



Activities of the Management Board in 2015

Last year, the Management Board held 25 meetings, 1 of which was a physical meeting and 24 were held by absentee voting.

In the reporting period, the Management Board dealt with matters related to the Company's operations activity and making plans for future development, in particular the following issues were regularly discussed:

- reviewing the Company's budget execution reports and budget planning for the next year;
- the Company's technological policy and transformation of telecommunications networks;
- implementation of risk management programmes;
- projects aimed at increasing operational efficiency and costs optimisation.

With the aim of improving operational efficiency, the Management Board resolved matters related to the optimisation of

procurement, the decommissioning of analogue telecommunications line facilities and structural changes of the Company's branches.

Working towards further development of corporate governance standards, the Management Board paid considerable attention to the development and approval of the Risk Management Programme and Development Concept of Internal Control System in the Company.

Recognising the Company's social responsibility to Russian society, in the reporting year the Management Board dealt with matters relating to charity and sponsorship.

In addition, the Management Board devoted considerable attention to the preparation of the materials and issues requiring decisions passed by the Board of Directors, including preliminary consideration of related party transactions to ensure careful examination of such issues and high quality of Company's decisions.

Management Board Committees

Budget and Investment Committee, Compensation Committee, Risk Management Committee and Charity Committee are established in the Company for the purpose of improving the Management Board's performance related to key areas of Rostelecom activities.

BUDGET AND INVESTMENT COMMITTEE

In the reporting year, the Committee considered and evaluated the feasibility of the Company's investment projects and programs planned for 2015 and 2016. In addition, the Committee reviewed budgets of the Company's departments and branches in preparation of Rostelecom's draft consolidated budget for 2016.

Essential part of the Budget and Investment Committee activities in 2015 was dedicated to reviewing and evaluating projects aimed at increasing the Company's operational efficiency, including project in the following areas:

- reduction of operating costs associated with operation of equipment and lines to provide services to rural areas;
- performance evaluation and optimization of the sales and service channels;
- optimisation of office and production space.



COMPENSATION COMMITTEE

Implementing policy aimed at improving the Company's operational efficiency through fostering a high-quality team targeting at achievement of a common result the Committee made decisions related to the employee compensation and motivation, as well as provision of financial assistance to employees in difficult situations.

RISK MANAGEMENT COMMITTEE

The principal purpose of the Risk Management Committee is to coordinate the development of the Company's risk management system to ensure efficient risk management is in place at all levels of the business to make sound business decisions. In 2015, the Internal Control Committee dealt with the following matters:

- preliminary consideration of risk management matters requiring review by the President, Management Board and Audit Committee of the Company Board of Directors;
- overseeing the use of risk management procedures taking into account all types of risks and all levels of the Company organisational structure;
- resolution of differences related to the risk management implementation (including differences related to risk assessment, proposed risk management measures, execution of measures, etc.);
- approval of the risk register and risk evaluation;
- risk management decision-making and approval of risk management implementation activities;
- overseeing the implementation and execution of risk management measures.

CHARITY COMMITTEE

The Charity Committee's role is to consider which charity initiatives and socially important projects the Company should participate in.

In 2015, the Committee approved the provision of charity aid to Miloserdie – Official Charity of the Russian Orthodox Church, A.S. Popov Central Museum of Communications, to the Bolshoi Theatre of Russia (annual trustee contribution) and participation in the following projects:

- provision and expansion of an online-education programme for orphanages/foster families in Russian regions, as well as provision of funds for New Year celebrations;
- implementation of I want to live! project of the Charitable Foundation "AiF Good Heart", including procurement of Soliris medicine for treatment of kidney troubles of children waiting for a donor kidney for transplant.