

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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Corporate Social Responsibility Report

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.

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Promoting universal telecommunication services

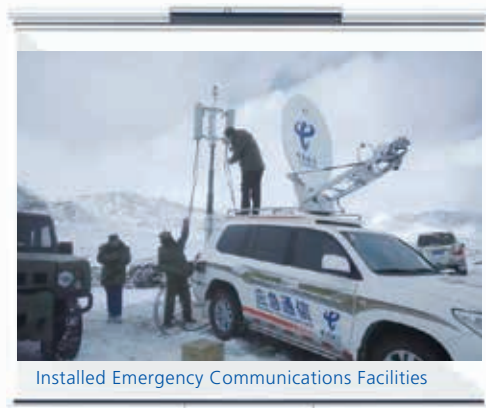
The Company persistently promotes the construction of communication networks in rural areas and remote rural villages. In 2016, the Company actively participated in the government-led pilot project of promoting universal telecommunication services, assisted in the program formulation, participated in 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.

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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

18k



Farmer-Friendly
Co-op Shops

with Registered Farmer of

over

2.8 million

Environmental, Social and Governance Report

Human Resources Development Report

In 2016, our work on human resources has firmly adhered to the Company's strategies aiming at enhancement of the value of our human resources. We further enhanced capabilities, optimised corporate structure, innovated systems and mechanisms, implemented precise management and stimulated vitality in order to promote intelligent-oriented human resources management and provide sound organisational assurance and personnel support for the corporate transformation and upgrades.

I. Strengthen senior management and executive team building. Integrating with the structural adjustment of executive team, we continued to promote younger cadre team and optimised the leadership structure of our provincial and municipal branches. We initiated integrated evaluation on the leaders and their management teams from provincial branches, which provided a better reference for the selection and training of executive team and further enhanced the scientific standard of our leadership management. We strengthened the construction of our reserve cadre team and organised trainings and cultivation of reserve cadres in order to provide the back-up reserve talents for our corporate development.

II. Strengthen the supervision and guidance on staff selection and appointment. We carried out special governance work on staff selection and appointment, organised annual special governance work on the basis of self-assessment and self-correction at subordinated units throughout the year, specifically rectified the problems identified

to ensure that the special governance work has been effectively implemented. Through the specific governance work, we have standardised the procedures on staff selection and appointment and improved its credibility.

III. Continuously optimise the structure of human resources and standardise the management of labour and employment.

We further optimised the total staff size control methods according to the business development of provincial branches and the existing level of human resources efficiency, strictly implemented the control and management of staff size, providing the tools and guidelines in managing staff size and optimisation of structure through implementation of human resources rolling plan and annual efficiency benchmarking for provincial branches.

IV. Strengthen the human resources information system and improve the standard of management.

Adhering to the corporate strategic transformation and value enhancement, we optimised business processes and system functions, standardised business operations, expanded business applications, explored and developed Big Data analysis and intelligent operation of human resources.



Management Gave Lecture to Enhance Staffs' Professional Competence

Information of Employees

As at the end of 2016, the Group had 287,076 employees. The number of employees working under each classification and their respective proportions were as follows:

	Number of Employees	Percentage
Management, Finance and Administration	43,194	15.1%
Sales and Marketing	147,885	51.5%
Operations and Maintenance	94,005	32.7%
Research and Development	1,992	0.7%
Total	287,076	100.0%

Corporate – Employee Relationship

Communication between Management and Employees

We endeavoured to understand the employees' thoughts. We persisted in the semi-annual reporting system on staff thoughts and timely reporting of emergency and significant situations, organised frontline branches to adopt a combination of traditional and internet integrated communication methods, regularly conducted online and offline collection, analysis, sorting and reporting of employees' thoughts; timely understanding

of their conditions in earthquake, typhoon and other natural disasters. On the basis of grasping the overall staff's thoughts, we constantly refined and deeply cultivated the following: Firstly, we refined and segmented the targeted staff groups, such as specific understanding of 'Unit CEOs' Group. Secondly through combination of understanding staff's thoughts and serving the corporate, we understood and positively guided our employees through their degree of engagement, satisfaction survey, etc. Thirdly, from staff understanding to resolving of their demands, a closed-loop management mechanism was gradually formed and entrenched through system establishment.



