

# Human Resources Development Report

## Summary

In 2010, the Company adhered to the principle of support for enterprise development and service for employees with respect to its human resources management, further strengthened team building and mechanism innovation, and systematically deepened the transformation of human resources functions. While adhering to the doctrine of people-oriented strategy, the Company endeavoured to motivate employees' passion and maintain harmony, aiming to groom talents and ensure an effective human resources mechanism to support the full services operation of the Company.

Firstly, we strengthened our management team at all levels of the Company. By further improving the management system of senior managers and intensifying the competition mechanism for senior managers recruitment and selection, a group of highly-educated, passionate and enthusiastic talents were promoted to the key management positions, and the age and knowledge structure of the management teams at all levels were further optimised.

Secondly, we strengthened our professional technician teams. Taking into consideration the Company's demand for talents, we formulated a series of measures for staff improvement. Pursuant to our business needs, we actively promoted to build teams with professional technicians specialised in Information Technology ("IT") and Internet Protocol ("IP"), etc. We evaluated and selected talents in relevant professions according to the principle of being recognised by the market, by industry and by enterprises, and meanwhile initiated the assessment method of "professionals select professionals".



▲ Mr. Wang Xiaochu, Chairman, exchanged views with staff



▲ Staff communicated with Mr. Wang Xiaochu, Chairman, in person

Thirdly, we actively motivated the enthusiasm and creativity of all our employees by adhering to the people-oriented principle. We put emphasis on career development of employees and built a development platform to create value for both the Company and employees. We cared for our frontline employees and helped solve their practical difficulties. We also enhanced accountability management regarding workplace safety. By doing so, we ensured safety, harmony and stability in the Company.

## Employees Distribution

As at the end of 2010, the Group had 312,322 employees in total. The employees distribution was as follows:

	Number of employees	Percentage
Management, Finance and Administration	49,124	15.7%
Sales and Marketing	161,569	51.8%
Operation and Maintenance	99,704	31.9%
Research and Development	1,925	0.6%
<b>Total</b>	<b>312,322</b>	<b>100%</b>

## Corporate-Employee Relationship

### Communication between Management and Employees

The Company has established and continuously optimised the communication mechanism. The management continued to reinforce communication with the employees through various methods and channels. The management regularly visited the frontline employees to get first-hand information and understand their views. Management communicated with employees through trainings, seminars and our online learning platforms, listening to them and providing timely feedback. In addition, the Company hosted a series of “Face-to-Face Forum” to discuss the issues such as mobile Internet, differential development of the Company, attaining closer communications between the senior management and the employees. The management of provincial branches also established their effective dialogue mechanism and strengthened their communication with the employees by means of regular surveys on employee satisfaction. In 2010, the Company launched the activity of “Learning from Fred<sup>1</sup>”, encouraging the



▲ Mr. Shang Bing, COO, visited frontline staff

management at all levels to care more about the employees and make efforts to create a company culture of being passionate, learning-based, and developing talent, which allows employees to have a more meaningful and better life and work as well as to encourage “Fred” spirit within the Company and inspire employees to enjoy better work and life. Meanwhile, in accordance with the people-oriented principle, the Company has further promoted the mechanism for employees to make suggestions by improving relevant systems and smoothing the channels. Establishing “Mailbox of General Manager”, “Labour Union Chairman’s Mailbox” and “Online Petition Room” and by other direct or indirect means, the Company has widened the access to dialogues between the management and employees and guaranteed easier expression of request by employees. Moreover, the Company carried out employee surveys on the issues of their concern to understand their views and ensure their problems be reasonably solved or responded in time thus promoting harmonious and stable corporate-employee relations.

**Mailbox  
of General  
Manager**



**Labour Union  
Chairman’s  
Mailbox**



**Online  
Petition  
Room**



<sup>1</sup> Fred is the leading character of the book **The Fred Factor**. Serving as a postman in the U.S., he devoted great passion to his ordinary work and finally made not only his work but also his own life extraordinary by providing customers with better services and creating more value with his persistent efforts.

