply with relevant national standards, industry standards, enterprise standards；

- The product cannot meet the customer's predetermined needs；

- Continued use of the product may cause serious effects

In 2017, the company did not make any replacement or recall due to product health or safety issues.

Cyber Health Management

ZTE's cyber health management ensures the stability of network operations. We use the objective evaluation criteria to score network performance, determine the network performance, prevent and promote rectification of problem network in advance, inspect and test inventory network equipment and process related problems, and give a comprehensive assessment progress of network health. At present, the Company has a total of 608 primary networks that are of global concern and 599 qualified networks, and the network qualification rate reaches 98.5%.

Customer Demand Response

In order to ensure timely and effective handling of customer complaints, the company developed a customer complaint handling process based on ISO 10002 *Quality management customer satisfaction organization handling complaints Guide* and *TL9000 Telecommunication Quality Management System Requirements. C*ustomer-oriented publishing a unified customer complaints hotline telephone and technical support website, customers through telephone calls, web sites or other channels can be complained. The company established a quick acceptance

response mechanism for customer complaints and responded to system product feedback questions within 30 minutes. For complaints of different severity, we need to deal with and resolve customer feedback issues within a limited period of time to make up for customer losses.

ZTE strictly adheres to the principle of "Objective, Justice, Free of Charge and Confidential" to handle customer complaints. We will make faithful record of all the dealing procedures. No one will have access to these procedures without authorization. In 2017, ZTE received 137 complaints about our system and products from at home and abroad, 96.8% of which were responded to and handled on time.

4. Sustainable Ecological Environment

The UN Millennium Development Goals and *the Paris Agreement* put forward the urgent need to build a low-carbon economic society. The Intergovernmental Panel on Climate Change tells us that since 1990, global carbon dioxide (CO_2) emissions have increased by almost 50%. As climate change affects economic development, natural resources and poverty eradication, how to deal with climate change has become a thorny issue for achieving sustainability. Affordable and scalable solutions to climate change will ensure that progress made over the past few decades will not be halted by climate change and ensure the economic health and resilience of each country.

In accordance with the ISO14001 Environment Management System and the ISO50001 Energy Management System, ZTE scrutinizes the environmental management system for production and operations, checks the origin of production, and strives to minimize the impact on the environment throughout the product life cycle. Meanwhile, we actively respond to climate change, relying on the Company's technological advantages to promote clean energy and reduce waste emissions. We endeavor to apply the concept of environmental protection in production and life to work together to create a sustainable ecological environment.

4.1 Life Cycle Management

Green Design

ZTE considers the recyclable design, general design and minimum design principles of the product at the product design stage and adheres to the EU WEEE Directive for the design requirements for the recyclability and reusability of communications electronic products, so that the products meet the requirement: Recyclability> 80%, Reusability > 70%.

ZTE pays attention to the product's life cycle environmental performance and has assessment capabilities for product life cycle. The Company quantifies and enhances the analysis of 11 key environmental indicators in the product life cycle, from manufacturing, use, recycling and transportation. The 11 environmental indicators include: raw material depletion (RMD), energy depletion (ED), water depletion (WD), global warming (GW), ozone depletion (OD), air toxicity (AT), photochemical ozone creation (POC), air acidification (AA), water toxicity (WT), water eutrophication (WE), hazardous waste potentials (HWP).

Through the analysis of end products, it has been found that GW, RMD, and ED of end products are mainly concentrated in the production stage and are the major environmental hazard stages. Therefore, for end products, reducing the emission of greenhouse gases and the impact on the environment during the production stage is the Company's control focus. The Company sets environmental targets and greenhouse gas target indicators every year to reduce its impact on the environment.

The analysis of system products has found that the environmental impact herein is mainly concentrated in the use phase, thereby making the development of energy-saving and low-cost products the focus of the Company's product ecology design.

Hazardous Substance Control

Since 2004, ZTE has gradually begun the introduction of green environmental protection production, established the Company's requirements for the management of hazardous

substances, and defined the responsibilities of various departments in green environmental protection management. The Company has also established a QC080000 Hazardous Substance Management System and strictly conducted full-process hazardous substance management abiding by relevant requirements.

The Company issued *the Requirements for Banned and Restricted Uses of Environmental Substances*, in which the first-class environmental substances reached 33 kinds, and conducted research on process without hazardous substances cooperating with a number of partners and professional organizations. The Company established an environmental protection laboratory and introduced professional gas analysis instruments such as gas chromatography-mass spectrometry, ICP-OES, ultraviolet spectrophotometer, X-ray fluorescence analyzer, and ion chromatograph, and achieved RoHS and halogen-free testing capabilities. The Company used the IT system platform for the collection of toxic materials and the management of materials and required suppliers to disclose the content of hazardous substances in their products in the system in the format prescribed by the IPC1752 standard. According to the requirements of customers and local laws and regulations, the Company defined the environmental attributes of different products, and classified materials and products to meet different customer and market needs.

Product Recycling

As an outstanding manufacturer in the industry, ZTE fully recognizes its social responsibilities in dealing with recycled products, strictly abides by the wasted electronic equipment management regulations of various countries, and actively promotes the recycling of waste products and resources.

The Company sets up a global logistics department responsible for ZTE's green recycling. "Safety, environmental protection, and professionalism" is its solemn commitment to recycling equipment.

In 2017, the Company optimized the domestic recycling process and improved the efficiency of reverse recycling. A recovery forecasting model was established to integrate the large-scale project recovery plan with the reverse utilization plan, and the recycling period of recycled materials was shortened by 3 days.

The Company maintains close cooperation with industry-leading environmental protection service providers worldwide and has established a global recycling material processing network, which enables one-stop dismantling and recycling of telecommunications equipment worldwide, making electronic wastes treated in an environmentally-friendly manner and resources recycled and re-utilized. It has set up a total recycling control platform at its headquarters in Shenzhen and established a regional processing and branching platform in various parts of the country, which can realize the close processing and service of waste materials produced in various regions of the country. Overseas, the Company cooperates with excellent environmental service providers in Asia, Europe, Latin America, Africa and other places to establish a regional recycling material processing platform covering the world and can track the processing of recycled materials until the process is completed, ensuring no waste of all available resources and achieving environmental protection of waste.

4.2 Energy-saving and Emission Reduction

In 2017, we will continue to embed energy-saving and emission-reduction work into all

departments and links of business operations, apply IoT innovative technologies to energy-saving and emission-reduction management, reduce energy consumption of equipment, and create smart energy management systems. The company does not discharge industrial effluent. It entrusts qualified hazardous waste to the company for recycling and establishes corresponding management procedures.

In 2017, the company did not appear in violation of pollution and emissions violations.

Energy Management

The Company established the Energy-Saving and Emission-reducing Committee and aimed to strengthen energy management and comprehensively promote energy conservation and consumption reduction through the formulation of *the Energy Saving Management Measures*. In terms of products, energy-saving measures were adopted to promote clean energy and increase energy efficiency. At the operational level, equipment reforms were made to strengthen the application of energy-saving technologies. In terms of energy use, the Company focused on energy consumption. In addition, the Company will regularly publish energy-saving promotional e-mails internally to remind the parks to do a good job of saving electricity and raise employees' awareness of energy conservation and emission reduction.

Through energy management system and energy audit work, we have completed energy identification, energy audit, compliance evaluation, performance monitoring, internal system audit and management review, and issued 18 various standard documents for energy saving, emission reduction, energy management and green production. The energy management processes and institutional norms gradually matured.

In 2017, the Company's carbon emissions from gasoline were 582.54 tons, and the carbon emissions from diesel were 432.3 tons. The Company consumed a total of 25,113.23 tons of various energy equivalents of standard coal, of which electricity purchased accounted for 94.56% of the total energy.

Energy Management Program in 2017		
Content	**Investment (10,000 yuan)**	**Annual savings**
Improving the aging efficiency of customized power products, reducing the use of aging cabinets, and eliminating outdated aging equipment, five-ring aging cabinets	16	2.0736 million kWh
Optimizing the process to gradually reduce half of high-temperature aging time	0.5	With the savings of 12 hours per power aging time Annual savings of electricity 1.5012 million kWh
Improving instrumentation equipment in the aspect of energy-saving management; turning down all the line equipment when not in use for 2 hours	0	Before: 10.368 million kWh After: 9.936million kWh Annual saving of 432,000 kWh
Use of T8 power 40W lamp in the assembly line of the production department	8448	1.977 million kWh

Energy Consumption in 2017				
Energy Type	**Physical Quantity**	**Energy Consumption per 10,000 RMB**	**Equivalent of Coal (Tons)**	**Percentage of Total Consumption**
Natural Gas (10,000m³)	63.06	0.0382	765.74	3.04%
Outsourced Electricity (10,000kw-hr)	19,322.11	0.0017	23,746.87	94.56%
Water (10,000m³)	121.54	0.0736	104.16	0.41%
Gasoline (Tons)	199.50	0.00001	293.27	1.17%
Diesel Oil (Tons)	139.45	0.00001	203.19	0.82%
Total	-	-	**25,113.23**	**100%**

Above data range includes subsidiaries operating within the property building of ZTE Corporation.

Smart Energy Management System

As a high-tech enterprise, laboratory equipment consumes huge amounts of energy. Traditional energy-saving control terminals can only be deployed in building construction due to control transmission technology. There is a lack of suitable remote-control methods for high-energy-consuming equipment that work in the field. ZTE's Smart Energy Management System based on NB-IoT technology, has created an energy-saving and emission-reducing management system by virtue of its deep and far-reaching coverage.

The system has a built-in chip module developed by ZTE. Users can personalize management of each device to help customers create revenue and reduce expenditures, minimizing energy consumption. The system effectively reduces energy consumption in scientific research and production through energy-saving control during idle hours. It not only is widely used in energy saving and emission reduction of government agencies, public utilities, various units, and households, but also improves the quality of the living environment and the natural environment.

ZTE won the "Energy Efficiency Project Award of the Year"

In recent years, ZTE has actively carried out energy transformation projects in Southeast Asia and other regions and won the "Energy Efficiency Project Award of the Year" at the 5th African & Middle East Tower Forum, highlighting the industry's high recognition of ZTE's years of accumulated experience and effectiveness of energy products.

