Openness is one of the most important characteristics of the Mobile Internet era. From the rapid growth of the TD industry to the innovations from ICT convergence, collaboration is essential to all parties in the value chain. Although the dominance of telecommunication operators in the value chain was challenged by non-traditional competition, China Mobile, with annual procurement contracts valued in billions, still maintains a significant influence over the value chain, spanning from standard research, equipment and handset manufacturing, system integration, application development, to marketing promotion. On one hand, our partners expect us to strategically identify potential opportunities, to build fair and win-win partnerships, and to establish a more harmonious industrial ecosystem based on an optimised allocation of resources and capacities, bringing us into the fourth stage development of our industry. On the other hand, our stakeholders expect that we drive a healthy and sustainable development of the industry, by promoting a responsibility sharing community while fulfilling our own responsibilities.

### Stakeholders Expectations
- More attractive development opportunities
- Fair and win-win partnerships
- Healthy and sustainable industrial environment

### Our Approaches
- Accelerating TD industry development with strategic plans and extensive cooperation
- Improving procurement management and efficiency by enhancing centralised procurement regulations, and by establishing communication platforms
- Reducing responsibility risks and strengthening responsibility management by formulating supply chain documents, regulations, tools and carrying out authentication procedures
- Training external partners and internal authentication officers
- Supporting suppliers in various ways, including capital, technology and training, innovating cooperation, and exploring new business opportunities

### Our 2013 Achievements
- Led rapid TD industry growth and shared hundreds of billions yuan with partners, among which 150 million TD-SCDMA handsets were sold
- Cooperated with 7,037 centralised procurement suppliers and assessed all first-level suppliers
- Added responsibility requirement into authentication toolkits which covered 35 categories of first-level centralised procurement products
- Updated a number of energy saving grading standards and saved more than 100,000 cubic metres of timbers through Green Packaging

### Our 2014 Efforts
- To lead research, development and industrialisation with the opportunity of TD-LTE commercialisation
- To release guides for supplier communication and management, to gradually apply new authentication toolkits, and to assess supplier responsibility performance
- To organise training about responsibility management for partners
- To improve and apply energy saving grading standards, and to develop more green cooperation
Shared Growth

To promote mutual successes and drive innovative development, China Mobile strives to establish a friendly and win-win partnership with our value chain partners with openness and fairness.

Building a Win-win Ecosystem

Since obtaining TD-SCDMA (TD), the third-generation mobile telecommunication operation license in 2009, we have made full efforts on constructing TD-SCDMA network infrastructures nation-wide. We championed the development of TD technology standards and the entire TD value chain including devices, chips and others. Our TD customer base stood in a firm position in China’s telecommunication market, and we created and shared industry value in hundreds of billions yuan.

So far, we have more than 400 TD partners, including seven TD-SCDMA commercial chip manufacturers, 17 TD-LTE chip manufacturers and 94 new TD mobile phone manufacturers.

There were over 1,000 models of TD products, and a total sales volume of over 150 million TD handsets.

We partnered with over one million enterprises of social channels, terminals and content providers. Our Mobile Market has more than 3.8 million registered developers. We adapted our business models to different market segments. For instance, we offered the highest revenue sharing scheme of the industry to video and comics partners to create a fostering ecology for incubating innovative applications and services. Working together with our partners, we have released a variety of highly-rated mobile services such as mobile reading, mobile game, mobile video, mobile payment, location based services, and smart voice portal, etc.

In 2014, we will further strengthen our industry collaboration across all aspects, including terminals and equipment manufacturing, channels, contents, applications and platforms, and accelerate integration of Mobile Internet and terminal resource, aiming at an open, healthy and collaborative Mobile Internet ecosystem that embrace the bright future of the 4G era together.

“In the next two years, over 320 billion yuan of output value would be generated by the TD industry directly, including 160 billion yuan from network construction investment, 60 billion yuan from terminal sales, and 100 billion yuan from telecommunication services revenue.”

Luo Wen
President
China’s Centre for Information Industry Development

“As the only Chinese telecommunication company operating TD-SCDMA, China Mobile invested hundreds of billions in nationwide 3G network construction and greatly promoted the development of the TD industrial chain.”

Yan Xiaofeng
Deputy General Secretary
SASAC
**Better Cooperation and Stronger Support**

We actively smoothed communication channels, improved cooperation procedures and provided financial, technological, and management support to our partners.

### Better Cooperation

**What we have done**
- Compiled Supplier Communication Guideline and Supplier Cooperation Guideline
- Set up two-tier service windows covering our entire network and the nine bases
- Optimised communication interfaces of corporate portal, 400 hotline, Fetion public customer service, email customer service, service centre for partners and so on. Established an Information Service Platform for Business Partners

**Effects and results**
- Provided clear guidelines for communication and cooperation with suppliers
- Responded to supplier demands quickly and effectively
- Provided unified and convenient access to communication platform
- Handled suggestions via the message board at the Supplier Portal

#### Faster Contract Signing
Shortened contract signing and authorising procedures.

**In Guangdong**
we launched the Four Projects for Better Cooperation

#### Faster Payment
Shortened payment life-cycle for suppliers and paying in lump sum to suppliers who have signed centralised procurement contract voluntarily and maintaining proper performance bonds.

**In Guangdong**, we cooperated with Shanghai Pudong Development Bank and offered preferential short-term contract financing to 39 suppliers.

