

COMPLIANT OPERATION: CORNERSTONE TO SOLID DEVELOPMENT

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COMPLIANT OPERATION: CORNERSTONE TO SOLID DEVELOPMENT

Legal compliance is a prerequisite for the sustainable development of an enterprise, as well as a fundamental principle observed by all top-notch companies in the world. China Unicom enhances legal compliance and corporate governance on an ongoing manner in consistent adherence to business ethics. China Unicom continues to push forward anti-corruption practice with a strong focus on improving staff legal compliance awareness and strengthening its risk control abilities. The Company is in a diligent effort to protect the common interests of itself and its stakeholders and contributes to the development of business integrity and rule of law in the nation.

Measures adopted in 2017

- Stringent implementation of "Single Position, Double Duties" to realise the normalisation and institutionalisation of "Two Learning Types, One Action" learning.
- Strengthened anti-corruption and integrity advocacy practice with orderly inspection and examination.
- Fully push forward the development of rule of law in central SOE, strengthened protection of intellectual property rights, normalised management on systems and regulations and enhanced contract management.
- Enhanced performance of auditing duties in key areas and enhanced development of risk management systems to facilitate improvements in fundamental corporate management.

Actions in 2018

- Intensive learning and implementation of Xi Jinping's Thought on Socialism with Chinese Characteristics and the spirit of 19th CPC Congress for a New Era to advance on all fronts developments in politics, ideology, organisation, work practice, discipline and regulations construction and further push forward anti-corruption practice.
- Lawful operations underpinned by stringent self-discipline and proactive promotion of sound order of market competition; active launch of specific programs against unruly competition and curb irregularities in the market.
- Drive ongoing audit innovation and transformation and deepen, comprehensive risk management to assure healthy and effective development of the Company.

As a company incorporated in Hong Kong and dual-listed in Hong Kong and the United States, the Company adopts the Companies Ordinance of Hong Kong, the Securities and Futures Ordinance of Hong Kong, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the regulatory requirements for non-US companies listed in the United States, the Company's Articles of Association and other related laws and regulations as the basic guidelines for the Company's corporate governance.

This report is prepared pursuant to the Environmental, Social and Governance Reporting Guideline (the "Guideline") in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This report has complied with all the "comply or explain" provisions as set out in the Guideline.

The principal activities of Company's subsidiaries are the provision of cellular and fixed-line voice and related value-added services, broadband and other Internet-related services, information communications technology services, and business and data communications services in the PRC. The Company is required to comply with the Telecommunications Regulations of the People's Republic of China, Administrative Regulations on Telecommunications Companies with Foreign Investments, Cybersecurity Law of the People's Republic of China and other related laws and regulations. At the same time, overseas subsidiaries of the Company are also required to comply with the related laws and regulations where their business operations are located.

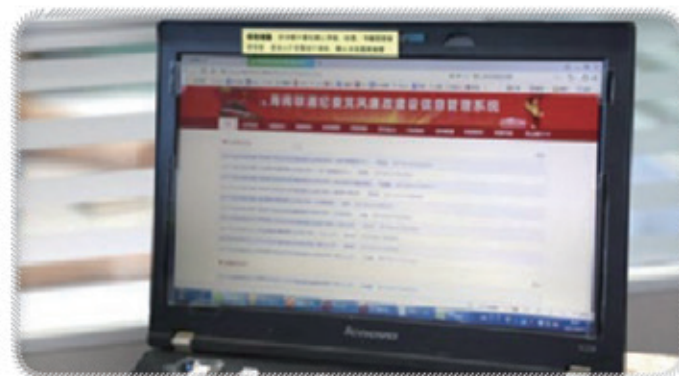
ANTI-CORRUPTION AND INTEGRITY ADVOCACY

In diligent implementation of the CPC Central Committee's strategic planning for stringent CPC discipline on all front, China Unicom has made significant progress in the rectification of both outward malpractices and fundamental issues and emphatic efforts to foster a corruption-free environment with a rigorous anti-corruption stance in close tandem with the actual conditions of the Company, providing strong political protection and driving force for its healthy development.

