

# Code of Conducts and Ethics for Employees of China Telecom Corporation Limited

## Foreword

As a Chinese telecom operator with the world's largest wireline telephone network, we are committed to the ultimate goal of establishing a globally leading telecom group via transformation from traditional fundamental network operator to modern integrated information service provider. To this end, China Telecom is determined to uphold the service mission of "Customer First, Service Foremost" and the core corporate value of "All-rounded Innovation, in present of truth and pragmatism, people-oriented, and creation of shared values", in an effort to expand the scale of China Telecom and forge the unique core competitive strengths of customer first, excellent operation, efficient resource utilization and innovative leadership.

At present, confronted with ever-changing market environment and fiercer competition for telecommunications enterprises, we must follow the local regulatory codes and local culture norms. Therefore, the vital basis of our sustainable and healthy growth is our commitment to the highest level of ethical standards, compliance with law, pursuit of maximum investor interests, to develop the corporate values with customers, shareholders, employees and the society altogether, and to share information civilization in sync with the rest of the world.

The employees are the foundation of corporate growth, as they shoulder all tasks of a company, as such the quality of employees determines corporate competitiveness, and the employee culture forges the corporate image. At present, China Telecom is confronted with the challenge to transform employees' concepts, enhance employees' qualities and develop employees' potential. China Telecom will adhere to and deepen the system reform in competitive recruitment, performance evaluation, compensation and incentive, education and training, occupational development, and conduct integrated evaluation of employees in light of ethics, skills, diligence, performance and probity, fairly and objectively select talents and implement incentives, awards and penalties, and provide each employee with career opportunity for occupational training, position competition and promotion in a fair manner.

China Telecom has forged a set of profound and unique philosophies in years of business operation, on which we define the Code of Conduct and Ethics of China Telecom Corporation Limited (the "Code"). The subsidiaries are required to actively enforce and promote the Code among employees to ensure that employees know and ingrained in the Code. Only when the corporate mission is ingrained in each employee can they gain full understanding of the corporate value the Company pursues, be self disciplined and innovative, thread the corporate value into the daily work as required by the Company, and grow up and improve together with the Company. Each employee shall be fully aware of their respective duties, and voluntarily adhere to the ethical standard herein in his daily work.

The steady growth of China Telecom relies on the support of people-oriented strategy, relying on, caring for and incentivizing employees..

Wang Xiaochu

Chairman of China Telecom Corporation Limited

## **Section 1 Background**

**Article 1** This Code is hereby promulgated to safeguard the interests of China Telecom Corporation Limited and its shareholders, forge a good corporate image and a harmonious corporate culture, regulate the routine occupational behaviors of the employees of China Telecom Corporation Limited and the subsidiaries in accordance with applicable laws, regulations and the Articles of Association of China Telecom Corporation Limited (the “Articles of Association”).

## **Section 2 Applicable Scope and Objective**

**Article 2** This Code applies to all employees of China Telecom Corporation Limited, provincial subsidiaries, China Telecom Group Yellow Page Information Co., Ltd., their subsidiaries and branches (unless otherwise stipulated, collectively the “Company”), and other personnel engaged in work for external parties in the name of the Company (collectively the “Employees”).

**Article 3** “Subsidiary” hereunder shall have the meaning defined in The Listing Rules of The Stock Exchange of Hong Kong Limited.

**Article 4** For employees who are “Senior Officers” as defined under Code of Ethics for Senior Management Officers of China Telecom Corporation Limited (the “Senior Officer Code”), and in case of any discrepancy between this Code and Senior Officer Code, the Senior Officer Code shall prevail. For issues covered hereunder but not in the Senior Officer Code, this Code shall apply to the appropriate object and matters in accordance with the actual situation.

