2009 Sustainability Report

Sony Ericsson
make. believe
Table of contents

About Sony Ericsson ............................................. 1
About the report .................................................. 2
Financial results ................................................... 3

Corporate
  A word from our President .................................... 4
  Governance ....................................................... 5
  Our vision in sustainability ................................... 6
  GreenHeart™ ..................................................... 7

Planet
  Reducing our carbon footprint .............................. 8
  Life Cycle Analysis ........................................... 9
  Committed to recycling ..................................... 10
  A word from Greenpeace ................................... 11
  Controlling unwanted substances ......................... 12
  Chargers and power consumption ......................... 14

People
  From quantity to quality ................................... 15
  Our factory ..................................................... 16
  A word from Swedwatch .................................... 17
  Our people ..................................................... 18
  Health and our handsets ................................... 19
  Supporting the global community ......................... 20
About Sony Ericsson

Sony Ericsson is a 50:50 joint venture of Sony Corporation and Telefonaktiebolaget LM Ericsson. Established in October 2001, global corporate functions are located in London and operations are carried out in all major markets. Our vision is to be the Communication Entertainment brand, enabling people to create and participate in new experiences which blur the line between communication and entertainment.

Sony Ericsson combines the strengths of its parent companies. Sony has a wide portfolio of content and entertainment businesses, spanning music, movies and games, while Ericsson has a wealth of competence in telecommunication technologies and close relationships with mobile network operators. Drawing on these strengths, Sony Ericsson offers inspiring consumer experiences through phones, accessories, content and applications.

For Sony Ericsson, 2009 was a year of great change. As well as redefining the company vision, the organisation also expanded its sustainability credentials with the launch of the GreenHeart™ pioneer products, a line of phones and accessories with a reduced overall environmental impact. This has been achieved without compromising on style or features, helping consumers to make greener choices.

In order to achieve our vision of being the Communication Entertainment brand, Sony Ericsson realigned its visual identity and brand values. Sony's new brand message, ‘make.believe’, was adopted in all consumer communication to help reinforce Sony Ericsson's entertainment credentials and collaboration with our parent company.
Sony Ericsson challenges the industry by implementing positive change in the way we operate. We are making these changes now, to help create a better tomorrow.

To maximise the impact of our sustainability initiatives we work across the full spectrum of the business, examining economic, environmental and social areas. Sony Ericsson’s Sustainability Report 2009 comprises each of these dimensions and presents them in three sections: Corporate, Planet and People.

Unless otherwise stated, all information and data contained in this report pertains to activities undertaken from January 1, 2009 to December 31, 2009. The report examines aspects of Sony Ericsson’s activities all around the world, including our manufacturing facility, Beijing SE Potevio Mobile Communications Co., Ltd. (BMC).

The financial figures referred to in the report cover the period from January 1, 2009 to December 31, 2009. These figures were amended in the first quarter of 2010, so may differ slightly from figures reported at the time of the financial results.

We would like to thank all the people who have contributed to this report.

Information on our ongoing sustainability work can be found at www.sonyericsson.com/sustainability

If you have any comments or suggestions on this report, we will be happy to receive your feedback at sustainability@sonyericsson.com

We welcome open dialogue with all stakeholders on our GreenHeart™ blog at blogs.sonyericsson.com/greenheart

Forward-looking statements

This report includes forward-looking statements, including statements reflecting management’s current views relating to the growth of the market, future market conditions, future events and expected operational and financial performance. The words “believe”, “expect”, “foresee”, “anticipate”, “assume”, “intend”, “may”, “could”, “plan”, “estimate”, “will”, “should”, “could”, “aim”, “target”, “might” or, in each case, their negative, and similar words are intended to help identify forward-looking statements. Forward-looking statements may be found throughout this document.

Although we believe that the expectations reflected in these and other forward-looking statements are reasonable, we cannot assure you that these expectations will materialise. Because forward-looking statements are based on assumptions, judgments and estimates, and are subject to risks and uncertainties, actual results could differ materially from those described or implied herein. Important factors that could affect whether and to what extent any of our forward-looking statements materialise include various factors that may be out of our control.

We undertake no obligation to publicly update or revise any forward-looking statements included in this report, whether as a result of new information or future events.
In Q2 2008, Sony Ericsson launched a transformation programme to realise savings of EUR 300 million. This involved reducing our global workforce by around 2,000 and a target to align business divisions and reduce duplication by mid-2009. We achieved these goals in Q1 2009 with resulting restructuring charges of EUR 187 million.

During January 2009, Sony Ericsson embarked on a second cost-saving activity to reduce operating expenses by a further EUR 180 million annually, with the full effect expected at the end of 2009. This target was met, with restructuring charges of EUR 200 million.

In April 2009 a third cost-saving programme was announced which entailed a further reduction to the global workforce of approximately 2,000 people. This will result in a total annual cost saving of EUR 400 million being realised by the end of 2010.

It is estimated that the charges to complete this programme will be well within the original EUR 500 million estimated costs for the three restructuring programmes.

During the third quarter, Sony Ericsson secured external funding of EUR 455 million to strengthen the balance sheet and improve liquidity, including a two-year, committed back-up facility of EUR 200 million. As of December 31, 2009, EUR 255 million of this was drawn. The parent companies have guaranteed EUR 350 million of these facilities on a 50/50 basis.

### Financial results for 2009

For the fiscal year January 1, 2009 to December 31, 2009, total consolidated net sales reached EUR 6,788 million. Income before taxes amounted to EUR –1,043 million, of which restructuring costs were EUR 164 million, and Net income after taxes was EUR –836 million. The number of units sold (excluding accessories) over the period was 57.1 million.