#### Better Logistic Management
Standardised delivery documentation and communication interfaces, and publicised delivery confirmation cycle and service commitment on Supplier Portal

#### Smoother Communication
Responded to questions and dealt with complaints promptly using E-line Platform, a two-way communication platform between buyers and suppliers.

**In Hubei**, we organised training on store-brand TD handset sales for channel agents, briefing them on different packages and incentive policies, handset development, and practical suggestions to enhance their sales skills.

**Technical Assistance**

**Training Support**

**Financial Assistance**

**In Guangdong**, we cooperated with Shanghai Pudong Development Bank and offered preferential short-term contract financing to 39 suppliers.

### Stronger Support

In order to improve the quality of cable connect boxes and air conditioners, we engaged professional institutions to send specialists to conduct onsite inspections. We planned to expand this practice to 13 equipment categories in 2014.
Shared Responsibility

To China Mobile, our value chain partners are not only partners for benefit, but also partners for responsibility. We are committed to promoting better responsibility performance of the whole industrial chain by improving procurement management, expanding responsibility requirements, and promoting green supply chain cooperation.

Improving Procurement Management

Aiming at a “zero non-compliance and zero violation” procurement process, we commit to building a healthy, sound and fair cooperative environment for all partners with continuous improvements in terms of policy, procedure, system, training, evaluation and supervision with the help of both internal and external authentications and assessments.

In Hubei, we organised the Annual Partners Forum on Business Integrity for the third consecutive year. Our goal was to raise the awareness of our procurement compliance policies and requirements among our suppliers. We strictly applied integrity policy to suppliers. Any supplier who was found with serious violation would be suspended for three years.

Process
To prevent business bribery and unfair competition, we signed Mandatory Integrity Commitment with all suppliers and required all headquarters buyers to sign the Workplace Integrity Code of Conduct.

Training
We provided compliance training to suppliers to prevent illegal business behaviours.

Supervision
We organised procurement compliance inspections and supply chain management inspections to ensure our provincial subsidiaries’ procurement operations in compliance with company regulations. Corrective actions were required if problems were detected.

System Support
Applied an electronic procurement and bidding system, standardised full online procurement process from publishing bidding announcement to signing contract to ensure transparency, compliance, and efficiency.

Policy
We compiled and issued a series of procurement management policies in 2013, including:
- Management Methods on Procurement Decision-Making of China Mobile Headquarters
- First-Level Centralised Procurement and Group Procurement Implementation Regulations
- Management Methods on Procurement Documentation
- Provisional Management Methods on Operation Management of Regional Logistic Centre
- Provincial Subsidiary Procurement Decision-Making Guide
- Procurement Experts Pool Management Methods
- First-Level Centralised Procurement Demands Management Methods

Performance Review
We set up KPIs and conducted comprehensive and professional compliance reviews of our supply chain to help our provincial subsidiaries establishing efficient, clean and healthy supply chain systems.

Note 1: The first-level procurement carried out by our group and the suppliers are first-level suppliers accordingly.
Note 2: The second-level procurement carried out by subsidiaries of provinces, autonomous regions and directly-administered cities, and the suppliers are second-level suppliers accordingly.

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<th>Policy</th>
<th>System Support</th>
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100% 455 first-level suppliers¹, 100% are local suppliers
47.65% 6,829 second-level suppliers², 47.65% are local suppliers
Improving Responsibility Requirements

To improve responsibility performance of our partners and ourselves, we expanded the responsibility boundary by integrating clear requirements into procurement policies and partnership management regulations, exploring ways to work together with our suppliers to improve the overall supply chain responsibility, such as supplier authentication and supplier assessment with integrated requirements on the environmental, labour, human right and social conducts of suppliers.

2013 GSM Antenna Centralised Procurement Programme

We added the “Corporate Overall Competence” indicator and SA8000 certification status to our procurement criteria to measure the labour conditions, labour rights, and occupational health and safety conditions of our suppliers.

Policy

In 2013, we compiled Supplier Management Methods, which includes the following procedures regarding responsibility management:

- **Sourcing (Registration)**
  To ensure legal compliance of suppliers with authenticated registration information collected through the Supplier Portal and Supplier Information Platform
- **Authentication**
  To assess and certify the eligibility of suppliers and their performance and capability with regard to legal compliance as well as environmental and social responsibilities
- **Performance Assessment**
  To assess and rate supplier based on their overall performance score

Tool

In 2013, we compiled supplier authentication toolkits for 19 product categories that covering 35 categories of first-level centralised procurement products. The toolkits assess the performance of suppliers in energy saving and emissions reduction, labour management, health and safety management and good faith business and requires ISO 14001 (The criteria for an environmental management system) and SA8000 (Social Accountability 8000 International Standard) certifications for potential suppliers.

Capacity

We organised skill trainings for supplier authentication personnel at provincial subsidiaries on responsibility performance assessment from 27 to 29 August, 2013
In Anhui, after 24 months of researching, four months of testing and 30 months of piloting, we developed an environmental friendly nano-plastic cable reel with outstanding engineering properties to replace wooden reels in use. It was estimated that 200,000 m$^3$ of timbers (approximately equivalent to avoiding cutting down 24 km$^2$ of forest) could be saved if it was applied group-wide. This solution not only mitigates the negative environmental impact of timbers usage and disposal, but also generates positive environmental benefits and protects biodiversity.

“Besides the pollution caused by discarded wooden cable reels, parasites in wood materials may cause pest infestation in forests near the construction sites. Now with the green cable reel product, this hazard becomes well under control.”

Wu Feng
Deputy Director
Bureau of Parks and Woods, Huangshan Management Committee