

Human Resources Development Report

In 2012, we thoroughly implemented the Company's strategy of "Three New Roles" in our human resources management and firmly adhered to the work focus of "dual-leadership in innovation and service". We focused on "centralised efficient operations and scale development" of our services and adhered to the principle of supporting development and serving our employees. The Company further broadened its mindset, deepened its understanding and tackled its challenges. Through continuously adapting to new situations, new environments and new businesses, and adhering to the doctrine of people-oriented strategy and pragmatic innovation, the Company's human resources management achieved new development.

Firstly, the Company exerted every effort in implementing a competitive promotion system and proactively rejuvenating its management team. The Company adopted "entrepreneurship" as the basic standard for the selection, engagement, assessment and cultivation of new management members. In order to achieve sustainable assurance for the rapid business growth, the Company further defined the values and

competence standards of the management team of China Telecom, systematically established teams comprising professionals with different expertise, continued with the enhancement of the competence and quality in full services operation of its staff, and strengthened its resources management innovation and incentives allocation system.

Secondly, the Company comprehensively summarised the experience gained from the transformation of human resources management integrated pilot scheme into fundamental services and accelerated the roll-out of this scheme nationwide. Provincial branches in four pilot regions, namely Jiangsu, Anhui, Sichuan and Shandong, have implemented the scheme across the relevant provinces. Each of the other 27 provincial branches selected to trial the scheme in one or two prefecture-level cities. The promotion of this two scheme has a positive effect in four areas, namely the adjustment and optimisation of the employee structure, the reinforcement of efficient management of all of the Company's employees, the improvement of frontline employee income, and the active exploration of the employee career development mechanism.



Mr. Wang Xiaochu, Chairman
visited aged retired former employees

Thirdly, for areas of emerging services the Company has actively promoted the innovation in the human resources management system. The Company timely identified and selected outstanding talents for promotion and provided them with nurturing and support, and adopted numerous measures to progressively build up a new China Telecom army of mobile Internet talents that has core competitive edges. By adhering to its market-oriented approach, and through the incubation of new business development teams and new business development companies, the Company has shifted its human resources development direction towards innovation, pioneer spirit and growing within the marketplace. The Company has achieved a breakthrough in its organisation structure, and has introduced the system where a new business venture will adopt a flexible management system and incentive measures that is similar to a privately-owned enterprise, with its founders having a controlling stake in the venture. By settling personnel costs attributable to the business development team at the provincial branch level, the Company encourages employees to develop of new lines of service. The Company also established a management and interactive sharing platform for business development personnel, which includes a database of business development talents to facilitate communication and interaction between members of the business development team.

Fourthly, the Company cared for its frontline employees and employees with special needs, built and maintained a harmonious corporate environment. The Company took concrete steps to support and cared for the frontline employees and persisted in tilting the distribution of remuneration in favour of employees at the frontline, which resulted in the steady increase of income of frontline employees. In addition, the Company timely provided necessary assistance and expressed its care and concern to the barren regions and regions suffering from natural disasters. In order to provide assistance to employees in difficulty, including retired and early retired employees, the Company has steadily progressed in the regulation of the annuity plan of the Group and has refined

the social security systems for its employees. In this way, the Company has addressed incumbent employees' concerns of their living standards after their retirement. We pragmatically maintained the harmonious and stable corporate environment by regulating business expenses incurred by management personnel and dutifully improved the channels for employees to express their opinions and grievances.

Lastly, the Company strengthened the production safety management and created a safe workplace for its employees. The Company diligently and thoroughly implemented the strategies of adhering to scientific outlook on development and implementing safe development, and thoroughly established the main bodies that are accountable for safe production. Through continuously strengthening the Company's efforts in building an organisational structure, refining rules and regulations, providing training courses about production safety at the production team unit level, defining the duties of frontline employees, implementing the safe production supervision, inspection, and risk treatment initiatives, taking a strict view in dealing with accidents, strengthening the audit of the accountability mechanism, and increasing the number of emergency drills, the Company has made progress in establishing a long-term efficient mechanism for corporate safe production. At the same time when the Company strengthened its safe production management, it also increased its investment into production safety and diligently improved the working environment and conditions for its employees. In particular, the Company grouped its frontline production staff into production team units to carry out risk assessment and hazard identification of the operational environment on site. This has significantly improved the employees' awareness in self-protection. The Company also pushed forward and lowered the centre-of-gravity of the safety control checkpoints towards the frontline and has effectively prevented the occurrence of incidents, which in turn ensured scientific and safe development.