The quarterly breakdown of Sony Ericsson’s key figures is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Q1 2009</th>
<th>Q2 2009</th>
<th>Q3 2009</th>
<th>Q4 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units sold (million units)</td>
<td>14.5</td>
<td>13.8</td>
<td>14.1</td>
<td>14.6</td>
</tr>
<tr>
<td>Net sales (EUR million)</td>
<td>1,736</td>
<td>1,684</td>
<td>1,619</td>
<td>1,750</td>
</tr>
<tr>
<td>Income before taxes (EUR million)</td>
<td>–370</td>
<td>–283</td>
<td>–199</td>
<td>–190</td>
</tr>
<tr>
<td>Net income (EUR million)</td>
<td>–293</td>
<td>–213</td>
<td>–164</td>
<td>–167</td>
</tr>
</tbody>
</table>

Sony Ericsson has made great progress in its transformation programme to help return the company to profitability as quickly as possible. During 2009, OPEX was reduced by EUR 590 million and cost of sales reductions positively impacted gross margins. The transformation programme continues and will be finalised by the end of 2010.

The focus for Sony Ericsson in 2010 will be a continued commitment to returning to profitability. We will also continue the transformation of our portfolio to target mid to high-end segments and deliver fantastic user experiences, as well as renewed quality assurance measures. Further to this, we will continue our tight financial management to preserve cash flow.

For more information, please visit www.sonyericsson.com/press
A word from our President

At Sony Ericsson, sustainability is at the heart of who we are. Our GreenHeart™ programme reflects this philosophy perfectly, emerging from Sony Ericsson’s product development and engineering organisations to become a core value within our company conscience. Sustainability is not a marketing tool that Sony Ericsson retrospectively applies to its products; it is an organic part of our DNA and a key consideration in everything that we do.

Sustainability is crucial to our organisation and affects all aspects of our business. Sony Ericsson works both internally and with our supply chain to ensure that human rights are respected, our carbon footprint is kept to a minimum and unwanted substances are not allowed to contaminate the environment.

We are an industry leader in sustainability. We challenge our competitors and will continue to pre-empt government legislation, setting strict targets for ourselves and our suppliers above and beyond local laws and regulations.

Our organisation is fully compliant with all current legislation, including the EU Restriction of Hazardous Substances, and works proactively to remove unwanted substances wherever this is possible.

We have chosen to set fixed targets for our carbon emissions. These are not just relative to production; our Life Cycle Analysis initiative will enable us to achieve a real overall reduction in our organisation’s carbon footprint.

In addition, all of our products are manufactured with recycling in mind. Our Global Take-Back programme is in place to promote the safe disposal of our phones by making it an easy option for our consumers.

We work closely with our suppliers as a partner, offering advice on ways to improve human rights and proactively drive positive change within the supply chain.

As I announced at Mobile World Congress, we are committed to making the core of our 2011 portfolio live up to the promise of our GreenHeart™ programme. GreenHeart™ is not something that will mean a compromise in quality or design. It simply means that our products will continue to deliver the same great experience – making communication fun and making people smile – while helping to protect the future of our planet.

Bert Nordberg
President, Sony Ericsson Mobile Communications
Governance

During 2009 there was a change of leadership at company and board levels. Bert Nordberg became the President of Sony Ericsson, following the retirement of predecessor Dick Komiyama at the end of 2009.

Previously, Nordberg was an Executive Vice President and Head of Ericsson Silicon Valley. With a wealth of experience in the telecoms industry, he was instrumental in the transformation of Ericsson during 2002-2003.

At board level, Sir Howard Stringer, Chairman, CEO and President of the Sony Corporation and a member of the Sony Ericsson Board, succeeded Carl-Henric Svanberg, former CEO of Ericsson, to become Chairman of the Sony Ericsson Board. Svanberg was appointed Chairman of BP starting January 2010.

Sales and marketing activities are divided into the following regional market areas:
- Western Europe
- Central & Eastern Europe, Middle East and North Africa
- Asia Pacific
- China
- Japan
- Americas

Sony Ericsson’s development sites are concentrated in the locations below:
- Lund, Sweden
- Beijing, China
- Tokyo, Japan
- California, US

Financial risk management

Sony Ericsson’s financial risk management is governed by a policy approved by the Sony Ericsson Board. The management of risks is executed by a centralised treasury function and its principal role is to ensure appropriate financing, manage the liquidity, secure effective cash-management and conduct effective management of accounts receivables. The centralised treasury also manages and controls financial risk exposures in a manner consistent with underlying business risk and financial policy.

How our organisation is structured
Our vision in sustainability

We are in a position to make a positive change

A lot of the work that Sony Ericsson carries out in sustainability happens inside the company. This report will provide an insight into our work and our future aims.

We are an industry leader in sustainability – we challenge ourselves, our partners, our industry and the societies in which we operate. We will continue to push for positive change throughout our supply chain, improving working conditions and banning unwanted substances ahead of legislation, while lobbying for the legislation to be clearer and more stringent.

Our aim is to put sustainability at the heart of everything we do.
GreenHeart™ emerged from within the company as a way to establish a concrete and tangible approach to building and communicating a more sustainable business. Originally led by our Creative Design Centre and sustainability team, the initiative has been implemented by product development and engineering. The programme has subsequently been adopted as one of our core company values. It is now a consideration in everything we do as a business: whether we are designing a product, shipping our phones to market, or creating a marketing campaign, all of our decisions are informed by GreenHeart™.

Beginning with one phone, the C901 in 2009, the goal was to create a commercial product that would give consumers a greener choice. When we embarked on the project our plan was to integrate as many GreenHeart™ requirements as possible. Through close collaboration between the sustainability team and product developers, it was possible to refine the specifications and create a product that we could be proud of.

The C901 project has evolved into a broader portfolio of GreenHeart™ products. We have positioned GreenHeart™ at the core of our business rather than being a project which sits separate from our main portfolio. The goal is to have technically brilliant products across our entire portfolio as well as the greenest products in the industry. Our task for 2011 is to ensure that the core of our product portfolio of phones and accessories meets GreenHeart™ requirements. In practice this means phones with electronic manuals instead of paper ones, and the use of recycled plastics, waterborne paints and minimal packaging.

GreenHeart™ is not just about the phones and accessories. We want to inspire our customers to be more sustainable, creating applications and services that make them stop and consider how they can lead a more sustainable lifestyle. The mobile phone can be a key enabler to more sustainable living, from social networking to remote working, and we aim to tap into these possibilities.

Ultimately our goal is to deliver brilliant products made in a responsible way, to enable a more sustainable way of living, working and enjoying life.
Reducing our carbon footprint

What are our goals?

