



API Voting Recommendations for Annual General Meeting

Company: **PJSC ROSTELECOM (RTKM, RTKMP)**

Meeting date: **June 19, 2017**

Meeting date: **May 25, 2017**

Company Overview

The company takes the leading position in the Russian market of broadband access and pay television services: the number of subscribers for broadband access services exceeds 12.3 million, the number of subscribers for paid television services is more than 9.3 million users.

As of December 31, 2016, the Company's authorized capital consisted of 2,574,914,954 ordinary shares and 209,565,147 class A preference shares with a face value of 0.0025 rubles each.

In May 2011, the Company received permission from Russia's Federal Financial Markets Service for the circulation of 735,800,000 ordinary shares (24.99% of the total number of ordinary shares represented by 122,633,333 ADRs) outside the Russian Federation.

As of December 31, 2016, the Company issued 11.7 million ADRs representing 2.7% of the total number of outstanding ordinary shares.

The Company's majority shareholder is the Russian Federation represented by the Federal Agency for State Property Management (Rosimushchestvo) which owns 48.71% of the Company's ordinary shares. The following shareholders own at least 2% of the Company's ordinary (voting) shares: Mobitel LLC (15.06%); Vnesheconombank (4.29%), RTK-Razvitie closed-end mutual hedge fund (3%, under a stock distribution program). The packages owned by Mobitel LLC and the RTK-Razvitie closed-end mutual hedge fund comprise quasi-treasury shares controlled by the Company's management team as regards voting). At the Annual General Meeting in 2016, the quasi-treasury shares were used for voting and negatively affected the balance of power among the shareholders in decision making on the agenda items. The Company's Audit Commission has been highlighting this material corporate governance weakness for several years when preparing the annual opinion for the shareholders.

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No.	AGM agenda item	API recommendation
1.	Approval of PJSC Rostelecom's annual report	FOR
2.	Approval of PJSC Rostelecom's annual accounting (financial) statements	FOR
3.	Approval of the distribution of PJSC Rostelecom's profits for 2016 and retained profits of previous years	FOR
4.	Amount of dividends, time and form of payment, setting the dividend record date	FOR
5.	Election of members of the Board of Directors of PJSC Rostelecom	API recommends voting FOR Oleg Fedorov (independent director supported)

		by the API)*
6.	Election of members of the Audit Commission of PJSC Rostelecom	API recommends voting FOR all the candidates
7.	Approval of the auditor of PJSC Rostelecom	FOR
8.	Payment of remuneration to members of the Board of Directors who are not public officials for the service on the Board of Directors in the amount established by PJSC Rostelecom's by-laws	FOR
9.	Payment of remuneration to members of the Audit Commission who are not public officials for the service on the Audit Commission in the amount established by PJSC Rostelecom's by-laws	FOR
10.	Approval of the restated charter of PJSC Rostelecom	AGAINST**
11.	Approval of the restated Regulations on the General Shareholders Meeting of PJSC Rostelecom	FOR
12.	Approval of the restated Regulations on the Board of Directors of PJSC Rostelecom	FOR
13.	Approval of the restated Regulations on the President of PJSC Rostelecom	FOR
14.	Approval of the restated Regulations on the Management Board of PJSC Rostelecom	FOR
15.	Membership of PJSC Rostelecom in Russian Association of Employers "The Russian Union of Industrialists and Entrepreneurs"	FOR
16.	Membership of PJSC Rostelecom in Self-Regulatory Organization Association of Construction Engineers	FOR

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* The API recommends that the shareholders vote **FOR** the independent Director **Oleg Fedorov** nominated by the Company's minority shareholders and supported by API members.

** The Company has not provided adequate reasons for excluding one of the key tools of influence, the top management remuneration system, from the powers of the Board of Directors. In our view, these issues should remain within the purview of the Board of Directors.