- Persisting in the rigorous anti-corruption stance to enhance the deterrent effect. Pay attention to letter complains and accusations and verify the evidence. The “key minorities” and important segments have been closely monitored to ensure that every single corruptive practice is countered and every case is investigated. Specific inspections relating to optical network fibre upgrade have been conducted to rectify malpractices and uphold discipline through general investigation as well as individual case investigations. Significant losses have been avoided and evident improvements in the corporate ethos have been noted as a result. Inspection efforts have been intensified as the first-round inspection of second-tier units has been completed, while the inspection of municipal and county branches is progressing in a full coverage leaving no blind spots.
- Driving the rectification of both outward malpractices and fundamental issues to build an “incorruptible” mechanism. Notable results have been achieved in our solid efforts to drive corruption risk control throughout the entire system with the breakdown of control measures to every unit and job position. A blacklist of doubtful suppliers has been drawn up to create an anti-corruption external environment. Promote the reform station mechanism of disciplinary inspection agencies in city level companies to resolve the problem of weakened supervision level of the organisation.
- Countering corruption through education with a “hammering” spirit to foster an atmosphere of “reluctance against corruption”. Deputy officers or above in county branches required to furnish annual reports on their personal compliance with six Disciplinary Rules. The rule of general interview has been persistently implemented, whereby management officers at all levels have been interviewed once every year. Resolute efforts have been made to rectify the “formalism, bureaucracy, hedonism and extravagance”, as the corporate ethos continues to improve.



China Unicom’s anti-corruption risk control (Nanpian District) training held in Fujian.



China Unicom Hainan’s ethical Party discipline and anti-corruption information management system officially going online.

OPERATION IN COMPLIANCE WITH LAWS AND REGULATIONS

China Unicom is committed to fully push forward the construction of a legally compliant central enterprise with ongoing enhancements in legal compliance and corporate governance. The Company is in further promotion of lawful operations, business integrity and corporate governance by rules and regulations, with a view to fostering a marketplace for fair and orderly competition. In 2017, the Company was not subject to any litigation or lawsuit relating to anti-competition or anti-trust practices.

- Enhancing staff legal compliance awareness through the announcement of the “China Unicom Implementation Measures for the Performance of Duties by the Chief Officer of the Enterprise as the Primary Responsible Officer for Promoting Legal Governance”, the “7th Five Year Plan” planning for general legal education, seminars on general legal education and newsletters on legal governance.
- Promoting healthy and orderly development of the telecommunications market by fostering a marketplace conducive to fair competition and actively preventing and curbing unruly competitive behaviors in compliance with relevant laws and regulations promulgated by national regulatory authorities.
- Strengthening management of intellectual property rights with a strong emphasis on patents, trademarks, copyrights and the protection of confidential commercial information through effective incentive mechanisms. Stringent review procedures and campaigns promotion are implemented to enhance staff awareness of intellectual property protection.
- Forming a contract management regime featuring “one horizontal aspect and four vertical aspects” and an integrated contract management model featuring “five complete aspects and one checklist” to build an electronic contract management system; optimising the administrative mechanism for the normalisation of rules and regulations to build an integrated management information platform. 111 rules and regulations are newly set or amended, and 111 compliance review was completed with the review rate of 100%.
- Implementating the normalisation of the delegation checklist, launching an integrated management information system for the delegation checklist and optimising a number of approval and reporting items.
- Strictly comply with the Advertising Law and regulations promulgated by MIIT and other competent authorities, the advertising materials and graphics have been sourced through official channels and legally utilised without any infringement of rights; information relating to products, costs, service contents, valid period, marketing etc. has been clearly indicated on all advertisements and promotional materials.

Number of compliance training session:

1,576

Number of participant attending the compliance training:

253,530

RISK PREVENTION

China Unicom has further enhanced its total risk management regime with the establishment of an internal control and risk management system consisting of the Board of Directors, the Internal Control and Risk Management Committee, the Integrated Management Department and each relevant professional functional departments. It formulate the internal control and risk management measures, and develops of internal control regulatory regime at company-control level and process-control level. 2017 amendments included around 120 amendments on the internal risk control process of the market line to further regulate marketing activities.

Focused on the identification of problems and risks, we have rigorously reinforced the implementation of 19 disciplinary rules in connection with dealings with internal and external parties of China Unicom and enhanced the audit accountability for key areas to strengthen the effective execution of internal control. The three-tier protection line for internal control has been consolidated to improve the effectiveness of rectification initiatives. Innovation has been introduced in the auditing mechanism under the guidance of “Internet+” in steady development and application of a networked audit system, while the move to institutionalise and standardise Big Data analysis in the auditing process has been expedited. In 2017, China Unicom was awarded the honorary title of “National Advanced Organisation in Internal Auditing” for 2014-2016.