



DEEPENING REFORM AND



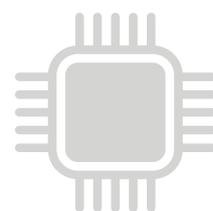
**ENHANCING CORPORATE
GOVERNANCE CAPABILITY**



DEEPENING REFORM AND ENHANCING CORPORATE GOVERNANCE CAPABILITY



China Telecom fully implemented the three-year action plan for SOE reform, continued to deepen reforms in key areas, cared for employees, stimulated the vitality of the Company and employees, strengthened compliance management, and continuously consolidated the foundation for high-quality development.

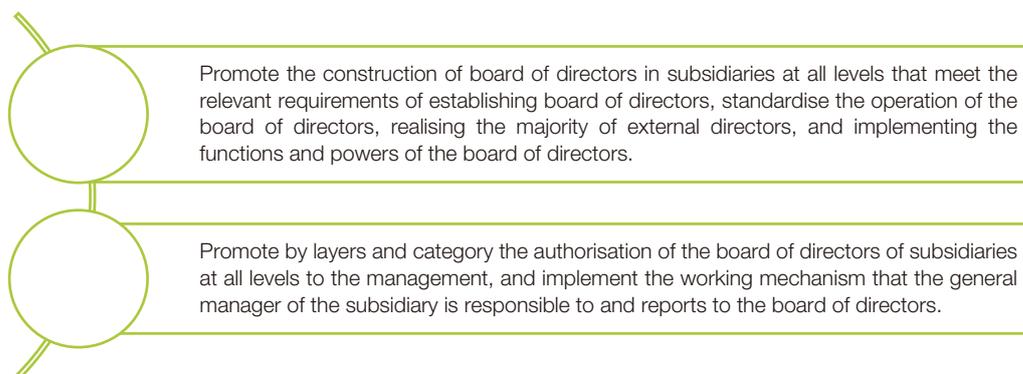


MOTIVATING VITALITY THROUGH REFORM

Taking the advantage of returning to mainland China for listing its A shares as starting point, China Telecom fully implements the three-year action of state-owned enterprise reform, promotes the reform in the fields of government and enterprise, cloud, and sci-tech innovation, enhances the modern enterprise system and market-oriented operation mechanism, thus promoting the modernisation of corporate governance system and governance capability.

Strengthening corporate governance

Based on the corporate positioning of “service-oriented, technology-oriented and secured”, the Company introduces strategic investors in key areas such as cloud-network, security and industrial digitalisation, further enhances the corporate governance and market-oriented operation mechanism. The Board of Directors determines strategies, makes decisions and prevents risks, and the management devotes to operation, implementation and strengthening management to enhance authorisation and delegation, so as to turn enterprises at all levels into internal market-oriented entities with matching responsibilities, rights and rewards, and form a corporate governance mechanism of “legal rights and responsibilities, transparent rights and responsibilities, coordinated operation, and effective checks and balances”.



In December 2021, China Telecom organised the employee representative congress. Before the congress, we carefully organised the collection of proposals. The employee representatives collected more than 100 proposals reflecting the status of the grassroots and the voices of employees, promoting the orderly participation of employee representatives in corporate governance.

