



# MODERN GOVERNANCE

Focusing on satisfying the digital needs of customers, China Telecom continues to enhance its corporate governance, comprehensively deepens reform, promotes the reform of organisation and mechanism adapted to digital transformation. It adheres compliance operation in accordance with the law and improves its risk prevention capability, laying a solid foundation for its high-quality development.

## REFINING CORPORATE GOVERNANCE

The Company continuously enhances its corporate governance methodology, regulates its operations, strengthens its internal control mechanism, implements sound governance and disclosure measures, and ensures that the Company's operations are in line with the long-term interests of the Company and its shareholders as a whole. In 2023, the shareholders' meeting, the Board and the Supervisory Committee operated soundly and efficiently. The Company is dedicated to lean management while ensuring stable and healthy operation, and elevates its high-quality development to a new level, while continuously optimising its internal control system and comprehensive risk management in order to effectively ensure steady operation of the Company. In 2023, the Company convened eight Board meetings, six Audit Committee meetings, one Remuneration Committee meeting and three Nomination Committee meetings. The level of the Company's corporate governance continued to raise which effectively protected the best long-term interests of shareholders.

As at 31 December 2023, the Board of the Company consisted of 12 Directors with seven Executive Directors, one Non-Executive Director and four Independent Non-Executive Directors. There is no relationship (including financial, business, family or other material or relevant relationship) among the Board members. The Audit Committee, Remuneration Committee and Nomination Committee under the Board consist solely of Independent Non-Executive Directors, which ensures that the committees are able to provide sufficient checks and balances and make independent judgements effectively to protect the interests of the shareholders and the Company as a whole.

The Company continuously implements the Board Diversity Policy. The Company strongly believes that board diversity will contribute significantly to the enhancement of the overall performance of the Company. In determining the composition of the Board, the Company takes into account diversity of the Board from a number of perspectives, including but not limited to gender, age, educational background, professional experience, skills, knowledge, duration of service and time commitment, etc. All appointments made or to be made by the Board are merit-based, and candidates are selected based on objective criteria taking full consideration of board diversity. Final decisions are comprehensively made based on each candidate's attributes and the consideration for his/her valuable contributions that can be made to the Board. The Nomination Committee oversees the implementation of Board Diversity Policy, reviews the existing policy as and when appropriate, and recommends proposals for revisions for the Board's approval. Currently, the Board comprises experts from diversified professions such as telecommunications, accounting, finance, law, banking, regulatory, compliance and management and there is one female Director on the Board, with diversification in terms of gender, age, duration of service, etc., which in turn advanced the enhancement of management standard and the further standardisation of corporate governance practices, resulting in a more comprehensive and balanced Board structure and decision-making process.

The Company promoted the optimisation of governance systems of its subsidiaries at all levels based on articles of association, enhanced their market-oriented operation mechanisms, and strengthened efforts in the delegation of authority to enhance the vitality of development and operation. The governance structures of the Company's subsidiaries were further optimised, and the governance efficiency was further enhanced. The governance models of subsidiaries' board of directors were reasonably set according to their business characteristics and development stages with continuously optimised director composition. By the end of 2023, 57 subsidiaries of the Company have established their board of directors with external directors accounting for the majority, of which 17 subsidiaries have set up audit and risk committees, technology and innovation committees and other dedicated committees under the board of directors. The subsidiaries of the Company had more standardised and efficient corporate governance structure. Various subsidiaries continued to enhance their institutional systems centring on articles of association. More support was provided to the performance of duties by directors and the exercise of rights by the management was safeguarded. The performance of duties by directors was guaranteed by establishment of normal communication mechanism, proactive provision of production and operation information to external directors, and reporting significant events to external directors irregularly. The standardised management before, during and after board meetings was optimised to enhance the quality of board decisions, and corporate governance process was optimised with informatisation means to improve duty performance efficiency of directors. The Company's subsidiaries at all levels have comprehensively established systems for the board of directors to delegate authority to the management and the management to report to the board of directors, thus stimulating the vitality of the management in operations to enhance operation efficiency.

## COMPREHENSIVELY DEEPENING REFORM

Based on the digital needs of customers, the Company focuses on improving its core competitiveness and enhancing core functions, solidly promotes a new round of deepening and enhancing actions of SOE reforms to release new momentum for its development.

