

Environmental, Social and Governance Report

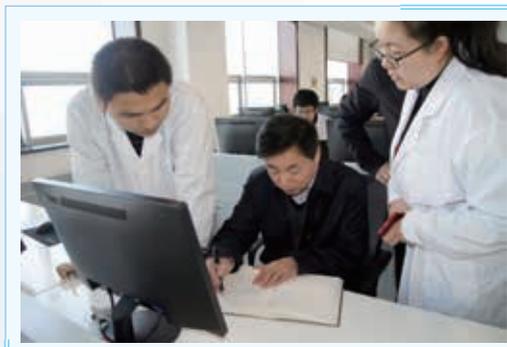
Human Resources Development Report

In 2017, our work on human resources has firmly adhered to the Company's overall strategies in transformation and upgrades. We further liberalised our thoughts, innovated mechanisms, solidified foundation, standardised management and optimised the allocation of existing resources in order to continuously enhance human resources efficiency and provide sound organisational assurance and personnel support for the corporate sustainable and healthy development.

I. Strengthen senior management and executive team building. Integrating with the structural adjustment of executive team, we continue to promote younger cadre team and optimised the leadership structure of our provincial and municipal branches. Through methods including selection and recruitment, job exchange programs and rotation, as well as succession and retirement, we adjusted our executive teams among headquarters, provincial branches, professional units and sub-organisations. A group of well-recognised executives with superb qualities, distinguished capabilities and outstanding performance were selected and promoted to important management positions, hence the professional and age structure of our management teams became more reasonable and balanced. We increased our efforts in training reserve cadres so as to achieve full coverage of practical training on reserved deputy cadres of provincial branches and provide the back-up reserve talents pool for corporate development.

II. Strengthen the supervision and guidance on staff selection and appointment. Insisted on problem-oriented approach, we embed staff selection and appointment inspections into internal review with concurrent deployment and commencement, achieving full coverage of selection and appointment inspections. By launching deepened staff selection and appointment specific governance work, we implement rectifications according to categories so as to ensure specific governance work attaining effective results. The unification of the development of online selection and appointment supervision system has effectively reduced irregular staff selection and appointment practice and unconscious working errors or omissions.

III. Firmly establish "Talent Strong Enterprise" development strategy and clearly define talents work planning and goals to actively promote key tasks on talent management. In 2017, the Company further defined talents work planning and goals of "Hundred, Thousand and Ten Thousand Professional Talent Project". We fully optimised the eco-system for talent development and increased our efforts in innovation and attraction of talents, achieving new progress and new breakthrough in the area of talents work.



Management exchanged ideas with frontline network maintenance technical experts

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IV. Continuously optimise the structure of human resources. In 2017, according to the actual circumstances of business development of various provincial companies and the actual needs of adjusting workforce structure, we further optimised the total staff size control methods and reduced total staff size control for the provincial branches with rapid business development and high per headcount efficiency. Meanwhile, we provided tools and guidelines in managing staff size and optimisation of structure through annual efficiency benchmarking for provincial branches.

V. Enhance precision management of human resources and promote smart operations of human resources. With centralised MSS human resources system as the carrier, we strengthen connection and applications of human resources information and work information through injecting intelligence in Big Data application and management. In 2017, we carried out smart human resources pilot projects in Anhui and Zhejiang. Focusing on frontline customer-facing staff and surrounding the promotion of “three forces”, we commenced staff profiling and injecting intelligence in management, achieving precision allocation, precision motivation and precision cultivation so as to enhance execution capability.