By reconstructing and transforming hybrid energy for thousands of sites, and using the PowerMaster solution, ZTE has achieved a seamless upgrade from traditional power supply solutions to green hybrid solutions. The program adopts a unified management and control platform to support access to various energy sources such as solar energy, wind power, mains electricity, and oil engines, can be flexibly applied to various scenarios such as no electricity, weak electricity, unstable electricity, etc., and can implement the intelligent, refined and

informationized management of energy equipment of the sites, thereby greatly saving fuel consumption, operation and maintenance costs.

Emission management

We regard GHG management as an important part of our sustainability. We continuously monitor and improve our GHG management performance through continuous improvement of GHG target and regular internal audits and management reviews. In 2017, the Company emitted greenhouse gas in Shenzhen totaling 185,749.66 tons*, and carbon emission of unit turnover was 170.69 Tons of CO_2e per 100 million RMB, of which 0.23 tons of methane emissions and 0.074 tons of nitrogen oxide emissions.

Above data range includes subsidiaries operating within the property building of ZTE Corporation.

Water consumption and wastewater discharge

We attach great importance to the protection and management of water resources. During the year, the Company continuously improved the water-saving management system. Through the adjustment of the water-use structure, the use of water was improved and the utilization rate of water resources was improved. The Company's daily water use is taken from the city's water supply system, mainly for the purpose of office and domestic use. There is no self-contained groundwater or water from other natural sources.

Wastewater generated by the Company mainly comes from office toilets and kitchen's outer drainage, and does not involve the discharge of toxic, hazardous or special substances. For the oily wastewater generated from the kitchen cleaning of the canteen, we will filter the solid impurities through cleaning pool filter. The preliminarily filtered kitchen water will flow to the third grease trap. After the grease is removed, the main pollutants will be discharged into the municipal sewage pipe network.

In the production process, we mainly focus on product assembly, do not involve industrial water use and generate process wastewater, therefore having no serious impacts on land-based rivers, lakes, groundwater, and glaciers. In the meantime, we will gradually promote the implementation of smart water supply pipe network and comprehensively strengthen water resources management.

In 2017, ZTE released 1.0939 million m3 of domestic sewage in Shenzhen. The sewage discharge concentration meets the requirements of the Guangdong Province's local standard of *Water Pollutant Emission Limit*.

NB-IoT Smart Water Management Solution

Water pollution seriously affects people's healthy life. To achieve effective governance, ZTE has organically combined the latest NB-IoT Internet of Things technology and advanced integrated multimedia command-dispatch technology, ultimately launching the "Smart Water Management" solution.

The solution takes the modern Internet of Things and cloud computing as the core of the technology. It can provide prevention of water pollution, and a full-process program with the integration of visual command-dispatch in the event of a sudden pollution incident, thus

achieving the high-efficiency and high-speed disposal from the perception of discovery warnings to the management of dispatch and command within the command center.

The "Smart Water Management" solution has provided a powerful tool for the prevention and control of water pollution and effectively promoted relevant practices.

Exhaust Gas Emissions

The exhaust gas generated by ZTE mainly comes from that of the process and generator during production.

The process exhaust gas produced during production is mainly organic exhaust gas, which is generated in the process of steel washing and the reflow process. Organic waste gas is collected by a draft hood on a semi-enclosed workbench. After that, the collected exhaust gas enters a dedicated exhaust gas treatment tower through an integrated exhaust duct, and the principle of activated carbon adsorption and catalytic decomposition is adopted to enable air emissions to be discharged after cleanliness. After the exhaust gas has been purified, the secondary standard of the second phase of DB44/27-2001, the local standard for the emission of air pollutants in Guangdong Province, will be implemented. After reaching the required standards, the air will be discharged through pipes at high altitude. The monitoring results over the years show that ZTE's exhaust emission concentration meets the requirements of the Guangdong Provincial Standard *Air Pollution Emission Limits.*

Noises

The main noises of ZTE come from operating noises of auxiliary power equipment such as air-conditioning units, air compressors, cooling towers, fans, and water pumps. ZTE mainly controls the noise by adopting measures such as utilizing imported or domestically-made high-quality equipment, installing sound-absorbing ceilings and walls on the top of and around the power zone, strengthening the daily maintenance of equipment and building green belts. According to the results of the noise monitoring at the plant boundary, the noise herein of the plant can meet the Class II standard of GB12348-90, with little impact on the surrounding environment.

Solid Waste and its Disposal

The main solid waste of ZTE comes from production and office waste. Domestic garbage is a general solid waste. Centralized collection, accumulation against rainwater, and uniform contract to professional recyclers, will impose no impact on the environment.

Hazardous waste includes waste solder slag, waste components, and waste veneers produced during production. In accordance with *the Pollution Control Standards for Hazardous Wastes Storage*, ZTE manages and stores the hazardous solid wastes requiring strict control as stipulated by the national environmental protection laws and regulations so strictly that no security accidents have ever occurred. After categorized as required, they shall be submitted to a qualified disposal company certified by the EPA to conduct detoxification treatment.

In 2017, ZTE generated a total of 4,135.6 tons of non-hazardous waste and 246 tons of hazardous waste, all of which above were recycled and disposed of by qualified professionals.

4.3 Green Production Concept

ZTE's concept of green and low-carbon development provides customers with highly efficient, energy-saving and environmentally-friendly products and solutions that help customers reduce operating costs, increase energy efficiency, and reduce carbon emissions.

New Green Technology

ZTE's green innovation technologies cover electric power, transportation, agriculture, construction, production, consumer grade service and other industries, and are widely used by operators in more than 100 countries and regions worldwide. Relying on advanced equipment and environmental protection information system, it provides scientific energy-saving solutions to achieve automation, intelligence and informationization of environmental protection and energy conservation.

Research on Lightweight Technology of ZTE Smart Car

With the increasing attention to energy conservation and environmental protection, lightweighting has been widely used in the general automotive industry. In 2017, ZTE Smart Car Limited developed the GTZ6128BEVB1, pure electric city bus based on national standards, industry standards, national industry-related vehicle management regulations and EU ECE regulations.

Utilizing aluminum alloy battery boxes and integrating energy-saving and highly efficient overhead air conditioners, air pumps and oil pumps to reduce over 20% of the overall vehicle trim quality, the power system consisting of high-power, high-torque and high-efficiency aluminum alloy housing motors and motor drive control systems, this car can also reduce emissions while improving output power, reliability and security.

Green Energy

As a provider of new green energy products and an outstanding partner for smart energy innovation, ZTE has relied on the professional experience of the telecommunications industry over the past 30 years and responded to the national Internet+ strategy to provide a mutually-converged Energy-Internet innovation solution for telecommunications operators and energy industry clients.

We provide advanced, efficient, green and integrated energy-internet solutions in the fields of green data centers, smart charging piles and operations, smart street lighting, and power supply of telecommunications facilities. In addition, more than 80 industrial customers from more than 60 countries and regions including Zambia Power, Ethiopian Power, Philippine Power, Angolan Power, and Venezuelan Power have deployed the integrated solutions to smart energy.

Benin New Energy

The Benin government plans to build solar street lights and solar micro-grids in major cities and 105 villages in the country to provide lighting and basic electricity for local residents. Since March 2015, ZTE has built 2,500 solar street lights and 22 rural solar micro-grid power stations in major cities and villages without electricity in Benin. By the end of 2017, the project has been basically completed.

The project was warmly welcomed and supported by the local government and people. The

solar street lights not only provided reliable lighting for urban roads, but also improved the safety level at night and enriched the infrastructure; rural micro-grid power stations brought the residents of the city without electricity alternating current and clean water, and also brought electricity to local hospitals, schools, offices, and mosques, benefiting more than 100,000 people.

4.4 Green Lifestyle and Green Office

As an ICT industry company, ZTE promotes the concept of green living and green office while continuing to improve resource and energy efficiency. Based on the Internet+ Cloud platform, we have launched a smart parking program that effectively mitigates road congestion and energy consumption. We have achieved more than 70% secondary energy savings through smart street lights that can automatically adjust brightness based on the environment.

We advocate the concept of green office, create diversified green office products, and strictly control product quality. Combining with the country's call for energy-saving, emission-reducing and low-carbon office, we launched the uSmartView cloud desktop product to bring users beyond-expectation experience with good security attributes and an intelligent and visualized operation and maintenance model.

The Company strictly complies with the environmental protection requirements in the selection, manufacture, use, and exhaust gas of packaging materials. We persist in implementing and using green packaging solutions such as paper/iron substituting wood to decrease the purchase of wooden boxes while the shipments of products keep accelerating. At the same time, we are also actively exploring new green packaging solutions and reducing transportation energy consumption and packaging resource consumption through weight reduction and volume reduction.

In 2017, we introduced the ideas and methods of lean design into packaging design, replacing traditional wooden containers with heavy-duty cartons, replacing traditional wooden pallets with pure paper trays and reusable steel trays, steel pier trays to achieve less materials and consume less resources through the reducing design of packaging materials. At present, about 75% of our self-developed products can be shipped in green packaging, consuming 25,500 tons of packaging materials, reducing carbon emissions by about 19,223 tons, and saving about 2,392 m^3 of wood.

Smart Parking Solutions

Due to the imperfect information channels, the phenomenon of "absolute deficiency" and "relative surplus" of parking space often occurs. Confronted with the challenge of increasing parking informationization, ZTE takes innovative measures to combine IoT technology, wireless communications technology, and GIS together and apply them in the collection, management, query, booking and navigation services of urban parking space.

ZTE smart parking system has four highlights. The first is technology leadership. The system is based on the brand-new Internet of Things technology (NB-IoT), featuring low power consumption, wide coverage, multiple connections, low cost, and high accuracy. It can achieve stable system access and reliable data transmission. Then the system is easy to use, supporting parking space booking, parking guidance and multi-channel payment to achieve convenient parking. The user can query the real-time information about parking space through the system's

supporting mobile phone APP and make reservations for free parking space according to the information; in addition, the system is easy to operate and maintain. The equipment is small in size, easy to install, strong in anti-jamming capability, and has a long service life. Fourthly, the operation and maintenance management are efficient. Relying on powerful data mining technology, the management system can effectively integrate massive parking data and achieve unified planning and management of parking resources.

The smart parking system not only realizes the effective allocation of parking resources, optimizes the user's parking experience, improves the efficiency of parking operation and management, but also effectively relieves the urban traffic jams and environmental pollution.