### Roles and Duties of Labour Unions

Insisting on the principle of “promoting both the corporate development and the employees’ growth” and the guideline of “focusing on main goals of the Company, serving the general interest, highlighting employee rights and enhancing participation”, the labour unions play an irreplaceable role in the Company’s strategic transformation and full services operation. For the promotion of full services development, the labour unions have coordinated with the Company to organise various activities with respect to job-skill contests, technical innovations and improvement proposals from employees, and awarded the employees for outstanding contributions to honour their value as well as motivate them to pursue better performance. For the promotion of employees’ growth, the labour unions organised on-the-job training, skill competitions and activities of building learning teams to create knowledge-sharing platforms to improve employees’ job skills and adaptability to the full services operation of the Company. In particular, the labour unions have organised activities for the employees to experience the new services and products and recommended some employees’ advanced operational methods for sales, maintenance and customer service to others in order to sharpen their job skills. The labour unions have also organised the employees to participate in the decision-making process of major employee-benefit issues of the Company, and the formulation of corporate rules and regulations through democratic management platforms such as the Employees’ Representative Congress with employee participation rate of over 80%. Meanwhile, the labour unions cared for the employees and made great efforts to improve their working conditions and living standards. By taking the responsibilities for helping employees in difficulties, the labour unions promoted the Company to establish and manage a supportive fund to help the employees in need of financial support, thus their most immediate difficulties and needs were effectively tackled.



▲ Games competition for network staff

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

The Company has reinforced coordination and communication with the labour unions in 2010. In order to accomplish the strategic goal of full services operation, the Company’s Labour Emulation Committee has coordinated with the labour unions to carry out a series of “Fly High with e-Surfing” skill contests participated by tens of thousands of attendees. The Company has also coordinated with the labour unions to jointly decide on the agenda of the annual Employees’ Representative Congress meetings and the subjects of employee representatives’ inspections, so as to strengthen the frontline-employee democracy and supervision and to safeguard the legitimate rights and interests of the employees. The labour unions have assisted the company in implementing *the Law on Employment Contracts*, *the Law on Mediation and Arbitration of Labour Disputes* and other laws and regulations. In compliance with the “Administrative Measures for the Collective Contracts on

the Basis of Equity and Consultation”, the labour unions conducted collective consultations with the Company to standardise the terms of employment contracts, improve the collective contracts effectiveness, perfect the system of Employees’ Representative Congress and intensify their participation in the Company’s employment management and corporate-employee relations coordination. Moreover, the labour unions and the Company have jointly set up a Labour Disputes Mediation Committee to enhance communication and coordination concerning labour disputes and the employee rights protection.

### Caring for Employees

In relation to the welfare of the employees, based on its “people-oriented” corporate culture, the Company strived to improve the working conditions and living standards of frontline employees, and invested RMB400 million to build “small canteens, small bathrooms, small activity rooms, and small washrooms at the workplace” in 2010, successfully easing the concerns of the frontline employees, in particular those working in rural areas. By the end of 2010, 7,291 small canteens, 6,454 small bathrooms, 6,957 small activity rooms and 9,783 small washrooms had been built and another 480 projects such as the electronic classrooms had been completed, which has greatly improved the working conditions and living standards of general employees, enhanced the cohesion and solidarity of them and promoted the Company’s development, harmony and stability. In 2010, the Company increased its labour costs, tilting towards the technical talents in the area of mobile information technology and the frontline employees and effectively motivating their passion and productivity.

The Company cares for the employees in the disaster-hit areas. In 2010, frequent natural disasters were witnessed in China, which have caused serious impact on and losses to our employees. The representatives of the Company and the labour unions went to the disaster-hit areas to investigate the post-disaster situations of the employees and passed the Company’s regards to them. The Company put aside ad-hoc funds to relieve them from difficulties of living, and organised donations by all employees. Besides, the Company established a natural disaster relief fund for the employees suffering from major disasters and also arranged special leaves for them in other places. Two years after the Wenchuan earthquake, the representatives of the Company and the labour unions paid visits and brought regards to the employees in the quake-hit areas in Sichuan Province.

In times of New Year and Lunar New Year, as well as during critical production and operational periods, natural disasters and hot summer seasons, the Company and labour unions vigorously carry out “care delivery” activities by visiting and comforting employees in difficulty, employees at the frontline of production, outstanding employees and retired employees. Moreover, in order to provide assistance for employees in difficulty, 90% of our provincial branches have established special funds.

The Company organised various cultural and sports activities, including “e-Surfing Images” photography contest and “e-Surfing Vitality” aerobics competition, meeting the needs of employees for leisure. These activities have enhanced our staff morale and quality, in a way supporting corporate development.



