

APPENDIX 1 TO THE ANNUAL REPORT 2018

REPORT ON COMPLIANCE WITH PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE ENDORSED BY THE BANK OF RUSSIA FOR APPLICATION

This report on compliance with principles and recommendations of the Corporate Governance Code (the Code) was reviewed by the Board of Directors on 15 May 2019 (Minutes No. 07 of 15 May 2018). The Board of Directors confirms that information contained in this report is complete and accurate in respect of compliance of the Company with principles and recommendations of the Corporate Governance Code in 2018.

The table below contains a brief description of the most significant aspects of the model and practices of corporate governance in Rostelecom according to the methodology endorsed by the Bank of Russia.

During 2018, the same Board of Directors¹ elected at two Annual General Meetings held on 19 June 2017 and 18 June 2018 acted and held meetings at Rostelecom throughout the reporting year without terminating the powers of its members. The Extraordinary General Shareholders' Meeting held on 24 December 2018 elected a new Board of Directors. The new Board of Directors did not hold any meetings from 24 December 2018 to 31 December 2018. In January 2019, the committees were created, and independent directors, the Senior Independent Director, and the Chairman of the Board of Directors were elected. Thus, this Report is based on the activities of the Board of Directors elected on 19 June 2017 and 18 June 2018 which held meetings during 2018.

Item	Corporate governance principles	Criteria for assessing compliance with corporate governance principles	Status of compliance with corporate governance principles	Explanations of deviations from the criteria for assessing compliance with corporate governance principles
1.1.	The company shall provide for equal and fair treatment toward all the shareholders when exercising their right to participate in the company's management.			
1.1.1.	The Company creates the most favourable conditions for shareholder participation in the General Meeting and conditions for working out an evidence-based position on General Meeting agenda items, coordinating their activities, and the opportunity to express their views on the issues under consideration.	1. There exists a publicly available internal document of the company approved by the General Shareholders' Meeting and regulating the procedures for holding the General Meeting. 2. The Company provides an accessible way to communicate with the company, such as a hot line, e-mail, or forum on the Internet that allows shareholders to express their opinions and send in questions regarding the agenda during the preparation process for holding the General Meeting. Said steps were taken by the company before each General Meeting held in the reporting period.	Compliant	
1.1.2.	The procedure for notification of the holding of the General Meeting and for the provision of materials to the General Meeting gives shareholders the opportunity to properly prepare for their participation in it	1. Notification on the holding of a General Shareholders' Meeting is posted (published) on the website not later than 30 days before the date of the General Meeting. 2. Notification on the holding of the Meeting specifies the location of the meeting and the documents required for admission into the building.	Compliant	

¹ For more details on the members of Rostelecom's Board of Directors in 2018 see Appendix 2 to this Annual Report.

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		3. Shareholders were provided access to information about who proposed agenda items and who proposed nominees to the Board of Directors and Audit Commission of the company.	
1.1.3.	During the course of preparation and the actual General Meeting, shareholders were able to receive information about the meeting and its related materials freely and in a timely manner, ask questions of the executive bodies and members of the Board of Directors of the company, and communicate with each other.	<p>1. During the reporting period shareholders were given the opportunity to ask members of the executive bodies and members of the Board of Directors of the company questions before and during the Annual General Meeting.</p> <p>2. The Board of Director's position (including special opinions included in the Minutes) on each item of the agenda of the General Meetings conducted during previous reporting periods was included in the materials for the General Shareholders' Meeting.</p> <p>3. The Company provided the duly entitled shareholders with access to the list of persons entitled to participate in the General Meeting starting from the date of its receipt by the company for every General Meeting held in the reporting period.</p>	Compliant
1.1.4.	The exercise of the shareholder right to demand convocation of the General Meeting, to nominate candidates to the governing bodies, and to make proposals to be included in the agenda of the General Meeting did not involve undue difficulties.	<p>1. During the reporting period, shareholders had the opportunity within at least 60 days following the end of the respective calendar year to make proposals to be included in the agenda of the Annual General Meeting.</p> <p>2. During the reporting period the company did not reject any proposals to the agenda or candidates for the company's governing bodies due to typos or other nonessential flaws present in the shareholder's proposal.</p>	Compliant
1.1.5.	Each shareholder had the opportunity to freely exercise their right to vote using the easiest and most convenient way.	1. The internal document (internal policy) of the company contains provisions pursuant to which each participant of the General Meeting is entitled, before the completion of the relevant meeting, to request a copy of its completed ballot certified by the Counting Commission	Compliant
1.1.6.	The General Meeting procedure established by the company provides equal opportunity for all persons attending the meeting to express their opinions and ask any questions they want.	<p>1. During the General Shareholders' Meetings held in the reporting period in the form of a meeting (collective attendance of shareholders), there was sufficient time provided for reports concerning the agenda issues and time to discuss such issues.</p> <p>2. Candidates for the Company's governance and control bodies were available to answer questions asked by shareholders at the meeting where their nominations were voted upon.</p> <p>3. The Board of Directors, when making decisions related to the preparation and holding</p>	Compliant

