

# China Telecom Corporation Limited

## Charter of Audit Committee

(As amended by the Board of Directors on 17 December 2018)

### **Section 1    General Provisions**

#### **Article 1        Objective**

Pursuant to the applicable laws, regulations, listing rules of the places of listing of China Telecom Corporation Limited (the “Company”), and of the PRC, and the Company’s internal regulations, the Board of Directors of the Company (the “Board”) sets up an audit committee (the “Committee” unless otherwise indicated) and formulates this Charter accordingly.

#### **Article 2        Status and Principle of the Committee**

The Committee members are appointed by over 50% affirmative votes of the Board. The Committee shall report to the Board periodically.

The principle of the Committee is to take full responsibility to reasonably safeguard the best interests of the Company and fairly protect the overall interests of shareholders, especially the interests of minority shareholders pursuant to the applicable rules and regulations.

#### **Article 3        Structure and Qualifications of the Committee**

The Committee consists of three or more members. The Board may change such number when it deems necessary, provided that the minimum requirement pursuant to the applicable regulatory rules is met.

All the Committee members shall be independent non-executive Directors and:

- (1) shall have no material affiliations with the Company;
- (2) shall be in compliance with the relevant requirement of “independence” of the Committee members pursuant to the applicable regulatory rules;
- (3) shall be familiar with the professional expertise in finance, accounting and auditing, or shall acquire such expertise within a reasonable period of time after being appointed as Committee members.

A former partner of the Company's external independent auditing firm should be prohibited from acting as a Committee member for a period of two years commencing on the date of the person ceasing:

- (1) to be a partner of the external independent auditing firm; or
- (2) to have any financial interest in the external independent auditing firm,

whichever is the later.

#### **Article 4            Term of the Committee**

The term of the Committee shall be the same as that of the Board. The appointment may be renewed upon expiry of the term.

The qualification as a Committee member will be automatically withdrawn in the event that the Committee member ceases to be the independent non-executive Director of the Company, and the Board shall fill the vacancy pursuant to the applicable rules.

In the event that any Committee member tenders his/her resignation, or his/her removal has been agreed by more than half of the Board's votes, or ceases to be an independent non-executive Director, the Board may decide to terminate his/her term of office before the expiry date of the term.

Any change in the members of the Committee with simultaneous change in Directors shall follow the procedure to obtain the shareholders' approval in the general meetings pursuant to the relevant procedures of change of Directors as stipulated in the Articles of Association and an announcement in accordance with the applicable regulatory rules shall be published accordingly.

#### **Article 5            Resignation of the Committee Members**

Should any Committee member resign before the term expires, such member shall submit to the Board through the Secretary of the Board a written resignation three months in advance, in which detailed explanations for the resignation shall be stated.

In the event that any resignation may trigger the number of the Committee members being less than the statutory minimum requirement, such resignation shall not take effect until the newly appointed member has taken up the position.

Should any Committee member lose his or her position in the Committee due to his or her resignation from the position of an independent non-executive Director, the regular resignation procedure for the Committee member is not necessary. Upon his or her resignation from the position of an independent non-executive Director pursuant to the resignation procedure for the independent non-executive Director, his or her

position as a Committee member shall be automatically removed. In the event that the resignation as a Committee member may trigger the number of the Committee members being less than the statutory requirement, such disqualification as a Committee member shall follow the procedure set forth in the second paragraph of this article.

## **Section 2 Operation and Meeting Procedures of the Committee**

### **Article 6 Committee Meetings**

The Committee shall hold at least two meetings every year (before annual and interim results announcements).

Should the Company's external independent auditors deem necessary, it may request the Committee to hold a special meeting.

A Committee meeting may not be held unless more than half of the members attended the meeting. It may also be held via telephone conference or other telecommunications means.

### **Article 7 Written Proposals**

The Committee may replace convening physical meeting with written proposals, and to approve resolutions by written resolution in lieu of physical meeting. When the meeting materials are delivered to all members and the members signify their consent by signing the written resolution where a quorum to approve the resolutions has been met, the written resolution shall become effective.

### **Article 8 Calling and Presiding of Meeting**

The Committee member may convene a committee meeting or the Secretary of the Board can assist the Committee member to convene the meetings and may also authorise the Office of the Board to coordinate the relevant arrangements for such meetings.