Information of Employees

As at the end of 2017, the Group had 284,206 employees. The number of employees working under each classification and their respective proportions were as follows:

	Number of Employees	Percentage
Management, Finance and Administration	44,289	15.6%
Sales and Marketing	141,261	49.7%
Operations and Maintenance	89,047	31.3%
Research and Development	9,609	3.4%
Total	284,206	100.0%

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Corporate - Employee Relationship

Communication between Management and Employees

We endeavour to maintain close connection with employees and understand the employees' issues in all aspects. We established employee representative system at the group level to further standardise corporate employee empowerment. We also created a platform for employees at the group level to participate in company's affairs so as to facilitate the implementation of employees' rights of knowledge, participation, expression and scrutiny. In addition, we convened the Employees' Representative Congress to listen to the general managers work report, reports of employees' protection and development and "Four-Small" construction employees' caring report. On special occasions such as holidays and important events, we innovated and carried out micro-surveys such as "International Working Women's Day" female employees' wishes, "National May 1st" outstanding model workers' thoughts and demands, "Four-Small" demands of employees from northern branches at county level, comments and recommendation of cadres of labour unions and employee representatives. We also conducted micro-surveys on employees who participated the training

every session. Our labour unions at provincial level initiated various survey activities such as micro wishes. In total, over 50,000 individuals participated. Through multi-type, multi-layer and multi-frequency surveys, we had more comprehensive, deepened and precise understanding in employees' thoughts and working and living conditions. The understanding rate of complaint channels among frontline staffs reached 93%.

Cadres of labour unions at all levels, employees' representatives and heads of labour unions insisted on in-depth investigations of frontline employees' conditions, assisting in reflection and facilitating solving of employees' difficulties and complaints. Through initiation of investigations on the platforms such as "Dual Hundred", WeChat, YiChat and OA, we attended to the employees' discussions and feedbacks on the Internet and understood employees' condition via different channels. Labour unions at all levels held employees forum, visited staff families and employees at the frontline of production, received employees' letters and visits as well as conducted online and offline questionnaire surveys, etc., at 62,000 times. In addition, we collected more than 16,000 employees' requests. All these measures facilitated the employee resolution rate of reasonable requests reached 86%.



Management provided guidance for emergency support



Management instructed employees at sales outlets

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Roles and Duties of Labour Unions

Surrounding stimulation of vitality of employees, enhancement of capabilities and strengthening execution capability, we carry out job innovation activities to motivate employees to love and respect their jobs, make contributions so as to foster development. The Company launched “My job, My innovation” theme activities while the online activities emphasised fun and interaction. General knowledge competitions themed as Transformation 3.0, discipline inspection, production safety, employee empowerment and confidentiality were hosted on “Dual Hundred” platform with 370,000 participants in total. With the launch of job innovation “Xiao Xin San Wen” topics sharing activities, our employees shared nearly 10,000 topics. The “I want to share” module effectively promoted the exchange, replication and promotion of good practices and outstanding results. By carrying out “My team, My home” activity, more than 265,000 people participated in online communication and discussion, and selected 100 excellent teams. Offline activities emphasised effectiveness. Through job innovation training classes, promotion of outstanding job innovation employees’ stories and recognition of excellent achievements, the enthusiasm of frontline employees devoted into job innovation was significantly stimulated.

During the periods of “International Working Women’s Day” and “National May 1st”, the Company obtained a total of 205 external honours at provincial and ministerial levels or above. To vigorously promote model workers spirit and craftsmans spirit, we held forums to recognise the model outstanding employees and members of our senior management team met

with representatives. 1,130 innovation workshops for model workers and employees were established. 32 employees were awarded the title of “Technical Master of China’s State-owned Enterprises”. 21 employees were awarded the title of “Labour Master of China Telecom”. 81 employees were awarded the title of “Technical Master of China Telecom” while 7 employees were awarded the title of “Experts of Job Innovation of China Telecom”.

Coordination and Communication between the Company and the Labour Unions

Surrounding key task and major work of transformation and upgrades, we organised 14 various competitions such as “Excellent Marketing Skills Cup”, “Integration Cup” and “e-Surfing Cloud Cup” jointly with relevant business departments. The Company also organised 4 phases of exchange programmes of outstanding staff by categories and carried out selection activities for outstanding job innovation teams and individuals. The Company organised more than 4,600 competitions including labour competitions, skills competitions and knowledge competitions, which effectively promoted the accomplishment of operating production tasks and enhancement of the employees’ skills. Labour unions at all levels motivated employees to be conscientious and innovative and actively established platforms to create an environment for innovation. The Company carried out more than 2,700 activities to encourage employees’ innovation in their own job, resulting in more than 17,000 job innovation achievements and more than 3,700 recognitions.

