

Corporate Governance Evaluation



Fundamental Principles of Corporate Governance Framework

Rostelecom is guided by the following Corporate Governance principles:

- the implementation and protection of shareholders' rights;
- the equal treatment of all shareholders;
- giving consideration to interests of stakeholders and their inclusion;
- accountability of the Board of Directors, the President and the Management Board to shareholders;
- maintaining an effective system of internal audit and control;
- financial and informational transparency of the Company;
- compliance with ethical standards of business conduct stipulated in the Code of Ethics of the Company;
- maintaining high levels of corporate social responsibility.

Improving the Corporate Governance Practices

On 21 March 2014, the Board of Directors of the Central Bank of Russia (CBR) approved the Corporate Governance Code. Application of the CBR Code by a company is voluntary and aimed at increasing its investment appeal for investors. Drawing attention to the importance of having effective corporate practices in place, the Government of the Russian Federation has instructed that companies where the government owns an interest, included in the 91-r list, as a priority should make an analysis and suggest a roadmap for implementation of the CBR Code's recommendations.

Rostelecom is among leading companies with state participation, which should be the first to demonstrate their better governance through further improvements of their corporate practices. Certain provisions of the CBR Code are made mandatory to comply with through requirements stipulated in Listing Rules of CJSC Stock Exchange MICEX as applicable to companies listed on the Moscow Stock Exchange after passing the listing procedures.

On 13 March 2015, the Board of Directors of Rostelecom reviewed and approved the roadmap submitted by the management for the implementation of the Corporate Governance Code in the Company's activities.

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Key corporate governance improvements in 2015 are as follows:

- informing the shareholders of the date of compiling a list of persons entitled to participate in the Annual General Meeting at least 7 days before the list compilation date;
- expanded disclosures on certain issues on the agenda of the Annual General Meeting on results of 2014 were adopted in the process of the meeting preparation and holding;
- shareholders were able to elect four independent directors to the Board of Directors at the Annual General Meeting in 2015 who were meeting criteria set out by the Code and Listing Rules of Moscow Stock Exchange, thus allowing Audit and Nomination and Remuneration Committees to include independent directors only;
- a meeting of the Board of Directors may be convened at the request of a shareholder(s) holding 2 or more percent of voting shares of the Company;
- most important matters of concern to the Company should only be considered at physical presence meetings;
- procedure of evaluating the Board of Director's was added to the Company's Charter and Regulations on the Board Of Directors.

Corporate Governance Rating

Measures aimed at implementing provisions set forth in the Corporate Governance Code suggested by the Bank of Russia allowed Rostelecom to considerably improve its Quickscore corporate governance rating from Institutional Shareholder Services Inc. which is one of the world's leading international corporate governance consultancies. A rating of 2 on the 1-10 score range (with a score of 1 meaning low corporate governance risks).

As of 31 December 2015, Rostelecom had a rating of 7+ (Mature Corporate Governance Practice), according to the National Rating of Corporate Governance scale by the Russian Institute of

Directors (RID). Thus, RID believes that Rostelecom has low corporate governance risks and complies with requirements of the applicable Russian corporate governance law.