

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Human Resources Development Report

In 2019, our work on human resources has closely surrounded on the Company's requirements for high-quality development. We coordinated and promoted the optimisation of leadership structure, team building and the development of human resources mechanism, strengthened fundamental management and implemented the project of "Strengthening the Enterprise through Talents" in order to continuously improve human resources efficiency and provide sound organisational assurance and support for our talents for the corporate's sustainable and healthy development.

### **Strengthen senior management and executive team building**

Combining the adjustment of leadership structure, we continued to promote younger cadre team and optimise the leadership structure of our provincial and prefecture-level branches. Through methods including selection and recruitment, job exchange programme and rotation, as well as succession and retirement, we adjusted our executive teams among headquarter departments, provincial branches, professional units and branch offices. A group of well-recognised cadres with superb qualities, distinguished capabilities and outstanding performance were selected and appointed to important management positions, hence the professional and age structure of our management teams became more reasonable. We increased our efforts on training excellent young cadres and development of excellent young cadres nurturing management system, established a database of excellent young cadres talents with unified management, hierarchical implementation and dynamic adjustment and strengthened the assessment, supervision and dynamic management of outstanding young cadres, so as to provide management talents assurance for the corporate's sustainable and healthy development.

### **Strengthen the supervision and guidance on staff selection and appointment**

Adhering to the problem-oriented approach, we formulated a special rectification plan for staff selection and appointment issues identified in the special inspections and carried out in-depth rectification. We embedded special inspections of staff selections and appointments into the corporate's internal review. Specific measures were deployed, promoted, given feedbacks and implemented simultaneously with the internal review, so as to urge all units to rectify selection and appointment issues. Through such continuously deepened rectification, the Company further standardised the work on staff selections and appointments, improved the quality of staff selections and appointments, and created a better employment environment.

### **Continuously promote and implement the "Strengthening the Enterprise through Talents" project**

The Company implemented the "Hundred, Thousand and Ten Thousand Professional Talent Project" and internally selected 1 China Telecom Scientist, 8 China Telecom Chief Experts and more than 800 senior technical and marketing experts. The pilot "Talent Zone" reform programme was conducted in the cloud computing branch of the Company. For the key research and development teams with independent core capabilities, we implemented a number of specific mechanisms for the "Talent Zone", such as team management, project classification, project assessment, incentive

scheme and incentive management. The Company further optimised system of professional workstations and implemented a mechanism of “Selecting the Superior and Eliminating the Inferior” for the workstation projects. The Company also established a pilot unified “talent cloud” platform, explored the “cloudification” mechanism of talent management and developed a single “system + data + mechanism” solution, achieving the labelling of talent expertise, the Internet-based evaluation and utilisation of talents, the marketisation of incentives and the customisation of training. The Company also achieved the precise management of talents through cross-border connection and modelling analysis of various types of talents and work information through systems and data.

## Further strengthen human resources management and data foundation

In 2019, the Company continued to enhance the development of centralised human resources system and support key businesses and applications such as individual tax declaration and allocation of share appreciation rights. Meanwhile, the Company carried out core data governance for improving data completeness and accuracy and supported human resources operation analysis for providing support to the management for decision-making.

In 2019, the Company continued to promote intelligent human resources projects, focused on the positions of Smart Family engineers. The Company promoted the intelligentisation applications in all provinces in the aspects of precise portraits, position analysis, remuneration incentives, precise empowerment, matching of candidates and positions and appraising leading and outstanding employees as well as promoting the transformation of frontline installation and maintenance personnel to Smart Family engineers, which supported the development of key businesses of the Company.

## Information of Employees

As at the end of 2019, the Group had 281,215 employees. The number of employees working under each classification and their respective proportions were as follows:

	Number of Employees	Percentage
Management, Finance and Administration	46,521	16.5%
Sales and Marketing	135,797	48.3%
Operations and Maintenance	87,943	31.3%
Research and Development	10,954	3.9%
Total	281,215	100.0%

## Relationship between the Company and Employees

### Corporate Democratic Management

The Company held the employee representative training class for year 2019, which further improved the performance capacities of employee representatives. The Company organised and convened the third meeting of the first session of the employee representative congress during which the Company selected and recognised 10 outstanding proposals, further promoting the corporate democratic management. Labour unions at all levels have standardised and implemented the rules of procedures of the employee representative congress and the system for collecting and handling proposals. All provincial companies have convened employee representative congresses to ensure the orderly participation of employee representatives in corporate governance.