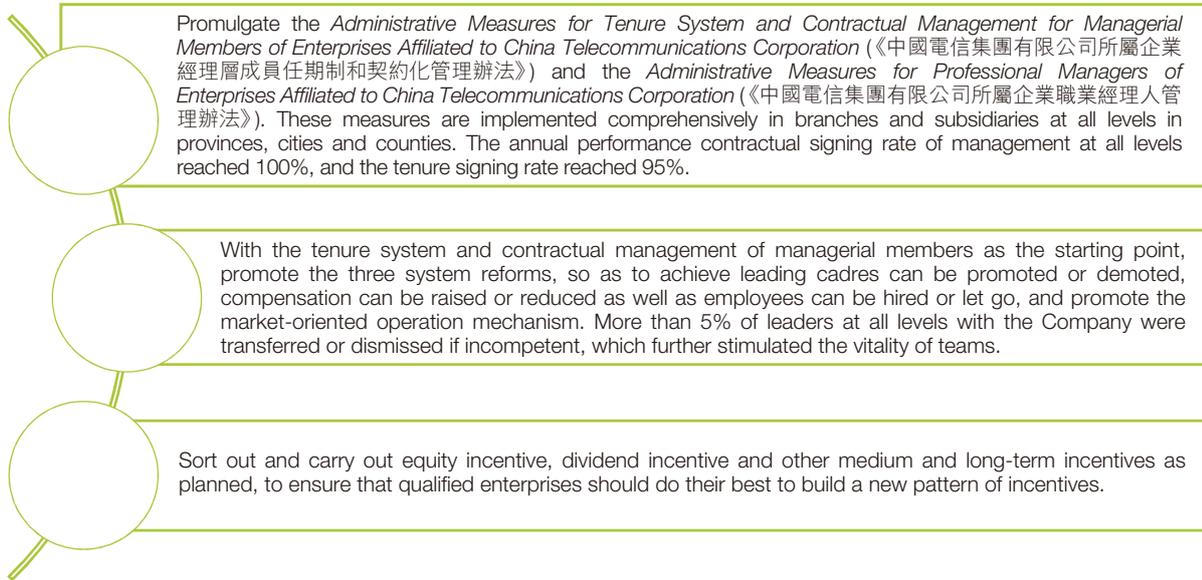
Promoting organisational reform

The Company seized the opportunities of digital development, accelerated the construction of a new customer-oriented organisational system, built a vertically integrated government and enterprise business group, established and enhanced the organisation, mechanism and process of research and development, integrated delivery, platform operation, and repeated computing services, and continued to deepen the professional company reform so as to enhance the supply capability of digital products such as cloud-network, security, industrial digitalisation, family DICT, explore new markets, open up new tracks, and strengthen the leading advantages of integrated intelligent information services.



Stimulating corporate vitality

The Company established and enhanced the market-oriented mechanism with equal emphasis on incentives and restraints, fully implemented the tenure system and contractual management at the management level, and perfected the market-oriented employment system with labour contract management as the core and position management as the basis. We enhanced the distribution mechanism for determining remuneration based on performance and contribution, took advantage of sufficient policies to carry out medium and long-term incentives in various ways, and guided enterprises at all levels to achieve reasonable personnel turnover, in order to truly realise the promotion of competent employees, the reward of excellent ones, the demotion of mediocre ones and the removal of unqualified ones, and fully stimulate the enthusiasm, initiative and creativity of employees.



CARING FOR EMPLOYEES

China Telecom protects the rights and interests of employees in accordance with the law, focuses on establishing harmonious labour relations, supports the labour union to perform its functions, encourages employees to participate in management, and actively helps employees to enhance their capabilities, striving to achieve the common growth of employees and the enterprise.

Promoting employees' development

The Company continues to promote the development of talent team, strengthens employee's training, and enhances the skills and values of workforce, in order to demonstrate the elegant demeanour of the model workers and promote the spirit of model workers.

Strengthening the development of management talent team

- Based on the "Cloudification and Digital Transformation" strategy, the Company reinforced the staffing of the provincial branches, and accelerated the implementation of tenure system and contractual management of managerial members.
- The Company further broadened the vision of selecting and appointing candidates, actively explored a new selection and appointment mechanism in the innovation units, and piloted the "nomination system" and "open competition mechanism".
- The Company continued to improve the selection and training of high-quality and professional young cadres.

Valuing excellent young cadres

- The Company cultivated and selected excellent young cadres. Among the newly promoted cadres this year, the "post-70s" second-level officers accounted for 68%; the second-level deputies aged 45 and below accounted for more than 1/3.
- The proportion of outstanding young cadres aged 45 and below in senior management exceeded 25%.

Strengthening the development of professional talent team

- The Company actively introduced leading talents in Big Data, cloud computing and other fields to build a team of Big Data, AI, IT cloudification and industry experts.
- The Company vigorously recruited graduates in the field of transformation.
- The Company cultivated professional and high-level talents through the constant implementation of projects such as "Spark Program" and "Prairie Fire Program".

Strengthening the construction of front-line skilled talents team

- The Company carried out large-scale vocational skills training to improve the professional capabilities of employees, strengthen the transformation and upgrading of skills in key groups, and enhance the skills training for employees in new business segments and new models.
- Skill certification was carried out in a large scale to empower front-line employees. In 2021, a total of 96 levels of certification in 30 categories were carried out, with a total of 342 examinations, covering 180,000 person-times.

