

# Environmental, Social and Governance Report

## Corporate Governance Report

### An Overview of Corporate Governance

The Company strives to maintain high level of corporate governance and has inherited an excellent, prudent and efficient corporate governance concepts and continuously improves its corporate governance methodology, regulates its operations, improves its internal control mechanism, implements sound corporate 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 2017, the Shareholders' Meeting, the Board and the Supervisory Committee maintained efficient operations in accordance with the operating specifications, and the Company insisted on reform and innovation and strived to promote corporate transformation and upgrades, while continuously optimised its internal control system and comprehensive risk management in order to effectively

ensure corporate steady operation. The sustained enhancement of the Company's corporate governance aligned with the long-term best interest of shareholders and ensured that the interests of shareholders was effectively assured.

The Company persists to refine the basic principles of its corporate governance. As a company incorporated in the PRC, the Company adopts the Company Law of the People's Republic of China and other relevant laws and regulations as the basic guidelines for the Company's corporate governance. As a company dual-listed in Hong Kong and the United States, the Company strives to ensure compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the regulatory requirements for non-US companies listed in the United States. In addition, the Company has regularly published statements relating to its internal control in accordance



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with the US Sarbanes-Oxley Act and the regulatory requirements of the SEC and the New York Stock Exchange to confirm its compliance with related financial reporting, information disclosure, corporate internal control requirements and other regulatory requirements.

For the financial year ended 31 December 2017, save that the roles of Chairman and Chief Executive Officer of the Company were performed by the same individual, the Company has been in compliance with all the code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. In the Company's opinion, through supervision by the Board and the Independent Non-Executive Directors, with effective control of the Company's internal check and balance mechanism, the same individual performing the roles of Chairman and Chief Executive Officer can enhance the Company's efficiency in decision-making and execution and effectively capturing business opportunities. Many leading

international corporations around the world also have similar arrangements.

In 2017, the Company's continuous efforts in corporate governance gained wide recognition from the capital markets and the Company was accredited with a number of awards. The Company was voted the "No. 1 Best Managed Company in Asia", "No. 1 Best Managed Company" and "No. 1 Most Committed to Corporate Governance" in China by *FinanceAsia*. The Company was voted as the "Most Honored Company in Asia" and "Asia's Best Investor Relations Program in Telecommunications Sector" in 2017 All-Asia-Executive-Team ranking organised by *Institutional Investor* for seven consecutive years. The Company was accredited the "Platinum Award – Excellence in Environmental, Social and Corporate Governance" in the poll of Corporate Awards 2017 by *The Asset*. In addition, Mr. Yang Jie, Chairman and CEO of the Company, was voted as the "Best CEO in Telecommunications" for his excellence



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in leadership, strategic thinking, team- and relationship-building, effective communication and change management. “Transformation 3.0”, the Company’s step-up transformation strategy established in 2016 with an aim to create superior and leading intelligent network in a more highly-efficient way, build a win-win business ecology in a more open way, and promote flexible synergic smart operation, was awarded “Best Initiative in Innovation”. The Company was accredited “The Best of Asia – Icon on Corporate Governance” by *Corporate Governance Asia* for five consecutive years, and Mr. Yang Jie was honoured with “Asia’s Best CEO” award.

### Overall Structure of the Corporate Governance

A double-tier structure has been adopted as the overall structure for corporate governance: the Board and the Supervisory Committee are established under the Shareholders’ Meeting. The Audit Committee, Remuneration Committee and Nomination Committee were established under the Board. The Board is authorised by the Articles of Association to make major operational decisions of the Company and to oversee the daily management and operations of the senior management. The Supervisory Committee is mainly responsible for the supervision of the performance of duties of the Board and the senior management. Each of the

Board and the Supervisory Committee is independently accountable to the Shareholders’ Meeting.

### Shareholders’ Meeting

In 2017, the Company convened 2 Shareholders’ Meetings including an annual general meeting (“AGM”) for the year 2016 and one extraordinary general meeting (“EGM”). At the AGM held on 23 May 2017, numerous resolutions such as the consolidated financial statements for the year 2016 of the Company, report of the international auditor, proposal for profit and dividend distribution, re-appointment of auditors, change of session of the Board of Directors and the Supervisory Committee, and amendments to the Articles of Association of the Company (which mainly include the replacement of business licence number by unified social credit code and updates of the provisions regarding the Company’s scope of business) were reviewed and approved. Meanwhile, the Board was authorised to prepare the budget for the year 2017, fix the remuneration of the auditors and issue debentures. At the EGM held on 28 November 2017, the election of Mr. Liu Aili as a Director of the Company was approved.

Since the Company’s listing in 2002, at each of the Shareholders’ Meetings a separate shareholders’ resolution was proposed by the Company in respect of



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each independent item. The circulars to shareholders also provided details of the resolutions. All votes on resolutions tabled at the Shareholders' Meetings of the Company were conducted by poll and all voting results were published on the websites of the Company and The Stock Exchange of Hong Kong Limited. The Company attaches great importance to the Shareholders' Meetings and the communication between Directors and shareholders. The Directors provided detailed and complete answers to the questions raised by shareholders at the Shareholders' Meetings. The Board implemented the shareholders communication policy to ensure that the shareholders are provided with comprehensive, equal, understandable and public information of the Company on a timely basis and to strengthen the communication amongst the Company, and the shareholders and investors.

#### Board of Directors

As at 31 December 2017, the Board of the Company comprised 11 Directors with 6 Executive Directors, 1 Non-Executive Director and 4 Independent Non-Executive Directors. The compositions of the Audit Committee, Remuneration Committee and Nomination Committee under the Board consist solely of Independent Non-Executive Directors, which ensure that the Committees are able to provide sufficient review and check and balance, and make independent judgements to protect the interests of shareholders and the Company as a whole. The number of Independent Non-Executive Directors exceeds one-third of the members of the Board of the Company. Mr. Tse Hau Yin, Aloysius, the Chairman of the Audit Committee, is an internationally renowned financial expert with expertise in accounting and financial management. The term of office for the 6th session of the Board lasts for 3 years, starting from May 2017 until the day of

