

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



This report is prepared pursuant to the Environmental, Social and Governance Reporting Guideline (the “Guideline”) in Appendix 27 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). This report covered the key performance indicators in respect of environmental protection of the Company from 1 January 2016 to 31 December 2016, which were mainly based on the data provided by the Company and certain major subsidiaries. In addition, we did not disclose certain key performance indicators which were required to be disclosed by the Stock Exchange but not directly related to the business of the Group.

OVERVIEW

The Group is a leading services provider in the PRC informatization sector that is committed to providing integrated support services to customers and consistently upholds its principle of “customer oriented, outstanding performance, efficient resources allocation and innovative leadership”. On the back of our fundamental missions of serving our customers, bringing returns to our shareholders, caring about our employees and giving back to society, we devote ourselves to providing a series of services covering high-quality, efficient and secured telecommunications infrastructure services, business process outsourcing services and applications, content and other services. We place a strong emphasis on scientific development and corporate social responsibility, deliver value to our customers and the society, promote sustainable development, and align our corporate development with society and environment.

ENVIRONMENTAL PROTECTION AND RESOURCES UTILISATION

As a communications services enterprise, the Group has always complied with relevant national laws, regulations and standards on emission during the course of service provision. We have established an internal management system, embark on energy saving and consumption reduction activities and ensure that we can meet our energy conservation and emission reduction goals. In 2016, the total energy consumption of the Group was approximately 141 thousand tons of standard coal (2015: approximately 138 thousand tons).

According to the energy report of the Group, the emission of greenhouse gas arising from energy consumption of the Group in 2016 pursuant to the Greenhouse Gas Protocol was approximately 374.7 thousand tons (2015: approximately 366.2 thousand tons).

The Group consistently adheres to the philosophies of environmental protection throughout the entire course of communications service provision, and complies with the relevant national laws, regulations and operational standards on environmental protection. In exploring, designing and constructing field area communications, we keep away from mines, forests, grassland, wild animals’ habitats, natural and human heritage, nature preservation areas and scenic areas as far as possible. In the event we have to undertake minor alterations to the natural environment due to project requirements, we will conduct environmental rehabilitation as soon as possible.

We proactively promote cost saving and efficiency enhancement through adoption of new-generation energy saving products and enhancing relevant management systems, and lower our costs effectively. We also widely utilise energy saving lights in our production facilities and offices, appropriately adjust the temperature in our production facilities and offices as appropriate, encourage all employees to save paper, water and power, and thereby create the environment to build up an “energy saving enterprise” and make due contributions to building an energy saving society.

The Group also actively facilitates energy saving and emission reduction for its customers and other sectors in the society. In particular, we have developed and adopted new energy saving technologies in our construction services, property management and logistics operations, effectively assisted our customers to realise construction and operation with low energy consumption, and thereby promoted energy saving and emission reduction in the society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HUMAN RESOURCES MANAGEMENT

Employment

The Group had an average of 97 thousand employees in 2016. Amongst our employees, 27% are aged 29 or below, 52% are aged 34 or below, and 70% are aged 39 or below. We are committed to ensuring equal employment opportunities and protecting the rights of female employees. Our employees are located primarily in the PRC with certain located in the other districts such as Africa and Southeast Asia. Our employees are divided into contract employees, dispatched employees, part-time employees and other employees.

As a state-owned enterprise, the Group plays an important role in stabilizing employment in our society by providing numerous job positions every year, which significantly contributes to attracting talents and resolving employment issue of graduates. As a leading service provider which provides telecommunications infrastructure services, business process outsourcing services and applications, content and other services to telecommunications operators, media operators, equipment manufacturers, government authorities and other business units nationwide, the Group is related to various enterprises in upstream and downstream sectors. As such, the Group not only offers a number of job positions, but also encourages the upstream and downstream enterprises to provide more job opportunities, which have significantly stabilised the employment in the society.

We have actively refined our employment structure in accordance with the relevant national labour management laws and regulations. The Group implements strict recruitment and employment policies and has not been involved in child or forced labour.

We consider our employees as an important resource, attach much importance to safeguarding their interests, offer competitive remuneration packages and pay the relevant insurance for our employees. We have established a corporate annuity mechanism. We have complied with applicable laws and regulations regarding dismissal, working hours and anti-discrimination, and our employees are entitled to national statutory holidays. We are committed to the career development of our employees and offer dual promotion paths for them – promotion for management functions and promotion for technical expertise. We implement a system that links our employees' remuneration and promotion to their work experience, capabilities and performance, which incentivises their proactivity.