Green Cloud Conference

ZTE launches a conference service sharing center to reduce employees' business trips by holding television and telephone conferences, thereby reducing energy consumption and carbon emissions from the use of aircraft, trains, and other modes of transportation. Since 2014, the number of ZTE's Green Cloud video conferences has kept growing, becoming the Company's preferred option for long-distance communication. While improving communication efficiency, it has reduced carbon emissions and saved travel expenses.
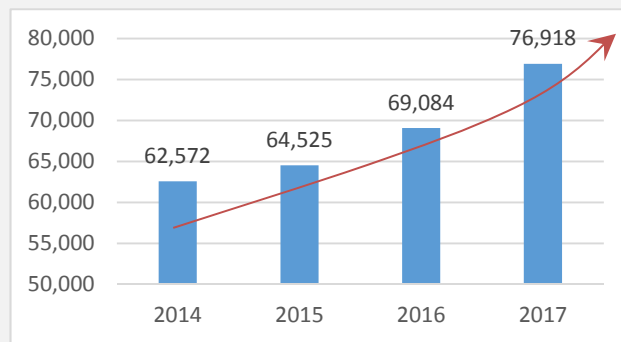
The number of green cloud video conferences has been growing year by year

In addition to the Green Cloud video conference, in 2017, a total of 3,014,628 person-times held 586,064 telephone conferences through internal IM (Instant Message), totaling 11,201,434 conference hours.

5. Sustainable Community

ZTE is fully aware that talent is the key guarantee for the Company's long-term success. Under the guidance of the Company's talent strategy, we actively expand the personal development space for employees and design personalized career development plans for employees. Taking advantage of advanced and perfect enterprise management system and training system, we provide employees with a "3+1 Matrix" career development channel, so that they can better integrate their own values and corporate values on the basis of their personal interests and expertise and realize the common growth of employees and the Company.

5.1 Concentrate on Employees Career Development

The Company strives to smooth the growth channels of employees through continuous improvement of the employment system and the staff growth system. We attach importance to the development of diversification and localization of employees, provide them with a fair competition mechanism and diversified development paths, and help employees and the Company grow together.

Legal and Equal Labor Use

ZTE aims to introduce talents with first-rate quality and first-class capabilities, and strictly abides by applicable laws, regulations and policies. According to labor use-related systems and methods issued by the Company, including *Interview Management Measures, Recruitment Management Procedures for Social Recruitment, Administrative Measures for Campus Recruitment* and *Special Protection Provisions for Juvenile Workers* and others, the recruitment of child laborers and the use of forced labor are strictly prohibited. The Company follows the principles of fairness, equality, and openness to employ outstanding talents through a variety of methods.

In all aspects of recruitment, promotion, development, punishment, welfare, and termination of labor contracts, we prohibit any discrimination rising from race, color, nationality, language, wealth, social origin, social status, age, gender, sexual orientation, disability, pregnancy, beliefs, political affiliation, members of communities, or marital status, etc.

In accordance with the Regulations of *the People's Republic of China on Special Protection of Under-age Workers* and the corresponding laws and regulations in various parts overseas, we verify the valid identity certificates of applicants in various aspects such as employee recruitment, on-the-job approval, and on-duty reporting. For juvenile workers, ZTE will report to the labor administrative departments at or above the county level and register them in accordance with relevant laws and regulations and local requirements, and provide health inspections, safety education and training to ensure legal compliance.

In the process of dismissal of employees, we establish an employee exit mechanism, respect their freedom and right to choose their work, specify exit conditions and procedures, standardize the procedures for lifting and terminating the labor contract, and safeguard the legitimate rights and interests of dismissed employees, in accordance with *the Labor Contract Law of the People's Republic of China* and related procedures established by the Company such as *Company Contract Management Procedures, Employee Resignation Management Measures,* and *Retirement and Internal Retirement Management Processes.*

In 2017, there was no occurrence of child labor or forced labor that violated laws and regulations within the Company.

Diversity of Employees

We fully respect the cultural diversity of various countries and the customs and habits of local residents and encourage employees of different cultural backgrounds to communicate with each other so that employees of different nationalities, genders, ages, races, and religions can enjoy fair learning and promotion opportunities in ZTE. As of 2017, ZTE employees have covered more than 130 countries and regions, including 22,903 with master's degree, a total of approximately 400 doctoral and high-level talents, female employees taking up 23.7% of all employees, 8.3% of females among senior managers, and 14.9% of ethnic minority employees.

Distribution of resident countries of ZTE employees as below:

Number of People

1,000 ────── 1
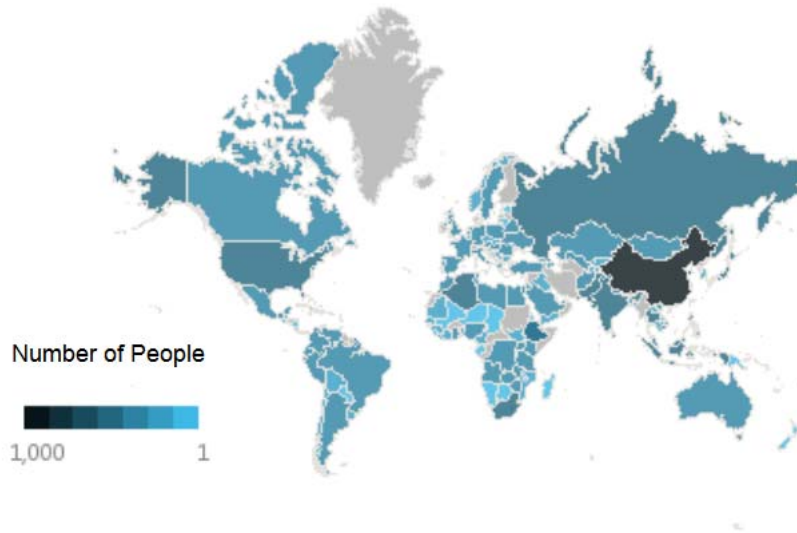
Distribution of gender, profession, age and education level of ZTE employees as below:

| Gender | Profession | Age | Education |
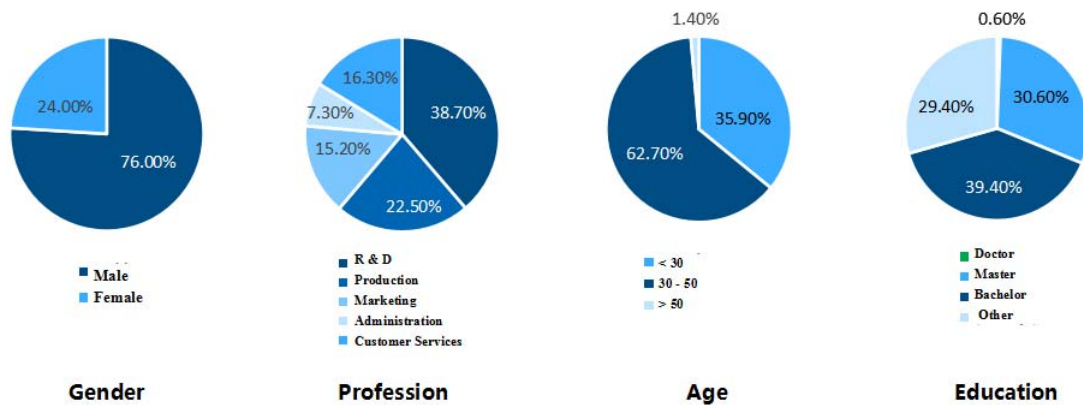
The Company provides a fair competition mechanism, open and transparent reporting channels and unimpeded communication channels and complaint mechanisms for all employees to speed up diversification.

Communication Channels for Employees

The Company applies various communications measures due to different groups of employees and fully leverages internal platforms such as MOA, Share website, etc. to find out employees' most concerned issues and their opinions and suggestions to the development and management

of the company. Each raised case will be followed by assigned personnel.
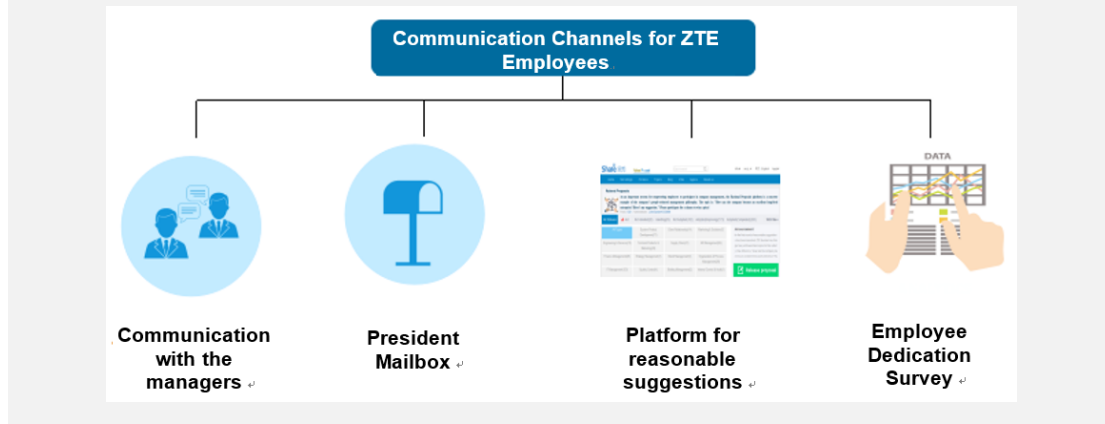
Localization of Employees

As an international company, ZTE promotes its corporate culture characterized by "respected, open and inclusive", and actively motivates the selection and development of localization of overseas employees. While creating job opportunities for the local people, it deepens the understanding of overseas employees on corporate culture and enhances cross-cultural collaboration among employees.

"Love in ZTE" Theme Activity

In order to improve overseas operating capabilities, promote the management of localized employees, and increase the recognition of local employees for corporate culture, ZTE will host a regular theme activity of "Love in ZTE" every year. During the event, outstanding local employees from overseas shall take their families to visit the Shenzhen headquarters, participate in the 7-day training, seminars, and cross-cultural exchange activities, which helps enhance communication and improve the cohesion among employees.

Employee Training

ZTE attaches great importance to the growth of talents in the Company, and establishes a scientific and perfect training system and a rich learning platform for the professional development of employees to continuously enhance their business capability and overall quality. ZTE established its own ZTE University as early as in 2003, one of the earliest companies to establish corporate universities in China. As of 2017, ZTE has established 35 professional competence centers in line with professional lines. The corporate university and professional competence centers provide systematic training and skill assessments for employees around the world, focusing on cultural heritage and professional development and leadership cultivation, to promote active learning of employees, and build a learning-oriented organization which is "delightful to learn and share". In

2017, all employees of ZTE participated in various training programs totaling more than 1.3 million. Among them, the training participation rate of middle-level and senior management personnel participating in the promotion of company-level leadership exceeded 95% (100% of high-level management personnel participated in the training, and 94.56% of middle-level management personnel did), and the coverage of new employee's induction training reaches 100%.