Strengthening employees' training

- The Company actively organised and carried out employee training, focusing on improving the knowledge and skills of employees to perform their duties.
- The Company continued to strengthen the development of internal trainers, with more than 14,000 internal trainers at all levels.
- The Company carried out online learning and training held by its online college. More than 220,000 people studied in the online college and the average learning time per employee reached 40.73 hours.

Actively facilitating employees to develop skills and increase their values

- The Company vigorously carried out labour skill competition and organised 15 competition activities to explore innovative talents for "Cloudification and Digital Transformation".
- The Company continued to build innovation workshops and recommended 10 innovation workshops in total to the National Defense Posts and Telecommunications Union. Guangdong branch explored and established an innovation workshop alliance of model workers to focus on innovation and research.

Vigorously promoting and encouraging the spirit of model workers

- The Company won 30 national-level honors and 117 ministerial and provincial-level honors in 2021.
- 3 groups won the National May Day Labour Award, 7 individuals won the National May Day Labour Medal, and 12 groups won the title of National Worker Pioneer, ranking first in the telecommunications industry.
- The "May Day" commendation symposium was held to publicise national model workers and other advanced models by means of Lunar New Year ringtones and TikTok short videos, so as to promote the spirit of model workers, work spirit and craftsmanship spirit.



Vigorously promoting the spirit of model workers by recognising advanced models

In 2021, China Telecom selected 72 group-level advanced groups and 258 group-level model workers.



China Telecom held the “Tengyun Cup” IT Cloudification Skills Competition

On 14 May 2021, the final round of the “Tengyun Cup” IT Cloudification Skills Competition was held in a live Q&A mode, with six players representing Hubei, Jiangsu second team, Hebei, Jiangsu first team, Sichuan and Fujian in the final showdown.

Caring for employees' well-being

The Company continues to strengthen communications with its employees, understands their needs and increases its care for them to enhance their sense of gain, happiness and safety.

Strengthening communications with employees

- The Company perfected the closed-loop management mechanism from gathering, analysing, processing and giving feedback to employees' needs, and established communications channels such as face-to-face communications, reception visits and handling email, striving to enhance communications and to thoroughly understand the thoughts, working and living conditions of employees as well as the hot topics and problems that the employees most care about.
- The Company actively helped the employees solve practical problems or difficulties, provided convenient services to employees, and strengthened the care for retired old members, model workers, sci-tech innovation workers, young employees, poverty alleviation cadres and their family members, overseas employees and their family members, and employees with difficulties in family life.

Improving the working environment for employees

- The Company arranged special construction funds to further improve the long-term mechanism of construction costs for "Four-Small", namely small canteens, small bathrooms, small washrooms and small activity rooms, and continued to focus on high-quality construction of "Four-Small".
- The Company constructed oxygen supply facilities for 135 grassroots units at an elevation of 3,000 metres or above in 6 provinces or regions, namely Tibet, Qinghai, Gansu, Sichuan, Yunnan and Xinjiang, so as to continuously improve the working and living conditions of employees in high altitude areas.

Enhancing the quality of life for employees

- The Company implemented the "Water Purification Project" to improve the quality of drinking water for employees. More than 8,000 grassroots units have used water purifiers and other equipment, realising the transformation from "having water to drink" to "drinking quality water".
- The Company continually built mother and baby rooms according to the special needs of female employees.
- The Company organised cultural and sports activities in which the employees were interested, assisting employees in achieving work-life balance and increasing their well-being.

Strengthening the assistance and condolence work

- In response to the local Epidemic in Jiangsu, Hunan, Henan, Hubei, Yunnan, Sichuan, Shaanxi and other provinces, the earthquakes that occurred in Yunnan, Qinghai and Sichuan, heavy rain in Henan, Hubei and Shanxi, snowstorm in Liaoning, Jilin, Heilongjiang and Inner Mongolia, and typhoon "In-Fa" in relevant provinces, the Company guided and urged the provincial labour unions to carry out assistance and condolence work.
- Continued to increase care for overseas employees. Carried out the activities of "caring for the children studying abroad, we are in action", set up a remote medicine consultation platform for 225 children studying abroad, and helped 11 expatriate employees and children studying abroad to solve emergencies.



