



# Human Resources Development Report

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## Summary

In 2009, the Company's human resources management centered around the strategy of "Customer-focused Innovative Informatisation". We accelerated the innovation of our management system and team-building mechanism and endeavoured to enhance our capabilities in human resources management service and support, and established a harmonious and stable business environment to fully support the Company's strategic transformation.

We continued to control the total number of employees and continuously adjusted our labour structure. We increased modestly the number of employees for our branches in the northern provinces according to their development needs, while focusing on introducing suitable personnel to meet the needs of the Company's transformation and full services operation. We also strengthened our control over the number of employees in our traditional businesses and daily operations, and at the same time encouraged our employees through a variety of ways to shift to key transformation units and posts for full services operation. In addition, we have established a standardised position system which meets the requirements of full services operation in order to lay a solid foundation for the precise management of human resources and structural adjustment.

We constantly optimised our resource allocation by perfecting our allocation model for labor costs and remuneration. We further optimised the model for decision on total labor costs in order to fulfill the demand for human resources required by the full services operation. We also actively explored the application of flexible allocation methods such as an agreed wage system and point-based system.

We improved the Company's management system for senior managers with a focus on enhancing our capabilities in full services operation, strengthening the building of our leadership and management teams, and shaping the entrepreneurial spirit of our management. We focused on the needs of full services operation, fostering the development of personnel to strengthen our position in dealing with government and enterprise customers, our mobile service, corporate informatisation and overseas services. We also integrated our resources and organised large-scale full services training sessions to strengthen the implementation of our strategies. In order to expand our talent pool, we cooperated strategically with key universities and built a college-enterprise cooperation platform to reinforce the recruitment of outstanding graduates. We also strengthened the support and management of the personnel in our branches in the northern provinces to promote integrated and coordinated development.

We value our employees as the foundation of the Company, caring for our frontline employees, those engaged in less developed areas and in special difficulties. We also enhanced our workplace safety management to ensure the harmony and stability of the Company.

## Employees Distribution

At the end of 2009, the Group had a total of 312,520 employees. The employees' distribution was as follows:

	No. of Employees	Percentage
Management, Finance and Administration	50,206	16.1%
Sales and Marketing	160,780	51.4%
Operation and Maintenance	99,904	32.0%
Research and Development	1,630	0.5%
Total	312,520	100%



## Human Resources Development Report (continued)

### Corporate-Employee Relationship

#### Communication between Management and Employees

The Company's management continued to follow its good corporate tradition and reinforced its communication with its employees through various methods. The Company's management conducted regular visits and research and listened to views of frontline staff to gather first hand information. In 2009, the Company's management conducted field research at provincial offices of the Company and their subordinate units in ten groups, and carried out in-depth communications with the production and operation frontline staff to have a better understanding of their situation. They also listened to the views of employees and provided guidances. The Company conducted an online survey of 100,000 employees to gather feedback and recommendations from employees for the Company's scientific decision making, thereby bringing our advantages of informatisation into full play. The Company also started an online dialogue with over 6,000 frontline staff to discuss the Company's scientific development. For young employees, the Company continued to host a series of "face-to-face" dialogues, such as interviews, interactive questions and answer sessions to exchange information on key topics with young employees including studies and activities for scientific development, the resolutions of the annual meeting, career development of young employees to strengthen ties with its young frontline employees. This extensive and in-depth communication between the management and employees ensured cohesive deployment of various corporation decisions of the Company.



Mr. Wang Xiaochu, Chairman, cordially visited frontline staff of "114" enquiry hotline

The Company further perfected its mechanism for employees to express their ideas and appeals and formulated the "Guidance on a Sound and Perfect Mechanism for Employees to express their Ideas and Appeals". The Company conducted a timely collection and analysis of employees' comments and recommendations through various channels such as on-site research, seminars, online questionnaires and surveys, and improved those areas which employees were not satisfied with.