ZTE pays attention to the ability to solve problems and actual business operations in employee training. Focusing on such talent training objectives, ZTE attaches great importance to the implementation and resource construction of the system of teachers-students, tutors, and part-time instructors in the employee training systems. In 2017, ZTE focused our resources on the implementation of the new employee tutoring system, the development of the internal part-time lecturer team, and the maturity evaluation of competence centers. In addition, with the acceleration of globalization, ZTE has established overseas training centers in 20 countries around the world. During the year, Silk Road International College was established respectively in Indonesia, South Africa, Japan, and Italy to better achieve the sustainable growth of global front-line employees.

20 Training Centers Serving Global Customers

In the meantime, to meet the employees' needs for learning information and knowledge in the technology industry, ZTE leverages its advanced technological advantages in the ICT field to build a wide range of access for global employees including online learning PCs, mobile learning APPs, and remote interactive smart classrooms, varied in form and abundant in knowledge. In 2017, ZTE employees learned more than 500,000 online hours and the average learning time per student reached 9.3 hours; "ZTE Lecture" series organized by ZTE University covered more than 200 domestic and nearly 70 international connections through live broadcasting platform of smart classrooms in the same year, creating a rapid platform of knowledge acquirement and learning interaction for employees through the new technology.

Establishment of Growth Platform

We constantly optimize our employees' career development plans and provide one-stop intimate procedures for handling services from the beginning of their entry. After new employees enter the Company, the department implements "Teachers guide Disciple" to adhere to and inherit the corporate culture. Meanwhile, we start with position teasing and position qualification, and establish a position ranking system and qualification system to provide employees with diversified development channels and allow outstanding employees to stand out herein.

"3+1" Matrix Development Channel

ZTE has established a "3+1" Matrix Development Mechanism for the promotion of employees. "3" refers to the management line, technical line, and business line; "1" refers to the project line.

Management Line: To serve as the leader of the department, of the field, or of the company

Technical Line: To make efforts to become experts in R&D and technology, in communications technology, and in mobile phones

Business Line: To become a Chief Business Expert

Project Line: Inter-departmental Project Management and Technology Management

Under ZTE's new talent management philosophy, we have established an "internal talent market" and a "talent sharing center". The newly-employed employees have the right to freely select jobs and plan their own career development, so that everyone can find the most suitable position in ZTE. In order to revitalize the Company's internal human resources, we have established an "internal talent market"- "ZTE Talent Network" and built an information platform that internalizes the internal flow of recruitment and mobilization.

5.2 Care for Employee Happy Life

ZTE adheres to the "people-oriented" development philosophy and attaches great importance to employees' rights and interests. Through the continuous improvement of the employee protection system and various employment systems, it has created a good environment for the development of employees and helped employees to develop healthily. At the same time, we are also concerned about the physical and mental health of employees, and strive to create an efficient, relaxing and caring work environment for employees, enhance their sense of well-being, and promote the balance

of work and life.

Protection of Employees' Rights and Interests

In order to effectively listen to employee demands and protect their legitimate rights and interests, the Company has created a labor union information platform to continuously improve the disclosure system and paid attention to employee opinions and suggestions. In 2017, we further improved the employee complaint mechanism and smoothed the reporting channels to safeguard the legitimate rights and interests of employees.

The Company provides employees with statutory social security such as pensions, medical care, unemployment, work-related injuries, maternity, and housing provident funds, and also provides insurance benefits such as comprehensive accident insurance for employees, employee discount group insurance, overseas travel insurance for employees, and medical examination for employees to avoid catastrophic consequences for employees in the event of accidents and improve their risk resilience capability.

To stimulate the enthusiasm of employees and strengthen their sense of belonging to the Company, we provide employees with affordable and varieties of breakfast, lunch, and dinner, provide production line employees with free dormitories equipped with basic equipment such as air conditioners, water heaters, wardrobes, and computer desks, provide shuttle buses to and from work in Shenzhen, Xi'an, Shanghai, Nanjing, and other top ten cities, with 414 regularly-operating vehicles covering 151 main lines, benefiting 20,000 employees.
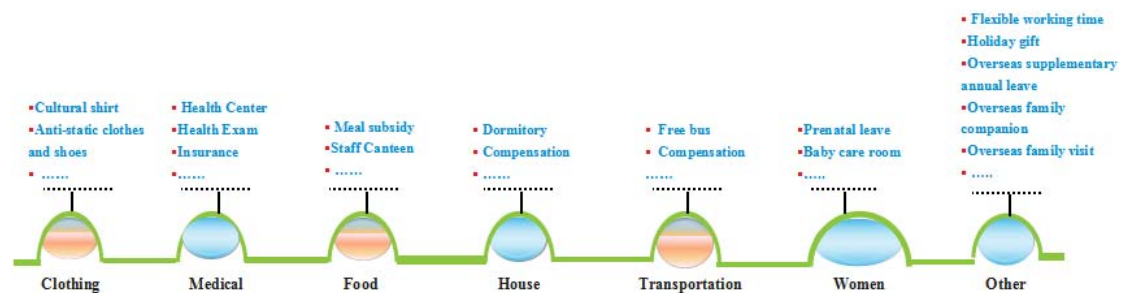
Overall benefits provide for employees including clothing, food, transportation and shelter

The Company provides competitive remuneration packages for overseas personnel, helping to continuously improve the level of globalization. In addition to fixed remuneration, overseas personnel also enjoy overseas subsidies, supplementary holidays, family companion and staff canteens, providing a safe and healthy working environment for overseas personnel.

Employee Assessment and Complaint Mechanism

In 2017, ZTE further improved the assessment and complaint mechanism of employees and specified that management cadres of the department are the first responsible persons for the performance communication of the employees; during the assessment process, the management cadres at all levels must conduct formal performance interviews with the employees, output the half-year performance communication records in time, and inform the employees by mail; Employees must make final confirmation on whether the department conducts performance communication or the results of half-year assessments. If they do not

agree with the results, they may file an assessment complaint within the assessment period.

Reporting Channels for Employees

Employee Health and Safety

With the progress of society and the continuous improvement of human living standards, the country, society and people, have put forward higher requirements for the health, safety, and environment of the Company. Safeguarding the health and safety of employees is both a strategic need for sustainable corporate development and a common expectation of the entire society.

As a globally operating company, ZTE has been effectively fulfilling this social responsibility and paying close attention to the health and safety of all employees. ZTE established a Health and Safety Management System based on OHSAS18001 standard in 2005. It is one of the earliest enterprises to implement standardized management of health and safety. ZTE has established its health and safety management system covering the full-service process and major branch countries worldwide since its establishment. At present, 12 branches including the headquarters (covering 20 workplaces) have obtained OHSAS 18001 certification.

Health and Safety Vision

As the world's leading provider of integrated communications & information solutions, ZTE is committed to creating a healthy and safe culture with the tenet of "love and responsibility" and making it an important cornerstone for corporate development.

With love as the link and responsibility as the mission, we build a lasting and reliable health and safety environment in a compliant, ethical, and sustainable manner to protect employees and all stakeholders who represent ZTE or may be affected by ZTE's business from health and safety risks. We actively take responsibility for our own health and safety, work hand-in-hand with our customers and partners to advance the concept of health and safety and the continuous improvement of management levels, establish industry benchmarks, and create social value.

Health and Safety Organizational Chart

In 2017, in order to further strengthen the Company's health and safety management, ZTE established the Health and Safety Committee, with the EVP of the Company as the director of the Committee and other 9 members. The committee runs horizontally through the Company's end-to-end business and is vertically implemented to each branch from global delivery, supply, as well as three main lines of production and office. Through the "one horizontal and three vertical" organizational management structure, the Company deepens its global health and safety work, systematically strengthens the operation of its health and safety management

system, promotes its global health and safety management capabilities, and facilitates the coordinated development of health and safety and the Company's global business.

Absolute Rules for Health and Safety

In 2017, ZTE issued nine absolute rules for health and safety which all employees of ZTE and outsourcers representing ZTE must comply with.

Professional Team of Health and Safety

In 2017, the Company rapidly established a more professional health and safety management team through internal employee training and the introduction of external experts, covering all areas of the Company, especially in areas where the risks are relatively high.

In July and September 2017, the Company organized Nebosh IGC professional training and OHSAS18001 occupational health and safety management system training in Shenzhen headquarters and India. Thirteen participating personnel received the Nebosh IGC certificate, and 46 employees received the OSHAS18001 internal auditor certificate. .

In June 2017, the Company organized a full-scale examination of basic knowledge on health and safety, covering more than 50,000 employees, and the pass rate of the exam was 89.75%.

Registration and Management of Health and Safety Accidents

At present, all casualty accidents (including outsourcers) of ZTE must be registered in the Company's QMS system and followed by professionals, and corresponding measures must be taken in accordance with the Company's *Occupational Health and Safety Accident Reporting and Management Practices* and *Regulations of Working Accidents,* and managers responsible for serious health and safety accidents must be censured in accordance with regulations.

ZTE Sports

As the Company's No. 1 health brand activity, ZTE Sports has always served employees in many forms. The employees' health is the basis of every employee and their happy family. To promote the concept of national sport and national fitness, in 2017, ZTE Sports focused on large-scale activities with internal influence, in which case the number of participating regions and participants has reached a record high, affecting over 50% of the Company's employees, and the overall satisfaction rate has risen over 90%, an increase of 5 percentage points than that in 2016.

In 2017, a total of 4 large-scale activities within the Company included:

- **"I am a runner and I speak for ZTE"** online running with over 2,000 online

participants.

