

ESG REPORT



About the Report

This Report has been prepared by PJSC Rostelecom (“Rostelecom” or the “Company”) and its subsidiaries (jointly, the “Group”), in line with Note 11 Subsidiaries to the Company’s consolidated financial statements prepared under the International Financial Reporting Standards (“IFRS”) for the year ended 31 December 2020. This Report has been prepared based on PJSC Rostelecom’s management reports and in line with PJSC Rostelecom’s IFRS consolidated financial statements for 2020. As a part of PJSC Rostelecom’s Annual Report this report was pre-approved by the Board of Directors.

As a public joint stock company with securities listed on Moscow Exchange and traded internationally, Rostelecom is committed to the highest standards of corporate governance and disclosure. As we continually seek to further improve our corporate practices and enhance information transparency, we strive to provide investors and shareholders with comprehensive data on Rostelecom’s operations, ensuring that all disclosures are accessible and easy to use.

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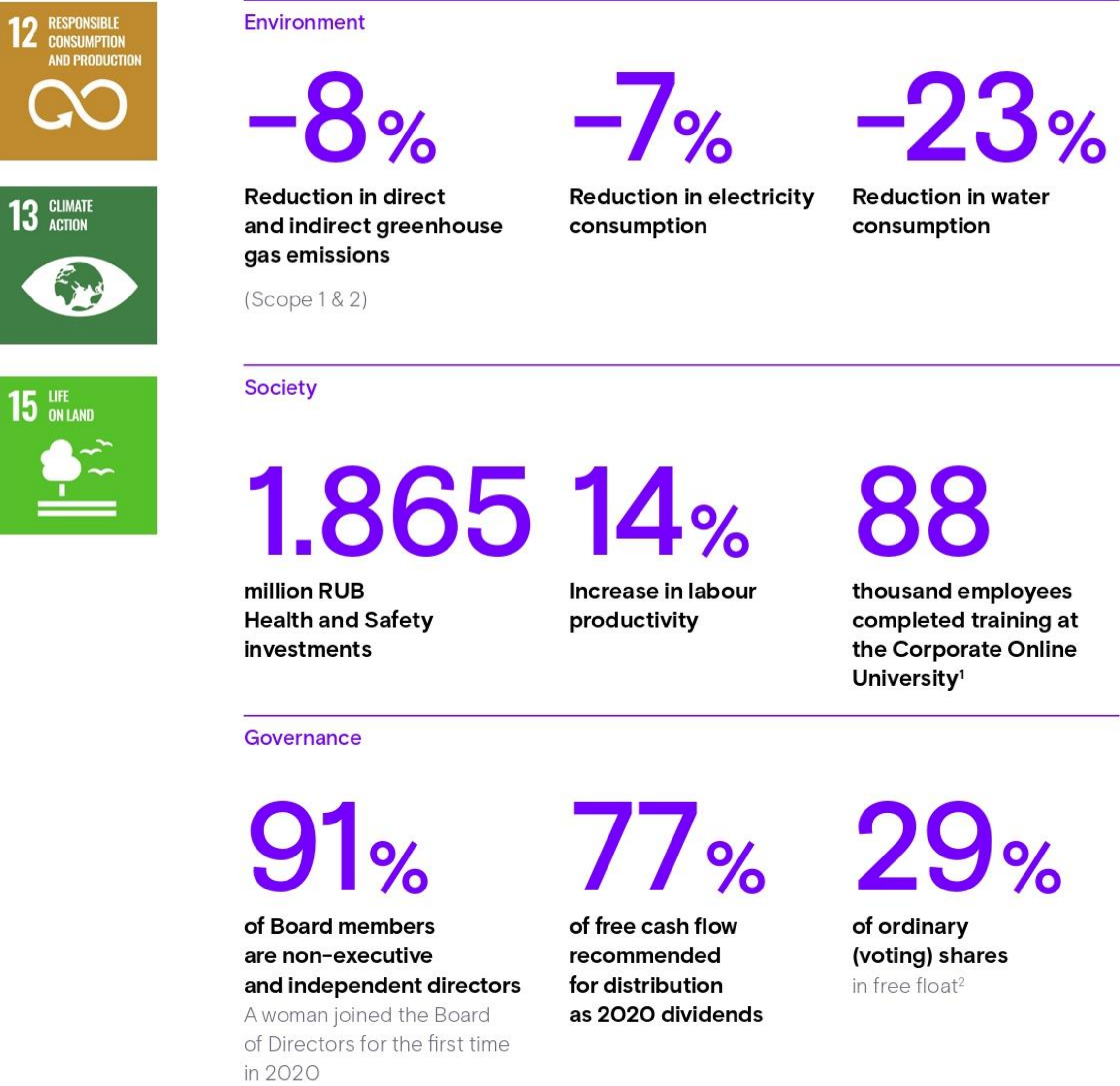
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ESG Highlights

Rostelecom's ESG performance in 2020



¹ Data for PJSC Rostelecom.
² Percentage of the total outstanding ordinary shares as at 31 December 2020/

1.865

bn RUB—spending on health and safety

Our ESG priorities

Environment:

- Effective environmental operational control and management system
- Energy efficiency
- Waste management
- Reducing emissions
- Responsible consumption

Social impact:

- Employee training and development
- Ensuring workplace safety
- Supporting employees and increasing engagement
- Philanthropy
- Digital services for better quality of life

Corporate governance:

- Good governance
- Fair remuneration
- Shareholder rights
- Anti-corruption
- High procurement standards

Sustainable Development Goals

Rostelecom Group is committed to maintaining consistent and balanced operations in line with the principles of sustainable and responsible development. We are focused on creating and enhancing long-term economic, social and environmental benefits for both current and future generations. Rostelecom not only operates in a way that drives balanced, sustainable business growth and shareholder value creation, but also aims to make a positive contribution to the sustainable development of Russia, its society and the telecommunications industry.

Rostelecom integrates the United Nations Sustainable Development Goals (UN SDGs) into the management of the Company’s operations and considers them when preparing annual reports and designing sustainability projects.

Sustainable Development Goals prioritised by Rostelecom

First priority goals



Goal 9
Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation



Goal 8
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Goal 4
Ensure inclusive and equitable quality education and promote lifelong opportunities for all



Goal 11
Make cities and communities inclusive, safe, resilient and sustainable



Goal 10
Reduce inequality within and among countries

Second priority goals



Goal 17
Strengthen the means of implementation and revitalise the global partnership for sustainable development



Goal 16
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



Goal 12
Ensure sustainable consumption and production patterns



Goal 13
Climate action



Goal 15
Life on land





Adherence to high sustainability and governance standards is central to Rostelecom’s growth strategy and culture, and key to long-term value creation.



- Rostelecom Group’s sustainability activities aim to:
- promote a digital strategy to transform Russia’s economy
 - bridge the digital divide for all sectors of Russia’s society
 - contribute to social and economic development across the Group’s footprint
 - promote the industry’s technological advancement and innovation
 - modernise technological infrastructure and support technical upgrades
 - develop intellectual and human capital
 - create jobs and contribute to an improved quality of life.
- Efforts in these areas include both the launches of dedicated projects and the development and promotion to customers of digital products that will have an environmental or social impact.

Rostelecom has set up a dedicated ESG Information section on its official website, highlighting the Company’s key ESG metrics, documents and policies. ESG presentations and ESG data summaries are also published under this section.

Indices and ratings

ЭКСПЕРТ	In 2020, Rostelecom was ranked in the top 10 Russian companies of the Expert magazine’s sustainability ranking. The Company got the highest score among Russian telecoms players.
	Rostelecom has been included in the FTSE4Good Index series since 2017.
	Rostelecom is also included in the two sustainability indices of the Moscow Exchange and the Russian Union of Industrialists and Entrepreneurs (RSPP): the Responsibility and Transparency Index and the Sustainable Development Vector Index.
	In early 2021, our gender equality efforts earned global recognition as Rostelecom was included in Bloomberg’s 2021 Gender-Equality Index—for the second year in a row.
	Rostelecom has been providing annual climate change reports to the international Carbon Disclosure Project (CDP) since 2015. In 2020, following a review of its report, the CDP affirmed Rostelecom’s environmental rating at “C” ¹ .
S&P Global	Rostelecom’s Final ESG Score in the S&P Global Ratings ESG Evaluation report was 30 ² in 2020. The Company’s social and environmental scores are above industry averages.

1 Based on 2019 data
2 Based on 2019 data

Environmental protection



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Environmental protection

As Russia’s largest provider of digital services and solutions, Rostelecom Group is fully aware of its responsibility to its people, customers and society at large in terms of preserving the environment in the course of its operations.

The Group is committed to using natural resources sustainably and minimising its environmental footprint, while also pursuing a wide range of environmental initiatives. The Company also develops and offers digital solutions for customers to help them with their environmental management tasks.

Environmental protection and safety management

Rostelecom Group’s environmental protection activities and environmental safety efforts are an integral part of the Group’s overall health and safety policies. Rostelecom’s environmental protection management is driven by PJSC Rostelecom’ Environmental Policy and HSE and Fire Safety Policy, which have also been implemented across Rostelecom Group subsidiaries and affiliates. Rostelecom’s environmental management system fully complies with governmental regulations as well as international best practices and standards on the telecommunications market. In 2020, we continued improving our environmental management system. PJSC Rostelecom successfully passed an external recertification audit for compliance with GOST R ISO 14001-2016, with the certificate of conformity renewed for one year.

554

internal audits performed in 2020

440

employees were trained in environmental protection

Environmental operational control

Environmental operational control (EOC) is an important part of environmental safety measures. In 2020, Regulations on Environmental Operational Control at PJSC Rostelecom were updated, defining the composition, structure, organisation and operational procedure for the EOC system at the Company. In 2020, within the Company’s environmental operational control framework, 554 internal audits (361 on-site audits and 193 desk audits) were performed, with 846 facilities audited and 346 gaps identified and rectified.

One of the environmental safety procedures put in place by the Group is specialised training of managers and employees responsible for making decisions that could have adverse environmental impact. In 2020, 440 Rostelecom Group employees responsible for environmental safety and environmental operational control were trained in environmental protection.

Rostelecom Group’s total environmental expenditures and investments, 2017–2020, RUB million

Focus area	2016	2017	2018	2019	2020
Waste management	93.55	83.50	99.83	100.63	108.68
Soil, surface water and groundwater pollution control	3.26	5.61	5.91	6.48	6.99
Air pollution control and climate change mitigation	2.33	2.43	5.75	5.74	9.75
Area improvements and urban greening	2.19	1.64	2.13	2.50	5.16
Employee training	1.49	2.35	1.57	1.58	1.89
Payments to the state budget for environmental pollution	33.78	19.59	11.18	8.38	7.05
Other focus areas	36.24	30.39	33.12	37.05	34.49
TOTAL ENVIRONMENTAL EXPENDITURES	172.85	145.51	159.49	162.36	174.01

304

mn RUB — investment
in energy efficiency projects

-7%

total waste reduction

Energy efficiency

Rostelecom continuously improves its energy efficiency and considers it a driver of digital economy development. The Group upgrades networks and infrastructure, deploys more energy efficient equipment and is committed to using natural resources sustainably. Investment in energy efficiency projects totalled RUB 304 million in 2020.

Rostelecom reduced the volume of electricity consumed in 2020 by 7% and the volume of heat energy consumed by 18%.

In addition to investing in own energy-efficiency projects, Rostelecom is actively developing solutions that promote energy efficiency for its customers. In 2020, Rostelecom acquired assets that develop and own key integrated solutions for the utilities sector: LLC Management Company Forcam (51%), Rostelecom’s key contractor for the Telemetry project, and LLC Management Company Fastech (51%), a provider of software solutions for the utilities sector. These acquisitions will strengthen Rostelecom’s product range in the digitalisation of the utilities sector and provide customers with the opportunity to improve the efficiency of their resource consumption.

Waste management

Waste management is another top priority for the Group. The total mass of waste generated by Rostelecom in 2020 decreased by 7% compared with the previous year. The decrease is mainly due to the transfer of some employees to remote work because of the pandemic and, as a consequence, a decrease in the generation of household waste (included in categories 4 and 5). The increase in the amount of category 2 waste in 2020 is explained by the write-off of a larger number of batteries for the backup power supply of the automatic telephone exchange. In general, almost 100% of the Group’s waste is in the low-hazard and almost non-hazardous waste categories (4 and 5). All waste containing useful components and suitable for processing and reuse is transferred to specialised organisations.