In 2016, the Group promoted outstanding individuals and outstanding teams emerged during the reform and development, stimulated the advancement, innovation and commitment of all employees to better contribute to the development and expansion of the Group. The Group organised a campaign of finding "Best Comservice Staff". Finally, ten "Best Comservice Staff" and five nominees were awarded. The Group encouraged its employees to learn from the "Best Comservice Staff" and to contribute to the reform and development of the Group.

The Group proactively cares about its employees and provides diversified solutions to address their requests on their work and life. We equip our base level operational units with necessary production and living facilities, and continue to refine our poverty alleviation mechanism to help our employees with difficulties. In 2016, we resolved 1,079 issues and helped 1,529 employees in difficulties with relief funds of more than RMB4 million.



"Best Comservice Staff" Awards Ceremony



The Group proactively cares about its employees



Development and Training

We attach great importance to trainings and have established a three-tier training system covering the headquarters, provincial companies and professional companies. By leveraging the advantageous strengths of colleges and training centers under the Company, the Group strives to build a categorized and centralized training system with high efficiency so as to become a learning organization.

In 2016, the Group organized a training programme named “China Comservice Leaders Training Camp” with the participation of 99 management reserves from provincial companies. The virtue, leadership and execution capability of management reserves were further strengthened through the training programme.



“Comservice Craftsmanship” competition on construction skills

We actively promote our technology innovation and innovative activities for our employees. In 2016, our subsidiary, Jiangsu Post & Telecommunications Planning and Design Institute Co., Ltd., was honored as an excellent technology and innovation unit of the “12th Five-Year Plan”. “The China Telecommunications Network Technology Advisory and Innovation Team” of Guangdong Planning and Design Institute of Telecommunications Co., Ltd. was honored as an excellent technology and innovation team of the “12th Five-Year Plan” and 10 employees from the team were honored as outstanding individuals in technology innovation of China Telecom Group during the “12th Five-Year Plan”.

Each year, we conduct two-way exchanges between employees in the headquarters and the provincial companies, and hold periodic training seminars on leadership for the exchange employees and the management. We attach importance to the selection and recommendation of management reserves and have gradually built up an adequate and high quality team with diverse background and sound structure.

China Communications Services International Limited, our subsidiary, provides sufficient trainings and equal opportunities for career promotion for overseas employees to encourage self-development and value realization in the work. In 2016, the Group provided comprehensive trainings for more than 60 local employees in Zambia, including knowledge and skills on maintenance and installation of communications stations, construction and maintenance of communications cables and construction of equipment rooms.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING PRACTICES

Health and Safety

The Group is committed to safe production, consistently complies with the requirements of laws and regulations such as the PRC Labour Law, PRC Safe Production Law and PRC Fire Services Law as well as the requirements of the government, and has established a sound work safety management department and safety management rules. The Group conducts in-depth promotion, education and trainings on work safety, and enhances work safety awareness and consciousness of its employees. We have fully implemented a work safety accountability system and assigned such responsibilities to each position and every employee. We have also proactively improved work environment and adopted work protection and health care measures. In addition, the Group has intensified its efforts in work safety supervision and inspection, increased investment in work safety and rectified causes for potential incidents so as to secure a normal production order and, in turn, create a safe environment.

In 2016, the Group and all of its subsidiaries promoted the safety development and “Red Line” awareness and conducted a comprehensive governance on system improvement, team building, on-site management and fire control management so as to prevent and deter casualties. The Group actively improved its working environment and implemented safety measures and hygiene and health care tasks for its employees. In 2016, the Group did not experience any major work safety incident.

Supply Chain Management

We have formulated the relevant administrative rules on procurement in compliance with relevant laws and regulations such as the PRC Contract Law and the PRC Tender Law, strengthened the monitoring and control over key procedures of, among other things, contract execution, safety management, financial settlement, monitoring and supervision, and strictly implemented the admission, assessment and exit mechanisms for suppliers. Meanwhile, we conduct trainings on specific skills and safety education to personnel in the supply chain, manage safe production, and ensure that the remuneration payment and employment management of our suppliers comply with relevant national and local requirements.

The Group has considered businesses outsourcing as the key area of audit and supervision. We conduct review on supplier admission, tendering and bidding as well as outsourcing pricing by ways of, among other things, audit and credit verification, with a view to preventing illegal and non-compliant activities such as violation of the administration measures of the Company and interests conveyance.



The Group proactively provided employees with trainings on professional skills and safe production





Product Liability and Customers

The Group is always committed to providing high quality, efficient and safe informatization services for customers and contributing to the improvement of communications infrastructure and the protection of effective communications networks. The Group has complied with applicable laws and regulations in relation to product liability.