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Caring for Employees

With persistent enrichment in connotation and expansion in outreach, we promoted “Four-Small” activities by continuously solving basic livelihood difficulties of staffs, concerned problems as reflected by employees and helping female employees to solve special difficulties, so as to help our employees to solve their practical problems in a timely manner. Units at all levels updated and maintained the obsolete “Four-Small” facilities and adopted measures to enhance standard of catering service to the staff. More than 2,700 “Four-Small” facilities were newly built while 14,500 established “Four-Small” were consolidated and enhanced. The investment amounted to RMB280 million while the staff satisfaction rate on catering service reached 95%. We coordinated northern counties’ branches to set up “Four-Small” and discussed the promotion of “Four-Small” construction of northern counties’ branches.

Labour unions at all levels do solid work and solve difficult problems for employees, cumulative of more than 15,000 employees’ problems were effectively tackled in total. In the aspect of physical and mental health, we organised more than 4,000 activities such as psychological counselling, EAP trainings and activities for personal growth and pressure relief. We installed more than 2,000 air purifiers, more than 5,000 water purifiers and 12,000 small medical boxes for frontline units. Medical services were provided to more than 29,000 individuals. In regard to difficulty assistance, we helped 22,000 employees who were in difficulties and invested more than RMB50 million in the relief fund. In the aspect of employee care, routine care and visits covered cumulative of 645,000 employees and RMB160 million was allocated to the sympathy fund. We also visited staff families for more than 27,000 times and expressed our sympathy and care to more than 14,000 employees

having kids taking examinations. We also carried out more than 11,000 staff engagement activities such as childcare and office open day for employees’ families. Regarding the care of female employees, we built 1,045 “Mummy Cabins”, distributed approximately 3,000 radiation protection suits to female employees during pregnancy and carried out more than 3,000 activities for female employees during the “Women’s Day”. In terms of recreational and sports activities, the Company’s labour unions held the first “e-Surfing Cup” employee badminton competition. Labour unions at all levels organised nearly 3,000 matches and activities which involved 250,000 employees. The “e-Surfing Cup” mobile photography contest was held and 15,000 photos for contest were received in total. The Company’s labour unions at all levels carried out more than 33,000 recreational and sports activities with participation rate of employees reaching 88%.

Strengthening Human Capital

In 2017, we actively undertook and participated in the national knowledge updates project for professional and technical personnel. In August 2017, China Telecom held the knowledge updates project training class of the Ministry of Human Resources and Social Sciences at Zhejiang Telecom Training Centre — “Advanced Training class on Information Security in the Big Data Era”. A total of 87 professional and technical personnel and management personnel related to information system and information security from the government, enterprises, universities, computer associations and communications industries attended the training.

In 2017, we actively promoted the construction of national-level professional and technical personnel continuing education base. In 2017, as a national-level professional and technical personnel continuing education base, our Zhejiang Telecom Training Center leveraged its

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industry advantages on the professional and technical personnel training while focusing on the adjustment of economic structure, the development of high-technology industries and the enhancement of self-innovation capabilities. In 12 key areas and 9 modern service industries, we implemented short-term training programs for training and cultivation of talents that are in urgent demand, endeavouring to become the service platform for cultivating high-level, urgently-needed, and backbone professional and technical personnel for the nation.

