

Corporate Social Responsibility

The Company has always adhered to its core philosophy of “all-rounded innovation, pursuance of truth and pragmatism, putting people first, and joint creation of values”, which places repayment to society, services to clients, caring for employees and return to shareholders in top priority. The Company insists on scientific development and dedicates itself to provide convenient, smooth and efficient integrated information services to the society and public. While pursuing economic benefits, the Company remains responsible to all interested parties in order to achieve harmony between the corporate development, society and environment.

In face of the general public’s increasing demand for widespread application of information technology, the Company has proposed a transformation strategy towards an “integrated information service provider”. The Company expects, through the integration and

innovation of businesses and information terminals, to expand the channels for its clients to obtain and exchange information. This process, while helping promote popularisation of information technology and improve living standards, has allowed the Company to achieve sustainable and healthy development.

CHINA TELECOM AND SOCIETY **Business operations with integrity and in compliance to laws and regulations**

The Company has been a model in observing laws and regulations, social morality, business ethics and industry practices, and making timely tax payments. The Company paid total tax amount of RMB13,654 million for the year ended 2007. The Company protects the interests of its shareholders and creditors, respects intellectual property rights, honours contracts performance and strictly abides by commercial credit. Additionally, the Company opposes to unfair competition and eliminates

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corruption in business activities. To understand and respond to the public through different channels, the Company strives to increase the corporate transparency and establish an effective and standardised communication mechanism.

Driving for economic growth

To boost the economic and social development of China and achieve great rejuvenation of the nation, speeding up the construction of informatisation infrastructure is an important strategy for China. The Company proactively promotes corporate transformation, optimises development strategies and improves corporate governance. In addition, with the enhancement in management and control capability and the optimisation in resources allocation, the Company provides services to its large customer base. As at the end of 2007, the Company's telephone and broadband subscriber numbers reached 220 million and 35.65 million respectively.

Promotion of employment

To meet the requirements of building a harmonious society in China, the Company makes great efforts in assisting the state and society to solve the problem of unemployment through placement of former servicemen, recruitment of college graduates and payment of the fees for promotion of employment to the state. The Company provides the society with a large number of outsourcing job positions in relation to business services and maintenance. In addition, to make proactive contribution to alleviate the unemployment pressure on the state, the Company plays the role of core component to drive the growth of different parts of the industry chain so that the employment is indirectly promoted.

Assistance for rural development

Over the years, the Company has made great efforts in developing communication in rural areas, improving their infrastructures, reducing and eliminating information barriers, and effectively promoting a harmoniously economic and social development among regions, cities and townships. While meeting the demands for basic voice data communication services in rural areas, the Company is committed to the continuous and overall enhancement of the standards of information technology in rural areas. Through the implementation of a model information facility project, "Serving Thousands of Townships and Villages", the Company has been the pioneer to incorporate information technology into the rural area construction, allowing townships and villages to benefit from the development of information technology. Basing on the service branches widely located in the townships and villages, the Company introduced "Info Farm" services, which integrates related information resources to rural area construction, such as technology, education and market news, and makes use of voice, SMS, telephone radio and broadband network to build up a "Golden Bridge of Science and Technology" for the prosperity of rural areas.

Participation in public welfare activities

With strong sense of responsibility, the Company takes the lead and assumes its duties as an excellent corporate citizen whilst accelerating its pace in self-development and promoting the applications of information technology. In this regard, the Company strongly supports public welfare activities and proactively participates in poverty alleviation projects and different public welfare activities in relation to education, culture and sports.

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The Company proactively participates in assisting impoverished regions. To alleviate poverty for Yanyuan and Muli, Sichuan Province, the Company deployed four poverty-alleviation teams for the building of three primary schools and one hospital, as well as establishing electronic administration web, education web and cultural activities centre in the two counties. In this way, the Company made contribution to the improvement of local communication infrastructure and public infrastructure as well as the enhancement of living standards of the people in impoverished areas. Since 2002, the Company has been providing special poverty assistance to Bianba, Tibet. To raise the production and living standards of the local people, promote economic development and social advancement, the Company deployed three Tibet-support teams for the implementation of more than 30 construction projects. The Company's contributions were greatly appreciated by both the local people and government.

In concern for the next generation and the growth of youths, the Company has assumed responsibility through its active contribution in providing information technology for education such as the Healthy Internet Surfing Project and the Distance-Learning Educational System. As a result, the Company received from the government the "Most Outstanding Contribution Award" in the Healthy Surfing Campaign. The "China VNet" service provides under-privileged students in remote mountain areas with high quality course materials and online guidance by high-grade teachers, to ensure the under-privileged students are not left behind. In 2007, the Company donated "Family and Love" phone cards amounted to RMB3 million to 150,000 students from

migrate worker families in the poor rural areas in Sichuan in order to enable their weekly phone communication with their parents.