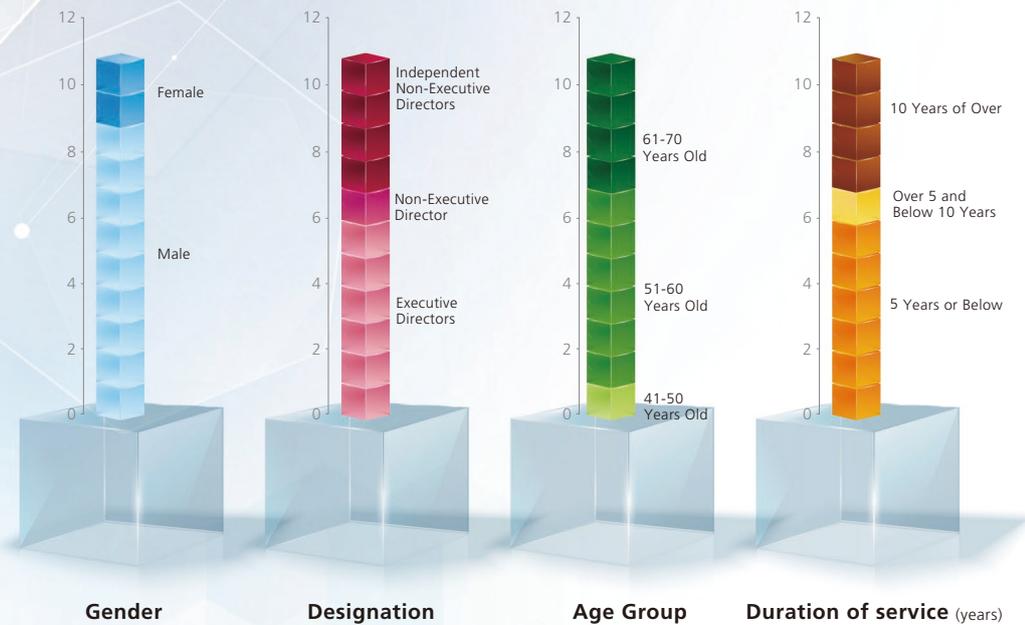
the Company's annual general meeting for the year 2019 to be held in 2020, upon which the 7th session of the Board will be elected.

In August 2013, the Company implemented the Board diversity policy. The Company strongly believes that Board diversity will contribute significantly to the enhancement of the overall performance of the Company. The Company views Board diversity as the key element for accomplishing its strategic goals and sustainable development. 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, education background or professional experience, skills, knowledge, duration of service, 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 value contributions to 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. Biographical details of existing Directors are set out in the "Biographical details of Directors, Supervisors and Senior Management" section of this Annual Report. The Company considers that the Board currently comprises experts from diversified professions such as telecommunications, accounting, finance, law and management, and is diversified in terms of gender, age, duration of service, etc., which contributes to the enhanced management standard and more regulated operation of corporate governance of the Company, and results in a more comprehensive and balanced Board structure and decision-making process.

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The below sets out the analysis of the Board composition as at 31 December 2017:



The Company strictly complies with the Corporate Governance Code under the Listing Rules to rigorously regulate the operating procedures of the Board and its committees, and to ensure that the procedures of the Board meetings are in compliance with related rules in terms of organisation, regulations and personnel. The Board responsibly and earnestly supervises the preparation of financial statements for each financial period, so that such financial statements truly and fairly reflect the financial condition, the operating results and cash flows of the Company for such period. In preparing the financial statements for the year ended 31 December 2017, the Directors adopted appropriate accounting policies and made prudent, fair and reasonable judgements and estimates, and prepared the financial statements on a going concern basis.

The Articles of Association of the Company clearly defines the respective duties of the Board and the management. The Board is accountable to the Shareholders' Meetings, and its duties mainly include the execution of resolutions, formulation of major operational decisions, financial proposals and policies, formulation of the Company's basic management system, and the appointment of senior management personnel of the Company. The management is responsible for the operation and management of the Company, the implementation of the Board resolutions and the annual operation plans and investment proposals of the Company, formulating the proposal of the Company's internal administrative organisations and sub-organisations, and performing other duties as authorised

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by the Articles of Association and the Board. In order to maintain highly efficient operations, as well as flexibility and swiftness in operational decision-making, the Board may delegate its management and administrative powers to the management when necessary, and shall provide clear guidance regarding such delegation so as to avoid impeding or undermining the capabilities of the Board when exercising its powers as a whole.

All members of the Board/Committees are informed of the meeting schedule for the Board/Committees for the year at the beginning of each year. In addition, all Directors will receive meeting notification at least 14 days prior to the meeting under normal circumstances. The Company Secretary is responsible for ensuring that the Board meetings comply with all procedures, related rules and regulations while all Directors can make inquiries to the Company Secretary for details to ensure that they have received sufficient information on various matters set out in the meeting agendas.

The Board holds at least 4 meetings in each year. Additional Board meetings will be held in accordance with practical needs. In 2017, the Board played a pivotal role in the Company's operation, budgeting, supervision, internal control, risk management, and other significant decisions and corporate governance. The Board reviewed significant matters including the Company's annual and interim financial statements, quarterly financial results, financial and investment budgets, risk management and internal control implementation and assessment

report, annual proposal for profit distribution, proposed establishment of a finance company, implementation of continuing connected transactions, implementation of new accounting standard on revenue, re-appointment and remuneration of auditors, change of session of the Board of Directors, change of directors and senior management of the Company and change of the depreciable lives of certain fixed assets. During the year, the Company convened 4 Board meetings and completed various written resolutions. In 2017, the Chairman held a meeting to communicate with Non-Executive Directors (including Independent Non-Executive Directors) without the presence of Executive Directors independently to ensure their opinions can be fully expressed and further facilitate the communication of different views amongst the Board.

The Company determines the Directors' remuneration with reference to factors such as their respective duties and responsibilities in the Company, as well as their experience and market conditions at the relevant time.

The Board formulates and reviews the Company's policies and practices on corporate governance; reviews and monitors the training and continuous professional development of Directors and Senior Management; reviews and monitors the Company's policies and practices on compliance with legal and regulatory requirements; develops, reviews and monitors the code of conducts for employees; and reviews the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

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### Directors' training and continuous professional development

The Company provides guidelines on duties, continuing obligations, relevant laws and regulations, operation and business of the Company to the newly appointed Directors so that they are provided with the tailored induction relating to their appointment. To ensure that the Directors are familiar with the Company's latest operations for decision-making, the Company arranges for key financial data and operational data to be provided to the Directors on monthly basis. Meanwhile, through regular Board meetings and reports from management, the Directors are able

to have more clear understandings on the operations, business strategy, the latest development of the Company and the industry. In addition, the Company reminds the Directors of their functions and duties by continuously providing them with information regarding the latest development of the Listing Rules and other applicable regulations, and arranging internal training on topics related to the latest development of the industry and operating focuses of the Company for mutual exchange of ideas and discussion. The Directors actively participate in training and continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Company.