The notice for a Committee meeting should be delivered to each member at least fourteen days prior to the meeting. The related agenda and meeting materials for the meeting should be delivered to each member at least three days prior to such meeting.

The attending members shall elect a chairman in charge of the Committee meeting.

## **Article 9 Resolutions**

Any resolution of a Committee meeting shall require two-thirds or more of the affirmative votes, with each member having one vote.

The voting of the Committee meeting may be taken by show of hands or by poll. The voting of the special meeting can be taken by telecommunications means.

Any resolution of a Committee meeting shall be in written form and signed by attending members.

## **Article 10 Minutes**

Minutes for a Committee meeting shall be kept and shall be complete and true.

The Office of the Board shall be in charge of the minutes of the Committee meetings. The drafts of the minutes shall be available to all members within a reasonable period of time after the meetings so that the members can review the drafts and finalise the minutes. The Secretary of the Board shall retain the original copies of the minutes.

## **Article 11 Non-voting Attendance**

When it deems necessary, the Committee may invite the Company's management and other Directors to attend the meetings where the attendees have no voting rights.

## **Article 12 Ancillary Organ of the Committee**

The Office of the Board shall coordinate and support the routine operation of the Committee.

# **Section 3 Duties and Obligations of the Committee**

## **Article 13 Primary Duties of the Committee**

The Committee's primary duties are to assist the Board in supervising the following matters:

- (1) the truthfulness and integrity of the Company's financial statements;
- (2) the qualifications, independence and work of the external independent auditors;
- (3) the effectiveness and integrity of the Company's internal control system;

- (4) the work of the internal audit department;
- (5) other overseeing duties authorised by the Board;
- (6) the annual evaluation of the performance of the Committee;
- (7) other overseeing duties authorised pursuant to the applicable regulatory rules.

The Audit Committee shall review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action. The Committee shall act as the key representative body for overseeing the Company's relations with the external independent auditors.

To perform the duties, the Committee may request the Company's management to provide any necessary documents, materials or their explanations on any issues the Committee is concerned about.

#### **Article 14            Supervision of Issues Relating to Financial Statements**

The Committee shall review issues relating to the financial statements pursuant to the applicable regulatory requirements, and determine whether to recommend to the Board that the audited financial statements be included in the Company's annual report on Form 20-F.

The Committee shall monitor integrity of the Company's financial statements and annual reports and accounts, interim reports and quarterly reports (if applicable), review significant financial reporting judgments contained in them. In reviewing these statements and reports before submission to the Board, the Committee should focus particularly on:

- (1) any changes in accounting policies and practices;
- (2) major judgmental areas;
- (3) significant adjustments resulting from audit;
- (4) the going concern assumptions and any qualifications;
- (5) compliance with accounting standards; and
- (6) compliance with the legal requirements in relation to financial reporting.

The Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external independent auditors.

To perform obligations hereunder, the members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's external independent auditors.

The reports of the Committee shall make appropriate disclosure of the performance of above duties in supervision of financial statements as requested by the regulatory authorities.

## **Article 15            Supervision of External Independent Auditors**

The Committee shall supervise the following aspects of external independent auditors as required by regulatory requirements to ensure the objectiveness of the financial statements:

- (1) it shall be directly responsible for the appointment, remuneration, evaluation and removal of any external independent auditors, including approval of all remuneration, terms of engagement and other engagement provisions; the Committee shall consider the comments from the management and internal audit department as to the evaluation of the external independent auditors;
- (2) it shall review and monitor the external independent auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (3) it shall supervise the performance of the external independent auditors, listen to and review any written report furnished by the external independent auditors as legally required;
- (4) it shall be responsible to resolve any disagreements between the management and the external independent auditors regarding financial reporting;
- (5) it shall be responsible for pre-approving all audit and non-audit services to be provided by the external independent auditors to the Company, disclose such pre-approved non-audit services in the periodic report submitted to U.S. Securities and Exchange Commission. The Committee shall consider as to the impact of such non-audit services on the independence of external independent auditors, and formulate policies governing such non-audit services. When necessary, the Committee may authorise 1 or 2 members to pre-approve any aforesaid audit or non-audit services, which, however, is subject to the approval

of the next meeting of the Committee;

- (6) it shall be responsible for formulating policies regarding the recruitment of existing or former employees of the external independent auditors into the Company;
- (7) it shall be responsible for other overseeing duties as pursuant to regulatory requirements.