Labour unions at all levels insisted on in-depth investigations of frontline employees' conditions and understood the thoughts, work status and living conditions of employees through methods such as attending forums, conducting visits and questionnaires, so as to report the thoughts and opinions of all the employees to the management of entities at all levels in a timely manner.

### Competitions and Honours

Focusing on the key and difficult tasks in operation and production surrounding the promotion of the corporate's high-quality development, the labour unions together with the business departments jointly organised more than 10 company-level competitions including labour competition for concurrent enhancement of the quality of mobile and fibre networks as well as skills competition for cloud-network integration business support, which effectively promoted business development.

The Company received a total of 285 external honours in comprehensive and specific categories at national, provincial and ministerial levels, including 29 national honours and 256 provincial and ministerial honours. The number of honours reached a historical high again. The Company organised the "May 1st" recognition seminar during which the management of the Company met and discussed with the representatives of outstanding model employees. "May 1st" recognition seminars as a brand of the labour union brand had been held for seven consecutive years, which served as a motivation for all the employees of China Telecom to revere and learn from outstanding model employees, to love their jobs and work hard targeting being the first-class employees.

### Innovation Workshops

The labour union of the Company conducted research on innovation workshops. The Company has established more than 1,300 innovation workshops for a number of varieties at all levels and achieved 14,500 innovation results. The Company also applied for more than 670 utility model patents and more than 240 invention patents. The Company started to select several outstanding innovation workshops at company level and planned to identify outstanding innovation results for replication and promotion throughout the Company. There were 4 innovation workshops named as the “Outstanding Innovation Workshops for the Model Workers and Craftsman” by the China National Defense, Postal and Telecommunications Labour Union.

### Caring for Employees

Investing a total of RMB290 million in the development of “Four-Small”, namely small canteens, small bathrooms, small washrooms and small activity rooms, the Company built more than 1,600 “Four-Small”, and operated, refurbished and maintained more than 4,400 established “Four-Small”. The Company allocated RMB22 million for the construction of oxygen supply facilities for the grassroots units at an elevation of 3,500 meters or above in five provinces,

i.e. Tibet, Qinghai, Sichuan, Gansu and Xinjiang. The Company organised the collection and selection of outstanding cases of caring for employees. Around 2,000 outstanding cases were collected, of which 46 outstanding cases were selected for recognition and promotion. Labour unions at provincial level implemented over 250 initiatives for caring for employees including the improvement of the dining and office environment of employees and the respective caring for young employees and outsourced employees.

On the New Year’s Day, the Lunar New Year’s Eve and during Lunar New Year holidays, the management of the Company led several teams to visit retired employees and employees who lived in hardship and poverty and extended their sympathy regards to model workers, outstanding employees and frontline production employees of grassroots units in 12 provinces such as Yunnan. Labour unions of the Company distributed BestPay red packets to more than 30,000 employees who responsibly worked during the Chinese New Year and provided sympathy allowances to employees in 14 provinces such as Sichuan and Zhejiang which suffered from natural disasters. Prior to the National Day Holiday, the labour unions at all levels visited, among others, retired employees and model workers, and carried out a wide range of sympathy and greetings activities such as the “Five Must-Visit and Five Must-Greet”.

Labour unions at all levels promoted the construction of infant rooms, held more than 500 lectures on topics such as pregnancy and parenting and carried out more than 3,800 activities for female employees on International Women's Day. The labour unions selected outstanding articles in the fourth session of the "Scholar Family" reading activities and launched reading activities with the theme of "Reviewing Classics and Understanding China" through e-Surfing Reading. The labour unions cooperated with the Channel and Business Expansion Department to carry out "Elite Female" selection activities in which 100 outstanding store managers and channel managers were recognised.

The labour union of the Company held the 2019 "e-Surfing Cup" employee badminton match. The labour unions at all levels organised around 4,200 badminton activities in which nearly 200,000 person-times participated. Meanwhile, the Company actively teamed up to participate in various competitions organised by the Communication Sports Association and achieved excellent results.

## Strengthening Human Capital

### Supporting National Key Training Programme

In 2019, China Telecom actively undertook and participated in the national professional knowledge update projects for professional and technical talents. In June 2019, China Telecom held the knowledge update project seminar of the Ministry of Human Resources and Social Sciences – "National Advanced Training Class on e-Surfing Cloud Technology". Over 70 experts and technicians participants from national ministries and commissions, telecom operators, equipment manufacturers, universities and research institutes attended the seminar.