We have set two different targets to cut carbon emissions. The first is to reduce carbon output by 20 percent by the year 2015. This target concerns Sony Ericsson’s internal business activities, such as business travel, office buildings and our factory, using 2008 as our baseline.

Our second target is to reduce emissions from the full lifecycle of our products by 15 percent by 2015. We are dedicated to working closely with our customers and suppliers to reduce carbon emissions. In working toward this target, we take into account not only Sony Ericsson’s own activities, but all those that occur as part of the mobile phone production process. This includes everything from mining for the raw materials, through to component manufacture, product transportation, product use and the recycling or disposal of the phone.

We have set our goals as absolute values, i.e. a specific amount of kilograms, rather than based on sales performance. This way, the total amount of emitted carbon will be reduced, regardless of how many products we sell.

Renewable energy

Sony Ericsson keeps records of all the electricity that we purchase, and whenever possible we buy renewable energy from certified sources. Currently, over 30 percent of all electricity purchased by Sony Ericsson globally has been certified by the Swedish Society for Nature Conservation. This electricity is made exclusively from renewable energy sources, e.g. wind, solar and hydro.

How do we work with our targets?

Sony Ericsson uses the industry-recognised GreenHouse Gas (GHG) Protocol when we calculate and report our carbon footprint. The Protocol comprises three Scopes, of which Scopes 1 and 2 are mandatory to comply with Protocol standards. Scopes 1 and 2 cover direct greenhouse gas emissions and emissions from purchased electricity. Scope 3 is an optional reporting category in which other indirect emissions, separate from those which originate from purchased electricity, may be reported. Under Scope 3, Sony Ericsson reports emissions from business travel and logistics services. Based on the Protocol, as well as the directives set in the Bali and Copenhagen communiqués, Sony Ericsson has adjusted and adapted working practices in order to meet our carbon reduction targets in the time frame communicated.

Carbon footprint figures

<table>
<thead>
<tr>
<th>Scope</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>17,075,459</td>
<td>21,543,679</td>
<td>11,388,196</td>
</tr>
<tr>
<td>Sony Ericsson offices</td>
<td>10,500,191</td>
<td>12,959,411</td>
<td>13,563,996</td>
</tr>
<tr>
<td>Scopes 1 and 2</td>
<td>27,575,649</td>
<td>34,503,090</td>
<td>25,552,193</td>
</tr>
<tr>
<td>Business travel</td>
<td>36,850,408</td>
<td>22,887,908</td>
<td>17,608,016</td>
</tr>
<tr>
<td>Logistics</td>
<td>N/A</td>
<td>189,643,325</td>
<td>120,683,029</td>
</tr>
<tr>
<td>Total incl. logistics:</td>
<td>N/A</td>
<td>247,034,324</td>
<td>163,843,238</td>
</tr>
<tr>
<td>Total excl. logistics:</td>
<td>64,426,057</td>
<td>57,390,998</td>
<td>43,160,209</td>
</tr>
</tbody>
</table>

BUSINESS TRAVEL

<table>
<thead>
<tr>
<th>Year</th>
<th>kg CO₂ – absolute</th>
<th>kg CO₂ – relative sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-2008</td>
<td>–38%</td>
<td>–35%</td>
</tr>
<tr>
<td>2008-2009</td>
<td>–23%</td>
<td>–13%</td>
</tr>
<tr>
<td>2007-2009</td>
<td>–52%</td>
<td>–26%</td>
</tr>
</tbody>
</table>

IN-HOUSE MANUFACTURING

<table>
<thead>
<tr>
<th>Year</th>
<th>kg CO₂ – absolute</th>
<th>kg CO₂ – relative produced phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-2008</td>
<td>26%</td>
<td>47%</td>
</tr>
<tr>
<td>2008-2009</td>
<td>–44%</td>
<td>–36%</td>
</tr>
<tr>
<td>2007-2009</td>
<td>–30%</td>
<td>–5%</td>
</tr>
</tbody>
</table>

LOGISTICS

<table>
<thead>
<tr>
<th>Year</th>
<th>kg CO₂ – absolute</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-2008</td>
<td>–36%</td>
</tr>
<tr>
<td>2008-2009</td>
<td>32%</td>
</tr>
<tr>
<td>2007-2009</td>
<td>32%</td>
</tr>
</tbody>
</table>

RENEWABLE ENERGY

<table>
<thead>
<tr>
<th>Year</th>
<th>% of all purchased electricity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>38%</td>
</tr>
<tr>
<td>2008</td>
<td>42%</td>
</tr>
<tr>
<td>2009</td>
<td>44%</td>
</tr>
</tbody>
</table>

Aggregated results

Total absolute results, Scopes 1 and 2 (all purchased electricity)

<table>
<thead>
<tr>
<th>Year</th>
<th>kg CO₂ – absolute</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-2008</td>
<td>25%</td>
</tr>
<tr>
<td>2008-2009</td>
<td>–26%</td>
</tr>
<tr>
<td>2007-2009</td>
<td>–7%</td>
</tr>
</tbody>
</table>

Total absolute results, Scopes 1, 2 and partly 3

<table>
<thead>
<tr>
<th>Year</th>
<th>kg CO₂ – absolute</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-2008</td>
<td>–11%</td>
</tr>
<tr>
<td>2008-2009</td>
<td>–25%</td>
</tr>
<tr>
<td>2007-2009</td>
<td>–33%</td>
</tr>
</tbody>
</table>

Including logistics

<table>
<thead>
<tr>
<th>Year</th>
<th>kg CO₂ – relative sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-2008</td>
<td>–24%</td>
</tr>
<tr>
<td>2008-2009</td>
<td>–13%</td>
</tr>
<tr>
<td>2007-2009</td>
<td>–34%</td>
</tr>
</tbody>
</table>

Total absolute overhead results

<table>
<thead>
<tr>
<th>Year</th>
<th>kg CO₂ – absolute</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-2008</td>
<td>–20%</td>
</tr>
<tr>
<td>2008-2009</td>
<td>27%</td>
</tr>
<tr>
<td>2007-2009</td>
<td>1%</td>
</tr>
</tbody>
</table>

Total overhead results relative sales

<table>
<thead>
<tr>
<th>Year</th>
<th>kg CO₂ – relative sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-2008</td>
<td>–33%</td>
</tr>
<tr>
<td>2008-2009</td>
<td>27%</td>
</tr>
<tr>
<td>2007-2009</td>
<td>1%</td>
</tr>
</tbody>
</table>

Planet
Life Cycle Analysis

We have a target to reduce the carbon emissions from the full lifecycle of our phones by 15 percent by 2015. To keep track of this, we need a tool to assess the emissions from all stages of the lives of our products.