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		of General Shareholders' Meetings, discussed the use of telecommunications facilities to provide shareholders remote access for participation in General Meetings during the reporting period	
1.2.	Shareholders were provided with an equal and fair opportunity to participate in company's profits by receiving dividends.		
1.2.1.	The Company has developed and implemented a transparent and clear mechanism for determining the amount of dividends and paying them.	1. The company's dividend policy has been developed by the Board of Directors and disclosed. 2. If the dividend policy of the company uses indicators from the company's reporting to determine the amount of dividends, the relevant dividend policy provisions take the indicators of consolidated financial statements into account.	Compliant
1.2.2.	The company does not make a decision on the payment of dividends if such a decision, without constituting a formal violation of the restrictions imposed by law, is economically unreasonable and may lead to the formation of misconceptions about the company's activities.	1. The company's dividend policy provides clear guidance on the financial/economic circumstances where the company should not pay dividends.	Compliant
1.2.3.	The company does not allow for the deterioration of dividend rights for existing shareholders.	1. During the reporting period, the company did not take any action leading to the deterioration of the dividend rights of existing shareholders.	Compliant
1.2.4.	The company is committed to excluding shareholders' use of other ways to make profit (income) at the expense of the company besides dividends and liquidation value.	1. For the purpose of excluding shareholders' use of other ways to earn profit (income) at the expense of the company besides dividends and liquidation value, the company's internal documents establish control mechanisms that ensure the timely identification and procedure for the approval of transactions with persons affiliated (associated) with substantial shareholders (persons entitled to dispose of votes from voting shares), in cases where the law does not formally recognise such transactions as related party transactions.	Compliant
1.3.	The corporate governance framework and practices ensure equal conditions for all shareholders holding shares of one category (type), including minority (small) shareholders and foreign shareholders, as well as their equal treatment by the company.		
1.3.1.	The company has created conditions for the fair treatment of each shareholder by the company's governing and control bodies, including conditions that ensure the inadmissibility of major shareholder abuses in relation to minority shareholders.	1. During the reporting period, the procedures for managing potential conflicts of substantial shareholders' interests are considered effective, and the conflicts between shareholders, if there were any, were given due attention by the Board of Directors.	Compliant
1.3.2.	The company takes no actions that lead or may lead to an artificial redistribution of corporate control.	1. There were no quasi-treasury shares or they did not vote during the reporting period.	Compliant

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1.4.	Shareholders are provided with reliable and effective methods of accounting for rights to shares and with the possibility for free and unhindered disposal of the shares they hold.		
1.4.1.	Shareholders are provided with reliable and effective methods of accounting for rights to shares and with the possibility for free and unhindered disposal of the shares they hold.	1. The quality and reliability of the company's registrar activities for maintaining the register of securities holders meet the needs of the company and its shareholders.	Compliant
2.1.	The Board of Directors carries out the company's strategic management, defines the basic principles and approaches to the company's risk management and internal control system, controls the operations of executive bodies, and exercises other key functions.		
2.1.1.	The Board of Directors is responsible for making decisions related to the appointment to and release from executive body offices, inter alia, due to a failure of such bodies to perform their duties properly. The Board of Directors also supervises to ensure that the company's executive bodies act in accordance with the approved development strategy and main lines of the company's activity.	1. The Board of Directors has statutory powers to appoint to, release from office, and to define the contract terms for executive body members. 2. The Board of Directors has reviewed the report(s) of the sole executive body and the members of the collegial executive body on the company's implementation of strategy.	Compliant
2.1.2.	The Board of Directors establishes the basic guidelines of the company's activities in the long term, evaluates and approves the key performance indicators and core business objectives of the company, and evaluates and approves the strategy and business plans for the company's core activities.	1. During the reporting period, the Board of Directors meetings discussed issues related to the implementation and actualisation progress of the strategy, the approval of the financial and economic plan (budget) of the company, and the consideration of criteria and indicators (including the interim ones) of the company's strategy and implementation of its business plan.	Compliant
2.1.3.	The Board of Directors determines the principles of and approaches to the organisation of the risk management and internal control system of the company.	1. The Board of Directors has determined the principles of and approaches to the organisation of the risk management and internal control system of the company. 2. The Board of Directors has assessed the risk management and internal control system of the company during the reporting period.	Compliant
2.1.4.	The Board of Directors determines the company's policy on the remuneration and/ or reimbursement of expenditures (compensations) for the members of the Board of Directors, executive bodies, and other key executives of the company.	1. The company has developed and implemented the policy (policies) on the remuneration and/or reimbursement of expenditure (compensations) for members of the Board of Directors, executive bodies, and other key executives of the company approved by the Board of Directors. 2. The issues related to such policy (policies) were examined during the reporting period at the Board of Directors meetings.	Compliant
2.1.5.	The Board of Directors plays a key role in the prevention, detection, and resolution of internal conflicts between the company's bodies, the company's shareholders, and the company's employees.	1. The Board of Directors plays a key role in the prevention, detection, and resolution of internal conflicts. 2. The company has created a system of identification for transactions associated with conflicts of interests and a system of measures aimed at resolving such conflicts.	Compliant

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2.1.6.	The Board of Directors plays a key role in ensuring the transparency of the company, the timeliness and completeness of the company's disclosure of information, and unhindered shareholder access to the company's documents.	1. The Board of Directors has approved the Regulation on Information Policy. 2. The company has determined persons responsible for implementation of Information Policy.	Compliant
2.1.7.	The Board of Directors oversees the company's corporate governance practice and plays a key role in the company's significant corporate events.	1. During the reporting period, the Board of Directors examined the issue of corporate governance practices in the company.	Compliant
2.2. The Board of Directors is accountable to the company's shareholders.			
2.2.1.	Information about the operations of the Board of Directors is disclosed and submitted to shareholders.	1. The company's annual report for the reporting period includes information on the attendance of Board and Committee meetings by individual directors. 2. The annual report contains information about the main results of the evaluation of the Board of Directors held in the reporting period.	Compliant
2.2.2.	The Chairman of the Board of Directors is available for communication with the company's shareholders.	1. The company has a transparent procedure that enables shareholders to submit questions to the Chairman of the Board of Directors and their own position regarding such questions.	Compliant
2.3. The Board of Directors is an effective and professional management body of the company capable of making objective independent judgements and decisions in the interest of the company and its shareholders.			
2.3.1.	Only persons who have an excellent business and personal reputation as well as the knowledge, skills, and experience required to make decisions within the competence of the Board of Directors and required for the effective performance of its functions shall be elected as Board of Directors members.	1. The procedure for assessing the Board of Director's performance adopted by the company includes, inter alia, the assessment of the professional qualifications of Board of Directors members. 2. During the reporting period, the Board of Directors (or its Nomination Committee) assessed candidates for the Board of Directors from the perspective of whether or not they have sufficient experience, knowledge, good business standing, and no conflicts of interest, etc.	Compliant
2.3.2.	The members of the Board of Directors are elected using a transparent procedure that allows shareholders to receive candidate-related information sufficient to provide insight into their personal and professional qualities.	1. In all cases of holding the General Shareholders' Meeting in the reporting period where the agenda included the issue of Board of Directors elections, the company submitted to shareholders biographical data on all candidates for the position, results of the assessment of candidates conducted by the Board of Directors (or the Nomination Committee), and information on a candidate's adherence to the criteria of independence in accordance with recommendations 102–107 of the Code and the written consent of the candidates for election to the Board of Directors.	Compliant