Information of Employees

As at the end of 2012, the Group had 305,676 employees. Numbers of employees working under each classification and their respective proportions were as follows:

	Number of employees	Percentage
Management, Finance and Administration	49,566	16.2%
Sales and Marketing	156,260	51.1%
Operations and Maintenance	97,658	32.0%
Research and Development	2,192	0.7%
Total	305,676	100%



Seminar for outstanding employees

Corporate-Employee Relationship

Communication between Management and Employees

In order to provide a smooth channel for employees to express their opinions and for the management to understand the working and living conditions of employees and their views, the labour union of the Group formulated and issued "Notice on Further Enhancement of Investigation and Analysis and Reporting of Views and Working and Living Conditions of Employees" and established a monthly reporting mechanism on the state of the Group's employees, a biannual analysis and reporting mechanism of employees' views and a real time reporting mechanism of contingencies. Through surveys with the employees through various channels such as face-to-face meetings, Internet weibo, mailbox, hotlines, and seminars, the labour unions at the provincial branches took full advantage of the functions of the representatives, employee representatives and cadres of the frontline employee labour unions, organised and conducted numerous communication and feedback activities, and have timely discovered and grasped the employees' thoughts and ideas. The Company conscientiously dealt with such ideas and thoughts, dealt with and resolved the relevant issues and addressed our employees' rational requests and concerns. Managers and union leaders at various levels and labour unions visited branches at the cities and counties level and production units and sub-branches in rural areas, and visited employees to help them resolve difficulties that they face.

Roles and Duties of Labour Unions

Within the Company, labour unions of the Company persisted in the principle of "promoting both corporate development and the employee's growth" and further promoted corporate development to

better protect employees' interests, with focus on "pragmatically developing the foundation and building two brands", meaning the continuous promotion of the "Four Smalls" construction projects, and building a "Four Small" brand as a brand that solves the employees' difficulties. The Company further promoted job innovation of employees, satisfied the high-level needs of our employees and improved the "employee happiness quotient" so as to promote our employees from being good to being excellent, which played an important role in areas such as corporate governance, transformation and full services operation and development. In order to facilitate the development of full services operation of the Company, the labour unions proactively became involved in the Company's core operations and jointly organised on-the-job innovation activities, labour competitions and skill competitions with the relevant functional departments. The union also mobilised and organised the employees to diligently achieve the production and operation targets of the Company. The labour unions organised the assessment of on-the-job innovation of the employees and their expertise, and will soon commence with the promotion and replication of excellent innovative ideas, boosting the transformation of such ideas. The labour unions organised the "Be the First in e-Surfing Flying" series of skill competitions with over one million employees participating, which played an important role in boosting the Company's full services development and improving the skills and quality of employees.

The Company pays close attention to comprehensive development of employees and the enhancement of their quality. 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 building up learning teams to create a knowledge-sharing platform, so as to help employees improve their service skills that are suitable for the full services development needs of the Company. The labour unions proactively assisted relevant departments with the establishment of production teams and organised training courses to cultivate frontline innovative team leaders for excellent learning teams. In addition, the labour unions also organised a team to participate in the finals of the Telecommunication Business Salesperson competition and the finals of the Operators (Core Network Switch) competition in the 2012 Skills Competition of employees in state-owned enterprises. The team achieved a delightful result with 5 gold, 13 silver and 7 bronze awards, and was the team that won the most gold awards and the most awards overall.

