



## Independent Auditor

On 15 June 2015 the Annual General Meeting on results of 2014 following a recommendation of the Board of Directors and its Audit Committee approved Ernst & Young as the Company's Independent Auditor for 2015.

**The Auditor's address:** 115035, Russia, Moscow, Sadovnicheskaya nab., 77, bld. 1

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**Membership in the self-regulating organization of auditors:** Ernst&Young LLC is a member of Non-profit partnership "Auditing Chamber of Russia". The general registration number in the state register of auditors and auditing organizations is 10201017420.

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### **Procedures for selecting independent external auditors ensuring their independence and objectivity, and information about their remuneration for audit and not-audit related services**

In 2015, the Company held a public tender to award a contract for auditing the Company's financial statements as on and for the year ended 31 December 2015 based on the Russian Accounting Standards, consolidated financial statements for the year ended 31 December 2015 based on the IFRS and consolidated financial statements as on and for the year ended 31 December 2015 based on the IFRS and prepared pursuant to Federal Law of 27 July 2010 № 208-FZ, and additionally for generally reviewing the consolidated financial statements (balance sheet, statement of comprehensive

income, statement of cash flow, statement of changes in equity) as on and for the periods ending on 31 March and 30 September 2015; for general review of brief interim consolidated financial statements according to IFRS prepared in accordance with IFRS 34 as on and for the period ending on 30 June 2015.

The procedures used for selecting external auditors and ensuring their independence and objectivity are provided by the Federal Law of Russia № 44-FZ "On the contract system in the sphere of procurement of goods, works, services for state and municipal needs" of 5 April 2013 and the Federal Law of Russia № 307-FZ "On auditing activities" of 30 December 2008, and criteria to be applied in candidates evaluation and auditor's selection are as follows:

Selection criteria for external auditors:

- remuneration fee;
- quality of the audit methodology including description of the audit organization and conduct, internal quality control;
- estimate of the total volume of labour costs for audit services according to schedule of work (calendar plan): reasonable and understandable ratio of the time to be spent on the site and in the office; reasonable match between the timeframe required for rendering services and assigned tasks;
- availability of documents certifying passing procedures of external quality control, results of the external supervision of the quality of work;
- available information on RAS and IFRS/US GAAP (at the same time) audit experience for the past three consecutive years (2012-2014) of Russian companies included in the rating of the largest Russian companies "Expert - 400" (<http://raexpert.ru/ratings/expert400/>);



- available information on RAS and IFRS (at the same time) audit experience for the past three consecutive years (2012-2014) for state-controlled entities (with more than 50 % of charter capital is owned by the state).

According to the results of the analysis, no factors affecting auditor's independence, including the presence of significant interests between auditors or their officials with the PJSC Rostelecom, were identified:

- the auditors own no interest in the Charter Capital of the Company;
- the Company does not provide any loans to the auditor;
- there are no close business relations (auditors' participation in the promotion of the Company's products/ services, joint undertakings, etc.);
- no Company officials hold any positions in the auditor organization.

## AUDITOR REMUNERATION

The fee payable to Ernst&Young LLC for audit related services in 2015 is RUB 102,660,000, including VAT of RUB 15,660,000 (taking into account any shipping, transportation costs, customs duties, taxes and other mandatory payment according to applicable Russian law). In 2015, Ernst&Young LLC provided no not-audit-related services. As on 31 December 2015, the Company paid part of the auditor's fee amounting to RUB 19,877,115, including VAT, the remaining amount of the fee will be paid in 2016 in accordance with the terms of the contract concluded with Ernst&Young LLC.