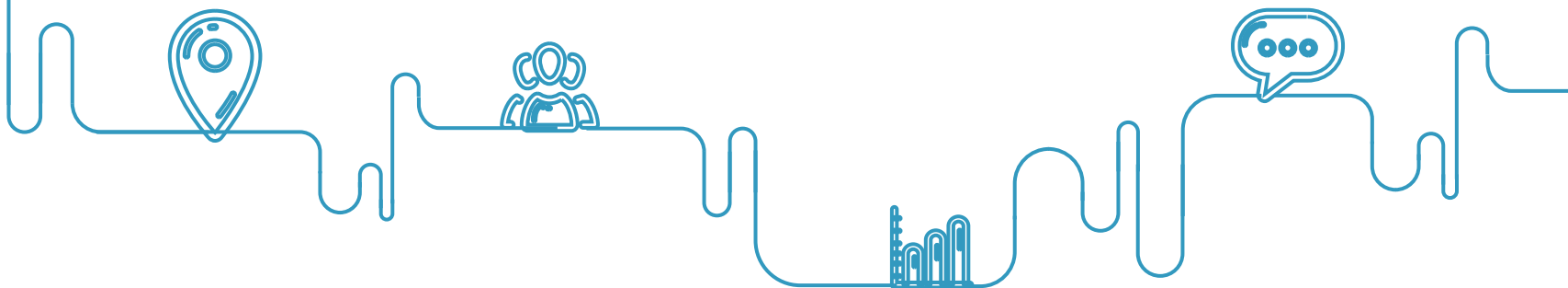
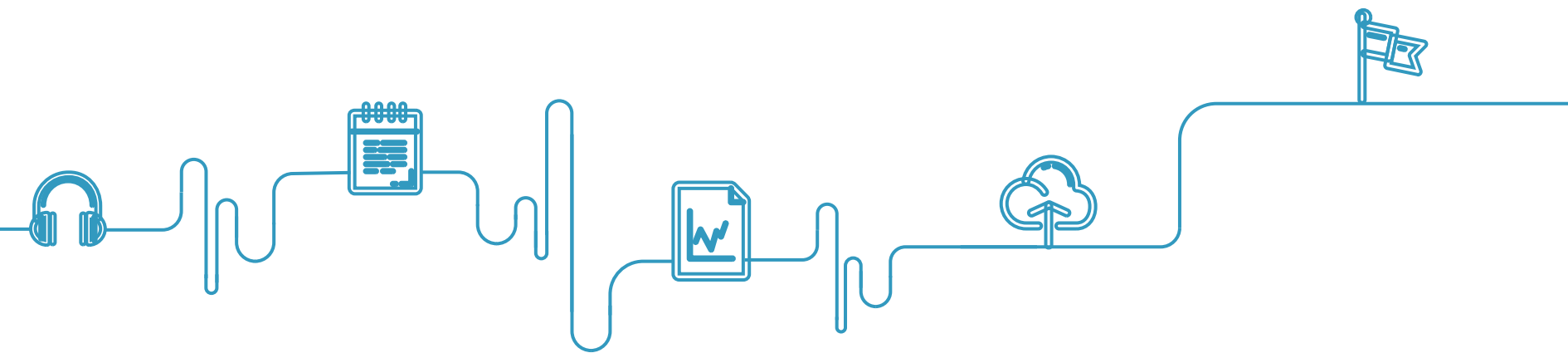


New DNA

DEVELOPING NEW FOUNDATION BY STRENGTHENING TRANSFORMATION

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NEW DNA: Developing new foundation by strengthening transformation

China Unicom vigorously cultivates and strengthens the new Internet DNA, embedding the superb culture and DNA of Internet companies into its development, so as to facilitate the Company's transformation to Internet-oriented mindset and staff capability enhancement, solidifying the foundation for the transformative development. The Company continuously enhances social responsibility awareness and capability, to practically safeguard the legal interests of employees, resulting in amiable and harmonious labour relations, and also enhancing staff satisfaction and sense of reward, thus achieving the mutual growth of both the employees and the Company.

