

Environmental, Social and Governance Report

Corporate Social Responsibility Report

By adhering to the core philosophy of “comprehensive innovation, pursuing truth and pragmatism, respecting people and creating value together”, China Telecom persevered in the fulfillment of its responsibilities for the interests of stakeholders including the country, shareholders, customers, employees, suppliers, peers within the same industry and the community, while establishing the strategy of transformation and upgrades in 2016, continuously promoting corporate transformation and development and persistently enhancing corporate comprehensive values.



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Inherent Corporate Responsibilities:

As a national mainstream telecommunications operator, there are inherent corporate responsibilities towards the fundamental network, new style communication facilities, universal telecommunications services, network information security, emergency communications, technology innovation and value chain development. China Telecom unwaveringly exerts the backbone function to facilitate the establishment of "Cyberpower" and persistently contributes to the development of the economic and community.

Responsibilities towards Shareholders:

Shareholders are corporate's investors. China Telecom adheres to carry out robust operations, striving to honour its commitment to shareholders through achieving excellent operating results and continuously enhancing its corporate values.

Responsibilities towards Customers:

Customers are the foundation for corporate sustainable development. China Telecom strives to provide heartfelt services to customers, protect their rights, deepen understanding of customers' needs, and unwaveringly innovate and provide products and services to customers, all of which endeavor to make our customers fully enjoy their digital lifestyles.

Responsibilities towards Employees:

Employees are the corporate's most valuable assets. China Telecom safeguards the interests of its employees in accordance with laws, fosters staff development, encourages employees to participate in management, takes care of its employees' well-being, and aligns the development of the Company and its employees.

Environmental Responsibilities:

It is a mission of all mankind to develop a green and environmentally friendly environment. Through promoting green elements in management, procurement, operation, office administration, public service and community well-being activities, China Telecom strives to achieve an environmentally friendly green development to assist the green development of economy and society.

Social Welfare Responsibilities:

Commitment to charitable social activities helps to turn the society into a better place. China Telecom takes the initiatives to reward the society by enthusiastically participating in community charity affairs.

China Telecom regards sustainable development as the direction and continuously enhances its level of responsible management, while coordinating and fulfilling the responsibilities towards stakeholders, committing to the path of responsible development.

I. Operating with integrity and in compliance with the laws

China Telecom persists in maintaining good corporate governance and operating in compliance with the laws and integrity through abidance by relevant laws and regulations, industry regulations and business ethics. We have established an all-rounded and seamless compliance system featuring internal control design, audit supervision, anti-corruption and comprehensive risk management. We have created a long lasting, effective and standard communication mechanism in order to regulate the disclosure of corporate information. We have taken the initiatives to be governed by the government regulation and the social supervision. In 2016, in accordance with the laws and regulations and the requirements of the regulatory departments, the Company integrated the changes in business operations areas, strengthened the setting up of the

Company's anti-corruption and supervision systems, further perfected the relevant rules and systems, continuously developed the supervision and inspection of the implementation of these rules and systems, and timely rectified the problems when they were discovered.

II. Fulfilling our essential responsibilities as a telecommunications operator

As a key player of the construction of "Broadband China", the Company accelerated the construction and improvement of 4G mobile Internet and fibre broadband network in 2016, providing speedier, safer and more reliable network assurance. The Company strives to achieve the missions in maintaining network information safety, universal telecommunications services and assurances of emergency communications.



Vigorous Speed Upgrade and Tariff Reduction

The Company accelerated the construction of 4G network, and achieved a basic full coverage nationwide, with 95% population coverage. The Company also initiated the project to reform the 800MHz frequency in rural areas, deployed the "4G+" base stations in all cities across the country and provided "e-Surfing 4G+" service.

The Company comprehensively promoted fibre broadband network upgrade. In the southern provinces dominated by China Telecom, we primarily achieved full coverage of fibre broadband in all cities nationwide. With the introduction of new technologies such as optical fibre access, the Company gradually upgraded the internet access in core areas of key cities to Gbps, providing users with higher bandwidth wireline broadband experience. We widely promoted Hundred-Mbps fibre broadband products to users, with our Hundred-Mbps fibre broadband scale maintaining at industry-leading level.

The Company has further reduced the data traffic tariff of wireline broadband and handset. In 2016, the bandwidth unit price of wireline broadband has reduced by 50% compared with that of 2015, and the unit price of handset data traffic has decreased by 38% compared with that of 2015.