- − **"5G I go first"** trekking, covering the largest number of 7,200 people in the history

- − **"I donate for your sports",** social welfare fat loss challenge, social welfare + sports model, with more than 3,000 person-times

- − **"20 years, 20 cities"** trekking, covering the largest number of 8,300 people in the history, achieving the highest dissemination effect and praise.
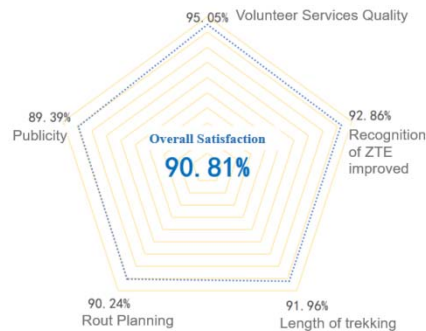
Maternal Care

We adhere to people-oriented policy and actively care for female employees. The Company has baby care rooms designed for pregnant women in Shenzhen, Shanghai and other cities, providing convenience for about 2,000 pregnant women each year. In addition to statutory holidays, female employees can also enjoy prenatal leave, prenatal check leave, breastfeeding leave and other benefits. Additionally, we organize lectures and activities for female employees on topics such as women's health, marriage and family, and parent-child education each year to enrich their leisure life. The Maternity Return Rate for post-partum female employees is: 97%.

Care for pregnant women

EAP Employee Assistance Program

The EAP "Employee Assistance Program" is a long-term, free mental health benefit that the Company provides for employees, including the dissemination of mental health knowledge, psychology training, psychological counseling, and psychological crisis intervention. In order to allow employees to adjust their emotions in a timely manner, we have consulting rooms in Shenzhen, Shanghai, Nanjing, Xi'an and other places, and employ professional consultants with years of corporate psychological consulting experience to help employees.

In the past three years, a total of 2,509 person-times have been provided with psychological

consulting. The main problems involve marriage, family, emotions, and work. Satisfaction has reached 8.5 points or more, prompting employees to live happily and work efficiently.

EAP Consulting Room

5.3 Create a Sustainable Supply Chain

The sustainability of the supply chain not only requires the enterprises themselves to play a leading role, but also requires the coordinated efforts of the upstream and downstream companies.

Supplier CSR Management

The Company has established a complete protection mechanism covering high-level requirements, organizational structure, personnel qualifications, process specifications, training publicizing and implementation and supervision and reporting to ensure the effective operation of the entire Supplier CSR Management System.

- High-level Requirements: Through the annual global partner conference and high-level communication, the Company's CSR requirements are passed to the suppliers' top management.

- Organizational Structure: The supplier CSR management team is responsible for implementing the supplier's CSR management

- Personnel Qualification: All suppliers CSR assessment auditors need to undergo training of professional audit skills and obtain qualifications

- Process Specification: The published *Supplier CSR Management Specification* guides the Company's overall supplier CSR certification and management

- Training Publicizing and Implementation: Organize routine training for suppliers every six months to improve supplier's CSR capabilities

- Supervision and Reporting: Launch special reporting channels to handle supplier CSR incidents. Any organization or individual, as long as it is found that our suppliers are suspected of CSR violations, can report to our company through the internal control audit channel (Reporting E-mail: audit@zte.com.cn; Reporting Tel: 0755-26771199) or procurement audit channel (Reporting E-mail: pma@zte.com.cn; Reporting Tel: 0755-26771520).

ZTE's *Supplier CSR Agreement* sets clear CSR management requirements for suppliers, covering compliance with the *Supplier's Code of Conduct*, to correct non-compliance items within organizations and promote lower-level suppliers to make improvement.

ZTE's *Supplier Code of Conduct* is its basic management guidelines for suppliers. It provides suppliers with sustainability requirements in terms of integrity, respect for human rights, employment of labor, health and safety, environmental protection, business ethics, and mineral conflicts. All suppliers are required to comply with the guidelines and the laws and regulations of the place where they operate and sign *the CSR Agreement* with ZTE. In 2017, the Company signed another 179 agreements.

The CSR Management Practices for Suppliers published by the Company covers the five modules of labor rights, health and safety, environmental protection, corporate governance and supply chain CSR. CSR management requirements for each key aspect of supplier management are defined as followed:

- Suppliers Introduce Certification: CSR can serve as one vote veto as one of the key thresholds.

- Supplier Process Management: CSR Training and CSR Surveillance and Assessment for Suppliers

- Supplier Withdrawing from Cooperation: In the event of suppliers' violations of CSR management requirements, they will limit or even cancel their cooperation according to the severity of the problem and the willingness of suppliers to cooperate with the improvement.

In 2017, the Company conducted an on-site audit of 160 medium- and high-risk suppliers, among which 4 suppliers were not introduced because the CSR module audit failed.

Strengthening the cooperation with suppliers, exchanging and sharing best practices in the industry, and helping suppliers to improve their sustainability capabilities are fundamental ways to improve the supply chain CSR management. In 2017, we organized regular supplier training every six months, including related courses such as quality processing, network security and CSR, covering a total of 120 suppliers.

Global Partner Conference

As a pioneer in the global 5G industry, ZTE has introduced an advanced concept of resource-based cooperation and is committed to achieving long-term win-win cooperation relationships with suppliers and improving the capabilities of serving end customers. In November 2017, ZTE Global Partner Conference was held in Shenzhen, attracting more than 200 strategic and core suppliers around the world.

The theme of the conference is "5G Innovation, Collaboration and Win-win". Relying on the leading 5G technology and innovative end-to-end solution, we will accelerate the deployment of 5G with operators and industry chain partners around the world and make an important contribution to digital transformation and sustainability for the entire society. At the same time, our operator customers were invited to conduct in-depth discussions on "5G industry development and Collaboration" and build a new 5G industry ecosystem.

Conflict Minerals

The exploitation of rare metals such as Au, Ta, Sn, and W in the Democratic Republic of Congo

and its adjacent countries and territories has caused serious human rights and environmental problems. Some of the mining activities in these areas are related to conflicting armed groups, resulting in long-term instability in the region, known as "conflict minerals," which can be widely used in information and communications technology products.

As a leading global manufacturer of comprehensive communications equipment, we inevitably involve conflict mineral issues in the manufacturing process. In response, we actively promote not to use minerals from conflict areas or high-risk areas and hope to enhance the non-conflict of the entire supply chain by virtue of ZTE's dominant position in the supply chain.

In order to better grasp the policy trend, we actively participate in industry projects. At present, ZTE has joined GeSI (Global e-Sustainability Initiative), one of the main tasks of whom is the study of conflict minerals issues and the formulation of relevant tools for the review of conflict minerals, such as report templates, audit guidelines, and the list of certified smelters of Ta, Sn, W and Au.

ZTE has formulated the conflict-free mineral policy *ZTE Illegal Trade Policy on Natural Resources* and published it on the Company's official website. The Company requires all suppliers to sign *the Conflict-free Metals Declaration* to promise not to purchase and use conflict minerals. It also requires suppliers to conduct conflict-free metal investigations in their supply chains.

5.4 Active Participation in Social Welfare

ZTE Public Welfare Foundation is a non-public funded foundation initiated by ZTE. In 2017, ZTE Public Welfare Foundation concentrated to establish a unique ZTE social welfare system by implementing eight public welfare projects in four areas: science and technology development, poverty alleviation for education, assistance for vulnerable groups, environmental protection, and legal assistance, aligning with the key words of "technology, education and innovation. It organized 25 charitable activities of various kinds, accumulative total donations amounted to 9.446 million RMB. It successively won the "2017 Overseas Contribution to CSR Award" issued by the People's Network, the "Outstanding Contribution Award" issued by the China Foundation for Poverty Alleviation, and the "China Women and Children Charity Awar*d*" awarded by the All-China Women's Federation during the year.

ZTE Young Scientist Award

"ZTE Young Scientist Award" is a public welfare science and technology award initiated by the ZTE Public Welfare Foundation. With the aim of "promoting innovation and continuing to promote China's scientific and technological progress", it aims at the field of science and technology and rewards young scientific and technological experts with outstanding achievements in scientific research and innovation. It is our way of returning to the society, as well as a promotion and transmission of the spirit of technological innovation.

The Award is selected once a year. The award-winning achievement for each selection does not exceed 10, and the amount for each award is 2 million yuan.

After a year of preparation, the first "ZTE Young Scientist Award" selection was initiated on December 6th 2017, aiming the scientific research results which made a significant contribution to promoting the development of science or produced outstanding social or

economic impacts, accomplished by young scientists who are under 45-year-old. The winners are recognized as major contributor of scientific achievements. The selection used "the Nobel Prize" for reference, and an Awarding Committee and Reviewing Committee was established to ensure its justice, fairness and openness.

The selection of the first "ZTE Young Scientist Award" will be finished before June 30th 2018, and the result will be publicly announced.

Poverty Alleviation for Education

Knowledge changes one's destiny. ZTE's poverty alleviation mainly focuses on education. Poverty alleviation for education is one of the key service areas of the ZTE Public Welfare Foundation. In 2017, we carried out the ZTE Educational Aid Project, the Children's Educational Aid in Weilan Reading for Rural Children, and the construction project of Sino-Egyptian friendship school to bring advanced teaching concepts and methods to the poor areas and improve education and teaching levels from hardware to software. .

Weilan Reading "One reading corner for each class"

Reading is an important way to foster children's study capability, especially for poverty areas where lack of educational resources and theories. It is an effective measure to improve the education status in poverty areas in China by promoting access to education through reading.

During 2017, in order to enhance the support for the compulsory education among poverty areas, ZTE Public Welfare Foundation collaborated with the Xiamen Undertaker Campaign and initiated Reading for Rural Children Project relying on their professional advantages and successful experiences in the field of rural children's reading. Aiming to "make high-quality reading available to every rural kid", starting with the book donation of "One reading corner for each class", taking systematic, long-term and in-depth reading promotion support as the core, the project ultimately aided the development of education in poverty areas.

During 2017, we have built a total of 2012 reading corners in Shuchang, Jinta, Jingyuan, Jingning in Gansu and Baoshan in Yunnan to cover 267 schools and benefited more than 58,000 children. In addition, we organized "Reading Navigator Training" and fostered 230 rural teachers on their views of children, reading and education.

Xinghua Educational Aid Project

ZTE Public Welfare Foundation signed a donation agreement with the Xinghua Youth Educational Aid Foundation in August 2016. In line with the principle of "cherish opportunity and cooperate sincerely," we jointly carried out the aiding campaign for poor students.

The Xinghua Educational Aid Project aims to support poor high-school and college students. As of December 2017, a total of 75 college students and 1,152 person-time high-school students have been supported.

The Foundation organized a summer camp called "Building Dreams in Miles," between July 15th and 23rd 2017, to provide a better understanding of professions and careers for high-school students. 30 students funded by the Foundation were arranged to conduct a

seven-day study experience in Shenzhen. They experienced the charm and acceptance of Shenzhen as an innovative city from the fields of science and technology, wisdom, art, and humanities, and carried out various self-challenging activities.