Measures adopted in 2018

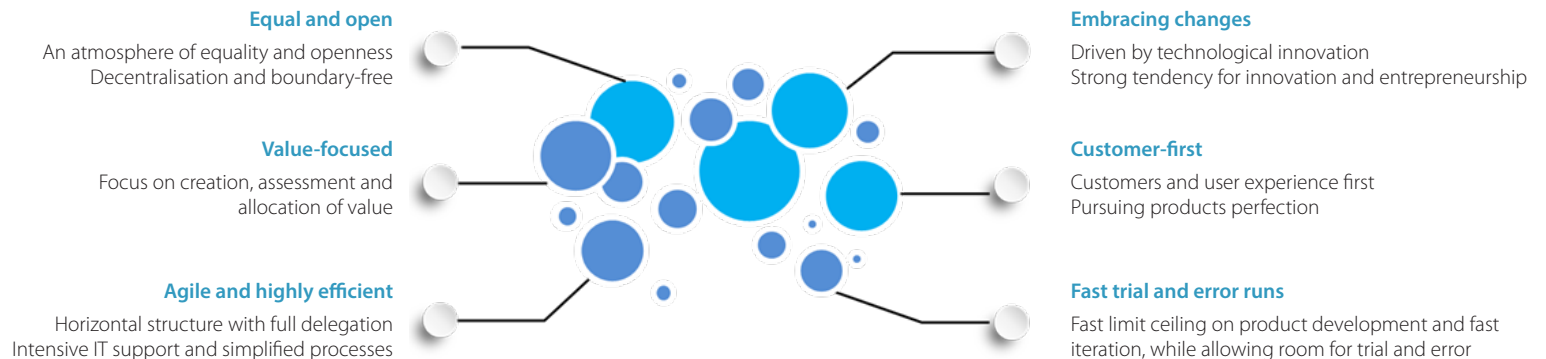
- Nearly 10,000 innovative talents were recruited to join the Company, while training in innovative ability was enhanced to inject high-calibre Internet DNA qualities to the Company.
- Staff promotion rate and salary-ranking promotion rate were 14% and 34%, respectively, for the whole Group.
- Development of the four-tier professional teams was strengthened with the appointment of 3 management talents, 216 experts, 3,540 backbone talents and 6,033 young and sharp talents.
- The Group's first granting of restrictive shares was completed.

Actions to be taken in 2019

- To further strengthen the development of training system with the provision of training in specialised abilities.
- To advance the development of the incentive resource allocation system based on value creation.
- To continue to push forward the comprehensive incentive system for implementation, while revitalising different incentive measures in order to stimulate staff vibrancy.

INJECTING SUPERB INTERNET DNA

China Unicom has further inherited and carried forward the four premium DNA of "patriotic, reform, openness and diversity", while rapidly internalising the superb DNA of Internet companies, namely equality and openness, value-focused, agile and highly efficient, embracing of changes, customer-first, and fast trial and error runs, with a view to strengthening the foundation for transformative development.



China Unicom's New Internet DNA

DEVELOPING NEW SYSTEM FOR TALENT SUPPLY

Development is China Unicom's prime mission, talents represent the prime resources for achieving development, while innovation provides the prime driving force. In ongoing improvement of the talent resources system, China Unicom has achieved higher efficiency on staff utilisation for the fundamental business and developed a special zone for talents for the innovative business, nurturing a large number of high-standard innovative teams. Moreover, strong effort have been made to develop loyal and committed high-calibre officers, amassing outstanding talents from various sources to train and promote outstanding young officers.

© Innovating and reforming the human resource system

Corporate strategies and requirements for Internet-oriented transformation were implemented. Innovative talents are separately managed, and the "418" talent programme for innovative regions was launched to intensively drive talent mechanism reform. Eight action plans were carried out in pursuit of the four working goals of "new mechanism, increment in volume, capability enhancement and efficient utilisation".