**Article 5** The goals of this Code are as follows:

- (1) to encourage compliance with the laws and the rules and regulations, together with the Company’s regulations,;
- (2) to encourage honest and moral behaviors;
- (3) to encourage complete, true, accurate and timely disclosures of information;
- (4) to prevent misconduct during execution of duties;
- (5) to promptly identify or report any violation of the code of ethics; and
- (6) to enforce the relevant regulations and obligations on professional conducts.

## **Section 3      Integrity**

**Article 6** Integrity is the fundamental principle upheld by the Company in its relationship with customers, shareholders as well as the society and other external interest groups, as well as handling its relationship with employees and employee-employee relationship.

**Article 7** The employees shall be act in good faith and with integrity, and shall not act deceitfully or in contravention of the principle of good faith and integrity.

**Article 8** Each employee shall:

- (1) act pragmatically in good faith and with integrity;
- (2) abide by the applicable regulatory policies, laws, regulations, administrative rules, accounting standards and relevant rules of the Company;
- (3) be conscientious, diligent, dutiful in his/her position and innovative;
- (4) adhere to the commercial interest and professional ethics of the Company and act in the Company's interests.

**Article 9** The obligation of the employees to maintain integrity and act in good faith shall not come into an end upon the termination of the Employment. The duration of such obligation shall be determined by the Company in the principle of fairness and in light of the actual situation.

## **Section 4      Fairness**

**Article 10** Employees shall treat customers, suppliers, competitors and other employees of the Company fairly.

**Article 11** Employees are prohibited from unlawful or unethical behavior in carrying out their duties and shall not obtain any corporate or personal gains via unscrupulous means. The employees should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practices. The "gain" hereunder refers to any direct or indirect benefits for the Company, the employee or any other person, including any potential benefits.

## **Section 5      Compliance with the Law**

**Article 12** Employees are obligated to abide by current policies, laws, regulations and other regulatory disciplines of the Peoples' Republic of China, the jurisdictions where China Telecom Corporation Limited is either listed, is incorporated and operates; abide by the Articles of Association of the Company and perform duties as per current rules of the Company in force from time to time.

## **Section 6 Principle of Conflicts of Interests**

**Article 13** The business decisions and behaviors of the Company shall be based on the best interests of the Company and its shareholders instead of the personal considerations of employees. In case of any conflict of interests between the employees and their duties, the employee shall make independent and correct business judgment in the best interests of the Company and its shareholders.

**Article 14** The “conflict of interests” hereunder refers to any actual or potential conflict between an individual’s personal interests and the Company’s interests, or between an individual’s personal interests and obligations, including but not limited to:

- (1) any action taken by, or any interest of the employee that may directly or indirectly impair him or her in performing his or her duties objectively and effectively and efficient performance of duties;
- (2) any inappropriate personal benefits obtained by the employees or his or her family as a result of the employees position in the Company.

**Article 15** Employees shall not:

- (1) bribe or receive bribe or other unlawful income by virtue of his or her position and power in the Company;
- (2) obtain unlawful or improper benefits for himself or herself, or his or her family members or other persons as a result of his or her position and power in the Company;
- (3) seize or cause others to seize business opportunities of the Company by taking unfair advantage of his or her position or power in the Company or resources of the Company, unless the Company is aware of such opportunity and has expressly given it up in writing;
- (4) seeking personal benefits in any manner through utilising corporate resources;
- (5) engage in, either independently or jointly with or work for any other person, business that competes with the Company;
- (6) establish or maintain any direct or indirect consulting, advisor or employment relationship with any competitor of the Company;
- (7) engage in any other activity that may jeopardise the interests of the

Company.

**Article 16** The employees shall follow the rules below in handling any conflict

of interests:

- (1) abide by the Articles of Association and the various rules of the Company, perform his or her duties conscientiously, avoid any conflicts of interest, safeguard the best interests of the Company and shareholders;
- (2) promptly report to same-level corporate supervisory department or other departments with similar supervision function (collectively “Supervisory Department”) if there is any actual or potential conflict of interests in performing his or her duties.

