



HR

HUMAN RESOURCES DEVELOPMENT REPORT

In 2014, in accordance with the main theme of “reform and innovation, open cooperation, quality and efficiency enhancement”, we further liberalised our thoughts, raised our awareness and innovated mechanisms to motivate personnel vitality and enhance human resources efficiency. Our aim was to control staff size, refine corporate structure, improve corporate vitality and enhance staff ability as we further promoted the transformation of human resources and implemented the reform measures to pragmatically protect the rights of our employees, and effectively supported our sustainable corporate development with strong guarantees in our organisation and talents.

I. Improve the management of executives and strengthen senior management team building.

With the “Proposal on Improving the Selection and Exit Mechanism of Executives”, we perfected our existing mechanism of areas such as leadership selection, eligibility criteria, performance review criteria, training for reserved cadres and assessment results application. In respect of talent selection, we intensified our efforts

in selecting and promoting reserved cadres to further raise our satisfaction level of selection and employment of talents. With a focus on our need for transformation in the wake of competition, we also intensified our reserved cadre training efforts. We organised a recommendation process for deputy reserved cadres of our headquarters and provincial branches and set up a team of 255 reserved cadres.

II. Innovate sub-contracting employment mechanism, regulate labour management.

In accordance with the implementation of the autonomy of the operating units with delegated authority and an effective incentive mechanism, we integrated the accountability, authorities and interests of the operating units with delegated authority and unit CEOs. Actively and steadily implementing the “Labour Contract Law”, we kept an overall stable workforce. We also brought in a benchmarking study in human resources efficiency and structure, guided each unit in a targeted manner in human resources efficiency enhancement and promoted human resources structural adjustment.



Chairman visited and expressed greetings to frontline staff

III. Centralised human resources management information system to enhance management capabilities.

All employees were included into the centralised management system for six major functions – organisation management, staffing allocation, salary and social security, contractors management, reporting systems, and staff self-service functions. The system was capable of not just accessing real-time corporate human resources information to regulate and avoid employment risks and enhance the efficiently-centralised management capabilities of human resources, but also unifying the management and control of human resources volumes and statistical analysis to provide information support for human resources strategy.

IV. Actively promote the establishment of a self-developed R&D and operation team for Internet-oriented products.

We strengthened our self-developed research and development and operational support capabilities, completing studies of major positions and technological capabilities requirements for the research and development of Internet-oriented products and exploring how China Telecom could develop its own research and development and operation team. We focused on the acceleration of building a research and development and operation team for new products such as network security, CDN, cloud computing, big data, WIFI and intelligent pipelines.

Information of Employees

As at the end of 2014, the Group had 300,960 employees. The numbers of employees working under each classification and their respective proportions were as follows:

	Number of employees	Percentage
Management, Finance and Administration	49,180	16.3%
Sales and Marketing	154,456	51.3%
Operations and Maintenance	95,348	31.7%
Others	1,976	0.7%
Total	300,960	100.0%

Corporate–Employee Relationship

Communication between Management and Employees

The labour union, through a multi-manner, multi-channel, and multi-perspective approach, can understand the mentality and working and living conditions of our staff which provided more comprehensive, intuitive and valuable reference

information for administrative decision-making and maintained a stable and harmonious workforce. We managed to handle and resolve employees' demands, conflicts and hidden problems in a timely manner. By launching the "Face to heart" activity, we also managed to meet over 5,000 frontline staff from over 20 provinces, over 60 municipalities, over 100 counties and over 200 bureaus. For two consecutive years, we carried out a special survey on staff thinking with the theme of humane caring in eight provinces.

Roles and Duties of Labour Unions

Adhere to honouring frontline employees and actively helping them to achieve honour. The forum for the 2014 National May 1st Labour Award winners and other award winners was convened and 32 awarded frontline employees joined the forum. The 100 “Elite Female” shop managers and excellent channel managers selection activities launched by the labour union joint channel department honoured 100 outstanding female shop managers and channel managers. The Company improved the provincial staff honour system and the opportunity for frontline staff to receive an award has increased when compared to last year. Two units of the Company were awarded the “National May 1st Labour Award” while seven individuals received the “National May 1st Labour Medal”. One unit was awarded the “National March 8th Red Flag” award while one individual was named the “National March 8th Red Flag” bearer. 13 groups were awarded the “National Pioneer Workers”. 6 individuals were awarded the “National Technical Master” award. 40 employees were named “Technical Master of China’s State-owned Key Enterprises” while 54 were named as “Technical Master” of the Company.

Vigorously promote the advanced model workers, create a studious, competitive and helpful environment. To promote the advanced model workers on a routine, we made use of the headquarter’s TV and billboards to display over 50 outstanding frontline employees and more than 10 teams. On the eve of May 1st, we called an award ceremony in each province to honour more than 100 model workers. On the eve of March 8th, we honoured the “Elite Female Contribution” in each province for a total of more than 1,100 groups, individuals, and women’s organisations. We organised the fourth phase of exchange programmes for outstanding staff. All levels within the Company and the respective unions sent their regards to nearly 1,000 outstanding employees. We studied and drafted the “Outstanding

Staff Management Measures” to establish a long-term mechanism to incentivise talented employees.

