

Human Resources Development Report

Summary

In 2011, our work on human resource management adhered to the principle of developing and supporting our employees, further deepened the transformation of human resources and mechanism innovation while proactively devoted efforts to build a team of talents. While adhering to the doctrine of people-oriented strategy, the Company endeavoured to encourage employees' motivation for work, with an aim to ensure that solid human resources are available to support the sound and rapid development of the Company.

Firstly, we built a leadership team which is boldly innovative and full of passion, possesses an awareness of openness and cooperation and is able to adapt to the needs of the mobile Internet era. We progressed the transition to a youthful leadership team. With the implementation of performance evaluation for all employees, we constantly improved on the selection, assessment and evaluation processes for our leadership staff. We strengthened our competitive recruitment process while continuously optimising the leadership team structure and stimulated the vitality of its members so as to improve the degree of satisfaction on our selection and appointment processes.

Secondly, we further deepened our human resource mechanism innovation in order to resolve the problems faced by the Company in this new development era. We established and improved on the job benchmarking framework based on full services operation so as to promote the adjustment and optimisation of the Company's position and personnel structure. Each unit taking part in the transformation pilot re-assessed

the value of the positions and determined their required qualifications according to the new job benchmarking framework. The units implemented a system of recruitment by competition and assessment in order to ensure the correct match between employees and positions.

Thirdly, we proactively built a high-skillset professional team specialising in the mobile Internet domain. We formulated a plan for building the team and formulated administrative measures for such teams to further improve the mechanisms for the selection, employment, motivation and cultivation of talented people. We accelerated the recruitment of high-skillset professionals such as those experienced in IP (IP technology-based network personnel), IT/ICT (IT-based industry applications and enterprise information technology personnel) and sales and marketing personnel.

Fourthly, we adhered to the doctrine of people-oriented strategy and cared for our employees. We established a sound mechanism targeting different groups so that various categories of employees were able to share in the achievements of the Company's development. We persisted in being frontline-oriented and continued to improve the terms of employment for frontline employees. Continuously improving their working conditions, we helped employees solve their practical difficulties. Centred on the "Production Safety Year" campaign, we further implemented the accountability system for safety in production with focus on identifying, eliminating and controlling hidden dangers in order to ensure the safety of the Company's working environment.

Employee Numbers

As at the end of 2011, the Group had 309,799 employees. Numbers of employees working under each classification and their respective proportions were as follows:

	Number of employees	Percentage
Management, Finance and Administration	49,455	16.0%
Sales and Marketing	159,374	51.4%
Operations and Maintenance	98,801	31.9%
Research and Development	2,169	0.7%
Total	309,799	100%





Mr. Wang Xiaochu, Chairman visited the frontline staff in Qinghai



Mr. Yang Jie, President presented appreciation gifts to the frontline staff

Corporate-Employee Relationship

Communication between Management and Employees

The Company strived to build harmonious labour relationships by maintaining close contact with employees. The management persisted in communication with the employees through various methods and channels. The management regularly visited the frontline employees to get first-hand information. Through a variety of methods such as the “Mailbox of General Manager”, the “Labour Union Chairman’s Mailbox”, “Face-to-Face with the General Manager” and “Online Direct Train of Soul”, each level of the Company listened to our employees’ views. Moreover, the

Company conscientiously carried out employee surveys on the issues that employees are concerned about, analysed the key problems, clarified and grasped their thoughts and ideas and ensured that their demands were resolved in a reasonable and timely manner.

Roles and Duties of Labour Unions

By persisting in the principle of “promoting both corporate development and the employees’ growth” and following the guideline of “focusing on the main goals of the Company, serving the general interest, highlighting employee rights and enhancing participation”, the labour unions played an important role in the Company’s management, reform and full services operation. In



Mailbox of General Manager



Labour Union Chairman's Mailbox



Online Direct Train of Soul

2011, the labour unions organised the “e-Surfing Flying” series of skill competitions. At the provincial level, the labour unions conducted more than 140 skill competitions with over one million employees participating, which played an important role in boosting the Company’s full services development.