**Article 17** The following situations are material conflicts of interest. Any involved employee shall report to the Supervisory Department within five business days after he or she becomes aware of the occurrence of the followings:

- (1) the employee holds majority equity capital or other investor equity in any customer, supplier or competitor of the Company;
- (2) in any consulting, advisor or employment relationship with any customer, supplier or competitor of the Company;
- (3) receive any major benefits from any company having existing or potential business relationship with the Company;
- (4) engage in important business activities that occupy and disperse the time or energy commitment to the duties in the Company, and are independent from the interests of the Company;
- (5) assume any position in charge of supervision, examination, performance evaluation, compensation and benefits of any of his or her immediate family members or in any other manner;
- (6) through him or her, any other Company that becomes one of the Company’s Connected Persons (as described in the Listing Rules of The Stock Exchange of Hong Kong Limited), in his or her reasonable expectation that the Connected Persons will have business relationship or transaction with the Company.

**Article 18** Any situation above in connection with any of immediate family member of the employees of the Company shall be treated in the same manner as a conflict of interest in connection with any employee.

## **Section 7 Relationships between Employees and Stakeholders**

**Article 19** Relationships with customers:

- (1) Uphold the service philosophy of “Customer First, Service Foremost”, strive to

quickly respond to customer demands, honor promises, provide excellent services to customers, protect customer communication confidentiality and freedom in accordance with the law; truthfully inform the customers of any information about services and products of the Company in the principle of integrity in compliance with Sections 8 and 9 hereunder, and disclose no misleading, severely incomplete or false information to customers;

- (2) Fairly and honestly treat customers; all other factors being equal, each employee shall fairly treat all customers, fully respect customer's freedom of choice in purchasing of services or products, and shall not impose any term that places unfair obligations on or unbalanced business terms to or terms that are against the intention of the Company through agreements or any other means; It is prohibited to act in violation of the current laws and regulations on customer interests protection, anti fraud and bribery, anti unscrupulous competition and anti monopoly;
- (3) Cautiously handle arrangements for sales-related commission, discount, credit and allowance in the marketing process to ensure that they are legal, reasonable and within proper range; when providing sponsorship, gift, entertainment and business treatment to customers, they must be in the legal interest of the Company and controlled such provision so that they are within the legal, reasonable and within proper range. It is prohibited to build up customer relationships by way of bribing, discounts by the way of unauthorized refunds, other illegal means or other means jeopardise to the Company.

**Article 20** Relationships with suppliers:

- (1) The employees shall treat the suppliers fairly and select suppliers via fair competition or bidding, and make comprehensive, independent, objective and fair consideration of the supplier qualification, product or service quality, service reputation, quotation and after-sales services by way of tender process or other fair/reasonable means in light of the current rules of the Company;
- (2) Employees shall follow the rules below in business relationships with suppliers on behalf of the Company:
  1. Abide by the provisions in Section 5 hereof; prohibited from acting in contrary to any unscrupulous competition or any behavior violating anti monopoly/corruption/bribing regulations;
  2. Voluntarily protect legal interests of the Company, and receive no bribe, discounts by way of unauthorized refunds, or any other material benefits provided by a supplier that may prejudice independent business judgment of employees;
  3. Adhere to the corporate culture, while respecting the corporate culture of the supplier, treat suppliers and business representatives in generally accepted business etiquette, and keep confidential any trade secrets or other confidential information of the supplier as mutually agreed and legally regulated.