During the year, the Directors as at 31 December 2017 have participated in training and continuous professional development activities, and the summary is as follows:

Directors	Types of training
<b>Executive Directors</b>	
Yang Jie	A, B
Liu Aili	A, B
Ke Ruiwen	A, B
Sun Kangmin	A, B
Gao Tongqing	A, B
Chen Zhongyue	A, B
<b>Non-Executive Director</b>	
Chen Shengguang	A, B
<b>Independent Non-Executive Directors</b>	
Tse Hau Yin, Aloysius	A, B
Cha May Lung, Laura	A, B
Xu Erming	A, B
Wang Hsuehming	A, B

A: attending relevant seminars and/or conferences and/or forums; or delivering speeches at relevant seminars and/or conferences and/or forums

B: reading or writing relevant newspapers, journals and articles relating to economy, general business, telecommunications, corporate governance or Directors' duties

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#### **Compliance with the Model Code for Securities Transactions by Directors and Supervisors and Confirmation of Independence by the Independent Non-Executive Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to govern securities transactions by the Directors and Supervisors. Based on the written confirmation from the Directors and Supervisors, the Company's Directors and Supervisors have strictly complied with the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules regarding the requirements in conducting securities transactions for the year 2017. Meanwhile, the Company has received annual independence confirmation from each of the Independent Non-Executive Directors and considered them independent.

#### **Audit Committee**

At 31 December 2017, the Audit Committee comprised 3 Independent Non-Executive Directors, Mr. Tse Hau Yin, Aloysius as the Chairman and Mr. Xu Erming and Madam Wang Hsuehming as the members. The Audit Committee is responsible to the Board. The Charter of the Audit Committee clearly defines the status, structure and qualifications, work procedures, duties and responsibilities, funding and remuneration, etc. of the Audit Committee. The Audit Committee's principal duties include the supervision of the truthfulness and completeness of the Company's financial statements, the effectiveness and completeness of

the Company's internal control and risk management systems as well as the work of the Company's Internal Audit Department. It is also responsible for the supervision and review of the qualifications, selection and appointment, independence and services of external independent auditors. The Audit Committee ensures that the management has discharged its duty to establish and maintain an effective risk management and internal control system including the adequacy of resources, qualifications and experience of staff fulfilling the accounting, internal control and financial reporting function of the Company together with the adequacy of the staff's training programmes and the related budget. The Audit Committee also has the authority to set up a reporting system on whistleblowing to receive and handle cases of complaints or complaints made on an anonymous basis regarding the Company's accounting, internal control and audit matters.

In 2017, pursuant to the requirements of the governing laws and regulations of the places of listing and the Charter of the Audit Committee, the Audit Committee fully assumed its responsibilities within the scope of the clear mandate from the Board. The Audit Committee proposed a number of practical and professional recommendations for improvement based on the Company's actual circumstances in order to promote the continuous improvement and perfection of corporate management. The Audit Committee has provided important support to the Board and played a significant role in protecting the interests of independent shareholders.

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In 2017, the Audit Committee convened 4 meetings and passed 2 written resolutions, in which it reviewed important matters related to the Company's annual and interim financial statements, quarterly financial results, assessment of the qualifications, independence, performance, appointments and remuneration of the external auditors, effectiveness of risk management and internal control systems, internal audit, proposed establishment of a finance company, implementation of continuing connected transactions, change of the depreciable lives of certain fixed assets and implementation of new accounting standard on revenue. The Audit Committee reviewed the annual auditor's report, interim review report and quarterly agreed-upon procedures reports prepared by the external auditors, communicated with the management and the external auditors in regards to the regular financial reports and proposed them for the Board's approval after review and approval. The Audit Committee received quarterly reports in relation to the internal audit and continuing connected transactions as well as risk management workshop and provided guidance to the Internal Audit Department. Additionally, the Audit Committee reviewed the internal control assessment and the attestation report, followed up with the implementation procedures of the recommendations proposed by the external auditors, reviewed the U.S. annual report, and communicated independently with the external auditors twice a year.

#### Remuneration Committee

At 31 December 2017, the Remuneration Committee comprised 3 Independent Non-Executive Directors, Mr. Xu Erming as the Chairman and Mr. Tse Hau Yin, Aloysius and Madam Wang Hsuehming as the members. The Remuneration Committee

is responsible to the Board. The Charter of the Remuneration Committee clearly defines the status, structure and qualifications, work procedures, duties and responsibilities, funding and remuneration, etc. of the Remuneration Committee. The Remuneration Committee assists the Company's Board to formulate overall remuneration policy and structure for the Company's Directors and senior management personnel, and to establish related procedures that are standardised and transparent. The Remuneration Committee's principal duties include supervising the compliance of the Company's remuneration system with legal requirements, presenting the evaluation report on the Company's remuneration system to the Board, giving recommendations to the Board in respect of the overall remuneration policy and structure for the Company's Directors and senior management personnel and the establishment of a formal and transparent procedure for developing remuneration policy, and determining, with delegated responsibility by the Board, the remuneration packages of individual executive directors and senior management personnel including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment). Its responsibilities comply with the requirements of the Corporate Governance Code. The Remuneration Committee convened 1 meeting in 2017, in which it reviewed and discussed the remuneration policy for the Directors of the sixth session of the Board.

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### Nomination Committee

At 31 December 2017, the Nomination Committee comprised 3 Independent Non-Executive Directors, Madam Cha May Lung, Laura as the Chairlady and Mr. Tse Hau Yin, Aloysius and Mr. Xu Erming as the members. The Nomination Committee is responsible to the Board. The Charter of the Nomination Committee clearly defines the status, structure and qualifications, work procedures, duties and responsibilities, funding and remuneration, etc. of the Nomination Committee, and it specifically requires that the Nomination Committee members shall have no significant connection to the Company, and comply with the regulatory requirements related to "independence". The Nomination Committee assists the Board to formulate standardised, prudent and transparent procedures for the appointment and succession plans of Directors, and to further optimise the composition of the Board. The principal duties of the

Nomination Committee include regularly reviewing the structure, number of members, composition and diversity of the Board; identifying candidates and advising the Board with the appropriate qualifications for the position of Directors; reviewing the Board Diversity Policy as appropriate to ensure its effectiveness; evaluating the independence of nominees for Independent Non-Executive Directors; advising the Board on matters regarding the appointment or re-appointment of Directors (especially Chairman and Chief Executive Officer) and succession plans for the Directors. The Nomination Committee convened 1 meeting and passed 1 written resolution in 2017, in which it performed a review of the structure and operations of the Board, discussed the change of session of the Board and the proposed candidate for Director and other related matters.