Management Shook Hands with Front-line Outstanding Employees

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Human Resources Development Report

Roles and Duties of Labour Unions

Adhere to servicing employees and facilitating development. The labour unions built a platform for innovating employees' positions and duties and nurtured an environment for innovation. In order to vigorously promote the excellent qualities and spirit of the advanced model employees, a forum was organised by the labour union for advanced model employees. During the periods of "International Working Women's Day" and "National May 1st" in 2016, the Company obtained over 200 honours at national, provincial and ministerial levels. In the skills competitions of customer services, the headquarter and all the provincial labour unions have actively participated and won a total of 63 honours. 145 individuals won the honorary title of the Company's Technical Experts and 9 individuals obtained the honorary title of 'Innovation Expert'. Through the "Dual Hundred" platform, the Company organised an election of the Company's top 100 "Elite Female" shop managers and excellent channel managers voted by frontline staff, and over 200,000 employees participated in the election. In the "My team, My home" activity, nearly 9,000 frontline units participated, published more than 14,000 messages of experiences and practices, and the employees participated in nearly 270,000 times of exchange and discussions. Labour union vigorously promoted the advanced model employees and nurtured an environment for learning from the advanced and striving to learn and step forward. Through various media channels, all levels of the labour unions vigorously promoted the advanced model employees, and promoted

over 1,000 excellent employees and over 300 advanced groups from all levels of the corporation. Labour unions at all levels organised more than 6,000 recreation and sports activities which animated the cultural life of employees outside of work.

Coordination and Communication between the Company and the Labour Unions

All levels of the labour unions motivated employees to be conscientious and innovative, actively established platforms in the areas of labour competition, skills competition, knowledge competition, innovative office and responsible positions innovation, creating an environment for innovation in positions and duties. Labour unions of the Company jointly with the relevant departments, organised 11 labour competitions, 7 skills competitions, 1 knowledge competition, 9 innovation selections and established 36 advanced model innovative workshops. For instances, "BestPay Orange Financial Services Promotion Labour Competition", "Integration Cup" industry application synergy sales and labour competition, the first "e-Surfing Cloud" Cup labour competition, customer services career skills competition, the 10th "Excellent Marketing Skills Cup" sales and marketing career skills competition, "fibre broadband+TV" repair and maintenance skills competition, the 3rd "i Innovation" Dark Horse competition, on-the-job innovation and "Four-Small Caring Dual Hundred" case selection activity, etc. Over 1 million employees participated in the activities, promoting concurrent enhancement of business development and employees' skills.

Caring for Employees

Promote the reinforcement and enhancement of the construction of the “Four-Small”, and continuously improve the capabilities level of service staff.

Nearly 5,500 frontline units from all levels of the Company carried out the construction of “Four-Small” or improvement of the “Four-Small” facilities and invested a total of RMB200 million. On this basis, we selected 100 demonstration points and 100 outstanding frontline teams in order to promote the reinforcement and enhancement of the construction of “Four-Small”. We attributed the costs of construction, operation, maintenance and updates in the cost budget management according to their respective characteristics and nature, established a long-term mechanism to further improve the level of our support services to the staff in various aspects including dining, rest and activities; while focusing on solving the problems commonly faced by the majority of our employees.

The Company strove to understand the work life of frontline employees and their difficulties and problems; promoted policies formulation by employees through the democratic management platform to resolve the root causes of problems and safeguard employees’ rights and interests.



Award Ceremony for the Best “Top-down” Service Supporting Team



Commendation for the “Labour Medal”



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Human Resources Development Report

Offer assistance to employees who were in difficulties. We regulated and strengthened the support works for our employees who were in living 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 funds usage. On average, we allocated relief funds of over RMB47 million to over 22,000 staff in need last year, timely understanding their living conditions and ensuring relief for employees who were in difficulties.