In 2017, China Telecom endeavoured to promote the construction of the first batch of the state's model in mass entrepreneurship and innovation. In 2016, China Telecom became one of seven companies being the first batches of the state's model in mass entrepreneurship and innovation. To fully exploit the advantages of corporate innovation and resource integration capabilities, in 2017, China Telecom closely focused on the corporate transformation and upgrades strategy, and endeavoured to build a "five-in-one" systems and mechanisms in mass entrepreneurship and innovation in alignment with frontline entrepreneurship platform, technology research and development institution, product innovation base, business incubation platform and self-innovation activities, which strongly stimulated the vitality of innovation and entrepreneurship within the Company and drove all employees to participate in innovation and entrepreneurship. Meanwhile, through open-source software talent training camps, data analysis and excavation talent training camps, ecosphere operation elite training camps and product manager training camps, employees' skills and capabilities in innovation and entrepreneurship was continuously enhanced.

Efficient operations of online college

In 2017, with full exploitation on the functions of online college in the field of Internet learning, we continuously carried out platform construction, product iteration and business operations. Throughout the year, we added 3,348 online learning resources (including 1,341 courses) with length of study of approximately 4.49 million hours, with 270,267 students accumulated in total. 64 post certifications were also organised, covering a total of 100,965 individuals. We vigorously promoted and operated online training class products and promoted the holding of 553 online special classes within the Company, a total of 249,194 employees registered. Mobile learning products have a daily activity of 16,300 people, representing an increase of 30% from 2016. Focusing on key businesses, we launched various quality resource learning packages, covering a total of 257,074 people. We also operated two types of online live courses, namely "Internet + New Classroom" and "New Network Technology Class", covering 114,073 people. In addition, we operated Unit CEO learning zone and built Unit CEO business school covering 103,379 people.

Building up the Internal Training Team

The construction of the internal training team system and team building has new progress. The first was to establish systems of internal trainer points and grade management so as to further improve the incentive and recognition mechanism for internal trainers. The second was to carry out annual appointments of internal trainers at the group level. We newly-added market and discipline professional group-level internal trainers so that the group-level (exclusive) internal

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trainers were no longer distinguished by professional categories. In 2017, a total of 44 group-level (exclusive) internal trainers, 281 group-level internal trainers (including regular ones) and 195 group-level internal trainers were employed. As of December 2017, the Company established internal training team for 8 specialties and 31 sub-specialties, and the group-level internal trainers (including trial recruitment) reached 1,070 individuals. The third was to adjust the remuneration standards for internal trainers. The remuneration standards of the group corporate-level internal trainers were doubled on the basis of the original standards.

Developing leadership skills

We achieved full coverage of the training of operation management personnel at provincial level and completed the full coverage of training for leaders at all levels. In 2017, the Company organised the seminar for general managers of provincial companies, the seminar for deputy general managers of provincial companies, the special training courses for new deputy general managers of provincial companies, 2017 China Telecom Spring Division-level Cadre Training Course (headquarters sent 5 people for the first time for a 100-day intensive training), China Telecom Entrepreneurs Training Camp A7, A8 class, the seminar for general manager of city-level companies, intensive training for leading the transformation for thousands of people, the training camp for new deputy general manager of the city-level companies, totaling 25 sessions with the number of man day reaching 10,965 (an increase of nearly 20% over the previous period). Meanwhile, seminars were held for managers of outstanding counties companies, and a total of 9 phases of strategic decoding training

camps for city-level companies were held. Throughout the year, the leadership training, open classes, and training of internal trainers covers the total number of leading cadres at all levels of 1,517 individuals, reaching 12,143 man day.

Cultivating professional talents

In 2017, the Company further defined the human resources work target and development plan of the "Hundred, Thousand and Ten Thousand Professional Talent Team Building", that is, "building 50 to 100 chief experts of the group, about 1,000 group experts and about 10,000 provincial company experts and city-level company expert team", clarifying the division of labour and job responsibilities and determining the professional classification of technical, marketing, and comprehensive talents, and further optimising various systems and processes for talent "selection, cultivation, utilisation and retention". By the end of 2017, the Company had 7,910 experts at various levels. The overall layout of the "Hundred, Thousand and Ten Thousand Professional Talent Project" achieved initial results.

