

Environmental, Social and Governance Report

Human Resources Development Report

In 2016, our work on human resources has firmly adhered to the Company's strategies aiming at enhancement of the value of our human resources. We further enhanced capabilities, optimised corporate structure, innovated systems and mechanisms, implemented precise management and stimulated vitality in order to promote intelligent-oriented human resources management and provide sound organisational assurance and personnel support for the corporate transformation and upgrades.

I. Strengthen senior management and executive team building. Integrating with the structural adjustment of executive team, we continued to promote younger cadre team and optimised the leadership structure of our provincial and municipal branches. We initiated integrated evaluation on the leaders and their management teams from provincial branches, which provided a better reference for the selection and training of executive team and further enhanced the scientific standard of our leadership management. We strengthened the construction of our reserve cadre team and organised trainings and cultivation of reserve cadres in order to provide the back-up reserve talents for our corporate development.

II. Strengthen the supervision and guidance on staff selection and appointment. We carried out special governance work on staff selection and appointment, organised annual special governance work on the basis of self-assessment and self-correction at subordinated units throughout the year, specifically rectified the problems identified

to ensure that the special governance work has been effectively implemented. Through the specific governance work, we have standardised the procedures on staff selection and appointment and improved its credibility.

III. Continuously optimise the structure of human resources and standardise the management of labour and employment.

We further optimised the total staff size control methods according to the business development of provincial branches and the existing level of human resources efficiency, strictly implemented the control and management of staff size, providing the tools and guidelines in managing staff size and optimisation of structure through implementation of human resources rolling plan and annual efficiency benchmarking for provincial branches.

IV. Strengthen the human resources information system and improve the standard of management.

Adhering to the corporate strategic transformation and value enhancement, we optimised business processes and system functions, standardised business operations, expanded business applications, explored and developed Big Data analysis and intelligent operation of human resources.



Management Gave Lecture to Enhance Staffs' Professional Competence

Information of Employees

As at the end of 2016, the Group had 287,076 employees. The number of employees working under each classification and their respective proportions were as follows:

	Number of Employees	Percentage
Management, Finance and Administration	43,194	15.1%
Sales and Marketing	147,885	51.5%
Operations and Maintenance	94,005	32.7%
Research and Development	1,992	0.7%
Total	287,076	100.0%

Corporate – Employee Relationship

Communication between Management and Employees

We endeavoured to understand the employees' thoughts. We persisted in the semi-annual reporting system on staff thoughts and timely reporting of emergency and significant situations, organised frontline branches to adopt a combination of traditional and internet integrated communication methods, regularly conducted online and offline collection, analysis, sorting and reporting of employees' thoughts; timely understanding

of their conditions in earthquake, typhoon and other natural disasters. On the basis of grasping the overall staff's thoughts, we constantly refined and deeply cultivated the following: Firstly, we refined and segmented the targeted staff groups, such as specific understanding of 'Unit CEOs' Group. Secondly through combination of understanding staff's thoughts and serving the corporate, we understood and positively guided our employees through their degree of engagement, satisfaction survey, etc. Thirdly, from staff understanding to resolving of their demands, a closed-loop management mechanism was gradually formed and entrenched through system establishment.



Management Shook Hands with Front-line Outstanding Employees

Roles and Duties of Labour Unions

Adhere to servicing employees and facilitating development. The labour unions built a platform for innovating employees' positions and duties and nurtured an environment for innovation. In order to vigorously promote the excellent qualities and spirit of the advanced model employees, a forum was organised by the labour union for advanced model employees. During the periods of "International Working Women's Day" and "National May 1st" in 2016, the Company obtained over 200 honours at national, provincial and ministerial levels. In the skills competitions of customer services, the headquarter and all the provincial labour unions have actively participated and won a total of 63 honours. 145 individuals won the honorary title of the Company's Technical Experts and 9 individuals obtained the honorary title of 'Innovation Expert'. Through the "Dual Hundred" platform, the Company organised an election of the Company's top 100 "Elite Female" shop managers and excellent channel managers voted by frontline staff, and over 200,000 employees participated in the election. In the "My team, My home" activity, nearly 9,000 frontline units participated, published more than 14,000 messages of experiences and practices, and the employees participated in nearly 270,000 times of exchange and discussions. Labour union vigorously promoted the advanced model employees and nurtured an environment for learning from the advanced and striving to learn and step forward. Through various media channels, all levels of the labour unions vigorously promoted the advanced model employees, and promoted

over 1,000 excellent employees and over 300 advanced groups from all levels of the corporation. Labour unions at all levels organised more than 6,000 recreation and sports activities which animated the cultural life of employees outside of work.