In-depth AGM agenda review:

1-2.	AGM agenda item	API recommendation
1.	Approval of PJSC Rostelecom's annual report	FOR
2.	Approval of PJSC Rostelecom's annual accounting (financial) statements	FOR

AGENDA ITEMS 1-2 DETAILS:

The annual report of PJSC Rostelecom for 2016 contains information on the key performance indicators achieved by the Company in 2016, development prospects, information on related party transactions (58 deals for a total amount of RUB 98,840.9 million, USD 77 million and EUR 350,000), as well as a report on compliance with the recommendations of the Corporate Governance Code recommended for application by the Bank of Russia.

The reliability of the accounting (financial) statements of PJSC Rostelecom is confirmed by an audit report provided by Ernst & Young LLC and the Audit Commission of PJSC Rostelecom.

Please see below the key financial and operational performance indicators of the Group according to IFRS standards:

Item	2015	2016	Change, year-on-year
Revenue, million rubles	297,355	297,446	0.03%
Operating expenses, million rubles	258,769	257,610	-0.4%
Operating profit before amortization and leasing (OIBDA), million rubles	100,839	96,772	-4.0%
OIBDA margin, %	33.9	32.5	-1.4 p.p.
Profit for the year, million rubles	14,391	12,249	-14.9%
Net margin, %	4.8	4.1	-0.7 p.p.
Basic earnings per share, rubles	6.2	5.41	-12.7%
Net debt, million rubles	173,670	177,481	2.2%
Net debt / OIBDA ratio	1.7	1.8	0.1

The Company's revenue for 2016 went up 0.03% mainly resulting from an increase in revenues from pay television, broadband access and additional cloud-based services.

Operating expenses decreased by 0.4% due to a reduction in depreciation costs as a result of revising the useful life of fixed assets, a reduction in staff expenses, as well as saving on materials, utilities, repair and maintenance.

DRAFT RESOLUTION ON AGENDA ITEMS 1-2:

No. 1. Approve the annual report of PJSC Rostelecom for 2016.

No. 2. Approve the annual accounting (financial) statements of PJSC Rostelecom for 2016.

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3-4.	AGM agenda item	API recommendation
3.	Approval of the distribution of PJSC Rostelecom's profits for 2016 and retained profits of previous years	FOR
4.	Amount of dividends, time and form of payment, setting the dividend record date	FOR

AGENDA ITEMS 3-4 DETAILS:

Net profit of PJSC Rostelecom for 2016 determined according to Russian accounting standards (RAS) amounted to RUB 10,902,202 thousand, net profit under the International Financial Reporting Standards (IFRS) reached RUB 12,249,000 thousand, free cash flow (IFRS) for 2016 amounted to RUB 13,298,000 thousand.

According to clause 5.2 of the Dividend Policy Regulations, in 2016, 2017 and 2018, the Company aims at paying at least 75% of the previous year's free cash flow (FCF) in dividends (in aggregate on the ordinary and preference shares) for the 2015, 2016 and 2017 financial years, at least RUB 45 billion in total for these three years.

Based on the current Dividend Policy Regulations, the Company proposes paying RUB 15 billion in dividends for 2016, which is 112.8% of the free cash flow and will require 100% of PJSC Rostelecom's RAS net profit earned in 2016, as well as RUB 4,097,798 thousand out of retained profits of previous years for dividends.

The estimated amount of dividends will be as follows:

- 5.387002045593 rubles per class A preference share of PJSC Rostelecom;
- 5.387002045593 rubles per ordinary share of PJSC Rostelecom.

It is proposed that July 7, 2017 be set as the 2016 dividend record date.

DRAFT RESOLUTION ON AGENDA ITES 3-4:

ITEM 3.

1. Allocate PJSC Rostelecom's entire net profit for 2016 in the amount of RUB 10,902,202 (ten million nine hundred and two thousand two thousand and two) thousand for the payment of 2016 dividends.
2. Allocate PJSC Rostelecom's retained profits of previous years in the amount of RUB 4,097,798 (four million ninety seven thousand seven hundred and ninety-eight) thousand for the payment of 2016 dividends.

ITEM 4.