Waste generation by hazard categories in 2018–2020, tonnes¹

Hazard categories	2018	2019	2020
1	40.27	40.05	35.43
2	28.52	15.77	21.22
3	39.27	33.4	26.38
4	20,615.76	21,501.75	21,280.97
5	13,385.64	12,523.67	10,474.08
TOTAL	34,109.46	34,114.64	31,838.08

To expand the Group’s capabilities in this area, in late 2020, Rostelecom invested in LLC Big3, a developer and provider of integrated IT systems for waste and environmental management. Through the acquisition, Rostelecom will gain a leading position in the e-waste management market.

Municipal/household solid waste management

The services offered to customers in 2020 included a solution launched to monitor municipal/household solid waste (MSW/HSW) collection sites, with pilots rolled out in 11 regions during the year.

The MSW monitoring solution is a system to control MSW collection and removal, built as an optimal combination of video data collection and processing solutions driven by an intelligent neural network (INN). INN modules enable capturing accurate analytics across the entire MSW management cycle, with an at least 90% accuracy of problem event recording in automated mode. The rollout of the integrated MSW monitoring system will enable, among other things, the collection of objective information on the condition of waste collection sites and on the progress in the implementation of instructions under the Ecology national project.

The solution enables the monitoring of compliance with the rules for setting up waste collection sites, the condition of waste container sites and garbage parks, the sanitary condition of HSW collection sites, as well as the identification of unauthorised MSW landfills.

¹ The indicators shown in the table for 2018 refer to PJSC Rostelecom; those for 2019 and 2020 additionally include the most significant subsidiaries and affiliates of the Group, including Tele2.

4

thsd handsets

collected by Tele2 Russia as part of Melting project

Device disposal

Tele2 Russia, a Rostelecom subsidiary, ran the Pereplavka (Melting) environmental project in 2020, accepting old phones for recycling. Since the campaign launch, Tele2 Russia has collected more than 4,000 handsets (the campaign runs until 1 November 2021).

Tele2 Russia is running this environmental project to highlight the importance of recycling mobile phones and to encourage customers of all operators to dispose of them properly. With the project's geography already spanning 64 Russian regions in 2020, the most active participants are to be found in the Volga and Urals regions and in Moscow.

Tele2 Russia is handing over the collected phones to Ecopolis Corporation, Russia's only complex of plants for eco-friendly recycling of electronic and electrical equipment waste.

Responsible consumption – Green Office

As part of its efforts to implement the Green Office principles, the Group is focused on rolling out automated power and water meters, introducing separate waste collection, using environmentally safe consumables, and emphasising electronic document flow and wider use of videoconferencing. A total of 194 tonnes of paper, 17 tonnes of cardboard, 1.79 tonnes of batteries, 16.5 tonnes of plastics, 103.8 tonnes of scrap metal and 4.5 tonnes of aluminium scrap were handed over for recycling in 2020. The overall amount of paper waste across the Company was reduced as a result of extensive workflow digitisation and reduced paper consumption.

Tele2 Russia's involvement in the GREEN & HEALTH 2020 environmental campaign

In 2020, Tele2 Russia joined the GREEN & HEALTH environmental campaign to promote green offices in the Moscow region. As part of the campaign, the operator will present office space greening programmes to raise the awareness of environmental issues among the public and businesses.

At its Moscow Office, Tele2 Russia showcases solutions to reduce power consumption, with energy-efficient lighting systems installed at the Tele2 Russia headquarters to offer bright light at night hours while ensuring low energy consumption. Collection points for used batteries were also installed at Moscow's Comcity office park.



194 tonnes of paper

handed over
for recycling in 2020

64 regions

covered by the Pereplavka
(Melting) environmental
project aimed at accepting old
phones for recycling

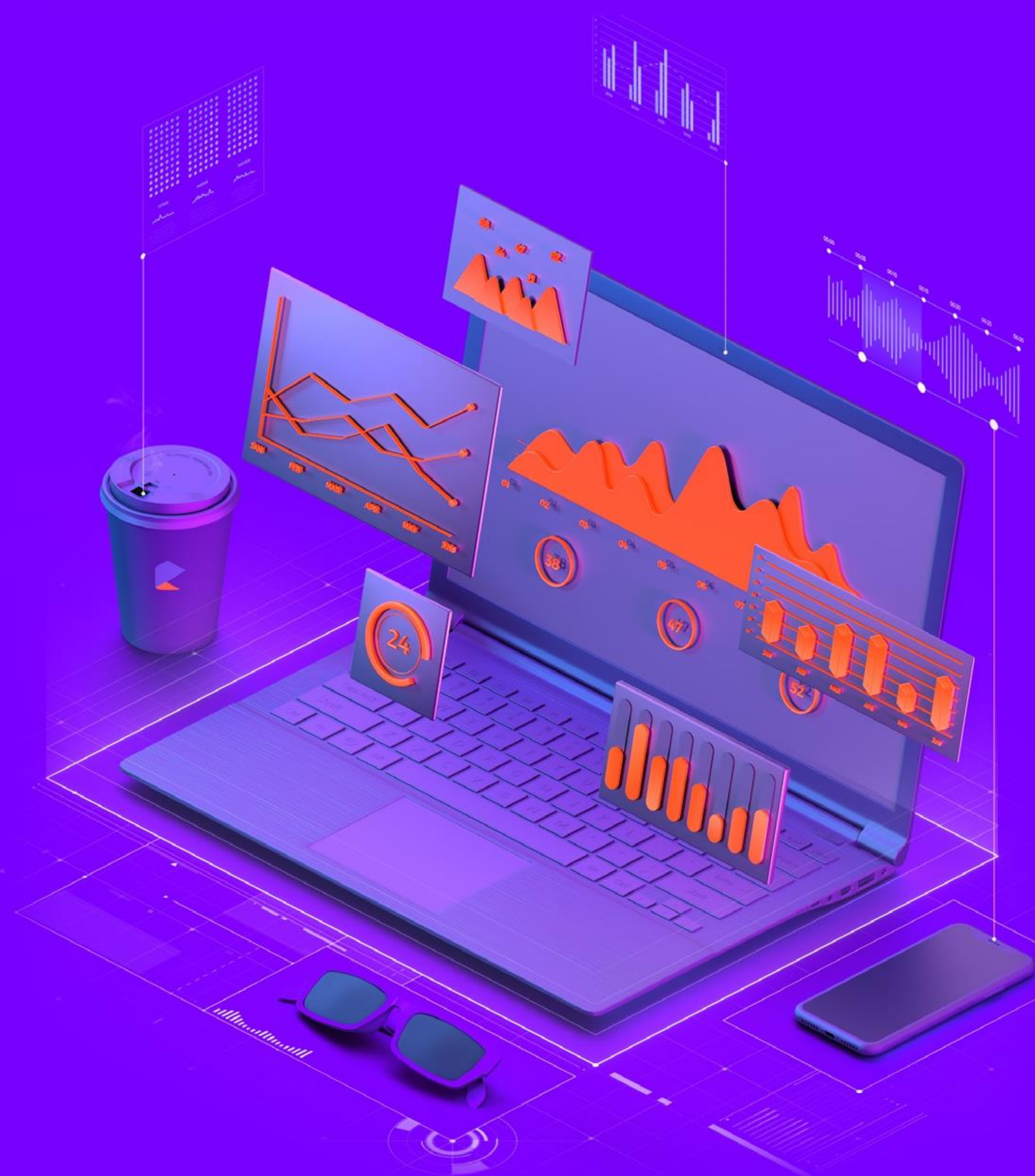
Key environmental indicators, 2016–2020 ¹

	Unit	2016	2017	2018	2019	2020
Greenhouse gas emissions (GHG)						
Direct GHG emissions (Scope 1)	t of CO ₂ equivalent	178,625	187,173	181,429	184,436	180,943
Indirect GHG emissions (Scope 2)	t of CO ₂ equivalent	1,032,015	994,849	973,255	1,473,334	1,338,665
Total GHG emissions (Scope 1 & 2)	t of CO ₂ equivalent	1,210,640	1,182,022	1,154,684	1,657,770	1,519,598
Indirect GHG emissions (Scope 3)	t of CO ₂ equivalent	93,482	86,234	85,812	80,115	69,303
Total energy consumption	thousand kWh	3,411,839	2,999,429	2,854,350	4,478,408	3,988,342
Fuel and energy consumption						
Electricity	thousand kWh	1,685,223	1,397,559	1,344,116	3,042,452	2,817,344
Heat	Gcal	1,484,623	1,377,361	1,298,568	1,234,700	1,006,877
Natural gas	thousand cu m	38,317	30,540	27,208	23,499	21,694
Liquefied gas	l	1,266,922	1,123,053	1,087,580	866,569	1,155,501
Coal	t	12,364	10,011	10,695	10,846	7,375
Firewood	cu m	10,128	9,861	9,238	7,367	6,100
Fuel briquettes (pellets)	cu m	485	475	503	231	260
Diesel fuel	l	8,624,525	8,535,517	7,956,848	8,279,680	7,895,918
Gasoline	l	25,774,006	24,447,230	28,644,554	37,758,724	37,584,170
Renewable energy (combustion of biomass)	MWh	26,239	25,560	24,197	18,558	15,662
Electricity consumption per sq m of gross area	thousand kWh/sq m	n/a	0.167	0.166	0.343	0.325
Heating consumption per sq m of gross area	Gcal/sq m	n/a	0.165	0.160	0.139	0.117
Total energy consumption by data centres	MWh	85,637	n/a	238,869	282,544	310,017
Average power usage effectiveness at data centres		1.64	n/a	1.86	1.67	1.76

¹ The indicators shown in the table for 2016–2018 refer to PJSC Rostelecom; those for 2019 and 2020 additionally include the most significant subsidiaries and affiliates of the Group, including Tele2.

	Unit	2016	2017	2018	2019	2020
Water consumption						
Total water withdrawal	million cu m	3.151	2.801	2.496	2.368	1.824
Groundwater	million cu m	0.378	0.376	0.230	0.206	0.175
Municipal or other water utilities	million cu m	2.773	2.425	2.267	2.162	1.649
Waste management						
Total waste landfilled	t	33,826	30,281	30,617	29,704	28,888
Total waste generated	t	37,103	34,607	34,109	33,226	31,838
Total waste used/recycled	t	3,277	4,326	3,493	3,523	2,950
Emissions of air pollutants						
Carbon oxide	t	916	904	857	767	843
Nitrogen dioxide	t	112	117	131	140	217
Sulphur dioxide	t	107	106	116	103	101
Nitrogen oxide	t	23	22	23	24	38
Soot	t	159	147	179	160	164
TOTAL	t	1,317	1,296	1,306	1,194	1,363

Social impact



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Social impact

Employees

People are Rostelecom Group's key asset. The Group is shaping its future through the development of its people, providing them with a wide range of training programmes, making their work at the Company more productive through better working conditions, social support programmes and more technologically advanced workflows. Our ways of working are built on mutual trust, respect and accountability, with the basic principles of cooperation and collaboration set out in PJSC Rostelecom's Code of Ethics.

Rostelecom Group remains one of the country's largest employers, with the Group's average headcount at 136.7 thousand in 2020. The Company's total headcount increased slightly in 2020 due to a number of acquisitions and new subsidiary integration, as well as the suspension of optimisation measures for the period of the pandemic.

Human capital development is one of the key pillars of Rostelecom's Strategy. In 2020, the Group continued to implement a range of measures to improve labour productivity, boosting this metric by 14% over the year.

The Group's employee productivity increased by 14% in 2020, with revenue per employee growing to RUB 4.0 million from RUB 3.5 million in 2019.



In 2020, Rostelecom Group's salary expenses totalled RUB 98.6 billion, with the average monthly pay of employees at around RUB 60 thousand, up 15% year-on-year.



Human capital development is one of the key pillars of Rostelecom's Strategy. In 2020, the Group continued to implement a range of measures to improve labour productivity

+14%

labour productivity growth
in 2020



98.6

bn RUB of payroll in 2020

+15%

increase in average salary
in 2020

Employee support programmes

Rostelecom places a great emphasis on providing the best possible working conditions and support for its people. The following mechanisms are in place at the Company:

Collective Bargaining Agreement

The company has a Collective Bargaining Agreement for 2019–2021, containing a flexible system of benefits and social guarantees, with the corporate Cafeteria Plan offering benefits that match every employee's individual needs. 100% of Rostelecom employees are covered by the Collective Bargaining Agreement.