Mr. Sun Kangmin, Executive Vice President, visited provincial branch for exchange and study

#### Roles and Duties of Labor Unions

Insisting on the principle of "promoting corporate development and employees growth" and the management concept of "concentrating in key areas, serving the overall situation, highlighting employee rights and increasing participation", the labor unions play an irreplaceable role in the Company's business management, corporate reforms and full services operation. For the promotion of corporate development, the labor unions have organised job-skill contests, carried out technological innovations and collected rational recommendations from employees and motivated the employees to achieve successful results.

## Human Resources Development Report (*continued*)

For promoting employees' growth, the labor unions provided on-the-job training, skill competitions and activities to establish a "learning team" to create a platform for knowledge sharing, enhance the business skills of employees, and assist them in adapting to the requirements of full services operation. The labor unions participated in the decision-making process with respect to employee benefits and the formulation of corporate policies, while at the same time cared for employees and improved the work conditions and living standards of employees and assisted them in solving their daily life problems by building a mutually beneficial platform for realising simultaneous growth for the Company and its employees.

### Coordination and Communication between the Company and the Labor Unions

The Company has reinforced coordination and communication with the labor unions in 2009. In order to accomplish the strategic goal of full services operation, the Company's Labor Emulation Committee has coordinated with the labor unions to carry out contests including the "3G e surfing Star Employee Competition" to promote the development of its business. As part of the successful implementation of the "Labor Contract Law" and the "Labor Dispute Mediation Arbitration Law", and to meet the requirements of the "new social model for corporate-employee relationships which is standardised, fair and reasonable, mutually beneficial, harmonious and stable", the labor unions have strengthened their participation in the Company's management of human resources and coordination of labor relations. This has also reinforced coordination and communication with the Company in perfecting its employee management system, and improving the handling of labor disputes through the assistance of the Labor Dispute Mediation System Committee. The Company further enhanced the soundness and fairness of the Collective Contract System. The labor unions have strengthened the coordination with respect to the collective contracts signed between the Company and labor unions especially in specific areas such as employees' leave and holidays, education and training, performance appraisals, etc. In an attempt to standardise its human resources management, the Company and the labor unions have jointly promulgated the "Measures Related to Collective Employment Contract" to standardise the process for the equitable collective negotiation for collective contract, and jointly amended the "Interim Measures for Management on Branch Companies' Employees Representative Committee" in order to set up a clear mechanism and specific responsibilities. This is the first time the evaluation of employee satisfaction on provincial-level management team building was co-organised, which is of great significance for the further strengthening of frontline democracy, enhancing the participation of frontline employees and improving the supervision of democracy.

### Caring for Employees

In relation to the welfare of the employees, the Company applies a corporate culture which values employees as the foundation of the Company, and strives to solve the most direct and practical problems concerning its staff.

In times of natural disasters, the Company has always bore the suffering of affected employees in mind. In order to help affected employees to come out of the shadows and rebuild their confidence, the Company held a "Caring Employer & Giving our Heart & Hand—Training for Outstanding Staff in Maintaining Telecommunication Services during Earthquake" on the first year anniversary date of the Wenchuan Earthquake. This was followed by on-the-spot learning activities which were co-organised by eight provincial companies and the labor unions, with participation of 342 outstanding employees from affected areas in Sichuan, Gansu, and Shaanxi. The activities further promoted the great spirit of unity among our affected employees to participate in disaster relief work, which has motivated the spirit of contribution among all of the Company's employees, while establishing and promoting the Company's people-oriented corporate image.



## Human Resources Development Report (continued)

The Company cares for its frontline employees. In order to create a good working and living environment for frontline employees, the Company and the labor unions have put great efforts in jointly promulgating the “Guidance on Improving Employees’ Living Standard” and “Guidance on Establishing and Perfecting Employee Relief Fund Management System”, with the labor unions also promulgating the “Guidance on Caring for Employees”. Labor unions also implemented 10 initiatives, including establishing a sound mechanism for employees to express their ideas and appeals, promoting the regular growth of wages, and operating a paid annual leave system, to extend its care for employees.