1. Pay dividends for 2016 in cash as follows:
 - RUB 5.387002045593 per class A preference shares of PJSC Rostelecom;
 - RUB 5.387002045593 per ordinary share of PJSC Rostelecom.Dividends accrued to each shareholder of PJSC Rostelecom shall be rounded to the nearest kopeck using mathematical rounding rules.
2. Set July 7, 2017 as the dividend record date.

The dividend payment deadline shall not exceed 10 business days following the dividend record date for the nominal holder and the trustee qualifying as a professional securities trader which are registered as the Company's shareholders, 25 business days following the dividend record date for other persons on the register of shareholders.

5.	AGM agenda item	API recommendation
	Election of members of the Board of Directors of PJSC Rostelecom	API recommends voting FOR Oleg Fedorov (independent director supported by the API)*

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AGENDA ITEM 5 DETAILS:

According to the Company's Charter, the Board of Directors shall consist of 11 members.

12 candidates are nominated to the Board of Directors. Under clause 23.1 of the Charter, the Board of Directors consists of 11 members. The resolution on this issue shall be passed by cumulative voting. The 11 candidates receiving the highest number of votes are recognized as elected to the Company's Board of Directors. To ensure compliance with the recommendations of the Corporate Governance Code approved by the Bank of Russia Board of Directors on March 21, 2014, the number of independent directors should be at least one-third of the elected Board of Directors, i.e. at least four.

The Company's minority shareholders (WESTMEAD LIMITED, Gensor Enterprises Limited, Stotter Limited, Red Hand Investments Limited, DKL-KF Corporation) which jointly owned 4.1% of the voting shares in PJSC Rostelecom as of 02/28/2017 nominated Mr. Oleg Fedorov, an independent director, to the Board of Directors.

The remaining candidates are nominated by the majority shareholder, the Russian Federation, represented by the Federal Agency for State Property Management (Rosimushchestvo), which owns 48.7% of the voting shares in PJSC Rostelecom.

On May 17, 2017 (Minutes no. 5 dated May 17, 2017), the Nominations and Remuneration Committee of the Company's Board of Directors recognized Ruben Aganbegyan, Alexander Auzan, Vadim Semenov, Oleg Fedorov, Alexei Yakovitskiy as meeting the relevant independence criteria provided for by the Corporate Governance Code. The Company has not disclosed the grounds for recognizing independence of these persons. The independence of Alexei Yakovitskiy is questionable, given his obvious affiliation with the Government of Russia (acting, inter alia, as the controlling shareholder of the Company), and affiliation with VTB Group, which is also a substantial shareholder of Tele2 (T2 RTK Holding).

The election of an independent director by votes of minority shareholders requires about 6.6-6,7% of the votes. At the 2016 AGM, the API-backed candidate gained support from the owners of 5.37% of the voting power, the only director receiving such voting support from the minority shareholders. As the Company voted quasi-treasury shares (18.06% in total), among others, for a representative of the management team, the API-backed candidate was unable to reach the "elevated" passing

score. The situation is complicated by the position of some custodians (we are aware of JP Morgan Chase Bank's decision to prevent its clients from voting because the list of candidates includes Sergei Ivanov, a person targeted by Western sanctions imposed on Russia). In case custodians refuse to allow their clients to vote, the API is ready to directly represent such shareholders at the meeting, provided that the shareholders issue a direct letter of attorney authorizing an API representative to vote as instructed by the shareholder (please contact us directly at info@api-russia.org for any questions related to issuing the letter of attorney).

DRAFT RESOLUTION ON AGENDA ITEM 5:

Elect the Company's Board of Directors as follows:

No.	Name	Nominated by	Office / Position (at the primary place of employment)	Status
1.	Ruben Aganbegyan	Russian Federation represented by Russia's Federal Agency for State Property Management (ROSIM)	General Director, Chairman of the Management Board, member of the Board of Directors, Otkritie Holding JSC	Independent director
2.	Alexander Auzan	Russian Federation represented by ROSIM	Dean, Department of Economics, Lomonosov Moscow State University	Independent director
3.	Kirill Dmitriev	Russian Federation represented by ROSIM	General Director, LLC RFPI Management Company	Non-executive director
4.	Anton Zlatopolsky	Russian Federation represented by ROSIM	General Director, GTK Russia TV Channel	Non-executive director
5.	Sergei Ivanov	Russian Federation represented by ROSIM	Special Representative of the Russian President for nature protection, environmental and transport matters	Non-executive director
6.	Sergei Kalugin	Russian Federation represented by ROSIM	Deputy Minister of Telecom and Mass Communications	
7.	Mikhail Oseevskiy	Russian Federation represented by ROSIM	President, PJSC Rostelecom	Executive director
8.	Mikhail Poluboyarinov	Russian Federation represented by ROSIM	First Deputy Chairman, Vnesheconombank	Non-executive director
9.	Alexander Pchelintsev	Russian Federation represented by ROSIM	Executive Vice President, GPB Bank (JSC)	Non-executive director
10.	Vadim Semenov	Russian Federation represented by ROSIM	Chairman of the Supervisory Board of Avtodor Group	Independent director
11.	Oleg Fedorov*	WESTMEAD LIMITED, Gensor Enterprises Limited, Stotter Limited, Red Hand Investments Limited, DKL-KF Corporation	Member of the Supervisory Board, PJSC ALROSA	Independent director
12.	Alexei Yakovitskiy	Russian Federation represented by ROSIM	General Director, JSC VTB Capital	Independent director

Members of the Board of Directors are elected by cumulative voting.

* The API officially supports this candidate at the AGM.

Details on the API liaison with independent directors are provided on the API website at:

<http://api-russia.org>.

All independent directors backed by the API are open to direct contact with shareholders; please [contact us](#) for further information.

6.	AGM agenda item	API recommendation
	Election of members of the Audit Commission of PJSC Rostelecom	API recommends voting FOR all the candidates

AGENDA ITEM 6 DETAILS:

7 candidates are nominated to the Audit Commission. Under the Company's Charter, the Audit Commission shall consist of 7 members. The 7 candidates receiving the highest number of votes are recognized as elected to the Company's Audit Commission.

The candidates to the Audit Commission are nominated by the Russian Federation represented by the Federal Agency for State Property Management which owned 48.7% of the voting shares in PJSC Rostelecom as of March 1, 2017 (the date of nominating the candidates).

DRAFT RESOLUTION ON AGENDA ITEM 6:

Elect the Company's Audit Commission as follows:

No.	Name	Office / Position (at the primary place of employment)
1.	Valentina Veremyanina	Deputy General Director of Legal and Corporate Governance, OJSC Severneftegazprom
2.	Anton Dmitriev	Division Assistant Officer, Department of the Ministry of Economic Development of the Russian Federation
3.	Ilya Karpov	Deputy Head, Department of Property Relations and Privatisation of Major Organisations, Federal Agency for State Property Management
4.	Mikhail Krasnov	Director, VERYSELL SA (Switzerland)
5.	Oleg Musienko	Assistant Officer of the Division of Transport and Communications Reforms, Department for State Tariff Regulation, Infrastructure Reforms and Energy Efficiency, Ministry of Economic Development of the Russian Federation
6.	Alexander Ponkin	Director of the Department for Regulation of Radio Frequencies and Telecom Networks, Ministry of Telecom and Mass Communications of the Russian Federation
7.	Alexander Shevchuk	Executive Director, Association of Institutional Investors

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7.	AGM agenda item	API recommendation
	Approval of the auditor of PJSC Rostelecom	FOR

AGENDA ITEM 7 DETAILS:

The AGM-related materials include information on the holding by PJSC Rostelecom of an open tender to award a contract for auditing Rostelecom's accounting statements as at and for the year ended on December 31, 2017 prepared in accordance with RAS; consolidated financial statements as at and for the year ended December 31, 2017 prepared in accordance with IFRS, in Russian and English pursuant to Federal Law No. 208-FZ dated July 27, 2010; carrying out a general review of consolidated financial statements (balance sheet, statements of comprehensive income, cash flow, changes in equity) as at and for the periods ending 30 September 2017 and 31 March 2018; carrying out a general review of condensed interim consolidated financial statements prepared in accordance with IFRS pursuant to IFRS 34 as at and for the six-month period ending on June 30, 2018, in English and Russian.