**Article 21** Relationships with competitors:

- (1) In market competition, the Company is committed to cooperation for mutual benefits

in pursuit of a fair, orderly and efficient market competition regime. The Company, upholding the principle of governances and operation and in accordance with the legal requirements prohibits employees from violating current laws and regulations about anti unscrupulous competition and anti monopoly in carrying out their duties, and prohibits employees from artificial impediment, interference and impairment of network interconnection and interaction using unscrupulous means against applicable laws and regulations. In particular, any employee, upon becoming aware of any violation or potential violation of current laws and regulations in relation to anti unscrupulous competition and anti monopoly laws and regulations by the Company or its competitors, shall immediately report to the Supervisory Department, Legal Department or other functional departments;

- (2) In the marketing process, employees shall develop the market through the Company's service, product and brand, and employees are prohibited from competing through any unscrupulous competition means such as exaggeration or distortion of facts, imputing competing product quality, service quality, financial conditions and business reputation of competitors;
- (3) In performing market research, employees shall only gain information of competitor's products, services and marketing strategies through legitimate sources, and is prohibited from gaining any trade secrets or other confidential information of any competitor through illegal or improper sources;
- (4) Be extremely cautious in negotiation with competitors; in principle, any employee shall withdraw from any discussion of any topic that may constitute monopoly, limitation of competition or unscrupulous competition behaviors, and immediately notify the legal or other departments of the Company.

**Article 22** Relationships with regulatory authorities:

- (1) Abide by the lawful administration of the telecom market by regulatory authorities, and maintain close communication with the government to help safeguard the legitimate interests of the Company;
- (2) In respect of the relationship with regulatory authorities or officers, the employees shall take due consideration of the anti-corrupt rules governing the government officers, and such dealings shall be legal, and it is prohibited to offer any benefits to regulatory officers that may impair his or her fair judgment. It is prohibited to bribe, either directly or indirectly, any regulatory officer in the name of the Company, or act in violation of the spirit of anti-corruption/bribe regulations, or violating policies, laws, regulations and administrative rules about part-time job in companies that govern civil servants;
- (3) When providing telecom services to the government, in addition to the requirements in article 19 hereof about customer relationship, policies, laws, regulations and administrative rules about anti-corruption/bribe, government procurement, bid invitation and bidding must also be followed;
- (4) Ensure that all forms of disclosure to the government are true, complete, accurate and timely, which include documents such as reports, applications, certificates and declarations; promptly communicate with the department of the Company

responsible for the preparation of such information; if there is any misleading information, material omission, material mistakes, significant misunderstanding or other error in any information furnished to the government, and inform the department of the Company responsible for disclosures so that it can be immediately corrected and an amended disclosure can be provided to the government.

**Article 23** Relationships with other employees:

Employees shall respect the dignity, religious belief and personal privacy of others, and are prohibited from harassing others in any manner, and any behavior resulting in a threatening or hostile working environment.

Every employee shall devote to teamwork and develop an awareness of the overall situation, forge the conscientiousness of joint creation and development, be open-minded in sharing knowledge, experience and the joy of success with others, and try to excel over the average team level in terms of personal competence and contribution.

## **Section 8 Principles of Disclosures**

**Article 24** Any public disclosure of the Company shall be subject to centralised arrangement by the relevant department, without the consent of which no employee is allowed to make any public disclosure or disclose any non-public corporate information, or publicly disclose or publish any personal comment on and opinion about the Company in his or her capacity as an employee of the Company or in the name of the Company.

**Article 25** All financial statements, accounting records, business analysis report, research report and other documents prepared by the Company shall accurately and clearly reflect the facts objectively.

**Article 26** Employees shall be acquainted with and abide by the disclosure policies of the Company, and ensure all documents submitted to regulatory authorities and publicity disclosed are in compliance with all applicable regulatory policies, laws, regulations and administrative rules in all material aspects.

**Article 27** The employees who in charge of or any documents submitted to regulatory authorities, or public disclosure of corporate business, financial, performance and forecast information, shall work with the relevant employees to thoroughly examine and analyse the information to be disclosed in terms of its truthfulness, accuracy and completeness to ensure the true, complete, accurate and prompt disclosure.