When you begin to analyse the lifecycle of phones you realise what an enormous task this is. Early in 2010, we completed the analysis stage, an important milestone for us. It means we can be certain that we have quantified the environmental impact throughout the whole lifecycle of our products. Measuring the impact of our own activities is one thing, but tracking the energy used by Sony Ericsson's suppliers and customers, during the production process and beyond, is quite another.

Life Cycle Analysis (LCA) is a way to evaluate the environmental impact of each phase of the product lifecycle and assess where change is most needed. The assessment technique has proved to be an invaluable tool in investigating the amount of carbon generated by our activities at each stage of the lives of our phones, from the mining of minerals to the years of use by consumers.

We learnt for example that the manufacturing of the IC chip produces a large amount of CO₂, approximately 30 percent of the total carbon footprint. High-end phones produce more carbon in production than entry-level devices. This is an area we know that we need to focus on in order to reduce the total environmental impact of production.

The LCA can be as detailed as you want to make it as long as the scope includes every stage of the lifecycle, but the more you drill down into the detail, the more useful the analysis becomes.

Our LCA involves many third-parties along the way, including suppliers, manufacturers and consumers. We know that we rely on these parties to back our carbon-cutting initiatives and we strive to work closely with them every step of the way. The next step is to make changes to our processes and with concrete milestones in place we are moving towards achieving our goal.

Life Cycle Analysis helps us to quantify our environmental impact on the world around us.

We use LCA to determine the environmental impact of each stage of the product lifecycle.
Committed to recycling

Sony Ericsson promises to take responsibility for its phones throughout their lifecycle

In 2008 Sony Ericsson committed itself to an ‘environmental warranty’ which guarantees that when consumers take their phones to our recycling collection points we will recycle them in a responsible way. 770,000 Sony Ericsson mobile phones were collected and recycled through our system in 2009.

What can be reused?

- Plastic phone covers can be recycled and reused in different products. We have already used this material to produce prototypes of transportation boxes which are used for sending phones to recycling facilities.
- Some parts and components, such as LCDs or cameras, can be reused in other electronic products.
- Gold, silver, platinum and copper can be recovered through a smelting process and reused by the industry or for jewellery. The medals awarded in the 2010 Canadian Winter Olympics were made from precious metals recovered from electronics products.

Externally

Our Global Take-Back programme (www.sonyericsson.com/recycle) is a key part of our commitment to taking phones from the marketplace and ensuring that they are disposed of in an environmentally friendly way.

We now have 500 collection and information points across eight countries; all phones collected are processed through Sony Ericsson recycling sites. Our goal is to introduce more and more of our own take-back schemes across the world. Where we don’t currently have our own system in place, we are making sure that our customers can easily find information on how to recycle their phones through other industry, municipality or privately run schemes. The programme has proven to be particularly successful in Western Europe where we provide schemes or information in almost all countries.

Making information readily available is an important consideration at every stage in the product lifecycle. Sony Ericsson includes recycling information on phone menus as well as on our website. Further to this, all of our call centre agents are trained to answer recycling-related questions. We also provide freepost collection and convenient drop-off points in the US as a key tool in encouraging people to hand back their old phones. Ultimately it is the consumer’s choice whether or not they recycle their phones, but by making it as easy as possible for them we believe we can encourage more people to recycle.

Internally

At Sony Ericsson we want to lead by example, so we have stepped up our own company-wide recycling efforts. In 2008, all our major sites set up recycling bins in their offices. This move marked the beginning of a company-wide collection of old prototypes and commercially launched mobile phones. Since then 50,000 units have been recycled in Sweden and the UK, 14,300 in China and 10,000 kg worth of products in the US. The process is also currently being initiated in Canada.

As well as the obvious environmental benefits of recycling plastics and metals and recovering mobile phone parts for reuse, the initiative also minimises the risk of a confidential prototype ending up outside of the company.

Designed to recycle

When conducted under controlled conditions and with the use of the correct protective equipment, the recycling process protects workers and the environment (unfortunately this is not true of ‘backyard’ electronics recycling in some developing countries). In addition, the efficient setup of Sony Ericsson’s recycling process makes it a very cost-effective option. We believe recycling both makes business sense and protects the environment, and we therefore put it at the heart of our business ensuring that from the earliest stages of development all our products are made with recycling in mind.

Challenges

Our biggest challenge is encouraging users to recycle. Only an estimated 3 percent of end-of-life phones are brought to collection points.

In developed countries, many phones are collected by independent companies to be refurbished and resold, often to developing countries. Their revenue is at least ten times the recycling value and it is estimated that several hundred million products a year go into this market. In our view these phones may create problems due to quality of refurbishment, outdated technology and non-original batteries and chargers. We believe that providing phones optimised for their destination markets is a more sustainable solution.

Finally, many of the EU WEEE compliance systems we participate in do not have collection schemes dedicated to phones – instead they are categorised as IT equipment. This limits the data reporting phone collection within these schemes.
A word from Greenpeace

Sony Ericsson listens to what Greenpeace has to say about the company’s activities

Sony Ericsson listens to the concerns of Non-Governmental Organisations (NGOs) and engages with them in discussions. This is one of the ways that we can ensure that we are moving in the right direction when it comes to sustainability. As part of this process, we asked Greenpeace to let us know what they think about us. The answers are summarised below.

Substance control

Sony Ericsson takes a good proactive approach to substance control and is an industry leader in this area, lobbying for the elimination of hazardous materials ahead of its competitors and substituting harmful substances without waiting for prior government legislation. Organisations such as Sony Ericsson can really help make a difference in this area, adding pressure to ban the most hazardous substances.