The Company has intensified efforts to comprehensively deepen the reform of key areas and key links, and promoted the modernisation of corporate governance system and governance capabilities. Focusing on key areas, it optimised the institutional set-up of headquarters, and promoted the corporate organisational system and operational mechanisms to better adapt to the new pattern and requirements. Insisting on the customer-oriented approach, the Company accelerated the optimisation of the main process with the cloud core platform as the hub, promoted innovation and reform in government and enterprise, channels, sci-tech innovation and other fields, and improved the level of end-to-end integrated delivery and operation services. It strengthened the construction of market-oriented mechanisms, insisted on balancing responsibilities, authorities and interests, with dual emphasis on the utilisation of incentives and constraints, and promoted further breakthroughs in the reform of professional companies, and increased investment in sci-tech innovation to accelerate the supply of high-quality digital platforms, products and capabilities, and constantly improve market competitiveness.

### Deepen reform of headquarters

- Strengthen the institutional set-up and implementation of duties and responsibilities in fields such as sci-tech innovation, the development of strategic emerging industries, the introduction and service of high-end talents, production safety, and data governance, etc.

### Deepen reform of provincial and municipal branches

- Strengthen the construction of cloud core platform of provincial and municipal branches, promote the integration of strategic emerging businesses into the main corporate process, and improve the capabilities of large-scale sales and service.

### Deepen reform of professional companies

- Set up professional companies such as Quantum Technology Group, AI Company and IoT Company to promote the corporate operation of business divisions of industries such as healthcare, education, finance, digital government administration.

## RISK PREVENTION IN COMPLIANCE WITH LAWS AND REGULATIONS

The Company persists in operating in accordance with laws and integrity and complies with relevant national laws and regulations, regulatory requirements, industry regulations, as well as the requirements of the Articles of Association and relevant rules and regulations. The Company has comprehensively strengthened its compliance management, strengthened the protection of intellectual property, adhered to fair competition principle, and organically and thoroughly merged integrity culture construction and anti-corruption, tax management, financial and audit supervision with corporate operation and reform. The Company comprehensively carried out risk identification and assessment, and strengthened risk tracking and control. During the year, the Company maintained a development trend with stable operation and controllable risks, and no major risk incidents occurred.

## Compliance management

The Company continued to promote operation in accordance with laws and regulations and enhanced the compliance management capability and level. The Company strove to implement the concept of “compliance by everyone, in everything and every moment”, and continuously enhanced the compliance management system. It strengthened organisational leadership by setting chief compliance officer to include internal control management obligations into legal department (compliance management department) and facilitate collaborative operation of law, compliance, internal control and risk management. It enhanced system construction by issuing compliance management measures and compliance handbook, and improved its operation mechanism to improve compliance risk identification and early warning capability and strengthen compliance review, so as to promote list-based, element-based, and process-based business compliance efforts. It also strengthened team construction and continuously cultivated a compliance culture, carried out effective assessment on compliance management to make up for shortcomings and consolidate weak points. At the same time, the Company focused on compliance management in key areas, continued to strengthen compliance management in the fields of network and information security, anti-monopoly and overseas operations, and promoted the integration of compliance management into the Company’s production and operation, so as to ensure high-quality corporate development.



### 【Held a “Compliance Together” Micro Video Competition】

Chongqing branch carried out the “Compliance Together” micro video competition to encourage employees to spread legal knowledge with vivid real cases, and promote all staff to put the concept of “compliance by everyone, in everything and every moment” into their heart and mind. The cumulative number of views of the micro video reached up to 600,000 times.

### Intellectual property protection

The Company further strengthened the management and protection of intellectual property by revising institutional documents such as patent management measures, printing and issuing the compliance guidelines for intellectual property protection of Industrial Digitalisation business, and improving the intellectual property management system. It promoted the implementation of trademark brand strategy to fully show its brand image. Focusing on strategic emerging industries and future industries, the Company further enhanced invention patent applications, put more efforts in patent protection of key core technologies and products, and strengthened the deployment and application of overseas patents, to enhance the international influence and competitiveness of its intellectual property, and build a moat for intellectual property protection.



#### 【“China Telecom” trademark won the first batch of AAA level (national level) well-known trademark brand certification】

On 16 June 2023, the trademark of China Telecom won the first batch of AAA level (national level) well-known trademark brands. China Trademark Association held the awarding ceremony for the first batch of winning units at the 13th China Trademark Festival.

## Anti-monopoly and fair competition

The Company strictly abided by the *Anti-Monopoly Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China* and other laws, regulations and regulatory requirements, adhered to the principle of fair competition, carried out production and operation in accordance with the law, protected the rights and interests of consumers, and promoted the healthy development of the industry. During the year, the *Anti-monopoly Compliance Guidelines of China Telecom* were issued, and the training and implementation of anti-monopoly related requirements were strengthened. An anti-monopoly study area was set up in online universities, and nearly 100,000 people participated in the study.