In 2016, the Group played an important role in the construction and maintenance of communications networks of G20 Hangzhou Summit and the Third World Internet Conference, and successfully implemented and accomplished all construction and maintenance missions.

Jiangsu Zhongbo Auction Company Limited, a subsidiary of the Group, strives to maximise values of disposed resources such as communications equipment, recycled and processed used circuit boards, batteries and loads of electronic waste in accordance with our operation philosophy of green recycling, social contribution and harmonious development.

The Group has participated in the disaster relief and telecommunications network restoration during and after major disasters and safety incidents to fulfil our corporate social responsibilities. We assisted in the repair of communications lines to ensure smooth communications network. Early in the morning on 15 September 2016, super typhoon Meranti, which was the 14th storm of the year, landed in Fujian and Zhejiang. Our subsidiaries in the regions responded rapidly and launched an emergency restoration plan to maintain the communications network. In the restoration plan, the Group's Zhejiang subsidiary arranged a total of 277 restoration teams, 3,411 person-times and 1,116 restoration vehicles/times. In addition, the subsidiary completed power generation of a total of 945 base stations/times, restoration of 62 broken rods and optical cables of 4,200 meters long as well as the welding of 23 optical cables with over 900 cores. Our restoration efforts fully reflected our corporate capabilities and spirits.



The Group proactively fulfilled its social responsibilities, and participated in the disaster relief and telecommunications network restoration

Anti-corruption

The Group consistently complies with laws and regulations, social integrity, commercial ethics and industrial standards. We have been devoted to safeguarding the interests of shareholders and creditors, protecting intellectual property and executing contracts in good faith. We honour commercial credibility and oppose improper competition with a view to preventing corruption in business activities.

We focus on strengthening anti-corruption and disciplinary education in various ways, such as seminars, training programmes and themed conferences to draw the awareness of our employees on relevant requirements. In addition, we reinforce our daily supervision by combined supervision efforts such as audit and monitoring, and strictly prevent activities such as bribery, blackmail, fraud and money laundering. The Company has established departments in charge of discipline, inspection and supervision at different levels. The Company also strengthened its supervision by hiring full-time and part-time employees and set up a smooth channel

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

for identifying and resolving existing problems in a timely manner. We have attached great importance to the establishment of an anti-corruption system. An accountability system was established to clearly define responsibilities while anti-corruption responsibility letters were signed with the relevant responsible parties. The Company will duly address relevant illegal and non-compliant activities according to the requirements of laws, disciplines and rules, with a view to safeguarding the normal operation of its businesses. During the year, we launched specific corporate governance activities on business of our management team and their relatives which are related to the Group, off-book accounts and construction procurement, which effectively eliminated potential risks and further optimised our prevention system in respect of bribery, blackmail, fraud and money laundering.

COMMUNITY PARTICIPATION

The Group has proactively assisted the government and society in resolving the employment issue and offered a large number of job opportunities to the public, and contributed to alleviating employment pressure. Whilst accelerating its own development, the Group is devoted to supporting social charity and proactively alleviate poverty by assisting those in need. It also actively participates in charity affairs in education, culture and sports.

In 2016, in response to the poverty alleviation commitment of the central government and the “targeted poverty alleviation” work plan of Hebei Province, we elected outstanding employees to participate in the poverty alleviation work at Shang Huang Hao Village, Bai Ma Town, Yi County, Baoding, Hebei Province. Leveraging on our strengths, we launched poverty alleviation projects in respect of infrastructure, education and business development in order to care the underprivileged in Yi County through effective poverty alleviation works.

The Group contributes to social safety with the help of informatization. The Group has focused on the product research and development and the launch of safe cities since 2009. We participated in the construction of risk prevention and control system at Tianshan District, Shuimogou District, Dabancheng District in Urumchi and more than 60 cities in Xinjiang. The system has effectively enhanced the overall crime prevention, control and response abilities of the districts and has been proven effective.

China Communications Services International Limited identified serious difficulties in daily living, drinking water and basic hygiene conditions of a secondary school during the construction in Rakhine, Myanmar. After understanding the situation through contacting the person-in-charge of school, our subsidiary donated over MMK3 million to build a water tower to resolve the drinking water problem.

In response to China’s “Belt and Road” Initiative and its strategy of “Establishment of Railway, Highway and Aviation Networks and Industrialization” in Africa, the Group actively captured the opportunities arising from the “China-Africa Partnership Program in Trans Africa Information Superhighway” Project. As a responsible Chinese enterprise, the Group has enhanced the image of Chinese enterprises and the influence of Chinese brands through promoting high quality construction and services for mutual development with Africa.



The Group proactively participated in poverty alleviation