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2.3.3.	The Board of Directors composition is balanced, inter alia, in terms of the qualifications of its members, their experience, knowledge, and business qualities and enjoys the trust of shareholders.	1. Within the framework of the procedure for the Board of Directors performance assessment held in the reporting period, the Board of Directors has analyzed its own needs related to professional qualifications, experience, and business skills.	Compliant
2.3.4.	The quantitative composition of the Board of Directors presents the opportunity to organise the activities of the Board of Directors in the most efficient manner, including the possibility of the formation of Board committees; it also enables a substantial minority of shareholders of the company to elect a candidate they vote for to the Board of Directors.	1. Within the framework of the procedure for the assessment of the Board of Directors held during the reporting period, the Board of Directors has examined the issue concerning the quantitative composition of the Board of Directors meeting the company's needs and shareholder interests.	Compliant
2.4. The members of the Board of Directors include an adequate number of independent directors.			
2.4.1.	An independent director is a person possessing enough professionalism, experience, and independence to form their own opinion and who is able to express unbiased and scrupulous judgements that do not depend on the influence of executive bodies of the company, certain groups of shareholders, or other stakeholders. In addition, it should be noted that a candidate (selected to be a member of the Board of Directors) normally cannot be considered as independent if they are associated with the company, its major shareholder, contractor, or competitor or associated with the state.	1. During the reporting period, all independent members of the Board of Directors met all independence criteria set forth in recommendations 102–107 of the Code or were recognised as independent upon the decision of the Board of Directors.	Compliant
2.4.2.	An assessment of whether the candidates to the Board of Directors comply with independence criteria is carried out, and the regular analysis of whether independent members of the Board of Directors comply with the independence criteria is carried out. When carrying out this assessment, substance shall take precedence over form.	<p>1. During the reporting period, the Board of Directors (or the Nomination Committee of the Board of Directors) has formed an opinion on the independence of each candidate to the Board of Directors and has provided shareholders with the corresponding report.</p> <p>2. During the reporting period, the Board of Directors (or the Nomination Committee of the Board of Directors) has considered the independence of existing members of the Board of Directors whom the company states in the annual report are independent directors at least once.</p> <p>3. The company has developed procedures determining the necessary actions to be undertaken by a member of the Board of Directors if he/she no longer qualifies as an independent director, including the obligation to promptly report the fact to the Board of Directors.</p>	Compliant

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2.4.3.	Independent directors shall make up not less than one-third of the elected membership of the Board of Directors.	1. Independent directors shall make up not less than one third of the membership of the Board of Directors.	Compliant
2.4.4.	Independent directors play a key role in preventing internal conflicts in the company and implementing some of the company's significant corporate actions.	1. Independent directors (having no conflicts of interest) preliminary evaluate significant corporate actions related to possible conflict of interests and provide the Board of Directors with the results of this evaluation.	Compliant
2.5.	The Chairman of the Board of Directors shall facilitate the most effective fulfilment of the functions conferred on to the Board of Directors.		
2.5.1.	The Chairman of the Board of Directors shall be an independent director, or a senior independent director shall be determined from among the selected independent directors who coordinates the work of the independent directors and cooperates with the Chairman of the Board of Directors.	1. The Chairman of the Board of Directors is an independent director, or a senior independent director has been determined from among the independent directors. 2. The role, rights, and liabilities of the Chairman of the Board of Directors (and the senior independent director, if applicable) are defined as appropriate in the internal documents of the company.	Compliant
2.5.2.	The Chairman of the Board of Directors maintains a constructive atmosphere during meetings, ensures the free discussion of issues on the agenda, and controls over the execution of resolutions adopted by the Board of Directors.	1. The effectiveness of the Chairman of the Board of Directors has been evaluated within the procedure of evaluation for the Chairman of the Board's effectiveness in the reporting period.	Compliant
2.5.3.	The Chairman of the Board of Directors takes the necessary measures to provide the members of the Board of Directors in a timely manner with the necessary information to adopt decisions on Agenda items.	1. The internal documents of the company establish the obligation of the Chairman of the Board of Directors to take measures to provide the members of the Board of Directors in a timely manner with materials on the Agenda items of the Meeting of the Board of Directors.	Compliant
2.6.	The members of the Board of Directors shall sensibly, in good faith, and with due care and discretion perform their duties in the interests of the Company.		
2.6.1.	The members of the Board of Directors shall make decisions taking into account all information, having no conflict of interests, and demonstrating equal treatment toward shareholders of the company as a part of usual business risks.	1. The internal documents of the company establish that members of the Board of Directors are obligated to notify the Board of Directors if they have a conflict of interest regarding any item on the agenda of the meeting of the Board of Directors or the committee of the Board of Directors before starting discussion on the relevant agenda issue. 2. The internal documents of the company stipulate that members of the Board of Directors shall abstain from voting on any issue where there is a conflict of interest. 3. The company has established a procedure allowing the Board of Directors to obtain professional advice on issues related to its competence at the expense of the company.	Compliant

