



**SUSTAINABILITY  
FOR THE NEXT  
GENERATION**

2009 – 2010  
CORPORATE SOCIAL RESPONSIBILITY REPORT  
LENOVO GROUP LIMITED

**lenovo**

In the right hands, technology empowers. It transforms communities. It even changes lives. We create technology solutions that make a difference, because we believe we have a responsibility towards our customers, the communities we serve and the planet that so generously sustains us. As we grow our business, we rededicate ourselves to delivering personal technology products that put people at the forefront and enable them to build a better future for themselves.

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# 1.0 SUSTAINABILITY FOR THE NEXT GENERATION

## A message from our Chairman and our Chief Executive Officer

Companies that aspire to be truly great must have the unique ability to operate with balance. They must balance short term changes in market dynamics with long term strategic commitments. They must be able to compete vigorously in a global economy while also staying true to their core values and fundamental principles. And, they must recognize that the best, most well-respected companies not only need to win in the market, but also have a positive impact on the world around them.

Global businesses, in particular, must embrace the fact that they are accountable for building a lasting foundation for the future—and that means creating a more sustainable world. At Lenovo®, we know we must lead by example and take a positive, leading role in doing what is right to address the challenges the world faces, including environmental degradation, global climate change and poverty.

Our commitment to responsibility is embodied in the unique culture and core values that guide the conduct of our company. We call this The Lenovo Way. Stated simply, The Lenovo Way means “we do what we say and we own what we do”. This applies not only to the way we build our products, work with our customers or manage

our operations, but also to our steadfast commitment to social responsibility and sustainability.

We view our active participation in helping solve some of the world’s most pressing challenges as part of our responsibility as a next generation global enterprise—part of our commitment to making the world a better place.

Lenovo has a proud heritage as a socially responsible company. We have direct involvement in supporting health, education and infrastructure initiatives in local communities around the world and a strong track record of mobilizing to respond when crisis strikes to help those most in need.

In a world that is increasingly challenged by constrained energy resources and the environmental threat of climate change, Lenovo also accepts the call to action. Having established benchmarks and targets for global carbon footprint reduction beginning in 2007, we are leading by example in committing to absolute reductions in the emissions of greenhouse gases from our own operations. We also are driving and facilitating similar reductions in our supply chain and customer base through the implementation of a comprehensive climate change strategy. Working with the Carbon Disclosure Project, our measurement approach addresses all aspects of our business and sets aggressive objectives and targets to help gauge our performance and to insure we stay on track.

In recognition of our commitment to sustainability and the call for companies in the region to promote sustainability, Lenovo is proud of our selection as a constituent stock of the Hang Seng Corporate Sustainability Index Series—the first index of its kind to focus exclusively on Hong Kong and mainland China. This selection fully demonstrates that our efforts in creating sustainable business practices have been well recognized.

We also know that our commitment to social responsibility cannot be accomplished alone. We can only deliver the best results when we partner and collaborate with communities, governments, suppliers, customers and one another to bring about lasting change. Throughout this report, you will find examples that illustrate the transformative power of what Lenovo, its employees, and its products and innovations have accomplished when working with local communities and organizations to help change and improve the lives of the next generation.

At Lenovo, creating a sustainable world for the next generation is about much more than what we do in any given situation. It is part of our DNA, at the core of who we are and at the heart of doing things The Lenovo Way.



*Liu Chuanzhi*

**LIU CHUANZHI**  
Chairman of the Board



*Y. Yang*

**YANG YUANQING**  
Chief Executive Officer



## 2.0 CSR HIGHLIGHTS



### DID YOU KNOW?

Lenovo has provided PCs to more than 4 million rural residents in China over the past 5 years and Lenovo's PC skills training has helped more than 20 million rural residents.

As a global company, Lenovo supports and implements sustainable business practices and is devoted to ensuring that our products, employees, sites and suppliers are following the commitments we have made to socially responsible business practices. Lenovo's Corporate Social Responsibility (CSR) commitments encompass:

- Maintaining high ethical standards
- Employee health and welfare
- Quality and safety for products
- The environment
- Global supply chain
- Social investments

Lenovo's CSR commitments and 2009 highlights are summarized below.

### Maintaining High Ethical Standards

Lenovo provides guidance to our employees on a wide range of ethical issues, such as reporting unlawful or inappropriate conduct, respecting and protecting intellectual property, trading in securities and complying with governmental regulations. Employees are required to report any evidence of fraud, unethical business conduct, violation of laws, danger to health or safety or any other violation of corporate policies.

In 2009, Lenovo became a signatory and member of the UN Global Compact and fully embraces its policies and principles. The UN Global Compact is a public-private strategic policy initiative for businesses committed to aligning operations and strategies with ten universally accepted principals in the area of human rights, labor, environment and anti-corruption.

### Employee Health and Welfare

Lenovo's people are our greatest asset, and we are committed to providing a safe and healthy working environment. This global commitment is clearly essential to the company's



Lenovo Beijing Innovation Center

# CSR HIGHLIGHTS

productivity and values. The Company's Global Occupation Health and Safety (OHS) organization has established world class standards for employee workplace safety. Lenovo is recognized as a leading employer offering competitive compensation packages, abiding by applicable minimum wage requirements in every country and region where it operates, providing equipment that is safe to use, and focusing continually on preventing injuries. Lenovo is pursuing global volunteer initiatives, such as OHSAS 18001, in which Lenovo's Global Supply Chain was certified OHSAS 18001 compliant by the Bureau Veritas Certification.

## Quality and Safety for Products

Lenovo has a well-earned industry reputation for delivering superior quality products and is committed to ensuring that our products are safe throughout their lifecycle. Lenovo's Global Quality Management System, which has received ISO 9001 (International Organization for Standardization) certification, ensures the continual delivery of design improvements into Lenovo's current and future products. Lenovo is committed to ensuring that our products are safe throughout their lifecycle, including manufacturing, transportation, installation, use, service and disposal. Corporate strategies, policies and guidelines have been designed to support this commitment for product safety. Lenovo strives to ensure that our products meet all applicable legal requirements and voluntary safety and ergonomics practices to which Lenovo subscribes wherever our products are sold.

## The Environment

Lenovo is committed to accountability and leadership in environmental affairs and continues to build upon a history of environmental achievement. With the foundation of a robust Environmental Management System (EMS) each Lenovo employee and manager bears a personal responsibility to conserve natural resources, develop, manufacture and market products that are safe for the user and the environment, energy-efficient, and recyclable. Lenovo's EMS is ISO 14001 certified and covers Lenovo's global manufacturing research,



*Lenovo Morrisville, North Carolina Customer Briefing Center*

product design and development activities for personal computers and related products, servers, and digital and peripheral products. Lenovo's EMS assures the highest level of environmental protection for Lenovo's products as well as Lenovo's site operations worldwide. Lenovo's corporate environmental policy applies to all Lenovo manufacturing and development operations and forms the foundation of Lenovo's EMS.

Lenovo's Environmentally Conscious Products program specifies the elimination of potential health hazards and minimizing the environmental impact of its products across the complete product lifecycle. Lenovo's priority is to use environmentally preferable materials whenever applicable and is a leader in the use of recycled content in its products including post-consumer recycled plastics. From 2005 through December 2009, Lenovo has used over 14.1 million

# CSR HIGHLIGHTS



*Millennium Promise School Lab in Ruhira, Uganda*

pounds (net) of post consumer recycled Content plastics, content plastics, with over 8 million pounds (net) used in 2009 alone. Lenovo currently uses low halogen post-consumer recycled content in applications across all product types, including notebooks, monitors, desktops and workstations. In 2009, over 30% (net) of all plastic purchased to manufacture Lenovo monitors consisted of low halogen post-consumer recycled content, with every ThinkVision® monitor released in 2009 containing post-consumer recycled content.

Reduced energy consumption is also a major goal of Lenovo's Environmentally Conscious Products program. In June 2009, Lenovo announced that more than 25 of its Think-branded business and Idea-branded consumer PCs met the new ENERGY STAR™ Version 5.0 Specification for Computers, which went into effect on July 1, 2009. Lenovo offers a full complement of ENERGY STAR™ qualified notebook, desktop, monitor, workstation and server products. Many of the configurations offered exceed the current ENERGY STAR™ energy efficiency criteria by 10% to more than 25%.

Lenovo offers product take-back and recycling programs for both consumer and business customers worldwide. Lenovo offers these programs in every country it conducts business, with many of those programs free to the consumer. For business customers, Lenovo's Asset Recovery Service (ARS) provides computer take-back, data destruction, refurbishment and recycling services.

## Global Supply Chain

Lenovo is focused on driving sustainable activities through its internal operations as well as the operations of its global suppliers. The Company has driven numerous process improvements initiatives that have had an immediate, positive impact on the environment. Examples include local manufacturing strategies to shorten ship requirements, the award-winning use of thermoplastics and other recycled packaging materials. All of these initiatives help reduce the environmental impact from Lenovo products. All Lenovo supply chain facilities meet ISO 14001 requirements.



**ThinkPad Edge 13"**

As a member of the Electronics Industries Citizenship Coalition (EICC), Lenovo is helping to lead a global, standards-based approach to monitoring suppliers across a broad range of sustainability and social responsibility issues. Lenovo's policies and processes are consistent with the requirements of the EICC for ensuring that working conditions in the electronics industry supply chain are safe, that workers are treated with respect and dignity and that manufacturing processes are environmentally responsible. By working together, Lenovo and other member companies are creating a comprehensive strategy for a standards-based approach for monitoring suppliers' performance across several areas of social responsibility.

As an EICC member, Lenovo requires each of its tier one suppliers to adhere to the program including agreement to conduct compliance audits using third-party EICC auditors. The company's direct suppliers are required to fully comply with EICC standards in the areas of labor, environment, ethics, health and safety and management systems. During this past

# CSR HIGHLIGHTS



Lenovo Morrisville, North Carolina

Fiscal Year, Lenovo has continued to work with its direct suppliers to expand EICC compliance to tier two suppliers. In 2009, Lenovo completed third-party independent EICC

compliance audits on five manufacturing facilities in China and India. The audit results were strong, validating Lenovo's high standards for its own supply chain operations.

Lenovo also continues to optimize its global logistics program to drive additional product volumes to shipping methods that are more environmentally friendly, such as ocean vessels and rail. In FY 2009–10, Lenovo shifted 11 % of its notebook shipments from high carbon air transport to lower carbon ocean shipping. Lenovo continues its work with logistics partners to ship products responsibly, maintaining its membership with the EPA's SmartWay Transport program. Finally, Lenovo completed a risk assessment of its China-based carriers for EICC non-compliance. Risks were judged to be minimal.

## Social Investments

Lenovo's "Hope through Entrepreneurship" program was developed to encourage individuals around the world to make an impact. This innovative program encourages global business development while helping transform the lives of people and their communities worldwide. During 2009, Lenovo's support of the Millennium Villages Project (MVP), a partnership between the Earth Institute at Columbia University, Millennium Promise and the United Nations Development Program (UNDP), contributed to MVP's effort to reduce extreme poverty in sub-Saharan Africa while specifically addressing MVP's goal of providing computer infrastructure support to the region. In Greater China, Lenovo is actively working to boost the growth of Greater China's charitable causes via programs supporting youth entrepreneurship and venture philanthropy. Also, during FY 2009-10, Lenovo and its employees supported various global disaster relief efforts including relief efforts in Haiti, Chile and Taiwan. Lenovo's support for the Haiti earthquake disaster included financial support for the Medical Missionaries, PC donations to the American Red Cross, and a global employee charitable campaign with employee donations supporting the American Red Cross.

## LENOVO VENTURE PHILANTHROPY PROGRAM



At Lenovo, we understand the importance of giving back to society. As a result, we have implemented the Lenovo Venture Philanthropy Program to provide support to charitable organizations throughout China. The program helps charitable organizations achieve their goals for social advancement by leveraging the resources and business experience of Lenovo and its employee volunteers.

In 2008 alone, the Venture Philanthropy Program provided support for 30 charity organizations. The organizations focused on the following four areas: bridging the digital divide, environmental protection, education, and poverty as well as disaster relief. We believe the Venture Philanthropy Program has made a positive impact in China and will continue to do so in the coming years.

In 2009, Lenovo came to realize that college students—its most important constituents—are faced with a harsh reality: they are very interested in social involvement, but they face major challenges in finding jobs during a time of global economic turmoil. To address this situation, Lenovo China has launched the Lenovo Young Social Entrepreneur Program as an extension to the Venture Philanthropy Program. The Young Social Entrepreneur Program aims to provide an outlet for college students and young white collar workers by encouraging them to start up social programs or enterprises. Upon selecting the most qualified candidates through a competitive process, 28 final teams received training from Lenovo executives and charity experts. The top 10 teams who earned internships at prestigious NGOs as well as Lenovo funding are pictured above.



# 3.0 PERFORMANCE

## 3.1 ABOUT LENOVO



### DID YOU KNOW?

Just one day after the earthquake in Qinghai, China, Lenovo donated 1,200 tents to the earthquake stricken area.



Lenovo Beijing Office



Singapore Women In Lenovo Leadership (WILL) Event

Lenovo is dedicated to building exceptionally engineered personal computers. Lenovo's business model is built on innovation, operational efficiency and customer satisfaction as well as a focus on investment in emerging markets. Formed by Lenovo Group's acquisition of the former IBM® Personal Computing Division, Lenovo is a New World company that develops, manufactures and markets reliable, high-quality, secure and easy-to-use technology products and services worldwide. Our mission is to provide businesses and consumers with smarter ways to be productive, efficient and competitive and to enhance their personal lives. Operating in more than 60 countries, we are dedicated to serving the needs of our customers, partners, investors, employees and local communities with a business model that is based on:

- Innovation
- Customer satisfaction
- Sustainability
- Operational efficiency

### Our Values

Our values serve as the foundation of our company and define who we are and how we work. Principle among them are:

- Customer service
- Innovative and entrepreneurial spirit
- Accuracy and truth-seeking
- Trustworthiness and integrity

### Our Heritage

Lenovo came about as the result of the merger of two of the most storied companies in technology and business: Legend Holdings in China and IBM's Personal Computing Division in the United States. The merger was heralded as a watershed event in global business with the potential for integrating two disparate cultures, languages, processes and markets.

As a result, Lenovo embodies the unique market possibilities in combining the best of East and West—joining North

American and China-based technology players in the creation of a unified global PC leader with growing market positions in developed and emerging markets alike. With more than \$16 billion in annual revenue, Lenovo's market strength spans not only market geographies but also the world's consumer and business PC markets.

### Innovation: New World, New Thinking

Lenovo is one of the world's largest makers of personal computers and makes the world's most innovative PCs, including the renowned ThinkPad® notebook as well as products carrying the ThinkCentre®, ThinkStation®, ThinkServer®, IdeaCentre® and IdeaPad® sub-brands.

Today, Lenovo is a global corporation with significant operations on six continents. Everyone at Lenovo takes great pride in our ability to attract top talent from diverse backgrounds and from around the world. We view our differences and diversity as a source of strength in building a collaborative culture that helps us achieve our goals.

# ABOUT LENOVO



*Millennium Promise School Lab in Ruhiira, Uganda*

We have no world headquarters and, instead, have put in place a distributed management structure that places operational hubs in centers of excellence around the world integrating this talented, diverse group into a cohesive New World company.

Our multicultural management team is free to convene wherever and whenever it makes the most sense. Lenovo has operation hubs in Beijing, Morrisville, NC Singapore and Paris, a marketing hub in Bangalore, India, and major research centers in Yamato, Japan; Beijing, Shanghai and Shenzhen, China; and Raleigh, North Carolina.

The company employs more than 23,000 people worldwide, including 1,700 designers, scientists and engineers, representing a broad collection of nationalities and languages but at the same time working with one unified language and vision: to build the world's most exceptionally engineered personal computers.

## Two Roads to Creating a PC Powerhouse

- In 1981, IBM launched its Personal Computing Division which literally invented personal computing with such innovations as the first laptop, the precursor to the ThinkPad notebook, synonymous with innovation and quality.
- In 1984, Legend Holdings was founded in China with just 11 computer scientists and \$25,000 in cash, with the idea of delivering information technology more rapidly to consumers and businesses in China.
- In 2003, Legend began marketing its products under the Lenovo brand, melding the “Le” from Legend with “novo,” the Latin word for “new.” It officially changed its company name from Legend to Lenovo a year later.
- In 2005, Lenovo Group’s acquisition of IBM’s PC division essentially combined the market strength of Lenovo in

China and elsewhere in Asia among consumers with IBM’s leadership position in Europe and North America among business PC users.

- In 2007, Lenovo launches the IdeaPad line of consumer-branded PC products and drops the use of the IBM logo on all its products two years ahead of schedule.
- In 2008, Lenovo completed its entry into the server market with the launch of the ThinkServer portfolio, designed to deliver a better server experience for small and medium business customers.

## Innovation: New World, New Thinking

Lenovo owns the greatest track record for innovation in the PC industry and remains committed to innovation in its products and technology; innovation drives our business and adds value for customers.

Lenovo boasts extraordinary research capabilities. Its R&D centers in China, Japan and the U.S. have produced some of the world’s most important advances in PC technology, ranging from the original “bento box” PC notebook design in 1992 to the 2008 launch of the innovative ThinkPad X300 “Kodachi,” heralded as one of the world’s lightest, thinnest and most innovative full-featured notebook PCs ever.

The ultimate goal of Lenovo’s R&D team is to improve the overall experience of PC ownership, while driving down the cost of ownership. The company is rich in talent, with teams that have won hundreds of technology and design awards—including more than 2,000 patents—and introduced many industry firsts: TrackPoint® pointing device (“the little red button”).

ThinkPad design – one of the industry’s most silent PCs.

VeriFace® – Lenovo’s face recognition technology that creates a digital map that becomes the system’s password.

Dual-screen mobile workstation – combining unique design with complex engineering to meet the needs of high-demand computing environments.

# ABOUT LENOVO

## Lenovo practices corporate citizenship in many ways:

**Product quality and safety:** Lenovo is focused on the safety of our products throughout their entire lifecycle, from manufacturing, transportation and installation to use, service and recycling or disposal.

**Safe and Healthy Workplaces:** Lenovo's people are its greatest asset. In addition to meeting the legal requirements of the countries in which we do business, we ensure our employees have safe equipment and facilities; offer competitive compensation packages; and support stringent voluntary workplace safety standards.

**The Highest Ethical Standards:** Lenovo is committed to the highest standards of integrity and responsibility, including respecting and protecting intellectual property. We provide guidance to every employee on a wide range of issues concerning ethical business practices, securities trading, health and safety, and compliance with government regulations.

**Concern for the environment:** Lenovo is committed to environmental responsibility in all aspects of its business, from product design and supplier selection to manufacturing, facilities management, transportation and logistics and product lifecycle management, including recycling and reuse.

**Donating time and resources to philanthropy:** Lenovo and its employees are committed to helping those less fortunate and, when disaster strikes, to lend a helping hand to those who can no longer provide for themselves. Soon after the devastating earthquake in Sichuan Province in May, 2008, nearly 4,000 Lenovo employees made financial donations for disaster relief while hundreds more lined up to donate blood. In addition, Lenovo has committed 1% of its pre-tax income to programs and initiatives that serve society to address issues in areas of great need, no matter where those areas or issues happen to be.