Sino-Egyptian Friendship School

To carry out our overseas responsibility, ZTE Public Welfare Foundation initiated the Sino-Egyptian friendship school construction in Ethiopia. We plan to set up classrooms, teachers' dorms, libraries, churches and other matching facilities to support the youth in their career development after graduation in Edja Wored, a poverty area in middle Ethiopia.

The project was signed and the construction was initiated in February 2017, and the first phase of construction including infrastructures, classrooms and library were completed in August.

Medical Innovation

ZTE Public Welfare Foundation jointly initiated the "Lianai Project" with the Shenzhen Henghui Children's Charity Foundation and the Beijing New Sunshine Charitable Foundation. This innovative philanthropic project aimed to introduce the medical technology assessment (HTA) system through public interests and promote solutions to the problems of unfavorable medical conditions that plagued critical illness guarantees, imperfect medical insurance catalogs, and unreasonable medical expenses. In the systematic and scientific practice, a complete and reproducible pattern is hoped to be accumulated, which will eventually promote the continuous improvement of the existing medical security system, realize the reasonable protection for the national medical insurance system for major diseases, and fundamentally solve all sorts of poverty caused by the disease.

In 2017, the project launched a pilot project in Heyuan City, Guangdong Province. The establishment of the Medical Insurance Supplementary Foundation increased the proportion of child leukaemia reimbursement in Heyuan District from 65% to 90% and started the HTA assessment of drugs such as Peidong and Imatinib, in collaboration with Fudan University and Shandong University. In collaboration with the Child Leukemia South China Collaboration Group, it initiated the support for the children's leukemia medical capability in the Heyuan Region Hospital and established the Heyuan Cancer Society Center. The project has provided financial assistance and medical guidance for 35 children with Heyuan leukemia and their family members.

Assistance for disadvantaged groups and Legal Assistance

"Care for Veterans of the World War II in West Yunnan" Project: From October 24th to October 30th, 2017, ZTE Public Welfare Foundation organized and launched the 12th year of the "Care for Veterans of the World War II in West Yunnan" charity event. 16 employee volunteers were organized to reach Baoshan. They visited 79 veterans and gave away consolation money and commodity worth a total of 391,703.9 yuan. In the year, a total of 58,280 yuan was paid to 26 families of deceased veterans.

Legal Assistance Project: In March 2017, the Foundation signed a strategic cooperation agreement with the Center for Legal Assistance to Pollution Victims (CLAPV) of China University of Political Science and Law to provide legal assistance to victims of environmental pollution. During 2017, It has funded CLAPV to carry out one environmental legal case litigation and it cooperated with CLAPV to organize the "First Environmental Protection Law

Helping Public Interest Lawyers seminar", and a total of more than 30 lawyers from China engaged in legal work in the field of environmental protection participated.

"ZTE·Vcare Charity Space: Starting from 2014, ZTE Public Welfare Foundation donates 200,000 RMB to the "ZTE Vcare Charity Space", jointly established by the Foundation and Shenzhen Care Action Charity Foundation, at Shenzhen Children's Hospital, providing Auxiliary rehabilitation, Emotional persuasion, ward classroom for hospitalized children and their families. 253 various activities were conducted in 2017 and served more than 5000 families.

Medical Assistance for Destitute Children: Since 2013, ZTE Public Welfare Foundation and at Shenzhen Children's Hospital have jointly set up "Intractable Child Relief Project for Refractory Kidney Disease" and "Primary Immunodeficiency Disease Assistance Project for Poor Children". In 2017, the projects have funded 3 children with impoverished kidney disease and 7 children with immunodeficiency.

Employee Volunteers

The Company continuously enriches and perfects the volunteer service system, encourages and supports employees to actively participate in volunteer activities and contributes personal time, technology and expertise to serve the community, and care for the society. In 2017, it organized and carried out various types of charity activities and voluntary services for 25 times, mobilized more than 6,000 person-time employees and their family members to participate in charitable activities, and successively launched serial activities such as "donating clothes for warm winter", "Parent-child Carnival for the Earth Day", and a summer camp for "Building Dreams".

- Donating Clothes for Warm Winter: On January 9th, the Company organized volunteers to send sending more than 300 winter clothes for 159 students in Nalang Township, Zhuoni County, Gannan Tibetan Autonomous Prefecture in Gansu province.

- "First Lesson of Weichen, Series of Children's Emergency Preparedness and Education": On April 6th, together with the China Children and Teenagers Foundation, in 10 Spring Bud schools donated and established by ZTE Public Welfare Foundation after the disaster in Sichuan Province"First Lesson of Weichen, Series of Children's Emergency Preparedness and Education" was conducted, with 6,000 left-behind children participating.

- Parent-Child Carnival on the "Earth Day": On April 22nd, during the "Earth Day", in cooperation with the Shenzhen Mangrove Foundation, 70 employee families were hand-drawn and participated in the "Earth Day" parent-child carnival event to participate in mangrove conservation operations by learning nature knowledge, doing handwork about environmental protection and planting mangroves.

- "Happy Children's Day, Accompany Your Growth": On June 1st, organized volunteers participated in the Shenzhen Children's Hospital Vcare Space to hold the "Happy Children's Day, Accompany Your Growth" event;

- Large-scale Trekking and environmental protection activity in Wutong Mountain: On June 11th, 40 volunteers were organized to carry out large-scale public welfare walking and environmental protection activities in Wutong Mountain and actively participated in environmental protection there.

- "Building Dreams" Summer Camp: From July 15th to 24th, nearly 30 volunteers were organized to participate in the first summer camp "Building Dreams"

- "Love in ZTE·Shenzhen Charity Practice of Global Excellent Employees": On August 18th, jointly with ZTE Global Marketing, the Company launched the "Love in ZTE·Shenzhen Charity Practice of Global Excellent Employees" activity and organized about 50 employees and their family members from 15 countries or regions around the world, gathering in Shenzhen to work as volunteers, and conducted caring visits to the ZTE·Vcare Charity Space in the Children's Hospital of the City and Huiling Service Center for Persons with Intellectual Disabilities.

- "Collecting supports for the reading corner" activity: On November 18th, the 20th anniversary of the Company's listing, we organized special charity events to spread philanthropic theories via we-media, which led to the participation of 2,000 employees and their families.

Independent Assurance Statement

△ TÜVRheinland®

Introduction

TÜV Rheinland Greater China, member of TÜV Rheinland Group, Germany (TÜV, We) has been commissioned by the ZTE Corporation (ZTE) to conduct independent assurance of ZTE Corporation Sustainability Report 2017 (version no.: 2018.3.12[1], the Report). All contractual contents for this assurance engagement rest within the responsibility of ZTE. Our task was to give a fair and adequate judgment on ZTE Corporation Sustainability Report 2017.

The intended readers of this assurance statement are stakeholders having relevance to ZTE's overall sustainability performance and impacts of its operations during 2017 (1 Jan 2017 to 31 Dec 2017). We have maintained complete impartiality and independence during the assurance engagement and were not involved in the preparation of report contents.

Scope of Assurance:

Our Assurance engagement covers the following:

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

− By reference to Global Reporting Initiative (GRI) Sustainability Reporting Standard; and

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

Limitation:

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

Assurance Methodology:

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

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

Analytical methods and the performance of interviews as well as verification of data, were done by random sampling to verify and validate the correctness of reported data and contents in light of contractual assurance agreement. Our work included interviewing about 15 ZTE's

---

[1] It refers to the Chinese version report no.

representatives including senior management and report preparation staff. The approach deemed to be appropriate for the purpose of assurance of the Report since all data therein could be verified through document evidences, direct response, and verified database entries.

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

Conclusion:

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

− ZTE Corporation Sustainability Report 2017 meets the requirement of HKEX's ESG reporting guidelines (See the appendix for details).

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

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

For and on behalf of TÜV Rheinland Greater China

LIU Jia.

LIU Jia

Lead Verifier

Date: 13 March 2018

Glossary

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

4G	Fourth-generation mobile networks operating according to IMT-Advanced standards as defined by ITU, including LTE-Advanced and Wireless MAN-Advanced (802.16m) standards, which support theoretical download rates of 1Gbit/s at fixed locations and 100Mbit/s in motion.
5G	Fifth-generation mobile communications, which is a general reference to the ensemble of post-4G broadband wireless communication technologies. The general view of the industry is that 5G is capable of providing faster data throughput (1,000 times faster than currently available) and more connections (100 times more than currently available), more efficient utilization of energy (10 times of the current level of efficiency) and shorter end-to-end time delay (1/5 of the current length of time delay). It goes beyond human-to-human communication to cover a wide range of applications such as ultra-intensive networks, machine-to-machine communication and the internet of vehicles.
IaaS	Infrastructure as a Service, the service that makes available the capacities of IT infrastructures (such as servers, storage and computation) to users through the Internet, the billing of which is based on the actual usage of such resources by the users.
ICT	New products and services arising from the integration of IT (information technology) and CT (communications (i.e., the transmission of information) technology).
IDC	Internet Data Center, the venue where server groups of hosting corporations, tenants or websites are managed; it is the infrastructure facility underpinning the secure operation of various types of e-commerce activities, as well as a platform that supports value chain management by a corporation and its business alliance (such as distributors, suppliers and customers). IDC provides ICPs, corporations, media and websites with large-scale specialised server management service, space leasing, network bandwidth wholesale, as well as ASP and EC services which are safe and reliable and of high quality.

LTE	LTE (Long Term Evolution) which is the long-term evolution of 3G technology, refers to fourth-generation mobile communication technologies with OFDM as its core technology. LTE is being promoted by 3GPP and is continuously under evolution. There are two types of LTE, distinguished by the mode of division duplex, namely FDD-LTE of frequency division and TDD-LTE of time division. The mixed operation of FDD-LTE and TDD-LTE is supported. In terms of networking, its supports homogeneous networks formed by macro base stations as well as heterogeneous networks formed by macro base stations and micro base stations.
NB-IoT	Narrow Band Internet of Things, a 3GPP-defined LPWAN standard applicable to 3GPP-licensed frequency bands specifically designed for IOT connection. It mainly features: 1) connection by massive number of users; 2) substantially stronger coverage compared to traditional cellular network; 3) low power consumption; 4) simplified and optimized radio frequency that reduces cost for end-users.
PaaS	Platform as a Service, the provision of services relating to the deployment of and operating environment for software based on cloud computing infrastructure facilities. It is capable of supplying resources required for flexible execution of application procedures and billing is based on actual usage.
PON	Passive Optical Network, a network that provides optical access services to users through the use of passive optical network technology and facilitates conservation of optical fibre resources on the main line through the adoption of a point-to-multipoint topological structure. It also offers flow management and security control functions. PON can be distinguished into FTTH, FTTDp, FTTB and FTTC, etc based on different destinations of optical connection, or GPON, EPON, 10G EPON and XG PON, etc based on different standards.
Pre-5G	The adoption of the 5G technology without modifying existing air interfaces standards, providing in advance a 5G-like user experience on existing terminals.
SaaS	Software as a Service, an application model for the provision of Internet-based software services that offers commercial services to users at lower costs and eliminates problems of installation, management, support and license, etc relating to the use of software, enabling users to experience services similar to those provided through local operations.
SDN	Software Defined Network is a new network structure that transforms a closed-end telecommunication equipment accommodating hardware and software into a novel architecture that features central control, open access and programmable software by separating the control face and the data face.