Coordination and Communication between the Company and the Labour Unions

All levels of the labour unions motivated employees to be conscientious and innovative, actively established platforms in the areas of labour competition, skills competition, knowledge competition, innovative office and responsible positions innovation, creating an environment for innovation in positions and duties. Labour unions of the Company jointly with the relevant departments, organised 11 labour competitions, 7 skills competitions, 1 knowledge competition, 9 innovation selections and established 36 advanced model innovative workshops. For instances, "BestPay Orange Financial Services Promotion Labour Competition", "Integration Cup" industry application synergy sales and labour competition, the first "e-Surfing Cloud" Cup labour competition, customer services career skills competition, the 10th "Excellent Marketing Skills Cup" sales and marketing career skills competition, "fibre broadband+TV" repair and maintenance skills competition, the 3rd "i Innovation" Dark Horse competition, on-the-job innovation and "Four-Small Caring Dual Hundred" case selection activity, etc. Over 1 million employees participated in the activities, promoting concurrent enhancement of business development and employees' skills.

Caring for Employees

Promote the reinforcement and enhancement of the construction of the “Four-Small”, and continuously improve the capabilities level of service staff.

Nearly 5,500 frontline units from all levels of the Company carried out the construction of “Four-Small” or improvement of the “Four-Small” facilities and invested a total of RMB200 million. On this basis, we selected 100 demonstration points and 100 outstanding frontline teams in order to promote the reinforcement and enhancement of the construction of “Four-Small”. We attributed the costs of construction, operation, maintenance and updates in the cost budget management according to their respective characteristics and nature, established a long-term mechanism to further improve the level of our support services to the staff in various aspects including dining, rest and activities; while focusing on solving the problems commonly faced by the majority of our employees.

The Company strove to understand the work life of frontline employees and their difficulties and problems; promoted policies formulation by employees through the democratic management platform to resolve the root causes of problems and safeguard employees’ rights and interests.



Award Ceremony for the Best “Top-down” Service Supporting Team



Commendation for the “Labour Medal”



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Offer assistance to employees who were in difficulties. We regulated and strengthened the support works for our employees who were in living difficulties. We organised provincial labour unions to establish and optimise the files of the staff in need, guided the establishment of serious illness support relief funds at provincial levels, and regulated the process of funds usage. On average, we allocated relief funds of over RMB47 million to over 22,000 staff in need last year, timely understanding their living conditions and ensuring relief for employees who were in difficulties.

Caring for frontline staff in different forms and ways. In the aspect of health care, there were in total 23 provincial labour unions providing medical services to nearly 35,000 employees; conducted more than 6,000 recreation and sports activities of various kinds with 86% employee participation rate. Health level of employees was effectively promoted. Through equipping the frontline employees with small medicine box, health giving (including medical facilities, health seminars, etc.), we timely solved employees' physical health problems. With psychological counselling hotline, trainings, seminars, psychological counselling app, psychological counselling

website, close chat, etc., we help the staff relieving pressures and making psychological adjustment. In the aspect of improving the living and working environments for employees, working environments were improved through various means including equipping with green plants and carbon package to purify air and installation of water purification facilities to further improve environmental conditions. In regard to family care for employees, we promoted family harmony and good family tradition construction by conducting home visits, home activities whilst having kids taking examinations and children summer holiday camp activities. In terms of sympathy and relief to the staff, we carried out timely sympathy and relief activities to staff synchronising with major holidays, key periods of production and operation, major events of staff family, natural disasters, etc. According to our statistics, all the frontline labour unions of the Company handled a total of approximately 7,200 matters for the employees. The labour union allocated disaster relief funds amounting to over RMB1 million to 13 provinces and allocated "Summer Cool Offer" relief payments amounting to approximately RMB600,000 to 18 provinces.