## Our Competitive Spirit

Lenovo's thirst for excellence extends from our products to our sponsorships. The global spotlight shone brightly on the



ThinkPad X200 tablet

Lenovo brand during the 2008 Olympic Games in Beijing, where the company leveraged its role as a global partner of the International Olympic Committee and presenting sponsor of the Olympic Torch Relay.

What's more, Lenovo demonstrated its technical strengths in delivering a flawless performance that met the unprecedented demand of the Beijing Games. A network of 30,000 pieces of equipment, including desktop and notebook computers, touch-screen devices and printers supported by more than 600 Lenovo engineers.

Building on the success of its sponsorships of the Beijing Olympic Games, Lenovo has been selected to perform a similar role in providing technology and support for the Shanghai World Expo in 2010.

Lenovo is also a sponsoring partner with motor racing's Formula One Vodafone McLaren team. Formula One provides an outstanding showcase for Lenovo's technology, and keeps Lenovo at the forefront of an arena where performance counts.

# LENOVO EMPLOYEES SUPPORT BLOOD DRIVES



Lenovo Morrisville together with Rex Blood Services sponsors blood drives throughout the year. During FY 2009-10, 235 Lenovo employees donated 246 pints of blood saving 705 lives.

## 3.2 BUSINESS REVIEW

(Excerpted from: 2009–10 Annual Report Lenovo Group Limited)



ThinkCentre M58e

During the Fiscal Year (FY) 2009–10, worldwide PC shipments showed improvement in growth from the beginning of the year with momentum gaining pace towards the year-end, benefiting from an improved macro economic environment aided by worldwide government stimulus spending. The consumer PC market continued to show strong growth while commercial PC demand remained relatively weak as enterprises remained conservative and deferred IT spending. The China market recovered earlier and quicker than most of the markets, with momentum continuing towards the year-end, due largely to strong performance in consumer segment.

Lenovo outperformed the worldwide PC market in each of the last four quarters, and recorded the fastest growth rates among the key competitors in the last two quarters of the Fiscal Year. Lenovo's strong performance was a result of its leadership position in China where it has outperformed the market consistently in each of the last four quarters, together with its continued expansion in transactional business and emerging

markets. The Group recorded approximately 28.2% year-on-year growth in unit shipments during the year, and reached the historic high of 8.8% market share for the Fiscal Year.

In the Fiscal Year ended March 31, 2010, the Group's sales increased by approximately 11.4% year-on-year to US\$16,605 million, as its growth in unit shipments was offset by industry-wide product mix shift to lower price points, aggressive competition and increased component costs. Gross profit (excluding the restructuring costs and one-off items) decreased 2.4% year-on-year, amounting to US\$1,790 million, while gross margin declined from 12.3% in last year to 10.8%.

In January 2009, Lenovo announced a global resource restructuring plan aimed at reducing costs and enhancing operational efficiency. The plan is on track to generate expected savings. The Group also delivered strong expense reductions during the year, totaling US\$224 million, driving the expense-to-revenue ratio (excluding the restructuring costs and one-off items) to a historic low of 9.6%, continuing the trend of year-on-year improvement for the last four quarters.

The Group reported an operating profit (excluding the restructuring and one-off items) of US\$204 million for the year, increase by 750% year-to-year. Including a net gain of US\$82 million from the disposal of some investments and restructuring costs and one-off items totalling US\$68 million, of which including approximately US\$20 million redundancy costs incurred in fiscal quarter four, Lenovo's profit attributable to equity holders amounted to US\$129 million for the year, recovering from the loss of US\$226 million in the year before.

The Group's strong performance during the last four quarters was the result of clarifying its strategic priorities at the beginning of the fiscal year. The "Protect and Attack" strategy is aimed at protecting its core businesses in China and global commercial business, while at the same time, attacking the hyper-growth areas in global transactional business in emerging markets. Lenovo also reorganized its business by merging operations into two geographies, namely Mature Markets and Emerging Markets. And, to further ensure faster and stronger end-to-



### DID YOU KNOW?

Lenovo launched the first PC monitor to be TCO Certified EDGE, the ThinkVision L2251x wide monitor in October 2009. The chassis of the L2251x wide uses 65% post-consumer recycled plastics with an additional 20% post-industrial recycled content, not virgin plastics.



Lenovo suppliers environmental training session

end management, two product groups were created: the Think Product Group mainly targets at commercial customers, and the Idea Product Group mainly targets at consumer customers.

Lenovo also took major steps to strengthen its business model, became faster and more efficient, and put the building blocks in place to extend its transactional model globally, while simplifying its relationship business to make it more productive in focusing on the key accounts.

The Group reacquired Lenovo Mobile in November 2009 as part of its strategy to establish a leadership position in the China mobile internet market during its early development phase. The purchase of Lenovo Mobile was approved by shareholders in January 2010, resulting in the inclusion of two months of Lenovo Mobile's performance in the Group's results for the year ended March 31, 2010.

# BUSINESS REVIEW



ThinkPad T400s

## PERFORMANCE OF GEOGRAPHIES

During the year ended March 31, 2010, Lenovo saw year-on-year improvements in its geographic performance as compared to the previous Fiscal Year, benefiting from the focus on its strategic priorities and its strong execution. The Group's China business delivered solid profits while losses incurred in Mature Markets and Emerging Markets (excluding China) were reduced significantly.

### China

China accounted for approximately 47% of the Group's total sales. China's economic stimulus packages and its rural subsidy program for PCs aided in driving demand in both commercial and consumer segments, especially for consumer notebooks. With growth momentum further improving in the second half of the year, the China PC market posted 31.9% year-on-year growth in unit shipments. Lenovo further expanded its leadership with 37.4% year-on-year increase in unit shipments by: focusing on capturing high growth opportunities in the rural market and government stimulus projects, refining the Small and Medium-sized Business (SMB) model, strengthening cross-selling capability in the large enterprise segment and enhancing storefront competitiveness. The Group's market share rose 1.2% points year-on-year to 30% based on preliminary industry estimates, and achieved a historic high market share at 33.4% in its traditional peak season at the quarter's end in December.

As noted, Lenovo completed its reacquisition of Lenovo Mobile at the end of January after shareholders approved the transaction on January 22, 2010. As a result, China included approximately 2 months of Lenovo Mobile contribution for the Fiscal Year.

## Emerging Markets (Excluding China)

Emerging Markets (excluding China) accounted for approximately 16% of the Group's total sales. Economic growth in emerging and developing economies was affected by the financial crisis. As a result, growth in the PC markets in certain emerging markets declined substantially in the first half of the year, while rebounding in the second half of the fiscal year. Lenovo showed a strong growth momentum in the region in the last Fiscal Year, and grew by 34.5% in unit shipments compared to last year. According to initial industry estimates, Emerging Markets showed a year-on-year increase of 1% points to 4.8% for the Fiscal Year.

To gain better efficiency and speed to market, Lenovo set up distinct end-to-end business models for each key country in the region. The Group launched a series of innovative and popular Idea-branded products into 18 countries to address the needs of consumer segment. Meanwhile, the Group also kick-started its efforts to develop core channels across the region, resulting in increased share of wallet and stronger bonds with core business partners.

## Mature Markets

Mature Markets accounted for approximately 37% of the Group's total sales. Impacted by sluggish commercial demand in mature markets, Lenovo started off in a low growth environment in the first half of the year, but greatly improved its performance during the second half. The improvement in second half performance was largely attributed to the strong growth in SMB and consumer segments. Strong notebook growth was seen consistently across all key geographies within the region which helped offset a continuing decline in the desktop PC business. However, PC demand from the



Lenovo Morrisville Customer Briefing Center

# BUSINESS REVIEW



ThinkPad T400s

enterprise market continued to remain relatively weak during the year, while future growth indicators, such as requests for proposals, increased towards the end of the Fiscal Year.

The Group implemented its new Mature Markets Group structure at the start of the year to better leverage best practices across the region. This action resulted in a more streamlined and unified business management system as well as reduced operating expenses. The Group also re-invigorated its channel strategy with the formation of a dedicated channel partner organization to broaden its reach through channel partners for improved growth and profitability. The channel strategy also aimed to simplify and increase the reach and customer coverage of the relationship business through the use of channel partners.

The Group has also implemented its transactional business model across the mature markets, replicating best practice developed in China, optimizing its organizational structure to support end-to-end campaign management and broadened coverage for multiple price cells. Lenovo has also expanded its consumer and retail presence in the region.

Lenovo grew by 8.9% in unit shipments in Mature Markets compared to last year. The Group's overall market share increased in all countries within the region with exception of those in North America, and reached 4.4% according to the latest industry estimates. With relatively limited retail presence in this region, Lenovo's share gains highlight its strong execution in the market segments in which it has presence.

## PERFORMANCE OF PRODUCT GROUPS

Lenovo created two product groups last year with an objective to ensure faster and stronger end-to-end management within the Group. The Think Product Group—targets mainly at commercial customers; and the Idea Product Group—targets mainly at consumer customers. Meanwhile, a new Mobile Internet Group was formed upon the completion of the reacquisition of Lenovo Mobile.

### Think Product Group

The Think Product Group, mainly targets at commercial customers, approximately accounted for 65% of the Group's sales during the year. The Group's Think-branded PC segment grew at 9% year-on-year, better than the worldwide commercial PC market growth.

The worldwide commercial PC market continued to decline in the first half of the year as enterprises continued to remain conservative in their IT spending, but the market stabilized towards the end of the Fiscal Year as the macro environment improved.

Demand for notebook PCs continued to show better growth compared to that of desktops, with the majority of the industry growth occurring at lower price brands. Lenovo's ThinkPad notebooks outperformed the market with 15% year-on-year



## DID YOU KNOW?

Lenovo ThinkServer power supplies are more than 92% efficient, which means that more of the energy you pay for is converted into usable power?



ThinkPad T400

growth in unit shipments during the year. The strength of ThinkPad can be attributed to 68% unit shipments growth in China and sustained sales in Mature Markets.

Building on the success of the ThinkPad X300 product launched in 2008–09 Fiscal Year, the Group has introduced its thinnest and lightest flagship T Series model ever, the ThinkPad T400s, maintaining Lenovo's position as the high performance standard in the premium PC space. The X Series line of ultraportable notebooks continued to represent some of the most powerful notebooks in their class, driven by standard voltage processors in super light designs. The ThinkPad W700ds revolutionized the mobile workstation market with a dual screen aimed at increased productivity, while the launch of the all new W510 brought high performance workstations into a more mobile 15" platform.

Lenovo launched the all-new ThinkPad Edge and ThinkPad X100e product lines at Consumer Electronic Show in January 2010 in Las Vegas (CES 2010) to target SMBs, which is the fastest growing segment of the commercial PC market. ThinkPad Edge products combine the quality and reliability that ThinkPad

# BUSINESS REVIEW



ThinkCentre M Series



ThinkPad X200t

is known for with a progressive new design, a redesigned contemporary keyboard and Lenovo's ThinkVantage® suite of software tools. The all-new ThinkPad X100e addresses the entry ultraportable needs of small businesses looking for affordable mainstream notebook performance, superior usability and legendary ThinkPad quality.

Lenovo also launched a series of new desktop products to protect its core enterprise business as well as to attack transactional business during the year. These include ThinkCentre A58e and ThinkCentre M90 Series, the greenest product in ThinkCentre family which delivers powerful performance featuring Intel®'s new Core processors, as well as Lenovo's first commercial All-in-One, ThinkCentre A70z that occupies 70% less desk space compared to a traditional desktop and monitor, can be easily set up within three minutes without cable clutter; and significantly reduces energy consumption while using less packaging material. Lenovo's Think-branded desktop products grew at 5% year-on-year, compared to a decline in the worldwide commercial desktop market.

A full line of product offerings in both ThinkPad and ThinkCentre products was key to the success in 2009–10 Fiscal Year. Product strengths were further validated in independent quality and performance rankings. TBR ranked Lenovo number one in its Corporate IT Buying Behavior and Customer Satisfaction Studies for commercial notebooks and desktops for 3Q and 4Q 2009. Additionally, the launch of Microsoft®'s Windows® 7 OS offered Lenovo's engineering team the opportunity to raise performance to an 'Enhanced Experience' level by optimizing ThinkPad performance to set the Windows® 7 benchmark.

## Idea Product Group

The Idea Product Group, focused on the consumer and entry SMB products, accounted for approximately 33% of the Group's sales during the year. Lenovo's Idea-branded PC shipments showed a year-on-year increase of 70%, and a year-on-year increase of 295% outside China. Idea-branded notebooks grew at 98% by unit shipments compared to last year, of which netbook accounted for

approximately 19% of notebooks unit shipments, while Idea-branded desktops grew at 18% from last year, boosted by the success of the all-in-one models.

Worldwide consumer PC demand remained resilient during the year despite the economic slow-down. Notebook demand continued to show strong growth while demand for desktops shrunk as the trend to replace desktops with notebooks continued with ever closer price points. Meanwhile, Lenovo's all-in-one products continued to show strong growth within the desktop category. The average selling price continued to shift lower, resulting in margin compression.

In mature markets such as North America, the trend towards multiple PCs per household and the tendency to replace desktops with mobile workstation at lower price points has been the key driver for consumer products. In contrast, emerging markets consumers are more typically first time PC buyers, particularly among a younger generation looking to purchase a PC for education purposes.

## LENOVO EMPLOYEES CARE CAMPAIGN

There are many ways that Lenovo employees make a difference in our community—volunteering, mentoring, teaching, etc. In 2009, more than 82% of the U.S. based Lenovo employees participated in our charitable initiative, the Lenovo Employees Care Campaign, donating more than \$317,000 to more than 500 non-profit organizations across the country.





# BUSINESS REVIEW



ThinkCentre M Series

The Group continued to expand its coverage of the worldwide consumer and SMB markets during the 2009–10 Fiscal Year with 46 new products across notebooks and desktops, covering everything from entry level to extreme performance price-points. In addition, Idea-branded products were a key part of the Group's expansion of its transaction business model from 22 to 86 countries. These new products received extremely favorable market response based upon rapid growth in portfolio coverage, improved time to market and supply chain efficiency.

The Group's innovative products won major industry awards at the CES 2010. Lenovo's hybrid notebook IdeaPad U1, representing an industry first, was awarded Best of CES Computer and Hardware from CNET and CEA and Best of CES Notebook from Laptop Magazine. The Group announced the world's first ARM-based smartbook, Skylight, which was awarded Best of CES MID/Smartbook and Best of CES Best Mobile Device from Laptop Magazine and Computer Shopper respectively.

## Mobile Internet Group

The Group completed its reacquisition of Lenovo Mobile at the end of January 2010, therefore only included Lenovo Mobile's

2 months performance in the last Fiscal Year. The mobile handset industry in China rebounded quickly with a substantial increase in unit shipments during the year which benefited from China's macroeconomic improvement, as well as the release of China's 3G licenses and the official launch of the 3G market. Lenovo Mobile continued to show strong unit shipments growth after its launch of a variety of cost-effective products in the operators market, as well as a range of competitive products in the open market. As a result, Lenovo Mobile grew 32% in unit shipments year-on-year and secured a top-three market position during the year.

## Notebook and Desktop

Lenovo posted material market share gains in both notebook and desktop PC markets in the Fiscal Year. The Group captured the strong growth in the robust consumer notebook market with an expanded consumer notebook product portfolio. Lenovo recorded approximately 50% growth in unit shipments, and its market share increased 1.3% points to 8.5%.

The Group's desktop unit shipments also grew 7.8% year-on-year and its market share increased 1.1% points to 9.1%. Although market demand was shifting to notebook computers,

the recovery in commercial demand, Lenovo's expansion into transaction business with stylish all-in-one consumer desktop and offering of SMB targeted desktop continued to support its desktop growth.

## RELATIONSHIP AND TRANSACTION BUSINESS MODELS

Lenovo's relationship business began recovering from the severe multi year downturn in the worldwide economy during the year, with a 4% increase in unit shipments. Lenovo launched new Channel friendly programs to engage business partners more significantly in enterprise and public sector sales.

Key account business in China continued to lead all regions worldwide with double digit growth and an increase in unit shipments across all product lines. Meanwhile, Mature Markets, which were most significantly impacted by the economic downturn, continued to experience a decline in unit shipments.

The Group's transaction business continued to build momentum around the world, and became an important driver of market share growth. Lenovo grew 47% year-on-year in unit shipments during the year.

# BUSINESS REVIEW



Lenovo Morrisville, North Carolina

Lenovo created a new unified Channel Partners organization in the Mature Markets during the year and held a number of partner events across the regions demonstrating Lenovo's re-investment and commitment to its core Business Partner Channel. This new channel organization helped simplify and improve the Group's relationship with business partners resulting in an increase in the number of active partners during the year.

## Global Supply Chain

Lenovo's global supply chain delivered across-the-board improvements in end-to-end cost savings, delivery performance, and quality during the 2009–10 Fiscal Year. Leveraging a dual supply chain model tailored to Lenovo's customer needs, Lenovo provided the differentiation needed to successfully meet the unique requirements of each market segment. This segmented supply chain approach brought increased efficiencies, responsiveness and performance to the Group.

Lenovo achieved the lowest average cost-per-box in the Group's history with a 24% improvement year-on-year. The Group significantly reduced its material and structural costs, and improved order-to-delivery cycle times for notebook PCs and desktop PCs by 4% and 3% year-on-year, respectively, through optimization of manufacturing and logistics networks. Quality performance, as measured by standard industry metrics, remained extremely strong for Lenovo notebooks, desktops and workstation/server products.

Lenovo continued to optimize its manufacturing footprint and global logistics networks to meet customer needs and respond to market conditions. Lenovo employs a mix of in-house and outsourced manufacturing, managed by teams of supply chain experts, providing the flexibility to respond quickly to market and demand changes and the capability to deliver industry-leading quality to its customers.

## Brand Building

At the CES 2010, Lenovo asserted itself as a global leader, not only in the PC industry but also in new businesses, launching its smartphone business and the new ThinkPad Edge targeting SMB. Lenovo was the most decorated PC maker at this prestigious show, earning awards across our entire product portfolio. The Group's breakthrough designs in existing product categories and bold entries into the mobile internet space reinforced Lenovo's position as an innovation leader and demonstrated the added value we bring across our entire product line.

Around the world, Lenovo continued its efforts to present its brand in relevant and compelling ways to key audiences. Partnering with Formula One's Vodafone McLaren Mercedes showcased how Lenovo powered one of the most successful teams in the world's most technology-driven sport.

## 3.3 CORPORATE GOVERNANCE

(Excerpted from: 2009–10 Annual Report Lenovo Group Limited)



### DID YOU KNOW?

21.3 million pounds of Post Consumer Content has been used by Lenovo from 2005 through June 2010.

The Board of Directors (the “Board”) and the management of the Company strive to attain and uphold a high standard of corporate governance and to maintain sound and well-established corporate governance practices for the interest sake of shareholders, customers and staff. The Company abides strictly by the governing laws and regulations of the jurisdictions where it operates and observes the applicable guidelines and rules issued by regulatory authorities. It regularly undertakes review on its corporate governance system to ensure it is in line with international and local best practices.