Information on the above procurement, including the draft contract proposed by Rostelecom, is available on Rostelecom's

website at <http://zakupki.rostelecom.ru/1137508/>.

PJSC Rostelecom's Board of Directors and Audit Committee examined the results of the analysis to select the auditor candidate and propose that the shareholders approve Ernst & Young LLC as PJSC Rostelecom's auditor for the second half of 2017 and the first half of 2018 at the Annual General Meeting based on 2016 results.

The proposed fee payable to Ernst & Young LLC for audit-related services will be RUB 70,900,000 (VAT included). Ernst & Young LLC is not expected to provide non-audit services.

DRAFT RESOLUTION ON AGENDA ITEM 7:

Approve Ernst & Young LLC as PJSC Rostelecom's auditor for the second half of 2017 and the first half of 2018.

8.	AGM agenda item	API recommendation
	Payment of remuneration to members of the Board of Directors who are not public officials for the service on the Board of Directors in the amount established by PJSC Rostelecom's by-laws	FOR

DRAFT RESOLUTION ON AGENDA ITEM 8:

1. Pay annual remuneration to each member of PJSC Rostelecom's Board of Directors, except for public officials or employees of PJSC Rostelecom, serving in that capacity in the period from the Annual General Meeting based on 2015 results until the Annual General Meeting based on 2016 results as follows:

- up to RUB 4,000,000 for the service as a member of the Board of Directors; a multiple of 1.5 applies to the remuneration payable to the Chairman of the Board of Directors;
- up to RUB 400,000 for the service as a member of the Audit Committee of the Board of Directors; a multiple of 1.25 applies to the remuneration payable to the Chair of the Audit Committee of the Board of Directors;
- up to RUB 320,000 for the service as a member of the Strategy Committee, Nominations and Remuneration Committee, Corporate Governance Committee, and Investment Committee of the Board of Directors; a multiple of 1.25 applies to the remuneration payable to the chairs of the above committees of the Board of Directors.

2. Reimburse members of the Board of Directors for expenses related to the performance of their duties as members of the Board of Directors in accordance with the Regulations on the Board of Directors.

9.	AGM agenda item	API recommendation
	Payment of remuneration to members of the Audit Commission who are not public officials for the service on the Audit Commission in the amount established by PJSC Rostelecom's by-laws	FOR

DRAFT RESOLUTION ON AGENDA ITEM 9:

1. Pay annual remuneration to each member of PJSC Rostelecom's Audit Commission, except for public officials or employees of PJSC Rostelecom, serving in that capacity in the period from the Annual General Meeting based on 2015 results until the Annual General Meeting based on 2016 results, in the amount of RUB 800,000; a multiple of 1.3 applies to the remuneration payable to the Chair of the Audit Commission, and a multiple of 1.1 applies to the remuneration payable to the Secretary of the Audit Commission;

2. Reimburse members of the Audit Commission for expenses related to the performance of their duties as members of the Audit Commission in accordance with the Regulations on the Audit Commission.

10.	AGM agenda item	API recommendation
	Approval of the restated charter of PJSC Rostelecom	AGAINST

AGENDA ITEM 10 DETAILS:

Among the changes proposed to the shareholders meeting for approval (items 25, 32 of the table of comparison of proposed amendments with the current version of the Charter of PJSC Rostelecom), it is proposed that the powers to approve the terms of contracts (or supplementary agreements) to be signed with members of the Company’s Management Board (on performance of the Board members’ functions), to approve internal documentation regulating the procedures of assessment of remuneration to be paid to the members of the Management Board, to decide on bonuses to be paid to members of the Management Board (clause 23.3.30. par. 1), as well as the powers to approve the terms of contracts (or additional agreements) with Directors (including Vice Presidents), their Deputies and senior accountants of the Company’s macroregional branches, branches and representative offices provided for by clauses 27.7.14 and 27.7.15 be not vested in the Board of Directors anymore.