Big bandwidth	Higher bandwidth requirements for networks to facilitate Big Video, such as 50M bandwidth required by standard 4K, such that carriers are required to provide greater bandwidth to video users as compared to traditional video services.
Big Data	A data set that is too large and complex to be processed by existing conventional database management technologies and tools, and that requires the use of new data processing and management technologies in order to create value from the set in a speedy and economic manner. It has revolutionary long-term implications for the development of informatization, smart applications and business models of the society. Big Data is often characterized by 4Vs: Volume, Variety, Velocity and Value.
Big Video	Ultra-high-definition videos such as 4K/8K/VR/AR, as opposed to standard-definition and high-definition videos, which feature richer contents and more exacting requirements for channels, signifying the big video era for the video business.
Distributed database	A logically coherent database formed by the interconnection of multiple data storage units located in different physical locations using a high-speed computer network, so as to enable larger storage capacity and higher volume of simultaneous visits.
Core network	Mobile network comprises a wireless access network and a core network, the latter of which provides services such as call control, billing and mobility.
Wearable device	A new form of terminal device featuring the integration of software and hardware worn on the human body, capable of ongoing exchange and a considerable level of computation. It is a product arising from the ongoing developments of communications technologies, computer technologies and micro-electronic technologies under the computational concept of the "priority of people" and "human + machine unification." It may come in the form of watches, bracelets, spectacles, helmets and footwear, etc.
AI	Artificial Intelligence, the use of machine to aid or replace human in doing certain tasks by simulating the sight, hearing, senses and thinking of human.
Data centre	An Internet-based infrastructure center that operates and maintains equipment for centralized collection, storage, processing and dispatch of data, and provides related services.
IOT	Internet of Things, also known as the sensor net, is a massive network connecting all sorts of information sensory devices, such as radio frequency identification units, ultra-red sensors, global positioning systems and laser scanners, to the Internet with the aim of connecting all things to the network for easy identification and management.

VR	Virtual Reality, a virtual 3D environment created with the aid of the computer system and sensor technologies, providing the visual experience of a highly simulated reality and immersive human-machine interaction by engaging all senses of users (sight, sound, touch and smell).
Cloud Computing	The concept underlining the fusion of traditional computing technologies such as grid computation and distributed computation with network technology development. The core idea is to centralize the management and modulation of massive computing resources connected through the network, forming a pool of computing resources that serve users on an as-needed basis. Cloud Computing is applied in business models such as SaaS, PaaS and IaaS.
Smart City	The application of information technologies such as Cloud Computing, Internet of Things and Big Data in combination with wireline and wireless broadband communication technologies to sense, analyze and integrate various key information of the core operation systems of the city, so as to make automated responses to various requirements such as livelihood, environmental protection, public security, urban services and industrial / commercial activities, in realization of smart management and operation of cities, creating better lives for citizens and facilitating harmony in and sustainable development for the city.
Intelligent manufacturing	Intelligent Manufacturing, an integrated intelligent system comprising intelligent machines and human experts which is capable of intelligent activities such as analyzing, inferring, making judgments, postulating and making decisions in the manufacturing process, such that manufacturing automation can reach a higher level in terms of flexibility, intelligence and intensification.

ESG Reporting Guideline Index

● Fully Disclosed ◎ Partially Disclosed ○ Not Disclosed

ESG Guidelines Subject Areas, Aspects, General Disclosures and KPIs		Locations in the Report	Verified Disclosure Situation
A:Environment			
Aspect A1：Emissions			
General disclosure		Sustainable Ecological Environment	●
A1.1	Types of emissions and related emissions data.	Sustainable Ecological Environment – Energy-saving and Emission Reduction	●
A1.2	Total greenhouse gas emissions (in terms of metric tons) and (if applicable) density (e.g., in terms of per yield unit, or per facility).	Sustainable Ecological Environment – Energy-saving and Emission Reduction	●
A1.3	Total hazardous wastes produced (in terms of metric tons) and (if applicable) density (e.g., in terms of per yield unit, or per facility).	Sustainable Ecological Environment – Energy-saving and Emission Reduction	●
A1.4	Total non-hazardous wastes produced (in terms of metric tons) and (if applicable) density (e.g., in terms of per yield unit, or per facility).	Sustainable Ecological Environment – Energy-saving and Emission Reduction	●
A1.5	Describe the measures to reduce emissions, and the results.	Sustainable Ecological Environment – Life Cycle Management, Green Production Concept, Green life style and Green Office	●
A1.6	Describe the method of handling hazardous and non-hazardous wastes, reducing the output, and the results.	Sustainable Ecological Environment – Life Cycle Management, Green life style and Green Office	●
Aspect A2：Use of resources			
General disclosure		Sustainable Ecological Environment	●
A2.1	Total consumption of direct and (or) indirect energies (such as electricity, gas and oil) classified by type (in terms of thousand KWH) and density	Sustainable Ecological Environment – Energy-saving and Emission Reduction	●

ESG Guidelines Subject Areas, Aspects, General Disclosures and KPIs		Locations in the Report	Verified Disclosure Situation
	(e.g., in terms of per yield unit, or per facility).		
A2.2	Total water consumption and density (e.g., in terms of per yield unit, or per facility).	Sustainable Ecological Environment – Energy-saving and Emission Reduction	●
A2.3	Describe the plan of energy use efficiency, and the results.	Sustainable Ecological Environment – Energy-saving and Emission Reduction, Green Production Concept, Green life style and Green Office	●
A2.4	Describes if there is any problem in seeking for the applicable water source, and the plan of improving the water use efficiency, and the results.	Sustainable Ecological Environment – Energy-saving and Emission Reduction	●
A2.5	Total amount of packaging materials used for finished goods (in terms of metric tons) and (if applicable) amount of per production unit.	Sustainable Ecological Environment – Green life style and Green Office	●
Aspect A3：Environment and natural resources			
General disclosure		Sustainable Ecological Environment	●
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Sustainable Ecological Environment – Life Cycle Management, Energy-saving and Emission Reduction	●
B: Society			
Employment and Labor Standards			
Aspect B1：Employment			
General disclosure		Sustainable Community – Concentrate on Employee Career Development	●
B1.1	Total number of employees by gender, employment type, age group and the regional division.	About us – Company Profile Sustainable Community – Concentrate on Employee Career Development	●
B1.2	Employee turnover rate by gender, age group and the regional division.	----	○

ESG Guidelines Subject Areas, Aspects, General Disclosures and KPIs		Locations in the Report	Verified Disclosure Situation
Aspect B2：Health and safety			
General disclosure		Sustainable Community – Care for Employee Happy Life	●
B2.1	Number and rate of work-related fatalities.	----	○
B2.2	Lost days due to work injury.	----	○
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Sustainable Community – Care for Employee Happy Life	●
Aspect B3：Development and training			
General disclosure		Sustainable Community – Concentrate on Employee Career Development	●
B3.1	Percentage of trained employees classified by gender and employee category (such as senior management, middle management, etc.).	Sustainable Community – Concentrate on Employee Career Development	◎
B3.2	Average training hours per employee classified by gender and employee category.	----	○
Aspect B4：Labor guidelines			
General disclosure		Sustainable Community – Concentrate on for Employee Career Development	●
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Sustainable Community – Concentrate on for Employee Career Development	●
B4.2	Description of steps taken to eliminate such practices when discovered.	Sustainable Community – Concentrate on for Employee Career Development	●
Operational practices			
Aspect B5：Supply chain management			
General disclosure		Sustainable Community – Create a Sustainable Supply Chain	●
B5.1	Number of suppliers divided by regions.	----	○

ESG Guidelines Subject Areas, Aspects, General Disclosures and KPIs		Locations in the Report	Verified Disclosure Situation
B5.2	Describe the practices of hiring suppliers, number of suppliers to whom the practices are performed, and the methods of executing and supervising related practices.	Sustainable Community – Create a Sustainable Supply Chain	◎
Aspect B6：Product responsibility			
General disclosure		Sustainable Products and Services, Sustainable Ecological Environment	●
B6.1	Percentage of sold or shipped products to be recalled due to safety and health reasons.	Sustainable Products and Services – Products and Cyber Security	●
B6.2	Number of received complaints about products and services and the methods of dealing with the complaints.	Sustainable Products and Services – Customer Demand Response	●
B6.3	Describe the practices related to the maintenance and protection of intellectual property rights.	Sustainable Products and Services – Intellectual Property Protection	●
B6.4	Describe the quality verification process and product recycling program.	Sustainable Products and Services – Products and Cyber Security Sustainable Ecological Environment – Life Cycle Management	●
B6.5	Describe consumer data security and privacy policy, and related implementation and supervision methods.	Sustainable Products and Services – Products and Cyber Security	●
Aspect B7: Anti-corruption			
General disclosure		Sustainable Business Management – Compliant Business Operation	●
B7.1	Number of corruption lawsuits and the result of litigation during the period of reporting to the issuer or its employees.	Sustainable Business Management – Compliant Business Operation	◎
B7.2	Describe the preventive measures and reporting procedures, and related implementation and supervision methods.	Sustainable Business Management – Compliant Business Operation	●
Community			
Aspect B8: Community investment			

ESG Guidelines Subject Areas, Aspects, General Disclosures and KPIs		Locations in the Report	Verified Disclosure Situation
General disclosure		Sustainable Community – Active Participation in Social Welfare	●
B8.1	Focus on contribution category (e.g., education, environmental issues, labor demand, health, culture, and sports)	Sustainable Community – Active Participation in Social Welfare	●
B8.2	Use of resources (e.g., money or time) in focused categories.	Sustainable Community – Active Participation in Social Welfare	●