Corporate pension scheme

A total of 36,994 employees are members of the corporate pension scheme offered by Alliance, Rostelecom's subsidiary pension fund (44% of eligible employees).

Voluntary health insurance (VHI) programme

The total number of people insured under the VHI programme at Rostelecom was 113,251 at the end of 2020, with the insurance coverage under the VHI contract totalling RUB 39.4 million.

Despite the fact that COVID-19 infection is not an insured event under the VHI programme, during 2020, Rostelecom arranged for more than 20,000 COVID-19 tests for employees, and more than 250 employees received specialist consultations on COVID-19 through our Telemedicine platform. For all COVID-19 patients, the Company has arranged specialist consultations and other medical services as necessary. For very severe cases, Rostelecom arranged for transportation to Moscow, transferring the ill employees to for-profit hospitals authorised to handle COVID-19 cases.

The Housing Programme

As part of its social support for employees, the Company continues to operate the Housing Programme, through which 1,337 Rostelecom employees received interest-free loans or reimbursement of interest on mortgage loans taken by employees earlier for a total of RUB 321 million in 2020. A total of 6,581 employees have received assistance to purchase housing for a total of RUB 1,938 million over the period of the Housing Programme.

Equal opportunities

Providing equal opportunities to all employees is one of Rostelecom Group's top priorities. Women make up around 42% of our workforce, with around 32% of management positions held by women. These figures are in line with the industry average for telecoms.

In early 2021, our gender equality efforts earned global recognition as Rostelecom was included in Bloomberg's 2021 Gender-Equality Index – for the second year in a row. It covers overing 380 companies from 44 countries.

Employee training and development at PJSC Rostelecom¹

The ambitious goals Rostelecom Group set itself can only be achieved with a team of high-skilled professionals. The existing training system enables every employee to develop and fulfil their professional and personal potential by performing their tasks for the business.

84% of Rostelecom employees are covered by training programmes. The overall growth in the Company's training volumes was 71%. Remote learning has grown 2.1 times amid the pandemic and remote working.

The average number of training hours per employee was 24.5 hours in 2020, with the total number of training hours at 2,377,948 and the training costs per employee at RUB 5,000.

Despite the COVID-19 pandemic, in 2020, Rostelecom's training team was able to adapt to the restrictions related to the cancellations of in-person training, and developed a number of new online training formats, sustaining the growth momentum of employee engagement in professional

¹ Data in Training section refers to Rostelecom PJSC only, excluding subsidiaries and affiliates.

In 2020, Rostelecom’s Corporate Online University became the main training platform for employees amid the COVID-19 pandemic. Over the year, Rostelecom’s training team added 336 new online courses and programmes to the platform’s catalogue, an increase of 68% from 2019. More than 88 thousand unique users took training at the Corporate Online University in 2020 (55 thousand in 2019). The volume of optional in-house training was more than 150 thousand person-courses per year, up 35% from 2019 (111 thousand person-courses).

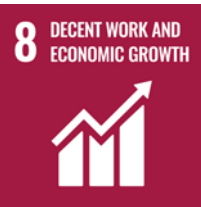
Employee training at PJSC Rostelecom in 2016–2020

Metric	Unit	2016	2017	2018	2019	2020
Employee training costs	RUB m	453	464	496	575	443
Annual training cost per employee	RUB thousand	3.6	3.5	4.6	5.5	5.0
The average number of training hours per employee	hours	32.7	38.1	21.0	31.1	24.5

In 2020, Rostelecom’s Corporate Online University became the main training platform for employees amid the COVID-19 pandemic. Over the year, Rostelecom’s training team added 336 new online courses and programmes to the platform’s catalogue, an increase of 68% from 2019. More than 88 thousand unique users took training at the Corporate Online University in 2020 (55 thousand in 2019). The volume of optional in-house training was more than 300 thousand person-courses per year, up 2.7 times from 2019 (111 thousand person-courses).

>442.5

RUB million Employee training costs in 2020



1,865

RUB billion Rostelecom Group’s expenditure on occupational health and safety in 2020.

>964

RUB million were spent on PPE against COVID-19 in 2020.

Ensuring workplace safety

Rostelecom prioritises the health and safety of its people and contractor employees, guided by the HSE and fire safety policy in place at PJSC Rostelecom and its subsidiaries, and the global Vision Zero ambition it has been consistently implementing over the past two years to achieve a zero-injury rate. In 2020, Rostelecom developed Regulations on the Occupational Health and Safety Management System (OHSMS) and Regulations on Occupational Health and Safety Activities, which reflect the entire scope of the OHSMS and define the relevant roles and responsibilities of employees.

In 2020, the Group paid particular attention to personal protection and safety measures for its workforce amid the COVID-19 pandemic. Thermometers, disposable masks and gloves, and hand sanitiser were deployed at every entrance and every floor across the Group’s office spaces. Field crew members regularly received personal protective equipment (PPE) items to protect them against getting infected – disposable overalls, gloves, safety goggles and face masks, shoe covers, and hand sanitiser and moisturisers. We have created walk-through videos for them, clearly explaining how to properly use COVID-19 PPE, apply hand sanitiser as well as safely dispose of PPE items (masks, disposable overalls and gloves). All measures taken to curb the spread of COVID-19 were aligned with the recommendations of the Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor), including due consideration for the regional requirements by the administrations of relevant regions of the Russian Federation.

In 2020, the Occupational Health and Safety Centre completed more than 10 audits (including 3 on-site audits and 8 eight desk audits) and identified over 50 breaches. The outcomes of the audits were reported to the top management and analysed at meetings with the Senior Vice President for Technical Infrastructure. Corrective actions were identified to eliminate the violations and are monitored in accordance with prevention plans.

The rate of work-related injuries at Rostelecom stood at 0.27 in 2020. The total number of accidents dropped by almost 60% from 2019. This was due to the fact that the Group has been actively promoting a conscious safety culture. There were no fatalities at the Group in 2020.

96%

of offcie staff moved
to remote working by
1 April 2020

Working remotely during the COVID-19 pandemic

With the onset of the COVID-19 pandemic in March 2020, Rostelecom Group was able to shift over 50 thousand employees to remote work in just two weeks. As part of our Remote Workplaces project, Rostelecom developed and implemented a new office space standard, providing for a significant expansion of collaboration space, set-up of special co-working areas and flexible workspaces. The standard was based on solutions from Tionix, part of Rostelecom Group. In particular, the use of virtual desktop infrastructure (VDI) technology enables employees to work remotely without being tied to specific office workstations or desktops, increasing the efficiency of office equipment and data storage infrastructure usage, and significantly reducing the costs of operating and upgrading the equipment fleet.

By 1 April 2020, Tele2 Russia had moved 96% of its office staff in Russia to remote working to create a safe environment amid the coronavirus pandemic. The company’s IT team acted fast to set up remote access to all corporate systems for more than 8,000 employees. Only essential staff, whose presence in the office was critical to the continuity of the telecoms operator’s business processes, were allowed to work from their workplaces at the company’s headquarters. The hardest part was transitioning contact centre operators to remote working – more than 2,000 employees helping Tele2 Russia customers. The challenge was that operators used special equipment and software in their jobs. For those manning the front-line, home offices were set up, with transitioning done in a phased manner to maintain the high standards of customer service.

Rostelecom was named
the growth leader
among Russia’s top 50
employers in 2020

HR management achievements

In 2020, Rostelecom’s achievements in HR management were recognised with a number of awards and prizes:

Rostelecom was rated as a top 3 company at the Crystal Pyramid 2020 Human Capital Management Awards in two categories at once – the Corporate University of the Year and Corporate Training of the Year

Rostelecom won the Online Education’s Best Corporate Online University category of the Effective Education Award

Rostelecom was also awarded the Digital Leaders award in the Remote HR category for the best achievements in digitalisation and online services.

Our consistent, smart efforts to deliver on the HR strategy in 2020 have shown excellent results: Rostelecom was named the growth leader among Russia’s top 50 employers, ranking 11th in Forbes magazine’s list of Russia’s best employers. The Company showed the most improvement in the ranking compared to other contenders, jumping 32 places over the year.

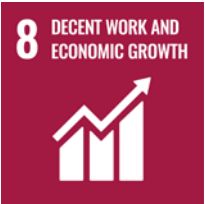
The October 2020 employee engagement, loyalty and satisfaction survey at Rostelecom (conducted every two years) has also confirmed this leadership position. A total 80% of employees (more than 105 thousand people) took part in the survey. Compared to the 2018 survey results, all metrics showed an increase of at least 10 pp scoring at least 70%, with the engagement level at 81%, loyalty at 70% and satisfaction at 77%. The respondents also gave almost 30 thousand comments. The employee Net Promoter Score (eNPS) increased compared to 2018, reaching +3.

Key social indicators, 2016–2020¹

	Unit	2016	2017	2018	2019	2020
Average headcount						
Group	people	142,532	133,685	128,584	135,178	136,679
PJSC Rostelecom	people	121,316	112,595	107,984	105,754	105,450
Consolidated subsidiaries and affiliates	people	21,216	21,090	20,600	29,424	31,229
Payments for employees						
Wages, salaries, other benefits and payroll taxes	RUB m	90,340	93,381	97,350	119,822	136,389
Salary expenses	RUB m	66,018	67,238	69,812	85,019	98,555
Share-based remuneration	RUB m	1,186	2,016	3,162	3,449	3,641
Social taxes	RUB m	18,987	19,287	19,866	23,708	26,411
Gain/(loss) on defined benefit plans	RUB m	(546)	(223)	(198)	1,273	1,074
Other personnel costs	RUB m	4,695	5,063	4,708	6,373	6,708
Average salary	RUB thousand per month	38.6	41.9	45.2	52.4	60.1
Additional indicators for employees						
Headcount at the end of the reporting period (including employees on parental leave and excluding part-time employees and employees under civil contracts)			140,874	138,230	149,065	146,801
including:						
part-time employees	people, end of period		14,240	14,774	16,291	13,974
temporary employees (on fixed-term contracts)	people, end of period		11,476	11,520	12,084	12,400
Employees under civil contracts	people, end of period		6,347	12,200	27,723	47,309
Change in the workforce						
Dismissed employees	people		18,444	22,154	20,850	20,189
Employee turnover			14.2	17.6	15.7	15.1
New employee hires	people		27,978	32,265	37,109	30,809
of them women	people		16,731	17,069	16,171	12,792
Percentage of women among new employee hires			59.8	52.9	43.6	41.5

¹ The 2017–2020 indicators presented in the table include data for PJSC Rostelecom and the Group’s most significant subsidiaries and affiliates: LLC SafeData, OJSC MMTS–9, JSC Interaction Computer Network Center “MCK–IX”, LLC Technical Centre of the Internet, PJSC Bashinformsvyaz, LLC Rostelecom – Retail Systems, JSC RTComm.RU, CJSC Makomnet, PJSC Central Telegraph, PJSC GIPROSVYAZ, JSC Severen–Telecom, LLC Solar Security, JSC RT Labs, JSC MC NTT, and LLC Rostelecom Information Technologies. Data for 2019–2020 include Tele2 Russia, while the 2020 data include DataLine, in line with the consolidation perimeter. Headcount-wise, this perimeter covers 98% of the entire Group.

	Unit	2016	2017	2018	2019	2020
Equality						
Number of female employees	people, end of period	64,474	60,999	65,486	62,274	
Percentage of female employees		45.8	44.1	43.9	42.4	
Percentage of women in management positions		28.1	29.1	30.0	31.3	
Gender wage gap (based on total income)		20.6	20.2	18.2	17.2	
Employees with disabilities	people, end of period	1,832	1,698	1,774	1,219	
Percentage of employees with disabilities		1.3	1.2	1.2	0.8	
Rate of work-related injuries						
Number of injuries	people	63	55	64	46	
incl. fatalities	people	1	1	1	0	
Number of accidents	incidents	116	71	95	39	
Rate of work-related injuries per 1,000 employees	incidents	0.82	0.51	0.64	0.27	
Lost days resulting from incidents	days	9,851	7,390	6,962	3,000	
Additional indicators:						
Average headcount for additional indicators	people	130,152	125,752	132,396	133,878	
Coverage perimeter for additional indicators (by average headcount percentage)	%	97	98	98	98	
Philanthropy						
Member fees, charitable giving, payments to trade unions	RUB m	660	697	767	874	951
incl. charity expenses	RUB m	181	170	192	201	211



Society

Rostelecom Group makes annual significant contributions towards societal support and development across all Russian regions. The Group entities support social projects and programmes in all regions and ensure digital equality and affordable communications not only in cities, but also in the most remote and small communities. In all our projects, we take a holistic approach to addressing social or environmental issues.