Pursuant to the Articles of Association, any proposal about appointment and removal of the external independent auditors is subject to the approval by way of poll at the general meeting, provided that the Committee shall make recommendations of external independent auditors to the general meeting.

#### **Article 16          Supervision Duties of Risk Management and Internal Control**

The Committee shall review the Company's risk management and internal control procedures and supervise the implementation thereof, namely:

- (1) review the Company's financial controls, internal control and risk management systems and their implementation;
- (2) discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (3) consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (4) review and evaluate the Company's financial and accounting policies and practices;
- (5) review the external independent auditors' management letter, any material queries raised by the external independent auditors to management about accounting records, financial accounts or systems of control and management's response;
- (6) ensure that the Board will provide a timely response to the issues raised in the external independent auditors' management letter.

The Committee is entitled to inquire the CEO and CFO of the Company about the following issues:

- (1) whether there is any significant deficiency in the design or operation of internal control procedures which could adversely affect the Company's ability to record, process, summarise and report financial data;
- (2) any weakness in internal control procedures;
- (3) any fraud, whether or not material, that involves the management or employees who have a significant role in the Company's internal controls;
- (4) any significant changes in the Company's internal control procedures;
- (5) other matters required by regulatory policies, laws and regulations.

**Article 17            Supervision of Internal Auditing Matters**

The Committee shall ensure co-ordination between the internal audit department and external independent auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.

The Committee shall keep timely and effective communication with the management and internal audit department with regard to the internal auditing matters.

**Article 18            Supervision of Connected Transactions**

The Committee shall examine the annual Connected Transaction report furnished by the management of the Company at least annually, and utter comments thereon.

**Article 19            Preparation of the Committee Report**

The Committee shall prepare and submit the Committee report to the Board, and disclose such report in relevant reports (if applicable) pursuant to relevant requirements.

**Article 20            Complaints Procedure**

The Committee shall establish whistleblowing policy for:

- (1) the receipt and handling of complaints received by the Company regarding accounting, internal accounting controls and auditing matters;

- (2) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

#### **Article 21 Authority to Engage Advisors**

For the purpose of carrying out their duties, the Committee may engage independent legal advisors, certified accountants or other experts with regard to such issues as to recognising potential conflict of interests, evaluation of disclosure level and other regulatory compliance, independent investigation of financial statements and compliance with securities regulations.

#### **Article 22 Duties of the Committee Members**

Each of the Committee members shall diligently and effectively perform his or her duties and exercise his or her rights, in accordance with the applicable regulatory provisions and this Charter, including but not limited to:

- (1) be conscientious, reasonably safeguard the best interests of the Company, fairly protect the overall interests of shareholders;
- (2) attend the Committee meeting in person, or delegate other members for attendance thereof by written power of attorney, which shall state the scope of authorisation;
- (3) carefully review relevant documents and topics submitted to the members;
- (4) keep adequate and effective communication with the management, internal audit department and external independent auditors.

### **Section 4 Compensation and Budget of the Committee**

#### **Article 23 Compensation of the Committee**

The compensation of the Committee, in the form of cash, shares or options, shall be determined and approved by the Board. The Committee members shall not directly or indirectly receive from the Company any consulting fees, advising fees or any other compensation, except for:

- (1) compensation received as a Director (including any compensation and other benefits paid to all Directors) or as an employee who is an employee representative;
- (2) compensation for a position in any committee under the Board;

- (3) pension or other deferred compensation to be payable for the service that a Director has provided (provided that such compensation is not contingent upon a service that a Director has to provide in any way in the future).

**Article 24            Budget of the Committee**

For the purpose of its duties, the Committee shall have its necessary budget and other resources, including:

- (1) payment by the Company for the expenses of the audit, review or attestation by the external independent auditors;
- (2) total expenses relating the appointment of external advisors;
- (3) all necessary and appropriate administrative expenses for the Committee to perform its duties.

**Section 5    Miscellaneous**

**Article 25            Validity and Interpretation**

This Charter shall take effect upon the approval by a Board resolution and the Board shall be responsible for any explanation thereof. Any issues not covered hereunder shall follow the applicable regulatory provisions and the Articles of Association.

**Article 26            Amendment and Termination**

Any amendment or termination of this Charter is subject to the Board's resolution.

This Charter is written in Chinese. If there is any discrepancy between the Chinese version and any other translated versions, the Chinese version shall prevail.