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The number of Attendance/Meetings of the members of the Board and Committees in year 2017

	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Shareholders' Meeting
<b>Executive Directors</b>					
Yang Jie	4/4	N/A	N/A	N/A	2/2
Liu Aili*	1/1	N/A	N/A	N/A	N/A
Yang Xiaowei*	1/1	N/A	N/A	N/A	0/1
Ke Ruiwen	4/4	N/A	N/A	N/A	2/2
Sun Kangmin	2/4	N/A	N/A	N/A	0/2
Gao Tongqing*	2/3	N/A	N/A	N/A	1/1
Chen Zhongyue*	1/3	N/A	N/A	N/A	0/1
<b>Non-Executive Director</b>					
Chen Shengguang*	3/3	N/A	N/A	N/A	0/1
<b>Independent Non-Executive Directors</b>					
Tse Hau Yin, Aloysius	4/4	4/4	1/1	1/1	2/2
Cha May Lung, Laura	4/4	N/A	1/1	N/A	0/2
Xu Erming	4/4	3/4	1/1	1/1	2/2
Wang Hsuehming	4/4	4/4	N/A	1/1	2/2

Note: Certain Directors (including Non-Executive Director and Independent Non-Executive Directors) could not attend some of the Shareholders' Meeting, Board meetings and other Committee meetings due to other important business commitments. Such Directors have reviewed the relevant meeting agendas and papers before the meeting and authorised other Directors in writing to vote on their behalf so as to ensure their views were fully reflected in the meetings.

\* On 23 May 2017, Mr. Gao Tongqing, Mr. Chen Zhongyue and Mr. Chen Shengguang were appointed as Directors of the sixth session of the Board. On 7 June 2017, Mr. Yang Xiaowei resigned from his positions as an Executive Director, President and Chief Operating Officer of the Company due to change in work arrangement. On 28 November 2017, Mr. Liu Aili was appointed as an Executive Director of the Company.

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The Company will identify suitable Director candidates through multiple channels such as internal recruitment and recruiting from the labour market. The criteria of identifying candidates include, but not limited to, their gender, age, educational background or professional experience, skills, knowledge and length of service and capability to commit to the affairs of the Company and, in case of Independent Non-Executive Director, the candidates should fulfill the independence requirements set out in the Listing Rules from time to time. After the Nomination Committee and the Board have reviewed and resolved to appoint the appropriate candidate, the relevant proposal will be put forward in writing to the Shareholders' Meeting for approval.

Directors shall be elected at the Shareholders' Meeting for a term of 3 years. At the expiry of a Director's term, the Director may stand for re-election and re-appointment. According to the Articles of Association, before the convening of the annual general meeting, shareholders holding 5% or more of the total voting shares of the Company shall have the right to propose new motions (such as election of Directors) in writing, and the Company shall place such proposed motions on the agenda for such annual general meeting if there are matters falling within the functions and powers of shareholders in General Meetings. According to the Articles of Association, shareholders can also request for the convening of extraordinary general meeting provided that 2 or more shareholders holding in aggregate 10% or more of the shares carrying the right to vote at the meeting sought to be held and they shall sign one or more written requisitions in the same format and with the same content, requiring the Board to convene an extraordinary general meeting and stating the resolutions of meeting (such as election of Directors).

The Board shall convene an extraordinary general meeting within 2 months. The minimum period during which written notice given to the Company of the intention to propose a person for election as a Director, and during which written notice to the Company by such person of his/her willingness to be elected may be given, will be at least 7 days. Such period will commence no earlier than the day after the despatch of the notice of the meeting for the purpose of considering such election and shall end no later than 7 days prior to the date of such meeting. The ordinary resolution to approve the appointment of Directors shall be passed by votes representing more than one-half of the voting rights represented by the shareholders (including proxies) present at the meeting.

#### Supervisory Committee

At 31 December 2017, the Company's Supervisory Committee comprised 5 Supervisors, including 2 Employee Representative Supervisors. The principal duties of the Supervisory Committee include supervising, in accordance with the law, the Company's financials and performance of its Directors, managers and other Senior Management so as to prevent them from abusing their powers. The Supervisory Committee is a standing Supervisory organisation within the Company, which is accountable to and reports to all shareholders. The Supervisory Committee usually holds meetings at least twice a year. The Supervisory Committee convened 2 meetings in 2017. The term of office for the 6th session of the Supervisory Committee lasts for 3 years, starting from May 2017 until the day of the Company's annual general meeting for the year 2019 to be held in 2020, upon which the 7th session of the Supervisory Committee will be elected.

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#### The number of Attendance/Meetings of members of the Supervisory Committee in year 2017

Supervisors	Number of Attendance/Meetings
Sui Yixun (Chairman of the Supervisory Committee)	2/2
Zhang Jianbin (Employee Representative Supervisor)	1/2
Yang Jianqing (Employee Representative Supervisor)*	1/1
Tang Qi (Employee Representative Supervisor)*	1/1
Hu Jing	2/2
Ye Zhong	2/2

*Note: Certain Supervisors could not attend some of the meetings of the Supervisory Committee due to other important business commitments.*

\* *Mr. Tang Qi retired as the Supervisor of the Company on 23 May 2017 upon the expiry of the term of service of the fifth session of the Supervisory Committee. Meanwhile, Mr. Yang Jianqing has been elected by the employees of the Company democratically as the Supervisor of the Company representing the employees.*

#### External Auditors

The international and domestic auditors of the Company are Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP, respectively. The non-audit services provided by the external auditors did not contravene the requirements of the US Sarbanes-Oxley Act and therefore enabling them to maintain the independence.

A breakdown of the remuneration received by the external auditors for audit and non-audit services provided to the Company for the year ended 31 December 2017 is as follows:

Service item	Fee (including value-added tax) (RMB millions)
Audit services	78.8
Non-audit services (mainly include internal control advisory and other advisory services)	2.4
Total	81.2

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The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The statements by the external auditors of the Company, Deloitte Touche Tohmatsu, regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 140 to 146.

Since the approval at the annual general meeting of the Company for the financial year 2012, the external auditors, Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP have provided audit services for the Company for five consecutive years. The Audit Committee and the Board of the Company have resolved to re-appoint Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP as the international and domestic auditors respectively for the financial year 2018, subject to the approval at the 2017 annual general meeting of the Company.

### Risk Management and Internal Control Systems

The Board attaches great importance to the establishment and perfection of the risk management and internal control systems. The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems, and the Board acknowledges that it is responsible for the risk management and internal control systems and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board takes effective approaches to supervise the implementation of related control measures, whilst enhancing operation efficiency and effectiveness, and optimising corporate governance, risk assessment, risk management and internal control so that the Company can achieve long-term development goals. The risk management and internal control systems of the Company is built on clear

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organisational structure and management duties, an effective delegation and accountability system, definite targets, policies and procedures, comprehensive risk assessment and management, a sound financial accounting system, and continuing analysis and supervision of operational performance, which plays a pivotal role in the Company's overall operation. The Company has formulated a code of conduct for the Senior Management personnel and employees which ensures their ethical value and competency. The Company attaches great importance to the prevention of fraud and has formulated its internal reporting system, which encourages anonymous reporting of situations where employees, especially Directors and Senior Management personnel, breach the rules.