From the perspective of selection, cultivation, utilisation and retention, we strengthened the transformation of talents through the open-source online programming examinations and a variety of innovative personnel training models. The Company's two transformation talent teams of open-source talent and Big Data began to take shape. We established a practical training base for industry-university-research collaboration represented by the OTMS transfer talent workstation. Through the tagging of transformation of talents, Big Data was used to drive intellectualisation of talent management upgrades.

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Staff capacity building

The Unit CEO talent training program doubled in size. For the third consecutive year, the “China Telecom Unit CEO Talent Cultivation and Capacity Improvement Project” was launched. A total of 73 Unit CEO training courses were held at the corporate level and the joint regional training project was carried out creatively, carrying out direct face-to-face teaching on 3,323 people, accounting for nearly 10% of the total number of Unit CEOs. Among them, there were 12 classes for internal trainers and 480 instructors were authorised to deliver training courses. This project was awarded “Excellence in Practice Award” by the Association for Talent Development (ATD) of United States in May 2017.

The Company’s front-end and back-end professional and talent personnel training fully achieved the transition to actual combat and attained remarkable results. The first was the “Value-Creation Marketing, Training and Production Integration Project” of the government-enterprise professional line. It was awarded the 2017 China Performance Improvement Best Practice Model Award by the International Society for Performance Improvement (ISPI). The second was the “Training and Recommendation Project” of the entity channel line. It was awarded the 2017 China Performance Improvement Best Practice Award by the ISPI. The third was “Prospective Sailing” key business promotion of the market professional organisation. A new breakthrough was made in creating a best practice case study training camp. The fourth was that the network operation and IT profession are subject to action learning and practical training. Based on the cultivation of the original B-level talents, we started talent workstation model and created new results.

Nurturing and inducing brilliant young talents

We promoted internship programme operation and management on a regular basis and organised spring and summer internship programmes with our “Surfing internship platform”, providing a total of nearly 2,348 internship positions cumulatively from telecommunications companies and their subordinate units in 2017. We also continued to organise the top graduate cultivation programme. In 2017, units at all levels selected over 1,400 top graduates for this programme. The Company organised corporate-level outstanding graduate demonstration class and 3 sessions of demonstration class for top graduates with the participation of 208 outstanding young staff representatives.

Recruitment

The Company recruits university graduates and mature talents from the society. The Company organised unified platform, unified advertising and unified key universities promotion and talks to recruit university graduates. In 2017, the Company recruited more than 7,000 graduates. Upon joining the Company, the new graduates generally have to attend 1 to 2 months of induction training to help them understand the corporate strategies, culture and business of the Company. In order to promote the integration



Management shook hands with the winners of “National May 1st Labour Medal”

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of new employees into the corporate culture, accelerate the growth of new employees and enhance the competency of new employees, in 2017, the Company expanded the pilot program for new employee tutoring projects. For the recruitment of mature talents, the units at all levels organised the recruitment in accordance with the needs of the business development.

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 circumstances of the Company, we implemented relevant system and developed detailed provisions for termination of employee labour contracts.

Remuneration and Performance Management

Remuneration

With the implementation of positions as foundation and establishment of a close and direct linkage between performance and contribution, the differentiated remuneration distribution system of the Company applicable to different characteristics of positions is mainly comprised of post salary, performance salary, allowance and subsidies, insurance benefits, etc.. Meanwhile, all units are encouraged to actively explore remuneration distribution methods that meet different positions' characteristics according to its business development requirements, including annual salary system, incentive wage system, project wage system and piece-rate wage system. We adhere to performance-oriented and fairness in internal distribution and tilt towards high-quality professionals and the frontline staff so as to encourage more pay for more work.

Persisting in the optimisation and perfection of labour costs resources allocation, as well as the close linkage between corporate development and performance contribution, we implement differentiated resources allocation model for various units integrating with its own characteristics, and fully mobilise the enthusiasm and initiatives of development of various units, encouraging everyone to adhere to "high contribution, high yield" and "early development, early benefit".

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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 improves 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, we further optimise and improve the performance evaluation system and implement 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.



Premier Li Keqiang visited China Telecom



Premier Li Keqiang conducted video call with "unit CEOs"