Yunnan branch carried out cultural and sports activities

Yunnan Telecom Public Information Industry Co., Ltd. (雲南電信公眾信息產業有限公司) vigorously carried out a variety of cultural and sports activities that were enjoyable for employees, such as badminton, table tennis and basketball competitions, to enhance friendship and increase the well-being of employees.



Zhejiang branch built a mother and baby room to care for pregnant female employees

In 2021, Zhejiang branch carried out the construction of mother and baby room, and provided care services for pregnant female employees to enhance the well-being of employees.



Hunan branch held the "leading e-Surfing" marathon

On 18 April 2021, Hunan branch held the second marathon of "leading e-Surfing" at Orange Island, Changsha. 1,000 runners gathered at Orange Island to participate in the half marathon, which promoted sportsmanship and enhanced corporate cohesion.

Caring for safety and occupational health

The Company conscientiously and strictly implements the *Work Safety Law of the People's Republic of China*, coordinates the safety production work under the normalised Epidemic prevention and control, and continually solidifies the foundation of safety production management. The Company fully fulfills the core responsibilities for corporate safety production, develops sound safety production accountability systems for all employees, strictly implements the safety production assessment, widely promotes training and publicity of safety production regulations and safety knowledge, continuously strengthens the supervision and inspection of safety production, reinforces the early warning and risk prevention and control of meteorological disasters and their secondary hazards, strictly implements licences obtaining system for special operation employees, and continuously enhances the quality construction of the safety production team.

Strengthening system construction

- The Company attaches great importance to occupational health and safety management of its employees and formulated management systems related to occupational safety and protective supplies.
- The Company organises supervision and inspections on the work sites of the employees regularly, supervises the design and installation units to design and install in accordance with the standards including for indoor lighting, noise, temperature and humidity.

Improving the working environment

- The Company continuously improves the workplace environment and work conditions of its employees, thus effectively eliminating the occurrences of occupational illness.
- The Company conducts on-site inspections from time to time, urges units to allocate necessary protective supplies for workers in accordance with the relevant requirements and standards and supervises workers to wear and use the protective supplies properly.

Paying attention to the physical and mental health of employees

- The Company provides free health checkup for all employees every year, and continuously conducts counselling activities concerning mental health of the employees and assistance work. The Company has opened a psychological service hotline to proactively help the employees reduce their stress and pressures.
- In response to the Covid-19 Epidemic, the Company strengthens nucleic acid screening and promotes the vaccination of employees.



Peixian branch carried out a series of publicity activities for the “Safety Production Month”

In June 2021, Peixian branch launched various forms of publicity activities during the Safety Production Month.



Fuzhou branch launched the Health Room for employees

In 2021, the Health Room for employees of Fuzhou branch was officially opened. It is equipped with health monitoring instruments, psychological therapy chairs, and regular expert consultation. Employees can operate the equipment by themselves and conduct daily indicator monitoring and early warning according to their own situation.



Tibetan branch organised the psychological counseling and training namely “Snow Region Mental Oxygen (雪域心氧)” for employees

High-cold and hypoxia in Tibet have been severely affecting the health of employees. In order to better care for employees, Tibet branch carried out psychological counseling and training for employees in Shigatse, Shannan, Linzhi and Naqu based on the actual needs of employees and the physical and mental conditions of employees in production and operation.

STRENGTHENING COMPLIANCE MANAGEMENT

China Telecom persists in operating in compliance with laws and integrity through abidance by relevant laws and regulations and industry regulations, and establishes an efficient and coordinated legal compliance system for internal control management, audit supervision, discipline inspection and supervision, and risk management. We continued to enhance the compliance management system, strengthen organisational leadership, enhance the management system, perfect the operating mechanism, and cultivate the compliance culture. Meanwhile, with its focus on key areas, the Company implemented laws and regulations related to network and information security protection, including the *Data Security Law of the People's Republic of China* and the *Personal Information Protection Law of the People's Republic of China*, strengthened the compliance management in the fields of anti-monopoly and anti-unfair competition, network and information security, overseas operation, and digital integrated information service (DICT), and promoted the integration of compliance management into the Company's production and operation, and provided enterprises with "safety belts" and "protective clothing" to ensure the sustainable and healthy development of the Company.