The Company cares for the disadvantaged and has proactively organized the campaign "Care for the Physically-Challenged, Messages without Barriers", which helped the physically-challenged gain better access to the Internet and information technology. In this way, the Company enables them to adapt to the social environment of the information era and keep up with the progress of information technology, hence allowing them to better participate in social life. The Company donated to the Handicapped Welfare Foundation of Zhejiang Province 3,000 sets of specialized telephone radios for the visually-challenged people, which unveiled the nationwide "Help the Visually-Challenged with Telephone Radio Campaign". The Company and the Sichuan People's Broadcasting Company jointly set up the first modern information platform specifically for the physically-challenged to gain access to the audio library, employment consulting and Best Tone services. In this way, the physically-challenged can promptly access the diversified news and information around the world at home.

Secured emergency communication

Over the years, the Company has been undertaking the responsibility of securing safe and smooth national communications. The Company provides support for the successful holding of important political and social events, and secured communication services for important holidays, the National People's Congress of the People's Republic of China and Chinese People's Political Consultative Conferences. In 2007, the Company successfully completed its important tasks in

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providing secured communications for New Year's Day, the Spring Festival, the 17th National Congress of the Communist Party of China, the Annual Meeting of African Development Bank, the Women's Football World Cup, the Special Olympic World Games in Shanghai, and the launch of Satellite Chang'E.

The Company has established a prompt responding mechanism for emergency protection, which provides reliable communication protection in case of outbreak of major incidents. In the event of catastrophic damage, the Company strives to ensure smooth communications and restore communication services in disaster-stricken areas in its fastest capacity.

In 2007, persistent rainstorms in southern China led to severe flooding. To restore smooth communications across the country,



Chairman Wang Xiaochu (Left 2) inspected the damages to the telecommunications facilities brought by the snowstorm in Guizhou Province and led the recovery works

the Company immediately took active measures to participate in disaster rescue efforts and restored different communication services provided to the society in a timely manner.

In early 2008, the southern regions of China suffered from a snowstorm. In face of the extraordinary natural disasters, the Company's management of all levels paid high attention and proposed "centralised circuits deployment and resource allocation" to restore communication services with full efforts of the whole group in the shortest possible time. The Company not only significantly reduced the losses suffered by its customers and corporations, but also provided robust support to local governments' relief efforts. In the critical moments of the rescue, while saving itself from the disaster, the Company dedicated efforts to help restore electricity supply and communication services to society by arranging workforces to repair power lines

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China Telecom staff were striving to recover the telecommunications cabling damaged by the snowstorm

and base stations for power companies and other telecommunications operators, restore telecommunications cables, and provide oil machines. In addition, fully leveraging on its business advantages, the Company actively provided integrated information services to the disaster-stricken areas. In this regard, the Company set up free family call services, and immediately produced and donated 100,000 "Affection Calls, Blissful Hotlines" calling cards to the people who were unable to return home because of road blocks. In this way, the Company has provided them the convenience to exchange information and communicate with their families.

Receiving wide recognition

The Company was accredited again in the list of "World's Most Admired Companies" for the year 2007 by *FORTUNE* and awarded "Asia's

Best Managed Fixed Telecom Company" for the year 2007 by *Euromoney*. At the same time, the Company respectively received "The Best Corporate Governance", "Most Accessible Senior Management" and "Most Convincing and Coherent Strategy" awards in the ranking of all industries in Asia. In addition, the Company was accredited with "CAPITAL Outstanding China Enterprise Awards – Telecommunications" by *CAPITAL* for two consecutive years, received top ranking in the selection of the best company in Asia (China group) for the year 2007 by *FinanceAsia* and was awarded the "Best Managed Company – China", the "Best Corporate Governance – China" and the "Best Investor Relations – China".

CHINA TELECOM AND CUSTOMERS Informatisation creates value for customers

1. To benefit the people, the Company promotes informatisation for public services. As a cornerstone driver promoting government's informatisation, the Company proactively promotes office automation of the government, Three Golden Projects, e-government and establishment of electronic administration, so that people can access government information and services through various channels. At present, government departments at all levels have set up more than 200 nationwide information application systems with the use of the Company's network. The City Security Monitoring System based on the "Mega Eye" services of the Company has become an important measure for different regions to build safety city.