In relation to the on-the-job innovation activities, labour competitions and skill competitions in 2012, a new group of exemplary employees were identified. Two units were awarded the "National May 1st Labour Award", ten units were awarded the "National Pioneer Workers", eight employees were awarded the National May 1st Labour Medal", five employees were named as "National Technical Master of China", and 30 employees were named as "Technical Master of China's State-owned Enterprises". The Company also selected 40 employees and awarded them with the title of "Technical Master of China Telecom", selected 10 employees and awarded them with the title of "Labour Master of China Telecom", and selected 10 employees and awarded them with the title of "Experts of job Innovation of China Telecom".

Through democratic management systems such as the Employees' Representative Congress, the labour unions organised the employees to participate in the decision-making on major employee-benefit matters and the formulation of the relevant corporate rules and regulations of the Company. The labour unions of the Group organised and convened six joint conferences of provincial labour unions chairmen, considered and approved regulatory documents democratically, including the "Position and Remuneration System of Full Services Operation", "Corporate Annuity Plan" and Interim Measures on the Regulation of Business Expenses Incurred by Management Personnel", and democratically elected the employee representative supervisors of the Company and employee representative director of the China Telecommunications Corporation group.

Labour unions in all levels pragmatically promoted the "face-to-face, heart-to-heart, being practicable and down-to-earth and serving employees at the front line" initiative. The cadres of the labour unions visited base-level branches at the prefecture-level cities, county-level and sub-branches in rural areas to conduct field research to better understand the working conditions of the frontline employees and the works of labour unions, and proactively made recommendations and provided them to the administrative management. Labour unions at all levels organised various forms of activities to visit employees in difficulty, showed their concerns for these employees, and committed to successfully accomplishing ten objectives for the employees within a year. The labour unions also organised the "Guaranteed Visits to Five Categories of Enterprises and Five Categories of Employees" visiting activities, and did everything possible to help these employees.

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. In order to achieve the strategic goal of full services operation, the Company coordinated and communicated with the labour unions in the organisation of activities such as skill competitions through the Labour Emulation Committee. The Company focused on organising three “Be the First in e-Surfing Flying” competitions in the three professional areas: government and enterprise customers marketing, public customers marketing and customer services. The Company, jointly together with the relevant departments, organised the 7th session of “Excellent Innovation Cup”, a competition on marketing skills to government and enterprises customers, a competition on Best Tones customers service skills and a competition on skills in providing application assistance on applications of 3G phones. 150,000 counts of on-the-job training were delivered as a result of such competitions with a 100% participation rate and a 90% qualification rate, and the skills of the employees were effectively enhanced.

The labour unions earnestly implemented the Company’s directive to “diligently transfer ordinary employees into employees with superior qualities and efficiency” by actively communicating with relevant departments of the Company. Through establishing a sustainable multi-level incentive system for employees with wide coverage with realisation of the employees’ senses of value, loyalty and pride as both the starting point and the ultimate goal, employees are able to identify their own development directions and their own personal goals. The Company will systematically develop and rationalise its various honors such as “National Outstanding Worker” and encourage its employees to progress from being good to being excellent.

The Company deepened the implementation of the terms of reference for the Employees’ Representative Congress of the provincial branches, and maximised the role of Employee Representatives. In 2012, the Company convened 33 employees’ representative congresses of provincial branches, 90 joint conferences of team leaders of provincial employees’ representative teams and 79 meetings of special committee (group) of provincial Employees’ Representative Congress. 90% of documents regarding the interests of the employees formulated by departments at different levels were democratically approved by the Employees’ Representative Congress. 50% of the provincial branches established or optimised a comprehensive “Five systems” management mechanism for employees’ representatives and organised 60 site visits for employees’ representatives of the provincial branches. The democratic management of frontline Employees’ Representative Congress was standardised and their management was continuously improved.

Caring for Employees

In 2012, based on the principle of deepening the implementation of the “Four-Small” initiative, the labour unions at all levels focused on resolving problems that concern the employees the most, that affect the employees the most and that are most practical to the employees by pragmatically promoting the various projects that show their concern and care for the employees. By reinforcing the achievements of the “Four-Small” initiative, the working and living conditions of frontline employees were further improved. The systematic management of the established infrastructure was strengthened, which further enhanced the utility of these infrastructure and projects, which improved and further promoted the improvement of the working and living conditions of employees.