The Company has not provided adequate reasons for excluding one of the key tools of influence, the top management remuneration system, from the powers of the Board of Directors. In our view, these issues should remain within the purview of the Board of Directors. Therefore, the API recommends that the shareholders vote **AGAINST** on the approval of the new Charter, even though it supports most of the other innovations in the draft Charter aimed at bringing its provisions in compliance with the law and the Company’s corporate practice.

DRAFT RESOLUTION ON AGENDA ITEM 10:

Approve revised version no. 17 of PJSC Rostelecom’s Charter.

11.	AGM agenda item	API recommendation
	Approval of the restated Regulations on the General Shareholders Meeting of PJSC Rostelecom	FOR

AGENDA ITEM 11 DETAILS:

Most of the innovations proposed in the document are related to the organization of electronic document flow during the preparation and holding of shareholders meetings.

The shareholders have an opportunity to make proposals for putting issues on the agendas of annual general shareholders meetings and on nominating candidates to the management bodies and other bodies of the Company by submitting documents signed by an encrypted and certified digital signature, and an opportunity of voting at general shareholders meetings by filling in electronic ballots on the website specified in the notice of a General Shareholders Meeting.

The restated version formalizes the Company’s good practice of disclosing reference materials for the general shareholders meeting in Russian and English, including information on persons proposing agenda items or nominating candidates to the Company’s management and supervision bodies, as well as other meeting-related information essential for shareholders, on the official website at least 30 (thirty) days before the meeting date.

No innovations prejudicing the position or restricting the rights of shareholders are proposed in the new version of the document.

DRAFT RESOLUTION ON AGENDA ITEM 11:

Approve revised version no. 9 of the Regulations on the General Shareholders Meeting of PJSC Rostelecom.

12.	AGM agenda item	API recommendation
	Approval of the restated Regulations on the Board of Directors of PJSC Rostelecom	FOR

AGENDA ITEM 12 DETAILS:

The API supports the practice of incorporating the recommendations and principles of the Corporate Governance Code approved by the Bank of Russia into the by-laws of public joint-stock companies. That said, the wording of clause 7.2. of the restated Regulations proposed for approval by the shareholders according to which the Board of Directors considers issues “which in compliance with the Code of Corporate Governance must be dealt with at meetings to be attended in person” at physical meetings appears to be under-elaborated, as the Code is non-binding in nature, which means that phrases such as “must be dealt with” cannot be used. A more effective approach, in our view, would be to incorporate the wording of the Code into corresponding sub-clauses covering the powers vested in the Board of Directors and to include these sub-clauses in clause 7.2. of the Regulations.

DRAFT RESOLUTION ON AGENDA ITEM 12:

Approve revised version no. 15 of the Regulations on the Board of Directors of PJSC Rostelecom.

13.	AGM agenda item	API recommendation
	Approval of the restated Regulations on the President of PJSC Rostelecom	FOR

AGENDA ITEM 13 DETAILS:

The new version of clause 2.3. of the Regulation changes the quorum required for the appointment of the Company’s President: instead of passing the resolution by a majority of the directors participating in the meeting (as is currently the case), it is proposed that the President be elected in a standard procedure provided for by clause 23.4. of the Charter where resolutions are passed by a majority vote of all the elected (non-retired) members of the Board of Directors, except when the corporate Charter or Russia’s current legislation provides for a different number of votes required to pass a resolution.

The document also brings the procedure for exercising the powers of the Company’s President upon their expiration in compliance with the current legislation.

DRAFT RESOLUTION ON AGENDA ITEM 13:

Approve revised version no. 4 of the Regulations on the President of PJSC Rostelecom.

14.	AGM agenda item	API recommendation
	Approval of the restated Regulations on the Management Board of PJSC Rostelecom	FOR

AGENDA ITEM 14 DETAILS:

The new version of the document streamlines and supplements the procedure of appointment and termination of powers of Management Board members, establishes the requirement for prior approval by the Board of Directors of the concurrent holding by members of the Management Board of positions in management bodies of other entities. Section 7. LIABILITY OF THE MEMBERS OF THE MANAGEMENT BOARD has been amended to include certain duties of Management Board members, particularly regarding the circulation of insider information and notices of the intention to take a position in the management bodies of other entities.