Maintaining network information security

The Company complies with the laws and regulatory requirements of network information security, and continuously enhances its ability to maintain network information security. The Company conscientiously complies with the "Announcement on Preventing and Cracking Down on Telecom and Internet Frauds" issued by the Ministry of Industry and Information Technology, Ministry of Public Security and other authorities and the related work arrangements, and implemented real-name registration system of telephone subscribers, strengthened the protection of users' personal information, reinforced the supervision, prevention and rectification against illegal telephone business and false caller IDs, improved the management of agency channels, and strengthened the publicity and reminder alerts amongst users and staff, improved the management system of information security, and continued to combat harmful internet information. The Company continued to promote security products such as DDos security protection product "Cloud Dam" and office security administration products in accordance with customers' demands.

Promoting universal telecommunication services

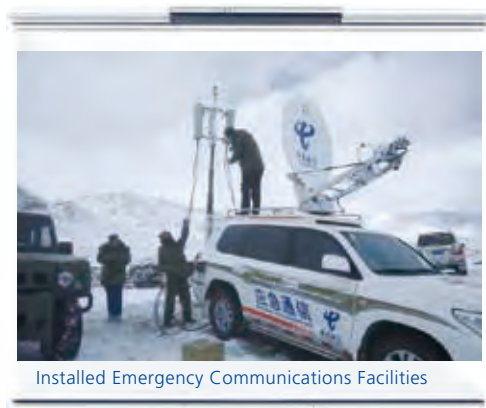
The Company persistently promotes the construction of communication networks in rural areas and remote rural villages. In 2016, the Company actively participated in the government-led pilot project of promoting universal telecommunication services, assisted in the program formulation, participated in the bid within its capabilities, won the bid for the construction and operation of communication network for 35,000 administrative villages, and strived to improve the broadband access level in remote rural villages.

The Company strives to participate in setting up services points for rural villages and foster the e-commerce development and informatisation in rural areas, endeavoring to enhance the level of informatisation of rural villages, agriculture and farmers, and bridge the "digital divide" between the urban and rural areas.



Assuring emergency communications

The Company is dedicated to provide assurances for safe and smooth communication. The Company fought against a number of severe natural disasters such as catastrophic flood and typhoon, and successfully accomplished the communication assurance tasks for important conference events including the G20 Hangzhou Summit, the Eurasia Expo held in Xinjiang, the Global Conference on Health Promotion held in Shanghai, etc. Throughout the year, a total of over 190,000 headcounts of relief workers, over 40,000 rescue vehicles, over 30,000 diesel generators, 32 sets of satellite phones, and over 3,900 emergency communications equipment were deployed, and over 29 million emergency public messages were sent out.



III. Fulfilling our responsibilities towards our customers

China Telecom strictly implements the laws and regulations regarding the protection of the interests of customers, persisting to provide products and services in compliance with laws and regulations. The Company also puts in place strict compliance checks for advertising campaigns, strictly protect customer information and continuously standardise the tariff management.

Adhering to the customers' demand, in 2016, the Company aggressively promoted the two fundamental businesses – 4G and fibre broadband, and innovatively provided new emerging businesses such as HD IPTV, cloud computing, Big Data, mobile payments, IoT, and "Internet+" industry information applications. The Company worked together with business partners and customers to construct a business ecosphere of coexistence, co-innovation and win-win; assisted the transformation and upgrades of customers in various sectors and industries; and met the individual customers' demands for information. Through resolving key service issues in a timely manner based on customers' feedback and prompt rectification of the problems in hotspot services, the Company persisted in innovation of service methods and enhancement of service capabilities. According to the survey conducted by the Ministry of Industry and Information Technology, China Telecom continued to outperform amongst its peers in the customer satisfaction ratings of mobile Internet and wireline Internet in 2016.

Enhancing services capability for fundamental business

The Company strived to improve 4G data traffic service level. The Company launched a coordinated "Dual-High" alert programme, sending alerts to users when high data traffic detected and high tariff incurred; and provided scenario-based data service to support the online service diagnosis of problematic service scenarios.

The Company innovated the services methods of broadband services, and promoted "pay after installation" service nationwide. The Company also accelerated the "Internet+ fibre maintenance" mode, improved the end-to-end operation capability of fibre broadband, further enhanced the self-service capability of broadband, and facilitated the self-troubleshooting functions for customers.