The Company views comprehensive risk management as an important task within the Company's daily operation. Pursuant to regulatory requirements in capital markets of the United States and Hong Kong, the Company has formulated a unique 5-step risk management approach based on risk management theory and practice, including risk identification, risk assessment, key risk analysis, risk reaction and risk management assessment. The Company has also designed a risk management template, established and refined the centralised risk directories and case studies database of the Company, continued to strengthen the level of risk management informatisation, and solidified a standardised risk management procedure so that risk management terminology is unified across all levels of the Company and the effectiveness of risk management was enhanced. Following the efforts made over the years, the Company has established a structured and highly-effective comprehensive risk management system and has gradually perfected its comprehensive risk monitoring and prevention mechanism.

In 2017, pursuant to the requirement of provision C2 of the Corporate Governance Code promulgated by the Hong Kong Stock Exchange, the Company concentrated resources on the prevention of significant potential risks, and strive to reduce negative effect from significant risk, the Company did not confront with any major risk event throughout the whole year. In 2018, the potential significant risks and the major risk-prevention and countering measures are as follows:

**Economic and policy environment adaptation risks:** China's economy has transitioned from a phase of rapid growth to a stage of high-quality development, the state will promote the supply-side structural reform as the main task of economic work; there have been quite a number of policies adjustments regarding the telecommunications industry in recent years, there are also uncertainties in 2018; and the problems of imbalance and insufficiency in corporate reform and development still exist. Therefore, the Company continued to view economic and policy environment adaptation risks as a significant risk to be tackled. The Company will actively adapt to the new normal of economic development, strive for an environment surrounding with favorable policies, attain achievements of implementation and execution, promote comprehensive in-depth reform and further enhance the quality, efficiency, and motivation of development.

**Business development risks:** The Company is in an industry with intensified competition; traditional business gradually saturated and new entrants further intensified the market competition. Therefore, the Company continued to view business development risks as a significant risk to be tackled. Through the establishment of integrated business advantages, integrated network edges, channels enablement advantages, assured products and service quality advantages, the Company increased efforts in expanding subscribers scale to gain the market share.

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Network and information security risks: Following comprehensive and rapid advancement of the national informatisation evolution, the issues of network and information security have become increasingly prominent; the implementation of the *Cybersecurity Law of the People's Republic of China* has raised the cybersecurity work into a national security strategy in a legal form. As a result, the Company has put network and information security risks as a significant risk to be tackled. The Company will perfect relevant rules and regulations and plan, increase initiatives on security, strengthen safety management for new business, strengthen protection of user information, carry out routine inspection for network information security continuously and deal with emergencies on a timely basis.

The Company has identified, assessed and analysed potential major risks faced by the Company in 2018, including economic and policy environment adaptation risks, business development risks and network and information security risks etc., and has put forward detailed response plans. Through strict and appropriate risk management procedures, the Company will ensure the potential impact from the above risks on the Company is limited and within an expected range.

The Company highly values the compliance with the laws and regulations of the People's Republic of China as well as the places of listing of the Company and where the Company's business operations are located, strictly complies with all laws and regulations and timely and proactively incorporates the laws and regulations into the Company's rules and regulations to protect the Company's legitimate business management, maintains the Company's legitimate rights and supports corporate to achieve long-term healthy development target.

The *Cybersecurity Law of the People's Republic of China* has come into force on 1 June 2017. The *Cybersecurity Law of the People's Republic of China* consisted of seven chapters and seventy-nine articles, which stipulated relevant regulations for personal data security protection, new types of cybercrime, network real name system, clearly defined the principles of cyberspace sovereignty and defined the security obligations for network products and services providers; defined security obligations for network operators, further perfected rules for personal data protection, determined the framework for protection of critical information infrastructure facilities, at the same time stipulated the contents for punishing foreign organisations and individuals that attack and destroy our critical information infrastructure facilities and established the system for monitoring, early warning and emergency response. Telecommunications enterprises are required to comply with the *Cybersecurity Law of the People's Republic of China* in respect of network operation security and network information security.

On 2 May 2017, the Cyberspace Administration of China promulgated the *Interim Security Review Measures for Network Products and Services*, which was formally implemented on the same day with the *Cybersecurity Law of the People's Republic of China*. According to the *Interim Security Review Measures for Network Products and Services* and the *Cybersecurity Law of the People's Republic of China*, network products and services procured in important industries and areas as well as network products and services purchased by key information infrastructures operators that might affect national security are subject to cybersecurity examination. Whether there was impact on national security would be determined by the key information infrastructures protection work

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department and the security examination of telecommunications industry would be organised and conducted by the Ministry of Industry and Information Technology of the People's Republic of China. The security examination may be initiated by the enterprises or by the relevant departments. The security examination would focus on the security and controllability of network products and services. Where operators of key information infrastructures use network products or services that have neither been examined passed the security examination, a fine of no less than one but no more than ten times the purchase amount shall be imposed.

On 3 July 2017, the Ministry of Industry and Information Technology of the People's Republic of China promulgated the *Administrative Measures for the Licensing of Telecommunications Business* which aimed to strengthen the administration of the licensing of telecommunications business operations permits. The *Administrative Measures for the Licensing of Telecommunications Business* stipulated the establishment of integrated management platform for telecommunications business, promotes online application, approval and management of business licence as well as publication, queries and co-sharing of related information, improved credit management mechanisms; strengthened the restraint role of credit mechanisms by taking credit conditions as one of the conditions for granting business licence and adjusting the annual inspection system for business licence to a system with publications of annual reports and announcements; established a list of illegal operations and dishonesty list for operating telecommunications business, requiring the relevant telecommunication administrative department to implement key supervision over the operators whose

names on the list of illegal operations and dishonesty list. Any punishment imposed by the telecommunication administrative department for suspending operations, revoking business licence, or any other circumstances stipulated by the Ministry of Industry and Information Technology of the People's Republic of China shall be included in the dishonesty list; if included in the dishonesty list, the operator may not be able to apply for telecommunications business licence.

On 4 November 2017, the Standing Committee of the National People's Congress promulgated the *Anti-Unfair Competition Law of the People's Republic of China*, which has come into force on 1 January 2018. The amended *Anti-Unfair Competition Law of the People's Republic of China* defined acts of unfair competition, supplemented unfair competition practices that should be prohibited, clearly identified the rules for confusing behaviour and targets of commercial bribery, strengthened the protection of commercial secrets, revised the rules concerning the recognition of prized sales, increased the maximum amount of sales rewards, broadened the terms for unfair competition behaviour in Internet, strengthened the measures for supervision and inspection, and perfected the legal liability systems with priority for civil liability and by paralleling the civil liability and administrative penalty, aggravated the punishment for violations, sorted out and maintained relationship with other laws and regulations.