Throughout the year ended March 31, 2010, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the “CG Code”) in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Exchange”), and where appropriate, met the recommended best practices in the CG Code, save for the deviations which are explained below.

#### Code A.4.1

Code A.4.1 of the CG Code articulates that non-executive directors should be appointed for a specific term, subject to re-election. All the existing non-executive directors of the Company currently and the year through do not have specific terms of appointment. Nevertheless, non-executive directors are subject to retirement by rotation at annual general meetings under the Company’s articles of association accomplishing the same purpose as a specific term of appointment.

#### Code A.5.4

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (“Model Code”) prevailing before January 1, 2009. Revised Model Code complying with new requirements effective from January



*Women In Lenovo Leadership (WILL) Event in China*

1, 2009 was adopted by the Board on May 21, 2009. Notwithstanding this, the Board and relevant employees were informed of the new changes made in the Model Code and complied with the requirements of the new Model Code throughout the 2009-10 fiscal year.

#### Code C.3.3 (g)

The Audit Committee of the Company regularly discusses with the management the system of internal control and ensures an effective internal control system is in place to discharge its duty during the relevant period albeit the revamped terms of reference of Audit Committee commensurate with the new responsibilities as contained in the revised CG Code taking



**ThinkCentre M58p**

effect from January 1, 2009 were approved by the Board on May 21, 2009.

Apart from the foregoing, the Company met the recommended best practices in the CG Code as disclosed in the respective sections of the Company’s 2009–10 Annual Report. Particularly, the Company published quarterly financial results and business review within 45 days after the end of the relevant period in addition to interim and annual results. Quarterly financial results enhanced the shareholders to assess the performance, financial position and prospects of the Company. The quarterly financial results were prepared using the accounting standards consistent with the policies applied to the interim and annual accounts.

# CORPORATE GOVERNANCE



ThinkPad Edge 13"



ThinkVision L2251

## Directors' Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules from time to time and devised based on the principles of the Model Code a comprehensive and operative company policy to govern securities transactions by directors and designated senior management of the Company. All the directors of the Company have confirmed, after specific enquiry, their compliance with the required standard during the 2009–10 Fiscal Year.

## The Board

The Company together with its subsidiary companies (collectively the "Group") is controlled through its Board who is responsible for steering the success of the Group by overseeing the overall strategy and directing and supervising its affairs in a responsible and effective manner, whilst management is responsible for the daily operations of the Group under the leadership of the Chief Executive Officer (the "CEO"). The

Board has formulated a clear written policy that stipulates the circumstances under which the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will regularly review the policy.

The specific responsibilities reserved to the Board for its decision and consideration cover: annual budget, major capital and equity transactions, major disposals and acquisitions, connected transactions, recommendation on appointment or reappointment of auditor and other significant operational and financial matters.

In addition, the Board is responsible for the preparation of financial statements for each financial year which gives a true and fair view of the state of affairs of the Group on a going concern basis while the external auditor's responsibilities to shareholders are set out in the Independent Auditor's Report on page 69 of the Company's 2009–10 Annual Report.

As at May 27, 2010, there were 11 Board members consisting of 1 executive director, 6 non-executive directors and 4 independent non-executive directors. Accordingly, non-executive directors accounted for a vast majority of the Board whereas the independent non-executive directors represented more than one-third of the Board, thus exhibiting a strong independent element which enhanced independent judgment. Mr. Nicholas C. Allen,

an independent non-executive director of the Company, has the appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. The biographies and responsibilities of directors and senior management are set out on pages 55 to 58 of the Company's 2009–10 Annual Report.

During the 2009–10 Fiscal Year, the following changes in the Board structure of the Company occurred: (i) Dr. Wu Yibing was appointed as a non-executive director of the Company with effect from May 21, 2009; (ii) Mr. Justin T. Chang ceased to act as alternate director to Mr. James G. Coulter effective from August 6, 2009; (iii) Mr. Nicholas C. Allen was appointed as an independent non-executive director of the Company with effect from November 6, 2009; and (iv) Mr. John W. Barter III resigned as independent non-executive director of the Company taking effect from February 4, 2010.

Save for the relationships (including financial, business, family, other material and relevant relationships) as detailed below and in the biography of directors set out on pages 55 to 56 of the Company's 2009–10 Annual Report, there is no other relationship among the Board to the best knowledge of the Board members as at May 27, 2010:

1. Mr. Liu Chuanzhi and Mr. Zhu Linan, non-executive directors, also serve on the board of directors of Legend Holdings Limited, the controlling shareholder of the Company.

# CORPORATE GOVERNANCE

2. Mr. James G. Coulter and Mr. William O. Grabe were nominated by TPG Capital and General Atlantic Group respectively as non-executive directors of the Company pursuant to the Investment Agreement dated March 30, 2005, details of which were disclosed in the Company's circular dated April 20, 2005. Further, Ms. Ma Xuezheng, a non-executive director of the Company and a managing director of TPG Capital, is work associate of Mr. Coulter.

The Board meets at least four times a year at approximately quarterly intervals to review the financial performance of the Group, the overall group strategy and operations with active participation of majority of directors. Board meetings were scheduled two years in advance to facilitate maximum attendance of directors. Notices of not less than thirty days prior to regular Board meetings were given to all members of the Board. For other Board meetings, directors were given as much notice as is reasonable and practicable in the circumstances.

Meeting agenda were finalized by the Chairman in consultation with members of the Board. For regular Board meetings, directors received agenda with supporting Board papers seven days before meetings while documents with updated financial figures three days prior to meetings. Minutes of Board were circulated to the respective Board members for comment where appropriate and duly kept in minutes book for inspection by any director.

All the directors have direct access to the General Counsel and Company Secretary of the Company who are responsible for advising the Board on corporate governance and compliance issues. Written procedures are also in place for directors to seek, at the Company's expenses, independent professional advice in performing their directors' duties. No

request was made by any director for such advice during the 2009–10 Fiscal Year. The Company has arranged appropriate insurance to cover the liabilities of the directors arising from corporate activities. The insurance coverage is reviewed on an annual basis.

On a bi-monthly basis, management furnished updates of the financial performance of the Company to all members of the Board. Every Board member was furnished with a copy of Non-statutory Guidelines on Directors' Duties published by the Hong Kong Companies Registry and a comprehensive induction package on appointment to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/her responsibilities as a director.

In addition, in order to enhance the understanding of the Group's operation, during the 2009–10 Fiscal Year the Company arranged a tour for non-executive directors to visit the Company's manufacturing plant, innovation Center and call Center in Beijing and the executive office in North Carolina, U.S.

It is expressly provided in the Company's Articles of Association that, unless otherwise permissible in the Articles of Association, a director shall not vote on any resolution of the Board approving any contract or arrangement or any other proposal in which he/she is materially interested nor shall he/she be counted in the quorum present at the meeting.

Each of the independent non-executive directors has made a confirmation of independence pursuant to rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines set out in rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

## KRAMDEN INSTITUTE GEEK-A-THON EVENT AT LENOVO



Lenovo is a founding sponsor of the non-profit Kramden Institute, located in Durham, NC. Lenovo employees give their time and skills to the Kramden Institute and its computer refurbishment "Geek-A-Thon" events. Through these efforts, Lenovo employees helped refurbish 250 computers during FY 2009–10. The computers were then provided to the children of soldiers stationed at Fort Bragg, NC who did not have access to a PC at home.

# CORPORATE GOVERNANCE



*Puente Solidario – 2009 Christmas Campaign*

## Chairman and Chief Executive Officer

The positions of the Chairman of the Board and CEO are held by separate individuals to ensure a segregation of duties in order that a balance of power and authority is achieved. The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives whereas the CEO has delegated authority of the Board to take direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.

As at May 27, 2010, the posts of Chairman and CEO were held by Mr. Liu Chuanzhi and Mr. Yang Yuanqing respectively.

There is no relationship of any kind (including financial, business, family, other material and relevant relationships) between the Chairman and the CEO.

## Board Committees

The Company has preserved 4 Board Committees with defined terms of reference (which are available upon written request to the Company Secretary) – Audit Committee, Compensation Committee, Strategy Committee and Governance Committee. The terms of reference of Audit Committee and Compensation Committee reference those set out in the CG Code prevailing from time to time.



Should need arise, the Board will authorize an independent Board Committee comprising the independent non-executive directors to review, approve and monitor connected transactions (including continuing connected transactions) that should be approved by the Board.

Minutes of committee meetings are circulated to members of the relevant Board Committees for comment and are open for inspection by any director.

# CORPORATE GOVERNANCE



ThinkPad Edge

The following lists out the membership, responsibilities and the summary of work that each Board Committee performed on behalf of the Board during the 2009–10 financial year:

## Audit Committee

The Committee is responsible for assisting the Board in providing an independent review of the financial statements and internal control system. It acts in an advisory capacity and makes recommendations to the Board. The Committee meets with external auditor and management of the finance and internal audit functions of the Company at least four times a year at quarterly interval and is authorized to obtain independent professional advice to support its function. In each of these regular meetings, a separate executive session was arranged for the Committee to meet with External Auditor, Internal Auditor and General Counsel in the absence of management to discuss matters relating to any issues arising from the audit and any other matters such persons would like to raise.

## Compensation Committee

The Committee is responsible for considering and making

recommendation to the Board on the Company's compensation policy, including its long-term incentive policy. It is also responsible for the determination of the compensation level and package paid to the Chairman of the Board, CEO and other directors and senior management. The Committee is authorized to obtain outside independent professional advice to support its function.

## Strategy Committee

The Committee is responsible for assisting the Board in determining the vision, the long-term strategy and intermediate targets for the Company and reviewing the annual targets of the Company. The Committee is also responsible for the assessment of the performance of the Chairman of the Board and the CEO and making proposals to the Compensation Committee.

## Governance Committee

The Committee is to assist the Board in overseeing Board organization and senior management succession planning, developing its corporate governance principles and determining Board evaluation criteria and process.

# PUENTE SOLIDARIO



Lenovo Argentina developed the Puente Solidario team in 2007 with a goal of helping those most in need. The initiative was started by a group of Lenovo employees who, while sharing lunch, noticed how leftovers were simply tossed into the nearest trash can. The lunch group decided to team up with others to donate leftovers to those in need and Puente Solidario was born.

Puente Solidario translates into English as “bridge of solidarity.” The “bridge” is designed to help people help others, as the Spanish name suggests. Lenovo Argentina recognized that the gap between the “haves” and the “have nots” is narrow. The goal of Puente Solidario is to decrease that gap through actions that lead to a better, fairer and more just society. The result is a team dedicated to various campaigns designed to benefit those in need. The team's values rest on a commitment to ethical behavior, integrity, simplicity and voluntary collaboration.

In early 2009, the founders of Puente Solidario considered refocusing their activities and re-launched the Puente Solidario initiative to spark further collaboration and additional membership. As a result, Puente Solidario has created campaigns supporting Children's Day, Christmas giving programs and relief efforts to those affected by the earthquake in Haiti.

Currently, the team is collecting plastic bottle tops and paper for the Garrahan Hospital Foundation. The Foundation will use the funds derived from this collection to benefit the pediatrics department of the hospital.

# CORPORATE GOVERNANCE

## Communication with Shareholders

The Company is committed to safeguard shareholders' interests and encourage shareholders to attend the annual general meetings for which sufficient notices will be given. Shareholders are therefore encouraged to actively participate at such meetings. The 2009 Annual General Meeting of the Company held on July 29, 2009 was attended by, among others, Chairman of the Board, CEO, Chief Financial Officer, Chairman of the Audit Committee, Chairman of the Compensation Committee and Representatives of External Auditor PwC to answer questions raised by shareholders at the meeting. Resolutions passed at the 2009 Annual General Meeting included: adoption of the Group's audited accounts for the year ended March 31, 2009 together with the directors' report and independent auditor's report, re-election of retiring directors and authorization to fix directors' fees for the year ended March 31, 2010, re-appointment of external auditor and authorization to fix auditor's fee and grant of general mandates to the Board to issue and repurchase shares of the Company. All the resolutions proposed at the 2009 Annual General Meeting were decided by way of poll voting. The poll was conducted by Tricor Abacus Limited, the Company's share register, as scrutineer and the results of the poll were published on the Company's website ([www.lenovo.com/hk/publication](http://www.lenovo.com/hk/publication)) and the Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk)).

## Investor Relations

Lenovo establishes an investor relations department to promote open, transparent, efficient and consistent communications with shareholders, investors and equity analysts. The investor relations team commits to proactively provide investment community with necessary information, data and services in a timely manner, so as to allow them to fully understand the Company's operations and development.

During the year, the Company's senior management presented the annual results and quarterly results in Hong Kong, Morrisville, Beijing and San Francisco. Through various activities such as analyst briefings, press conferences, webcasts, conference calls and investor roadshows, the senior management presented and answered the key issues of which investors were of prime concerns. The Company continued to organize analyst roundtable to enhance equity analysts' in-depth understanding the operations and strategies of a particular business segment.

This year, Lenovo's senior management of Emerging Markets Group presented the Company's latest development and future strategy in the emerging markets. In addition to regular one-on-one investor meetings, the senior management participated in a number of investor conferences held by major international investment banks in order to maintain active communications with institutional investors around the world.



ThinkCentre M57 Series

## 9 BEST PRACTICES FOR GREEN I.T.

Lenovo encourages its customers to embrace environmentally sound best practices in their selection and use of PC products by promoting the following:

- Buy ENERGY STAR™ and EPEAT™ qualified hardware
- Choose GREENGUARD® certified systems (tested and reviewed for more than 10,000 individual volatile organic compounds (VOCs) and required to meet stringent health-based emission levels for over 350 of these individual VOCs.)
- Deploy power management software
- Use more energy-efficient displays
- Request bulk packaging for large quantity purchasing
- Buy desktops that are both space- and energy-saving
- Select desktops with a noise profile that is <25dB in idle mode
- Recycle used PCs and peripherals
- Order systems with recycled content in the system and the packaging



# CORPORATE GOVERNANCE

**Table 3.1 Investor Relation Awards**

The following table lists the investor relations awards received by the Company.

Year	Award	Organization
2000	Overall Best Investor Relations in China 2000	Asiamoney Magazine
	U.K. 2000 Awards: Best Asia-Pacific Company Investor Relations in the U.K. Market	Investor Relations Magazine
2001	Overall Best Investor Relations in China 2001	Asiamoney Magazine
	Best in Commitment to Shareholder Value, China	FinanceAsia Magazine
	Highly Commended – Best Asia-Pacific Company Investor Relations in the U.K. Market	Investor Relations Magazine
2002	Overall Best Investor Relations	Asiamoney Magazine
	Best Communications With Shareholders/Investors	Asiamoney Magazine
	Best Investor Relations in China	FinanceAsia Magazine
2003	Overall Best Investor Relations	Asiamoney Magazine
	Best Investor Relations in China	FinanceAsia Magazine
2004	Best Investor Relations, 1 <sup>st</sup> Runner-up	FinanceAsia Magazine
2006	Excellence in Investor Relations (China)	Investor Relations Magazine
	Highly Commended – Grand Prix for Best Overall Investors Relations (non-SOE, large cap) (China)	Investor Relations Magazine
	Best Investor Relations – 1 <sup>st</sup>	FinanceAsia Magazine
2007	Best Investor Relations – 4 <sup>th</sup>	FinanceAsia Magazine
2008	Best Investor Relations – 5 <sup>th</sup>	FinanceAsia Magazine
	Certificate of Excellence in Investor Relations	Investor Relations Magazine
	Grand Prix for Best Overall Investor Relations (by a PRC-Domiciled Company Listed on the HKSE)	Investor Relations Magazine
	Best Quoted Company for Investor Relations	Thomson Reuters Extel Asia Pacific Survey 2008

## Intellectual Property

Lenovo respects intellectual property rights. It is the Company's policy to avoid any infringement of copyright or other intellectual property rights of other Companies and individuals in the conduct of its business. Employees are expected to obtain necessary license or other permission that may be required.

## Employee Code of Conduct

Lenovo strives always to operate in an ethical and legal manner. The Company has created a Code of Conduct to inform and to guide employees in their everyday conduct at the Company. The Code was revised and re-issued in 2009, with a new training program to promote understanding and compliance. New employees are required to review Lenovo's Code of Conduct and sign the certification statement at the end of the document. Existing employees completed a recertification process in 2009.



## 3.4 LENOVO PRODUCTS



ThinkPad Edge

### 3.4.1 Quality

Lenovo has a well-earned industry reputation for delivering superior quality products. Lenovo's Global Quality Management System, which has received ISO 9001 (International Organization for Standardization) certification, ensures the continual delivery of design improvements into Lenovo's current and future products.

ISO 9001 is the international standard for achieving overall quality in business process management. ISO 9001 requirements create the foundation for conducting business in a manner that enables companies to realize the highest caliber of workmanship and customer satisfaction. The framework comprises the entire span of product or service delivery, from the purchase of raw materials or components, contract review, quality control product inspection, design, development, handling, delivery, employee training, and customer service and support. Lenovo strongly embraces the ISO 9001 commitment to an effective quality management system, and is dedicated to exceeding industry standards when it comes to detail, product quality and product reliability.

Building upon our company's heritage, Lenovo combines the talents of the innovation-driven China Legend team and the quality heritage from the former IBM Personal Computing Division, including some of the industry's top PC engineers to create a powerful global company focused on exceptionally engineered products. Product managers are responsible for establishing objectives and measuring results to drive continual improvement in quality and customer satisfaction throughout the organization.

Lenovo's comprehensive product development process includes prototype development, product testing and focus groups to ensure the company meets the diverse needs of our global customers. For instance, Lenovo proactively seeks input on design and product features from customers and partners. Prototypes are extensively evaluated and final products undergo rigorous testing to ensure that they meet stringent standards specific to their application and use before they are cleared for shipment.

Lenovo's Technical Evaluation Center provides information and recommendations to Lenovo Engineering. Lenovo's Lessons Learned feedback loop aids in refinement and the maturation of our processes and elimination of recurring problems. As a result, Lenovo's product repair action rates are among the lowest in the industry.

Lenovo leaders are responsible for establishing objectives and using measurements to drive continual improvement in quality and customer satisfaction. All Lenovo employees are expected to contribute to this continual improvement as an integral part of our quality management system.

Additional information on Lenovo's corporate quality policy is available at: <http://www.lenovo.com/quality>



### DID YOU KNOW?

Lenovo was the first in the IT industry to register an EPEAT™ Gold monitor, the ThinkVision L193p in 2007. Lenovo is currently an EPEAT™ industry leader and offers EPEAT™ Gold rated products in many countries around the world.



### Customer-Focused Testing

Once the product development phase is completed and before production, Lenovo products undergo a series of customer-driven tests. These include ongoing Customer Simulation Evaluations and Customer Simulation Audits (CSA) to evaluate product quality by removing systems from the box and setting them up in typical customer configurations. In addition, extended customer simulation tests are conducted on a sample basis with various configurations of product options and software. This last evaluation simulates the performance of the product through various standard customer applications. Consequently, Lenovo has developed a quality management system that meets the requirements specified by the ISO 9001 standard, with failure rates lower than ever.