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2. To assist and support development of enterprises, the Company promotes enterprise informatisation. The Company introduced two brands in relation to integrated information services, "BizNavigator" and "Best Tone", which help a wide range of enterprises elevate their level of informatisation and improve their competitiveness and profitability.
3. To promote efficient development of industries, the Company focuses on industry informatisation. To meet the informatisation development requirements of different industries, the Company proactively customizes informatisation solutions to industries such as quality inspection, police, customs, taxation and logistics. With safe, high-quality and effective expert-level telecommunications services, the Company assists enterprises in controlling information, grasping future trends and transforming themselves into industry leaders.
4. To promote the informatisation of households, the Company provides households with informatisation services. The Company has launched the household brand "One Home", provided informatisation advisory and design, and offered wireless and cable access to different residential areas and households. It also introduced various household comprehensive services so that household customers can select from multiple means of access, such as voice, broadband Internet and video, to enjoy an life information services.

High quality networks provide services for customers

The Company has been continuously strengthening its information infrastructures to meet people's infrastructure demands towards economic informatisation. To satisfy the ever-increasing demand for communication services, the Company has established a large-scale, safe and stable communication network and fully taken advantage of the existing network and data resources. In this way, the Company has contributed to providing high quality, efficient and safe communication services to its customers, improving information infrastructure of the nation and establishing a smooth information network.

Innovative technology raises service standards

The Company regards independent technological innovation capability as the essential issue in corporate development. Focusing on collective innovation and business products, the Company creates corporate values and maintains its leading position in the industry. Based on market demands and the driver of new technologies, the Company advances in technological innovation. For advancement of industry technologies, the Company established a technological innovation system with Beijing Research Center, Shanghai Research Center and Guangzhou Research Center, and actively participated in the construction and testing of important national projects of the information industry. In addition, the Company has actively carried out major strategic technology research on third-generation mobile communication, broadband connection, intelligent optical fibre network and Next Generation Internet, thus promoting the formulation of new standards

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and specifications, and the continuous evolution of communication technology.

Satisfactory services protect customers' welfare

The Company has been planning and implementing its quality customer service as an important part of the whole corporate strategy. Inheriting the service principle of "Customer First, Service Foremost", corporate mission of "Help Customers Fully Enjoy New Life of Information Services", and operation philosophy of "Pursuant of Corporate Values and Customers' Values to Sustain Mutual Growth", the Company dedicates itself to serving customers sincerely and enriching service connotations. In addition, from the perspective of customer experience, the Company has established a mechanism in relation to service performance appraisals and service quality issues handling. Through the adoption of third-party service quality test and peer comparison, the Company has significantly improved the services of "Customer Hotline 10000", raising the overall service quality. In 2007, the Company received top ranking in the customer satisfaction survey of the industry. In the "Annual Conference of Communications Services 2008", 32 employees, 15 teams and 4 grass-root enterprises were awarded the title "National Stars of Telecommunication Services with Customer Satisfaction (individual, team and enterprise)" for the year 2007.

CHINA TELECOM AND EMPLOYEES Protection of welfare

The Company attaches great importance to establishing a comprehensive, scientific and effective welfare protection mechanism, which actively develops corporate activities to promote harmonious labour relationships and

accelerate the establishment of a new socialistic labour relationship that is standardized, fair, reasonable, mutually beneficial, harmonious and stable. Taking labour relations coordination as a major task, the Company encourages labour unions of all levels to establish welfare protection mechanism, in which labour unions of all levels insist on fair negotiation and collective contract systems in order to, on the basis of thorough negotiation and mutual collaboration and sharing, standardize collective contract documents of the local network and enhance the implementation rate and validity period of contracts. By means of various approaches, they provide employees with prompt and convenient legal assistance, and help answering letters and enquiries on employment conflicts of employees. Meanwhile, the Company insists on the employment policy of equal payment for equal work and strictly forbids discrimination in employment. It supports equal development opportunities to both male and female employees. To enhance the caliber of female staff, the Company has carried out the "Achievement of Quality Target" campaign and the "Contribution of Ladies" activity.

Health and safety

To build a harmonious society, promote economic development and maintain social stability, the Company strictly complies with the laws and regulations of Safe Production Law, Labour Law and Fire Prevention Law, as well as requirements of relevant government authorities. Through the development of training, promotion and education in relation to safe production, the Company consistently raises the awareness and consciousness of employees in respect to safe production. In addition, the Company has implemented a safe

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production accountability system, established organizations for comprehensive safe production management and a safety management system, and promoted standardized safe production facilities. In this way, the requirements of safe production are deployed to each position and each employee. In addition, to actively improve work environment, to implement labour precautionary measures and health care initiatives, the Company has also strengthened supervisory inspection on safe production, heavily invested in production safety, and rectified the hidden causes of accidents. As a result, normal operation of telecommunication production is ensured and a good and safe environment for the enterprise has been safeguarded.