Product take-back and recycling

In the last year the number of collection points installed by Sony Ericsson for used phone recycling has increased and the company has improved in this area. However, the company is not yet at a level with its competitors and needs to be more innovative in raising awareness of its recycling programme and expanding it to more countries, especially in the developing world. If Sony Ericsson is to be perceived as truly sustainable organisation, product take-back and recycling needs to be a key focus area.

GreenHeart™

GreenHeart™ is a good concept; the water-based paint, electronic manuals and energy efficient display are great. Sony Ericsson simply uses recycled materials in its products. It would be better if the recycling process was a real closed cycle and the new phones were made from old phones. Also, the time between the launch of the GreenHeart™ concept and the first phone released should have been shorter.

Carbon footprint

The absolute cuts in carbon emissions promised by Sony Ericsson are a really positive move and will mean an overall reduction in the organisation’s carbon footprint. Ideally, this needs to be verified by a third-party organisation.

General

Electronic lifestyle goods have a short lifespan and can cause great harm to the environment if improperly disposed of and not recycled. It would be great if Sony Ericsson would address this by extending the lifespan of its products.

For more information on Greenpeace visit: www.greenpeace.org/international/en
Controlling unwanted substances

Sony Ericsson is leading the way towards a cleaner, safer mobile phone industry

Since the creation of Sony Ericsson, we have worked to minimise the impact of our products on the environment. We recognise the importance of ensuring that any hazardous chemicals used in our manufacturing processes are strictly controlled and monitored.

Sony Ericsson takes a proactive approach, continuously identifying and developing sustainable economic alternatives to unwanted substances. We are an industry challenger, setting ourselves targets ahead of any government legislation. With this in mind, Sony Ericsson’s Lists of Banned and Restricted Substances\(^1\) goes beyond current legal regulations. We look to remove unwanted substances completely from our products wherever it is possible. Sony Ericsson’s Environmental Coordinators are part of our R&D organisation and ensure that we consistently meet the high requirements we have set ourselves.

Environmental Declarations are available for download on our website\(^2\). These are documents that detail various aspects of each phone we sell such as material content, energy consumption, batteries, packaging and recycling information.

Unwanted substances and the supply chain

We work closely with our suppliers to ensure that restricted chemicals are not included in our products. Our Environmental Design Review process is intended to ensure that we meet all legal and internal requirements, preventing the distribution of any unwanted substances in our products.

Being proactive in the supply chain and working ahead of legal regulations makes good business sense – it speeds the removal of unwanted chemicals, preventing late, last-minute conversions of manufacturing processes which can be costly. This approach, along with face-to-face talks and training, is a great way of building trust with our suppliers.

Every supplier is required to make a full substance declaration on an industry standard IPC 1752 template\(^3\). This information is uploaded into our Compliance On Materials and Environment\(^1\) (COMET) database. Launched in 2008, COMET contains information from external sources and suppliers and is linked to Sony Ericsson’s product life management system to help facilitate the unwanted materials phase out process. All Sony Ericsson phones and accessories are thoroughly screened and tested by third-party laboratories for their chemical content prior to launch.

By clearly articulating our requirements to our first tier suppliers and by being proactive, Sony Ericsson creates a positive chain-reaction down the supply line. Each of our suppliers in turn requires their own supply chain to prohibit the use of the substances specified by Sony Ericsson.

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1 www.sonyericsson.com/cws/corporate/company/sustainability/consciousdesign
2 www.sonyericsson.com/cws/support/phones/detailed/environmentaldeclaration?lc=en&cc=global
3 www.ipc.org
Today, our products are fully compliant with all applicable laws and regulations including the EU Restriction of Hazardous Substances (RoHS) and the Registration, Evaluation and Authorisation of Chemicals (REACH).

**Brominated Flame Retardants (BFR)**

Our products are more than 99.9 percent BFR-free. We are a market leader in this area and we are looking at ways to reduce this further. We aim to completely remove BFR, Chlorinated Flame Retardants (CFR) and all other brominated and chlorinated organic compounds from our products in 2010.

**Nickel**

Nickel was removed from the coating processes on Sony Ericsson products from April 2008, eight months prior to the 2009 publication of EU Commission recommendations on the substance. To read more, please refer to Health and our handsets on page 19.

**Polyvinyl Chloride (PVC)**

As of December 2009 PVC is no longer present in Sony Ericsson products.

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**Sony Ericsson’s unwanted substance phase out process**

<table>
<thead>
<tr>
<th>Phase 1: Study</th>
<th>Phase 2: Pioneer</th>
<th>Phase 3: Phase out</th>
<th>Phase 4: End of production</th>
</tr>
</thead>
</table>

- A potential replacement substance is identified and evaluated in terms of its quality, capacity and environmental impact in cooperation with our suppliers.
- The replacement substance is launched in a pioneer product. This is extensively tested to ensure that as a minimum the replacement substance delivers a customer experience that is as good as, or better than the original.
- Over a period of time, the specified substance is phased out platform-by-platform, one component at a time. A target date is set for phase out and after this date the substance is prohibited in all new Sony Ericsson products.
- This is the final deadline after which the unwanted substance has been completely removed from the portfolio or product. The amount of time it takes to phase out a product is dependent upon its lifecycle; a mobile phone for instance has a shorter lifecycle than a charger or headset, as the technology moves faster.

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**Sony Ericsson substance phase out**

![Graph showing the percentage of substance phase out from 2001 to 2009 for Bromide, Lead, PVC (phones), and PVC (total)](image)

- **Bromide**
- **Lead**
- **PVC (phones)**
- **PVC (total)**
Chargers and power consumption

Working hard to save energy

We all know that we are using energy when we are charging or using our phones, but when the charger is left plugged in with no phone attached, the power being used is not so obvious. This is called no-load power. At Sony Ericsson, our efforts have been focused on reducing the power wasted from a no-load perspective in all our products.

Today, Sony Ericsson is an industry leader in terms of no-load power consumption and offers some of the most efficient chargers in the world. We introduced a charger in 2001 that met the highest standards of performance required by the EU Code of Conduct (CoC), three years before that became law in 2004. These guidelines required a no-load power usage of less than 0.3 watts. All of our phones sold globally since 2003 have chargers that meet the EU voluntary CoC for power supplies.

