

INVESTMENT COMMITTEE

The Investment Committee was established with the purpose of improving the Company's operational efficiency by ensuring that views of consumers are taken into account in realising the Company's investment policy, also by ensuring transparency of decision-making in setting public telecommunications tariffs and approval of investment programmes and projects subject to regulation according to Federal Law №147-FZ "On Natural Monopolies" of 17 August 1995.

Composition of the Investment Committee since 8 October 2015:

- Alexander A. Auzan, Independent Director, Chairman of the Committee;
- Oleg V. Byakhov;
- Sergey B. Kalugin.

Activities of the Board of Directors and its Committees in 2015

For information about meetings of the Board of Directors and its Committees see Appendix "Information on the meetings of the Board of Directors and its Committees" to this Annual Report posted on the Company website at <http://www.rostelecom.ru/ir/agm/events/detail/2015/> (in Russian)

In 2015, the Company Board of Directors held 40 meetings, of which 3 were meetings with personal presence and 37 were absentee voting.

MEETINGS OF THE BOARD OF DIRECTORS

A meeting of the Board of Directors is convened by the Chairman of the Board of Directors on his/her own initiative, or at the request of a member of the Board of Directors, the Audit Commission, external auditor or the President of the Company. The form of the Board's meeting is determined by its initiator.

The quorum for a meeting of the Board of Directors, whether it is a meeting with personal presence or absentee voting and in respect of all matters falling within powers of the Board of Directors, consists of at least half of the elected Board members. Decisions of meetings of the Board of Directors are passed by a simple majority of votes.

Meetings of Rostelecom Board of Directors are held in accordance with an annual work plan approved for one corporate year.

All materials pertaining to a meeting are made available more than 10 days prior to a meeting in person (or absentee voting) in order to ensure that the Board members have enough time to consider meeting materials. The Board members are presented with the opportunity to ask any questions and request any additional information on the meeting agenda items.

The Company's Corporate Secretary provides quarterly performance reports to members the Board of Directors highlighting fulfilment of decisions passed by the Board of Directors in the reporting quarter.



Attendance by members of Board of Directors at the meetings/participation in absentee voting of the Board of Directors and its Committees in 2015

Meetings/absentee voting of the Board of Directors, prior to the Annual General Shareholders' Meeting of Shareholders held on 15 June 2015

	Board of Directors		Audit Committee		Nomination and Remuneration Committee		Strategy Committee	
Number of meetings in person/absentee voting	1	22	0	2	0	4	1	0
Ruben A. Aganbegyan	1	22				4		0
Anton A. Zlatopolsky	1	22				4		
Sergey B. Kalugin	1	22					1	
Anatoly A. Milyukov	1	22		2			1	
Vadim V. Semenov	1	22		2				
David Benello	0	0					1	
Kirill A. Dmitriev	1(1)	22					1	
Igor I. Kozlov	1(1)	22		2			1	
Mikhail Y. Lesin	0	4		0		0		
Mikhail I. Poluboyarinov	1(1)	21		2				
Vitaly Y. Sergeichuk	1	21					1	

Meetings/absentee voting of the Board of Directors, following the Annual General Shareholders' Meeting held on 15 June 2015

	Board of Directors		Audit Committee		Nomination and Remuneration Committee		Strategy Committee	
Number of meetings in person/absentee voting	2	15	0	2	0	1	2	0
Ruben A. Aganbegyan	2	15				1	1(1)	
Anton A. Zlatopolsky	1	15						
Sergey B. Kalugin	2	15					2	
Anatoly A. Milyukov	2	15		2		1	2	
Vadim V. Semenov	2	15		2		1	2	
Sergei B. Ivanov	2	15						
Kirill A. Dmitriev	2(2)	15						
Alexander A. Auzan	2	15		1			2	
Alexander A. Pchelintsev	2	15					2(1)	
Mikhail I. Poluboyarinov	2(1)	15						
Vitaly Y. Sergeichuk	2	15					1	

(1) - number of physical presence meetings where a member of the Board of Directors participated by submitting opinions in writing.



For information about significant transactions made by PJSC Rostelecom in 2015 see Appendix "List of significant transactions completed by Rostelecom and its controlled entities" posted on the Company website at <http://www.rostelecom.ru/ir/agm/events/detail/2015/> (in Russian)

ACTIVITIES OF THE BOARD OF DIRECTORS IN 2015

During 2015, the Board of Directors efforts were focussed on creating the necessary conditions to ensure sustainable operations and future development of the Company, improve its investment attractiveness, maintain the effective control over management of its assets, over its investing and financial and operational activities, ensure improved performance and transparency of the internal management mechanisms, streamline the internal control system and observe the rights of shareholders.