Digital equality

The integrated Digital Equality social programme is the Company’s most ambitious sustainability initiative run at the federal level, to improve the quality of life for millions of Russian citizens by bridging digital divides and making communications services more accessible and affordable for all socially vulnerable groups.

Our more important social initiatives include the ABC of the Internet, Growth, Learn the Internet – Manage It!, and the Social Impact Award.

ABC of the Internet computer literacy project for senior citizens.

The project offers training in basic computer and internet skills for senior citizens, so that they can benefit from a wide range of digital public services and stay socially active. A total of 38,345 senior citizens and people with disabilities were trained under the ABC of the Internet computer literacy project in 2020.

Growth distance learning and socialisation project for children in orphanages and foster homes, as well as children deprived of parental care.

The project promotes development, education, socialisation, and employment among children in orphanages and foster homes, as well as children deprived of parental care. In 2020, Rostelecom provided access to quality tailored education over the internet for 312 children from 35 child care institutions.



Learn the Internet – Manage It! digital literacy project for Russian internet users

is a socio-educational project for internet beginners, providing basic knowledge of the internet, its structure and capabilities. Its primary goal is to increase digital literacy among young users with the help of modern interactive format in teaching how to use IT services and apply acquired skills in practice. In 2020, a number of IT marathons, IT tournaments and the School of Real Deeds initiative were run under the project, as well as the Nationwide Online Championship on Cyber Literacy. According to data as at the beginning of 2021, the project involves 150 thousand people from across Russia.

Social Impact Award Russia, an international programme supporting early-stage social entrepreneurs.

Together with the Impact Hub Moscow centre for support of social enterprises, Rostelecom selects the winners of the Russian stage of the Social Impact Award competition, an international programme supporting young people under 30 across different regions of Russia in building social enterprises to address significant societal and economic challenges. For the seventh year in a row, Rostelecom announced a special category within the contest – Internet for a Better World. The category covers the authors of the projects that use internet technology to create a product or a key tool to promote their ideas. In 2020, the competition followed an expanded programme, with 44 projects from 21 Russian cities making it into the finals. The finalists were offered free tuition for a 3-month business incubation programme, while 12 winners received grants totalling over EUR 100,000.

158

volunteering projects realised in 2020

Employee volunteering project competition

Philanthropy and volunteering

Rostelecom Group places a particular emphasis on charitable giving and employee volunteering, viewing them as an integral part of our corporate social responsibility. Over 3,000 Rostelecom employees are involved in various volunteering projects such as blood donations, sports and environmental initiatives, as well as helping children in orphanages, people in difficult life situations and other vulnerable groups.

Rostelecom Group’s key charitable and volunteering projects include the employee volunteering project competition, Run and Help, Polden (Midday) and KnowTeach.

is held for Rostelecom employee volunteers in the education, health, sports, care, environment, and spiritual heritage categories. Finalists are selected by an expert panel comprising Company employees as well as representatives of non-commercial organisations and charitable foundations. The winners are awarded project grants. In 2020, due to the difficult epidemiological situation, the launch and implementation of volunteer initiatives were complicated by lockdown and remote working. Nevertheless, more than 60 employee volunteers entered the competition, with 10 volunteer projects from different macroregional branches announced winners.

Run and Help

national charitable sports project. The project’s purpose is to engage people in a run with a cumulative distance of 100 thousand km which Rostelecom “converts” into RUB 1 million and donates to the Life Line foundation to treat children with rare diseases. Due to the lockdown and stay-at-home-orders, Zoom training sessions with renowned trainers were organised for project participants in 2020, so that even when home-bound employees could keep fit and earn their cherished kilometres. Between April 2018 and December 2020, 2,300 employees and around 500 volunteers across the country participated in the Run and Help charitable project. Between 2018 and 2020, RUB 6 million were raised through the project.

In addition to social impact, Rostelecom Group employee volunteers make a significant contribution to environmental protection efforts.



Polden (Midday)

Project Polden (Midday) is an interactive educational programme for children in orphanages and boarding schools providing social adaption and career guidance with a focus on the telecoms industry, run by PJSC Rostelecom and Future Games, an interregional public organisation for educational and creative entertainment. The programme is designed to enable graduates to develop the skills, competencies and values to support successful social adjustment. Due to the pandemic, remote versions of the role plays were developed and used since 2020, conducted via Zoom using colourful presentations and web-based services for interactive engagement with participants. In 2020, more than 60 employee volunteers hosted 110 educational role plays at seven orphanages.

The KnowTeach

211

RUB million of charity in 2020

socio-educational project launched in 2014. The project aims to help children who undergo lengthy inpatient treatment in oncology, haematology and other wards at children’s hospitals receive a comprehensive school education, enrol in additional educational programmes and creative workshops, learn new skills, and gain knowledge in IT and design. The project’s special feature in 2020 was its increased reliance on internet technology amid the COVID-19 pandemic to engage children who during the period of severe illness have found themselves in a “double” isolation – both from their social environment and from their peers. In 2020, the KnowTeach educational programmes covered 20 thousand pre-school and school children in Moscow and about 35 thousand children across the project’s 40 regional sites.

>400

**thousand children
and young people supported
by Tele2 Russia**
since 2012

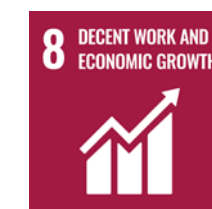
Tele2 and the Navstrech Peremenam foundation

Tele2 Russia, a Rostelecom subsidiary, has been supporting the Navstrech Peremenam (Towards Change) charitable foundation promoting social initiatives for children, since 2012. Over this period, more than 300 projects have been supported by the foundation's programmes, changing the lives of around 400 thousand children and young people for the better.

Amid the pandemic, Tele2 Russia and the Navstrech Peremenam foundation have summed up the results of the 8th competition of social entrepreneurs. This year's "crisis-management" competition was focused on keeping together the professional teams of not-for-profit organisations in a pandemic environment. The winning projects centred around inclusion, employment opportunities for people with disabilities, sporting activities for special children, addiction prevention and supporting victims of violence to cope and recover. The winners received funding of RUB 650 thousand each, along with assistance in developing a crisis-management strategy. The organisers allocated a total of RUB 5.2 million to support social entrepreneurs through the pandemic.

In 2020, the Navstrech Peremenam foundation and Tele2 Russia held a competition for not-for-profit organisations that had already demonstrated a potential for delivering social impact. While the prior years' competitions focussed on supporting social enterprise start-ups, the new realities have changed this approach. In 2020, the competition invited the organisations whose leaders between 2012 and 2019 had been among the semi-finalists, finalists or winners of the Navstrech Peremenam foundation competitions.

In 2020, Tele2 Russia supported an investment impact show organised by the Impact Hub Moscow and the foundation to bring together under one roof investors and leaders of impact start-ups. The event hosted the online finals of the Towards Impact Investment educational programme for social entrepreneurs and a discussion among professional investors about the impact investment market in Russia. The winning projects included early foreign language learning, a comfortable boarding house for the elderly and a centre for social adaptation for children with special needs.



Business projects with social impact

Rostelecom makes a positive impact on society not only through its dedicated projects and charitable programmes but also in the course of its normal core operating activities.

Infrastructure

Thanks to the Company's unique distributed infrastructure, as of the end of 2020, 38 million households benefitted from access to the internet brought to their homes via Rostelecom's fibre networks.

Another important focus area is Bridging the Digital Divide (BDD) project, which aims at bringing affordable telecoms services to people in remote areas. Internet access points are to be installed under the project in almost 14 thousand rural communities across Russia with a total population of about 4 million. By the end of 2020, 12.4 thousand access points had already been installed.

Under a government contract, Rostelecom has also undertaken to provide internet access infrastructure to 30 thousand social infrastructure facilities (schools, police stations, healthcare facilities, etc.). In 2020, 19 thousand social infrastructure facilities were provided with internet connectivity.

For more details on Bridging the Digital Divide (BDD) projects and the connection of social infrastructure facilities see the Key Strategic Projects section of this Annual Report.

12.4

**thousand rural communities
passed with fibre in 2020**

19

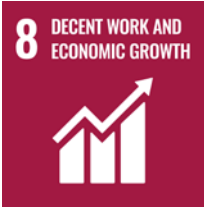
**thousand social infrastructure
facilities were provided with
internet connectivity in 2020**

Digital services

Rostelecom is digitising a wide range of services, making them more accessible for people and providing easy solutions to a range of problems and tasks:

- Obtaining public services via digital channels is easy with the Company’s Public Services Portal (developed as part of the E-Government project). The portal allows citizens to get the necessary certificates and documents from authorities, book appointments, pay utility bills, etc. – all from the comfort of their own homes. Rostelecom is also further developing an e-voting service, which was used by 27 thousand voters in two different regions on the Single Voting Day in 2020
- Rostelecom’s Medicine platform digital services are now available in 47 regions across the country. During 2020, 23 thousand telemedicine consultations were conducted using the Company’s platform, and 327 thousand prescriptions were filled in electronically. This solution makes it easier for people to access healthcare services
- As part of its efforts to digitalise education, Rostelecom annually provides video surveillance and online broadcasting for the Unified State Examination (USE), and also develops the Rostelecom Lyceum online educational platform, which combines the entire school curriculum from the 1st to 11th grade, and development courses
- As part of the Digital Region/Smart City project, Rostelecom has installed about 4,000 photo and video enforcement cameras in 57 regions of Russia, and is developing the System 112 (COVID-19) hotline, while also rolling out a smart video surveillance platform in 14 regions across Russia. This range of solutions ensures the safety of citizens, including on the road, resulting in fewer accidents and more lives saved

For more details on these projects see the Digital Services section of this Annual Report.



Corporate Governance: Anti-Corruption and Procurement

Rostelecom has an efficient corporate governance system. During the annual improvement of the system, the requirements of Russian legislation and the best international practices are taken into account. More information about the Company’s governing bodies and their remuneration can be found in the Corporate Governance section of this Annual Report.

Compliance and anti-corruption efforts

Rostelecom is committed to the principles of openness, transparency, and integrity. The Company and all its employees are required to comply with anti-corruption laws as well as principles of ethical business conduct.

Key regulations on anti-corruption compliance procedures:

- Anti-Corruption Policy (developed in 2014, updated in 2019)¹
- Code of Ethics²
- Code of Corporate Conduct
- Code of Supplier Business Ethics
- Regulations on Conflict of Interest Management
- Regulations on Giving and Receiving Gifts
- Regulations on Donations and Charitable Giving
- Regulations on Addressing Reports Submitted via the Ethics Hotline

The procedures ensuring compliance with anti-corruption laws are also stipulated in the Company’s business process regulations.

Similar documents and compliance processes are implemented at subsidiaries and affiliates in which Rostelecom’s effective interest is above 50%, i.e., in most companies of the Group.

¹ For more details on Rostelecom’s Anti-Corruption Policy see the Company’s website at www.company.rt.ru/en/ir/corporate_governance/docs/.
² For more details on Rostelecom’s Code of Ethics see the Company’s website at www.company.rt.ru/en/ir/corporate_governance/docs/.

Employee training

>77

thousand employees
successfully completed
the Code of Ethics course

Feedback channels

Key anti-corruption focus areas in 2020³:

- Employee training
- Feedback channels
- Conflict of interest management
- Subsidiary relations

No confirmed cases of corruption or bribery were reported across the Group in 2020.

Rostelecom holds regular anti-corruption trainings for its employees. All new employees take a mandatory online induction course on the key principles set out in the Code of Ethics. In 2020, more than 77 thousand employees successfully completed the new online Code of Ethics course and passed end-of-course tests, which accounted for 93% of the target audience and significantly exceeded historical records.