Lenovo has continued to enhance our customer-focused program by sending technical teams to support installations at customers' premises.

During and after the installation, there is ongoing dialogue between the customer and Lenovo. This provides timely feedback on installation progress, allows corrective actions to be rapidly implemented and preempts potential issues. This has proven to be highly advantageous during new product release as issues can be promptly corrected to minimize the impact on all customers.

# LENOVO PRODUCTS



IdeaPad U350

## 3.4.2 Safety and Ergonomics

Lenovo is committed to ensuring that our products are safe throughout their lifecycle, including manufacturing, transportation, installation, use, service and disposal. Corporate strategies, policies and guidelines have been designed to support this commitment for product safety. Each employee bears a personal responsibility to advance the following objectives:

- Meet all applicable legal requirements and voluntary safety and ergonomics practices to which Lenovo subscribes wherever we sell products.
- Select suppliers that demonstrate a similar commitment to safety and provide customers with adequate information to enable them to safely use Lenovo's products.
- Foster employee involvement and provide appropriate resources to develop and implement successful product safety initiatives.
- Continually improve product safety initiatives.
- Investigate product safety incidents and take prompt remedial actions to protect Lenovo's customers and employees.
- Periodically report on safety initiatives and incidents to senior executive management.

**The following table depicts the process for product development and assessment for safety at various lifecycle points.**

Table 3.2 Assessment Requirements at Lifecycle Points

Development of product concept	No
R&D	Yes
Certification	Yes
Manufacturing and production	Yes
Marketing and promotion	No
Storage distribution and supply	No
Use and service	Yes
Disposal, reuse or recycling	Yes

With a focused emphasis on product safety and quality, Lenovo is achieving high customer satisfaction and delivering quality products, solutions and services.

In FY 2009–10, there were no incidents that were subject to the reporting criteria of government safety regulations and voluntary safety agencies concerning the health and safety impacts of Lenovo products and services.

## LENOVO'S GREEN PACKAGING

Lenovo has implemented a comprehensive approach to sustainable business practices in our global supply chain including a goal of reducing packaging material consumption and driving usage of environmentally sustainable cushion materials.

During FY 2009–10, Lenovo reduced ThinkPad box size by optimizing material consumption, designing a 100% post-consumer cushion material for ThinkPad systems, and improving the palletization density resulting in an increase of 42.8%.

The modified package meets Lenovo Corporate Qualification standards (rigorous drop and vibration testing and IATA lithium metal battery qualification and compliance). The material reduction equates to an annualized reduction in waste exceeding 750 tons for calendar year 2009 alone.

### BEFORE



Recycled content in packaging limited to paper/ cardboard.

### CURRENT



Implemented use of 100% recycled Low Density Polyethylene (LDPE) cushions.

# 4.0 PEOPLE



## 4.1 HUMAN RESOURCES

### 4.1.1 Data Privacy

Lenovo is committed to protecting the personal data of our employees, customers, resellers and others. Corporate strategies, policies and guidelines support this commitment to protect personal information. Managers and employees are responsible for fulfilling the following general principles for collecting, using, disclosing, storing, accessing, transferring or otherwise processing personal information.

#### These general principles include:

- **Fairness:** Lenovo will collect and process personal information fairly and lawfully and will provide clear notice about such practices.
- **Purpose:** Lenovo will collect personal information only if it is relevant to a legitimate business purpose. Also, Lenovo will state that purpose where required by law. Additionally, we will process this personal information in a manner consistent with the purpose for which it is collected.
- **Accuracy:** Lenovo will strive to keep personal information in a form that is as accurate, complete and up-to-date as is necessary for the purpose for which it is collected.
- **Disclosure:** Lenovo will make personal information available inside or outside the company only in appropriate circumstances and in accordance with our stated practices.
- **Security:** Lenovo will implement appropriate measures to safeguard personal information and will provide appropriate resources to fulfill this objective. Also, Lenovo will require any third-party who may collect, store or process personal information on behalf of Lenovo to process it only in a manner consistent with Lenovo's data privacy policy.
- **Access and Redress:** Lenovo will provide individuals with appropriate access to personal information about them. Also, Lenovo will implement a process to resolve questions and problems that may be raised by such individuals.



*Lenovo Suppliers environmental training session*

### 4.1.2 Harassment and Inappropriate Behavior

Lenovo is committed to providing a work environment free from harassment, including harassment based on race, color, religion, gender, gender identity or expression, national origin, ethnicity, sexual orientation, sex, age, disability, veteran status or any other characteristic protected by law. Lenovo has a zero-tolerance level for such behavior in the work environment.

Lenovo will investigate reports of inappropriate behavior, policy violations or alleged retaliation and take appropriate action based on the results of such investigation. Employees who engage in harassment or inappropriate behavior are subject to disciplinary action up to and including discharge from employment. The relative seriousness of the misconduct and any prior warnings given to the employee will be considered.

Employees who believe they have been the victim of harassment are encouraged to report the misconduct to Management, the Human Resources Department, the Ethics and Compliance Office, or the Legal Department. Complaints will be investigated promptly and dealt with appropriately. Threats or acts of retaliation or retribution by any manager or other supervisory personnel against employees for their good faith use of Lenovo's communication channels or appeals process will not be tolerated.



### DID YOU KNOW?

Lenovo reduced packaging used in large scale rollouts to business customers and universities. Bulk packaging can save around 2kg of packaging material per PC which means that a 5,000 unit desktop deployment could save nearly 10,000kg of material.



ThinkPad T400s

### 4.1.3 Employee Complaint Process

From time to time, an employee may have a problem, question or concern that cannot be resolved by working with the employee's immediate manager. Lenovo has a complaint process which allows employees to raise such issues outside of their line management. The intent of the process is to ensure an objective and thorough review of the issues and ensure that all employees are treated fairly. Any issue except policy decisions or operational business issues may be raised in accordance with this process.

### 4.1.4 Reporting Unlawful or Inappropriate Behavior

Employees must report to their managers, Human Resources, the Ethics and Compliance Office or the local Lenovo Legal Department for any information pertaining to:

- Fraud by or against Lenovo
- Unethical business conduct
- A violation of legal or regulatory requirements
- Substantial and specific danger to health and safety
- A violation of Lenovo's corporate policies and guidelines, in particular its Code of Conduct

# HUMAN RESOURCES

Lenovo will not tolerate harassment, retaliation, discrimination or other adverse action against an employee who:

- Makes an internal report in good faith under this policy
- Provides information or assists in an investigation regarding such a report
- Files, testifies or participates in a legal or administrative proceeding related to such matters

Managers are required to report and help resolve suspected violation of this policy. Complaints of alleged retaliation will be promptly addressed and investigated.

Reports of inappropriate behavior, policy violations or alleged retaliation will—to the extent permitted by law and consistent with an effective investigation—be kept anonymous and confidential.

## 4.1.5 Government Relations

Lenovo maintains good relationships with local governments around the world and strives to be a responsible corporate citizen in the countries in which it operates. Lenovo strives to adhere to the highest standards of integrity and accountability when dealing with government rules and regulations.

Employees must be truthful and accurate in all correspondence with all government authorities. They are to comply with those requirements at all times and avoid potential conflict-of-interest situations for Lenovo employees holding government offices, including the appearance of a conflict of interest even if an actual conflict of interest may not exist.

Lenovo will comply with all applicable laws and regulations governing lobbying and related activities.



ThinkServer Systems

## 4.1.6 Labor Practices for Direct Manufacturing Employees

Lenovo employs more than 5,000 direct manufacturing workers in 4 assembly plants in China, where Lenovo is considered an employer of choice. Lenovo also has a plant in Pondicherry, India, that employs more than 275 direct laborers. Lenovo has a fulfillment center in the U.S. in North Carolina that employs 50 laborers. Centro Tecnológico in Monterrey, Mexico employs 180 direct employees and approximately 1,000 contractors.

Lenovo Human Resource Policies strictly comply with labor laws and government regulations and also provide competitive rewards, equity policies and development opportunities.

Lenovo's labor practices include but are not limited to the following:

- Lenovo does not recruit or hire persons who are under 18 years of age. Internal monitoring processes are in place to ensure consistent adherence to this practice.

- Lenovo does not discriminate against candidates with disabilities.
- Direct laborers are offered competitive total rewards including base pay, performance bonus and other cash allowances. No Lenovo employee is paid less than the minimum wage specified by the government. Salary is paid monthly on time according to the agreement in the individual's labor contract.
- Overtime is paid to direct laborers according to government regulations. An internal overtime control process is in place to ensure a healthy work environment.
- Social insurance is enrolled for each direct laborer, which includes pension, injury insurance, unemployment insurance, medical insurance and maternity insurance.
- Supplemental significant disease insurance and accident insurance are offered to direct laborers.
- Lenovo also offers annual leave, a department activity fund and an employee club to enable direct laborers to have a good work and life balance.
- Employees are encouraged to use the internal appeal channels. This system is set up to ensure healthy employee relationships.

# HUMAN RESOURCES



ThinkCentre M58p

## 4.1.7 Ongoing Learning at Lenovo

Lenovo University is the company's personal educational development initiative designed to give employees the opportunity to acquire core competencies and skills needed for the future, while helping Lenovo retain a competitive global workforce. With a growing list of innovative educational offerings, Lenovo University offers various programs ranging from online training to individual development planning.

Lenovo employees receive ongoing training in areas such as culture, compliance, information security and performance management during the year. One hundred % of employees receive performance and career reviews at least annually.

Lenovo also supports an active employee mentoring program. Mentoring relationships are an excellent way to grow an employee's skills and knowledge in order to develop his or her full potential. Mentees and mentors both gain from participation in a mentoring relationship. Mentees can increase their understanding in the targeted subject area, and mentors can sharpen their leadership and coaching skills. To aid employees in the mentoring process, Lenovo provides an online book, "A Guide for Mentoring at Lenovo".

Lenovo welcomes new employees with the Lenovo New Employee Guide, which helps new employees find answers to questions on a wide variety of topics, including Lenovo's history, culture, business practices and policies as well as all of the tools and resources available to employees.

## LENOVO'S NORTH CAROLINA FACILITIES RECEIVE THE GOLD AWARD FROM THE NORTH CAROLINA DEPARTMENT OF LABOR



Cherie Berry, NC Department of Labor Commissioner and Mark Kline, Lenovo WW OHS/E Director holding the Morrisville awards

Lenovo places a tremendous focus on safety throughout its global facilities, and our commitment has not gone unnoticed. Lenovo is proud to be recognized by the North Carolina Department of Labor for maintaining a safe and healthy work environment.

Lenovo's Morrisville site accepted its 5<sup>th</sup> consecutive Gold Award from the North Carolina Department of Labor, while the U.S. Fulfillment Center located in Whitsett, NC accepted its 2<sup>nd</sup> consecutive Gold Award. The awards are given annually to North Carolina-based companies that achieve and maintain exemplary safety records, and are aimed at encouraging accident prevention and promoting workplace safety by inciting employers and employees to maintain a safe and healthy work environment.

For the past five years, the Lenovo-Morrisville site ranked below the industry accident average. In addition, Lenovo-Morrisville was recognized as the sole company facility based in Wake and Durham Counties for recording 5 million hours without any lost time due to accidents or illness. In 2009, the Lenovo U.S. Fulfillment Center also reported no lost time.

These accomplishments are a tribute to Lenovo's comprehensive and effective safety program. Our program requires commitment from management, planning, detailed procedures and accountability requirements, employee training and awareness as well as monitoring and corrective action. Lenovo's commitment to safety is ongoing, as is our focus on continual improvement throughout every aspect of our operations.

## 4.2 DIVERSITY



*Lenovo's global OHS/E team at their annual meeting in Shenzhen, China*

### 4.2.1 Valuing Diversity

As a global company with a rich heritage of Eastern and Western cultures, valuing and respecting diversity is instrumental to Lenovo's success. By leveraging the rich diversity of our workforce, Lenovo is able to delight customers, attract and retain top talent and create a workplace where employees achieve their greatest potential. Lenovo bases our corporate policies on four key company values: customer service, innovative and entrepreneurial spirit, teamwork across cultures and trustworthiness and integrity. Lenovo's diversity policy is

also grounded in these core values, seeking to drive innovation and creativity at Lenovo by leveraging both the similarities and differences of our diverse, talented and global workforce to support strong business performance.

### 4.2.2 Commitment to Diversity

Lenovo values the strength of our global workforce and recognizes that by bringing together employees with different perspectives and experiences, we spark innovation and better decision making, which contribute to our long-term success.



### DID YOU KNOW?

During FY 2009, Lenovo began to utilize cushioning materials with up to 100% recycled content in ThinkPad, ThinkCentre and ThinkVision products.



Lenovo has a globally dispersed, multicultural management team with broad expertise that sponsors key culture initiatives. Lenovo's key diversity executives are:

- Rory Read, President and Chief Operating Officer, who serves as Executive Diversity Sponsor.
- Yolanda Conyers serves as Lenovo's Chief Diversity Officer and was appointed by Ken DiPietro, Senior Vice President of Human Resources.
- Gina Qiao, Senior Vice President – Planning and Strategy, serves as executive sponsor of Women In Lenovo Leadership (WILL), Lenovo's global women's initiative.

### Women In Lenovo Leadership (WILL)

- WILL was launched in 2007 on International Women's Day with the purpose of addressing key priorities that would support a woman's growth and contribution to the company.
- WILL involves events, programs and HR processes to enhance work-life-balance, mentoring, networking, training and external partnerships with other players engaged in initiatives for women.
- WILL is a global program with regional leaders in Australia/New Zealand, Brazil, Canada, China, France, Western Europe, UK, India, Japan and the U.S.



# DIVERSITY



*Lenovo Employees*

These leaders provide specific focus on topics of interest to women in their respective regions. The following is an overview of events in specific regions.

- ▶ Lenovo partners with external organizations including the Association of Diversity Council, Business and Professional Women, Working Mother Media and Women In Technology International (WITI) to support gender inclusion efforts. Lenovo has sponsored and supported international meetings of the Women's Forum for the Economy and Society, which convenes top businesswomen from around the world for networking and sharing ideas. In 2010, Lenovo is a sponsor of the Women's Forum for the Economy and Society in Deauville, France. The forum encourages female students to pursue scientific and technological careers.
- ▶ Additionally, Lenovo is a leading member of InterElles, a French Society that promotes gender diversity in IT companies. Members participate in monthly meetings

and an annual symposium each year on Women's Day to analyze work conditions and barriers in IT companies and to share best practices in overcoming obstacles. Other member organizations include France Télécom, IBM France, Schlumberger, GE Healthcare, AREVA, and Air Liquide et EDF.

## 4.2.3 Global Workforce Reflective of Lenovo's Global Customers

Lenovo has approximately 23,000 employees across the globe, with approximately 66% located in China and 8% in the U.S. Among its U.S. employees, 32% are women and 31% are people of color.

By attracting and developing top employees from around the world, Lenovo has assembled a superior, high-performance global workforce to produce the highest quality and most innovative products.

Lenovo also supports diverse global observances such as Hispanic Heritage Month, International Women's Day and Black History Month. The company also celebrates global national holidays such as the Lunar New Year and other key holidays in countries where our employees live and work.

Lenovo continues to focus on global inclusion and cultural diversity training for all managers. The purpose of this training is to reinforce understanding and relationship-building skills to enable managers to work effectively with employees and customers from all backgrounds.

## 4.2.4 Marketplace and Supplier Diversity

Lenovo also strives to promote diversity in the companies we choose to partner with as subcontractors. Lenovo is continuing to refine our U.S. marketplace and supplier diversity strategy, which will focus on 3 key goals: increasing access to diverse talent, increasing access to a diverse supplier base and supporting entrepreneurship in local communities.

Lenovo is a key sponsor of the Girls in Engineering Program and the Global Marathon, which provides education and awareness to encourage girls to consider careers in engineering and technical fields.

## 4.2.5 Diverse Business Relationships

Lenovo is committed to promoting diversity in our business relationships, including fostering the utilization and development of minority, women and other small business concerns for the procurement of products and services. Lenovo's corporate strategies, policies and guidelines are aligned to support this commitment to diverse business relationships.

In 2009 and 2010, Lenovo's U.S. operations continued to promote supplier diversity in the community as well as best-practice sharing by partnering with local organizations such as the Carolinas Minority Supplier Development Council and the Greater Raleigh Chamber of Commerce. In November 2009, Lenovo hosted a Greater Raleigh Chamber of Commerce business meeting at which Lenovo's Procurement and Supplier Diversity Program Manager were available to discuss purchasing opportunities. Internally, Lenovo educated its procurement team on supplier diversity and offered additional industry tools to locate minority, women-owned and other small businesses. In addition, internal self-tests were incorporated into the procurement process to ensure that diversity concerns are considered.

## 4.3 HEALTH AND SAFETY



*Lenovo Suppliers Environmental Training*

### Employee Health and Safety

At Lenovo, our commitment to doing things the Lenovo Way means every employee takes responsibility for his or her actions. Fostering a safe and healthy working environment for Lenovo employees located in more than 60 countries is essential to our core values and our ability to attract, retain and motivate the best talent.

Our approach to employee health and safety is contained in our corporate policy statement, "Responsibility for Employee Health and Safety". This policy defines our commitment to creating and maintaining a workplace that provides for the health and safety of all employees at every location in which we do business. Under this policy, each manager and employee shares responsibility for achieving the following objectives:

- Provide a safe and healthy workplace for other employees.
- Provide products and equipment that are safe for use by our employees.
- Meet all applicable legal requirements to which the company subscribes and set and adhere to stringent voluntary requirements aimed at protecting employee health and safety.

- Incorporate employee health and safety requirements in business strategies, plans, reviews and product offerings.
- Implement and strive to continually improve processes and controls for preventing work-related accidents, injuries and illnesses.
- Foster employee involvement and provide appropriate health and safety education to enhance the ability of employees to work safely and productively.
- Perform self-assessments of our conformance with employee health and safety requirements and regularly report results to senior management.
- Investigate and address employee health and safety incidents.
- Provide appropriate resources to meet these objectives.

### Health and Safety Activities

Lenovo's Global Occupational Health and Safety (OHS) organization has standardized its approach across our operations with the



deployment of a global OHS manual that has helped establish world-class standards and procedures to ensure employee workplace safety and prevent work-related injuries and illnesses.

As Lenovo expands our global operations, OHS is involved to ensure the appropriate level of health and safety measures are put in place for all employees and that regulatory compliance is maintained. With expansion and growth, OHS is fully prepared to deploy additional technical resources at all future locations.

Lenovo manufacturing and select field locations have also established safety committee-type programs specific to their sites. The goal of these committees is to provide a mechanism for employees to bring forward potential safety concerns and participate in necessary corrective action.

For FY 2009–10 Lenovo's manufacturing incident rates are well below comparable industry averages. There have been no significant accidents involving Lenovo employees reported over the past several years.

# HEALTH AND SAFETY



## DID YOU KNOW?

Lenovo's management tools, coupled with Intel® Intelligent Power Technology eliminate unnecessary power usage by automatically turning Lenovo ThinkServer systems on and off according to your company's schedule.