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2.6.2.	The internal documents of the company establish and clearly set forth the rights and obligations of the members of the Board of Directors.	1. The company has adopted and released an internal document that clearly defines the rights and obligations of the members of the Board of Directors.	Compliant
2.6.3.	The members of the Board of Directors have enough time to fulfil their obligations.	1. Individual rate of attendance of the Board and its Committees' meetings and the time allocated for the preparation of attendance at the meetings have been taken into account as part of the procedure of evaluation for the Board of Directors in the reporting period. 2. In accordance with the internal documents of the company, members of the Board of Directors are obligated to notify the Board of Directors of their intention to be a member of the management bodies of other entities (in addition to subsidiaries and dependent entities of the company) and of the fact of such an assignment.	Compliant
2.6.4.	All members of the Board of Directors have equal opportunities to access the documents and information of the company. Newly elected members of the Board of Directors are provided with sufficient information about the company and the activities of the Board of Directors within the shortest time possible.	1. In accordance with the internal documents of the company, members of the Board of Directors have the right to obtain access to documents and to make a request concerning the company and its subsidiaries; the executive bodies of the company are obligated to provide the relevant information and documents 2. The company has a formal program of informational meetings for newly elected members of the Board of Directors.	Compliant
2.7.	Meetings of the Board of Directors, their preparation and participation in them of the members of the Board of Directors shall ensure efficient operation of the Board of Directors.		
2.7.1.	Meetings of the Board of Directors are held as required taking into account the scale of activities and challenges the company faces from time to time.	1. The Board of Directors held at least six meetings in the reporting year.	Compliant
2.7.2.	The internal documents of the company establish the procedure for preparing and conducting meetings of the Board of Directors and provide for the opportunity of members of the Board of Directors to properly prepare for them.	1. The company has approved an internal document defining the procedure for preparing and conducting meetings of the Board of Directors, which also establishes that notice of the meeting shall be given not less than 5 days before the date of the meeting.	Compliant
2.7.3.	The form of the meeting of the Board of Directors is determined based on the importance of the agenda items. The most important issues are solved at meetings held by personal attendance.	1. The Charter or internal documents of the company stipulate that the most important issues (according to the list provided in recommendation 168 of the Code) shall be considered at the Board meetings held by personal attendance.	Compliant
2.7.4.	Resolutions on essential issues of the company's activities are adopted at the meeting of the Board of Directors by the qualified	1. The Charter of the company stipulates that resolutions on the most important issues stated in recommendation 170 of the Code shall be adopted at the meeting of the Board of Directors	Compliant

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	majority or a majority of votes of all elected members of the Board of Directors.	by the qualified majority (not less than three quarters of the votes) or a majority of votes of all elected members of the Board of Directors.	
2.8.	The Board of Directors shall establish committees for a preliminary review of the most important issues of the company's activities.		
2.8.1.	An Audit Committee consisting of independent directors has been created for the preliminary consideration of issues related to control over the financial and economic activities of the company.	<ol style="list-style-type: none"> 1. The Board of Directors has established an Audit Committee consisting solely of independent directors. 2. The internal documents of the company determine the tasks of the Audit Committee, including tasks from recommendation 172 of the Code 3. At least one member of the Audit Committee who is an independent director has experience and knowledge in the preparation, analysis, assessment, and audit of accounting (financial) reports. 4. Meetings of the Audit Committee were held at least once a quarter during the reporting period. 	Compliant
2.8.2.	A Remunerations Committee, consisting of independent directors and headed by an independent director (not the Chairman of the Board of Directors), has been created for the preliminary consideration of issues related to the formation of effective and transparent practices of remuneration.	<ol style="list-style-type: none"> 1. The Board of Directors has established a Remunerations Committee that consists only of independent directors. 2. The Chairman of the Remunerations Committee is an independent director who is not the Chairman of the Board of Directors. 3. The internal documents of the company define the tasks of the Remunerations Committee, including tasks from recommendation 180 of the Code. 	Compliant
2.8.3.	A Nomination (HR, Appointment) Committee consisting of independent directors (the majority of members) has been created for the preliminary consideration of issues related to staff planning (succession planning), occupational structure, and the performance of the Board of Directors.	<ol style="list-style-type: none"> 1. The Board of Directors has established a Nomination Committee (or its tasks as stated in recommendation 186 of the Code are carried out in another Committee) the majority of whose members are independent directors. 2. The internal documents of the company define the tasks of the Nomination Committee (or the respective Committee with combined functions), including tasks from recommendation 186 of the Code. 	Compliant
2.8.4.	Taking into account the scale of activities and the risk level, the Board of Directors has ascertained that the members of its committees fully comply with the goals of the company's activities. Additional committees have been either created or deemed unnecessary (Strategy Committee, Corporate Management Committee, Ethics Committee, Risk Management Committee, Budget Committee, Health, Safety and Environment Committee, etc.).	<ol style="list-style-type: none"> 1. During the reporting period, the Board of Directors of the company considered an issue on the appropriateness of the membership of its committees with the tasks of the Board of Directors and the goals of the company's activities. Additional committees have been either created or deemed unnecessary. 	Compliant

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2.8.5.	The composition of the committees is determined to allow the full discussion of preliminarily considered issues taking into account all different opinions.	<p>1. The committees of the Board of Directors are headed by independent directors.</p> <p>2. The internal documents (policies) of the company include provisions under which persons who are not members of the Audit Committee, the Nomination Committee, or the Remunerations Committee can attend committee meetings only on the invitation of the Chairman of the relevant committee.</p>	Partially compliant	<p>1. Partially compliant, more specifically: Rostelecom has in place five committees of the Board of Directors: Audit Committee, Nomination and Remuneration Committee, Strategy Committee, Corporate Governance Committee, and Investment Committee. Except for Corporate Governance Committee, all committees are headed by independent directors.</p> <p>In order for each chairman and member of a committee to have enough time for efficient performance, the Regulations on each committee underline that the Chairman of the Board of Directors or a chairman of a committee cannot be a chairman of another committee, and that a member of the Board of Directors cannot be elected to more than three committees. Moreover, in line with the recommendations of the Code, Rostelecom's Audit Committee and Nomination and Remuneration Committee only include independent directors.</p> <p>During 2018, 4 out of 11 members of the Board of Directors were independent, which prevented Rostelecom from appointing independent directors chairmen of all committees.</p> <p>Rostelecom strives to meet all of the Code's recommendations associated with independent directors, so it annually sends letters with recommendations on the number of independent directors nominated to the Board to its shareholders who have the right to nominate candidates to Rostelecom's Board of Directors.</p> <p>2. Compliant.</p>
2.8.6.	Chairpersons shall regularly inform the Board of Directors and its Chairperson on the activities of their committees.	1. During the reporting period the chairpersons shall regularly report on the activities of their committees to the Board of Directors.	Compliant	
2.9. The Board of Directors shall ensure making an assessment of the activities of the Board of Directors as well as those of its Committees and members.				
2.9.1.	The quality assessment of the activities of the Board of Directors aims to define the performance of the Board of Directors, committees, and members of the Board of Directors and the conformity of their activities with the developmental needs of the company, and to intensify the activities of the Board of Directors to detect areas where such activities may be improved.	<p>1. Self-assessment or external assessment of the Board of Directors conducted during the reporting period included a performance assessment of committees, members of the Board of Directors, and the Board of Directors as a whole.</p> <p>2. Results of the self-assessment or external assessment of the Board of Directors undertaken in the reporting period were reviewed at a meeting of the Board of Directors with personal attendance.</p>	Partially compliant	<p>1. Compliant.</p> <p>2. Partially compliant, more specifically: Results of the self-assessment of the Board of Directors elected on 19 June 2017 that operated until 18 June 2018 were preliminary reviewed at a meeting of Nomination and Remuneration Committee of the Board of Directors in person (Minutes No. 03 of 25 April 2018) and presented to the members of the Board of Directors together with the Committee's opinion. Later the results of the self-assessment were by reviewed an absentee voting of the Board of Directors (Minutes No. 21 of 10 May 2018).</p>