Care for employees

The Company makes great efforts in promoting corporate competitiveness and creating a harmonious and stable labour relationship. For the continuous enhancement and improvement on its poverty assistance mechanism, the Company has established Care-Giving Fund and Assistance Centre for Employees with Difficulties, raising funds for poverty assistance and employees suffering from serious illness. Meanwhile, the Company has also set up a special festival caring system, employee annual medical check and leave system, and caring system for important affairs of employees and their families. For the development of young employees, in 2007, the Company held the "Face-to-Face Dialogue between Young Employees and Senior Management" interview series. With such communication platform, the young employees are inspired to improve themselves and thus deepen the corporate transformation process. During the outbreak of snowstorm disasters in

southern China in early 2008, the Company's employees organized the "Melt the Ice with Warmth, Feel the Love in Need" campaign, offering support of the whole company to help each other out. This function raised more than RMB1.7 million emergency funds which was then distributed to the affected employees who were carrying out the relief actions while their families were facing difficult situations.

Cultural life

To guide the employees' consumption in cultural life and help them cultivate a healthy leisure life style, the Company promoted a wide range of well-received amateur sports and recreational activities that have integrated ideology, knowledge and interest. Such activities included a series of Olympic Games-oriented fitness programs for the employees, basketball and table tennis tournaments for the whole company, and collections of photographs and paintings. Labor unions at all levels held more than 400 different sports events and cultural activities, and made outstanding achievements in their active participation in different cultural and sports events organized by the Sports Association of Chinese Telecommunications Industry. Two subsidiaries of the Company were accredited "Model Unit of Employee Sports in China" by the State Sport General Administration. China Telecom Employee Arts Troupe and Bayi China Telecom Women's Basketball Team also won reputation in the society. Through extensive development of cultural activities, the spiritual and cultural requirements of the employees were met, recreational and cultural life of the employees were invigorated, and the loyalty and cohesiveness of the employees have been further reinforced.

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CHINA TELECOM AND THE ENVIRONMENT

Development of energy-saving products and cyclic economy, active use of environmental-friendly materials

The Company has paid great attention to maintaining a healthy environment for human beings. Its telecommunications projects are always constructed under the guideline and measures of environmental protection. When purchasing its telecommunications equipment, the Company carefully selects optic fibre cables and transmission systems that are noiseless and free from electromagnetic radiation and pollutants. When carrying out field surveys on communication routes, the Company always tries to avoid mines, forests, grasslands, wild animal habitats, natural heritage sites, human relic sites, nature reserves and famous scenic areas. When laying down optic fibre cables, the Company adopts directional drilling techniques which allow cables to pass directly through any obstacle without affecting the surrounding environment. In the process of fighting against the snowstorm in southern region in early 2008, the Company efficiently collected and handled all abandoned batteries in order to avoid potential environmental risks.

Innovative communication and information service products help saving resources

Focusing on environment-protecting technology, the Company integrated the features of telecommunication services and, through information technology solutions, developed modern products to facilitate energy saving for the industry and society as a whole, contributing to building an energy-saving society. The Company provides telecommunications application products like Mega Eye and Best Tone to individuals, corporations and industries in replacement of traditional information delivery methods, hence promoting energy saving in the workplace, in transportation, as well as the building of an energy saving society.

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Establishing conservation-oriented enterprise, striving to achieve energy-saving and emission reduction

The Company has launched cost saving and efficiency raising work. It separately standardised the costs of different areas, including offices, marketing, maintenance, labor and investment. To create a strong atmosphere of "conservation-oriented enterprise", the Company uses energy-saving lamps in production and offices, appropriately adjusts the temperature of telecommunications machine rooms and offices, and encourages the entire workforce to save paper and water.

In the future, in line with further strategic adjustment in economic structure and continuous acceleration of the process of popularisation of information technology in national economic activities in China, the Company, through its strategic transformation, will actively engage in various mutual beneficial collaborations in the industry. This will bring a range of benefits, such as combination and extension of the industry

value chain, continuous expansion of areas for cooperation, improvement in operating efficiency in the whole industry, and creation and maintenance of a healthy and harmonious industrial environment, all of which will contribute to the sustainable and healthy development of the industry, and help to achieve the Company's goal of serving the national economy and promoting social development while seeking maximum return for the shareholders. The Company will sincerely provide return to the society and make its due contribution to building a more harmonious society.