

NEW
VITALITY



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Dedicated
Quality & Professional
Team
to Strengthen our
Competitive Edge





HUMAN RESOURCES DEVELOPMENT REPORT

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In 2015, our work on human resources development has firmly adhered to the Company's strategy. We further liberalised our thoughts and focused on innovative mechanisms to motivate vitality and enhance efficiency. Our aim was to control staff size, refine corporate structure, improve corporate vitality, enhance capability and motivate persistency as we further implemented reform measures to pragmatically and effectively foster sustainable corporate development with robust organisation assurance and talents support.

I. Strengthen senior management and executives team building. We strengthened and expanded our executives team, further promoted younger leaders and optimised the leadership structure. We organised an integrated assessment mechanism for the leaders and their management teams from provincial branches, which provided a better reference for leadership selection and leadership training, further enhancing the scientific standard of our leadership management. We strengthened the construction of our reserve cadre team and organised democratic recommendations and dynamic adjustments for reserve cadres. We organised a recommendation process for reserve cadres for provincial branches, and adjusted and supplied the deputy reserve cadre candidates for provincial branches.

II. Strengthen the daily management and supervision of senior management executives. The Company enforced the regulation of part time jobs of the executives of each unit; we have adjusted the positions of those who are not suitable for the present posts according to the relevant regulations. We strictly controlled the approval procedures for overseas travelling of management staff at provincial levels and optimised the approval procedures. We deepened the promotion of the personal declaration procedures for all management staff.

III. Strengthen the supervision and guidance on staff selection and staff appointment. We organised the respective units of the Company to implement self-assessment and self-correction measures in staff selection and staff appointment process, and focused on the rectification of the problems that had been identified. Through this process, we ensured that the self-assessment and self-correction measures achieved our target results. Through supervision, we ensured that the rectification initiatives were effectively implemented and thoroughly developed.

IV. Promote the adjustment of human resources structure and standardise labour management. We strictly implemented the control and management of staff size and formulated the "two retired one appointed" policy. We kept a stable workforce, providing room for optimisation of labour structure to support the centralised – efficient operations and the emerging businesses development of the Company.

We further regulated labour dispatch, regularly analysed labour dispatch conditions, and supervised the timely rectification of problems that had been identified in key units. We organised relevant seminars to discuss and solve the problems. As at the end of December 2015, the percentage of labour dispatch was below the national requirement of 10%.

V. Strengthen the human resources information system, improve the standard of management. We strengthened to institutionalise and standardise the operation management system. We further optimised data standardisation, unified statistical and reporting formats, carried out a contest on data protection, all of which substantially improved the timeliness and accuracy of data information and further enhanced the standards of human resources management.



Information of Employees

As at the end of 2015, the Group had 291,526 employees. The number of employees working under each classification and their respective proportions were as follows:

	Number of employees	Percentage
Management, Finance and Administration	43,998	15.1%
Sales and Marketing	151,448	51.9%
Operations and Maintenance	94,055	32.3%
Research and Development	2,025	0.7%
Total	291,526	100.0%

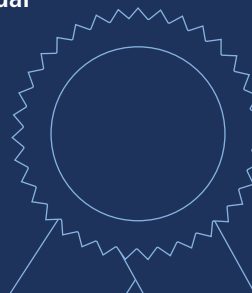
Corporate – Employee Relationship

Communication between Management and Employees

We endeavoured to understand the employees' thoughts. Combining the key work during different periods with information from network surveys, frontline research and exchange of virtual teams as well as summary of feedback from Internet telecommunications staff and third-party

research, we promptly summarised the employees' thoughts. Based on the Internet platform, the labour union carried out the investigation survey "2015 speak out your wish", with around 106,000 employees participated to better grasp the staff's needs in work and life. On this basis, and combining with the results contributed by third-party research as well as provincial and frontline labour unions, we have a better understanding of the employees' aspirations and the demands in their work life. A comprehensive analysis on the understanding of employees' thoughts was reported to the management.