Service reform to support sub-division of units and encourage job innovation. More than 2,000 job innovations appeared and more than 500 items including achievements, case study and practices were publicised and promoted in the Company. All levels of enterprises created model workers innovation workshops, and named over 40 workshops. Our team scooped nearly half of the prizes in the state-owned key enterprise staff skills contest (network security administrator and phone operator), ranking No. 1 in number of gold medals and total number of medals. Through the combination of online and offline approaches, the Company developed job innovations and various types of competition. We had over 400,000 counts of staff participating in the above activities, achieving full staff participation.

Coordination and Communication between the Company and the Labour Unions

Based on the Internet model, we established a “Double Hundred” platform for launching “Hundred Events for Employees Caring” and “Hundred Cases of Job Innovations” selection exercise, fully exploring, discovering and displaying examples of good people, good deeds and innovation within the Company to further promote the development of our business and employees. At present, over 400,000 counts of staff have participated, with more than 130,000 posts that received over 3.63 million “like”, 480,000 “comment” and 400,000 “favourite”. Through the “double hundred” platform, staff present themselves and recommend colleagues around them and communicate, interact with and learn from one another in a light-hearted way. Through their participation, they could also get assistance on work-related issues and resolve specific difficulties and release their work pressure.

Caring for Employees

Benefit more staff through welfare extension and expansion.

Each rural bureau, urban bureau, sales outlet, installation and maintenance team, county branches and other frontline units, through the construction of the “Four-Small” facilities and provision of refrigerators, microwaves and other facilities and renovation and expansion of existing “Four-Small” facilities, managed to solve employees’ practical difficulties. Specifically, we built nearly 2,000 new “Four-Small” sets, and adopted a variety of ways to solve their basic needs of dining, drinking water supply, vegetables supply, activity and resting for a total of over 2,500 frontline units. We committed a total of over RMB100 million that benefitted over 130,000 frontline employees.



The management expressed greetings to employees at sales outlets



The management shook hands with the winners of “National May 1st Labour Medal”

More practical in solving practical difficulties of employees. By amending the “Regulations on Management of Staff Personal Labour Protective Equipment”, we resolved heating problems for more than 20,000 employees at sales outlets in winter. We also facilitated more than 7,000 counts of frontline staff in 13 provinces to go to urban areas for their medical problems. We launched our EAP activities to reduce work pressure for our staff through online and offline services that benefitted more than 100,000 counts of staff. We launched activities for families with children taking public examinations, showed care to employees’ children on June 1st and supported women’s day activities on March 8th. Other staff-friendly measures include building sunlight greenhouses on plateaus, increasing subsidies for staff canteens in counties, delivering meals to frontline staff, showing special care for pregnant and breast feeding female workers, equipping maintenance staff with “five small tools”, assisting staff with the purchase of their train tickets over the Spring Festival holiday and providing sleeping bags to frontline staff. We also solved the practical difficulties of our staff. These measures were universally welcomed by our staff and brought them real benefits.

Visit affected areas with timely relief. We tried our utmost to offer assistance and sympathy to the staff affected by natural disasters. During periods of earthquakes, typhoons, storms, landslides and other natural disasters, the labour union went to the frontline to understand our staff’s situation. We also allocated RMB6 million as a sympathy fund for Hainan, Yunnan, Sichuan, Xinjiang and other provinces experiencing natural disasters. To promote our care work as a routine, we transferred RMB1 million each year in advance to provincial companies for the Spring Festival and New Year’s Day and as regular care. Labour unions from all levels will express regards when they have a chance to meet frontline staff. Total spending on care work was over RMB67 million that benefitted over 140,000 frontline staff. We also allocated over RMB29 million relief fund for over 16,000 staff in need.

Activities for morale and team building, consolidating strengths for development. We organised innovative business experience activities to promote new business development and data traffic operation. We also organised a staff photo competition which attracted over 46,000 submissions and enriched our mobile handset photo gallery. We also co-organised a national photography competition with Popular Photography Magazine which not only attracted more than 580,000 submissions, but also enhanced the reputation of the e-Surfing brand. The China Telecom team won the men’s championship in the balloon volleyball competition organised by China Telecommunications Sports Association. The China Telecom team also represented the telecommunications industry in the 3rd national balloon volleyball competition and came 4th in the competition. Overall the provincial labour unions organised more than 140 recreational and sports activities last year.

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

In 2014, we organised 623 leaders from all provincial levels and managers from city branches to participate in eight training sessions which allowed these leaders to have a better and deeper understanding of the spirit of the comprehensive deepening reform of the Company. A total of 5,460 counts of staff participated in the 146 training sessions on specific topics organised by different levels within the Company. Our online university courses also facilitated 3,460 managers in their online training. We organised and implemented training classes for “deepening reform”. A total of over 1,100 management personnel have participated in the training to ensure timely and accurate delivery of corporate strategy.