- The "new mechanism" is underpinned by the principle of "6 breakaways". Based on a business-driven and project-based operating mechanism supported by talent supply and incentives/restraints as the main approaches, a new mechanism of the special zone for talents in the innovative has been developed to facilitate "salary up and down", "staff in and out", and "post up and down".
- "Increment in volume" was achieved through 3 programmes, namely "U Graduates", "Elite Hunt" and "Flowing Water", whereby talents were sourced from recruitment of fresh graduates, head-hunting for high-end talents and mobility of existing staff. The headcount of innovative talents increased from 7,000 to 16,000.
- "Capability enhancement" was achieved through the establishment of an internal talent grooming mechanism and aptitude standards with the implementation of 3 programmes, namely "U Growth", "Engine" and "Accelerator", which help fresh graduates, current staff and business innovation personnel to enhance their IT technology and innovative capabilities. The Group organised 6 sessions of "demonstration classes" in connection with the 3 programmes with a total enrolment of 25,480, forming a system of taught courses as well as online learning resources.

- “Efficient utilisation” was achieved through the “co-creation programme”, under which talents were deployed on a project basis across different organisations to enhance the utilisation of medium- to high-end talents. The “sharing programme” was implemented to facilitate the sharing of knowledge precipitation and know-how experiences, in order to procure value creation for the talents. In 2018, there were 77,000 users in the talent community and more than 50 crowd funding projects.

© Emphasis on outstanding young officers selections

- Stringent standards are adopted with an emphasis on orientation. Focusing on sourcing and identifying outstanding young managers among grassroots frontline staff and seeking to promote outstanding young managers who are driven, competent and able to deliver.

- Improvements were made to the method of candidate nomination. A normalisation work group was set up to conduct survey on outstanding young managers, followed by the establishment of outstanding young manager teams at various levels for recommendation to superiors on a meritocratic basis. The nomination of candidates is conducted by way of a combination of vertical recommendation and horizontal recommendation, general survey and selected survey, as well as graded appraisal and direct appraisal, with a special emphasis on the identification of outstanding young management talents in daily appraisal, open selection and open recruitment.

- Sufficient supply was ensured through graded tracking. The Group Organisation Department tracks the development of outstanding young management talents aged under 45, with a special focus on those under 40 in the innovative segment. The organisational departments at various units track the development of outstanding young management talents aged under 35.

ESTABLISHING NEW INCENTIVE AND CONTROL MECHANISM

On the organisational level, coordinated growth of incentive resources and value creation is accomplished based on market-oriented allocation. On the individual level, coordinated growth of remuneration level and individual contributions to business results is accomplished based on differentiated allocation.

- Progress has been made in the normalised operation of the promotion and incentive regime. On Group level, the staff promotion rate and salary-ranking promotion rate for 2018 were 14% and 34%, respectively.

- The development of the four-tier professional teams has been enhanced, as four-tier talent succession teams comprising close to 10,000 people, including managers, experts, backbone officers and young talents, have been formed in 12 specialised segments, including Big IT, network maintenance and industry Internet, among others.

- Separate management of talents in innovative segments has been implemented, while deeply carrying out the mechanism reform for talents, with a view to providing effective support for the innovative business through the establishment and implementation of a dedicated incentive resource mechanism.

- The sub-division reform for all production scenarios has been advanced on all fronts with the establishment of a profit-sharing mechanism on incremental income for sub-division units, so as to facilitate the sharing of the outcome of reform by all talents. Remuneration for frontline staff has increased by 20% as a result.