Implementation of the morals and rectification requirements and remedy of services hotspots issues

Aiming at implementing important tasks and tackling hot issues such as the prevention of telecommunications information fraud, users' information security protection, the full implementation of real-name registration system, electronic invoice, lucky numbers and international roaming, etc., the Company strengthened the supervision and inspection measures, set up defending measures for key matters in advance, implemented service guarantee and risk prevention in a timely manner, and promoted the optimisation of relevant business terms. In response to customer complaints, the Company promoted the operation monitoring and analysis of complaint receipts at both of headquarters and provincial branch level, and strengthened the rectification of problems reflected in the complaints. The Company reinforced the service at sales outlets, focused on key issues that affect customers' perceptions, improved the counter services, carried out secret observations on the service at sales outlets on a regular basis, encouraged the sales outlets to meet service standards and elected excellent sales outlets.

IV. Fulfilling our responsibility towards our employees

China Telecom safeguards the interests of our employees in accordance with the laws, continues to establish stable and harmonious labour relations, cares and cherishes our employees, actively leverages various types of talents and supports labour unions in carrying out their functions.

Regulating labor relations in accordance with the laws

Adhering to the doctrine of being responsible for our employees, the corporate and the society, the Company strictly complies with and earnestly implements the relevant laws and regulations regarding labour and social security, conscientiously improves the management of labour, and ensures labour employment in accordance with the laws and regulations. The Company established lawful labour relations and signed employment contracts with employees, entered into dispatch agreements with dispatching units, urged the dispatching units to sign employment contracts with employees, and strived to provide a harmonious and stable internal environment for enterprise development.

Strengthening production safety management

The Company deeply implemented its responsibility and strengthened the long-term mechanism of production safety. The Company continued to improve the management system of production safety, and branches at all levels conscientiously organised the installation and maintenance workers to study the production safety management. The Company also implemented the defined duties of the frontline level, and strengthened the assessment of their responsibilities.

The Company persisted in carrying out supervision and inspection of production safety, got rid of the hidden dangers in a timely manner, improved the emergency contingency plan by strengthening emergency drills.

The Company conscientiously complies with the "Production Safety Law", proactively implemented the occupational health management system, organised physical examinations of employees on a regular basis, and made efforts to improve employees' working environments and conditions, effectively preventing the occurrence of occupation diseases. The Company organised frontline production workers to conduct risk assessment and hazard identification at the operating sites and working environments in groups in order to enhance their consciousness in self-protection and self-defense, effectively preventing occurrence of accidents.

Promoting employees' growth

In accordance with the needs of the corporate transformational development and the improvement of employees' capabilities, the Company implemented training programme for targeted employees. The Company also strengthened the cultivation of young employees, implemented pilot tutorial system for new staff, and further improved the cultivation programmes for outstanding college graduates. The Company continued to carry out projects to enhance the capabilities of "unit CEOs", focused on five front-end and back-end core teams of "unit CEOs" namely, head of sub-divisions, outlets managers, physical channels managers, commercial customers channels managers and back-end maintenance units leaders, organised various "unit CEOs" core employee training camps and "unit CEO" internal trainers training courses with over 1,200 employees participated in person. The

Company launched labour competition, skills competition and knowledge competition on core business areas, established “innovative workshops for model workers”, guided the staff to improve their capabilities and qualities, encouraged employees’ innovation in their own posts, and realised the enhancement and development of personal values.

Strengthening the construction of professional talents team

The Company further strengthened the construction of high-level professional talents teams. In 2016, by application, screening, written examination, evaluation, publicity and other aspects of selection, we had selected Rank B professional talents in five areas with expertise in platform and core network technology, power and infrastructure facilities, wireless and mobile, finance and laws. In two key areas namely, industry applications and network operation, we launched a pilot program of high-level professionals’ workstation which could provide a practical working platform for high-level professional talents. The Company fully leveraged the functions of high level professional talents, solved the important and difficult problems encountered in corporate development and enhanced the capabilities of high-level professional talents in practical training.

Promoting the work of caring and cherishing our employees

The Company perfected the closed-loop management mechanism for employees’ complaints by collecting, analysing, dealing with and giving feedbacks to employees’ complaints. The Company adopted methods that combined traditional ways and internet surveys, including holding seminars, on-site visits, face-to-face activities, establishing employees’ forum and internet platforms, striving to understand the employees’ thoughts and situations, timely responding to the employees’ requests in order to help the employees to solve their practical difficulties and problems at its best endeavours.

