



Basic principles of the Company's information disclosure policy are:

- timely, consistent and prompt provision of the information;
- accessibility, objectivity, completeness, accuracy and comparability of disclosed information;
- equal rights of all stakeholders to obtain the information in compliance with all applicable law, rules and regulations;
- information disclosure regardless of specific interests of separate individuals or groups;
- reasonable balance between the Company's transparency and protection of its commercial interests;
- protection of confidentiality of the information which is state or trade secret in accordance with the Company's internal documents;
- control over usage of the Insider Information.

The Company's official website at www.rostelecom.ru serves as the Company's primary source of information disclosures where information is available in English and Russian languages; also information is disclosed in an electronic information disclosure system www.e-disclosure.ru.

As part of its investor relations programme, Rostelecom engages in a number of activities aimed at improving the Company's transparency. These activities include distribution of press releases on the Company's material facts and significant events; regular meetings of members of the Company Governing Bodies with investors and analysts; the organisation of roadshows and "one-on-one" meetings with investors; attending conferences held by investment banks; and quarterly conference calls discussing IFRS results and other significant events in the Company activities.

Internal Audit of the Company

The Internal Audit Department is functionally subordinate to the Board of Directors and collaborates in performing its duties with the Audit Committee of the Board of Directors. The Internal Audit Department reports on its activities to the Board of Directors and the Audit Committee. In accordance with "Guidelines for the organisation of Internal Audit in Joint-Stock Companies with state participation" issued by the Federal Agency for State Property Management (Order № 249 of 4 July 2014), Rostelecom updated the Regulations on internal audit of 27 November 2015 (approved by the Board of Directors, Minutes № 12 of 27 November 2015); and the Regulations on the Internal Audit Department of Head Office/

Macro regional branches (Order № 01/21/99-15 of 7 December 2015).

The organizational structure of the Internal Audit Department (IAD) is as follows:

- Internal Audit Department of Head Office;
- Internal Auditor Departments of Macro regional branches: Centre, North-West, Volga, South, Ural, Siberia and Far East.



142
internal
auditors
as at the end
of 2015

The Chief Auditor is in charge of the Internal Audit Department which is functionally subordinate to the Company's Board of Directors. In exercising its duties and responsibilities, the Department cooperates with the Audit Committee of the Board of Directors. The President of Rostelecom is responsible for the administrative control over the Chief Auditor.

In accordance with the Regulations on Internal Audit (versions № 4 and № 5), the Department's main purpose is to provide an independent objective review and recommendations aimed at improving the Company's operational efficiency. Efficiency is achieved by ensuring a common systematic and consistent approach to evaluating and improving the effectiveness of the Company's internal control, risk management and corporate governance.

The responsibilities of the Internal Audit Department comprise:

1. Assessing the effectiveness of the Company's Internal Control System (ICS).
2. Assessing the effectiveness of the Company's risk management system.
3. Assessing the effectiveness of the Company's existing corporate governance practices, as well as the security and effectiveness of its information systems.
4. Provision of consulting support on issues pertaining to the internal control system, risk management, corporate governance, participation (within its responsibilities) in working groups, commissions, committees, other advisory and consulting bodies and taking part in events organised by the Company.
5. Development and monitoring implementation of the provisions in relation to receiving, reviewing and storing complaints and appeals regarding accounting, internal control for accounting procedures, fraud, audit and com-

pliance with the Company's Code of Ethics, provision of hot-lines for employees on these issues.

6. Overseeing the Company's relationship with its external auditor.
 7. Making recommendations on improving the Company's efficiency and effectiveness, corporate governance, internal controls and risk management processes based on outcome of internal audits and assessments.
 8. Monitoring and assessing complete nature, quality and timely execution of measures aimed at correcting previously identified deficiencies and implementation of steps aimed at improving the business processes efficiencies.
 9. Development, implementation and continuous improvement of the internal audit concept, common unified internal audit methodology, including testing of the internal control system for its compliance with the Company's policies, procedures and regulations, and requirements of international standards.
- The Department also seeks to continuously improve employee professional levels in the Department.

In 2015, in the course of performing its duties the IAD carried out reviews of the Company's business processes and comprehensive inspections of the macro-regional branches, in line with the work plan for 2015 approved by the Board of Directors on 11 March 2015.

In addition, the Department executed preventive control measures including internal coordination of regulatory, organizational, administrative and other documents, as well as carried out information and analytical work.

As a result of preventive control, management consultations and checks/inspections carried out in 2015, the Department made recommendations aimed at improving the Company's operations through better performance of the Internal Control



System and reducing risks. Evaluation of the Internal Control System performance was carried out in keeping with the principles and approaches set forth by the established internal audit concepts and practices.

The recommendations were communicated to the Audit Committee and the Board of Directors in quarterly reports.

During the 2015, the Internal Audit Department on the quarterly basis monitored and assessed complete nature, quality and timely execution of measures aimed at correcting previously identified deficiencies and implementation of steps aimed at improving efficiency of the Company business processes and Internal Control System, and made selective inspections of the risk management system efficiency.

Internal Control in the Company

One of the key purposes of internal control is to provide reasonable assurance regarding the achievement of the Company's objectives in the following categories: the effectiveness and efficiency of its operations, the reliability of financial reporting and compliance with applicable laws and regulations. To this end Rostelecom implemented and operates its Internal Control System (ICS) according to requirements of the Corporate Governance Code of the Bank of Russia, guidelines provided by the Ministry of Finance of the Russian Federation "On the organisation and implementation of internal control, accounting and preparation of financial statements by economic subjects", the regulations of the Russian Federation, and modern international standards.

On 30 September 2015, the Board of Directors approved the Concept for the development of Internal Control System of PJSC Rostelecom, which identifies the main objectives of the system, its organisation and functioning, as well as roles and responsibilities of its members.

The goals of creation and development of the Internal Control System in the Company are as follows:

- facilitating protection of the interests of shareholders, investors and customers; prevention and resolution of conflicts of interest; maintenance of effective management of the Company; support in achieving the Company's objectives in the most effective way taking into account changing internal and external conditions;
- creation of conditions conducive to protection of the Company against internal and external risks arising in the course of its activities, as well as the risks associated with reporting misleading or incomplete information in the financial statements of the Company;
- assistance in ensuring Company's compliance with legislative requirements and regulatory documents and the Company internal regulations;
- creation of conditions for timely preparation and delivery of reliable financial, accounting, statistical, management and other reporting information for internal and external users;
- assistance in safeguarding the Company's assets and assuring efficient use of the Company's resources and potential.