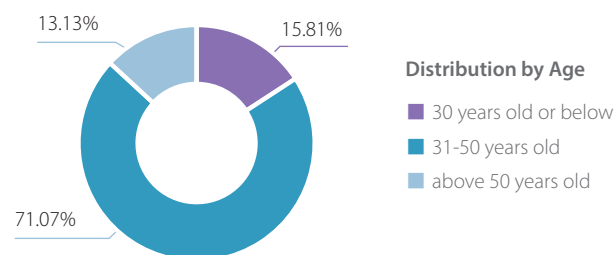
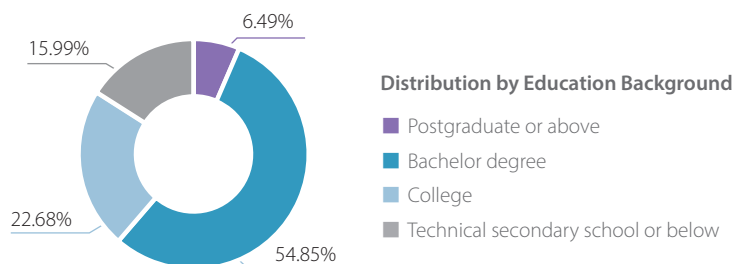
Group-level staff promotion rate **14%**, Salary-ranking promotion rate **34%**

3 management talents, **216** experts, **3,540** backbone talents and **6,033** young and sharp talents were appointed

China Unicom Nanning in Guangxi province developed a multi-level, extensive sustainable talent value and honour scoring system which incentivise by awarding primarily honours and, to a lesser extent, materialistic rewards. With the dual scoring system to foster a passionate atmosphere and providing assurance through the system, it enabled China Unicom Nanning to further identify, nurture and retain talents, as well as to energise the teams and stimulate staff motivation, as well as creativity.

SUPPORTING SUSTAINABLE DEVELOPMENT FOR STAFF

DNA is a key determinant for success and the key factor of DNA is people. In firm adherence to the belief that “strong personnel and superb DNA thrive the enterprise”, China Unicom is committed to strengthening the key factor, which is people. Human resources represent the primary resources of the Company and the source of the power driving the Company’s healthy development. Continued efforts are made to concerning staff development and enhancing staff satisfaction, so as to create a harmonious working atmosphere. The Company genuinely cares for the staff and the staff is committed to the Company’s development.



Employees (person)	Employees newly recruited (person)	Gender Distribution (Male/Female)	Proportion of ethnic minority employees (%)	Turnover rate (%)
260,964	10,869	1.50 : 1	6.77	2.16

Note: Employees include mainly in-service employees and personnel under labour dispatch arrangements

China Unicom Employee Demographics

Protection of basic employees' rights

Employment in strict compliance with laws

- In strict implementation of pertinent provisions of the "Labour Contract Law", the Company signs labour contracts with 100% of the employees and protects staff rights for rest and leaves by implementing a paid leave system. Employees are provided with pension, medical care, compensation for work-related injury, and maternity and unemployment insurances, while an enterprise annuity fund has been set up for employees on a voluntary basis. Coverage of annual physical examination is offered for all employees, as is job retention after maternity leave/paternity leave.
- The Company places a strong emphasis to safeguard human rights and respect for personal privacy. Discrimination of age, ethnicity and gender toward employees during recruitment and promotion is prohibited. Child labour and forced labour are strictly forbidden. An employee rights protection mechanism has been established to ensure a smooth channel for staff complaints. No alleged discrimination cases were reported in 2018.
- The Company strictly complies with the "Interim Provisions on Labour Dispatch" and continuously promotes labour optimisation and standardised management. The policy of equal pay for equal work has been implemented in accordance with national requirements, resulting in a rising level of employee satisfaction.

Rights and interests protection system

- To foster harmony in labour relations, branch companies at all levels have established a tripartite democratic management system to open up channels for staff to voice their reasonable requests. Labour dispute mediation groups are formed at all levels throughout the Group. A labour relations consultation committee is set up under the Group Trade Union to conduct research on collective contracts, labour dispute mediation and services for staff so as to protect the lawful interests of staff.
- All 31 provincial branches of China Unicom have comprehensively implemented provisions on collective contracts, while 11 of them have additionally entered specialised agreement under "collective contract for protection of female employees" and "collective contract for wage negotiation" to protect the lawful interests of staff.