According to the requirement of building a team of the “Four First-Class” employees, namely employees with first-class professionalism, first-class service skills, first-class work style and first-class job performance, the labour unions of the Company organised and conducted activities such as on-the-job training, skills competitions and activities of building learning teams to create a knowledge-sharing platform and to summarise and promote excellent operating methods so as to help employees improve their service skills. The labour unions collected over 3,000 rationalisation proposals and adopted nearly 1,000. Through on-the-job training, the Company not only promoted the improvement of employees’ skills, but also enhanced employees’ corporate identity.

Through democratic management systems, such as the Employees’ Representative Congress, the labour unions

organised the employees to participate in the decision-making process on major employee-benefit matters and the formulation of the relevant corporate rules and regulations of the Company. As a result, the employee participation rate of congresses in relation to employee-benefit matters has continuously increased.

Coordination and Communication between the Company and the Labour Unions

The Company continued to strengthen our efforts in caring for our employees and promoting harmonious development, reinforcing coordination and communication with the labour unions. Through forming the Labour Emulation Committee, the Company coordinated and communicated with the labour unions in the organisation of activities such as skill competitions.

The Company deepened the implementation of the terms of reference for the Employees’ Representative Congress of the provincial branches, maximising the role of Employee Representatives. Through the system of Joint Chairman of Provincial Unions, the labour unions elected the Employee



Group photo of the winners of the “e-Surfing Flying” customer service skills competition.

Representative Supervisor to the Company's Supervisory Committee, reviewed and approved the Company's annuity plan and the supplementary provisions, thus safeguarding the legitimate rights and interests of employees at the source. The labour unions conducted collective negotiations with the Company focusing on standardising the terms of employment contracts, improving the effectiveness of collective contracts, enhancing the system of Employees' Representative Congress and promoting employee participation in the Company's employee management and coordinating corporate-employee relation. Moreover, the labour unions and the Company fully leveraged on the Labour Disputes Mediation Committee to enhance communication and coordination concerning labour disputes and pragmatically promote the construction of the labour rights protection mechanism.

Caring for Employees

In 2011, the Company comprehensively completed the construction of the "Four Smalls", namely small canteens, small bathrooms, small activity rooms, and small washrooms at the workplace to improve the working and living conditions of the frontline units, easing the concerns that are most direct and practical for frontline employees. By the end of 2011, 8,509 small canteens, 7,748 small bathrooms, 8,514 small activity rooms and 10,589 small washrooms had been built; and another 1,320 small projects such as small flower gardens, small vegetable gardens and small study rooms had been completed.

The Company at all levels and the labour unions vigorously organised care delivery activities during the holidays, as well as during critical production and operational periods and natural disasters, comforting employees at the frontline of production. During the New Year and Lunar New Year, the Company's leaders were organised into seven survey and visit units and travelled to 11 provinces (including autonomous regions and municipalities) such as Chongqing and Guizhou, and their local branches, county-level and rural branches, visiting and comforting employees in difficulties, employees at the frontline of production, outstanding employees and retired employees. Company-wide, we made a total of 177,000 visits to frontline employees, employees in difficulties, employees affected by disasters and model employees. We visited 10,991 frontline production teams. All provincial branches established special funds to provide timely assistance to employees in difficulty, thus their most immediate difficulties and needs were effectively tackled.

The Company organised various mass cultural and sports activities with "Let's go, I am healthy, I am happy" as the main theme, satisfying cultural needs of employees. The Company conducted China Telecom's festival on the promotion of exemplary employees through literary and artistic works and

contests to publicise exemplary employees through dances, songs, comedies and other works, expanding the influence and appeal of the exemplary employees among employees.

Strengthening Human Capital

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

Developing Leadership Skills

Focusing on the two major themes of the "Three New Roles" (a leader in intelligent pipelines, a provider of integrated platforms, and a participant in content and application development) and scale breakthroughs, the Company stepped up the training for operation managers. In 2011, we organised one research and study session for general managers at the provincial level, four sessions for general managers of local branches, and two sessions for deputy general managers at the provincial level. A total of 550 mid-to-high level managers attended these seminars. At the same time, the Company continued to organise and perfect the advanced leadership courses and its rank of instructions, driving the development of focused courses for mid-to-high level leadership and instructor certification, while promoting learning programmes such as "Transformation Leadership" and "Strategy Decoding" to the local branches' leadership teams. We continued to hold leadership training courses for district and county-level chiefs and rural branch



Mr. Wang Xiaochu, Chairman delivered a lecture on "Leadership" to the senior staff

chiefs and to enhance leadership development for frontline management personnel.