Shenzhen Office



ThinkPad T400s

Lenovo has comprehensive safety and health programs in place to prevent and control workplace exposures. In 2007, Lenovo obtained OHSAS 18001 certification from Bureau Veritas, a leading independent certification body, at all global manufacturing locations. The OHS team conducts rigorous corporate and internal audits to ensure compliance and continually drive process and program improvements. In addition, informational resources are made available to assist employees on various wellness matters and disease prevention.

Health and safety information/requirements are available and shared with non-Lenovo employees on a needs basis. Manufacturing employees receive mandatory safety training and are required to follow all Lenovo safety and health requirements.

To monitor progress, Lenovo established a system of formal and informal reviews covering a variety of operation areas to ensure effective implementation of minimum health and safety standards consistent with Lenovo policy. Lenovo also conducts formal audits of manufacturing locations and safety and health building reviews at select large real estate locations.

In support of business continuity planning, Lenovo has developed and activated comprehensive pandemic plans and procedures to limit the potential impact of health-related concerns, such as the H1N1 virus at our manufacturing locations.

Lenovo engages in a number of comprehensive wellness initiatives and provides employee assistance programs and medical consulting services to promote overall employee health. For instance, Lenovo International Production Company (LIPC) in Shenzhen, China provided healthy lifestyle and night shift care to employees. Examples of other employee health promotion offerings include office health training that rewards employees for engaging in healthy behaviors and activities.

In recognition of its outstanding record in addressing employee health, the Occupational Health and Safety organization at the LIPC site won the International Corporate Health Management Excellence Performance Award for its outstanding employee health program.

This award was presented at the 2010 Shanghai Expo Enterprise Health Management Summit Forum, an event organized by the Chinese Medical Doctor Association and Health Maintenance Organization (CMDA-HMO). Lenovo was honored for its wide-ranging wellness programs, the health/medical consulting services offered to its employees, preventive-medical programs such as tuberculosis prevention and flu vaccinations, and well-organized emergency plans.

The LIPC health programs received local awards for 3 consecutive years from the local health management department in Shenzhen including:

- Model Medical Unit Award
- China Low Injury Award
- Futian Free Zone Award for manufacturing Safety Excellence in the workplace

In addition, Shenzhen's local government has honored LIPC with the Top 10 Award for Outstanding Performance and Contribution to Work Related Injury Prevention Advance Units. Factory Mutual (FM) Global has also presented LIPC with the prestigious Risk Management Award for significant risk reduction improvement.

## 4.4 SOCIAL INVESTMENTS



ThinkPad X200 tablet

### 4.4.1 Lenovo's Social Investment Commitment

Lenovo annually commits one % of its pretax income to programs and initiatives that serve society. Therefore, the size of our programs will grow as the company grows. The more success we achieve, the more we will be able to share that success with those around us.

As a global corporation with employees, customers and vendors throughout the world, we realize that our "neighborhood" is everywhere. So we seek to address issues in areas of great need, no matter where those areas or issues happen to be.

### 4.4.2 Hope Through Entrepreneurship

Lenovo's "Hope Through Entrepreneurship," our flagship Social Investment Initiative, is consistent with the story of Lenovo's corporate history. In 1984, 11 entrepreneurs in Beijing had a vision to create a company that would bring the advantages of information technology to the Chinese people. With approximately US\$25,000 in seed money and the determination to turn their research into successful products, this team of entrepreneurs opened their business in a loaned space—a

small, one-story bungalow in Beijing. Today, that business is one of the largest technology firms in the world.

Lenovo's "Hope Through Entrepreneurship" program was developed to encourage individuals around the world to make an impact. This innovative program encourages global business development while helping transform the lives of people and their communities worldwide.

During 2009, Lenovo's support of the Millennium Villages Project (MVP), a partnership between the Earth Institute at Columbia University, Millennium Promise, and the United Nations Development Program (UNDP), contributed to MVP's effort to reduce extreme poverty in sub-Saharan Africa while specifically addressing MVP's goal of providing computer infrastructure support to the region. Lenovo's MVP support brought together education and entrepreneurship by enabling the creation of 15 new school computer labs and 13 Information and Communication (ICT) kiosks in ten countries in sub-Saharan Africa. The new ICT kiosks, outfitted with Lenovo computers, are being operated by local Millennium Village entrepreneurs and offer a sustainable way to supply basic ICT services to rural areas. Lenovo's support of the MVP is one example of how we are leveraging our technology and entrepreneurial spirit to help create a more sustainable global "neighborhood" for everyone.

### 4.4.3 Global Disaster Relief

Lenovo has a long-standing practice of assisting communities around the world when disaster strikes. During FY 2009–10, Lenovo and our employees supported various global disaster relief efforts including relief efforts in Haiti, Chile and Taiwan. Lenovo's response to the January 2010 Haiti earthquake included financial support for the Medical Missionaries, equipment donations to the American Red Cross and a global employee charitable campaign with employee donations supporting the American Red Cross. Lenovo employees worldwide donated over US\$60,000 to the American Red Cross in support of the Haiti earthquake relief effort.

## WOMEN IN LENOVO LEADERSHIP AND THE FIFTH WOMEN'S FORUM



© Women's Forum

Lenovo values and respects diversity and cultural integration as the foundation of its heritage. Lenovo's diversity policy aims to unleash and enable the extraordinary talent of our globally diverse workforce to spark the innovation and creativity to lead in the market place. In line with supporting diversity, Lenovo launched the "Women In Lenovo Leadership" (WILL) program in 2007 to increase the number of female employees throughout the organization. Locally and at a global level, WILL encompasses events, programs and HR processes to enhance "work-life-balance," mentoring, coaching, networking, training and external partnerships with other players engaged in women diversity.

In 2009, Lenovo supported the Fifth Women's Forum, an event that attracted leaders from business, government, academia and cultural circles with a focus on promoting diversity. Besides being an active participant in discussion panels, Lenovo also provided 60 notebook products for use during registration, as well as in the business partner lounge and the WiFi Internet café and for back office management. Lenovo also contributed funding from the Lenovo Hope Fund, which supports employees who have actively accepted a volunteer role.

"Lenovo has been a partner of the Women's Forum for five years. I am grateful to count Lenovo among the members of our Diversity Club, which brings together companies invested in the promotion of diversity, a fundamental value of the Forum. This membership is a commitment and a pledge of confidence from this faithful partner." – Aude de Thuin, Founder and Chairman, Women's Forum for the Economy and Society.



## 5.0 PLANET

## 5.1 ENVIRONMENTAL COMMITMENT



### DID YOU KNOW?

Built-in air flow and temperature sensors along with unique zone cooling technologies ensure that you never use more power than necessary with Lenovo ThinkServer systems.



Lenovo's Fran O'Sullivan receives an award for TCO Certification on the ThinkCentre A70z All-in-one from Lars Wallers of TCO



ThinkCentre A70z

As a responsible corporate citizen, Lenovo is proudly committed to providing leadership in environmental affairs in all of our business activities. Lenovo has consistently met or exceeded applicable regulations around the globe. As part of the continual improvement of our environmental performance, Lenovo looks for opportunities to exceed customer and legal requirements. During FY 2009–10, we participated in numerous voluntary environmental initiatives in an effort to reduce our impact on the environment. The voluntary initiatives include:

- EPEAT™ (Electronic Products Environmental Assessment Tool)
- ENERGY STAR™
- EICC (Electronic Industry Citizenship Coalition)
- iNEMI (International Electronics Manufacturing Initiative) – Efforts

to develop industry standard approaches to BFR/PVC phase-out

- VESA (Video Electronics Standards Association) – Development of energy-efficient interface standards for monitors
- Carbon Disclosure Project
- Climate Savers Computing Initiative
- IPC® – Industry association for printed circuit board and electronics manufacturing service companies, their customers and suppliers
- R2 (Responsible Recycling) Development of implementation activities
- China Energy Conservation Program
- China Eco-Labeling Program

- World Resources Institute – Product Standard Stakeholder Advisory Group
- Information Technology Industry Council – Environmental Leadership Council Member

Lenovo has a proud history of being recognized for our environmental performance and leadership, including:

- **2001** – Lenovo China achieved ISO 14001 certification.
- **2002 and 2003** – Lenovo's desktop commercial PCs and desktop consumer PCs awarded the supreme award for PC design, the "2002 Autumn Innovative PC Award."

Among them, the Kaitian 6800 PC pioneered the PC miniaturization design in China, with the use of plastics and hardware materials less than 50 % of those used in traditional PCs.

# ENVIRONMENTAL COMMITMENT

- **2004 and 2005** – Lenovo China received “Green Product” award for the desktop PC from the China Environmental Protection Foundation. Lenovo also received the “Green Innovation” award for the Lenovo Innovation Center building.
- **2005** – All Lenovo’s commercial products met China’s energy savings targets.
- **2006** – Lenovo successfully completed a comprehensive integration of legacy environmental management systems.
- **2007** – Lenovo introduced a complete line of notebook and desktop computers complying with the latest U.S. EPA ENERGY STAR™ requirements.
- **2008** – In May 2008, the Lenovo ThinkVision L174 and L197 wide monitors won seven awards:
  - o “China IT Coalition” awarded by Computer World.
  - o “Green Energy Efficient Product” awarded by CWEEK.
  - o “Strongly Recommended Product” awarded by CWEEK.
  - o “Green Power-Saving Model” awarded by PC Info.
  - o “Green Energy Efficient Product” awarded by IT 168.
  - o “Green Certificate” awarded by PC Magazine.
  - o “Editor Recommended Product” awarded by CHIP.
- **2008** – In July 2008, the Lenovo YangTian A6800v desktop gained SP “Editor’s Choice Green Award”.
- **2008** – In August 2008, the Lenovo ThinkVision L196 wide and L2240p wide monitors won two awards:
  - o “Recommended Green Product” awarded by PC Magazine.
  - o “The Energy Efficient Champion” awarded by PC Magazine.
- **2008** – In October 2008, the Lenovo YangTian desktop won China Information World’s “Green IT Product Award”.
- **2008** – In December 2008, the Lenovo ThinkVision L196 wide monitor won PC Magazine’s “Green Choice Award”.
- **2009** – Lenovo Norway awarded Eco-Lighthouse certification.
- **2009** – In January 2009, Greenpeace produced the report “Green Electronics: The search continues,” and awarded the Lenovo ThinkVision L2440x wide monitor as the “Best Product Overall.”
- **2009** – In May 2009, the ThinkCentre M58p Eco Ultra Small Form Factor and ThinkCentre M58e desktops were “GREENTECH approved” by PC Magazine.
- **2009** – In July 2009, the ThinkPad T400s was “GREENTECH approved” by PC Magazine.
- **2009** – In August 2009, the IdeaPad U350 was “GREENTECH approved” by PC Magazine.
- **2009** – In September 2009, the ThinkPad T400s (multitouch) was “GREENTECH approved” by PC Magazine.
- **2009** – In October ThinkVision L2251x wide monitor is the first in industry to achieve TCO Certified EDGE.
- **2009** – In December 2009, PCMagazine listed the GREENTECH Approved ThinkPad X200 Tablet (multitouch) notebook as one of the “Best Green Products of 2009.”
- **2010** – In January 2010, the Lenovo T100 G10 and T400 G10 servers achieved China CEC certification.
- **2010** – In March Lenovo was awarded the 2000<sup>th</sup> Nordic Ecolabel. In the first step 12 laptop computers, including 9 ThinkPad models were recognized by the Nordic Ecolabel.

Lenovo’s long-term, comprehensive approach to environmental management encompasses everything from site operations to product design to recycling. Lenovo has developed a series of corporate strategies, policies and guidelines designed to support environmental responsibility and each manager and employee, as well as any contractor working on a Lenovo site, bears a personal obligation to Lenovo’s environmental commitments. The following sections describe in greater detail Lenovo’s environmental policy, programs and commitments.

## GREEN I.T. EXPO’S GREEN SUPPLIER AWARD



In November 2009, Lenovo received the ‘Green IT Expo’s Green Supplier Award’ at the UK’s Green IT Expo. This award recognizes organizations that have shown a commitment to delivering Green IT and/or have contributed significantly to the ‘green business’ agenda.

Commenting on the award, Andrew Barrow, Lenovo Business Unit director said: “Lenovo is delighted to accept this award, which recognizes our endeavor to show the industry what organizations can do in a commercial capacity to reduce the environmental impact they have, especially in terms of reducing power consumption and materials used”.

## 5.2 ENVIRONMENTAL POLICY

In order to ensure global compliance, Lenovo's corporate environmental policy applies to all Lenovo manufacturing and development operations and to all Lenovo employees and contractors. The policy is the basis for the foundation of Lenovo's Environmental Management System (EMS). This policy can be viewed online at: [http://www.lenovo.com/social\\_responsibility/us/en/environmental\\_policy.html](http://www.lenovo.com/social_responsibility/us/en/environmental_policy.html)

Corporate Policy 5  
Environmental Affairs

Effective Date: June 1, 2009

Lenovo is committed to exhibiting leadership in environmental affairs in all of our business activities. The requirements listed below apply to Lenovo's worldwide operations. Every Lenovo organization must support this policy, and each manager and employee, as well as any contractor performing work on behalf of Lenovo, shall bear a personal responsibility for the following objectives:

### Compliance

- Meet or exceed all applicable environmental requirements for all Lenovo activities, products and services, including legal requirements, standards and voluntary commitments to which Lenovo subscribes.

### Prevention of Pollution

- Use sustainable business practices and processes that minimize waste and prevent pollution, conserve energy and minimize Lenovo's carbon footprint, minimize health and safety risks, and dispose of waste safely and responsibly.

### Product Environmental Leadership

- Conserve natural resources by developing products and packaging that minimize materials usage, use recycled and environmentally preferable materials, and that maximize reuse and recycling opportunities at the end of the product's life.
- Develop, manufacture and market products that are energy-efficient and that minimize their impact on the environment.

IdeaPad U350



### Continual Improvement

- Strive to continually improve Lenovo's environmental management system and performance.
- Work with Lenovo's supply chain to improve environmental protection and promote the use of environmentally preferable technologies.
- Be an environmentally responsible neighbor in the communities where we operate and act promptly and responsibly to correct conditions that may endanger health, safety or the environment.
- Provide appropriate resources to fulfill these objectives.

Corporate strategies, policies and guidelines must support this commitment to leadership in environmental affairs. Every employee and contractor of Lenovo must follow this policy and report any environmental, health or safety concerns to Lenovo management, who must take prompt corrective action.

Yuanqing Yang, Chief Executive Officer

## 5.3 Lenovo's Environmental Management System

Lenovo's Environmental Management System (EMS) is ISO 14001 certified and covers Lenovo's global manufacturing, research, product design and development activities for personal computers and related products, servers, and digital and peripheral products. As part of Lenovo's ISO 14001 certification, Lenovo works with an external registrar Bureau Veritas to conduct audits on all major operations and product development areas globally. In addition to the audits performed by Bureau Veritas, Lenovo's legacy China sites are also audited

by the China Electronics Standardization Institute (CESI).

Lenovo also conducts regular internal audits to ensure the EMS is functioning properly, tracking progress toward meeting objectives and targets, and identifying and implementing actions supporting continual improvement.

For FY 2010–11, Lenovo has identified the following key environmental aspects to address within our EMS:

- Product materials—including use of recycled plastics and environmentally preferable materials.
- Product packaging.
- Greenhouse Gas (GHG) emissions factors—including product energy use, operational Greenhouse Gas emissions and transportation.
- Waste management.

Annually, Lenovo sets environmental goals for our sites and products. Lenovo utilizes a team of site Environmental Affairs Focal Points and Environmentally Conscious Product Engineers to help drive Lenovo's progress toward meeting our objectives and targets.

All sites and product business units perform their own environmental aspect evaluation process and may focus on different aspects, depending on their operations.

Our FY 2010 – 11 objectives and targets based on our established EMS key aspects have been determined and can be viewed in table 5.2 on p.43



# 5.3 ENVIRONMENTAL MANAGEMENT SYSTEM



**A summary of Lenovo's progress toward FY 2009 – 10 objectives and targets is included below.**

A more detailed account of the progress made can be viewed at the various websites listed below.

**Table 5.1 Lenovo FY 2009–10 Aspects and Objectives Status.**

Aspects	Targets	Status	Footnote
<p><b>Recycled Plastics</b> Develop sustainable products using materials that are safe during manufacture, use, and disposal; which are environmentally preferable; and which have increased recycled content.</p>	<p>Identify suppliers and qualify grades of post-consumer recycled content plastic resins for use in Lenovo IT products.</p> <p>Identify product applications for use of post-consumer recycled content plastic resins.</p> <p>Each business unit must develop a plan to improve upon FY 2008–09 performances.</p>	<p>Target achieved.</p> <p>Target achieved.</p> <p>Target partially achieved.</p>	<p>See details at our web page: <a href="http://www.lenovo.com/social_responsibility/us/en/materials.html">http://www.lenovo.com/social_responsibility/us/en/materials.html</a></p>
<p><b>Environmentally Sensitive</b> Develop sustainable products using materials that are safe during manufacture, use, and disposal; which are environmentally preferable; and which have increased recycled content.</p>	<p>Each BU must develop a phase out plan for materials of concern.</p> <p>Global Environmental Affairs to provide Business Unit headlights on upcoming requirements for materials of concern. Target partially achieved.</p>	<p>Target partially achieved.</p> <p>Target achieved.</p>	<p>See details at our web page: <a href="http://www.lenovo.com/social_responsibility/us/en/materials.html#Halogen">http://www.lenovo.com/social_responsibility/us/en/materials.html#Halogen</a></p>
<p><b>Product Energy</b> Minimize climate change impact of Lenovo products by developing sustainable products with improved efficiency and/or reduced energy consumption.</p>	<p>Participate in ENERGY STAR™ programs and Japan Energy Saving Law across all applicable product groups.</p>	<p>Target achieved.</p>	<p>ENERGY STAR™ qualified offerings from Lenovo currently include approximately 93% of our notebook platforms, 43% of desktop platforms, 92% of pre-configured workstations and 93% of monitors. Lenovo platforms include Think-branded, Idea-branded and Essential product lines.</p>
<p><b>Packaging</b> Minimize the use of packaging material consumption while driving the use of environmentally sustainable materials.</p>	<p>Drive packaging improvements that result in a reduction of 125 tons of packaging material worldwide.</p> <p>Global Packaging to assist business units in identifying sustainable packaging materials, including recycled content materials.</p> <p>Each BU to develop a plan to reduce overall use of packaging and increase the %age of recycled materials used.</p>	<p>Target achieved.</p> <p>Target achieved.</p> <p>Target achieved.</p>	<p>Eliminated 125 tons of packaging material through the ThinkPad packaging redesign Phase II.</p> <p>Began implementation of 100% post-consumer packaging material including:</p> <ul style="list-style-type: none"> <li>- 60% of ThinkPad Volume</li> <li>- 20% of ThinkCentre Volume</li> <li>- 5% of options Volume</li> </ul> <p>Implemented the use of 100% post-consumer molded pulp for ThinkPad new products (X200/X200t/X100e/Edge E30).</p> <p>Selected 100% post-consumer molded pulp as the cushioning material for all 13" and below ThinkPad notebooks.</p>