As part of the Integrated Product Policy under the European Commission, Sony Ericsson has worked with other phone manufacturers on the development of a system of energy usage ratings for chargers. All of our chargers (except CST-60 which was phased out at the end of 2009) are rated four or five star on this scale. The best current available rating is five star for a no-load consumption of less than 0.03 watts – our GreenHeart™ concept charger no-load power is 0.0035 watts.

During 2009 we launched commercial chargers rated as five star with no more than 0.003 watts of no-load consumption. If the charger is to be GreenHeart™ compliant it must be at least this efficient. Our Design Review Process is in place to ensure that our chargers meet all external and internal requirements and laws. Our internal requirement is 0.01 watts no-load power for power supplies.

Sony Ericsson is currently examining ways that this power usage of smartphones can be minimised. However, a smartphone can replace many other devices such as computers and MP3 players. In the long term, replacing these devices with a single smartphone will contribute to an overall energy saving.

Of course, the best action is still to unplug your charger whenever you are not using it.
From quantity to quality

There is a need for continuous change if we are to achieve lasting improvements in our supply chain

We are continuously evolving our approach towards supply chain social responsibility. Instead of restricting our involvement to auditing, policing and problem finding, we have become more of a consultant and inspirational partner. This approach is more difficult to measure than audits, check sheets and questionnaires, but we can see that this is the right way forward through the response that we get from our partners.

Adherence to the Sony Ericsson Supplier Social Responsibility Code is a fundamental requirement for each of our suppliers and manufacturing partners. The code is based on international conventions and standards set by agencies such as the International Labour Organization. It requires suppliers to commit to respecting the human rights of the workforce and protecting the natural environment in the way that they work. All of our suppliers and manufacturing partners are required to meet international standards, such as ISO 14001 and OHSAS 18000 or equivalents.

Three years ago Sony Ericsson conducted 107 audits. We closed non-conformities and approved several suppliers. However, we realised the number of audits or closed non-conformities didn’t teach us enough about genuine improvement at our supplier sites. In 2009 we started to call our CSR activities assessments instead of audits. The focus shifted to supplier understanding and encouraging small improvements through assessment, training and follow-up. This approach allowed us to focus more on quality than on quantity: building strong relationships and a sense of trust is far more productive than threats when you want to get lasting improvements.

In 2009, Sony Ericsson performed CSR activities with 24 sites, including suppliers, outsourced production sites and one forwarder, all located in China. In total, 36 visits were made to the 24 sites. It is clear that there is a need to develop and improve processes and practices, and this is now recognised by our suppliers. The main area to improve is overtime and working hours, but we have also identified action points for working environments. We continue to follow up with suppliers, looking towards improvements in the following year.

Working conditions are also part of our supply chain efforts and have been for a long time. Our GreenHeart™ programme improves conditions for people working throughout the whole lifecycle of our products. For example, the water-based coating on our products may not have a huge impact on the total lifecycle of the phone, but removing the use of solvents results in cleaner, healthier working conditions and environments around the paint suppliers’ sites. The phasing out of BFR and PVC has also been carried out with working conditions and worker health in mind.

The increased media interest in extractives and mining, which is very much focused on activities in the Democratic Republic of the Congo, is welcomed by Sony Ericsson. These illegal activities and inhumane working conditions are not acceptable. The more debate and attention these issues receive, the easier it will be for Sony Ericsson to get cross-industry action and support from other authorities and organisations to trace the raw materials in our products. Tracing systems for raw materials cannot be set in place by one company or even one industry alone. We welcome initiatives such as those driven by the Global e-Sustainability Initiative and the International Tin Research Institute to introduce regulations concerning raw materials in the supply chain. Sony Ericsson does not purchase metals directly, however metals are a key constituent in many of the components we buy from third parties and use in our products.

1 www.ilo.org
2 www.gesi.org
3 www.itri.co.uk
Our factory

Beijing SE Potevio Mobile Communications Co., Ltd. (BMC) is jointly owned by Sony Ericsson and local partners China Potevio and Nanjing Panda Electronics Group, two of the largest companies in the Chinese electronics telecommunications industry.

The factory was originally established as an Ericsson facility in 1995 and Sony Ericsson China purchased an equity share of the facility in 2002. Since then China has become a strategic base for the organisation. Our activities in the country include research, design, development, sourcing, manufacturing and regional sales & marketing.

In 2004 Sony Ericsson purchased a majority stake in BMC and established the facility as the main production and distribution centre for the organisation. In October 2007 Beijing Suohong Electronics Co., Ltd. (BSE) was integrated into BMC, further increasing the capability and capacity of the facility.

Quality and certification

The Sony Ericsson management system considers environmental and social factors an integral part of our business practices. Our activities are audited and certified by Det Norske Veritas (DNV) in accordance with ISO 9001:2008 (Quality Management Systems).

All manufacturing sites and suppliers, including the BMC facility, are required to use a system that meets the ISO 14001:2004 standard (Environmental Management Systems).

BMC was initially certified for ISO 9001 in 1996 and for ISO 14001 in 1999. The present certification by DNV for both of these standards is valid until 2011. Since March 2009, BMC has been certified for OHSAS 18001:2007 (Occupational Health and Safety Management Systems) by DNV. This is valid until 2012. In September 2009 BMC was also certified for the Electrostatic Discharge Control Programme of the ANSI/ESD S.20.20-2007 standard.

CSR activities

BMC uses the Electronic-Tool for Accountable Supply Chains (E-TASC), to share Sony Ericsson’s CSR knowledge and operations with our customers. E-TASC is a web-based system, developed under sponsorship of GeSI/EICC, that enables companies to exchange information about social and environmental activities in the supply chain. This includes environmental practices, health and safety standards, ethical conduct and human rights.

In order to increase CSR activities in BMC, assessment and training was launched by Sony Ericsson in 2009. BMC initiated its self-assessment during Q4 2008 and this was finalised in February 2009. A second updated self-assessment with details for 2009 was performed in Q1 2010. The results have been shared with Sony Ericsson’s customers.