Organised Interest Group to Cultivate Employees' Vitality

Promote activities for the care of female employees. We selected outstanding female employees advanced models to stimulate positive spirit. Jointly with sales and channel development department, we select 100 persons to become the third session of "Elite Female" shop managers and channel managers. We launched the first session of outstanding female employee learning exchange activities. We organised and carried out "Scholar Family" female employees reading activities through the "Dual Hundred" platform, guided the staff to read more books and good books. Through the "Dual Hundred" study groups, we guided female employees to share joy and happiness in their lives and more than 2,700 reading commentaries and experiences were shared with the participation of approximately 48,000 employees. Regarding our concerns to protect the rights and interests of female employees under the "two child" policy, we organised the construction of nearly 800 "Mummy Cabins" in the Company which were welcomed and praised by frontline female employees.

Activities for boosting morale and team spirit, consolidating strengths for development. The labour unions at all levels organised more than 6,700 recreational and sports activities last year. Through the organisation of a variety of recreational and sporting activities, cultural life was activated, morale was enhanced, pressure was relieved and team spirit was strengthened.

Strengthening Human Capital

Focusing on the key priorities of our strategic development, the Company continued to strengthen the development of talent teams, and actively promoted the capabilities improvement of our operation managers, professionals and technical personnel.

Actively developing mobile learning pilots units

Through product construction, content construction and promotion of operation, we actively introduced Internet thinking and deeply applied the means of Internet learning to provide sustainable and effective support for various work including transformation and upgrades and key personnel training and nurturing. We created on-demand learning, active sharing and innovative learning culture within the corporation. For the year, we had a total of 9,700 new learning course resources with more than 3 million individuals participating in the event and the total length of study exceeded 3 million hours. Adhering to the needs of the corporate reform and development, we promoted the efficient centralisation of talent team construction and the Internet-oriented transformation through centralised management and Big Data applications as the driving force. We had organised nearly 18,200 training courses covering the whole year, formed 361 online business communities and laid the foundation for intelligent operation of talent management.

Building up the internal training team

We fully leveraged the positive impact of our internal trainers at all levels in areas such as promoting and implementing strategies, improving professional abilities and shaping the corporate culture. We further improved the management mechanisms in the selection, use, cultivation, evaluation and stimulative encouragement of our internal trainers, and strengthened the nurturing capabilities of internal trainers. We optimised the professional structure of the internal training team, gradually covering all areas of expertise in order to meet the needs of corporate development and talent training and to provide guarantee for the corporate sustainable and healthy development. Up to 2016, the appointment of internal trainers at corporate level (including trial recruitments) exceeded 1,100 individuals, the third tier internal trainers exceeded 15,000 individuals.

Developing Leadership Skills

We further strengthened the construction of leadership development system, compiled the education and training plans for operational management personnel for 2016-2018, and formulated implementation rules for operational management personnel training, and plotted the learning map for managers from counties branches. In 2016, we focused on strategy of Transformation

and Upgrades 3.0, continued to hold two phases of “entrepreneur training camp” training projects for our reserve cadres, focused on intensive training for 64 reserve cadres who came from 8 provincial branches. Over the past three years, we had conducted concentrated trainings in accordance with our reserve cadre training plan for 192 reserve cadres who came from 24 provincial branches.

Cultivating Professional Talents

We strengthened the construction of talent support for Transformation 3.0. Through online examinations programmes, we assessed the scope of internal talent pools in programming and Big Data. With continuous optimisation of the talent team structure and quality enhancement, we provided better support services for the key works of Transformation 3.0. Under the guidance of the China Telecom “Internet+” talent planning, we established systematic training mode for the respective talents team of product, operation and skills.

In 2016, we further strengthened the construction of senior professional talents teams. We had completed professional talents selections in various aspects including platform and core network technology, power and infrastructure facilities, wireless and mobile, finance and laws. In addition, in the key areas of industry applications and network operation, we launched a pilot system of senior professionals workstation

which provides a practical combat platform for senior professional talents, strengthening the cultivation and fully leveraging the functions of senior professional talents, cohesively solving the key, difficult and professional problems for corporate development.