As part of compliance processes, the management of subsidiaries and affiliates takes classroom training on preventing corruption. Every subsidiary and affiliate of the Group builds its own training processes according to its capabilities and resources.

A classroom and online Corruption Prevention course has been developed for Company employees in positions exposed to a higher corruption risk. Due to the COVID-19 pandemic, classroom anti-corruption training was suspended as of Q1 2020, and it was resolved to assign an online compliance course on a mass scale. As a result, a matrix was developed for automatically assigning this course to employees in the target group. In 2020, 10,215 employees successfully completed the course, which is 96% of the total headcount – above the target threshold of 90% for the course completion.

In line with Rostelecom’s strategy of digital coverage of anti-corruption efforts, a dedicated anti-corruption portal (www.nocorruption.rt.ru, in Russian) is in place and is constantly improved. The portal comprises Rostelecom’s anti-corruption internal regulations, compliance tests for employees and suppliers, materials on corruption prevention, and information on all feedback channels that can be used to report instances of corruption.

In 2020, the process of recording, processing, and addressing reports received via Rostelecom’s whistleblowing hotline and anti-corruption portal was automated: a new module of the automated Compliance Control system was launched. The system uploads reports received via the feedback channels, enables users to track response deadlines and provide timely

³ For more details on Rostelecom’s other anti-corruption focus areas see Appendix 2, Governing and Control Bodies, to this Annual Report.

Anti-corruption portal
(in Russian):

www.nocorruption.rt.ru

Whistleblowing hotline:

8 (800) 1-811-811

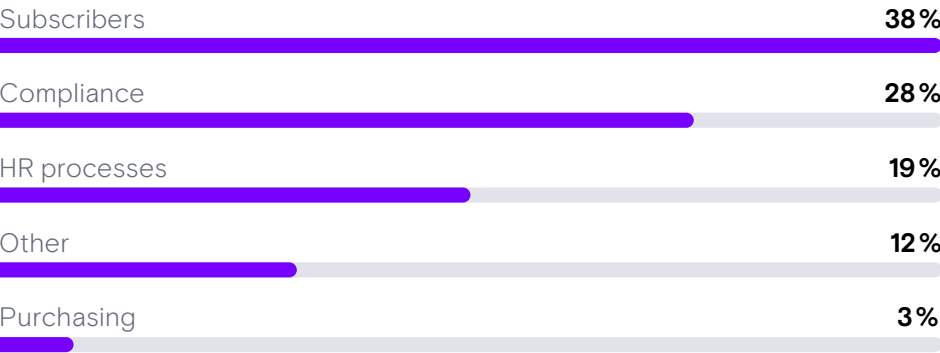
Ethics hotline:

ethics@rostelecom.ru

feedback to whistleblowers, monitor the performance of the departments responsible for addressing reports, and generate reporting documents.

In order to protect anonymous whistleblowers reporting violations in good faith, we initiated an upgrade of the anti-corruption portal’s functionality to enable reporting without revealing the whistleblower’s name and e-mail. Whistleblowers can receive feedback on the status or outcome of their report from employees of the compliance division (Asset Protection Department) using the PIN generated by the system when the report is recorded. Further development of the module is planned in 2021.

Topics of reports received via the whistleblowing hotline and anti-corruption portal in 2020



Conflict of interest
management

Since June 2018, Rostelecom has been using an automated Compliance Control system to resolve conflicts of interest. Rostelecom employees with a conflict of interest, as well as employees in positions exposed to a higher corruption risk, regularly complete electronic declarations. Using pre-determined criteria, the system automatically identifies employees who should submit declarations, and monitors timely completion of declarations by these employees, thus excluding the human factor from mandatory disclosures.

Substantial upgrades were made in 2020 to improve the system, enabling a manyfold increase in the number of declarations reviewed and conflicts of interest resolved. A recommendations matrix was introduced, which significantly accelerated the process of handling potential conflicts of interest. The system’s interface was improved to enhance user convenience.

We continued addressing the risks of employees not filing a declaration or having affiliation with business partners – these risks are included in Rostelecom’s 2021 Risk Management Programme.

Anti-corruption efforts
development at PJSC
Rostelecom’s subsidiaries
and affiliates

In 2020, Rostelecom continued to develop anti-corruption processes at subsidiaries and affiliates in which Rostelecom’s effective interest is above 50%. By end-2020, these programmes were implemented in more than 70 subsidiaries and affiliates. For these subsidiaries and affiliates, Rostelecom is developing anti-corruption roadmaps which include adjustments of the parent company’s standard anti-corruption regulations, evaluation of corruption risks, implementation of controls, management of conflicts of interest, anti-corruption training and handling reports received via feedback channels. In 2020, we focused on integrating compliance processes at LLC T2 RTC Holding (Tele2 Russia). The Asset Protection Department reviewed anti-corruption documents and processes at Tele2 Russia. A compliance task force involving both parties was set up to develop an Integration Plan and a Roadmap indicating timelines and responsible persons to eliminate the identified deficiencies. The Integration Plan was successfully implemented.

As part of our efforts to enhance control over interactions with business partners, the Anti-Corruption Clause included in the Standard Terms of Contract Performance was updated. Rostelecom also updated its Regulations on Contracting: persons responsible for the transaction must engage employees of the Asset Protection Department in negotiating the draft contract if the approved Anti-Corruption Clause is amended.

Supply chain management

Rostelecom Group responsibly manages its supply chain, striving to enhance its stability and effectiveness. Rostelecom’s suppliers are located across all Russian regions, and in selecting, screening and working with our suppliers we take into account the economic, social and environmental implications of our interaction.

In 2020, Rostelecom received a certificate from the National Procurement Transparency Rating in the Guaranteed Transparency category and topped the Corporate Transparency Ranking. The Corporate Transparency Ranking is compiled to continuously monitor the environment and trends in the national procurement market.

~390
bn RUB of the Group
procurement

In 2020, PJSC Rostelecom continued the procurement transformation and development started in 2019. The process was also affected by the COVID-19 situation in 2020.

To maintain competitive procurement when there was an urgent need to conduct tenders in order to ensure safety of employees supporting communication service continuity, as well as to punctually deliver on major government contracts, the Regulations on Procurement of PJSC Rostelecom were updated to include new competitive procurement procedures with short time limits.

In line with the national SME development policy and as part of PJSC Rostelecom’s SME Partnership Programme, Rostelecom interacts with small and medium enterprises on a regular basis. During the year, PJSC Rostelecom’s partnership programme expanded to 45 participants.

In 2020, Rostelecom partnered with RSMB Corporation to hold a series of workshops on SME participation in procurement by certain entities. A total of 52 workshops were held during the year across the Company’s footprint, attended by 3,066 SMEs in Khanty-Mansiysk, Kazan, Vladivostok and other cities.

The aggregate value of contracts signed with SMEs in 2020 amounted to RUB 141 billion, with SME share of procurement contracts at 67% (66% in 2019). The aggregate value of contracts awarded to SMEs through special procurement procedures amounted to RUB 56.2 billion, or 26.8% of PJSC Rostelecom’s total procurement procedures in 2020.

For more details on Rostelecom Group’s corporate governance, key policies, governing bodies and remuneration system, see the next section of this Report, Corporate Governance.

Response to the COVID-19 pandemic and lockdown challenges

Since the outbreak of COVID-19, the Company has taken all necessary measures to prevent the direct impact of the pandemic on its operations, focusing on ensuring safety of employees and customers and business continuity.

Safety of employees and their families. Switch to remote working. Optimisation of business processes

On 16 March 2020, Rostelecom’s office employees shifted to working from home, using a pre-deployed remote work infrastructure connected to corporate IT systems. The Company switched a total of about 60 thousand employees to remote working without affecting the quality of customer service or business processes. Remote work was enabled by the Company’s proprietary solutions, such as the Tionix Virtual Desktop (VDI) modules, located in Rostelecom’s data centres.

Employees who continued to work at the Company’s facilities to ensure continuity of business processes and operations, were provided with all the necessary personal protective equipment. Continuous monitoring systems have been put in place to protect the health of our people and their families.

Tele2 Russia also switched 8,000 employees, including 2,000 call centre operators, to remote work within a short timeframe.

Rostelecom’s prompt response to the COVID-19 situation was possible with its proprietary Karma Framework management model, based on self-organisation of working teams, which is designed for companies with a lot of units and a high level of multitasking in business processes. In 2020, Rostelecom’s IT Unit rolled out elements of the Karma Framework to its subsidiaries.

As part of organising remote access for a large number of employees in the shortest timeframe, the Company:

- cooperated with the Information Security Unit to audit VPN gateways at all branches
- increased gateway capacity fivefold and added reserve gateways
- worked out the plan to provide massive access for employees
- developed a standard remote work scenario
- provided remote desktops and arranged transmission of voice traffic to home PCs for call centre operators.

To provide reference information on remote work, we have launched a special portal at remote.rt.ru and also a dedicated hotline.

The Company quickly set up videoconferencing for employees working from home, with the capacity to connect up to 3,500 people and at least 200 participants per call.

Customer service and launch of new services during the pandemic and lockdowns

Rostelecom has adapted its products to the pandemic-induced changes, reinforcing its status as a reliable digital partner for all customers.

Rostelecom operated the federal call centre providing guidance to people during the COVID-19 pandemic as part of the стопкоронавирус.рф project.

Support measures for SMEs included the following:

- Non-payment disconnections of services with a zero balance were suspended for 30 days
- 100 extra minutes of mobile connectivity and 10 Gb of internet capacity for existing customers
- 60-day test period for mobile and virtual telephony for new customers.

The Company prepared a special set of remote working services for corporate clients, including access to public and corporate resources through broadband, VPN and the Virtual Data Centre; stable communications through virtual PBX, 8 800 and mobile services; and remote control and information security services.

Rostelecom developed a new product that remotely screens the body temperature of employees using thermal imaging and is comprised of hardware and software, supplemented with an integration component enabling connectivity into a customer’s relevant corporate systems.

Another new product, Dedicated Virtual Conference Room, enables companies to promptly deploy their own virtual server with all the software required for their needs.

In partnership with TrueConf, Rostelecom launched a cloud-based videoconferencing service for external customers using its own infrastructure <https://tconf.rt.ru/>.

Audio and videoconferencing capacity was more than doubled.

In a short timeframe, Rostelecom created an online portal dostupvsem.ru, aggregating all online promotions from 214 leading Russian companies during the lockdown period.

For those who work and study from home, the maximum data speed was increased.

For its mobile subscribers, Tele2 Russia:

- zero-rated calls to hotlines and offered free access to the стопкоронавирус.рф portal
- provided free access to messengers for subscribers blocked abroad
- provided extra gigabytes for home-bound customers.

The Rostelecom Lyceum digital educational service was made available across Russia for RUB 1 per month. The service offers educational content for school students in two categories, School and Development.

The Wink video service offered free access to five of the best culture and art TV channels and more than 5,000 Russian and foreign movies, series, entertainment and educational content for kids.

Tele2 Russia also quadrupled the number of cybersports tournaments on the Cyberhero platform and began to hand out free tickets to competitions to capitalise on the lockdown situation to attract new users to the platform.

The transition to remote working and accelerated business process digitisation have spurred demand for both cloud-based and physical computing resources. In March and April 2020, the amount of cloud resources ordered through Rostelecom’s Virtual Data Centre increased almost threefold from February 2020. The demand for high-performance storage solutions also increased significantly. Since the beginning of the pandemic, Virtual Desktop Infrastructure (VDI) and DaaS (Desktop-as-a-Service, or cloud-based VDI) solutions, providing access to standardised

virtual desktops, were on a significant upward trend. A typical project of this kind is a call centre with employees moved from their shared office to their homes.

Two Rostelecom products – Virtual PBX and Integrated Thermal Imaging Monitoring Systems – were included in the list of international best practices in COVID-19 Response and Recovery published by the UN International Telecommunication Union (ITU), the United Nations specialised agency for telecommunications technology.

The Company prepared a special set of remote working services for corporate clients, comprising a full spectrum of services for convenient and safe work: access to public and corporate resources through broadband, VPN and the Virtual Data Centre; stable communications through virtual PBX, 8 800 and mobile services; and remote control and information security services, including DDoS Protection, protected access, thermal imaging cameras and video surveillance.

The Rostelecom projects were published in the international document The Coronavirus (COVID-19) Response – ICT Case Repository as an example of international best practice in responding to the COVID-19 pandemic.