# ENVIRONMENTAL MANAGEMENT SYSTEM



**Table 5.1 continued Lenovo FY 2009–10 Aspects and Objectives Status.**

Aspects	Targets	Status	Footnote
<p><b>Supplier Environmental Performance</b> Minimize potential environmental impact of Lenovo's Category 3 Recycling suppliers.</p>	<p>Achieve 100% audit coverage for pre-audit evaluations and maintain at least 80% on-site audit coverage for all currently active Category 3 Recycling suppliers by year end FY 2009–10.</p> <p>Complete audits of high risk Category 2 Supplier facilities identified by Procurement and local environmental focal points (ongoing).</p>	<p>Target achieved.</p> <p>Target achieved.</p>	<p>All suppliers being used by Lenovo for disposition of electronic and hazardous waste have been approved via Lenovo's stringent vendor approval process.</p>
<p><b>Site Non-hazardous Waste</b> Minimize amount of site related waste sent to landfill by maximizing recycling and reuse activities.</p>	<p>Average global recycling rate for non-hazardous solid waste &gt; 95%</p>	<p>Target achieved.</p>	<p>Global recycling rate for non-hazardous solid waste from Manufacturing and Development for FY 2009–10 was 95%.</p>
<p><b>Operational Greenhouse Gas Emissions</b> Minimize GHG/carbon emissions associated with the operation of Lenovo facilities worldwide.</p>	<p>Increase carbon efficiency by 10% by FY 2012–13.</p>	<p>On target.</p>	<p>During FY 2009–10 Lenovo achieved a 5.3% improvement in carbon efficiency relative to base year FY 2007–08. Lenovo measures carbon efficiency as metric tons of CO<sub>2</sub> emitted relative to gross revenue. During the FY 2010–11 objective and target setting process Lenovo moved from this efficiency target to a commitment to an absolute reduction in emissions.</p>
<p><b>Product End-of-Life Management</b> Reduce Lenovo's customers' dependence on the use of landfills for the disposal of IT equipment and maximize the reutilization and recycling of their products, parts and materials.</p>	<p>Increase the total weight of customer returned IT equipment processed by Lenovo suppliers or financed by Lenovo through consortia by 10% over the previous year's performance.</p>	<p>Target achieved.</p>	<p>The total weight of returned IT equipment processed by Lenovo increased by 12% year to year, CY 2008 to CY 2009.</p>

# ENVIRONMENTAL MANAGEMENT SYSTEM



ThinkPad X200 tablet

**Table 5.2 Lenovo FY 2010–11 Environmental Aspects and Associated Objectives and Targets**

Aspects/Objectives	Targets
<p><b>Product Materials</b></p> <p>Minimize use of hazardous or potentially hazardous materials in Lenovo products.</p> <p>Increase the use of PCC in Lenovo products.</p>	<p>Update/establishment of achievable low halogen plans by each business unit.</p> <p>Increase amount of post-consumer recycled content plastics purchased by each business unit by 20% in Calendar Year (CY) 2010 versus CY 2009.</p> <p>By April 1, 2011, all newly released products (other than options) must contain some PCC, where technically and financially feasible.</p>
<p><b>Product Energy</b></p> <p>Drive reductions in CO<sub>2</sub> emissions associated with operation of Lenovo products.</p>	<p>Establish preferred method for compiling product carbon footprint.</p> <p>Establish product energy/carbon footprint targets.</p>
<p><b>Packaging</b></p> <p>Minimize the use of packaging material consumption while driving the use of environmentally sustainable materials.</p>	<p>Each business unit to establish specific volume/weight reduction targets for packaging.</p> <p>Each business unit to establish materials improvement goals, including transitioning to 100% post-consumer packaging materials and use of environmentally preferable cushioning materials such as cardboard.</p>
<p><b>Waste Management</b></p> <p>Minimize solid waste impacts from Lenovo operations and products.</p>	<p>Monitor waste intensity for FY 2010–11 and evaluate opportunities to reduce solid waste quantities.</p> <p>Evaluate feasibility of establishing a waste intensity reduction target for FY 2011 – 12 by 3/31/2011.</p> <p>Recycle &gt; 97% M&amp;D waste.</p>
<p><b>Site Energy Consumption</b></p> <p>Minimize GHG/carbon emissions associated with the operation of Lenovo facilities worldwide.</p>	<p>Eliminate or offset Lenovo Scope 1 GHG emissions.</p> <p>Achieve absolute reductions in Lenovo Scope 2 GHG emissions relative to FY 2008–09 emissions according to the following schedule:</p> <p>10% by 03/31/2011</p> <p>13% by 03/31/2013</p> <p>16% by 03/31/2016</p> <p>20% by 03/31/2020</p>

<sup>1</sup>Lenovo supports the definition of “BFR/PVC free” as defined in the “iNEMI Position Statement on the ‘Definition of Low-Halogen’ Electronics (BFR/CFR/PVC-Free).” PVC/BFR-free power cords not available in certain geographies.

The hyperlink for the iNEMI Position Statement is [http://thor.inemi.org/webdownload/projects/ese/HFR-Free/Low-Halogen\\_Def.pdf](http://thor.inemi.org/webdownload/projects/ese/HFR-Free/Low-Halogen_Def.pdf).

<sup>2</sup>Recycle includes material reuse and material recycling.

## LENOVO LEGENDS CAMPAIGN - SOUTH AFRICA



Lenovo brought hope to disadvantaged children in South Africa participating in The Legends Campaign, a collaborative program that leverages sports and technology to inspire students to express themselves creatively by showcasing their artistic abilities. Joining forces with technology partner Intel Corporation, Lenovo teamed with Active Education, a sports coaching and training company, and sports entertainment company SuperSport to bring The Legends Campaign to 10 schools in the suburbs of Gauteng and Soweto.

Each class from the selected schools was provided a large canvas for students to create their own masterpiece based on the theme “How Technology and Sports Will Benefit My Future.” All 10 canvases were judged by a panel comprised of Lenovo executives. Two schools were selected as winners and received a complete physical education training program as well as a soccer coaching clinic for the upcoming year.

South African soccer legend Lucas Radebe, who grew up as one of 11 children in one of the toughest areas of Soweto during the era of apartheid rule, served as the spokesperson for the campaign. Radebe went on to become one of South Africa’s most legendary and respected professional footballers, playing for the English Premier League and earning the designation of being the most-capped footballer, with 70 appearances for Bafana Bafana, South Africa’s national team. His story is in many ways a miracle and an example of hope for the next generation.

“To have a partner such as Lenovo with such foresight and initiative has been a true eye opener. We so seldom see a corporate partner get so involved on the ground and prepared to do the dirty work! Lenovo has changed children’s lives and as long as the program runs, more lives will be changed. This is true development!”

– Bruce Smuts, Active Education



## 5.4 ENVIRONMENTALLY CONSCIOUS PRODUCTS PROGRAM

Lenovo's commitment to the environment came even before its establishment as a global company in 2005. Lenovo had already developed technical specifications for PCs that included environmental attributes such as energy. In addition, all commercial products were designed to meet China's energy-saving targets.

With the globalization of Lenovo's reach in 2005, the Company took environmental sustainability a step further and adopted a comprehensive Environmentally Conscious Products Program aimed toward leadership in the global PC business. The program is implemented by a network of Environmentally Conscious Product Engineers and Green Product Teams within each business unit with the support of the Global Environmental Affairs Team.

In line with the Environmentally Conscious Products Program, Lenovo has striven to eliminate potential health hazards and minimize the environmental impact of its products. In order to implement this commitment, Lenovo's chemical and substance management policy supports a precautionary approach, ensuring Lenovo will take appropriate action even if some cause and effect relationships are not fully scientifically established.

Lenovo's priority is to use environmentally preferable materials whenever applicable. In adhering to the precautionary approach, Lenovo supports restricting the intentional addition of potentially concerning materials when economically and technically viable alternatives exist. These restrictions may also include implementing concentration limits for incidental occurrences. For materials where economically and technically viable alternatives do not exist, Lenovo collects data on the usage of these materials above the defined concentration limit. This data can then be reported to customers or other stakeholders. Lenovo continues to actively search for environmentally preferable materials that can be used as substitutes.

While Lenovo abides by its Environmentally Conscious Products Program internally, we also expect our partners/suppliers to



*Lenovo Morrisville, North Carolina employees working on a Habitat for Humanity house*

demonstrate the same commitment to environmentally sound practices. Our supplier specifications are available at: [http://www.lenovo.com/global\\_procurement/us/en/Guidelines/Restrictions\\_and\\_Packaging.html](http://www.lenovo.com/global_procurement/us/en/Guidelines/Restrictions_and_Packaging.html)

Lenovo restricts the use of environmentally sensitive materials in our products. The specification encompasses both regulatory and Lenovo-imposed material bans and restrictions, including the prohibition of ozone depleting substances in all applications and the elimination of European Union (EU) Restriction on Hazardous Substances (RoHS) and Registration, Evaluation, Authorization and Restriction of Chemicals (REACH)-restricted materials beyond those jurisdictions where regulatory requirements exist. Lenovo's implementation strategy and requirements are consistent with the requirements specified in the EU's RoHS Directive and REACH Regulation. Additional information about RoHS and REACH can be viewed at:

[http://www.lenovo.com/social\\_responsibility/us/en/sustainability/RoHS\\_Communication.pdf](http://www.lenovo.com/social_responsibility/us/en/sustainability/RoHS_Communication.pdf)



### DID YOU KNOW?

ThinkServer offers the latest low-power processors, memory, and hard disk drives to deliver the best performance per watt of any server currently available.

[http://www.lenovo.com/social\\_responsibility/us/en/sustainability/Lenovo\\_REACH\\_SVHC\\_Disclosure.pdf](http://www.lenovo.com/social_responsibility/us/en/sustainability/Lenovo_REACH_SVHC_Disclosure.pdf)

Lenovo supports the goal to phase-out Brominated Flame Retardants (BFRs) and PVC and is committed to driving its supply chain towards this goal. To this end, Lenovo has already released two PVC and BFR-free<sup>1</sup> monitors, the ThinkVision L2440x wide (released in October 2008 and now end-of-life) and the ThinkVision L2251x wide (released in November 2009), which is available globally. Lenovo has completely phased-out the use of PVC/BFR in all mechanical plastic parts (such as external covers, housings, etc.) across all Lenovo product lines ensuring Lenovo will take appropriate action even if some cause and effect relationships are not fully scientifically established.

Lenovo has also made significant progress in phasing out halogen in many commodities across several product lines. For example, beginning in 2010, various models of Lenovo ThinkPad notebooks contain hard disk drives, optical disk drives, solid state drives, LCD screens, memory, CPUs,

# ENVIRONMENTALLY CONSCIOUS PRODUCTS PROGRAM

chipsets and Intel® communication cards that meet the iNEMI definition of low halogen. In addition, all plastic enclosures and most components and connectors meet low halogen criteria (the largest exception being of printed circuit boards).

We are continuing to work with our supply chain to drive low halogen transition across all commodities and product families. In April of 2010, Lenovo held supplier environmental training sessions with a focus on low halogen transition requirements in Beijing, Shanghai, and Shenzhen, China. The sessions were a great success, with over 400 representatives of suppliers to Lenovo's ThinkPad, ThinkCentre, IdeaPad, IdeaCentre and ThinkStation business units attending.

Lenovo plans to release additional BFR and PVC-free models across Lenovo's family of products as acceptable alternative materials become available, working towards the goal to phase-out the use of these materials across all newly introduced products. We continue to work with our suppliers to pilot new BFR and PVC-free applications. We are currently piloting BFR-free printed circuit cards in select notebooks.

Lenovo recognizes that the phase-out of these materials is dependent upon the availability of suitable alternatives that meet Lenovo's technological, quality, environmental, health and safety requirements.

In addition to the banned and restricted materials, Lenovo has identified a list of materials and substances of environmental interest. These substances may be candidates for further restrictions in the future. Lenovo holds suppliers accountable for reporting the use of these materials via Supplier Material Declarations using the industry standard IPC 1752 form for confirmation of compliance to the restrictions and for reporting when substances in question are above the specified concentration levels. In some cases Lenovo has used the flexibility of the IPC 1752 form to include additional substances and tighter limits than called for in the industry standard Joint Industry Guide (JIG). We have made it a point to inform customers about the environmental attributes of our products and compliance with applicable laws and regulations through the presentation of a completed industry standard IT Eco Declaration (Annex B of ECMA-370



ThinkPad Edge

4<sup>th</sup> edition, June 2009). Declarations for newly released products are posted on Lenovo's environmental website at: <http://www.lenovo.com/ecodeclaration>

Consistent with our precautionary approach, we continuously analyze the regulatory environment and consider input from our customers, Non-Governmental Organizations (NGOs) and other stakeholders in evaluating the potential health and environmental impacts of our products. We weigh these inputs to determine the restricted substances, as well as the substances of interest to be tracked for the purpose of reporting and for the consideration of future restrictions.

In addition to Lenovo's corporate-wide implementation of reduction/elimination of hazardous substances, our corporate environmental standards and specifications require the designers of all Lenovo IT products to consider certain environmentally conscious design practices to facilitate and encourage recycling and minimize resource consumption.

For example:

- All product lines adhere to marking of plastic parts greater than 25 grams for identification of resins for recycling.

- Products are designed to minimize the types of plastics they contain and avoid contamination of plastics by paints, glues or welded connections. Tools needed for disassembly to subsystem levels are also universally available.
- Product-specific upgradability features are described in product literature and declarations for all Lenovo product lines.
- Recycled resins, ranging in recycled content from 10% to over 85%, are used in a number of Lenovo hardware applications and are specified as preferred materials where practical. Lenovo is working toward the goal of including some amount of recycled plastic in all new products.
- New products are evaluated for chemical emissions. To minimize potential VOC emissions, non-solvent based powder coatings are used for decorative painted parts wherever practical.

Lenovo is a leader in the use of post-consumer recycled content in the design and manufacture of new products. Many of the metal and plastic materials used in Lenovo products have been recycled from a variety of consumer recycling streams, including used IT equipment. Lenovo works with our materials suppliers to

# ENVIRONMENTALLY CONSCIOUS PRODUCTS PROGRAM

connect them with Lenovo's recycling suppliers and sources of closed loop recycled material.

Global climate change is profoundly influencing social and economic sustainable development, and is receiving considerable international attention. We at Lenovo recognize climate change as an important part of our global responsibility and we attach great importance to the energy efficiency of our products. For more information about our commitment, please visit Lenovo's Combating Climate Change Web page at: <http://www.lenovo.com/climate>

In 2007, we launched the Climate Savers Computing Initiative (CSCI) in partnership with the World Wildlife Fund (WWF) and other technology companies. CSCI and its member companies advocate and promote energy-efficient computer products globally. CSCI has set the goal of reducing carbon dioxide emissions by 54 million metric tons annually by 2010, and the final goal is to lower the total energy consumption of all the computers in the world to half of the current level by 2010.

The energy efficiency performance of Lenovo products meets the efficiency requirements of China, Japan, the U.S. Europe and other jurisdictions. Many Lenovo notebook, desktop, server and monitor products satisfy and even exceed the current ENERGY STAR™ requirements. The ENERGY STAR™ qualified models are listed at Home: ENERGY STAR™-<http://www.energystar.gov> For more information about Lenovo's energy-efficient products, go to: [http://www.lenovo.com/social\\_responsibility/us/en/energy.html](http://www.lenovo.com/social_responsibility/us/en/energy.html)

Lenovo's history of energy-saving and emissions reduction:

- **2004** – Lenovo China received the "Green Product" award for its desktop PC from the China Environmental Protection Foundation.

- **2005** – All Lenovo's commercial products met China's energy savings targets.
- **2007** – Lenovo actively participated in ENERGY STAR™ 4.0 released in July by the United States. All Lenovo notebook, desktop and monitor global models introduced since the effective date of ENERGY STAR™ 4.0 met the new standard, either in the basic models or as an option.
- **2007** – Lenovo lead the effort in writing the General Technical Specification for China's PC industry.
- **2007** – Lenovo, in cooperation with The World Wildlife Fund (WWF) and other NGOs, participated in the launch of the Climate Savers Computing Initiative (CSCI).
- **2008** – Lenovo introduced the first China Energy Efficiency Tier One monitor.
- **2008** – In April Lenovo ThinkVision monitors became the first full line of monitors to score a Gold rating in the EPEAT™ registry.
- **2009** – In January Lenovo ThinkVision monitors became the first full line-up of monitors to achieve ENERGY STAR™ 5.0—nine months ahead of the launch of the new standard.

Lenovo offers numerous EPEAT™ (Electronic Product Environmental Assessment Tool) Gold-rated products in many countries around the world. To get a complete list of Lenovo's EPEAT™ certified products visit EPEAT™'s registry search tool. EPEAT™ assesses a product's satisfaction of 23 mandatory and 28 optional criteria such as reduction/elimination of environmentally sensitive materials, material selection, design for end-of-life, product longevity/life extension, energy conservation and end-of-life management.



## DID YOU KNOW?

Lenovo had the world's first TCO certified EDGE monitor and all-in-one desktop.



ThinkCentre M Series

## EMPLOYEE DONATIONS

During FY 2009–10, employees at Lenovo's Morrisville location donated:

- 1768 pounds of food to the Kids Summer Stock Food Drive. This resulted in 1489 meals that were provided by the Food Bank of Central and Eastern NC.
- 1756 pounds of food to the Lenovo Holiday Food Drive. This resulted in 1473 meals that were provided by the Food Bank of Central and Eastern NC.
- 412 coats plus 100 other items (hats, gloves, etc.) to the Salvation Army Coats for the Children drive.

## 5.5 PRODUCT END-OF-LIFE MANAGEMENT

Lenovo supports efforts to reduce the volume of end-of-life electronic products being disposed in landfills and to reduce the need for new raw materials by increasing the beneficial reuse of products and parts or recycling of materials. We support legislation assigning financial responsibility for end-of-life management to the individual producers. In addition, we advocate legislative initiatives that allow at least the option for manufacturers to recover their own brand products, using the information gained from recycling their own brands to be fed back into the product design process. This practice optimizes the cost not only for the manufacturer, but the consumer as well.