Staff capacity building

We focused on sub-dividing performance evaluation units with performance contracts and enhanced the capabilities of frontline staff. We held the 207th session of professional intensive face-to-face trainings classes, covering 16,000 staff members, further promoted the combination of works and learning, production and training, deeply promoting the application of practical projects. In 2016, our value-creation marketing trainings for government and enterprises covered 16 provinces, 102 counties, benefiting more than 3,600 customer services managers for government and enterprises. We carried out practical “promotion training” in our channel marketing, effectively enhancing production capacity of our shops outlets and commercial cycles, helping the frontline staff to enhance their knowledge, skills and improve performance through “competition substituting training” and “training + practice”.

Nurturing and introducing brilliant young talents

We promoted high-school internship programme on a regular basis and organised spring and summer internship programme with our “Surfing internship platform”, providing a total of nearly 2,800 internship positions cumulatively in 2016. We also continued to organise the top graduate cultivation programme and selected 1,072 top graduates for this programme. The Company organised the three sessions of demonstration class for top graduates, with the participation of 210 frontline outstanding young staff representatives.

Recruitment

The Company recruits university graduates and mature talents from the society. The Company unified the recruitment process of university graduates. In 2016, the Company recruited nearly 5,000 university fresh graduates. Upon joining the Company, the graduates generally have to attend 1 to 2 months of induction training to help them understand the corporate culture and the business of the Company. In order to promote the integration of new employees into the corporate culture, accelerate the growth of new employees, the Company organised a new employee mentoring pilot program in 2016. For the recruitment of mature talents, the Company organised the recruitment from the society in accordance with the needs of the business development.

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To provide opportunities for the employees' career development, the Company developed a comprehensive dual promotion channel. Promotion is based on the principles of fairness, justice, openness and transparency. The Company fully respects employees' rights of choice, knowledge and scrutiny.

In the recruitment and promotion processes, the Company treats all candidates and employees equally regardless of gender, age and race.

The Company strictly abides by the national regulations relating to employees' working hours and implemented the "Regulations on Paid Annual Leave for Employees" promulgated by the State Council and formulated the relevant policies in relation to employee vacation.

The Company strictly abides by the laws and regulations such as the "Labour Contract Law of the People's Republic of China" and constantly improved the management system relevant to employees. Taking into account the actual situation of the Company, we implemented a relevant system and developed detailed provisions for termination of employee labour contracts.

Remuneration and Performance Management

Remuneration

The remuneration of the Company's employees is mainly composed of basic salary, performance bonus, insurance benefits, etc. and has taken into account both short term and medium-to-long term incentives. In determining the internal distribution of employees' remuneration, the Company adhered to the value-oriented, contribution-oriented and equity-oriented approach while tilting towards high-quality professionals and the frontline staff. We further optimised and improved labour cost management through the introduction of system designs including "transfer prevailing labour cost system and induce stimulation", "progressive increase of allocation" and "elastic budget control system". We fully mobilised the enthusiasm of the development of subordinated branches and encouraged everyone to adhere to "high contribution, high yield" and "early development, early benefit". At the same time, we offered special incentives on the emerging businesses to promote the accelerated scale development of the emerging business.

In the aspect of remuneration management for senior executives, we strengthened the "performance oriented" approach aiming to narrow the differences between the subordinated branches arising from their respective development regions and history and other factors, focusing more on development, emphasising the improvement and enhancement of performance.

Performance management

The Company has established a relatively comprehensive performance evaluation system for all of its employees. Branches at all levels have established employees' performance evaluation teams which are led by the respective general managers of the relevant branches and have formulated evaluation methods for deputies, functional departments, subordinated units and general employees. The Company improved its employee evaluation and incentive mechanism and the related scrutiny and supervision system to ensure the fairness and reliability of the performance evaluation results. At the same time, it has further optimised and improved the performance evaluation system and implemented performance evaluation by categories of business units, deputies, mid-level management and employees of all levels, enhancing the specificity of the performance evaluation work.

Guaranteeing Employees' Rights and Interests

The Company strictly abides by the laws and regulations such as the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China" to regulate its employment practices. The Company adheres to offering equality of remuneration and work for male and female employees and implements special regulations to protect female employees' rights and interests. There were no discriminatory policies or regulations, nor had there been any circumstance whereby child labour or forced labour was employed.