Apart from implementing the latest and newly-amended laws and regulations in a timely manner, the Company also actively and closely monitors forthcoming changes in the relevant laws and regulations in order to strengthen the management of the relevant business operation behaviour, safeguards the effective adherence to relevant laws and regulations so as to ensure that the Company's operations are in full compliance with the laws.

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Since 2003, based on the requirements of the U.S. securities regulatory authorities and the COSO Internal Control Framework, and with the assistance of other advisory institutions including external auditors, the Company has formulated manuals, implementation rules and related rules in relation to internal control, and has developed the Policies on Internal Control Management and Internal Control Accountability Management to ensure the effective implementation of the above systems. The Company has all along continuously revises and improves the manuals and implementation rules in view of the ever changing internal and external operation environment as well as the requirements of business development over the years. While continuing to improve the internal control related policies, the Company has also been strengthening its IT internal control capabilities, which has improved the efficiency and effectiveness of internal control, enhancing the safety of the Company's information system so that the integrity, timeliness and reliability of data and information are maintained. At the same time, the Company attaches great importance to the control and monitoring of network information safety. The Company persistently optimises the relevant rules and guidances, further defines the responsible entities and regularly commences the inspection of network safety and information safety in order to promote the enhancement of the awareness of network information safety and relevant skills and knowledge.

In 2017, based on external supervision, changes in policy environment, and requirements for prevention and control of the Company's key risks, the Company also took into accounts of various measures and business development of its deepening reforms. In order to focus on responding quickly to market demands and supporting business innovation and

operational innovation for enterprises, the Company conducted annual internal control manuals and implemented revision of rules. The Company strengthened the risk management and control over trading business, and continued to improve its prevention and control environment and policies; revised the procurement management business process, perfected taxation and invoice management; unified and regulated the approval process and authority of provincial companies for major issues; supplemented commission and terminal subsidy management, housing assets disposal and lease management, ICT business management, accounts and fund management of third-party payment institution, etc..

The Internal Audit Department plays a vital role in supporting the Board, the management and the risk management and internal control systems. The functions of the Internal Audit Department are independent of the Company's business operations and are complementary to the duties of the external auditors, and play an important role in the monitoring of the Company's internal management. The Internal Audit Department is responsible for internal controls assessment of the Company, and provides an objective assurance to the Audit Committee and the Board that the risk management and internal control systems are maintained and operated by the management in compliance with agreed processes and standards. The Internal Audit Department regularly reports the internal audit results to the Audit Committee on a quarterly basis, and reports the internal audit results to the Board through the Audit Committee.

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#### Annual Evaluation of Risk Management and Internal Control Systems

The Company has been continuously improving its risk management and internal control systems so as to meet the regulatory requirements of its places of listing, including the United States and Hong Kong, and strengthen its internal control while guarding against operational risk.

The Company has adopted the COSO Internal Control Framework (2013) as the standard for the internal control assessment. With the management's internal control testing guidelines and the Audit Standard No. 5 that were issued by PCAOB as its directives, the Company's internal control assessment system is composed of the self-assessment conducted by the persons responsible for internal control together with the independent assessment conducted by the Internal Audit Department. In order to evaluate the nature of internal control deficiencies and reach a conclusion as to the effectiveness of the internal control system, the Company adopts the following 4 major steps of assessment: (1) analyse and identify areas which require assessment, (2) assess the effectiveness of the design of internal control, (3) assess the operating effectiveness of the internal control, (4) analyse the impact of deficiencies in internal control. At the same time, the Company rectifies any deficiencies found during the assessment. By formulating amended "Interim Measures for the Internal Control Assessment", "Manual for the Self-Assessment of Internal Control", "Manual for the Independent Assessment of Internal Control" and other documents, the Company has ensured the assessment procedures are in compliance. In 2017, the Company's Internal Audit Department initiated and coordinated the assessment of internal control all over the Company, and reported the results to the Audit Committee and the Board.

Self-assessment of internal control adopts a top-down approach which reinforces assessment in respect of control points corresponding to control environment and material financial statements items. The Company insisted on risk-oriented principles and, on the basis of comprehensive assessment, identified key control areas and control points for major assessment through risk analysis. In 2017, the Company further strengthened the leading function and core responsibility of business departments and various units in the internal control self-assessment. In order to promote the quality and effectiveness of assessment work, the Company conducted various measures such as scope expansion, extending inspections, enhancing rectification and assessing accountability surrounding the major risks of all business areas. The above measures effectively promoted the in-depth participation of various departments and units and ensured the self-assessment work of the Company with 100% coverage. Focusing on the internal control deficiencies identified during the self-assessment, the Company promptly identified the responsibilities and timely rectified the deficiencies, effectively control and eliminate any potential risks. The Company also worked towards perfecting the systems and procedures, and deepening its governance measures, while continuously enhancing the design and operating effectiveness of internal control.

On the basis of risk-oriented independent assessment, the Company continued to strengthen the independent assessment of internal control and increased the assessment strength on the effectiveness of internal control of key risk areas. In 2017, on the basis of carrying out independent assessment of internal control by respective units, the Company authorised 8 units to carry out follow-up assessment on the 2016 independent assessment of internal control, promoted tight linkage between defect rectification and internal

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control assessment, strictly guaranteed assessment quality, strengthened system implementation, improved capabilities on managing risk control and safeguarded healthy development of business. At the same time, under the unified guidance of the Company's Internal Audit Department, we have carried out walk-through testing which related to internal control inspections in key risk areas for the 31 units within the authorised list, evaluated the effectiveness of design and implementation of internal control system, playing a good role in promoting prevention of risks for enterprises.

Furthermore, the Company organised the risk management and internal control assessment team and other relevant departments to closely coordinate with the external auditors' audit of internal control over financial reporting. The internal control audit covered the Company and all its subsidiaries as well as the key processes and control points in relation to material financial statements items. The external auditors regularly communicated with the management in respect of the audit results.

All levels of the Company have been attaching great importance to rectifying internal control deficiencies. Focusing on deficiencies identified through self-assessment, independent assessment and internal control audit, the Company required all units to carry out rectification measures and established a collaborative risk prevention mechanism to promote different professional reporting lines of various departments in the headquarters office to execute vertical supervision and system improvement for the rectification work whilst exploring the establishment of an internal control mechanism with long-term effectiveness. To ensure effective rectification, the Company also strengthened the verification and supervision of the rectification measures of internal control deficiencies. All subordinates entities proactively rectified deficiencies identified from the internal and external assessments on the request from the Company.

Through self-assessments and independent assessments conducted at different levels, the Company carried out multi-layered and full-dimensional reviews of its internal control system, and put its utmost efforts into rectifying the problems which were identified. Through this method, the Company was able to ensure the effectiveness of its internal control and successfully passed the year-end attestation undertaken by the external auditors.