Due to redistribution of traffic in certain areas, Tele2 Russia’s network load increased, which required stronger technical infrastructure capacity and additional equipment. In some places, the network construction was completed far ahead of schedule.

Corporate governance



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Rostelecom has a robust corporate governance framework in place, compliant with Russian laws and the Rules of the Moscow Exchange and guided by global best practices. We consistently enhance our corporate governance while ensuring protection of shareholder and other stakeholder rights.

Chairman's Statement



Dear Shareholders,

Rostelecom sees building a modern corporate governance model as a key driver to promote trust among shareholders and foster productive partnerships with the investment community and other stakeholders. In 2020, we continued to monitor and adopt best practices in corporate governance while ensuring strict compliance with Russian laws and following the guidelines of the Corporate Governance Code to the letter.¹

The Board of Directors, the Management Board and dedicated committees strived to enhance the performance of the Company's corporate governance framework, contributing to the successful growth of Rostelecom over the year.

In 2020, a number of ambitious strategic projects were implemented, their execution was monitored by the Company's governing bodies. Rostelecom overhauled its regional data network, made further progress towards developing its backbone network and approved a deal to bring in a strategic partner, VTB Bank (PJSC), as an equity partner in the subsidiary that manages our data centres. We have consolidated our stake in LLC T2 RTC Holding (Tele2 Russia Group) to 100%, with the subsidiary selling the majority of its ordinary shares in PJSC Rostelecom. The structure of this deal, among other things, reduced the risk of votes being cast via quasi-treasury shares at General Shareholders' Meetings, which brings the Company in line with the recommendations of the Corporate Governance Code.

We also approved important internal documents in 2020 to deliver on our strategy, including the updated Long-Term Incentive Programme for 2020–2022 and the updated Innovative Development Programme for 2020–2024.

During the most difficult period of the pandemic, Rostelecom kept the national communications network and critical telecommunications infrastructure facilities online, something that was made possible by the concerted effort of all Company divisions.

In accordance with the Company's Dividend Policy for 2019–2021, Rostelecom remains committed

to distributing a significant portion of its free cash flow as dividends to its shareholders: the Board of Directors intends to recommend for approval a payment of RUB 5 per share for 2020, similar to prior periods.

Rostelecom constantly maintains open lines of communication with shareholders and investors, actively engaging with the investor community during 2020 through conference calls and online meetings with analysts and investors, even despite COVID-19 restrictions.

In 2021, we plan to update PJSC Rostelecom's Long-Term Development Programme, key performance indicators system and Innovative Development Programme to roll out the Company's new strategy. In addition, Rostelecom's corporate governance bodies will continue to follow up on the implementation of our strategy and strategic projects, primarily the rollout of next-generation 5G networks, a census project via the domestic Aurora OS mobile platform and the construction of a new fibre-optic cable link under the working title of TEA NEXT (Next Generation Transit Europe–Asia), spanning Russia from west to east.

Our initiatives to improve our corporate governance performance have received well-deserved praise from experts. In 2020, Rostelecom ranked among the top 10 companies for complete and high-quality disclosure of compliance with corporate governance principles, according to the National Corporate Governance Index. The Russian Institute of Directors assigned Rostelecom a rating of 7++, reflecting strong corporate governance practices.

The Company will remain committed to the highest standards of corporate governance while continuing to explore and apply global best practices, comply with the recommendations of the Corporate Governance Code to the maximum possible extent and maintain a balanced approach to decision making.

Sergey Ivanov

Chairman of the Board of Directors
PJSC Rostelecom

¹ The Corporate Governance Code approved by the Board of Directors of the Bank of Russia on 21 March 2014.

Corporate Governance Framework



Principles

- Balance between the interests of shareholders, management, and stakeholders
- Equal treatment of all shareholders and protection of their rights
- Accountability of the Board of Directors, the President, and the Management Board to shareholders
- Informational and financial transparency

Priorities

- Focus on stakeholder interests and relations
- Compliance with business conduct and ethics
- Timely and accurate information disclosure
- Corporate social responsibility

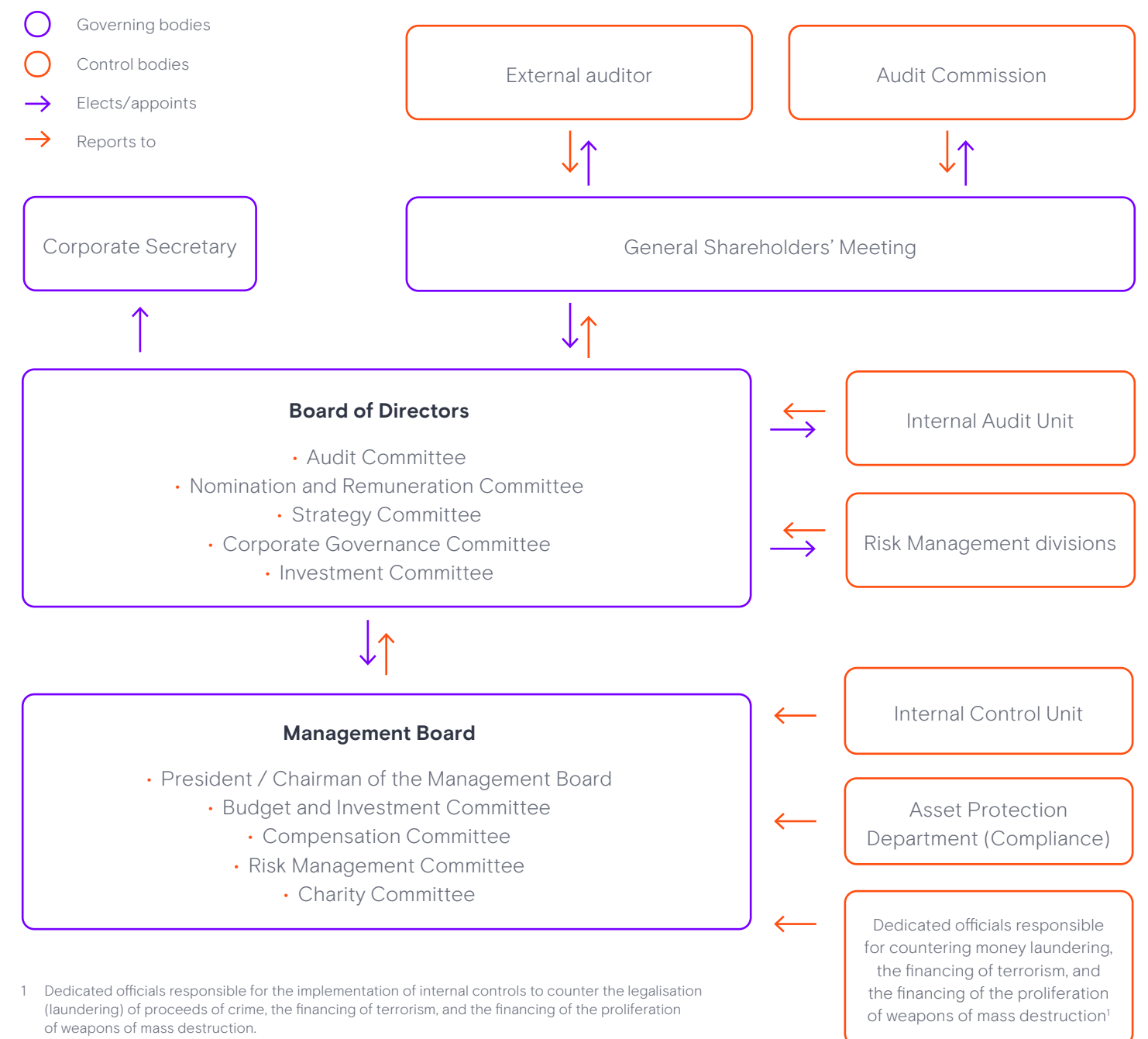
Enhancement focus

- Continuous improvement of internal controls and audit
- Continuous improvement of corporate governance practices
- Development of electronic services that enable shareholders to exercise their rights effectively
- Improvement of the IT system that automates the Management Board and committees' processes

PJSC Rostelecom's corporate governance structure

In accordance with its Charter, Rostelecom is governed by:

- the General Shareholders' Meeting (GSM)
- the Board of Directors (elected by the General Shareholders' Meeting to guide the Company's strategic management)
- the President and the Management Board (appointed by the Board of Directors to manage the Company's day-to-day operations).



¹ Dedicated officials responsible for the implementation of internal controls to counter the legalisation (laundering) of proceeds of crime, the financing of terrorism, and the financing of the proliferation of weapons of mass destruction.

Key policies

PJSC Rostelecom has in place 18 policies and internal regulations governing its corporate governance framework. Three of them were revised in 2020.

Key corporate governance policies of PJSC Rostelecom	
Document name	Last effective date
Charter	7 August 2020
Regulations on the General Shareholders' Meeting	14 June 2019
Regulations on the Audit Commission	18 June 2018
Regulations on the Board of Directors	18 June 2018
Regulations on the President	18 June 2018
Regulations on the Management Board	18 June 2018
Corporate Governance Code	27 December 2007
Code of Ethics	15 October 2019
Anti-Corruption Policy	6 December 2019
Internal Audit Policy	26 April 2019
Regulations on Addressing Reports Submitted via the Ethics Hotline	29 June 2020
Risk Management Policy	24 November 2015
Environmental Policy	2 April 2019
Information Disclosure Policy	30 September 2015
Dividend Policy	26 April 2019
Policy of Access to Insider Information	19 June 2020
Regulations on receiving, reviewing, and retaining complaints and claims related to accounting, accounting internal control procedures, fraud, audit examinations and the Code of Ethics compliance	2 October 2008
Regulations on the Corporate Secretary and the Corporate Secretary's Office	13 September 2019

Management of subsidiaries and affiliates

Rostelecom Group comprises PJSC Rostelecom, its subsidiaries and affiliates. As at 31 December 2020, the Group included 204 subsidiaries and affiliates (see the full list in Appendix 5 to this Annual Report).

The Company views its subsidiaries and affiliates as a major growth point for its business, dedicating digital clusters for new strategic initiatives, which comprise several subsidiaries or affiliates operating in interrelated areas. At end-2020, it was decided to launch the following digital clusters: Cloud and Cloud Services, E-Government, Medical Platforms and Services, Digital Regions, and Information Security. Rostelecom will interact with the parent company of each cluster, which is responsible for engaging with, and managing, other companies of the cluster. Rostelecom will meanwhile continue to oversee and monitor these companies. Plans for 2021 include adjustments to corporate documents, creation of management structures and internal reallocation of interests/shares in companies from the relevant clusters.

Corporate governance approaches depending on the interest in subsidiaries and affiliates		
Minority interest	Interest < 50%	Interest > 50%
Participation in general shareholders' meetings, protection of Rostelecom rights as a shareholder.	Governance aligned with the shareholders' agreement in place to ensure: <ul style="list-style-type: none">• nominations by Rostelecom for top management positions• participation in the activities of the Board of Directors and control bodies• outsourcing of support functions (as agreed with the partner).	Integration into Rostelecom's corporate governance framework and culture, including: <ul style="list-style-type: none">• building a unified corporate governance model for subsidiaries and affiliates• appointing sole executive bodies and most representatives in the collective governing and control bodies at subsidiaries and affiliates• a unified financial planning and treasury system• outsourcing support functions• centralising the internal control and audit functions• developing unified approaches and documents.

For more details on governance at subsidiaries and affiliates see our Sustainability Report.

Governance at subsidiaries and affiliates

Proportionality and transparency

Governance tools should be appropriate to the scale and objectives of subsidiaries and affiliates and be unambiguous and understandable to employees.

Consistency and holistic approach

The governance tools at subsidiaries and affiliates should allow the use of systems analysis and synthesis in every decision made by the leadership and cover all aspects of the subsidiary’s or affiliate’s activities. Relations between Group companies should be those of a mutually beneficial partnership.

Efficiency and effectiveness

Unprofitable subsidiaries and affiliates are liquidated or measures are taken to improve their performance. Governance tools should be easy to integrate into existing information systems. Information flows should meet the principle of minimal sufficiency.

Compliance

Governance tools and decisions should comply with the laws of Russia and other countries in which the subsidiary or affiliate operates. Particular attention should be paid to compliance with anti-corruption laws.