▲ Staff participated in “e-Surfing Vitality” aerobics competition



## Strengthening Human Capital

The Company made great efforts in building talent pipeline and attached great importance to the investment in leadership building, professional training and employee skills enrichment. In particular, the Company actively established six major professional teams in the areas of mobile service, informatisation, sales and marketing, etc., which effectively supported its full services operation and continuously optimise its human resources structure.

### Developing Leadership Skills

A Leadership Development and Research Center was established in 2010, supporting the building of competency model for senior management as well as an assessment platform for evaluating the competencies and capability of the Company's senior managers from multiple perspectives and providing important references for the recruitment and grooming of the management team. In light of the new leadership skills required for the Company's strategic transformation and mobile Internet era, the Company stepped up the training for mid-to-high level managers. The Company successively organised six training sessions in 2010 for senior management of provincial branches and local branches with the attendance aggregating 491 employees. As for the leadership development for frontline managers, the Company continued to optimise its system of leadership training programme and teaching resources and organise "train the trainer" programme and demonstration sessions of performance management.

### Cultivating Professional Talents

In 2010, we held a series of trainings and technical certification programmes to address various needs and features of the talents specialised in different technical fields, effectively improving their technical capacities and skills. As for the development of training resources, the Company established curriculum for various technical fields, developed courses including *Experiences and Patterns of Mobile Service Development* and *Innovative Marketing*, and conducted training for lecturers of such courses in 2010. In the mean time, the Company fully leveraged its Online College for distance training, seminars and knowledge sharing, creating an effective platform to enhance the Company's professional capacities.

### Enhancing Employees' Skills

In 2010, the Company endeavoured to strengthen the selling and maintenance skills for its frontline employees. Focusing on the key areas such as customer experience-based marketing initiatives for 3G mobile Internet services and installation and maintenance of optical access equipment, the Company successively organised a series of post-specific skill trainings and certification for telephone operators, frontline sales, wireless network optimisation staff, account managers for government and enterprises customers, "Best Tone" customer service representatives, and network operation and maintenance staff, which has comprehensively improved their skills. In 2010, over 76,000 employees participated in the certification examinations and related trainings. As at the end of 2010, the Company had around 500 senior technical experts, over 4,000 technical experts, nearly 30,000 technicians and highly skilled talents constituted over 20 percent of our staff, out of which 11 people were successively awarded the title of "National Technical Master of China", 57 people honoured as "Technical Master of China's State-owned Enterprises", and 62 people awarded the title of "Technical Master of China Telecom".

In 2010, China Telecom College initiated "Getting Your Wings", a study program providing trainings to the employees via online live broadcasting. More than 300,000 employees attended the program and their business skills have been effectively enhanced. This program was awarded the "Best Practice in 2010" by the American Society for Training and Development.

## Remuneration and Performance Management

In accordance with the corporate principle of “support for enterprise development and service for employees”, the Company has established a mechanism that the growth of personnel cost/total amount of salaries is correlated with corporate earnings’ growth for branches, and has continuously improved it in practice. The Company implemented a strict performance management system and applies KPI-based performance appraisal mechanisms to its employees. Overall performance targets have been segmented to all levels of the Company to ensure each employee has his own specific performance targets. The results of the performance appraisal are effectively applied to various aspects including adjustment in job post-based salaries, performance salaries, promotions, training, secondment 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 “objective, fair, democratic, open, and performance-oriented”, the Company carried out open recruitment and competitions for job vacancies, and built up job post-centered management with flexible promotions and degradations and flexible recruitment and dismissal for the scientific and rational allocation of human resources.

## Protecting Employee Welfare

The Company strictly abides by the laws and regulations such as “Employment Law of the People’s Republic of China” and the “Law of the People’s Republic of China on Employment Contracts” to discipline its employment practice. The Company offers equality of remuneration and work, implements regulations to protect female employees’ rights and interests with no gender discrimination and does not employ child labour or forced labour. Aiming at supporting the Company’s full services operation, the female employee organisations of all provincial branches actively launched the campaigns, namely “Contributions by Female Employees” and “Competency Improvement Project”, so as to build platforms for the female employees to play their roles and show their intelligence.



▲ Staff joined “3G Marketing Competition”



▲ “3G Marketing Competition” group photo



▲ Mr. Sun Kangmin, Executive Vice President presented awards in “3G Marketing Competition”



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