GRI Sustainability Reporting Standards

GRI Standard		SDG	Where Reported
ORGANISATIONAL PROFILE			
No.	**Standards**	**SDG**	
102-1	Name of the organization		About Us
102-2	a.Activities b.Brands, products, and services		About Us
102-3	Location of the headquarter		About Us
102-4	Location of operations		About Us
102-5	Ownership and legal form		About Us
102-6	Markets served		About Us
102-7	Scale of the organisation		About Us
102-8	Information on employees and other workers		Concentrate on Employees Career Development
102-9	Supply chain		Create a Sustainable Supply Chain
102-10	Significant changes to the organisation and our supply chain		About Us

GRI Standard		SDG	Where Reported
102-11	Precautionary principle or approach		Sustainable Business Management
102-12	External initiatives		Sustainability Management System
102-13	Membership of associations		Sustainability Management System
STRATEGY			
102-14	Statement from senior decision-maker		President's Statement, Sustainability Management System
102-15	Key impacts, risks, and opportunities		President's Statement, Sustainability Management System
ETHICS AND INTEGRITY			
102-16	Values, principles, standards and norms of behaviour		Sustainability Management System
102-17	Mechanisms for advice and concerns about ethics		Sustainability Management System
GOVERNANCE			
102-18	Governance structure		Sustainable Business Management
102-19	Delegating authority		Sustainable Business Management
102-20	Executive-level responsibility for economic, environmental and social topics		Sustainable Business Management

GRI Standard		SDG	Where Reported
102-21	Consulting stakeholders on economic, environmental and social topics	16 和平、正义与强大机构	Sustainable Business Management
102-22	Composition of the highest governance body and its committees	5 性别平等 16 和平、正义与强大机构	Corporate Governance
102-23	Chair of the highest governance body	16 和平、正义与强大机构	Annual Report
102-24	Nomination and selecting the highest governance body	5 性别平等 16 和平、正义与强大机构	Annual Report
102-25	Conflicts of interest	16 和平、正义与强大机构	Annual Report
102-26	Role of highest governance body in setting purpose, values, and strategy		Sustainability Management System
102-27	Collective knowledge of highest governance body	4 优质教育	Sustainability Management System
102-28	.Evaluating the highest governance body's performance		——
102-29	.Identifying and managing economic, environmental and social impacts	16 和平、正义与强大机构	Sustainability Management System
102-30	Effectiveness of risk management processes		Sustainability Management System

GRI Standard		SDG	Where Reported
102-31	Review of economic, environmental and social impacts		——
102-32	Highest governance body's role in sustainability reporting		Sustainability Management System
102-33	Communicating critical concerns		Sustainable Business Management
102-34	Nature and number of critical concerns		——
102-35	Remuneration policiesv		Annual Report
102-36	Process for determining remuneration		Annual Report
102-37	Stakeholders' involvement in remuneration		Annual Report
102-38	Annual total compensation ratio		——
102-39	Percentage increase in annual total compensation ratio		——
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups		Sustainability Management System
102-41	Collective bargaining agreements		——
102-42	Identifying and selecting stakeholders		Sustainability Management System
102-43	Approach to stakeholder engagement		Sustainability Management System

GRI Standard		SDG	Where Reported
102-44	Key topics and concerns raised		Sustainability Management System
REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements		About Us
102-46	Defining the report content and topic boundaries		Sustainability Management System
102-47	List of material topics		Sustainability Management System
102-48	Restatements of information		About This Report
102-49	Changes to reporting		Sustainability Management System
102-50	Reporting period		About This Report
102-51	Date of most recent report		About This Report
102-52	Reporting cycle		About This Report
102-53	Contact point for questions regarding the report		Questionnaire
102-54	Claims of reporting in accordance with the GRI standards		——
102-55	GRI Context Index		GRI Sustainability Reporting Standards
102-56	External assurance		Independent Assurance Statement
GRI 103: MANAGEMENT APPROACH			

GRI Standard		SDG	Where Reported
103-1	Explanation of the material topic and its Boundary		Sustainability Management System
103-2	The management approach and its components		Sustainable Business Management, Sustainable Products and Services, Sustainable Ecological Environment, Sustainable Community
103-3	Evaluation of the management approach		Sustainable Business Management, Sustainable Products and Services, Sustainable Ecological Environment, Sustainable Community
GRI 201: ECONOMIC PERFORMANCE			
201-1	Direct economic value generated and distributed		About us
201-2	Financial implications and other risks and opportunities due to climate change		Sustainable Ecological Environment
201-3	Defined benefit plan obligations and other retirement plans		——
201-4	Financial assistance received from government		——
GRI 203: INDIRECT ECONOMIC IMPACTS			

GRI Standard		SDG	Where Reported
203-1	Infrastructure investments and services supported		R & D of Innovative Technology, Intelligence Changes
203-2	Significant indirect economic impacts		R & D of Innovative Technology, Intelligence Changes
GRI 205: ANTI-CORRUPTION			
205-1	Operations assessed for risks related to corruption		——
205-2	Communication and training about anti-corruption policies and procedures		Compliant Business Operation
205-3	Confirmed incidents of corruption and actions taken		Compliant Business Operation
GRI 301：MATERIALS			
301-1	Materials used by weight or volume		Green Lifestyle and Green Office
301-2	Recycled input materials used		Green Lifestyle and Green Office

GRI Standard		SDG	Where Reported
301-3	Reclaimed products and their packaging materials		——
GRI 302: ENERGY			
302-1	Energy consumption within the organization	7 经济适用的清洁能源 8 体面工作和经济增长 12 负责任消费和生产 13 气候行动	Energy-saving and Emission Reduction
302-2	Energy consumption outside of the organization	7 经济适用的清洁能源 8 体面工作和经济增长 12 负责任消费和生产 13 气候行动	——
302-3	Energy intensity	7 经济适用的清洁能源 8 体面工作和经济增长 12 负责任消费和生产 13 气候行动	Energy-saving and Emission Reduction
302-4	Reduction of energy consumption	7 经济适用的清洁能源 8 体面工作和经济增长 12 负责任消费和生产 13 气候行动	Energy-saving and Emission Reduction
302-5	Reductions in energy requirements of products and services	7 经济适用的清洁能源 8 体面工作和经济增长 12 负责任消费和生产 13 气候行动	Energy-saving and Emission Reduction

GRI Standard		SDG	Where Reported
GRI 303：WATER			
303-1	Water withdrawal by source	6 清洁饮水和卫生设施	Energy-saving and Emission Reduction
303-2	Water sources significantly affected by withdrawal of water	6 清洁饮水和卫生设施	Energy-saving and Emission Reduction
303-3	Water recycled and reused	6 清洁饮水和卫生设施 8 体面工作和经济增长 12 负责任消费和生产	——
GRI 305: EMISSIONS			
305-1	Direct (Scope 1) GHG emissions	3 良好健康与福祉 12 负责任消费和生产 13 气候行动 14 水下生物 15 陆地生物	Energy-saving and Emission Reduction
305-2	Energy indirect (Scope 2) GHG emissions	12 负责任消费和生产 13 气候行动 14 水下生物 15 陆地生物	Energy-saving and Emission Reduction
305-3	Other indirect (Scope 3) GHG emissions	12 负责任消费和生产 13 气候行动 14 水下生物 15 陆地生物	——
305-4	GHG emissions intensity	13 气候行动 14 水下生物 15 陆地生物	Energy-saving and Emission Reduction

GRI Standard		SDG	Where Reported
305-5	Reduction of GHG emissions		Energy-saving and Emission Reduction
305-6	Emissions of ozone-depleting substances (ODS)		——
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		Energy-saving and Emission Reduction
GRI 306: Effluents and Waste			
306-1	Water discharge by quality and destination		Energy-saving and Emission Reduction
306-2	Waste by type and disposal method		Energy-saving and Emission Reduction
306-3	Significant spills		——
306-4	Transport of hazardous waste		——

GRI Standard		SDG	Where Reported
306-5	Water bodies affected by water discharges and/or run-off		——
GRI 307: ENVIRONMENTAL COMPLIANCE			
307-1	Non-compliance with environmental laws and regulations		Life Cycle Management
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT			
308-1	New suppliers that were screened using environmental criteria		Create a Sustainable Supply Chain
308-2	Negative environmental impacts in the supply chain and actions taken		Create a Sustainable Supply Chain
GRI 401: EMPLOYMENT			
401-1	New employee hires and employee turnover		——
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		Concentrate on Employees Career Development, Care for Employee Happy Life
401-3	Parental leave		Care for Employee Happy Life
GRI 404: TRAINING AND EDUCATION			
404-1	Average hours of training per year per employee		Concentrate on Employees Career Development

GRI Standard		SDG	Where Reported
404-2	Programs for upgrading employee skills and transition assistance programs		Concentrate on Employees Career Development
404-3	Percentage of employees receiving regular performance and career development reviews		——
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY			
405-1	Diversity of governance bodies and employees		Concentrate on Employees Career Development
405-2	Ratio of basic salary and remuneration of women to men		——
GRI 408：CHILD LABOR			
408-1	Operations and suppliers at significant risk for incidents of child labour		Concentrate on Employees Career Development
GRI 409：FORCED OR COMPULSORY LABOR			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour		Concentrate on Employees Career Development
GRI 414: SUPPLIER SOCIAL ASSESSMENT			
414-1	New suppliers that were screened using social criteria		Create a Sustainable Supply Chain
414-2	Negative social impacts in the supply chain and actions taken		Create a Sustainable Supply Chain

GRI Standard		SDG	Where Reported
GRI 416: CUSTOMER HEALTH AND SAFETY			
416-1	Assessment of the health and safety impacts of product and service categories		Product and Cyber Security
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		Product and Cyber Security
GRI 418: CUSTOMER PRIVACY			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		——

Questionnaire

Dear Reader:

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

Thank you very much!

ZTE 2017 Sustainability Report Team

March 2018

I. Your personal information

Name: Company:

Phone number: E-mail:

II. Select which feels right for you

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

Yes □   Average □   No □

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

Yes □   Average □   No □

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

Yes □   Average □   No □

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

Yes □   Average □   No □

III. Open Questions

1. Is there any information you are concerned about but not disclosed in this report? If yes, please write it down.

2. Do you have any suggestions on improvements to this report? If yes, please write them down.