



APPROVED  
by the Board of Directors  
of PJSC Rostelecom

Minutes No 09, April 20, 2021

**PUBLIC JOINT STOCK COMPANY ROSTELECOM  
DIVIDEND POLICY**

Moscow  
2021

## 1. GENERAL PROVISIONS

- 1.1. This Dividend Policy of PJSC Rostelecom (hereinafter – the “Policy”) has been developed pursuant to applicable Russian Law, the Charter of PJSC Rostelecom (hereinafter sometimes to be referred to as the “Company”) and other internal regulations of the Company, the Code of Corporate Conduct as approved by the Board of Directors of the Bank of Russia on 21.03.2014, Methodological recommendations for development of dividend policy in joint stock companies with state ownership interest provided by the Federal Agency for State Property Management approved by the Order No. 524 of 29.12.2014, Methodological Recommendations of PJSC Moscow Stock Exchange on shaping and implementation of dividend policies by public companies, developed in 2017, and the best international practices.
- 1.2. In approving this Policy, the Company Board of Directors strives to ensure predictability and transparency of the Company dividend payments mechanism.
- 1.3. The Policy establishes the basic principles of the Company dividend policy, procedures associated with a dividend payment decision, a method of the dividend amount calculation and dividend payment procedure.

## 2. TERMS AND DEFINITIONS

- 2.1. Terms and definitions used herein shall have the same meaning as when they are used in applicable law, rules and regulations, unless otherwise is expressly stated in this Policy.
- 2.2. For the purpose of this Policy the following terms and definitions shall apply:
  - **“Shareholder”** or **“Eligible for Dividend Person”** shall mean a person who is an owner of shares of a certain class (type) or a person exercising rights attached to the relevant shares according to applicable federal law, as at the end of the banking day which is determined according to the dividend payment decision as the date to finalize the list of persons eligible to receive dividends;
  - **“Depository Receipts”** shall mean securities issued on the underlying shares of PJSC Rostelecom according to provisions of foreign law in order to facilitate trading in the Company shares beyond Russian Federation;
  - **“General Shareholders' Meeting”** shall mean annual or extraordinary shareholders' meeting of PJSC Rostelecom;
  - **“Rosimushchestvo”** shall mean the Federal Agency for State Property Management of the Russian Federation;
  - **The “Board of Directors”** shall mean the Board of Directors of PJSC Rostelecom;
  - **“Dividend Payment Term”** shall mean the time interval within which the dividend payment obligation shall be discharged according to applicable law and the Company’s Charter;
  - **The “Charter”** shall mean the current issue of the Charter of PJSC Rostelecom as amended;
  - **“Net Debt/OIBDA”** shall mean a performance indicator to be calculated as the ratio of: 1) the Net Debt as of the reporting date (non-current and current Loans and borrowings plus non-current and current Lease liabilities net of Cash and cash equivalents and Other financial assets\*), to 2) OIBDA over the 12 months preceding the reporting date (operating earnings before depreciation and amortization, non-cash expenses under a long-term

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\* Other financial assets are determined as the line of the same name in Current assets section of Consolidated statement of financial position prepared in accordance with IFRS

program of management motivation and expenses related to non-government pension benefits); with all these amounts to be determined pursuant to the Company financial statements according to IFRS;

- **“RAS Net Profit”** shall mean the Company net profit after tax to be determined according to the Company financial statements in accordance with requirements of applicable Russian law (RAS), as stated in line 2400 Net profit (loss) of the Profit and Loss Statement;
- **“IFRS Net Profit”** shall mean after tax profit to be determined pursuant to consolidated financial statements according to IFRS requirements.

### **3. KEY DIVIDEND PROVISIONS**

- 3.1. A General Shareholders’ Meeting shall be entitled to pass a decision on to pay (declare) dividends on the outstanding shares as at the end of a reporting year as well as at the end of the first quarter, a half year and nine months of a relevant reporting year unless otherwise is prescribed by applicable Russian law.
- 3.2. The date on which, in accordance with the decision on payment (declaration) of dividends, the list of persons eligible to receive dividends is finalized, cannot be fixed earlier than 10 days after the date of passing a decision on payment (declaration) of dividends or later than 20 days after passing such a decision.
- 3.3. Dividends are paid to a nominee holder and beneficial owner who is a professional securities market player registered in the shareholders register, within 10 business days, and to other persons registered in the shareholders register – within 25 business days after the date on which the list of persons eligible to receive dividends is finalized.
- 3.4. The source of dividend payment is the Company's net profit. According to the Company’s Charter dividend shall be payable in cash funds except situations where at the Company’s General Meetings of Shareholders a decision regarding dividend on ordinary shares is made to pay out dividend in other form of assets. Dividend on the Company’s preferred shares shall be payable in cash funds only
- 3.5. Payments of the declared dividend shall be the Company’s obligation, except cases specified in Article 43 of the Federal law "On Joint-Stock Companies" No208-FZ of 26.12.1995 (hereinafter the “Federal Law on Joint-Stock Companies”). The Company shall be liable to shareholders according to applicable law for failure to perform this obligation.
- 3.6. Depository Receipts shall entitle their holders to receive dividends in the amounts according to the number of the underlying shares of the Company assigned to such Depository Receipts.
- 3.7. This Policy, as well as other documents and information related to payment of dividends and their taxation, are posted on the Company official Internet site.