## Integrity culture and anti-corruption

The Company has earnestly complied with the laws and regulations on anti-corruption such as the *Supervision Law of the People's Republic of China*, and adopted a "zero-tolerance" attitude towards corruption. Its parent company has formulated internal systems such as the implementation measures for strengthening the culture of integrity, so as to establish and optimise five major mechanisms including anti-corruption education and prevention, system monitoring, discipline and accountability, fault tolerance and correction, and inspection and check. The Company strictly prohibits any form of corruption such as bribery, extortion, fraud and money laundering.

The Company carried out integrity education and legal education for its management and employees, continued to operate "China Telecom with Integrity" official account to create a clean and positive development environment, and made good use of the results of the "China Telecom with Integrity" micro-video activity to enrich the promotion and application scenes and promote the construction of corporate integrity culture. The Company distributed to all directors relevant training materials, such as an overview of anti-corruption and anti-bribery laws and regulations, as well as the *Toolkit on Directors' Ethics*, the *Anti-Corruption Programme – A Guide for Listed Companies*, the *Training Package for Directors and Professionals of Listed Companies* and the *Integrity and Corruption Prevention Guide on Managing Relationship with Public Servants* prepared by The Hong Kong Independent Commission Against Corruption (ICAC). The Company strictly and earnestly promoted the central inspection and rectification, completed the first round of internal inspection of the party group after the 20th National Congress with a strict tone, and improved and optimised the promotion and evaluation mechanism for inspection and rectification to promote high-quality development through high-quality rectification.

The Company set up a whistleblowing postal mailbox and hotline to address any whistleblowing, allegations and relevant complaints against its employees as well as relevant criticism, opinions and recommendations on integrity construction and anti-corruption work. The Company strictly implemented the *Work Rules for Discipline and Supervision Organs in Handling Reports and Accusations*, handled related accusations and charges in accordance with the rules, disciplines and regulations and strictly put the confidentiality requirements into effect, so as to effectively safeguard the rights of accusers.

## Tax management

The Company strictly abided by tax laws and regulations, paid taxes in accordance with the law, operated with integrity, strengthened tax risk management, and ensured the efficient and compliance tax management of the Company.

Formulating tax management measures and other relevant system documents, and timely carrying out policy interpretation and system update.

Optimising the tax policy information database and risk case database, and strengthening the awareness of compliance tax payment of all staff.

Deepening business and tax integration, strengthening tax process control, and effectively preventing tax risks from the source of business.

Improving the internal control and tax management process, establishing the early warning mechanism of tax risk scanning and order dispatch by digital means to strictly prevent tax risks.



## Financial and audit supervision

The Company earnestly strengthened its financial and audit supervision. The Company continuously enhanced the internal control system and revised the internal control handbook in a timely manner according to changes in the internal and external environment as well as the management requirements of the Company. The Company also enhanced the internal control system to match the corporate governance structure and strengthened the effectiveness of internal control construction. Leveraging a financial risk prevention and control system based on Big Data, the Company established a financial risk prevention and control system through the building and optimisation of financial risk control models, cross scanning of Big Data and multi-dimensional analysis. The Company continued to promote the digitalisation of financial operations and enhanced its management capabilities through the use of digital tools. The Company concentrated on improving the function of audit supervision and applying audit results and accountability. The Company launched 260,000 audit projects, proposed 3,095 management suggestions, and promoted the enhancement of 3,342 systems, serving to ensure corporate high-quality development.

### Strengthen audit supervision

- Ongoing enhancement of audit supervision of the effectiveness of internal control, compliance and risk management systems.
- Ensure full audit coverage for three years while strengthening in-depth supervision of key units and key fields.

### Strengthen the rectification of audit findings

- Consolidate responsibility for rectification, establish a long-term mechanism for rectification, and work to address key problems at the source.
- Strengthen accountability for investment in illegal operations, carry out special rectification in key areas and verification of common problems, and give full play to the role of accountability in "treating existing diseases and preventing future diseases (治已病、防未病)".

### Advance the digital transformation of audit

- Proactively utilise new technologies such as AI and Big Data to advance the construction of "cloud operation", "cloud management" and "cloud supervision" capabilities and expand the scope and precision of remote audits.
- Carry out risk scanning and order dispatch in key risk areas on a regular basis to promote early detection and rectification of risk problems.