### Efficient Operations of Online College

In 2019, China Telecom Online College launched the “China Telecom Smart Learning Platform” which comprehensively enhanced the Company’s training education and the intellectualisation of operational standard in training closed-loop management. Through the application of “China Telecom Smart Learning Platform” and “Dual Hundred Learning Circle”, the Company gradually achieved real-time push of key learning projects and precise deliveries of tailor-made training courses for employees of different positions. The Company also launched the “Sharing Class” platform to display courses, qualification of teachers and cases, which supported the sharing of quality training resources across the Company. Through the underlying structure, the content broadcasting capability and data file capability of online universities were fully open to support the localised application of intelligent human resources and business systems of provincial companies, which facilitated the intellectualisation of management and operation of talents training lines.

In 2019, China Telecom Online College had cumulatively supported more than 41,000 face-to-face training classes for which 1.33 million attendances were recorded. We had added over 8,800 online learning resources of various types, recorded 2.439 million learning hours and had a total of 132,000 learners. We also organised and held more than 910 online training classes for which 620,000 attendances were recorded.

Focusing on key business areas, China Telecom Online College organised various online learning activities such as gamified quizzes and special zone learning on topics including Big Data, cloudification, Smart Family and 5G, for which 1.04 million attendances were recorded. We provided WeChat precise push services targeted to group such as Smart Family personnel, new employees and cloudification personnel every week, which covered 1.8 million person-times.

### Building up the Internal Training Team

The relevant professional departments of the Company completed the process of putting internal trainers on probation onto the permanent payroll and the re-appointment assessment of the internal trainers at company level who were recruited during the years from 2015 to 2018 as well as the recommendation of the internal trainers for the year 2019 at company level. In 2019, the Company recruited and re-appointed 34 internal trainers at company level under special recruitment, 678 internal trainers at company level and 406 probationary internal trainers at company level. 110 outstanding internal trainers and training administrators of the Company attended the 11th annual meeting held by the Company for training of internal trainers at the company level with the theme of "Spring is Back and Swallows Return".

### Cultivating Professional Talents

We conducted large-scale talent trainings at different levels and grades. In 2019, we completed the first phase of the "Spark Programme" for the cultivation and transformation of professional and high-level talents in three professional fields including 5G, cloud computing and Big

Data and also commenced the second phase in December 2019. Meanwhile, to further promote the cultivation of the trainers and the nurturing model of the "Spark Programme", the Company organised six training sessions under the "Prairie Fire Programme" and a total of 549 people attended the training sessions.

In response to the needs of enterprise transformation and led by the "Strengthening the Enterprise through Talents" project, China Telecom actively promoted the knowledge update projects for professionals in its subordinate units. In 2019, the Company organised a total of 23 training sessions for backbone professionals at company level and 1,100 people attended the training courses, which effectively enhanced the professional capabilities of the backbone experts professionals.

### Building Employees' Capacity

The first initiative of the Company is to promote the collaborative development of cloud business with high efficiency and synergy. Focusing on the "Cloudification" Project of the Company, we established a working team covering cross-department, cross-professional and cross-regional for the Cloudification Empowerment Project. The Company conducted 40



Management exchanged ideas with frontline network maintenance technical staff



Management shook hands with frontline outstanding employees



practical training sessions on cloudification scenarios and empowered more than 3,000 backbone employees in marketing, operation and maintenance of cloud products. The Company also held 5 training sessions for internal trainers on cloud-network integration and nurtured 184 professional internal trainers for cloud-network integration. The Company set up a cloudification special zone on the Online College and created 107 sets of learning materials including comprehensive case studies and special courses to form a learning map, laying a foundation for the Company to continuously enhance the scale and effectiveness of the cloudification special zone.

The second initiative of the Company is to continuously empower and promote the development of Smart Family capabilities. The Company established a cross-department joint working group, set up a linkage mechanism, designed the training plan for Smart Family engineers and Smart Family service specialists and promoted the transformation and upgrade of installation, maintenance and sales teams. The Company conducted 3 training sessions for internal trainers of Smart Family scenario sales and 8 training sessions for internal trainers of Smart Family engineers where 450 internal trainers were trained through the scenario-based training model. We held and organised 5 sessions of training camps to enhance the backbone capabilities for the Smart Family local network business and a total of 300 Smart Family backbone professionals attended the training. The Company carried out the annual certification of Smart Family engineers. The Company also completed the construction of Smart Family learning zone on the Online College which served as a platform for the training, communication and experience sharing in relation to the Company's Smart Family products. A total of 68 online courses were launched and upgraded in 2019 and 115,600 attendances were recorded.