1 e-tasc.achilles.com
2 GeSI = Global e-Sustainability Initiative
   www.gesi.org
   EICC = Electronic Industry Citizenship Coalition
   www.eicc.info
A word from Swedwatch

We want to know what independent NGO
Swedwatch thinks about us

Swedwatch is a partner organisation of the makeITfair campaign. The international project aims to persuade major players in the Information and Communication Technologies sector to take account of the human cost and the environmental impact of their activities. We spoke with Swedwatch about its perception of Sony Ericsson.

Supply chain

As Sony Ericsson has outsourced much of its production to developing countries, it is a real challenge for the organisation to ensure that monitoring, systems and processes are in place to guarantee that sufficient environmental care and respect for human rights are maintained. Swedwatch currently has difficulties in understanding how Sony Ericsson is handling these challenges as we feel that it is not reported upon as clearly as it could be.

We believe that the move from auditing towards the transferring of knowledge and training of suppliers to create understanding for sustainability and human rights is a positive step forward and increases the possibilities of obtaining lasting results. However, we would like to see more transparency and better reporting around both social and environmental issues – this would make it easier to understand how Sony Ericsson is working in this area. For instance, what are the goals and the timeframes put in place by Sony Ericsson?

Another important area for Swedwatch is the proactive engagement with suppliers in regard to metals sourced from problematic mining areas. Several leading electronics companies are already engaging in this issue, but it is unclear what Sony Ericsson is doing to contribute to the sustainable extraction of the metals they use in their phones.

Substance control

Swedwatch applauds the efforts taken by Sony Ericsson to proactively phase out hazardous substances. This is important, both for the environment and for the workers who are handling these substances in the manufacturing process.

Product take-back and recycling

All electronics brands need to do more here. It is also important to take back used phones in countries where the local laws do not require this to happen and to support sustainable recycling options locally. Efforts to increase the lifespan of each product should be a focus. This would really make an impact and reduce the ecological footprint of the electronics industry.

GreenHeart™

We feel that GreenHeart™ is a good step forward. By offering greener phones with less negative environmental impact, Sony Ericsson makes it possible for consumers to support the company’s sustainability work. To gradually raise the bar for the GreenHeart™ phone, and let the rest of the product range follow, gives credibility to Sony Ericsson’s ambitions. Swedwatch would like to see the inclusion of all aspects of the supply chain in the GreenHeart™ programme in the future. We also believe that Sony Ericsson should take immediate steps towards including social criteria in the GreenHeart™ program.

General

Better reporting is key if stakeholders are to be able to judge the organisation fairly.

For more information on Swedwatch visit: www.swedwatch.org/en

1 makeITfair.org
Our people

Sony Ericsson’s employees are at the heart of everything we are

Sony Ericsson could not function, or even exist, without the people who work hard to design, develop, manufacture and market our products; our employees are the secret of our success.

In the last year, the uncertain global economic climate has had a negative effect on our industry and as a direct result of this it has been necessary to remould and reduce the size of the organisation around the world. Without these reductions it would have been impossible for Sony Ericsson to remain competitive and to continue to operate effectively.

Sony Ericsson’s Corporate Social Responsibility Code is in place to ensure that all our employees’ human rights are respected throughout the organisation. Our HR governance structure is in place to secure that we comply with all local and international laws in respect to human rights and the rights of our employees.

Talent for Management

Within the company our Talent for Management Programme helps us to identify and select the right people as leaders. All our employees are reviewed and appraised and we have regular employee engagement surveys. A recent survey suggested that career progression within the company is an area that we need to focus on. We have taken this onboard and will continue to work hard to offer an attractive career path to potential and existing employees across the world in a progressive industry.

Global diversity

We are proud to be a global organisation, with an ingrained cultural diversity among our employees from over 70 countries, reflecting the wide range of markets in which we operate. This ethnic diversity is reflected in the Sony Ericsson management team and throughout the company. We understand the importance of diversity in all its aspects and throughout our organisation. With this in mind we are committed to improving gender and age diversity in the company too.

Working for a profitable organisation is the best form of motivation and this will help drive our company forward as we look to the future. Sony Ericsson recognises the importance and ongoing contributions of our most important resource – our employees.
Health and our handsets

Nothing is more important than protecting your health

Sony Ericsson’s phones are designed and tested to meet our established safety standards. We comply with all internationally and nationally recognised standards. These regulations and Sony Ericsson’s own internal standards of health and safety are in place to ensure the products we develop, manufacture and sell are safe.

Electromagnetic Fields and Specific Absorption Rates

We are aware of the concerns around Electromagnetic Fields (EMF) exposure. We support independent research and sponsor ongoing investigations recommended by the World Health Organisation (WHO) in this area. To protect the independence of these studies we do not engage directly with the researchers, nor do we finance such research efforts in full.

The WHO highlights that there is no proof that exposure to radio signals from mobile telephony has adverse health consequences. Furthermore, no research reviews have concluded that mobile phones or base stations have been found to cause such effects. This fact is particularly relevant as radio signal exposure is an area of significant scientific research yielding numerous published studies, including examinations of long-term use.

The Specific Absorption Rate (SAR) is the unit of measurement employed in the exposure guidelines for mobile phones and other specified radio equipment. Before Sony Ericsson launches any phone model we test it to ensure that it complies with the SAR limit established by the relevant authorities. The eventual difference between the SAR values on the various phone models does not reflect a difference in safety. Information concerning SAR and Sony Ericsson products is documented on our website, including the reported SAR levels for each phone model.

Please visit us at www.sonyericsson.com/health for more information

Nickel

All products launched by Sony Ericsson in 2009 and after have coatings that are nickel-free. Earlier in 2008, Sony Ericsson prohibited nickel in parts that come into contact with the user during normal use.

Sony Ericsson instituted its prohibition of nickel on contact surfaces following concerns raised around the possibility of irritation for people with sensitive skin.

Declaration

All of our products have complete Environmental Declarations. These detail the material content of each Sony Ericsson device and are available for download from our website: www.sonyericsson.com/support
Supporting the global community

Sony Ericsson recognises that mobile communication empowers people and delivers new opportunities to those in need. We are proud to be associated with a number of social support projects and humanitarian activities for communities, both locally and globally.