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			<p>Due to the busy schedule of certain members of the Board of Directors it was not possible to hold a meeting of the Board of Directors with all members attending in person. Taking into account the positive opinion of the Committee and for the purposes of prompt decision making an absentee voting of the Board of Directors was organised. In order for the meeting in absentia to be as efficient as a meeting in person, Rostelecom provides members of the Board of Directors with modern telecommunication services such as audio- and videoconferencing which make remote discussion of matters as convenient as in case of joint attendance at a meeting.</p> <p>In the future, Rostelecom will strive to review the results of the self-assessment or external assessment of the Board of Directors at meetings held in person. If joint attendance of directors is impossible, Rostelecom will provide the members of the Board of Directors with audio- and videoconferencing to ensure their efficient performance.</p> <p>In line with its practice, Rostelecom plans on using both in-person and in-absentia meetings of the Board of Directors, since meetings in absentia promote prompt decision-making in case members of the Board of Directors cannot attend the meeting personally.</p>
2.9.2.	Performance of the Board of Directors and the committees and members of the Board of Directors shall be assessed regularly at least once annually. A third-party organisation (consultant) shall be engaged to conduct an independent performance assessment of the Board of Directors at least once every three years.	1. To make an independent performance assessment of the Board of Directors, the company engaged a third party organisation (consultant) at least once in the last three reporting periods.	Compliant
3.1.	The Corporate Secretary of the company shall ensure current effective interactions with shareholders and the coordination of company activities to protect the rights and interests of its shareholders and provide support for the effective performance of the Board of Directors.		
3.1.1.	The Corporate Secretary shall have sufficient knowledge, experience, and qualifications to perform the obligations imposed on them, an impeccable reputation, and also enjoy the confidence of shareholders.	<p>1. The company has adopted and disclosed an internal document, the Regulations on the Corporate Secretary.</p> <p>2. The company website and annual report shall contain the biography of the Corporate Secretary with the same level of detail as that of members of the Board of Directors and the executive management of the company.</p>	Compliant
3.1.2.	The Corporate Secretary shall have sufficient independence from executive bodies of the	1. The Board of Directors shall approve the assignment, dismissal, and additional remuneration of the Corporate Secretary.	Compliant

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	company and the authorities and resources required to perform their tasks.		
4.1.	The amount of remuneration paid by the company shall be sufficient to engage, motivate, and retain persons with the competences and skills necessary for the company. Members of the Board of Directors, executive bodies, and other key executive employees of the company shall be remunerated in accordance with the remuneration policy accepted in the company.		
4.1.1.	The amount of remuneration paid by the company to members of the Board of Directors, executive bodies, and other key managers shall create sufficient motivation for their effective performance, thus allowing the company to attract and retain competent and qualified specialists. At the same time, the company avoids remuneration exceeding the necessary level as well as an unreasonably large gap between the remuneration amounts of said persons and the employees of the company.	1. The company has adopted an internal document (documents) with the remuneration policy (policies) for members of the Board of Directors, executive bodies, and other key managers that clearly defines approaches to the remuneration of said officers.	Compliant
4.1.2.	The remuneration policy of the company was drafted by the Remuneration Committee and approved by the Board of Directors. The Board of Directors, assisted by the Remuneration Committee, shall provide control over the introduction and implementation of the remuneration policy and, if needed, review, and make amendments thereto.	1. During the reporting period, the Remuneration Committee considered the remuneration policy (policies) and implementation practices and submitted appropriate recommendations to the Board of Directors where applicable.	Compliant
4.1.3.	The Company's Remuneration Policy contains transparent mechanisms for determining the amount of remuneration for members of the Board of Directors, executive bodies, and for other key managers of the Company and regulates all payments, benefits, and privileges provided to the officers mentioned above.	1. The Company's Remuneration Policy (Policies) contain(s) transparent mechanisms for determining the amount of remuneration for members of the Board of Directors, executive bodies, and other key managers of the Company and regulate(s) all payments, benefits, and privileges provided to the officers mentioned above.	Compliant
4.1.4.	The company shall define its reimbursement (compensation) policy, specifying the list of expenses subject to compensation and the service level to which members of the Board of Directors, executive bodies, and for other key managers of the Company are entitled. Such a policy may be a part of the Company's remuneration policy.	1. The Company's remuneration policy (policies) or other internal documents establishes (establish) the compensation rules for members of the Board of Directors, executive bodies, and for other key managers of the Company.	Compliant
4.2.	The system for remuneration of the members of the Board of Directors shall ensure that the financial interests of the directors are brought closer to the long-term financial interests of the shareholders.		
4.2.1.	The company shall pay fixed annual remuneration to the members of the Board of Directors. The company shall not pay remuneration for participation in individual meetings of the Board of Directors or committees thereof.	1. Fixed annual remuneration was the only monetary remuneration provided to members of the Board of Directors for their activities therein during the reporting period.	Compliant