The enterprises and labour unions at all levels organised care delivery activities during critical times in the Company's operations or where there are natural disasters, including the "Delivering Warmth and Care" initiative during New Year, the "Cool Summer" initiative during the hot summer, which lent comfort to the frontline employees. During the New Year and the Lunar New Year, senior management of the Group and the Company visited frontline units in 19 provinces, autonomous regions, municipalities, prefecture-level cities, counties and rural level branches and enterprises units to show their care for the employees. The enterprises and the labour unions at all levels recorded 302,000 counts of employee visit and 13,734 counts of production teams visit. Provincial branches spent RMB20.23 million (of which RMB11.78 million was contributed by the labour unions) and recorded 66,726 counts of employee visits. RMB28.96 million of assistance funds was dispersed by the provincial branches to employees in difficulty. The Company required all group companies at all levels to "maintain the focus on delivering care and concern to frontline employees located in remote areas", showing care and concern on outstanding frontline employees who have worked in areas with severe conditions for a long time. The Company organised the 2nd phase of recuperation programme for 26 outstanding employees who have worked in remote areas in six provinces with a difficult working environment, namely Tibet, Xinjiang, Qinghai, Gansu, Yunnan and Sichuan.

The Company also launched psychological counselling programmes for its employees. To effectively relieve the psychological pressures of employees and encourage employees to take a positive attitude towards their lives, provincial-level labour

unions actively started counselling, psychological consultation and assistance programmes for the employees. The Company organised activities surrounding the theme of "Female Employees pursuing strength in happiness" with creating happiness as the core. The Group held training courses for female employees, and organised female employee committees at all levels to enhance the quality and capabilities of female employees around the theme "creating happiness". These measures have maintained the harmonious working environment within the Company and have continuously promoted the "Female Employees pursuing strength in happiness" theme.

The enterprises and labour unions at all levels organised various cultural and sports activities titled "Let's go, I am healthy, I am happy". The Company organised the first swimming and table tennis competitions of China Telecom and organised the China Telecom Photography Society. The Company also organised a team to participate in the badminton competitions of telecommunications industry and achieved favourable results.

Strengthening Human Capital

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

Developing Leadership Skills

The Company focused on the training of leaders at all levels. The Company emphasised "entrepreneurship" as the basic standard in selecting, engaging, evaluating and cultivating young leaders, and has

further clarified what a China Telecom leader should have in terms of their values, their abilities and their qualities, which updated and enriched the connotations of our leadership team. The Company organised a consolidated performance assessment for the senior management of provincial branches with an office term from 2010 to 2012, and also organised annual performance evaluations and end of probation performance evaluations for deputies of the provincial branches. In 2012, the Company provided various training courses for senior management of group companies at all levels, and has directly organised four research and study sessions for 388 general managers of prefecture-level cities branches. The Company also organised two training sessions for 62 county-level branch chiefs with outstanding performance from various provincial branches. In addition, 12 chiefs of departments and directly-

owned enterprises of the group companies participated in centralised trainings held by other institutions such as the Chinese Academy of Governance.

Cultivating Professional Talents

The Company strengthened the selection, engagement and cultivation of professional talents. The Company continued to implement China Telecom's talent development plan and continued to expand the coverage of professional of talents so as to establish a 4-tier team for professional talents. In 2012, China Telecom completed the selection of 257 Rank B talents with knowledge in wireless and mobile, core network, optical transmission and access as well as platform and terminal professionals through technical skill assessment, interview, question and answer sessions and public selection. On the basis of the selected talents, 13 Rank A talents were selected through recommendation, interview and



Mr. Yang Jie, President exchanging ideas cordially with frontline staff

assessment. As at the end of 2012, China Telecom has formed a team of professional experts comprising 17 Rank A talents, 657 Rank B talents, 1,617 Rank C talents and 3,070 Rank D talents with expertise in seven major business aspects. The Company continued with the engagement, cultivation and development of professional experts. According to major corporate goals for the year, the Company formulated annual working and training plans for Rank A and B talents. In 2012, a total of five training courses for three specialties were organised, namely IP, IT and marketing, which nurtured 312 Rank B talents. The Company will adopt measures to further expand the professional developments of professional experts, and make the best use of professionals in the Company's operations.