Collective decision-making and sole responsibility of the leadership

Rostelecom participates in the appointment of CEOs and board members at subsidiaries and affiliates. Company divisions provide analytical support to elected members of the boards of directors of subsidiaries and affiliates nominated by Rostelecom

Delegation of powers, centralisation and decentralisation of leadership functions, limitation of authority and accountability for results for heads of subsidiaries and affiliates

Heads of subsidiaries and affiliates are responsible and accountable for the activities of their respective subsidiary or affiliate. The constituent documents of the subsidiaries and affiliates should determine transaction limits beyond which heads of subsidiaries and affiliates may not enter into transactions independently or dispose of, or encumber, property of their respective subsidiaries and affiliates.

Priority of governance functions over the structure when establishing an organisation and priority of structure over governance functions in existing organisations

When establishing or acquiring new companies, Rostelecom implements governance and control systems across its subsidiaries and affiliates as quickly as possible. As these institutions are formed, the entire governance framework and structure of subsidiaries and affiliates are optimised.

Feedback

We leverage feedback from our subsidiaries and affiliates to improve related governance and control tools.

Motivation to achieve goals and objectives

Managers and employees across subsidiaries and affiliates should be motivated by incentives for achieving targets set for their respective subsidiaries and affiliates. Incentives for Rostelecom employees responsible for subsidiaries and affiliates should factor in achievement of strategic goals set for the respective subsidiaries and affiliates.

Involvement of the Board of Directors in governing subsidiaries and affiliates

Rostelecom’s Board of Directors determines the company’s position on:

- general shareholders’ meetings of subsidiaries and affiliates in which Rostelecom is the sole shareholder;
- matters reviewed by subsidiaries’ and affiliates’ governing bodies with regard to acquiring shares or establishing other business entities if the value of the transaction exceeds 15% of the book value of total assets owned by such subsidiary or affiliate as of the last reporting date;
- matters reviewed by subsidiaries’ and affiliates’ governing bodies with regard to the acquisition and disposal of Rostelecom’s shares by them.

Forming boards of directors at subsidiaries and affiliates

Candidates to boards of directors of subsidiaries and affiliates are selected based on the principles of overall competence, balance of qualifications and experience, succession planning, and compliance with legal requirements. Each board of directors is chaired by a Rostelecom top manager in charge of a Rostelecom business segment in which the relevant subsidiary or affiliate is operating.

Key improvements in 2020

In 2020, Rostelecom continued to improve its corporate governance framework. In particular, it eliminated the risk of votes being cast via quasi-treasury shares at General Shareholders’ Meetings, which brings the Company in line with the recommendations of the Corporate Governance Code. Rostelecom’s subsidiary LLC Mobitel did not vote at General Shareholders’ Meetings and sold all of its ordinary shares of the Company (quasi-treasury shares) in the following transactions:

Consolidation of 100% of stakes in LLC T2 RTC Holding (Tele2 Russia) by Rostelecom Group completed in March 2020, which reduced the number of quasi-treasury shares from 10.49 to 0.38% of the total voting shares of PJSC Rostelecom;

Sale in June 2020 of the remaining quasi-treasury shares accounting for 0.38% of the total voting shares of PJSC Rostelecom to VTB Capital Asset Management, trustee of Closed-End Unit Investment Fund RTC-Razvitie, to implement Rostelecom’s Long-Term Incentive Programme.

Starting from February 2020, Rostelecom’s shareholders, whose securities are recorded in the register, were able to submit registration forms and transfer orders online through the shareholder’s personal account on the VTB Registrar’s website¹, logging in with a confirmed account on the State Services portal.

1 <https://pos.vtbreg.ru/>



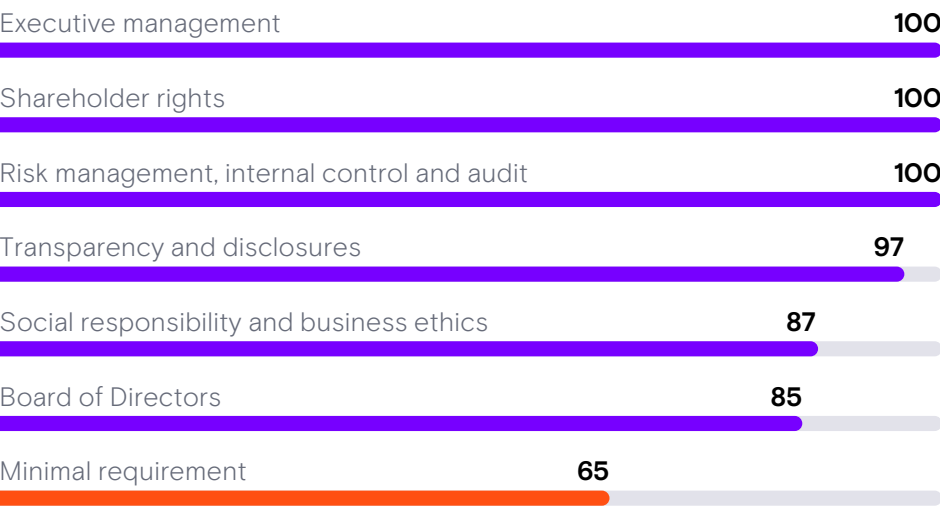
Corporate governance rating assigned by the Russian Institute of Directors (RID)

(advanced corporate governance practice, affirmed in January 2021)

Corporate governance self-evaluation results

Since 2015, Rostelecom has self-evaluated¹ its corporate governance by benchmarking its standards against the key provisions of the Corporate Governance Code.² In 2020, the evaluation scored our corporate governance at 93%, much higher than the minimum 65% requirement of the Federal Agency for State Property Management (Rosimushchestvo).

Corporate governance level, %



Corporate governance rating

In 2020, Rostelecom ranked among the top 10 companies for complete and high-quality disclosure of compliance with corporate governance principles, according to the National Corporate Governance Index.³

1 The benchmark used the Guidelines for Corporate Governance Self-Evaluation for Partially State-Owned Companies developed by Rosimushchestvo.
2 The Corporate Governance Code approved by the Board of Directors of the Bank of Russia on 21 March 2014.
3 http://cgindex.ru/wp-content/uploads/2020/12/National%20CG%20Index%202020_rus.pdf

Compliance with the Corporate Governance Code¹

Sections of the Code	Full compliance	Partial compliance	No compliance	Total number of principles under each section of the Code
Rights and equal opportunities for shareholders in exercising their rights	13	–	–	13
Board of Directors	32	4	–	36
Corporate Secretary	2	–	–	2
Remuneration system for Board members, executive bodies, and other key executives	8	2	–	10
Risk management and internal control system	6	–	–	6
Company disclosures and information policy	7	–	–	7
Material corporate actions	4	1	–	5
TOTAL	72	7	–	79

¹ Based on the methodology recommended by the Bank of Russia's Letter No. IN 06-52/8 On Disclosure of Compliance with the Principles and Recommendations of the Corporate Governance Code in the Annual Report of a Public Joint Stock Company, dated 17 February 2016. For more details see Appendix 1, Report on Compliance with the Corporate Governance Code Recommended by the Bank of Russia, to this Annual Report.

Plans to improve corporate governance

Rostelecom will continue to improve its corporate governance framework. In particular, in 2021, we plan to further develop electronic services that enable shareholders to exercise their rights effectively.

Governing Bodies

General Shareholders’ Meeting

The General Shareholders’ Meeting is the Company’s supreme governing body. Its activities are regulated by Russian laws, Rostelecom’s Charter¹, and the Regulations on the General Shareholders’ Meeting.²

During 2020, Rostelecom’s Annual General Shareholders’ Meeting³ was held on 7 August, and no Extraordinary General Shareholders’ Meeting were held.

Board of Directors

The Board of Directors is a collective governing body responsible for the Company’s growth strategy and general management. The powers of the Board are detailed in the Charter and the Regulations on the Board of Directors.⁴

Evaluation of the Board of Directors’ performance⁵

In 2021, the Board of Directors self-evaluated its 2020 performance. The self-evaluation comprised the overall evaluation of the Board of Directors, and the evaluation of its committees and each Board member, including the Chairman.

Following the evaluation, it was recommended to pay extra attention

1 New version No. 20 was approved by the Company’s AGM on 7 August 2020; Minutes No. 1 dated 10 August 2020. The full text of the new version is available at https://www.company.rt.ru/en/ir/corporate_governance/docs.
2 New version No. 11 was approved by the Company’s AGM on 14 June 2019; Minutes No. 1 dated 18 June 2019. The full text of the new version is available at https://www.company.rt.ru/en/ir/corporate_governance/docs.
3 Minutes No. 1 dated 10 August 2020: www.company.rt.ru/en/ir/agm/events/gosa/detail/2019/.
4 New version No. 16 was approved by the Company’s AGM on 18 June 2018; Minutes No. 1 dated 20 June 2018. The full text of the current version is available at https://www.company.rt.ru/en/ir/corporate_governance/docs.
5 For more details on the evaluation of the Board of Directors’ performance see Appendix 2, Governing and Control Bodies, to this Annual Report.

Key functions and tasks of the Board of Directors

Set up and advance business objectives and strategic goals of the Company.

Protect the rights and legitimate interests of shareholders.

Ensure integrity, reliability, and fairness of public information about the Company.

Key principles of the Board of Directors

Make decisions based on reliable information on the Company’s operations.

Ensure the Company’s adherence to long-term interests of its shareholders and receipt by shareholders of all relevant information on the Company’s operations.

Balance the interests of various groups of shareholders and make most objective and well-balanced decisions for the benefit of all shareholders.

Interpret ambiguities in the rules of any laws and regulations in favour of enhancement of the rights and legitimate interests of shareholders.

Director independence



- Non-executive
- Independent
- Executive

to the development of Rostelecom Group’s new strategy, efficient integration of companies and businesses acquired through mergers and acquisitions, and the search for additional possibilities to increase revenue from convergent and streaming products, which are the most promising segments for revenue growth.

Induction of Board members

We have in place induction procedures for newly elected members of the Board of Directors. New members become familiarised with all of the Company’s internal documents regulating the proceedings of the Board, and hold meetings with members of the Management Board as well as internal and external auditors.

At the first meeting of the Board of Directors, the President briefs the new Board members on Rostelecom’s strategy and business, as well as on key projects implemented by the Company or scheduled for the coming corporate year.

Requirements for nominees to the Board of Directors

When selecting nominees to the Board of Directors, Rostelecom is guided by Russian and global corporate governance standards. The Company strives to compose the Board of Directors so that it is able to make fair and independent judgements and adopt appropriate resolutions in a timely and effective manner.

Persons nominated to the Board of Directors must have an impeccable business and personal reputation, as well as the knowledge, skills, and experience necessary for effective decision-making by the Board, and must not raise any doubt as to whether they will act in the interests of the Company and its shareholders.

A conflict of interest gives a strong reason to doubt that the nominee will act in the best interests of the Company, and it is therefore not advisable to nominate to the Board of Directors persons who hold an interest in, sit on executive bodies of, or are employed by Rostelecom’s competitors.

Independent directors are enabled to influence decisions made by the Board. The Company aims for at least one third of the Board to be made up of independent directors.

3.3

11

directors elected
annually

4.3

average tenure
of the Board members

52.3

years old – average age
of the Board members¹

¹ Average age and tenure of Board members
as at 31 December 2020.