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





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Roles and Duties of Labour Unions

Adhere to servicing employees and facilitating development. The labour unions built a platform for innovation in employees' positions and duties, and created an environment for innovation. A forum organised by the labour union for advanced model employees vigorously promoted the excellent qualities and attitude of the advanced model employees. In 2015, 18 employees of China Telecom were awarded the honorary title of "National Model Worker". 30 groups were awarded the honorary title of "National May 1st Elite Female Pacesetter Position" and honoured "National Elite Female Civilization Position". 19 employees were awarded the honorary title of "National May 1st Elite Female Pacesetter" and "National Elite Female Contribution Pacesetter". 13 groups were awarded the honorary title of "National Pioneer Workers". 8 individuals were awarded the "National Technical Master" award. 40 employees were named "Technical Master of China's State-owned Enterprises" while 102 were named as "Technical Master" of the Company. Through the "Double Hundred" platform in which with over 200,000 employees participated, frontline employees elected the 100 "Elite Female" shop managers and excellent channel managers of the Company. The labour unions vigorously promoted the advanced model employees, creating a studious, competitive and nurturing environment. Through various media channels, all levels of the labour unions vigorously promoted the model employees, and promoted over 1,000 excellent employees and over 300 advanced groups from all levels of the corporation.

Coordination and Communication between the Company and the Labour Unions

All levels of the labour unions motivated employees to be conscientious, innovative and actively established platforms in the areas of labour competition, skills competition, knowledge competition, and innovation to the offices and posts, creating an environment for innovation in positions and duties. Labour unions, jointly with the relevant departments, organised a 4G network maintenance worker skills competition, a competition on emergency communications skills, the 2nd "iCreate" Dark Horse competition, the 9th "Excellent Marketing Skills Cup", "BestTone" App experience competition, "Outsmart" core business district operations skills competition, "e-Surfing Joy Go" labour competition, China Telecom "Quality Month" service knowledge competition, outstanding female shop managers selection, Out-of-Office assistant selection, "NOC Excellent Case" selection and many other competitions and selection activities. The labour unions established on-the-job innovation and "Four-Small Caring Double Hundred" case selection activity. Over 1 million employees participated in the activities, promoting business development and the enhancement of the employees' skills.

Caring for Employees

Promote the construction of the “Four-Small” to help employees solve their practical difficulties. Frontline units launched the “small canteens, small bathrooms, small washrooms, and small activity rooms” construction activities. During the year, approximately 3,800 frontline units of the Company completed the construction of the “Four-Small” and invested a total of approximately RMB100 million. At the same time, we continued to consolidate and strengthen the standardised management for the “Four-Small” that have already been built by development of policies, coordination and communication, and establishment of long-term mechanisms.

Reflect and address the needs of employees at the policy level, safeguard the interests of employees. The Company strove to understand the work life of frontline employees and their difficulties and problems, and to resolve the root causes of the problems through the democratic management platform and policy formulation. In 2015, after thorough investigation, analysis and reflection, specific difficulties were resolved, such as heating problems during winter, labour protection from both low and high temperatures at labour sites, protection of construction and maintenance labour, and protection for the frontline female employees. At the same time, through the strengthening of the institutional construction, we promoted frontline corporations to formulate policies protecting vital interests of employees to safeguard their legitimate rights and interests.

The inaugural
“Ten Best Talents in
Telecommunications”



Meeting with retired employees
in Chinese New Year



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Offer assistance to employees who were in difficulty. We tried our best to offer assistance to staff affected by natural disasters. During periods of earthquakes, typhoons, rainstorms and other natural disasters, we tracked and understood our staff's situation in a timely manner. We assisted provincial unions to ensure employees' basic living; during the post-disaster reconstruction period, we managed and used natural disaster relief funds of the Company in a good manner, examined and formulated the disaster subsidy programme for employees, organised sympathy visits to the disaster-hit areas and other activities such as disaster site worker exchanges to help employees relieve stress. We strengthened the support for our employees who were in difficulties. We organised provincial labour unions to establish and optimise the files of the staff in need, guided the establishment of serious illness support relief funds at provincial levels, and regulated the process of the use of the funds. On average, we allocated approximately RMB20 million relief fund to over 9,000 staff in need in the year, ensuring timely relief for employees who were in difficulties.