In January 2015, the Board of Directors approved Rostelecom's Long-term Development Programme 2015-2019 aimed in the first place at the successful implementation of the Company's Strategy, which was approved by the Board in December 2013.

In accordance with the strategy over the entire year the Board of Directors made a series of decisions designed both to maximise Rostelecom's market share in traditional segments and accelerate revenue growth in new sectors, while increasing the Company's market capitalisation. For instance, in April the Board of Directors approved the decision to consolidate 100 % of shares in OJSC Bashinformsvyaz – the main operator in fixed line communications market in the Republic of Bashkortostan.

In May, the Board of Directors approved the acquisition of 100 % interest in the operating companies Interproekt LLC, Stolitsa LLC, Progress LLC and Orion LLC (FreshTel Group) as part of implementing the broadband business (BB) development strategy and further consolidating its position in the B2C segment.

In the summer of 2015, the Board of Directors authorised the creation of the Big Universal Mall Channel, based on a new Russian teleshopping channel caked BUM TV. To minimize risks associated with the project, Rostelecom

collaborated with Korea's GS Home Shopping Inc., a major international player in the distance shopping market.

In April 2015, the Board of Directors approved the Company proposal to set up a corporate venture fund on the basis of one of its subsidiaries. The Fund will invest in non-controlling stakes in promising companies specialising in import substitution of equipment and software and investments in sectors complementary to and having synergy potential with Rostelecom's business both in Russian and beyond, including new types of communications, internet-based services and cloud solutions.

In 2015, the Board of Directors also supported the creation of a nationwide content storage and distribution network, including a geographically distributed network of data storage and processing centres (DCs) combining their channels of communication, traffic exchange points, content delivery systems, as well as systems of traffic management and protection against cyber-attacks. The project is realised on the basis of SafeData, one of the major players in the market of commercial data centres, traffic exchange services and content delivery, through acquisition by Rostelecom of a controlling stake in SafeData Group.

Furthermore, in early December the Board of Directors approved a new dividend policy within the framework of the Company's new IR strategy considered by the Board's Strategy Committee in April 2015 and aimed in the first place at improving the investment attractiveness of Rostelecom shares.

During 2015, the Board of Directors paid special attention to improving risk management, internal audit and the Company's control processes.

In particular, in January 2015, following a preliminary review and recommendations made by the Audit Committee, the Board of Directors approved a risk management programme and



the plan of work of the internal audit department. In addition, during 2015, on a quarterly basis, the Board of Directors reviewed quarterly reports of the Chief Risk Manager and the Company's Internal Audit Department Director and evaluated the results of their work.

A list containing significant transactions made by PJSC Rostelecom in 2015 and recognized as major transactions under the Federal Law "On Joint Stock Companies", and related part transactions as well as major transactions completed in 2015 by Rostelecom controlled entities is posted on the Company website at <http://www.rostelecom.ru/ir/agm/events/detail/2015/> as an Appendix to this Annual Report 2015 (in Russian).

Evaluation of the Board of Directors performance

In accordance with the requirements of the Corporate Governance Code, responsibility for evaluating the work of the Board of Directors falls within the Board's powers. The Company plans to evaluate performance of the currently operating Board of Directors prior to the Annual General Shareholders' Meeting on results of 2015.

Corporate Secretary

A special dedicated officer – the Corporate Secretary is designated in Rostelecom in order to comply with the procedures designed to ensure the rights and lawful interests of shareholders. Responsibilities of the Corporate Secretary include ensuring that the Company's bodies and senior officers follow corporate governance rules and procedures guaranteeing the rights and interests of Rostelecom and its shareholders; facilitating interaction between the Company and the Board of Directors; as well as organising the work of the Board of Directors and its Committees.

The Corporate Secretary reports to the Board of Directors and is elected by a simple majority of votes cast by its members.

Rostelecom places high demands on the person elected to the position of the Corporate Secretary. In addition to possessing adequate knowledge to perform its duties, the Corporate Secretary must also have an impeccable reputation.

Ekaterina S. Mironova has been the Company's Corporate Secretary since 2011. E. Mironova was born in 1981. In 2003 she graduated from the Tula State University specialising in linguistics and translation. From 2003 to 2011, prior to joining Rostelecom, Ekaterina was a Government Relations Manager at Megafon.