Occupational health and safety protection

Safe production represents a top priority for China Unicom. In rigorous implementation of the "Production Safety Law of the People's Republic of China" and other relevant laws and regulations, production safety inspection is conducted at all levels on a regular basis to meet the view of "specific checks based on past lessons, focused checks on important aspects, and in-depth checks on issues identified". Rectification is facilitated through inspection and remedies are carried out as and when problems are identified. The safe production accountability system and relevant supervision and appraisal has been enhanced, while preliminary proposal management and emergency response action has been deeply integrated with production operations. Emergency drills have been strengthened to improve the capability to respond to emergency as a preemptive move. A campaign known as "Snapshot on hidden danger in the surrounding" to enhance safety awareness is launched for staff to spot and check on potential hazards and risks. Remedial measures on safety hazards have been conducted to create a sound environment of safe production.

Safe production training: **40** sessions

Coverage rate of safe production training:

100%



A fire drill conducted at China Unicom Shandong to train staff in emergency response while enhancing fire safety awareness and promoting skills to escape fire.

Enhancing staff quality and capability

Ongoing education and training

- Efforts have been made to drive the development of training course materials. The Company offered long-term training with a special focus on network technologies through the provision of 107 classroom or online courses over 325 learning hours. 80 business related courses were organised focusing on Internet-oriented transformation, innovative businesses and new staff induction.
- Innovative training methods are implemented through organising "O2O learning classes" for all product managers in the Group. The tripartite online learning platform comprising the Network College, "WO Academy" and "WeChat Academy", with focus in the Company's key businesses and operations, launched 10 sessions of online learning programmes and registered a total enrolment of 28,000. The online live broadcast recorded over 30,000 views, while the subscriber version of "WeChat Academy" on WeChat saw 103,000 followers registered.

- A series of “Frontline Talent Fulfillment” staff skill contests were launched. In 2018, 4 group-level contests, including Big Data Innovation, e-Commerce, Cybersecurity and B Field Innovative Development (Ladder to the Heavenly Palace), and 22 provincial contests were organised. A total of 210,000 staff participated in different skill and labour contests throughout the Group.

- Continuous and increased efforts to develop a more institutionalised, structured and standardised system for education and training, while providing targeted training in specialised skills for key groups such as managers, outstanding young management talents, specialists and mini CEOs.

11,527 online courses were held

Enrolments in online learning platforms exceeded **11.25** million

◎ Managers at various levels

17 sessions of leadership training classes were organised with a cumulative enrolment of more than 1,500 attendees; utilising the “One School, Five Institutes” premium external training resources to select senior management officers and professional core employees over 25 times.

◎ Outstanding young management talents

Two sessions of advance learning classes were organised in the Spring and Fall terms, with 88 potential outstanding management talents being selected for medium- to long-term study with study leaves.

◎ Professional sequence staff and strategic talents

164 training classes on specialised skills learning were organised with a special focus on professional sequence staff, cultivating 23,547 attendees for core backbone talents. The “U Growth Programme”, “Engine Programme” and “Accelerator Programme” were orderly rolled out, and 6 sessions of Group-level training were completed with an enrolment of 25,480 attendees.

◎ Training in new technologies and new businesses

80 courses on subjects such as Big Data, AI and Blockchain were launched on the online school, with a total enrolment of 2 million from the Group participated in the learning. 72 training sessions targeting key groups and professional on innovative ability were held focusing on innovative business and Internet operation, and Big IT; and 4 sessions of 5G technical training were organised as part of the 5G deployment, so as to form a professional 5G wireless team comprising more than 100 staff deployed across the country.