Caring for frontline staff in different forms and ways. In the aspect of health care, there were in total 23 provincial labour unions providing medical services to nearly 35,000 employees; conducted more than 6,000 recreation and sports activities of various kinds with 86% employee participation rate. Health level of employees was effectively promoted. Through equipping the frontline employees with small medicine box, health giving (including medical facilities, health seminars, etc.), we timely solved employees' physical health problems. With psychological counselling hotline, trainings, seminars, psychological counselling app, psychological counselling

website, close chat, etc., we help the staff relieving pressures and making psychological adjustment. In the aspect of improving the living and working environments for employees, working environments were improved through various means including equipping with green plants and carbon package to purify air and installation of water purification facilities to further improve environmental conditions. In regard to family care for employees, we promoted family harmony and good family tradition construction by conducting home visits, home activities whilst having kids taking examinations and children summer holiday camp activities. In terms of sympathy and relief to the staff, we carried out timely sympathy and relief activities to staff synchronising with major holidays, key periods of production and operation, major events of staff family, natural disasters, etc. According to our statistics, all the frontline labour unions of the Company handled a total of approximately 7,200 matters for the employees. The labour union allocated disaster relief funds amounting to over RMB1 million to 13 provinces and allocated "Summer Cool Offer" relief payments amounting to approximately RMB600,000 to 18 provinces.



Organised Interest Group to Cultivate Employees' Vitality

Promote activities for the care of female employees. We selected outstanding female employees advanced models to stimulate positive spirit. Jointly with sales and channel development department, we select 100 persons to become the third session of "Elite Female" shop managers and channel managers. We launched the first session of outstanding female employee learning exchange activities. We organised and carried out "Scholar Family" female employees reading activities through the "Dual Hundred" platform, guided the staff to read more books and good books. Through the "Dual Hundred" study groups, we guided female employees to share joy and happiness in their lives and more than 2,700 reading commentaries and experiences were shared with the participation of approximately 48,000 employees. Regarding our concerns to protect the rights and interests of female employees under the "two child" policy, we organised the construction of nearly 800 "Mummy Cabins" in the Company which were welcomed and praised by frontline female employees.

Activities for boosting morale and team spirit, consolidating strengths for development. The labour unions at all levels organised more than 6,700 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 relieved and team spirit was strengthened.

Strengthening Human Capital

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

Actively developing mobile learning pilots units

Through product construction, content construction and promotion of operation, we actively introduced Internet thinking and deeply applied the means of Internet learning to provide sustainable and effective support for various work including transformation and upgrades and key personnel training and nurturing. We created on-demand learning, active sharing and innovative learning culture within the corporation. For the year, we had a total of 9,700 new learning course resources with more than 3 million individuals participating in the event and the total length of study exceeded 3 million hours. Adhering to the needs of the corporate reform and development, we promoted the efficient centralisation of talent team construction and the Internet-oriented transformation through centralised management and Big Data applications as the driving force. We had organised nearly 18,200 training courses covering the whole year, formed 361 online business communities and laid the foundation for intelligent operation of talent management.

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 stimulative encouragement of our internal trainers, and strengthened the nurturing capabilities of internal trainers. We optimised the professional structure of the internal training team, gradually covering all areas of expertise in order to meet the needs of corporate development and talent training and to provide guarantee for the corporate sustainable and healthy development. Up to 2016, the appointment of internal trainers at corporate level (including trial recruitments) exceeded 1,100 individuals, the third tier internal trainers exceeded 15,000 individuals.

Developing Leadership Skills

We further strengthened the construction of leadership development system, compiled the education and training plans for operational management personnel for 2016-2018, and formulated implementation rules for operational management personnel training, and plotted the learning map for managers from counties branches. In 2016, we focused on strategy of Transformation

and Upgrades 3.0, continued to hold two phases of “entrepreneur training camp” training projects for our reserve cadres, focused on intensive training for 64 reserve cadres who came from 8 provincial branches. Over the past three years, we had conducted concentrated trainings in accordance with our reserve cadre training plan for 192 reserve cadres who came from 24 provincial branches.