The Board oversees the Company's risk management and internal control systems on an on-going basis and the Board, through the Audit Committee, conducted an annual review of the risk management and internal control systems of the Company and its subsidiaries for the financial year ended 31 December 2017, which covered all material areas including financial controls, operational controls and compliance controls, as well as its risk management functions. After receiving the reports from the Internal Audit Department and the confirmation from the management to the Board on the effectiveness of the Company's risk management and internal control systems (including Environmental, Social and Governance, risk management and internal control systems), the Board is of the view that these systems are solid, well-established, effective and sufficient. The annual review also confirms the adequacy of resources relating to the Company's accounting, internal control and financial reporting functions, the sufficiency of the qualifications and experience of staff, together with the adequacy of the staff's training programmes and the relevant budget.

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#### Investor Relations and Transparent Information Disclosure Mechanism

The Company established an Investor Relations Department which is responsible for providing shareholders and investors with the necessary information, data and services in a timely manner. It also maintains proactive communications with shareholders, investors and other capital market participants so as to allow them to fully understand the operation and development of the Company. The Company's senior management presents the annual results and interim results every year. Through various activities such as analyst meetings, press conferences, global investor telephone conferences and investors road shows, senior management provides the capital market and media with important information and responds to key questions which are of prime concerns to the investors. This has helped to reinforce the understanding of the Company's business and the overall development of the telecommunications industry in China. Since 2004, the Company has been holding the Annual General Meetings in Hong Kong to provide convenience and encourage its shareholders, especially the public shareholders, to actively participate in the Company's Annual General Meetings and to promote direct and two-way communications between the Board and shareholders. Meanwhile, the Company

set up a dedicated investor relations enquiry line, for the purpose of providing a direct channel to address enquiries from the investment community. This allows the Company to better serve its shareholders and investors.



With an aim of strengthening communications with the capital market and enhancing transparency of information disclosure, the Company has provided quarterly disclosure of revenue, operating expenses, EBITDA, net profit figures and other key operational data, and monthly announcements of the number of access lines in service, mobile subscribers and wireline broadband subscribers. The Company attaches great importance to maintaining daily communication with shareholders, investors and analysts. In 2017, the Company participated in a number of investor conferences held by a number of major international investment banks in order to maintain active communication with institutional investors.



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In 2017, the Company attended the following investor conferences held by major international investment banks:

Date	Name of Conference	Location
January 2017	DBS Vickers Pulse of Asia Conference 2017	Singapore
January 2017	Deutsche Bank Access China Conference 2017	Beijing
January 2017	Morgan Stanley China TMT Conference 2017	Beijing
January 2017	UBS 17th Greater China Conference	Shanghai
January 2017	Bank of America Merrill Lynch Greater China Telco & Media Corporate Day	Hong Kong
March 2017	Nomura Internet, Education & Telecom Corporate Day 2017	Hong Kong
March 2017	Morgan Stanley Hong Kong Investor Summit 2017	Hong Kong
March 2017	Credit Suisse Asian Investment Conference 2017	Hong Kong
April 2017	CICC US Corporate Day	New York
April 2017	Macquarie Greater China Conference 2017	Hong Kong
May 2017	HSBC China Conference 2017	Shenzhen
May 2017	CICC TMT and AI Forum 2017	Hong Kong
May 2017	BNP Paribas 8th Asia Pacific TMT Conference	Hong Kong
May 2017	CLSA 22th China Forum	Tianjin
May 2017	Deutsche Bank Access Asia Conference 2017	Singapore
May 2017	Goldman Sachs TechNet Conference – Asia Pacific 2017	Hong Kong
May 2017	DBS Vickers Pulse of Asia Conference 2017	Hong Kong
May, June 2017	Daiwa US Investment Conference 2017	New York, San Francisco
June 2017	Bank of America Merrill Lynch Global Telecom & Media Conference 2017	London
June 2017	CICC Investment Strategy Conference 2H2017	Shanghai
June 2017	J.P. Morgan Global China Summit 2017	Beijing
June 2017	Morgan Stanley China Summit 2017	Beijing

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Date	Name of Conference	Location
June 2017	Nomura Investment Forum Asia 2017	Singapore
June 2017	HSBC 5th Annual Asia Investor Forum	London
June 2017	UBS Pan-Asian Telco Conference 2017	Hong Kong
September 2017	Morgan Stanley China Corporate Day 2017	London
September 2017	J.P. Morgan Investor Conference 2017	New York
September 2017	24th CLSA Investors' Forum	Hong Kong
September 2017	CICC 5th London Forum	London
October 2017	Citi China Investor Conference 2017	Macau
November 2017	Bank of America Merrill Lynch China Conference 2017	Beijing
November 2017	CICC Investment Forum 2017	Beijing
November 2017	Jefferies 7th Annual Greater China Summit	Hong Kong
November 2017	Credit Suisse China Investment Conference 2017	Shenzhen
November 2017	Morgan Stanley 16th Annual Asia Pacific Summit	Singapore
November 2017	Daiwa Investment Conference 2017	Hong Kong
November 2017	J.P. Morgan Global TMT Conference 2017	Hong Kong
November 2017	Daiwa Asia Communication Days 2017	London

In order to strengthen the communications between the Company's management and shareholders as well as potential investors, and to further enhance the corporate transparency, the Company organised a global roadshow after 2017 interim results, in which the management attended investor conferences, one-on-one and group meetings in Hong Kong, the U.S., Europe, Singapore and other financial centres to meet with over a hundred fund managers and analysts from a significant number of financial institutions. The management detailed the Company's strategy, business development, competitive strengths and development prospect to, and answered questions from investors, so as to increase investors' understanding of and confidence in the future of the Company. Later, the Company further compiled a feedback report based on these investors' views, so as to obtain

a clearer understanding of the capital market's knowledge of and expectation on the Company, which is conducive to more efficient investor relations work.

The Company's investor relations website ([www.chinatelecom-h.com](http://www.chinatelecom-h.com)) not only serves as an important channel for the Company to disseminate press releases and corporate information to investors, media and the capital market, but also plays a significant role in the Company's valuation and our compliance with regulatory requirements for information disclosure. The Company launched a responsive website with the latest technology, which allows automatic adjustment to fit for different screen resolution and user interface, assuring the best browsing experience of website content with desktop computers, laptops or mobile devices. This allows investors, shareholders, reporters and the

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general public to browse the updated information on the Company's website with any device more easily and promptly anytime anywhere. The Company's website is equipped with a number of useful functions including interactive stock quote, interactive KPI, interactive FAQs, auto email alerts to investors, downloading to excel, RSS Feeds, self-selected items in investors briefcase, html version annual report, financial highlights, investor toolbar, historical stock quote, add investor events to calendars, content sharing to social media, etc. The Company's website was accredited a number of awards including the "Best Website" by *Institutional Investor*, and "Commendation on Website Corporate Governance Information" by *Hong Kong Institute of Certified Public Accountants*, indicating that the Company's website is highly recognised by the professionals.