Cultivating Professional Talents

With the improvement of the management mechanism of senior professionals, we divided our technicians into two groups – technology managerial and network operational – and adopted a differentiated selection, use and assessment mechanism. By carrying out a professional talent renewal and selection process in sales and marketing, wireless, mobile, IP, network security and other areas, we have picked 416 Rank B professional talents in four areas to date. To further strengthen their development, we organised various courses for Rank B professional personnel, training 675 staff in 11 sessions to improve the overall quality of their professional expertise. To strengthen the daily management and assessment of talents, we organised professional assessment tests for the 2013 Rank A and B professional personnel in early 2014. Among the 623 Rank A and B professional personnel who participated in the assessment for the year, 180 staff earned “Excellent Rating”. We maintained a stable senior level professional management team as illustrated by the mere 0.6% turnover rate among the 2014 Rank A and B professionals.

We launched senior qualification assessment programmes in engineering, economics and accounting and received applications from over 700 staff from our headquarters, Beijing office and 12 provincial companies applying for assessment. After qualification assessment, thesis and oral examination and other assessments, we accredited 506 staff, including 395 senior engineers, 84 senior economists and 27 senior accountants.

Staff capacity building

We focused on sub-dividing performance evaluation units with performance contracts and enhanced the ability of frontline staff. We implemented a unit CEO capability enhancement programme, and organised managerial training classes for over 8,000 counts of managers from county companies, over 27,000 counts of shop managers and over 21,000 counts of rural bureau secretaries. We also carried out special



training camps for outstanding rural bureau secretaries and TOP shop managers, training up nearly 800 outstanding managers in the county companies.

Nurturing and introducing outstanding young talents

The Group employed 1,109 summer interns, of which 502, or 45.3%, were from 17 key colleges that we were in co-operation with. We also carried out a training programme for outstanding college graduates, and 695 outstanding college graduates were selected by 13 units.

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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. In 2014, the Company persisted in determining the distribution of employees' remuneration based on their value and contribution while tilting towards the core frontline employees. At the same time, to support sub-dividing the performance evaluation units, the Company introduced innovative distribution mechanisms to motivate and incentivise the vitality of its employees. Through measures such as market mechanism, shop manager responsibility system and bidding for the contract, the Company managed to delegate responsibilities, allocate key resources and promote independent management of operation with consistent accountability, authorities and interests. These measures unified the interests of promoting corporate development and the individual interests of employees. By directly linking up the employees' salary level with their performance evaluation results, the Company encouraged its employees to be more productive so that they could fully realise their individual value and achieve a higher remuneration level while working for the Company.

To improve the management of our labour cost budget, we adhered to the principle of categorised management and prioritising efficiency to ensure good labour cost budgeting guidelines and budget review and approval. We motivated our provincial companies to focus on the enhancement of market share, revenue scale and corporate profitability through allocating labour cost and resources.

We innovated labour cost allocation for emerging business fields. Based on the revenue growth target of emerging business areas, we coordinated and determined the total of labour cost of emerging business units managed by the Company. By delegating the internal allocation mechanism to emerging business units, we adopted market principles and reallocated labour costs of emerging business units based on the development of the businesses and market benchmarking.

At present, China Telecom has established a relatively comprehensive performance evaluation system for all its employees. Branches of all levels have established employees' performance evaluation teams which are 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 of the Company. The Company managed to improve its employee evaluation and incentive mechanism and related supervision system to secure the fairness and reliability of the performance evaluation results. At the same time, it has further optimised and improved the performance evaluation system to appraise the performance by categories of business units, deputies, middle-level management and employees, enhancing the specific focus and relevance of the entire performance evaluation process.



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 adheres to offering equality of remuneration and work for male and female employees, implements special regulations to protect female

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employees' rights and interests, and there were no discriminatory policies or regulations, and there had been no circumstance whereby child labour or forced labour was employed.

We adhered to frontline-orientated income distribution, allocated disaster relief fund to the staff affected by natural disasters and solved their practical difficulties. With a healthy system in provincial and municipal workers' congress system, over 95% of the employees benefit and welfare policy systems were submitted to the workers' congress for consideration. A joint conference was convened with the chairman of union to approve the "Plan on Implementation of Innovation of Labour Employment Mechanism in Authorities Delegation Operation Units" to safeguard the employees' interests.



10 Touching PEOPLE

Zhao Zhixian
the true life-saving hero

Zhou Yanlie
the Besttone "Magnolia"

Tuerhung Abudoukeremu
intimate customer service personnel
with fragrance staying in his hand
after giving the rose

Xu Jun
the pioneer of Fiber Network world

Hu Guoqiang
the frontline leader who is
a close partner with the staff

Sichuan Emergency
Communication Office
our iron army of communication

Han Diankuan
the strong person who wins
the startup battle

Tan Minghe
the "Backpack Secretary"

Zeng Yu
the "magical Anchor"
of IT support frontline

Dan Zeng
the Tibet civilized
"broadcaster"

For further information,
please browse our website at
[www.chinatelecom-h.com/en/
company/hrdev.php](http://www.chinatelecom-h.com/en/company/hrdev.php)