◎ Building of the internal job position accreditation regime

Internal accreditations for three positions, namely retail specialist, smart home engineer and market auditor, were launched, while the publication of the “Guide for the Development of China Unicom “Smart Home Engineer” Training and Accreditation Regime” was released as a compilation of graded job position accreditation standards and training course outlines by expertise in relevant disciplines, resulting to the development of 73 accredited online courses and train-up of 80 lecturers and 120 appraisers.



China Unicom Tianjin organised contests based on servicing skills and industry Internet skills, which served as practical platforms for interaction and sharing with a competing atmosphere underpinned by comparison, learning, catching-up, mutual aid and the desire to exceed. Through these contests, the aim of enhancing learning, production and harmony through competition were achieved.

◎ Encouraging staff participation in management

China Unicom has full respect for staff rights in information, participation and supervision and places a strong emphasis on staff participation in corporate management. Staff participation in corporate decisions not only enhances employees’ autonomy and initiative, but also contributes to more scientific decision-making, thereby fostering a positive atmosphere for the mutual development and progress of the Company and the staff.

The Group has established an operating mechanism for the periods when the general meeting of staff representatives is not in session to inspect and procure the rigorous implementation of the resolutions of the general meeting of staff representatives of the Group by relevant units and departments. The e-platform for staff representative proposals has provided a closed-loop mechanism for handling staff representative proposals and other reasonable staff requests. In 2018, 15 provincial branches departed from the customary practice of holding general meetings of staff representatives only at the beginning or the close of the year and convened more than 2 meetings in a year, resulting in a notably higher frequency of general meetings of staff representatives compared to previous years.

The “Corporate Affair Open Public Forum” of China Unicom has facilitated mutual understanding and support between the management and staff. The provincial branches have established a system to normalise the corporate affair open public forum, holding 381 briefings to inform staff on important matters such as the achievement of periodic business goals, appointment and removal of officers, procurement tenders, staff benefits and others.

523 general meetings of staff representatives convened

1,295 items of matters involving staff interests heard and considered

China Unicom Shandong encouraged full staff participation in management. Through organising “Massive Reflection and Deliberation” as an opportunity for service quality upgrade initiative, staff of all positions participated actively in the initiative to make suggestions. During the event, a total of 406 suggestions for improvements were collected and 117 of them were adopted, involving system support, service processes and standards, and other areas.

In 2018, the Group's General Manager, together with general managers of relevant departments from the headquarters, met twice with all the Group staff to interactively discuss sub-division reform for all production scenarios, Internet-oriented transformation and other topics. The number of online participants reached 23,000 at peak. General Manager's online activity system was introduced in 21 provincial branches. Actions were taken to manage staff requests in a timely manner which enhanced staff recognition and support for corporate reforms.

447 “Online Meeting with General Manager” sessions held, reaching out to **172,000** employees

10,463 staff queries raised, of which **4,653** were given instant response by the General Manager



General Manager of China Unicom responded to staff queries during the “Online Meeting with General Manager” session under the “Group CEO Vs Mini CEOs” initiative.

China Unicom Beijing branch focused its “Online Meeting with General Manager” activity on topics relating to reform development such as staff benefits and remuneration, among discussion on other general issues, to address topics which employees were most concerned. A specialised human resources event was also organised. China Unicom Shanxi branch launched special programmes in connection with sub-division reform for all production scenarios with a special emphasis on the provision of valuable references for reform, bringing into full play the positive effects of two-way communications on fostering unity and solidarity. In addition to live interaction, China Unicom Heilongjiang and China Unicom Fujian branches further provided a 7*24-hour general manager's letter box for employees' queries and reviewing the comments received from time to time, in order to handle staff demands on a real-time basis.



Care for the well-being of staff

In adherence to the principle of serving our staff, close communication and care are the keys to show concerns and make efforts to resolve the most practical issues directly affecting the employees. Initiatives such as leisure and tournament activities, improvements in workplace conditions and care for staff healthcare have resolved the practical difficulties of staff and warmed the hearts of employees.