The Company also strives to enhance the disclosure quality and format of annual report. In 2017, the Company further increased transparency of disclosure in environmental, social and governance areas, by following *Environmental, Social and Governance Reporting Guide*, Appendix 27 of Listing Rules, to report the Company's achievements and key performance indicators on environmental protection, while also took initiative to add quantitative disclosures on social responsibility. The data disclosed was analysed and assessed by independent third party to ensure compliance with relevant requirements. The Company also actively seeks recommendations on how to improve the Company's annual report from shareholders through survey, and prepared and distributed the annual report in a more environmentally-friendly and cost-saving manner according to the recommendations received. Shareholders can ascertain their choice of receiving

the annual reports and communications by electronic means, or receiving printed version in English and/or Chinese. The print and online versions of the Company's 2016 Annual Report "*An Intelligent Touch to Brighten the Future*" have won nine top accolades in global competitions, including being ranked worldwide no. 2 and further awarded a platinum award in "LACP 2016 Vision Awards Annual Report Competition", as well as seven gold awards in "2017 International ARC Awards", "2017 Galaxy Awards", and "W<sup>3</sup> Awards". The prestigious honours reflect the unanimous worldwide recognition towards China Telecom's tireless pursuit of excellence and globally leading performance on corporate governance and disclosure, on both conventional and digital channels.

The Company has always maintained a sound and effective information disclosure mechanism while keeping highly transparent communications with media, analysts and investors. Meanwhile, we attach great importance to the handling of inside information and have formulated rules on information disclosures which encompass (including but not limited to) disclosure of sensitive information and rules on confidential information. In general, the authorised speakers only clarify and explain on information that are available on the market, and avoid providing or divulging any unpublished inside information either as an individual or as a team. Before conducting any external interview, if the authorised speaker has any doubt about the information to be disclosed, he/she would seek verification from the relevant person or the person-in-charge of the relevant department, so as to determine if such information is accurate. In addition, discussions on the Company's key financial data or other financial indicators are avoided during the blackout periods.

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### Shareholders' Rights

According to the Articles of Association, shareholders who request for the convening of an extraordinary general meeting or a class meeting shall comply with the following procedures:

2 or more shareholders holding in aggregate 10% or more of the shares carrying the right to vote at the meeting sought to be held shall sign 1 or more written requisitions in the same format and with the same content, stating the proposed matters to be discussed at the meeting, and requiring the Board to convene an extraordinary general meeting or a class meeting thereof. If the Board fails to issue a notice of such a meeting within 30 days from the date of receipt of the requisitions, the shareholders who make the requisitions may themselves convene such a meeting (in a manner as similar as possible to the manner in which shareholders' meetings are convened by the Board) within 4 months from the date of receipt of the requisitions by the Board.

When the Company convenes an annual general meeting, shareholders holding 5% or more of the total voting shares of the Company shall have the right to propose new motions in writing, and the Company shall place such proposed motions on the agenda for such annual general meeting if they are matters falling within the functions and powers of shareholders' meetings.

Process of forwarding shareholders' enquiries to the Board:

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary and the Investor Relations Department.

The contact details of the Company Secretary are as follows:

The Company Secretary  
China Telecom Corporation Limited  
38th Floor, Everbright Centre,  
108 Gloucester Road, Wanchai, Hong Kong  
Email: [ir@chinatelecom-h.com](mailto:ir@chinatelecom-h.com)  
Tel No.: (852) 2877 9777  
IR Enquiry: (852) 2582 0388  
Fax No.: (852) 2877 0988

A dedicated "Investor" section is available on the Company's website ([www.chinatelecom-h.com](http://www.chinatelecom-h.com)). There is a FAQ function in the "Investor" section designated to enable timely, effective and interactive communication between the Company, shareholders and investors. Company Secretary and the Investor Relations Department of the Company handle both telephone and written enquiries from shareholders of the Company from time to time. Shareholders' enquiries and concerns will be forwarded to the Board and/or the relevant Board Committees of the Company, where appropriate, which will answer the shareholders' questions. Information on the Company's website is updated regularly.



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#### Significant Differences Between the Corporate Governance Practices followed by the Company and those followed by NYSE-Listed U.S. Companies

The Company was established in the PRC and is currently listed on The Stock Exchange of Hong Kong Limited and the New York Stock Exchange ("NYSE"). As a foreign private issuer in respect of its listing on the NYSE, the Company is not required to comply with all corporate governance rules of Section 303A of the NYSE Listed Company Manual. However, the Company is required to disclose the significant differences between the corporate governance practices of the Company and the listing standards followed by NYSE-listed U.S. companies.

Pursuant to the requirements of the NYSE Listed Company Manual, the Board of Directors of all NYSE-listed U.S. companies must be made up by a majority of Independent Directors. Under currently applicable PRC and Hong Kong laws and regulations, the Board of the Company is not required to be formed with a majority of Independent Directors. As a listed company on The Stock Exchange of Hong Kong Limited, the Company needs to comply with the Listing Rules. The Listing Rules require that at least one-third of the Board of Directors of a listed company in Hong Kong be Independent Non-Executive Directors. The Board of the Company currently comprises 10 Directors, of which 4 are Independent Directors, making the number of Independent Directors exceeds one-third of the total number of Directors on the Board, in compliance with the requirements of the Corporate Governance Code of the Listing Rules. These Independent Directors also satisfy

the requirements on "independence" under the Listing Rules. However, the related standard set out in the Listing Rules is different from the requirements in Section 303A.02 of the NYSE Listed Company Manual.

Pursuant to the requirements of the NYSE Listed Company Manual, companies shall formulate separate corporate governance rules. Under the currently applicable PRC and Hong Kong laws and regulations, the Company is not required to formulate any rules for corporate governance; therefore, the Company has not formulated any separate corporate governance rules. However, the Company has implemented the code provisions under the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules for the financial year ended 31 December 2017.

#### Continuous Evolution of Corporate Governance

The Company continuously analyses the corporate governance development of international advanced enterprises and the investors' desires, constantly examines and strengthens the corporate governance measures and practice, and improves the current practices at the appropriate time; we strongly believe that by adhering to good corporate governance principles, and improving the transparency of operations, as well as the establishment of the effective accountability system, we can ensure the long-term stable development of the Company and seek sustainable returns for the shareholders and investors.

**For further information, please browse our website at**  
[www.chinatelecom-h.com](http://www.chinatelecom-h.com)



with Intelligence and  
Ecologicalisation

Leading the Future