DRAFT RESOLUTION ON AGENDA ITEM 14:

Approve revised version no. 6 of the Regulations on the Management Board of PJSC Rostelecom.

15.	AGM agenda item	API recommendation
	Membership of PJSC Rostelecom in the Russian Association of Employers "The Russian Union of Industrialists and Entrepreneurs"	FOR

AGENDA ITEM 15 DETAILS:

Pursuant to paragraph 14.2.20 of PJSC Rostelecom’s Charter, membership in financial and industrial groups, associations and other alliances of commercial organizations is within the purview of the general shareholders meeting. Under clause 14.3 of PJSC Rostelecom’s Charter, the resolution on this issue shall be passed by the general shareholders meeting only as proposed by the Board of Directors.

In order to facilitate the development of a consolidated position of the telecommunications industry and telecommunications market in the Russian Federation by joining the efforts of leading telecom operators, IT companies and R&D organizations, PJSC Rostelecom intends to become a member of the Russian Association of Employers “The Russian Union of Industrialists and Entrepreneurs” (RSPP).

PJSC Rostelecom’s membership in RSPP and the subsequent opportunity to appoint PJSC Rostelecom’s representative as a member of RSPP’s Management Board will enable PJSC Rostelecom, in the Company’s view, to strengthen its position in the telecommunications market. The entry fee and the annual membership fee is RUB 150,000.

DRAFT RESOLUTION ON AGENDA ITEM 15:

Decide on the membership of PJSC Rostelecom in the Russian Association of Employers “The Russian Union of Industrialists and Entrepreneurs.”

16.	AGM agenda item	API recommendation
	Membership of PJSC Rostelecom in Self-Regulatory Organization Association of Construction Engineers	FOR

AGENDA ITEM 16 DETAILS:

Since 2009, PJSC Rostelecom has been a member of the self-regulatory organization (SRO) All-Russia Cross-Industry Employer Association – Alliance of Builders of Telecommunications and IT Facilities StroySvyazTelecom (hereinafter referred to as “StroySvyazTelecom Alliance”), which enables the Company to make successful bids in tenders (auctions) and to engage in construction, modernization and overhaul activities, according to the Certificate of admission to certain activities influencing the safety of capital construction facilities. Following the requirements of paragraph 3 of Article 55.6 of Russia’s Town Planning Code, PJSC Rostelecom must terminate its membership in StroySvyazTelecom Alliance before July 1, 2017 and become a member of a self-regulatory organization registered in the same Russian region as PJSC Rostelecom, i.e. in St. Petersburg.

Based on the evaluation of SROs registered in St. Petersburg, the highest score was assigned to SRO Association of Construction Engineers. It should be noted that the Company has not disclosed a comparison between the cost of membership in SRO Association of Construction Engineers and the cost of its existing membership in SRO StroySvyazTelecom.

To ensure uninterrupted validity of the Certificate of admission during the transition period, PJSC Rostelecom should:

- make a one-off contribution to the damage compensation fund in the amount of RUB 2,000,000 (two million rubles) (article 55.16 section 12 paragraph 4 of the Town Planning Code of Russia);
- ensure payment of RUB 4,500,000 as a contribution to the compensation fund for securing contractual obligations (article 55.16 section 2 paragraph 3 of the Town Planning Code of Russia);

- pay the annual membership fee of RUB 96,000;
- pay a fee of RUB 56,250 under the civil liability insurance contract.

DRAFT RESOLUTION ON AGENDA ITEM 16:

Decide on the membership of PJSC Rostelecom in SRO Association of Construction Engineers.

The AGM Voting Recommendations are based, among other things, on the Annual General Meeting reference materials published on the website of PJSC Rostelecom at http://www.company.rt.ru/en/ir/agm/events/gosa_en/detail/2016/. For questions and/or comment, please contact us at: +7 (495) 510-5306 or via email: polovnev@api-russia.org.