Routine care and visits were offered for frontline employees in difficulty and those with outstanding performance. Routine care and visits at all levels covered 630,000 employees. The Company also timely relieved 22,000 employees in difficulty and affected by natural disasters. The construction, stabilisation and renovation of “Four-Small” namely small canteens, small bathrooms, small washrooms and small activity rooms, were completed for over 5,400 frontline units. To satisfy the special needs of female employees, we have also built over 790 units of “Mummy Cabins”.

V. Fulfilling our responsibility towards the environment

China Telecom complies with the relevant laws and regulations in environmental protection and strengthens enforcement and training regarding environmental protection laws and regulations to ensure that employees comply with the relevant provisions. We called on employees to carry out environmentally friendly activities in their daily work and commuting to enhance employees' environmental protection awareness and their self-consciousness in resources saving, such as the saving of one kilowatt of electricity, one drop of water, one litre of oil, one piece of paper, and one pen. The Company specified, censored and regularly published environmental protection indexes, and we also formulated measures and systems to protect the environment. Besides, through various means including rules and regulations, work deployment and appraisals and evaluation, the Company applied the requirements of energy saving, emission reduction and environmental protection across the board to link through various operating activities such as procurement, construction, operation and office administration, making all kinds of efforts to reduce various energy consumptions and greenhouse gas emissions. The Company persistently researched on and developed environmentally friendly informatisation products to assist the customers to pursue energy saving and emission reduction and to achieve environment development goals. We actively communicated with the community about the environmental protection actions and the performance we had achieved to receive public supervision with the purposes of continuously enhancing our environmental protection performance.

Promoting energy saving and emission reduction

The Company accelerated the evolution of network and the construction of optical fibre network, promoted the integration of our business platform with "cloud resource pools" and strived to build a green communications network. The Company deeply promoted the application of Energy Performance Contracting (EPC) in the renovation of old traditional fundamental ancillary facilities like old electricity and air-conditioning as well as withdrawal of traditional applications, further extended the coverage rate of the energy-saving technological transformation of fundamental ancillary facilities and actively promoting the optimisation and reduction of redundancy of the fundamental ancillary facilities. The Company further promoted the energy-saving processing of sub-divided performance units and integrated the energy consumption monitoring system to achieve precision management in energy saving and emission reduction. Water resource management was strengthened. Sewage disposal and treatment works and water recycling in operation were actively carried out. Water-saving appliances were promoted and popularised. Moreover, the Company regularly checked and repaired every part of the water supply system to prevent waste of water resources, including water leakage and water running without being used.

We continued to promote the development of electronic channels, improved the proportion of electronic channel services to the total amount of channel services. The Company promoted and encouraged the use of video conference calls and video trainings, and also actively guided the employees to participate in learning or training via online-universities.

Promoting Reverse Logistics

The Company continued to promote the recycling, refurbishment, replacement, reallocation and resale of obsolete products like obsolete copper cables, rechargeable batteries, wireline terminals, etc. in accordance with the related internal rules and regulations in relation to reverse logistics and recycling and disposal of obsolete materials.

Since obsolete rechargeable batteries contain large quantities of heavy metals, waste acid, waste alkali and other electrolyte solution, discarding will create water pollution, damage crops and land. On the one hand, the Company carried out comprehensive on-site investigations on the environmental protection situations of battery suppliers and procured lithium iron phosphate batteries and other energy-saving products. On the other hand, the Company adhered to the recycling of obsolete rechargeable batteries to prevent environmental pollution by establishing a comprehensive management system regarding the batteries' recycling and disposal. The Company worked together with professional third party manufacturers in recycling and disposal of old and scrap copper cables generated by "Fibre roll-out", continued to promote the recycling and utilisation of wireline terminal equipment, improved efficient use of resources and reduced the risk of environmental pollution. Regarding waste and old materials without recycling value, the Company treated them properly after taking full account of the environmental impacts of disposal in strict compliance with relevant national environmental protection regulations.