### **4. PRINCIPLES OF THE COMPANY DIVIDEND POLICY**

- 4.1. This Policy prescribes the following principles of shaping recommendations with respect to dividends amount determination and dividends payments:
  - observance and protection of shareholders’ rights conferred by applicable law, rules and regulations and contemplated by best corporate governance practices;
  - ensuring financial stability of the Company, obtaining the highest possible credit rating assigned by international rating agencies S&P's, Moody’s, Fitch, the Analytical Credit Rating Agency (ACRA), Expert RA and maintaining debt burden corresponding to Net Debt/OIBDA ratio not greater than 3.0x on an annual basis;

- ruling out dividend payments where such payments might lead to showing some signs of insolvency (bankruptcy) according to the Russian law on insolvency (bankruptcy);
- achievement of an optimal balance between the Company's need in funds to ensure its further growth and the shareholders' need in dividend repayments of funds invested in the Company shares provided that an optimal capital structure is held;
- enhancing the investment appeal of the Company securities for current and potential shareholders, and as a consequence, growth of the Company capitalization;
- transparent arrangements for determination of the amounts and payments of dividend
- priority to be assigned to ensuring stable and sustainable growth of the Company given the effects of macroeconomic factors;
- creating equal conditions for receiving dividend payments by the Company shareholders owning shares of the same class (type) throughout the Dividend Payment Term.

## **5. DIVIDEND DETERMINATION**

- 5.1. The Company's Board of Directors shall make recommendations on the amount of dividend payable on the Company's shares based on principles specified in Article 4 of this Policy.
- 5.2. The Company will aim to pay dividends for each reporting year in the amount of at least **5 rubles** per one ordinary share, but **at least 5% more** than dividends per ordinary share paid in the previous reporting year.
- 5.3. The Company will aim to ensure that the amount of dividend payments (payable on ordinary and preferred shares in total) should not exceed 100% of net profit according to IFRS for the reporting year, but in no case it shall be less than the level recommended by Rosimushchestvo for companies with state ownership interest if such requirement is applicable to the Company.
- 5.4. In some specific situations where the Company's operating results in a reporting year were significantly affected by certain individual operations, the dividends payment determination can be adjusted according to the amount of related cash flow stated for such individual operations.
- 5.5. The Board of Directors may decide to recommend that a General Shareholders' Meeting (1) should pay dividends after changing the amount of dividend payments as compared to those specified in this Policy for the reporting year in which the individual activities took place that had a material impact on the Company performance, or (2) take a decision to recommend that a General Shareholders' Meeting should not pay dividends for the reporting year, in which the individual Company operations took place, which had a significant impact on the Company performance.

Such individual operations include:

- significant capital expenditures related to meeting legal requirements;
  - material M&A transactions;
  - transactions that resulted in or will result in an increase in Net debt/OIBDA ratio up to the annual level of more than 3.0;
  - other operations that had a significant impact on the Company performance.
- 5.6. In accordance with the Charter, the total amount paid as an annual dividends for each preferred type A share is set as 10 (ten) percent of net profit under the RAS standard as at

the end of the last reporting year divided by the number of shares making 25 (twenty five ) percent of the Company registered capital. Thus, dividends per one preferred share shall be calculated using the following formula:

$$D = \frac{10\% \times NP}{OS \times 0.25}, \text{ where}$$

D shall mean dividends per one preferred type A share;

NP - net profit under RAS standard as at the end of the last reporting year;

OS – total number of outstanding ordinary and preferred Company shares (information about the number of outstanding ordinary and preferred shares of the Company is available at the Company Internet site).

In this case, if the amount of dividends paid by the Company per each ordinary share in a certain year exceeds the amount payable as dividends per each type A preferred share, the dividend payable on the latter should be increased to the amount of the dividend paid on ordinary shares. The amount of accrued dividends per one Company shareholder shall be calculated with accuracy of one kopeck.

- 5.7. The recommended amount of dividends shall be first discussed at a meeting of the Strategy Committee of the Board of Directors, with consideration of information provided by the management about the Company performance as at the end of the reporting period, as well as the existence/absence in the reporting period of operations listed in Par. 5.5. hereof that had a significant impact on the Company performance.
- 5.8. A notice on convocation of a General Shareholders' Meeting to consider payment of dividends, shall contain the text of a decision to pay dividends, including detailed information about the amount of dividends on shares of each category (type), as well as explanation to the shareholders the importance of timely notifying the Company registrar of any change in their data necessary for dividends payment (bank account details, postal address, etc.), as well as the consequences and risks associated with late notification of the registrar of any changes in such data.
- 5.9. The materials provided to shareholders for making a decision to pay dividends, shall contain all necessary information indicating the existence or absence of conditions necessary for their payment.

## **6. FINAL PROVISIONS**

- 6.1. This Policy is designed for three years and applies to dividends payments in 2022, 2023 and 2024 (i.e. upon results of 2021, 2022 and 2023).
- 6.2. This Policy is to be approved by the Company Board of Directors and shall become effective upon its approval. Introduction of any changes or additions in this Policy or recognizing it void is effected by a relative decision of the Board of Directors, in which case the Company will aim to explain to the shareholders the reasons and prerequisites of any changes in this Policy.
- 6.3. If as a result of any changes in the Russian Federation law or the Charter, some provisions

of this Policy happen to conflict them, such provisions shall become invalid, and the Company shall be guided by the Russian Federation law and the Charter until relative changes are introduced in this Policy.

- 6.4. The invalidity of certain provisions of this Policy shall not entail invalidity of any other provisions of this Policy and/or this Policy as a whole.