The Millennium Villages Project

Sony Ericsson has identified health as a crucial issue and provides targeted help for all the health-related programmes in the Millennium Villages Project (MVP).

Since 2007 Sony Ericsson has been committed to providing free mobile phones to support clinics and Community Health Workers (CHWs) across 11 African countries, situated in 15 MVP sites, reaching over 500,000 people. By January 2010, over 850 phones had been provided in accordance with the MVP's total request of over 1,200 phones.

Utilising appropriate technologies is a key way of improving the efficiency of CHWs. The ChildCount+ programme is a great example of the success that we have seen so far with the MVP. ChildCount+ uses Rapid SMS, a free and open-source framework for dynamic data collection, logistics coordination and communication, using mobile SMS as the basis of the solution.

The ChildCount+ programme enables CHWs to register, monitor, send reports and receive advice on common issues for children under five, such as malnutrition and malaria. Over 20,000 reports and registrations were sent using this solution during the three-month implementation and testing in Sauri, Kenya.

To read more about the Millennium Villages Project 2009 please visit www2.millenniumpromise.org/pdf/MVP2009.pdf

In 2010, Sony Ericsson continues to support the mobile health activities of the MVP, rolling out programmes such as toll-free emergency services; closed user groups for community health workers, facilities and ambulances; mLearning as well as clinic-based support activities.

Disaster relief

In conjunction with Ericsson Response™, Sony Ericsson is committed to supporting the rapid restoration of communications in disaster situations to assist in the delivery of the relief effort. Ericsson Response™ provides temporary base stations and deploys volunteers at the earliest opportunity. Sony Ericsson supports Ericsson in promptly providing mobile phones to partners such as the UN and the Red Cross in their humanitarian efforts around the world. Our close cooperation with the experienced Ericsson Response™ team ensures that we are well prepared and in a position to provide maximum support to the global community in times of crisis.

In March, Sony Ericsson supported the UN Office for the Coordination of Humanitarian Affairs (OCHA) through Ericsson Response™ by contributing C702 mobile phones.

As part of the Haiti relief operation, Sony Ericsson arranged for more than 1,400 mobile phones to be sent to the affected region, following the earthquake in January 2010. These were distributed to aid workers and staff from UN organisations including Unicef, WFP and UNDP.
Sony Ericsson has been involved in the development of education in China through the Hope School project. The initiative builds and maintains schools in remote and poverty-stricken areas, providing primary education for hundreds of children who would otherwise be excluded from schooling because of a lack of funds in their region. After the devastating earthquake of 2008, there was a need for outside assistance in China’s Sichuan Province. This meant that Sony Ericsson’s existing commitment took on even greater significance.

In cooperation with the China Youth Development Foundation (CYDF)², Sony Ericsson China (SE China) funded CNY 1 million (approx. EUR 100,000) to build two Hope Primary Schools. The first was the Chan Lin Township Primary school in Cang Xi County, Sichuan Province which opened in September 2009. The new school enables 800 students to continue studying, despite the crisis. Sony Ericsson China also initiated a campaign to select volunteers to work with the children. The initiative attracted over 200 candidates and four were chosen to take on a voluntary role at the school.

BMC, Sony Ericsson’s factory in China, is also involved in the Hope School project. Following the earthquake in 2008, BMC employees worked with the Trade Union to raise a total of CNY 2 million (approx. EUR 200,000) through the CYDF. The money went towards helping children who were injured in the disaster as well as the development of two elementary schools.

² www.cydf.org.cn/en

### Activities around the world

#### Asia
- Employees in Indonesia initiated a fundraising programme for the victims of the West Sumatra earthquake. The IDR 100 million (approx. EUR 7,100) raised was used to rebuild a local primary school.
- In the Philippines, Sony Ericsson partnered with SM Supermalls to initiate a campaign called ‘Spread the Entertainment’ in support of UNICEF’s Mobile Education programme. Sony Ericsson contributed PHP 500,000 (approx. EUR 7,100) to sustain the project and help educate 250,000 street children in major cities in the region for a year.

#### Japan
- In Tokyo, Sony Ericsson joined Sony’s annual Fountain of Love charity event, raising JPY 287,109 (approx. EUR 2,200) to support the Red Cross and UNICEF.

#### Latin America
- Sony Ericsson provided 300 phones to support healthcare for 30,000 people through e-health and e-education services accessible via mobile broadband in the Amazonian state of Pará in Brazil.

#### North America
- In North Carolina, USA, Sony Ericsson employees raised awareness of recycling by participating in the City of Oaks Marathon, the Rex Healthcare Half Marathon and the annual Light the Night Walk organised by the Leukemia & Lymphoma Society.

#### Europe
- In Germany, Sony Ericsson Munich established a Green Team to help reduce the environmental impact of its office site.
- Sony Ericsson employees in Lund, Sweden raised over SEK 45,000 (approx. EUR 4,200) through the sale of old office furniture. The money was contributed to Tostan’s, a programme to provide a basic education to people in their local language, in rural areas of Senegal.
- Employees in Kista, Sweden supported the Child Accidents Fund, raising SEK 36,200 (approx. EUR 3,700) by selling excess stock to employees.
- Employees in Lund, Sweden collected 300 kg of used clothing to be distributed among 166 vulnerable families in Russia.

### 2002
Sony Ericsson China together with BMC committed to supporting education in China

### 2005 to 2006
Sony Ericsson China supported six Spring Bud schools located in Hebei, Jiangsu, Guangdong and Sichuan provinces

### 2007
BMC established two Sony Ericsson PUTIAN Sunny Schools in Qinghai Province

### 2008
Following the earthquake, BMC sponsored two Hope Schools at Shifang city in Sichuan Province: Duo Na Sunny School and the Ang Sai Sunny School

### 2009
Sony Ericsson China sponsored a Hope School in Sichuan Province

### 2010
Sony Ericsson China plans to support a new Hope School project in Shanxi province which will benefit approximately 600 students

Lulu Isandla provides food and support for orphans in South Africa.

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