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	The company shall not use short-term motivation or additional material incentives in relation to members of the Board of Directors.		
4.2.2.	Long-term possession of shares best facilitates bringing the financial interests of the directors closer to the long-term financial interests of the shareholders. At the same time, the company shall not attach the condition of achievement of a certain level of performance to the right to sell shares, and the members of the Board of Directors shall not participate in option programs.	1. If the internal document(s) on the remuneration policy (policies) stipulates (stipulate) provision of the company's shares to the members of the Board of Directors, the company shall set forth and disclose clear rules for shareholding by the members of the Board of Directors aimed at encouraging long-term possession of such shares.	Compliant
4.2.3.	The company shall not provide any additional payments or compensations in the case of the early termination of powers of members of the Board of Directors due to a change of control over the company or other circumstances.	1. The company shall not provide any additional payments or compensations in the case of the early termination of powers of members of the Board of Directors due to a change of control over the company or other circumstances.	Compliant
4.3.	The system for remuneration of members of executive bodies and other key executive employees of the company shall provide for the dependence of the amount of remuneration on the performance results of the company and their personal contribution to achieving these results.		
4.3.1.	Remuneration for members of executive bodies and other key executive employees shall be determined in such a way as to ensure a reasonable and justified ratio between the fixed part of remuneration and the variable part thereof, which depends on company performance results and the personal (individual) contribution of the employee to the final result.	<p>1. During the reporting period, annual performance indicators approved by the Board of Directors were used to determine the amount of variable remuneration for members of executive bodies and other key executive employees.</p> <p>2. In the course of the last assessment of the system for the remuneration of the members of executive bodies and other key executive employees, the Board of Directors (Remuneration Committee) ascertained that the company uses an effective ratio between the fixed and variable parts of remuneration.</p> <p>3. The company applies a procedure that ensures the return of bonuses wrongfully obtained by members of executive bodies and other key executive employees.</p>	<p>Partially compliant</p> <p>1. Compliant. 2. Compliant. 3. Partially compliant, more specifically: Rostelecom has in place an adopted procedure to detect any fact of reporting indicators manipulations; however, there is no established procedure in Rostelecom to ensure refund of bonuses wrongfully obtained by members of executive bodies and other key executive employees. In the event that any fact of performance reporting manipulations or bonuses wrongfully obtained by employee is found, Rostelecom intends to seek compensation of expenses according to the Russian Labour Law, including going to court, which in the Company opinion is the most effective means to achieve return of bonuses. An internal procedure cannot be considered a legally binding document for an employee acting in bad faith to refund wrongfully obtained payments without a court decision. In this case, Rostelecom prefers preventative actions which do not allow manipulations with indicators constituting a basis for bonus payment calculations: the audit of financial statements by an external auditor with a proven reputation; regular inspections of business processes and management reports by the internal audit function; the use of reliable internal accounting systems and the maintenance of efficient internal controls providing for reliable</p>

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4.3.2.	The company has implemented a long-term incentive program for members of executive bodies and other key executive employees using company shares (options or other derivative financial instruments whose underlying asset is company shares).	<p>1. The company has implemented a long-term incentive program for members of executive bodies and other key executive employees using company shares (financial instruments based on company shares).</p> <p>2. The long-term incentive program for members of executive bodies and other key executive employees stipulates that the right to sell the shares or other financial instruments used in such a program may be exercised not earlier than in three years from the provision thereof. At the same time, the right to sell them is conditional upon the company's achievement of certain performance indicators.</p>	Partially compliant	<p>financial, accounting, statistical, management, and other reporting data; communication to the employees of the Code of Ethics and the Anti-Corruption Policy; in-person and online workshops for the Company's employees in positions with a higher corruption risk; the possibility of reporting violations through the anti-corruption portal and whistleblowing hotline.</p> <p>In this context, in the future Rostelecom has no plans to approve a separate internal procedure to ensure return of wrongfully received bonus payments.</p>
				<p>1. Compliant.</p> <p>2. Partially compliant, more specifically: On 7 July 2017, the Board of Directors approved the Regulations on the long-term program of shares purchase (option program) for 2017 – 2019 and the Regulation on the long-term employee bonus program for 2017 – 2019. (hereinafter jointly referred to as the "Program").</p> <p>The Programme is open to employees in grades 6 to 11. The program is based on the principle of co-financing: the participant of the Program invests part of his/her financial assets in the company's shares and receives the right for additional remuneration to be applied for purchases of ordinary shares and paid out depending on the achievement of general corporate objectives.</p> <p>For the implementation of the Programme, the Company ordinary shares are used up to a total of not more than 6% of the authorised capital of Rostelecom.</p> <p>The program is designed for three cycles, starting from 1 January 2017: 1st cycle - 2017 (fiscal year 1) and 11 months 2018, 2nd cycle – 2018 (fiscal year 2) and 11 months 2019, 3rd cycle – 2019 (fiscal year 3rd cycle) and 11 months of 2020. Therefore, shares are provided to the participants over three years, however, the right for partial disposal of the shares is created earlier.</p> <p>The additional compensation depends on the achievement of KPIs established by the Program and is paid at the end of the year following the reporting year of the corresponding cycle. Also, there is a restriction for participation imposed on the senior and top management (grades 9 to 11) in the following Program cycles: a participant loses the status of a participant in the Program and the right to receive additional remuneration if the person in question disposed of 50% or more of the shares</p>

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acquired through additional remuneration under the previous cycles of the Program.

The Company believes that the above mentioned possibility of disposal of no more than 50% of the shares and the right to dispose of the rest of the shares not earlier than three years after such shares are granted, ensures a reasonable balance allowing to equally promote the achievement of strategic goals by employees and motivate them to stay with the Company.