We encourage our customers to reuse or recycle products at the end of their lifecycle by offering consumers and/or commercial clients a range of recycling options for disposing of products, batteries and product packaging worldwide via voluntary programs and/or country, province or state mandated programs. If you are interested in learning more about these programs, please visit: <http://www.lenovo.com/recycling>

To encourage recycling, Lenovo announced in December 2006, a free product take-back and recycling program in China for Legend and Lenovo-branded PCs, notebooks, monitors and servers, ThinkPad notebooks, ThinkCentre desktops, and ThinkVision monitors. We also announced a free take-back and recycling program in India for the same products on Sept. 1, 2007. Both of these programs provide free collection and recycling options to consumers as well as small businesses. In the U.S., the U.S. PC Recycling Service offering provides free collection and recycling to consumers for Lenovo and select IBM PCs. Customers can obtain information about these services for a qualified pickup by visiting: <http://www.lenovo.com/recycling>

For our business customers, Lenovo offers Asset Recovery Services (ARS) in more than 40 countries. Customer access information for these programs in the Americas, Asia Pacific and Europe/Middle East/Africa can also be obtained at <http://www.lenovo.com/recycling>

Lenovo maintains an extensive program for ensuring remarketed products and parts and the refurbishing, remanufacturing, recycling and disposal of end-of-life products owned by Lenovo or returned by customers are accomplished



ThinkCentre M58p

in an environmentally conscious and legally compliant manner. This program includes on-site environmental evaluations and approvals by Lenovo or a contracted third-party auditor in accordance with Lenovo's stringent auditing protocol. Some of the evaluation requirements include:

- Supplier's completion of Lenovo's initial supplier evaluation form describing their processing capabilities and controls, environmental, health and safety management systems, and legal compliance measures and status.
- An on-site environmental and services evaluation of all facilities and processes and documentation of audit findings and recommendations in a final report.
- Identification of supplier downstream contractors and verification of their compliance to applicable legal and Lenovo environmental requirements.
- Disclosure of a full chain of custody, including how it disposes end-of-life products, options, parts and materials.
- Review of all audit documentation by Lenovo's Program Manager and final approval by Lenovo's Director of Global Environmental Affairs before a supplier or its facility are used.
- Establishment of Lenovo contract with approved supplier with specific environmental terms and conditions related to expected environmental performance and reporting.

Brokers, refurbishers, and resellers of surplus and used products, options and parts must also agree only to resell functional units that will be used for originally intended purposes and to use Lenovo approved recyclers and disposal vendors for the processing and environmental disposal of non-remarketable products and parts and waste. **Lenovo prohibits the shipment of hazardous waste to non-OECD countries.**

Additionally, Lenovo incorporates specific environmental terms and conditions into contracts and agreements with brokers, refurbishers, resellers, and recyclers.

Interested parties can view information about the location of potentially hazardous components such as batteries which may require special handling at the end of a product's lifecycle in the product manual or by contacting: [environment@lenovo.com](mailto:environment@lenovo.com)

In the U.S. and Canada, Lenovo participates in the Rechargeable Battery Recycling Corporation's (RBRC) "Call2Recycle" Program. Rechargeable lithium ion batteries from Lenovo products such as notebooks can be recycled free of charge at any of the RBRC's 30,000 plus drop-off locations in the U.S. and Canada. For more information about the RBRC's "Call2Recycle" Program and to locate a battery recycling location near you, visit <http://www.rbrc.org/call2recycle/consumer/index.html> Lenovo is also a member of a number of other battery and packaging collection and recycling consortia worldwide, especially in European countries. For more information about worldwide programs, please visit: <http://www.lenovo.com/recycling>

# PRODUCT END-OF-LIFE MANAGEMENT



ThinkPad T400s

## Recovery and Recycling Trends

During the 2009 Calendar Year, Lenovo financed or managed the processing of more than 11,547 metric tons, equivalent to more than 25.45 million pounds of Lenovo-owned and customer-returned computer equipment. Of this total, 4.2% was reused as products or parts, over 74% was recycled as materials, 8.2% was incinerated with waste to energy recovery, 11.2% was incinerated as disposal treatment and only 2% was disposed of via landfill. As part of Lenovo's continual improvement activities, Lenovo looks for opportunities to reduce the use of incineration and landfill and maximize reuse and recycling.

Since Lenovo's establishment as a global company in May 2005, Lenovo has processed more than 69,628 metric tons or 153 million pounds of computer equipment through our contracted service providers.

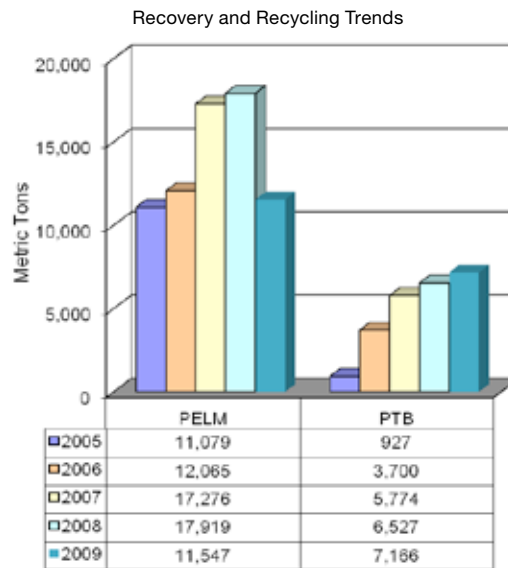


Figure 5.1 Recovery and Recycling Trends

Our consumers have shown considerable interest in our recycling programs. In 2009, customer returns constituted more than 7,166 metric tons or more than 15.8 million pounds of the total processed equipment, which is nearly a 15% increase from the 2008 performance. This year's performance includes second year data from Lenovo's Asset Recovery Services offered to large enterprises along with data from Lenovo's other

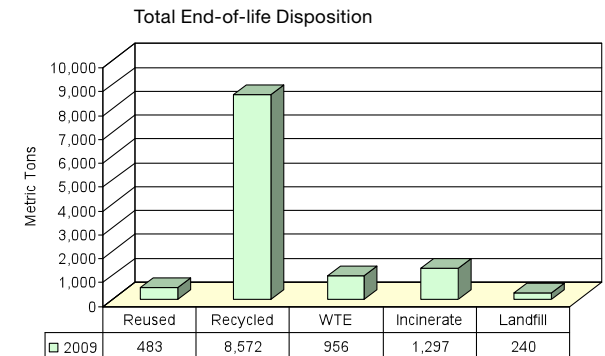


Figure 5.2 Total End-of-Life Disposition



ThinkPad T400



# PRODUCT END-OF-LIFE MANAGEMENT



voluntary and legal product take-back programs for consumers and businesses. It should be noted that the economic downturn adversely impacted new product sales which resulted in lower customer returns of replaced products. The recycled customer returns in 2009 represents 2.7% of the total weight of new products shipped in 2009 and 6.4% of the weight of products shipped in 2002. Shipments in 2002 include only Lenovo China shipments because Lenovo did not purchase IBM's PC business until May 2005. Figure 5.4 illustrates customer returns by geography.

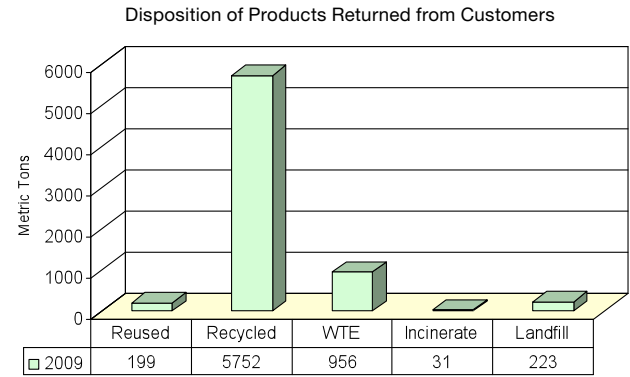


Figure 5.3 Disposition of Products Returned from Customers

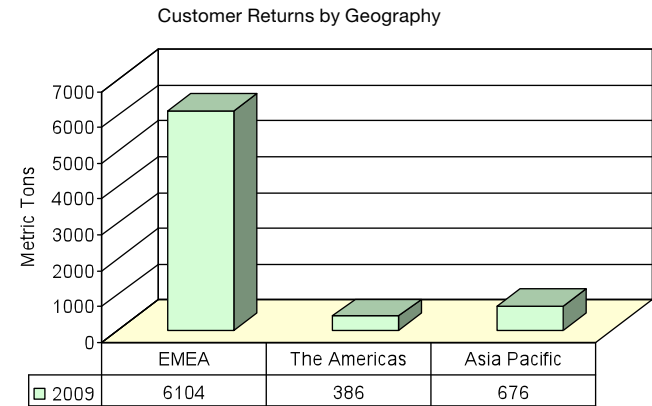


Figure 5.4 Customer Returns by Geography

## 5.6 ENVIRONMENTAL IMPACT OF OPERATIONS



ThinkPad T400



Lenovo's commitment to sustainable development drives the organization's proactive efforts to minimize operational environmental impacts. Each Lenovo manufacturing and development site is supported by a site Environmental Affairs Focal Point whose role is to ensure proper implementation of Lenovo's Environmental Management System and drive the site team to achieve Lenovo's environmental objectives and targets. Ongoing efforts at Lenovo sites around the world begin with the annual review and evaluation of operational environmental aspects. Environmental metrics are established and monitored for those aspects that are identified to have real or potentially significant environmental impact. To drive continual improvement in environmental performance Lenovo annually establishes environmental objectives and targets. Lenovo's target-setting process considers performance relative to the environmental metrics, the Environmental Policy, customer requirements, stakeholder input, management directives and key business processes.

Lenovo's significant operational environmental impacts were again identified as waste generation and energy consumption for FY 2010-11. As described above, objectives and targets were established for our manufacturing and development facilities relative to both of these environmental aspects.

### FY 2009-10 Environmental Performance Committing to Combat Climate Change

In recognition of the importance of international action to combat human contribution to climate change, Lenovo has published a Corporate Climate Change Policy and Strategy. We are committed to reducing our carbon footprint and facilitating carbon emissions reductions in our supply chain and customer base. Lenovo's climate change strategy focuses on five areas of influence. Lenovo identifies and works with partners in each of these areas to drive and facilitate global, national and local GHG emission reductions.

#### The areas of influence include:

- Lenovo's internal operations and the direct emissions from our facilities (Scope 1 emissions).
- Energy suppliers and their operational emissions which are attributable to our activities (Scope 2 emissions).
- Our supply chain and emissions associated with the production and delivery of goods and services to Lenovo (cradle to gate – Scope 3 emissions).
- Our customers and the emissions associated with their procurement, use and disposal of our products (gate to grave – Scope 4 emission).

## PAPER REDUCTION

A global project team, including representation from Legal, Software, Service and Support, Homologation, and Safety collaborated to reduce our paper production by 2.34 million pounds per year. The new publication strategy combines our use of new technology on our ThinkPad notebooks, as well as the internet for electronic delivery for many documents. We are very excited about this opportunity to help the environment and save money in the process.

# ENVIRONMENTAL IMPACT OF OPERATIONS



*Lenovo Morrisville employees working on a Habitat for Humanity house*

- Government, NGO and public actions in support of transition to a low carbon economy.

In support of our Climate Change Policy and Strategy Lenovo has strengthened its climate change objectives and targets. We expanded our objectives to include the five areas of influence outlined above and moved from an indexed emissions reduction goal to a commitment for a 20% absolute reduction in our Scope 2 emissions over the next ten years. Lenovo's climate change objectives and targets can be found on our web page at: <http://www.lenovo.com/climate>

## Reductions in Energy Consumption

Improving energy efficiency is a fundamental element of Lenovo's strategy to meet its GHG reduction targets. Proactive initiatives to reduce energy consumption continue in facilities throughout the organization and are driven by the site energy champions who lead energy teams at each site and who help to drive energy reduction projects. Installation of energy-efficient motors and lighting, consolidation of production lines and facilities, work schedule adjustments and improvements to HVAC control systems are some examples of the energy-saving activities we have implemented. Electricity consumption fell at 75% of our manufacturing and developments facilities during FY 2009–10 relative to the previous year. Lenovo experienced reduced energy usage at facilities in Beijing, Huiyang,

Morrisville, Pondicherry, Shanghai, Shenzhen and Yamato. Reductions ranged from 42% in Pondicherry, India, to 5% in Yamato, Japan. Electricity consumption increased between 12–15% at R&D facilities in Beijing and Chengdu, China, and our fulfillment center in Whitsett, NC, USA. Lenovo is proud to announce that our electricity consumption in manufacturing and development facilities decreased by greater than 11% during the Fiscal Year.

Lenovo locations worldwide also achieved significant reductions in fuel consumption. Downsizing of the company vehicle fleet, a focus on reducing employee travel and climatic impacts on fuel required for heating all supported fuel use reductions. Our use of diesel and gasoline in company-operated vehicles fell from almost 160,000 liters in FY 2008–09 to under 95,000 liters in FY 2009–10, a reduction of over 40%.

## Emissions Reductions

These impressive reductions in energy consumption resulted in equally impressive reductions in global emissions for Lenovo, with total scope 1 and 2 Greenhouse Gas emissions falling in excess of 14% from FY 2008–09 to FY 2009–10. CO<sub>2</sub> emission for FY 2009–10 actually fell below FY 2007–08 levels.



ThinkPad T400s



*Lenovo uses post-consumer recycled plastic equivalent in weight to 19 water bottles in each ThinkStation D20.*

# ENVIRONMENTAL IMPACT OF OPERATIONS

Lenovo's FY 2009–10 CO<sub>2</sub> emissions inventory is detailed in Figure 5.5.

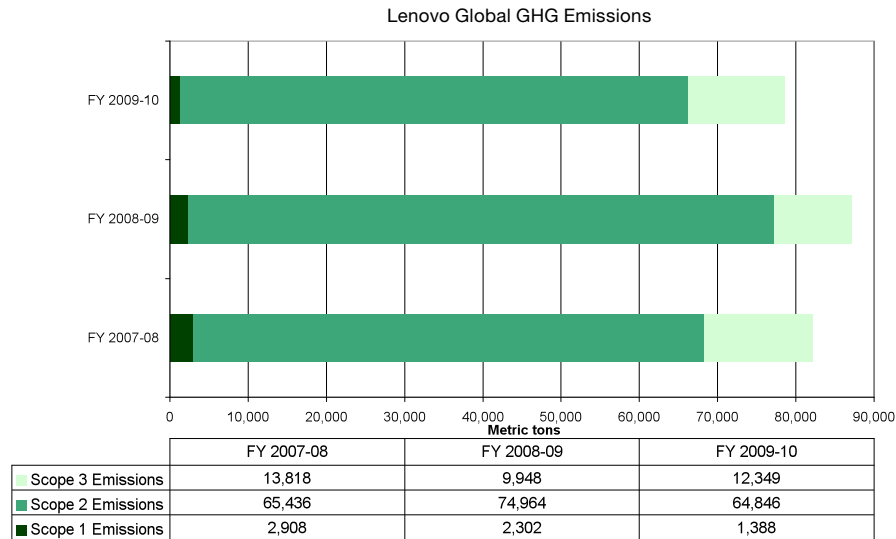


Figure 5.5 Lenovo Global GHG Emissions

Scope 1 CO<sub>2</sub> emissions are calculated based on the purchased quantity of commercial fuel and using published emission factors from 2006 IPCC Guidelines for National Greenhouse Gas Inventories. For the Lenovo worldwide sites, direct emissions are associated with on-site energy generation and operation of company controlled vehicles. The worksheets World Resources Institute (2008), GHG Protocol Tool for Mobile Combustions, Version 2.0 and the GHG Protocol Tool for Stationary Combustions, Version 4.0, were used for making the calculations. The tools were developed by World Resources Institute (WRI) and copyrighted. They are available at <http://www.ghgprotocol.org>

Scope 2 CO<sub>2</sub> emissions are associated with the purchase of electricity from the grid. Information on emissions from all Lenovo non-retail facilities worldwide is included in this report. For facilities solely owned or operated by Lenovo, emissions were calculated using actual quantities of purchased electricity and the international electricity emission factors for the relevant country. In a few cases, actual emissions rates that were obtained from the energy provider were used to make the calculations. Lenovo emissions from shared facilities were calculated using the floor area occupied by Lenovo and international electricity emission factors for the relevant country. World Resources Institute (2009), GHG Protocol Tool for Stationary Combustion, was used in calculating emissions associated with purchased electricity. The Similar Building/Facility Estimation Method was used for facilities that are partially occupied by Lenovo operations.

Scope 3 CO<sub>2</sub> emissions are calculated using air miles traveled by employees in commercial jets, ground miles traveled in rental cars and air miles traveled in leased jets. The worksheet World Resources Institute (2008), GHG Protocol Tool for Mobile Combustions, Version 2.0 was used to perform the calculations.

## Operational Waste Management

### Managing Non-hazardous Solid Waste

Another one of Lenovo's primary environmental objectives for operational facilities involves minimizing solid waste and maximizing recycling and reuse. Lenovo manufacturing and research and development facilities worldwide achieved a reuse/recycling rate of 95 % during FY 2009–10. Detailed below is the disposition of solid waste from Lenovo manufacturing and research and development facilities.

### Disposition of Non-hazardous Solid Waste

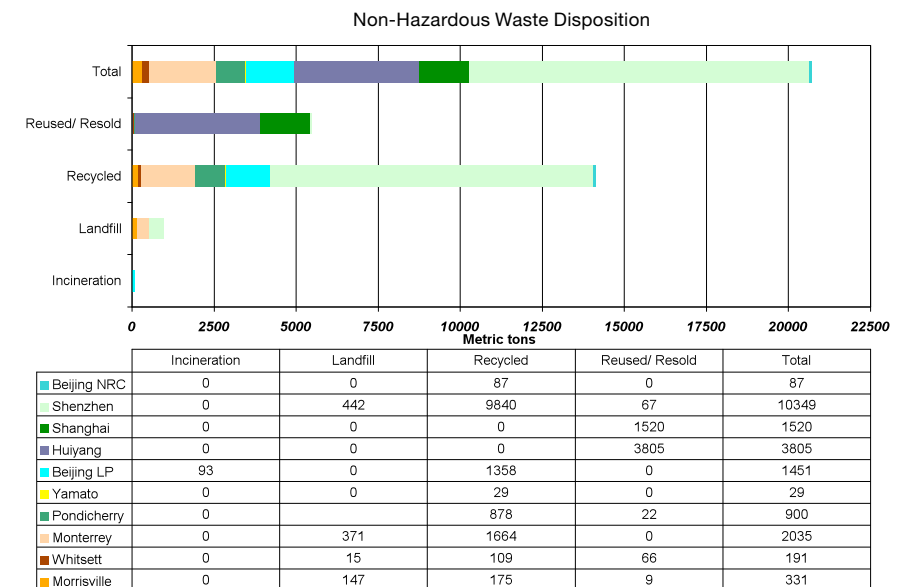


Figure 5.6 Non-Hazardous Waste Disposition

# ENVIRONMENTAL IMPACT OF OPERATIONS

Hazardous Waste Disposition

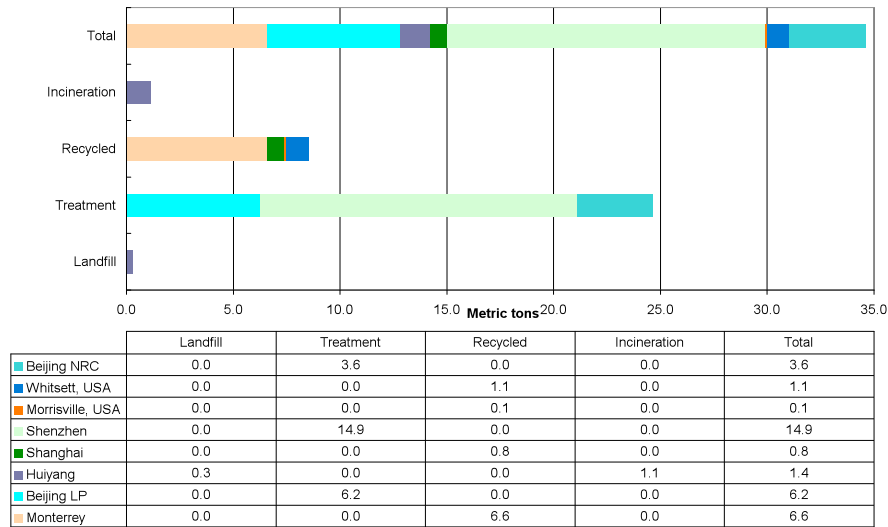


Figure 5.7 Hazardous Waste Disposition

## Managing Hazardous Waste

Lenovo operations generate minimal quantities of hazardous waste. Hazardous waste generated at operational facilities includes oils, coolants, batteries, fluorescent light bulbs and ballasts. All are disposed of in accordance with local environmental regulations with reputable vendors who are approved through a stringent audit process. During the FY 2009–10, Lenovo neither imported nor exported any hazardous waste. During this reporting year, there were no significant spills.