The third initiative of the Company is to comprehensively enhance the overall coverage capabilities of our "Unit CEO" programme. In 2019, the Company organised a large-scale rotation training of "Unit CEO" for the fifth consecutive year. The Company held 25 training sessions for "Unit CEO" with a total of 1,160 participants. The Company also conducted 108 joint training sessions in six major regions in China with a total of 5,263 participants. The Company's "Unit CEO" curriculum system recorded 690,000 learning hours. The proportion of self-developed courses in the training program for "Unit CEO" was further increased while the coverage of "Unit CEO" training was further expanded.

### **Cultivating and Attracting Outstanding Young Talents**

We continuously enhanced the mechanism for recruitment, management, cultivation and evaluation of our trainees. We organised spring internships, summer internships, day-to-day internships and other activities to expand the channels to attract outstanding young talents for campus recruitment. We also continued to carry out the Company's top college graduates cultivation programme and organised corporate-level outstanding graduates demonstration classes. In 2019, the Company conducted two sessions of corporate-level outstanding graduates demonstration classes which a total of 207 outstanding young employee representatives attended.



## Recruitment

The Company recruits fresh university graduates and mature talents from the society. We organised a unified platform, unified advertising and publicity and unified information sessions in key universities for recruiting fresh graduates. In 2019, the Company recruited more than 7,000 new graduates. We normally provide an induction training of one to two months to fresh graduates after they join the Company in order to help them understand our corporate strategy, culture and business. In 2019, the Company formulated a standardised plan for new employees' induction training. Meanwhile, the Company continued to deepen the promotion and application of "New Employee Tutoring Mechanism" which won the ATD Excellence in Practice Award throughout the Company and strived to achieve the goal of assigning tutors to new employees upon commencement of their employment who would coach the new employees throughout the whole on-boarding process. In 2019, while vigorously cultivating the operation experts and the professional tutor team of the tutoring project, the Company also created and issued a set of excellent case studies which provided the best visualised examples for the tutors tutoring. For the recruitment of mature talents from society, units at all levels organised induction trainings in accordance with their business development needs.

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

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

The Company strictly abides by the national regulations relating to employees' working hours and implemented the *Regulations on Paid Annual Leave for Employees* promulgated by the State Council and formulated the relevant policies in relation to employees' vacations and rest periods.

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 and dismissal 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. The Company strictly abides by relevant labour laws and regulations in China and constantly improves the relevant employee management systems. Taking into account the actual circumstances of the Company, we also formulated relevant administrative measures.

## Remuneration and Performance Management

### Remuneration

The Company implements the differentiated remuneration distribution system under which positions are used as the foundation of distribution and remuneration is closely related to performance and contribution and is in alignment with the characteristics of different positions. The remuneration system mainly consists of post salary, performance salary, allowances and subsidies, insurance benefits, etc.. Meanwhile, we proactively explore remuneration distribution methods that meet business characteristics of different units and the development needs of the Company. We also encourage each unit to proactively explore and establish the medium and long-term incentive mechanism based on the principle of risk sharing and benefit sharing. We adhere to being efficiency-oriented in internal distribution and continue to optimise the internal remuneration distribution system by strengthening the development of mechanisms and systems and focusing on the innovation of systems and mechanisms. The remuneration distribution continues to tilt towards backbone talents and frontline staff so as to encourage employees to work more in order to be rewarded more, which leads to a win-win positive interaction between employees and the Company and contributes to the steady improvement of the Company's operating results.

Persisting in the optimisation and perfection of labour costs resources allocation, we establish a market-oriented remuneration mechanism and adhere to the performance-oriented principle in order to strengthen the link between the remuneration and contribution of employees. The increase in their performance results in increase in remuneration and vice versa. We fully mobilise the enthusiasm and initiatives of development of various units, encouraging everyone to adhere to "high contribution, high yield" and "early development, early benefit".

### Performance management

The Company has established a relatively comprehensive performance evaluation system for all of its employees. Branches at all levels have established employees' performance evaluation teams which are led by the respective general managers of the relevant branches and have formulated evaluation methods for deputies, functional departments, subordinate units and employees. The Company improves its employee evaluation and incentive mechanism and the related scrutiny and supervision system to ensure fair and reliable performance evaluation results. At the same time, we further optimise and improve the performance evaluation system and implement performance evaluation by categories of business units, deputies, mid-level cadres and employees at all levels, enhancing the specificity of the performance evaluation.