On 10 December 2018, taking into account the positive results of the current Program, the Board of Directors approved a Program for 2020–2022 with the terms identical to those of the Program for 2017–2019.

4.3.3.	The amount of compensation (golden parachute) paid to the members of executive bodies or key executive employees in the case of the early termination of their powers at the initiative of the company, provided there have been no unethical acts on the part of the officers mentioned, shall not exceed double the amount of the fixed part of their annual remuneration.	1. The amount of compensation (golden parachute) paid to the members of executive bodies or key executive employees during the reporting period in the case of the early termination of their powers at the initiative of the company, provided there have been no unethical acts on the part of the officers mentioned, did not exceed double the amount of the fixed part of their annual remuneration.	Compliant
5.1.	The company has established an effective risk management and internal control system aimed at providing reasonable confidence in achieving the objectives set by the company.		
5.1.1.	The Board of Directors has defined principles and approaches to the organisation of risk management and the internal control system in the company.	1. The functions of the Company's various executive bodies and units in the risk management system and internal control have been clearly defined in the internal documents/relevant policy approved by the Board of Directors.	Compliant
5.1.2.	The executive bodies of the company shall ensure the creation and maintenance of an effective risk management and internal control system.	1. The executive bodies of the company have ensured the distribution of functions and powers for risk management and internal control between subordinate managers (heads) of units and departments.	Compliant
5.1.3.	The risk management and internal control system of the company shall ensure an objective, fair and clear vision of the current condition and perspectives of the company, reporting integrity and transparency, and the reasonableness and admissibility of the risks accepted by the company.	1. The company has approved an anticorruption policy. 2. The company has established an accessible means of informing the Board of Directors or the Audit Committee thereof about violations of the law, internal procedures, or the Code of Ethics of the company.	Compliant
5.1.4.	The Board of Directors of the company shall take the measures necessary to ensure that the current risk management and internal control system complies with the organisational	1. During the reporting period, the Board of Directors or the Audit Committee thereof has assessed the effectiveness of the risk management and internal control system applied in the company. Information on the main results	Compliant

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	principles and approaches defined by the Board of Directors and functions effectively.	of such assessment has been included in the annual report.	
5.2.	To conduct a systematic independent assessment of the reliability and effectiveness of the risk management and internal control system and corporate management practices, the company shall arrange for internal auditing.		
5.2.1.	To conduct internal auditing, the company has established a separate structural unit or engaged an independent external organisation. The functional and administrative accountability of the internal audit unit shall be clearly delineated. The internal audit unit shall functionally report to the Board of Directors.	1. To conduct internal auditing, the company has established a separate structural unit functionally subordinate to the Board of Directors or the Audit Committee or engaged an independent external organisation following the same accountability principle.	Compliant
5.2.2.	The internal audit unit shall conduct an assessment of the effectiveness of the internal control system, the risk management system, and the corporate governance system. The company shall apply generally accepted internal auditing standards.	1. During the reporting period, an internal audit provided an assessment of the effectiveness of the internal control and risk management system. 2. The company uses generally accepted approaches to internal control and risk management.	Compliant
6.1.	The company and its activities are transparent to the shareholders, investors, and other stakeholders.		
6.1.1.	The company has elaborated and introduced an information policy that ensures effective information exchange between the company, shareholders, investors, and other stakeholders.	1. The Board of Directors of the company has approved an information policy based on the Code's recommendations. 2. The Board of Directors (or one of its committees) considered issues related to the company's compliance with its information policy at least once during the reporting period.	Compliant
6.1.2.	The company discloses information on the system and practice of corporate governance, including detailed information on compliance with the principles and recommendations set forth in the Code.	1. The company discloses information on its corporate governance system and the general principles of corporate governance applied in the company, including on its website. 2. The company discloses information on the membership of executive bodies and the Board of Directors, the independence of the members of the Board and their membership in committees of the Board of Directors (as defined in the Code). 3. If there is a person who controls the company, the latter shall publish a memorandum of the controlling person on the plans of such a person related to corporate governance in the company.	Compliant
6.2.	The company shall disclose full, relevant, and reliable information on the company in a timely manner to provide the shareholders of the company and investors with a capability of making sound decisions.		
6.2.1.	The company shall disclose information in accordance with the principles of regularity, consistency, and promptness as well as accessibility, reliability, fullness, and comparability of the data disclosed.	1. The information policy of the company shall define approaches and criteria for defining information that can significantly influence the assessment of the company and the cost of its	Compliant

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		<p>securities, as well as procedures for ensuring the timely disclosure of such information.</p> <p>2. If the securities of the company are traded on foreign organised markets, essential information shall be disclosed simultaneously and equivalently in the Russian Federation and in such markets during the reporting year.</p> <p>3. If foreign shareholders hold a significant number of the company's shares, during the reporting period, information was disclosed both in Russian and in one of the most widespread foreign languages.</p>	
6.2.2.	The company avoids a formal approach to information disclosure and divulges essential information on its activities even if the disclosure of such information is not stipulated by the law.	<p>1. During the reporting period, the company disclosed annual and half-year financial statements prepared as per IFRS. The annual report for the reporting period includes annual financial statements prepared according to IFRS alongside the auditor's report.</p> <p>2. The company discloses full information on the capital structure as per Recommendation 290 of the Code both in the annual report and on its website.</p>	Compliant
6.2.3.	The annual report, as one of the most important instruments of sharing information with shareholders and other stakeholders, shall contain information making it possible to evaluate the results of the company's activities for the year.	<p>1. The annual report of the company contains information about the key aspects of its operation activities and financial results.</p> <p>2. The annual report contains information about environmental and social aspects of the company's activities.</p>	Compliant
6.3.	The company provides information and documents at the request of shareholders in accordance with the principles of equal and unburdened access.		
6.3.1.	Provision of information and documents by the company at the request of shareholders in accordance with the principles of equal and unhindered access.	1. The company's information policy defines the procedure for providing shareholders with unhindered access to information, including information about controlled legal entities, at the shareholders' request.	Compliant
6.3.2.	Provision of information to shareholders ensures a reasonable balance between the interests of certain shareholders and the interests of the company itself, which is concerned with the confidentiality of important commercial information that could significantly influence its competitiveness.	<p>1. During the reporting period, the company did not refuse to satisfy shareholders' information requests or such refusals were reasonable.</p> <p>2. In cases defined by the Company's Information Policy, shareholders are advised of the confidential nature of information and undertake to keep it in secret.</p>	Compliant
7.1.	Actions which significantly affect or could significantly affect the share capital structure and financial position of the company and, consequently, the position of the shareholders (significant corporate actions) shall be taken in a fair manner, ensuring that rights and interests of shareholders and other stakeholders are well honoured.		
7.1.1.	Reorganisation of the Company, acquisition of 30 percent or more of its voting shares (takeover), performance of significant transactions, an increase or decrease in the Company's share capital, listing or delisting of	1. The Charter of the Company determines the list of transactions or other actions which are significant corporate actions and the criteria for defining such actions. Decision making on major corporate actions falls within the competence of	Compliant