Comprehensive employee services system

- A system of summer and winter break daycare groups was built for the employees, in which 220 daycare groups was established and nearly 7,000 children benefited from the care.
- Improvements were made to the workplace conditions for junior staff, while a construction fund of RMB53.19 million was committed to “Five Small” construction across 17 provinces. The conversion of 4,228 junior units was completed.
- Attention is paid to the special needs of female workers through hosting talks and forums on female workers' rights and the Marriage Law, as well as applying health insurance for female workers and promoting special services such as breastfeeding and exclusive car parking for pregnant staff. Collective contracts for female workers have been signed to standardise and institutionalise female workers' rights.
- Exploring the development of an exchange caring programme to concern for employees who work in foreign locations, showing care for overseas employees on work and personal life and to provide timely assistance.

© Rich variety of cultural and recreational activities

China Unicom is actively engaged in promoting culture and health among grassroots staff. Taking actual conditions into account, each branch company encourages grassroots staff to take part in various cultural, artistic and sporting activities based on personal interests and preferences. Such activities are very much welcomed and loved by grassroots staff and have greatly enhanced employees' sense of belonging, honour and reward and staff morale, to the benefit of development in corporate culture.

China Unicom offers strong support to the promotion of the Ping Pong (table tennis) culture and the inheritance of the spirit of this national game. Strategic partnerships with Chinese Table Tennis Association and International Table Tennis Federation have carried on through four Olympic cycles. "Table Tennis at WO" tournament continued to be organised in 2018, featuring teenager divisions and table tennis culture promotional activities, setting a good example in the encouragement of universal participation in sports.



National Finals of 6th China Unicom Table Tennis Challenge



Mr. Zhang Xielin, former head coach of China's National Women's Table Tennis Team, supported to train the young players.



China Unicom Software Research Institute hosted a speech contest: "Growing with Reform"



China Unicom Guangdong Staff Sports Meet



China Unicom Shandong Outward bound training



China Unicom Tianjin Fun Sports Meet

© Care for staff health and development

China Unicom highly concerns about the development of staff health. In 2018, the Company continued to commit to staff assistance programmes and improvements to the medical protection system, aiming to enhance the sense of reward and happiness for the staff.

The Company implements an EAP aid programme on an ongoing basis, not only making continuous efforts to enhance the promotion and education of psychological health, evaluating on training, and providing platform for consultation and counselling, but also enhancing to build a professional psychological consultation team. Currently, the Group has 300 certified EAP consultants and psychological counsellors, and psychological counselling services have been rolled out extensively. In 2018, more than 40,000 individual psychological consultation sessions were conducted.

In addition to providing various staff health insurances, the branch companies also further explored on more comprehensive medical protection solutions.

China Unicom Fujian developed and commenced the operation of a "health appointment" platform, covering all grassroots staff in the province, developing a green channel to solve difficulties faced by grassroots staff who want to seek specialist consultation at "major hospitals". The trade union also engaged well-known medical experts to provide consultation visits, enquiry services and medical check-ups in community campaigns.

China Unicom Heilongjiang started the first "Staff Health Cottage" in the province to provide numerous free services to staff, offering free health checks and large-scale medical aid campaigns targeted mainly at staff of grassroots level units.

China Unicom Yunnan organised rehabilitation activities for frontline staff of branch companies in the border regions and Tibetan regions.

China Unicom Zhejiang organized staff rehabilitation for more than 3,000 frontline employees, including over 1,700 contract or dispatch workers. The initiative enhanced corporate solidarity and was widely praised by the employees.



China Unicom has purchased critical illness insurance for staff. For the year, 6,016 claims with a total amount of RMB41.48 million were paid through critical illness insurance and the staff mutual aid fund. Staff sense of belonging has been notably strengthened as a result.

China Unicom opened files for 5,245 employees who were subject to various difficulties to procure real-time information of their problems, so that assistance plans were drawn up and put under dynamic management to make sure no single employee was left out.

RMB30.22 million in contributions to staff aid

RMB28.53 million in contribution to consolation fund