## Other Environmental Aspects

### Water Resources

Lenovo does not engage in any intentional discharge of waste water other than into municipal waste water disposal systems. As Lenovo does not have any wet processes, Lenovo does not recycle any water. Because Lenovo withdraws water only from municipal sources and only for human support, we have no significant impact on local water sources. Detailed in the chart below is water use at Lenovo’s manufacturing and research and development facilities.

Global Water Use

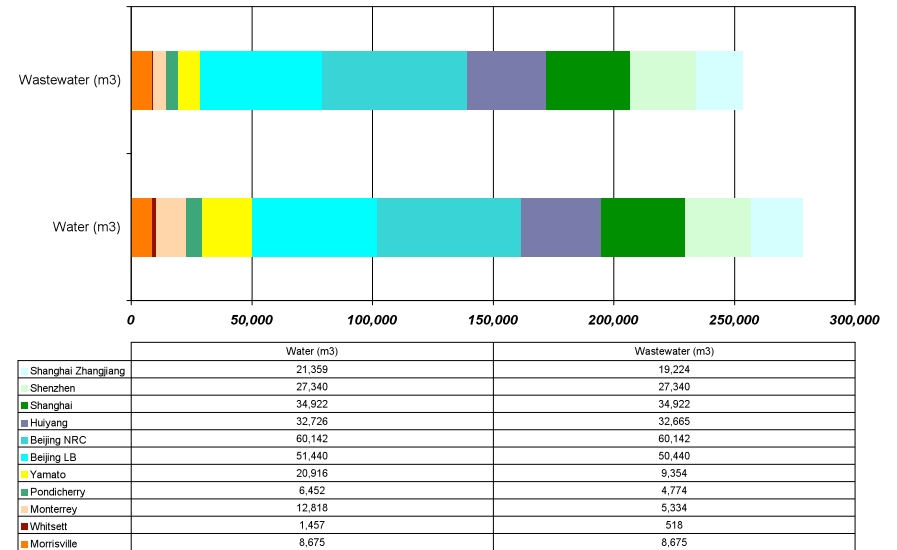


Figure 5.8 Global Water Use

## Other Air Emissions

Lenovo prohibits the use of ozone-depleting substances in our products, manufacturing processes and the processes of our suppliers. Lenovo requires the reporting of unintentional releases of chemical substances as an environmental incident. During FY 2009–10 there were three unintentional releases of the refrigerant R-22. All three releases were from HVAC units. Released amounts were below regulatory reporting requirements. A root cause analysis was conducted and preventive actions implemented to minimize the risk of recurrence of similar releases.

## Conclusion

Lenovo has placed significant emphasis on the importance of responsible environmental stewardship in all aspects of its business through the adoption of relevant standards and programs that support a comprehensive Environmental Policy. Lenovo has aggressively and successfully addressed the environmental impact of its global operations and is focused on continuous improvement as an environmentally-conscious and responsible member of every community in which we operate.

## 5.7 GLOBAL SUPPLY CHAIN



ThinkPad T400s



ThinkCentre M58e

### GLOBAL EDUCATION RESEARCH PROGRAM

The Global Education Research Program was launched with the objective of analyzing and measuring the impact of technology on students' educational experiences both inside and outside the classroom. Our goal is to benefit existing and future education customers by outlining clear actions and best practices that national and local governments can employ to improve their use of technology in education. Lenovo tapped its wide-ranging network of customers and partners to drive the research, including the University of North Carolina's Center for Faculty Excellence, Punahou School's Student Global Leadership Institute and the Tiger Woods Learning Center. The Global Education Research Program includes both qualitative and quantitative studies based on the relevant skills students need to be successful in today's society. Lenovo is in the process of developing additional Global Education Research Centers in partnership with Microsoft® and Intel®.

Global Supply Chain (GSC) delivered solid results in FY 2009–10 against our sustainability objectives. Focus areas for the year were in the key areas of logistics, GSC site operations, packaging and production supplier engagement. Details on each area are provided below.

#### 5.7.1 Logistics

Lenovo continued its membership in SmartWay, a voluntary partnership with the U.S. Environmental Protection Agency (EPA). Through this partnership, Lenovo continues to measure and improve our Canada and U.S. shipping efficiency. The lessons learned through SmartWay also transfer to other parts of our global operations. In addition, the Global Logistics team has continued to drive from higher-carbon air shipments to more environmentally friendly ocean shipments. In FY 2009–10, Lenovo improved its notebook ocean shipments by 18%. Finally, the Logistics team completed a risk assessment of its China shipping suppliers for Electronic Industry Code of Conduct (EICC) compliance.



### DID YOU KNOW?

Our ThinkPad laptops run cooler and are quieter due to their innovative fan design which mimics the wings of an owl.

#### 5.7.2 GSC Site Operations

Lenovo is committed to setting a strong example of EICC-compliant operations in our own manufacturing facilities. Independent third-party EICC audits are conducted at Lenovo's facilities in China, India and Mexico as an integral part of Lenovo's total facility reviews. These audits examine 150 key areas at each site across environmental, labor practices, ethics and management systems. All Lenovo facilities have greater than 90% compliance, with any identified shortfalls immediately addressed.

In FY 2009–10, Lenovo's manufacturing sites participated in corporate-wide efforts to lower energy usage and increase waste recycling.

#### 5.7.3 Packaging Material Reduction

Lenovo continued its aggressive packaging reduction effort in FY 2009–10. In addition to the 750 tons of packaging material eliminated in FY 2008–09 the teams added an incremental 125 tons of reduction. In a second program Lenovo ramped up its post-consumer packaging material usage up to over 60% for ThinkPad volume and over 20% for ThinkCentre volume.

#### 5.7.4 Supplier Engagement

Lenovo is actively engaged with our suppliers as a responsible corporate citizen to promote improvements in our entire supply chain that improve the quality of life at work and at home. As part of this effort, Lenovo has been a member of the EICC (<http://www.eicc.info/Home.html>) since 2006 and adopted the EICC code, which consists of best practices in supplier engagement that provide guidelines for performance and compliance in the following five areas:

- Labor
- Health and safety
- Environment
- Management system
- Ethics

# GLOBAL SUPPLY CHAIN



ThinkPad T400s

Lenovo leverages its membership in the EICC to work together with other member companies to create a comprehensive strategy as well as tools to monitor supplier performance. By establishing common approaches, we can potentially reduce inefficiency and duplication and make performance easier to audit.

Lenovo remains committed to responsible sourcing. In FY 2009–10, Lenovo participated in and provided funding to a “Conflict-Free Sourcing” pilot program run by ITRI (The Tin Association). The pilot is a mineral tracking program in the Democratic Republic of Congo (DRC) to identify mines of origin for minerals in the electronics industry supply chain. In addition, Lenovo participated in the EICC Carbon Reporting System pilot that has the potential to establish new standards for measuring Greenhouse Gas (GHG) emissions in the electronics industry supply chain. Results of the pilot can be found at ([http://eicc.info/documents/BSR\\_EICC\\_A\\_Practical\\_Approach\\_to\\_Greening\\_the\\_Electronics\\_Supply\\_Chain.pdf](http://eicc.info/documents/BSR_EICC_A_Practical_Approach_to_Greening_the_Electronics_Supply_Chain.pdf)). Lenovo plans to continue to support industry efforts and collaboration in these areas.

Supplier compliance with the EICC code is a continuous improvement process. As part of Lenovo’s supplier engagement process, we continue to engage with our Tier 1 suppliers to strengthen their commitment to EICC by signing formal contract amendments, as well as completing self-assessment

questionnaires online using the industry tool E-TASC (Electronics Tool for Accountable Supply Chains), conducting compliance audits using third-party EICC auditors and requiring similar requirements of their suppliers. For FY 2009–10, Lenovo showed continued progress with a 3% improvement in agreement coverage, achieving greater than 90% completion among suppliers. Significant improvement was seen in E-TASC coverage that produced a 111% improvement year-over-year. E-TASC helps guide suppliers in determining where improvements and/or enhancements are needed to drive continual improvements, share assessment results with other customers in a secure environment and quickly assess supplier risk potential for non-compliance. Improvement in E-TASC coverage was related to Lenovo/supplier engagement, supplier continuous improvement efforts and support from the E-TASC service provider (Achilles) in hosting supplier engagement campaigns.

In FY 2009–10, Lenovo continued to participate in and support various EICC work groups focused on communication and stakeholder engagement, E-TASC development, working hours, extractives or metal sourcing in the electronics industry and environmental areas focused on Greenhouse Gas (GHG) emissions. Similar to Lenovo’s strategy to use EICC third-party auditors to audit our internal facilities, we have the same expectations of our suppliers. In addition, Lenovo supports the EICC and GeSI (Global E-Sustainability Initiative) validated audit programs where a single supplier audit can be shared with multiple customers.

Lenovo audit findings still show that “working hours” is the most prevalent area of non-conformance to the EICC code. Lenovo will continue to work with its suppliers to put corrective actions in place to reduce excessive overtime. Also, we continue to support industry efforts by participating in EICC work group activities to better understand the root causes and developing tools to help mitigate and control excessive worker overtime.

Lenovo continues to work with its supply chain on audits and corrective actions required to validate performance and drive sustainable improvements. Lenovo is committed to promoting and fostering capability building among our supplier community that will drive innovation and leadership in this area.

## GREEN PROGRAMS

Many Lenovo products meet the requirements of the following environmental programs:

- **Electronic Product Environmental Assessment Tool (EPEAT)<sup>™</sup>**: Created by the Environmental Protection Agency and the nonprofit Greener Electronics Council, EPEAT<sup>™</sup> rates computers and monitors based on 51 criteria over eight categories that cover toxics reduction, recycled content, energy efficiency, ease of recycling, product longevity, company environmental performance, product takeback and recycling programs and packaging. Computers and monitors are awarded a rating of Bronze, Silver or Gold based on their performance. Gold rated computers meet all required criteria plus at least 75% of the optional criteria that apply to the product type being registered.
- **ENERGY STAR<sup>™</sup>**: ENERGY STAR<sup>™</sup> is a joint program between the U.S. Environmental Protection Agency and the U.S. Department of Energy conceived to promote energy efficiency and reduced Greenhouse Gas emissions in hardware of all kinds. Products meeting certain standards earn an ENERGY STAR<sup>™</sup> label. Such labeling identifies and promotes energy-efficient products and helps customers decide what to buy to lower electricity costs.
- **TCO Certified EDGE** ensures that all products come with an ergonomic design, deliver high-performance, are low on energy consumption and meet the toughest environmental requirements including use of recycled content and limits on hazardous materials.
- **GREENGUARD<sup>®</sup>** certificates are awarded by the GREENGUARD<sup>®</sup> Environmental Institute (GEI) for contribution towards improving public health and quality of life through improvement of indoor air. Performance-based standards are incorporated in the selection criteria for products with low chemical and particle emissions.
- **Restriction of Hazardous Substances (RoHS) Directive**: The Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment; commonly referred to as the Restriction of Hazardous Substances Directive (or RoHS), was adopted by the European Union in February 2003. This directive restricts the use of six hazardous materials in the manufacture of various types of electronic and electrical equipment.



# GLOBAL SUPPLY CHAIN

## 5.7.5 Procurement

Lenovo Global Procurement is responsible for buying products such as computer parts and services. Lenovo strives to balance cost, quality, technology and innovation to provide the greatest value to our customers. Procurement is guided by Lenovo's core values, principles and practices as outlined below.

Lenovo Procurement embodies Lenovo's core values of customer service, an innovative and entrepreneurial spirit, accuracy and truth-seeking, and trustworthiness and integrity.

In FY 2009–10, Global Procurement Processes and Controls incorporated formal internal compliance testing into its management system to ensure that procurement policies and practices are followed by all members of Global Procurement. Compliance testing results and any corrective actions are summarized and communicated to the Chief Procurement Officer.

## 5.7.6 Procurement Core Values

### Customer Service

Vigorously seek a full understanding of the capabilities, wants and needs of the entire supply chain, Lenovo's customers, our internal clients and our suppliers. Actively articulate both Lenovo's and our suppliers' viewpoints and facilitate communication at all levels and functions.

### Innovative and Entrepreneurial Spirit

Continually seek to improve and never be satisfied with anything less than a competitive advantage in technology, price, quality delivery, responsiveness, speed and efficiency.

### Accuracy and Truth-seeking

Firmly believe in and insist upon true cross-functional participation to ensure Lenovo's business decisions are based on carefully understood facts.

### Trustworthiness and Integrity

Ensure both Lenovo and our suppliers adhere to the letter and spirit of all agreements. Build long-term relationships with suppliers based on trust, honesty and candor. Never compromise Lenovo's overall best interests in the pursuit of local or divisional interests. Expect teamwork, integrity, respect and excellence from each other.

## 5.7.7 Supplier Performance Management

Lenovo's standard purchase order terms and conditions stipulate supplier compliance to environmental specifications, material declaration processes and full compliance with all applicable laws including export and import and product safety. Suppliers must also implement and maintain documented quality and environmental management systems that meet ISO 9001 and ISO 14001 certification standards.

Global Procurement evaluates supplier performance regularly to ensure that the best products and services are provided to Lenovo. Lenovo's goal is to measure performance and provide regular feedback to core and strategic suppliers. Supplier performance feedback is accomplished through formal performance reviews, participation in supplier performance programs and normal business communication channels. Lenovo and each of its suppliers work together to develop an action plan. Lenovo conducts quarterly supplier performance evaluations that review a supplier's progress against its action plan and includes a corrective action mechanism. Corporate Social Responsibility (CSR) was added to the assessment process during the second quarter of 2007. Global Procurement Process and Controls plans to strengthen the CSR assessment criteria in FY 2010–11.

Supplier performance is measured in key areas including quality, delivery/flexibility, technology, cost reduction and service. The intent of the measurement is to provide the supplier with Lenovo's view on how well the supplier is meeting Lenovo's business needs. We encourage suppliers to provide Lenovo with assessments of our performance as a customer. This information serves as the basis for mutual discussions on improving the business relationship.



Lenovo Morrisville employees recycle in the cafeteria

## LENOVO TEAMS UP WITH PLANET FINANCE



Since 2007, Lenovo has been working with PlaNet Finance to combine microloans and IT solutions as a tool to provide “seed money” to launch small enterprises in impoverished areas. PlaNet Finance is recognized as a leader in providing technical and financial support for diverse populations within emerging markets.

The “Entreprendre en Banlieue” and “FinanCités” initiatives were launched in 2007 by PlaNet Finance to support economic development within sensitive urban zones in France.

“Lenovo and PlaNet Finance both believe that the association of new technologies and microfinance represent an effective tool to fight against poverty. Since 2007, Lenovo has been working side by side with PlaNet Finance to accompany new business start-ups in economically difficult districts of France through the program “Entreprendre en Banlieue.”

– Jacques Attali, Founder and President of PlaNet Finance



## 6.0 APPENDIX

# 6.1 GRI NOTES



GRI Section 2.9: Details on Lenovo's financial structure are reported in the 2009–10 Annual Report and are available at [http://www.lenovo.com/ww/lenovo/annual-interim\\_report.html](http://www.lenovo.com/ww/lenovo/annual-interim_report.html)

GRI Section 3.1: Data reported in this report is for Lenovo's FY 2010, ending March 2010, unless otherwise specified.

GRI Section 3.4: For questions or other interaction about this report or its content, please contact Beth Gatts, Project Manager of Corporate Social Responsibility, 1009 Think Place, Morrisville, NC 27560 or e-mail at [gattsb@lenovo.com](mailto:gattsb@lenovo.com)

GRI Section 3.5: Lenovo's primary focus has been on updating the baselines established in our first report and evaluating the benefit of reporting additional elements. We continue to survey industry practices for our industry as well as the history of inquiries by customers and other stakeholders.

GRI Section 3.6: This report covers the worldwide operations of Lenovo. Individual reporting items may indicate limitations on the reporting scope for that particular item.

GRI Section 3.7: While this report addresses the worldwide operations of Lenovo, some of the specific items may focus on the activities that impact the particular indicator being reported.

GRI Section 3.8: There are no organizational or other changes impacting comparability of the report.

GRI Section 3.9: Databases are addressed in the section where the data is reported.

GRI Section 3.10: There are no material restatements in this report.

GRI Section 3.11: There are no material changes in the scope, boundary or measurement methods applied in the report.

GRI Section EC3: Details on Lenovo's benefit coverage is reported in the 2009–10 Annual Report accessible at [http://www.lenovo.com/ww/lenovo/pdf/report/E\\_099220100628a.pdf](http://www.lenovo.com/ww/lenovo/pdf/report/E_099220100628a.pdf)

GRI Section LA13: Details on Lenovo's governance bodies and breakdown of employees per category may be found in the Lenovo 2009–10 Annual Report at [http://www.lenovo.com/ww/lenovo/pdf/report/E\\_099220100628a.pdf](http://www.lenovo.com/ww/lenovo/pdf/report/E_099220100628a.pdf)

G3 Section	Lenovo Report Section
1.1	1.0
1.2	3.2, 3.3
2.1	3.1
2.2	3.1
2.4	3.1
2.5	3.1, 3.2
2.7	3.1, 3.2
2.8	3.1
2.10	3.3, 3.3
4.1	3.3
4.2	3.3
4.3	3.3
4.6	2.0, 4.1.5
4.8	3.1
4.11	2.0, 3.4.1
4.12	5.5
4.13	4.2.2, 4.2.5
4.16	3.2, 3.3
EN2	5.5
EN26	5.0
LA1	4.1.6
LA2	4.2.3
LA7	4.3
LA8	3.1
LA10	4.1.7
SO1	4.4
PR1	3.4.1
PR3	3.4.1
EC1	4.4

<sup>1</sup>Lenovo supports the definition of "BFR/PVC free" as defined in the "INEMI Position Statement on the 'Definition of Low-Halogen' Electronics (BFR/CFR/PVC-Free)." PVC/BFR-free power cords not available in certain geographies. The hyperlink for the INEMI Position Statement is [http://thor.inemi.org/webdownload/projects/ese/HFR-Free/Low-Halogen\\_Def.pdf](http://thor.inemi.org/webdownload/projects/ese/HFR-Free/Low-Halogen_Def.pdf).

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