Emphasising environmental protection in engineering construction

In relation to the concerns of the government and the public such as farmland protection, equipment pollution, impact of construction, electromagnetic radiation and other issues arising from engineering construction, the Company proactively implemented environmental protection measures. In the aspect of farmland protection, we considered old locations and wastelands as priorities in selecting base stations, with the purpose of not increasing any newly occupied farmland. In the area of equipment pollution, we endeavored to select and use optical fibre cables and system equipment with low noise, low electromagnetic radiation and free of pollutants. In the aspect of construction, we strived to preserve the surrounding environment by avoiding mines, forests, grasslands, wildlife habitats, natural and cultural relics, natural reserves, scenic areas and other areas when conducting routing deployment for optical fibre cables. In regard to electromagnetic radiation, we carried out monitoring and assessment for electromagnetic environment around base stations which was subject to public scrutiny; strengthened communication with the community and respected the voices from community; conducted strict source control on the quality of network equipment to monitor the root source; actively adopted advanced technologies to elaborate our base station layout to maintain our electromagnetic radiation index to be lower than the national standards.

Promoting joint construction and sharing of telecommunications infrastructure

The Company jointly constructed and shared telecommunications infrastructure with other telecommunications operators to avoid duplicate construction, protect the natural environment and landscape, and reduce land use, consumption of energy and raw materials. The Company devoted efforts in promoting the joint construction and sharing of base stations. As a result, the Company effectively saved the investment in 4G base stations.

VI. Supply chain management

China Telecom actively communicates with the suppliers, persists in open cooperation to achieve a win-win situation, adheres to valued procurement, sunshine procurement, ecological procurement, and encourages suppliers to jointly fulfill their social responsibilities.

In the area of valued procurement, the Company continued to strengthen the quality management of procurement products, persistently extended the scope

of product quality inspection and suppliers' evaluation and improved suppliers' assessment system. Through reinforcing the inspection and applying follow-up results in bidding assessment, the suppliers were encouraged to improve their performance. For sunshine procurement, the Company strictly complied with the relevant national laws and regulations in procurement, bidding and tendering to further improve the Company's procurement management system. We revised the "Procurement Management Manuals", "Management Manuals in relation to Bid Evaluation Experts", etc. while we adhered to the principles of "bidding the project that we ought to bid" and "bidding projects as we can" to extend the scope of bidding, enrich the bidding methods and enhance the standardised level of procurement comprehensively. For ecological procurement, we continually promoted the use of ecological procurement assessment indexes in the procurement process and prioritised resources saving and environmentally friendly products to enlarge energy-saving procurement. In 2016, the module of energy-efficient power supply was increased by 20% while energy consumption for targeted professional units was reduced by 4.5%.

VII. Contributing to community well-being

China Telecom actively supports the development of science and technology, education, culture, sports and hygiene and helped those in poverty, disabilities and disadvantages. We advocate and encourage our employees to foster the volunteering spirit and participate in various forms of voluntary service activities.

The Company continued to assist our parent company in providing poverty alleviation and aid programme to Tibet and Xinjiang. In 2016, the Company assisted in providing poverty alleviation and assistance in Bianba County in the Tibet Autonomous Region, Yanyuan County and Muli County in Sichuan Province, Shufu County in Xinjiang Uygur Autonomous Region and Tianlin County of Guangxi Zhuang Autonomous Region, helped to establish fundamental facilities, informatisation, education and training, agriculture, hygiene and technology in the five counties. The Company assisted the poverty alleviation organisation to promote the application of the Big Data management platform for poverty alleviation in China, which conducted a dynamic management of local poor villages, poor households and poor population to ensure the full



Telecommunications Museum's Staff Introduced Technological Knowledge to Students

implementation of household policies related to poverty alleviation. As demanded by the actual needs of the rural markets, the Company invested almost RMB100 million in establishing platforms that benefit the farmers. We promoted information-based poverty alleviation in rural areas by constructing information services and introducing rural products into cities. More than 18,000 Farmers' Cooperatives have been established covering 100 counties in 15 provinces including Sichuan Province, Jiangsu Province, Zhejiang Province, Hubei Province, etc. with more than 2.8 million registered farmers.

In 2017, China Telecom will deeply put forward five development concepts including "innovation, harmonisation, green, openness and sharing". The Company will implement national "Cyberpower" strategy and informatisation development strategy, devote to execute the new round of corporate strategy of transformation and upgrades, while striving to provide more suitable and quality businesses and services to customers and economic society. We will assist the transformation and upgrades of various sectors and industries to promote the mutual value growth for stakeholders, and will contribute to the supply-side structural reform and the development of a better-off society.

Established

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Farmer-Friendly
Co-op Shops

with Registered Farmer of

over

2.8 million