Cultivating Professional Talents

We strengthened the construction of talent support for Transformation 3.0. Through online examinations programmes, we assessed the scope of internal talent pools in programming and Big Data. With continuous optimisation of the talent team structure and quality enhancement, we provided better support services for the key works of Transformation 3.0. Under the guidance of the China Telecom “Internet+” talent planning, we established systematic training mode for the respective talents team of product, operation and skills.

In 2016, we further strengthened the construction of senior professional talents teams. We had completed professional talents selections in various aspects including platform and core network technology, power and infrastructure facilities, wireless and mobile, finance and laws. In addition, in the key areas of industry applications and network operation, we launched a pilot system of senior professionals workstation

which provides a practical combat platform for senior professional talents, strengthening the cultivation and fully leveraging the functions of senior professional talents, cohesively solving the key, difficult and professional problems for corporate development.

Staff capacity building

We focused on sub-dividing performance evaluation units with performance contracts and enhanced the capabilities of frontline staff. We held the 207th session of professional intensive face-to-face trainings classes, covering 16,000 staff members, further promoted the combination of works and learning, production and training, deeply promoting the application of practical projects. In 2016, our value-creation marketing trainings for government and enterprises covered 16 provinces, 102 counties, benefiting more than 3,600 customer services managers for government and enterprises. We carried out practical “promotion training” in our channel marketing, effectively enhancing production capacity of our shops outlets and commercial cycles, helping the frontline staff to enhance their knowledge, skills and improve performance through “competition substituting training” and “training + practice”.

Nurturing and introducing brilliant young talents

We promoted high-school internship programme on a regular basis and organised spring and summer internship programme with our “Surfing internship platform”, providing a total of nearly 2,800 internship positions cumulatively in 2016. We also continued to organise the top graduate cultivation programme and selected 1,072 top graduates for this programme. The Company organised the three sessions of demonstration class for top graduates, with the participation of 210 frontline outstanding young staff representatives.

Recruitment

The Company recruits university graduates and mature talents from the society. The Company unified the recruitment process of university graduates. In 2016, the Company recruited nearly 5,000 university fresh graduates. Upon joining the Company, the graduates generally have to attend 1 to 2 months of induction training to help them understand the corporate culture and the business of the Company. In order to promote the integration of new employees into the corporate culture, accelerate the growth of new employees, the Company organised a new employee mentoring pilot program in 2016. For the recruitment of mature talents, the Company organised the recruitment from the society in accordance with the needs of the business development.

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To provide opportunities for the 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 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 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 is mainly composed of basic salary, performance bonus, insurance benefits, etc. and has taken into account both short term and medium-to-long term incentives. In determining the internal distribution of employees' remuneration, the Company adhered to the value-oriented, contribution-oriented and equity-oriented approach while tilting towards high-quality professionals and the frontline staff. We further optimised and improved labour cost management through the introduction of system designs including "transfer prevailing labour cost system and induce stimulation", "progressive increase of allocation" and "elastic budget control system". We fully mobilised the enthusiasm of the development of subordinated branches and encouraged everyone to adhere to "high contribution, high yield" and "early development, early benefit". At the same time, we offered special incentives on the emerging businesses to promote the accelerated scale development of the emerging business.

In the aspect of remuneration management for senior executives, we strengthened the "performance oriented" approach aiming to narrow the differences between the subordinated branches arising from their respective development regions and history and other factors, focusing more on development, emphasising the improvement and enhancement of performance.

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, subordinated units and general employees. The Company improved its employee evaluation and incentive mechanism and the related scrutiny and supervision system to ensure the fairness and reliability of the performance evaluation results. At the same time, it has further optimised and improved the performance evaluation system and implemented performance evaluation by categories of business units, deputies, mid-level management and employees of all levels, enhancing the specificity of the performance evaluation work.

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.