Summarise and promote good practice for caring for frontline employees. We summarised and promoted the "5 visit and 5 congratulate" scheme, employees to go the City Medical Service in provincial centres, EAP activities to reduce pressure for frontline employees, "Families with children taking public examinations" care activities, exchange activities for learning from excellent frontline employees. We promoted exchange frontline units to help employees learn good practice in areas such as medical treatment, school entry, family difficulties, disaster relief, maintenance of stability, assisting employees with the purchase of their train tickets over the Spring Festival holiday and vegetables supply for alpine hypoxia regions. The programmes were generally welcomed and well received by the employees.

Promote activities for the care of female employees. We vigorously selected outstanding female employees advanced models to stimulate positive energy. We recognised 100 outstanding female managers and outstanding channel managers of the Group and vigorously promoted female employees' quality enhancement activities to enhance their competitiveness. We organised the "Scholarly Beauty" reading project and over 200 excellent books were provided as gifts to employees to encourage employees to read more books and to read good books. Through the "Double hundred" study groups guiding female employees to share joy and happiness in their life, there were 3,528 reading experiences shared by the employees and approximately 53,000 employees participated. We constructed "Mummy Cabins" in frontline units such as the sales outlet and customer service hotline "10000" to provide a lounge area for female employees and to facilitate breast feeding. We carried out psychological counseling services and training seminars for female employees to help them to release their pressure, to care for female employees and their family life to organise female employee interest activities for "Cultivating Good Family Style – Female Workers in Action" activities and for other female employee care activities such as on 1st June Children's Day and during the high level examination period.

Activities for morale and team building, consolidating strengths for development. Overall the provincial labour unions organised more than 140 recreational and sports activities last year. Through the organisation of a variety of recreational and sporting activities, cultural life was activated, morale was enhanced, pressure was released and team spirit was consolidated.

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 personnels.

Actively developing mobile learning experimental units

Actively using the technology of mobile Internet learning, we strengthened the corporate in the experimentation, summary and promotion of hybrid training, mobile learning, knowledge sharing, expert assistance, job support and other aspects, achieving a dual upgrade in employee capacity and work performance. In the promotion of mobile learning, we gradually developed the employees' awareness of and familiarity with mobile learning, actively creating a corporate internal learning, sharing and innovative atmosphere, embracing the mobile Internet revolution in corporate culture. In 2015, we actively integrated the platform of mobile learning and formed a "study group" as the core unified mobile learning portal. We comprehensively promoted the construction and operation based on the content of mobile learning, and relied on the "study group" to promote the efficient-centralisation, flatness and standardisation of the operation and management of the company's face-to-face training.

Building up the internal training team

We fully leveraged the positive impact of our internal trainers at all levels in areas such as promoting and implementing strategies, improving professional abilities and shaping the corporate culture. We further improved the management mechanisms in the selection, use, cultivation, evaluation and encouragement of our internal trainers. We optimised the structure of the internal training team to effectively expand the internal training team from front-end, back-end to the comprehensive support and emerging business areas, gradually improve hierarchical classification. We comprehensively covered all professional aspects, ensuring the ability to effectively satisfy the corporation's development and the demands of training the talent in the internal training team, in order to guarantee the sustainable and healthy development of the corporation. In 2015, we have employed 803 company-level internal trainers.



Award ceremony for the national best "unit CEOs"





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Developing Leadership Skills

In 2015, we arranged 64 leaders from mid-level management from provincial branches to participate in 2 entrepreneur training camps organised by the Company, focusing on the entrepreneurship shaping to strengthen their ideals, beliefs and sense of responsibility. We launched the 2015 programme in allowing managers from city branches to sign up to online learning activities to help them understand the Company's strategy, to grasp macroeconomic development trends, to enhance their leadership capacity in "Internet+" through the use of online universities and study group platforms, topical information study, quality learning courses and other online training methods. At the same time, we used study groups, YiChat and other mobile applications to conduct seminars to promote business exchanges and experience sharing between city branches.