Enhancing Employees' Skills

The Company actively commenced frontline employees' skills training and skills certification. In order to support the scale development of and focus on data traffic operation, in 2012, the Group held 199 training sessions covering various areas, including marketing, product, sales service, corporate informatisation, maintenance and service support, network development construction and integrated management, with 12,261 attendees in total. The Company also organised and conducted skills certification for six types of positions, namely maintenance, government and enterprises customer service, customer service representative of "Best Tone", VIP customer service, "10000" call service representative and optical access network construction. A total of 30,800 employees in 21 batches participated in the certification examinations. Four provincial FTTH network construction training sessions for instructors and 29 optical access network installation and maintenance training sessions for instructors were organised and conducted, which nurtured 1,550 in-house instructors. 14 smartphone training sessions were held,

which trained 1,249 in-house instructors. The Company also conducted professional open channel manager examinations, and 14,000 open channel managers, channel managers and supporting staff in provincial branches participated in the examinations, with a passing rate of 63.4%.

The Company cultivated and retained talents for its future long-term growth by organising the recruitment of college and graduate school graduates with good qualifications. In 2012, the Company entered into employment contracts with 4,679 graduates, representing 88.4% of its intended target, approximately 18 percentage points above 2011. The proportion of graduates majoring in positions such as products, operation support and information operations further increased. The Company also proactively cultivated excellent graduates in order to retain talents for the future development of the Company.

Remuneration and Performance Management

The remuneration of the Company's employees comprises base salary and performance based salary, and takes into account both short and medium-to-long term incentives. The Company further strengthened the management of remuneration costs to the Company: firstly, the Company endeavoured to create a favourable external environment that meets the pay-out requirements of remuneration to support enterprise development; secondly, it established a differentiated remuneration budget model to classify and manage provincial branches, specialised companies and cost centres according to their special features; thirdly, it proactively adjusted and optimised the cost allocation model of remuneration, which adjusted the allocation of remuneration based on each unit's real-time income and its market share goal; and fourthly,

it proactively explored the separation of management and operation functions at the Group headquarters and implemented the separation of management and control functions in the departments responsible for management and operation centres of the business department. The Company formulated and implemented the “Position and Remuneration System of Full Services Operation” and related ancillary documents relating to remuneration, which instructed each business unit to gradually implement the system based on trial-run results. The Company also persisted in determining employees’ remuneration based on their value and contribution and tilting towards of core frontline employees, and implemented a medium-to-long term incentive programme for middle and senior management and core staff members of the Company.

At present, China Telecom has established a relatively comprehensive employees’ performance evaluation system. The headquarters, the provincial and prefecture-level city branches have set up employees’ performance evaluation teams led by the respective general manager of the relevant branch. The teams have formulated evaluation methods for deputies, functional departments, subordinated units and general employees. On the basis of this well-established system, in 2012 the Company focused on its implementation to ensure that each assessment system was properly in place and implemented. Firstly, the Company perfected the leadership and working structures responsible for all-employee assessment and evaluation and the persons-in-charge of business units shall also be in charge of the evaluation body for that business unit. Secondly, it established a comprehensive employee incentive mechanism and related supervision system to secure the fairness and reliability of the performance evaluation. Thirdly, it

has further optimised and improved the performance evaluation system to appraise the performance of business units, deputies, middle management and employees by level. Fourthly, the Company reinforced its supervision and examination of performance evaluation system by providing guidance throughout the entire performance evaluation process. Fifthly, it clarified the operational standards of performance evaluation and the implementation requirements to enhance their rationality and standardisation.

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, and there were no gender discrimination policies or regulation, and there had been no circumstance whereby child labour or forced labour was employed. Based on the theme of “Dreaming for happiness”, “Creating happiness”, “Experiencing happiness” and “Spreading happiness”, the labour unions of the Company organised a campaign with a theme of “pursuing happiness” for guiding and assisting all female employees of China Telecom to build up a positive view on happiness and pursuit their own happiness, contributing to harmonious corporate development and happy families. 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 increase employees’ capacities for self-adjustment and ease their pressure.