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	<p>shares, and other actions that could result in significant changes to the shareholders' rights or violations of their interests are deemed significant corporate actions. The Charter of the company defines the list (criteria) of transactions or other actions which are significant corporate actions, and such matters are reserved to the Board of Directors of the company.</p>	<p>the Board of Directors. In cases when such corporate actions are expressly reserved by law to the competence of the General Shareholders' Meeting, the Board of Directors shall provide shareholders with appropriate recommendations.</p> <p>2. The Charter of the Company identifies at least the following actions to be major corporate actions: reorganisation of the Company, acquisition of 30 percent or more of its voting shares (takeover), performance of significant transactions by the Company, an increase or decrease in the Company's share capital, and listing and delisting of its shares.</p>		
7.1.2.	<p>The Board of Directors plays a key role in decision making or preparation of recommendations on significant corporate actions; the Board of Directors relies on the position of the Company's independent directors.</p>	<p>1. The Company provides for a procedure for the independent directors to declare their positions on significant corporate actions before the approval thereof.</p>	Compliant	
7.1.3.	<p>When performing significant corporate actions relating to the rights and legal interests of shareholders, the Company ensures equal terms for all the shareholders of the company, and if legislation provides insufficient mechanisms for the protection of shareholders' rights, the Company takes additional measures to protect the rights and legal interests of its shareholders. In this case, the Company relies both on compliance with the formal requirements of the law and the principles of corporate governance set forth in the Code.</p>	<p>1. With due regard to specifics of the Company's activities, the Charter determines criteria for classifying the Company's transactions as significant corporate transactions that are lower than the minimal criteria determined by the law.</p> <p>2. During the reporting period, all significant corporate actions passed the approval procedure before they were taken.</p>	Compliant	
7.2.	The company ensures a procedure for undertaking significant corporate actions which enables shareholders to obtain full information on such actions in a timely manner, provides them with the opportunity to influence such actions, and guarantees the observation and adequate protection of their rights when such actions are taken.			
7.2.1.	<p>Information on significant corporate actions includes the reasons, conditions, and results of such actions.</p>	<p>1. During the reporting period, the Company promptly disclosed detailed information on its significant corporate actions, including the grounds and terms thereof.</p>	Compliant	
7.2.2.	<p>Rules and procedures related to significant corporate actions taken by the Company are defined in its internal documents.</p>	<p>1. The internal documents of the Company stipulate the procedure for engagement of an independent appraiser to determine the value of property alienated or acquired under a major transaction or an interested party transaction.</p> <p>2. The internal documents of the Company stipulate the procedure for engagement of an independent appraiser to determine the value of share sale and buyback.</p> <p>3. The Company's internal documents stipulate an extended list of grounds for deeming members of its Board of Directors and other</p>	Partially compliant	<p>1. Non-compliant, more specifically: A majority of related party transactions is undertaken by Rostelecom in the course of ordinary telecommunications business activities and according to approved rates. Therefore it is superfluous to engage an independent appraiser to identify market values under such transactions and wick result in additional expenses to be borne by Rostelecom. Moreover, all expenditure agreements with a value exceeding RUB 500,000 are signed in accordance with the procurement procedures outlined in Federal Law No. 223-FZ On the</p>

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persons specified by the law to be parties interested in the Company's transactions.

Procurement of Goods, Work and Services by Certain Types of Legal Entities establishing the need to conduct competitive procurement, which guarantees market pricing as well as targeted and cost-efficient cash spending by the Company. In the future the Company has no plans to engage an independent appraiser for such transactions.

2. Partially compliant, more specifically:

In practice Rostelecom invariably engages an independent appraiser to evaluate its share value for the purpose of buyback of Rostelecom shares. In order to buy back its shares, Rostelecom must engage an independent appraiser, which is mandatory in line with applicable laws. Since Rostelecom is a partially government-owned joint stock company, the Federal Agency for State Property Management (Rosimushchestvo) provides additional supervision as most of these transactions require the Russian Governmental directives.

Given the existing practice, introduction of such a procedure into internal regulations will be in the Company opinion excessive.

3. Non-compliant, more specifically:

Rostelecom internal policies and regulations do not provide for expanding the list circumstances under which a member of the Board of Directors can be identified as a related party. At the moment, the implementation of this recommendation will significantly complicate identification and approval of related party transactions. Also, the administrative costs of maintaining this process will increase.

In the opinion of the Company, the current requirement of section 3.2. of the Regulation on Rostelecom Board of Directors, requiring that a member of the Board of Directors must report a conflict of interest and not participate in voting on this issue is a sufficient measure. Taking into account the above, Rostelecom does not have any future plans to expand the list of grounds under which members of the Board of Directors and other persons specified by the law are recognised as related parties.

Also, Rostelecom made its assessment of compliance with principles of corporate governance in line with the "Guidelines for assessing corporate governance quality in companies where the government owns an interest" developed by the Federal Agency for State Property Management. The outcome of this assessment is discussed in the section entitled "Corporate Governance Framework" in the "Corporate Governance" chapter of this Annual Report.