**Article 28** Employees shall also follow the rules below regarding information disclosure:

- (1) Be familiar with the applicable information disclosure requirements of the Company;
- (2) Prohibited from disclosing either knowingly or should have otherwise known to be, either by himself or herself or causing any other party, information which is misleading, significantly incomplete or false information to internal or outside persons (e.g., independent auditor, regulatory authority and media).



## **Section 9 Confidentiality Obligations**

**Article 29** The employees shall not disclose any confidential information of the Company, or confidential to the Company's customers or potential customers as a result of carrying out their duties or obtained through other sources.

When required for disclosure by applicable laws, regulations or regulatory authorities, or the information is disclosed with the consent of the party authorized to disclose such information or where such confidentially information has become publicly known or can be publicly obtained, the employees of the Company are relieved from the confidential obligation as set out above.

As aforesaid, any disclosure of confidential information of the Company shall comply with the provisions set out in Section 8.

Confidential information refers to confidential, proprietary or secret information that, once publicly disclosed, will be beneficial to competitors of the Company, or will harm the Company interests, or the Company's customers or potential customers.

**Article 30** The confidentiality obligation of employees shall persist a certain period even after the resignation of any employee, the length of the term of which depends on actual situation as determined by the Company under the principle of fairness.

## **Section 10 Protection and Utilization of Corporate Property**

**Article 31** Every employee is required to properly protect and use the property of the Company, and is obligated to abide by safety regulations in the work place, protect the property of the Company for reasonable and effective utilization for legitimate business purpose, and avoid any damage, mis-use, appropriation, personal use or abuse of the property of the Company in any manner. Corporate property refers to any tangible assets, intangible assets, trade secrets or other proprietary information, and favourable business opportunities legally owned by the Company and can be exploited by the Company.

## **Section 11 Conservation and Environment Protection**

**Article 32** Employees shall adhere to the principle of diligence and conservation, and shall not be extravagant wasteful or participate in luxury entertainment. Employees shall be subject to strict budget controls, and should conserve stringent resources in performing his or her duties and activities.

**Article 33** Employees are obligated to abide by environment protection policies, laws, regulations and rules in performing their duties and shall minimize the discharge of harmful substance as legally required and to minimize the environmental impact of the Company's activities to the maximum extent.

## **Section 12 Reporting and Liability**

**Article 34** Unless, upon becoming aware of a violation or potential violation of this code, may report to the same-level Supervisory Department. Upon investigation and a finding that this has been an actual violation of this Code, the Supervisory Department shall report to the management of the Company to take proper preventive and punitive measures.

In case of any violation or potential violation of this Code by general manager, vice general manager and similar senior executives of the management of non-legal person branches (collectively “Management Member”, which should be similarly applied to the legal person entity), any employee may report to the Supervisory Department of the corporate level above, which shall report to the management of the corporate level above for settlement in the manner as set out above.

In case the management of the legal-person entities violates this Code, any employee may report to same-level Supervisory Committee or supervisor, who shall report to the same-level Board of Directors for settlement as set out above.

**Article 35** Any Management Member or Directors as stakeholders who has a conflict of interest in the decision-making on the relevant issues shall be abstain from such decision-making process.

**Article 36** It is prohibited to retaliate against any reporting employee.

## **Section 13 Modification, Interpretation, Supervision and Effectiveness of the Code**

**Article 37** This Code is a document that set out the principles of the ethics codes that are applicable to the standard of professional conduct of Employees. The ethical behaviors of Employees are also governed by applicable government policies, laws, regulations, administrative rules, Articles of Association, and other current internal rules.

**Article 38** The Board and the management of the Company shall supervise the enforcement of this Code as stipulated hereunder.

**Article 39** The Board of Directors of China Telecom Corporation Limited is responsible for the interpretation of this Code.

**Article 40** Any termination of or modification to the Code shall be subject to the approval of the Board in the form of resolutions pursuant to the Articles of Association.

**Article 41** This Code shall take effect upon the approval of the Board of the Company.