Cultivating Professional Talents

In 2011, an aggregate of 155 face-to-face professional training courses were conducted for 7,750 professionals in aggregate. Targeted at the establishment of teams of talents in the field of network development and construction, we conducted courses in areas of the introduction of “Cloud” computing technology and “Cloud” computing product procurement management. Targeted at establishing our industry applications sales and marketing teams, we launched 13 training programmes, including training courses for industry application development experts for the government and enterprises channel. A total of 650 employees attended the training which basically covered the core services in various key positions of industry application sales and marketing in headquarters and provincial and local branches. We held five overseas professional training courses and organised 100 professionals from product development, channel management, customer service, IT support and industry applications development to attend training at renowned international telecom companies. The Company made full use of China Telecom E-University for distance training, seminars and case knowledge sharing, which created an effective platform for enhancing the Company’s professional capacities.

Enhancing Employees’ Skills

We actively implemented the Company’s “Broadband China • Fibre Cities” strategic plan. Focusing on building the capacity of our Fibre-to-the-Home (FTTH) installation and maintenance teams, we conducted 18 optical access network installation and maintenance “train the trainer” courses for more than 910 in-

house instructors. We also provided online “FTTH technology and application” study courses through China Telecom E-University. We started certification for FTTH network construction staff and linked the outsourcing company qualification to the number of qualified construction staff in their qualification management. We set up a 172-member certification development team and provincial in-house instructor teams, and organised instructors to develop certification standards and training materials. As at the end of 2011, the FTTH construction, installation and maintenance certification system had been basically established, and curriculum development and in-house instructor training were largely in place.

Focusing on enhancing the selling and maintenance skills for our frontline employees, we organised and conducted skills certification for five types of positions, namely network maintenance, government and enterprises, “Best Tone”, wireless network optimisation and VIP customer service, involving 14 job benchmarks. A total of 35,338 employees in 39 batches participated in the certification examinations. The training, certifications and skill competition were combined together to form synergic linkage effects. We organised about 20,000 “10000” call service officers and 10,000 VIP customer service managers to participate in trainings as well as competitions. In addition, 8,522 employees attended the VIP customer manager (Grade 4) certification theory examination. There were also competitions combining installation and maintenance with access network maintenance skills. We developed a series of training courses, which provided training to more than 70,000 employees.

As at the end of 2011, the Company had 628 senior technical experts, 4,900 technical experts and 33,993 senior technicians. 12 of them were awarded the title of “National Technical Master of China”, 81 people were honoured as “Technical Master of China’s State-owned Enterprises”, and 127 people awarded the title of “Technical Master of China Telecom”.

Remuneration and Performance Management

The salary of the Company’s employees comprises the base salary and performance-based salary, taking into account both short and medium-to-long term incentives. The Company adheres to the principle that input in respect of personnel costs must be consistent with efficient growth of financial performance. By continually updating and optimising our method of allocating personnel costs, we encourage our branches to achieve cost-effective scale development. We explicitly require our branches’ salary distribution to tilt towards frontline employees and linking it to employees’ job performance to stimulate their work enthusiasm for work. The Company’s performance evaluation system, based on key performance



Staff actively participating in a business training course

indicators (KPI), is improving over time. With our corporate strategy as the starting point, the various performance targets are clear and specific and have been broken-down and applied to each and every level of the Company to ensure that they apply to individuals and all levels of the Company. Performance evaluation achieves synergy when combined with employee selection, education, appointment and retention, forming a complete performance management system so that employees' personal development aligns with the Company's development. According to the principles of "objective, fair, democratic, open, and result-oriented", the Company conducts open recruitment and competitions for job vacancies. It has built-up post-centred management with flexible promotions and demotions, and flexible recruitment and dismissal for the scientific and rational allocation of human resources.

Guaranteeing Employee Welfare

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 offers equality of remuneration and work, implements special regulations to protect female employees' rights and interests with no gender discrimination policies and regulation, and there are no circumstance whereby child labour or forced labour is employed. The Company has strengthened the training on knowledge and capability for the Employee Assistance Programme (EAP) and organised psychological health lectures and psychological counselling to ease the pressure on the employees and increase their capacities for self-adjustment.



Staff participating in a maintenance skill competition



Mr. Ke Ruiwen, Executive Vice President, invigilated at the site of leadership quality evaluation