Cultivating Professional Talents

We strengthened the open-source software and the construction of high-skillset IP professional personnel team. Through the voluntary application and online software design testing, we selected 1,117 open-source software talents. Through the introduction of open-source software talents, the number of open-source software product development talents has reached 1,241 in emerging business units. We organised high-skillset IP professional personnel selection and training, the scale of employees involved reached 1,270 talents.

We further improved the management of Rank B professional talents, completed 645 Rank B professional talents renewal and selection process in the areas of IP, IT, sales and marketing, wireless and mobile. We implemented the annual training scheme, organised a range of academic exchange for professionals and promoted the system of talent mentors. In 2015, we organised training courses for Rank B professional personnel and trained 796 staff in 19 sessions.

Staff capacity building

We focused on sub-dividing performance evaluation units with performance contracts

and enhanced the ability of frontline staff. We implemented 4 sessions of "unit CEOs" elite training camps, 15 sessions of backbone staff training camps and 8 sessions of internal training classes for internal trainers. 1,287 staff members were trained and 362 were authorised as internal trainers for "unit CEOs" training courses.

Through the online university platform, we organised to launch the "100 Best unit CEOs podium" campaign. We had over 12,000 online learners, and over 14,000 YiChat browser learners.

Nurturing and introducing outstanding young talents

We organised a 2015 spring internship programme, providing a total of 383 internship positions. We also organised a top graduate programme and selected 722 top graduates for this programme.

Recruitment

The Company recruits university graduates and mature talents. The Company unified the recruitment process of university graduates. Upon employment by the Company, graduates generally have to attend 1 to 2 months of induction training to help them understand the corporate culture and business of the Company. The Company organised the recruitment for mature talents in the society in accordance with the needs of the business development.

To provide opportunities for the employees' career development, the Company developed a comprehensive double promotion channel. Promotion is based on the principles of fairness, openness, and transparency. The Company fully respects employees' rights to choice, knowledge and superintendency.

In the recruitment and promotion processes, the Company treats all candidates and employees equally, regardless of gender, age and race.

The Company strictly abides by the national regulations relating to employees' working hours and implemented the State Council's "Regulations on Paid Annual Leave for Employees" in developing provision relevant to employee vacation.

The Company strictly abides by the laws and regulations such as the “Labour Contract Law of the People’s Republic of China” and constantly improved the management system relevant to employees. Taking into account the actual situation of the Company, we implemented a relevant system and developed detailed provisions for termination of employee labour contracts.

Remuneration and Performance Management

Remuneration

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 persisted in determining the distribution of employees’ remuneration based on their value and contribution while also tilting towards the core frontline employees. At the same time, to correspond with and support the sub-division of the performance evaluation units, the Company introduced innovative labour cost management to motivate and incentivise the vitality of its employees. First, we support development by revitalising the existing assets. We conducted comprehensive indicators comparisons such as the input-output efficiency ratios of labour costs and the average income level of employees at each provincial level, in order to facilitate differentiated adjustment and assets reduction at provincial level. Second, we carried out proportional allocation in accordance with the revenue budgets for respective provincial branches. We supported and guided all provincial branches to focus on improving market share, scale development of revenue and enhancement of corporate efficiency through the allocation of labour resources. Third, we improved the overall allocation of labour between professional units and direct units, For emerging business units and the revenue/profit generating units, we focused on regulating the total costs, supplemented by monitoring averaging income level. For cost-incurring units, we allocated in accordance with average income level per person as a starting point.

Through implementing the relevant provisions, the Company standardised the management of the remuneration of leaders. There are rules for the management of the remuneration of leaders. The Company further optimised the assessment methods for leaders’ performance remuneration. According to the requirement to downsize the difference in scale and strengthen performance-oriented evaluations, the Company improved the performance assessment measurement of provincial branches leaders, increased the intensity of the application of the results of the assessment, reflecting the incentives for performance.

Performance management

The Company 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 of all levels, enhancing the specific focus and relevance of the entire performance evaluation process.

Guaranteeing Employees’ Rights and Interests

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 and implements special regulations to protect female employees’ rights and interests. There were no discriminatory policies or regulations, nor had there been any circumstance whereby child labour or forced labour was employed.