Operation in compliance with laws and regulations

The Company continued to promote the legal and compliant operation and enhance the governance capability and level. The Company amended the articles of association and the rules of procedures for the three committees, and enhanced 21 management systems in respect of fund raising, external guarantees, related party transactions and information disclosure. The Company continued to enhance its internal control manual and authority list, advanced the work of "smart finance", "smart legal affairs" and "smart audit", and exploited artificial intelligence and other new technological means to enhance its risk prevention capacity, so as to ensure the legal compliance of corporate operation and management, asset security, and the authenticity and completeness of financial reports and relevant information. The Company comprehensively carried out risk identification and assessment, and continued to strengthen risk tracking and control. During the year, the Company maintained a stable operation with controllable risks, and no major violations occurred.

China Telecom actively promoted the implementation of the *Data Security Law of the People's Republic of China* and the *Personal Information Protection Law of the People's Republic of China*

China Telecom, taking into account the actual situation of the Company, carried out systematic study and propaganda in five aspects, including system, specification, process, protocol and system, so as to identify problems and hidden dangers, effectively prevent legal risks, and comprehensively enhance the level of network security and personal information protection of China Telecom.



Guangdong branch was awarded “Observing Contract and Valuing Credit” for ten consecutive years

Guangdong branch has always been adhering to the concept of integrity management. It has established and enhanced the internal contract management system and process, standardised contract signing, strictly performed contracts, effectively protected and safeguarded the interests of customers, suppliers and the Company, created a sound market environment for integrity management, and consciously accepted the supervision and management of administrative authorities such as industry and commerce department, and demonstrated a good image of lawful and honest operation to the society.

Employment in compliance with laws and regulations

The Company protects the rights and interests of employees with respect to labour rights, democracy rights and spiritual culture rights in accordance with the laws, enhances labour management, and conducts workforce employment in accordance with laws and regulations. The Company adheres to the principles of equality, voluntariness and consensus, and has formulated and implemented the *Notice on Issuing of the Labour Contract of China Telecommunications Corporation (Template)* and other documents in accordance with the relevant laws and regulations regarding labour and protection of the employees' rights and interests including the *Civil Code of the People's Republic of China*, the *Law of the People's Republic of China on Labour Contracts* and the *Trade Union Law of the People's Republic of China*. The Company enters into written labour contracts with employees to protect their basic rights, perform the obligations of both parties, specify working hours, rest and vacation, implement a standard working hour system, and pays their remunerations and social security insurances in full and in a timely manner. The Company has specified in detail the circumstances under which employees may terminate labour contracts and implement them in accordance with laws and regulations. The Company continually enhances the business operation models and job role classification of labour dispatch, clearly determines the employment form of each role, standardises the designated agreements signed with agency workers, checks and supervises these dispatch units and dispatch workers to sign employment contracts, and pays remuneration and social security insurances in a timely manner in order to protect the rights and interests of contract or agency workers.

The Company adheres to principles of gender equality and equal pay for equal work, and provides employees with promotion in their positions. The Company handles and uses employees' personal information in accordance with the law, strictly protects employees' privacy and information security, and implements the paid leave system to protect employees' rights to rest and vacation.

The Company strictly implements the relevant requirements of the *Regulations on the Prohibition of Using Child Labour*, prohibits child labour and forced labour in accordance with laws, and specifies the age requirements of candidates in accordance with the recruitment management measures to avoid child labour. In 2021, no child labour or forced labour was found.

Promoting integrity governance and anti-corruption

The Company earnestly executed the laws and regulations on integrity governance and anti-corruption such as the *Supervision Law of the People's Republic of China*, formulated internal systems such as the *Notice on Further Strengthening the Prevention and Control of Integrity Risks*, and strengthened the development of systems, mechanisms and culture and other aspects in order to strictly prohibit the occurrence of any forms of corruption such as bribery, extortion, fraud and money laundering. The Company established and optimised five major mechanisms including anti-corruption education and prevention, system monitoring, discipline and accountability, fault tolerance and correction, and inspection and check. We formulated our code of conduct, which includes an integrity manual, and opened a public WeChat account called "China Telecom with Integrity". We conducted integrity and discipline education for management and employees, and distributed training materials related to international anti-corruption compliance to all directors. We set up a whistleblowing postal mailbox, emails and hotline to address any report of whistleblowing, allegations and relevant complaints against our 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 Investigation and Handling of 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.