In times of New Year and Lunar New Year, as well as during critical production and operational stages and natural disasters, the Company vigorously carries out its “Warmth Delivering” activities by visiting and comforting employees in difficulty, employees at the frontline of production, outstanding employees and retired employees. During the summer of 2009, the labor unions issued the “Notice regarding the Launch of ‘Caring for Employee’ Activities during the Summer Season”, while all provincial branches took effective measures to protect employees from the negative effects and damages to their health brought by high temperatures.

### Strengthening Human Resources

The Company attaches great importance to cultivate talents and allocate substantial resources to build employees’ leadership skills and capabilities.

#### Building leadership skills

The Company values the building of leadership skills amongst its employees. Through leadership development training, the Company has further enhanced the capability in strategic execution of its managers. The Company organised one session of training for its general managers in its provincial branches, two sessions of training for its vice presidents in provincial branches and four sessions of training for general managers in district branches with senior management to elaborate the Company’s business strategy and development focus. The Company also strengthened the development of its training courses under the setting of full services operation, introducing intensive training courses on themes such as “Strategic Performance” and “Driving Transformation”, aiming to apply these tools and methods to daily operations through an action-based learning approach and providing support to the realisation of performance targets. Additionally, the Company further fostered the leadership training of its 8,546 managers of the district branches, as well as its 4,340 managers of working groups, regional branches and sub-regional branches. Furthermore, the Company strived to build an efficient headquarters and organised four sessions of training on the theme of “Coordination and Efficiency” at its corporate headquarters. At the same time, the Company organised monthly seminars on the theme of “The Key to Transformation” to further reinforce employees’ customer orientation awareness, coordination and execution.



Mr. Zhang Chenshuang, Executive Vice President, attended a table tennis match for employees



Mr. Shang Bing, President, conducted the lessons in management skills training programmes

## Human Resources Development Report (*continued*)

### ***Enhancing Professional Skills***

Aiming at supporting its full services operation, the Company organised many training sessions with an emphasis on promoting business transformation and enhancing professional skills in sales, services, support and maintenance. Trainings include those of products customised for full services, those to enhance practical skills for sales staff, government and enterprise account managers, wireless network optimisation staff, “Best Tone” information service operator, customer service representatives for the 10000 hotline, trainings of skills of information collection and editing, as well as post skills certification for network maintenance staff. The Company also carried out intensive training courses to meet the work and learning needs of its employees and made full use of its Online University to carry out universal training, including customised courses such as “Project Management”, “Network Optimisation”, “CDMA Technology”, “Mobile Products”, “Building Sales Capability”, and “Solutions for Industry-specific Applications in Full services operation”. By conducting interactive training through its Online University, the Company’s successful experiences in full services operation were widely and timely promoted.

### ***Remuneration and Performance Management***

In accordance with the corporate principle of “salaries based on performance, efficiency first and fairness ensured”, the Company has set up a mechanism that the growth of personnel cost/total amount of salaries being correlated with corporate earnings’ growth for branches, and has continuously improved it in practice. The Company implemented a strict performance management system, with KPI-based performance appraisal mechanisms for its employees. Overall performance targets has been distributed to all levels of the Company to ensure that each employee has his own specific performance targets. The results of the performance appraisal are effectively applied to various aspects including adjustments in job post-based salaries, performance salaries, promotions, training, redeployment and transfers. The integration of the performance appraisal with operating performance and capacity improvement program serves as an effective way to enhance the capacity and performance of employees. According to the corporate principle of being “objective, fair, democratic, open, and performance-oriented”, the Company carried out open recruitment and competitions for job vacancies, and built up job posts-centered management with flexible promotions and degradation and flexible recruitment and dismissal for the scientific and rational allocation of human resources.

### ***Protecting Employee Welfare***

The Company strictly follows the laws and regulations as stipulated by the “Labor Law of the People’s Republic of China” and the “Labor Contract Law of the People’s Republic of China” to standardise employment practice. The Company offers equal payment for equal work and has no discriminative policies on employment such as gender discrimination. The Company does not employ child labor or forced labor. The Company and the labour unions has also jointly promulgated the “Special Collective Sample Contract for the Protection of China Telecom Female employee’s Rights and Interests”, further ensuring the protection of the rights and interests of its female workforce.