Membership of the Board of Directors¹



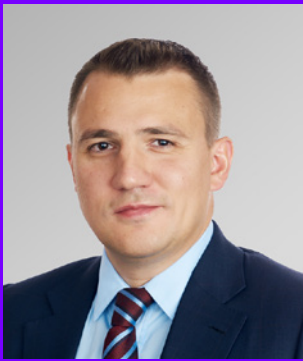
Sergey B. Ivanov
Chairman of the Board of Directors
Special Presidential Representative for Nature Protection, the Environment and Transport
Member of the Board of Directors since 2015 (6 years)



Kirill A. Dmitriev
General Director of JSC RDIF Management Company
Member of the Board of Directors since 2014 (7 years)



Anton A. Zlatopolsky
General Director of Rossiya TV Channel
Member of the Board of Directors since 2011 (10 years)



Alexey A. Ivanchenko
Member of the Board of Internet Initiatives Development Fund
Member of the Board of Directors since 2019 (2 years)



Andrey L. Kostin
President – Chairman of the Management Board of VTB Bank (PJSC)
Member of the Board of Directors since 2020 (1 year)



Mikhail E. Oseevsky
President of PJSC Rostelecom
Member of the Board of Directors since 2017 (4 years)
Stake in charter capital² – 0.195 %



Audit Committee



Nomination and Remuneration Committee



Corporate Governance Committee



Strategy Committee



Chairman of a committee



Vadim V. Semenov
Senior Independent Director
General Director of LLC New Digital Solutions
Member of the Board of Directors since 2011 (10 years)



Anton A. Ustinov
Independent Director
Chairman of the Management Board of SOGAZ INSURANCE
Member of the Board of Directors since 2020 (1 year)



Dmitry N. Chernyshenko
Deputy Prime Minister of the Russian Federation
Member of the Board of Directors since 2020 (1 year)



Elena V. Shmeleva
Independent Director
Head of Talent and Success Foundation
Member of the Board of Directors since 2020 (1 year)



Alexey A. Yakovitsky
General Director of JSC VTB Capital
Member of the Board of Directors since 2017 (4 years)

¹ For biographical details of all members of the Board of Directors see Appendix 2, Governing and Control Bodies, to this Annual Report.

² For more details on share transactions see Appendix 2, Governing and Control Bodies, to this Annual Report.

Qualifications of the Board of Directors

Competence of the Board of Directors’ members

	Economics and finance	Strategy	Corporate governance	Telecom-munications	Risk management
Sergey B. Ivanov	○	○	○	○	○
Anton A. Zlatopolsky	○	○	○	○	
Alexey A. Ivanchenko	○	○	○		○
Andrey L. Kostin	○	○	○		○
Mikhail E. Oseevsky	○	○	○	○	
Vadim V. Semenov	○	○	○	○	○
Anton A. Ustinov	○	○	○		○
Dmitry N. Chernyshenko	○	○	○	○	○
Elena V. Shmeleva	○	○	○		○
Alexey A. Yakovitsky	○	○	○	○	○
TOTAL	11	11	11	6	8

The liability of the Company’s directors was insured for EUR 150 million, with additional insurance coverage of EUR 920 thousand for each independent director (EUR 4.6 million in total).

No conflicts of interest involving members of the Board of Directors were identified in 2020. Board members fill in quarterly questionnaires listing all potential drivers of a conflict of interest situation.

17

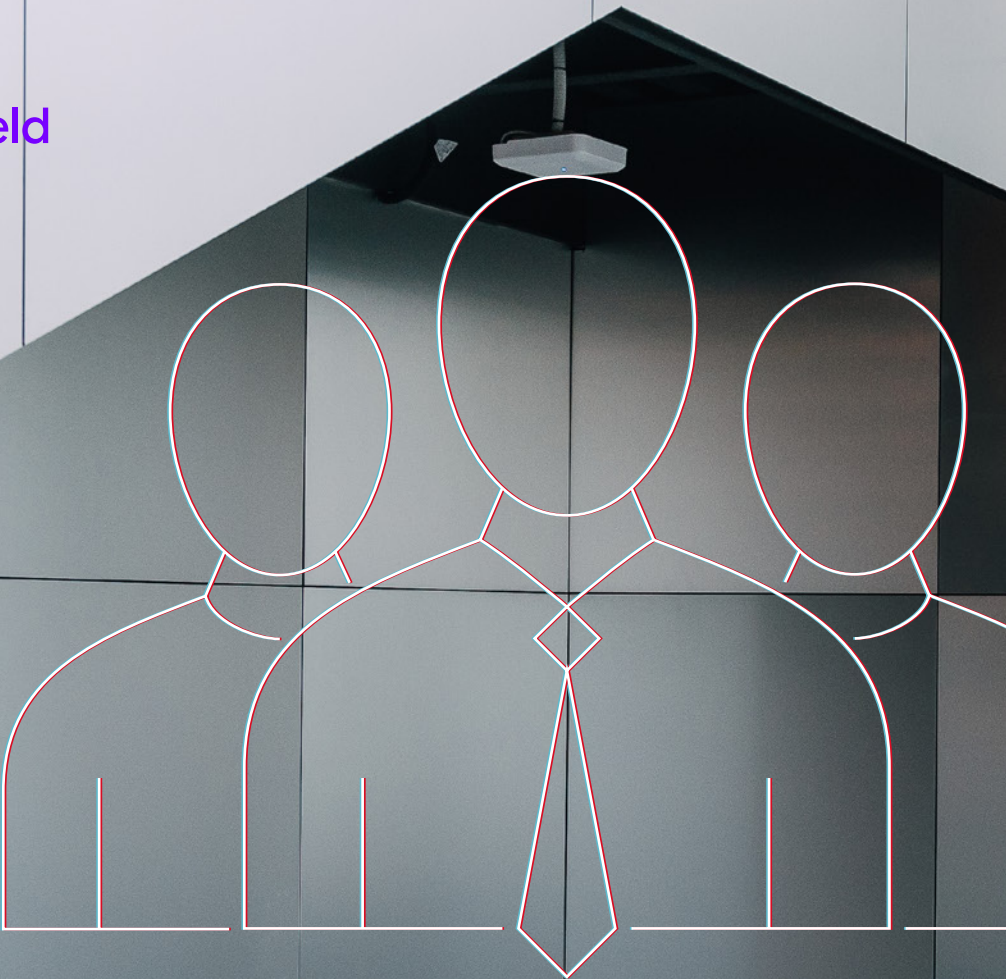
Board meetings held in 2020

2

Board meetings held in person

15

Board meetings held in absentia



Board of Directors’ and its committees’ performance report¹

Board of Directors members’ attendance at meetings

Board of Directors’ membership before the General Shareholders’ Meeting on 7 August 2020

	Board of Directors	Audit Committee	Strategy Committee	Joint meetings of the Strategy Committee and the Nomination and Remuneration Committee	Corporate Governance Committee
Meetings in person/in absentia	0/12	2/1	0/2	1/0	0/1
Ruben A. Aganbegyan	0/12	1/1	0/2	1/0	–
Alexander A. Auzan	0/12	2/1	0/2	0/0	–
Kirill A. Dmitriev	0/12	–	–	–	–
Anton A. Zlatopolsky	0/12	–	–	–	0/1
Sergey B. Ivanov	0/12	–	–	–	–
Alexey A. Ivanchenko	0/12	–	0/2	1/0	–
Nikolay A. Nikiforov	0/12	–	–	–	0/1
Konstantin Yu. Noskov	0/12	–	–	–	–
Mikhail E. Oseevsky	0/12	–	0/2	1/0	0/1
Vadim V. Semenov	0/12	2/1	–	1/0	0/1
Alexey A. Yakovitsky	0/12	–	0/2	1/0	–

¹ For more details on agenda items discussed at the meetings of the Board of Directors and its committees see Appendix 7, Information on Meetings of the Board of Directors and its committees, to this Annual Report.

Board of Directors’ membership after the General Shareholders’ Meeting on 7 August 2020²

	Board of Directors	Audit Committee	Strategy Committee
Meetings in person/in absentia	2/3	1/0	1/0
Kirill A. Dmitriev	2(1*)/3	–	–
Anton A. Zlatopolsky	2/3	–	–
Sergey B. Ivanov	2/3	–	–
Alexey A. Ivanchenko	2(1)/3	–	1/0
Andrey L. Kostin	2(1)/3	–	1/0
Mikhail E. Oseevsky	2/3	–	1/0
Vadim V. Semenov	2/3	1/0	
Anton A. Ustinov	2/3	1/0	–
Elena V. Shmeleva	2/3	1/0	1/0
Dmitry N. Chernyshenko	2(1)/3	–	1/0
Alexey A. Yakovitsky	2/3	–	1/0

² The number in brackets is the number of in-person meetings in which the Board member participated by sending his written opinion.

Key 2020 results

Key strategic mergers and acquisitions:

- Consolidation of 100% of stakes in LLC T2 RTC Holding (Tele2 Group) was completed
- Transaction to engage a strategic partner to participate in the capital of a subsidiary, LLC Data Storage Centre (RTC-DC Group), was approved.

Approved:

- The updated Long-Term Incentive Programme for 2020–2022
- The updated Innovative Development Programme for 2020–2024

Delivered on the tasks within key strategic projects:

- Securing uninterrupted operation of the national communications network amid the COVID-19 pandemic
- Ensuring effective integration of Rostelecom Group’s and Tele2 Russia Group’s businesses following the consolidation of 100% of Tele2 Russia
- Upgrading Rostelecom’s regional data transmission network
- Developing Rostelecom’s backbone/backhaul network
- Building a unified technology stack and creating a coherent OSS/BSS¹ target architecture based on common key components (product catalogue, CRM, billing)
- Implementing a new information technology management model (Karma Framework)

1 Operation Support System / Business Support System

Matters discussed by the Board of Directors

Topic	Number of matters discussed
Approval of transactions regulated by the Charter	36
Management of subsidiaries and affiliates	21
HR management	24
Approval of interested party transactions	16
Management of non-core assets	14
Matters of General Shareholders’ Meetings	14
Strategy and development	13
Approval of internal documents	10
Audit, risk management and internal control	10
Organising the activities of the Board of Directors and its committees	6
Branch management	2
TOTAL NUMBER OF MATTERS DISCUSSED	166

Plans for 2021

Monitoring the implementation of the overall strategy and strategic projects:

- Digital Economy of the Russian Federation national programme
- 5G network deployment
- Census on the basis of the Aurora OS Russian mobile platform
- Construction of a new fibre-optic cable link under the working title of TEA NEXT (Next Generation Transit Europe–Asia), spanning Russia from west to east
- Cyber security provision

Developing and approving PJSC Rostelecom’s updated strategy following the consolidation of the 100% stake in LLC T2 RTC Holding

Updating PJSC Rostelecom’s Long-Term Development Programme, key performance indicators system and Innovative Development Programme to roll out the Company’s new strategy

Board committees’ performance in 2020

4

meetings were held
in the reporting year,
three of them in person

17

matters were discussed

Audit Committee

The Audit Committee is responsible for discussing matters related to:

- accounting statements
- internal and external audit
- countering employee and third-party misconduct
- compliance with the Code of Ethics
- risk management.

1

meeting in person was held
jointly with the Strategy
Committee in the reporting year

3

matters were discussed

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for discussing matters related to:

- development, review and implementation of the Remuneration Policy
- performance evaluation of the Company’s executive bodies and key executives
- early termination of employment contracts with members of the Company’s executive bodies and other key executives
- recommendations to the Board of Directors on the Corporate Secretary
- disclosure of information on remuneration policy and practice and on the management’s shareholding in the Annual Report
- qualifications and responsibilities of Board members, membership enhancement priorities and selection of new candidates
- appointment of members of the Management Board, including the Chairman, and determining the terms of their employment contracts.

1

meeting was held
in the reporting year
in absentia

2

matters were discussed

Corporate Governance Committee

The Corporate Governance Committee is responsible for discussing matters related to:

- preparing for, and holding, the Annual and Extraordinary General Shareholders’ Meetings
- approaches to information disclosure and rules for handling information that is not publicly available
- preparing amendments to, and approving new versions of, regulations on the Company’s governing bodies
- corporate conflict settlement
- compliance with international standards and requirements of stock exchanges
- approval of the Company’s registrar and terms of the agreement with the registrar.

4

meetings were held
in the reporting year,
including one in-person
meeting jointly with
the Nomination and Remuneration
Committee

8

matters were discussed

Strategy Committee

The Strategy Committee is responsible for discussing matters related to:

- strategic goals and strategy implementation
- priority areas and progress on strategic plans
- distribution of profits, including dividends
- the Company’s performance and growth prospects over the longer term
- relations with the organisations in which the Company has interest, including disposal of interest in other entities
- trading Company securities
- financial and business evaluation models
- reorganisation and liquidation of the Company and its controlled entities
- using reserve and other funds
- major and interested party transactions.

Matters discussed by committees in 2020

Audit Committee

- Recommendations to the Board of Directors on the Company's auditor
- RAS and IFRS reports
- Bonus payments to the Senior Auditor and Senior Risk Manager
- Internal Audit performance reports and activity plans
- Internal Audit Policy
- Risk management results

Nomination and Remuneration Committee

- Adjustment of PJSC Rostelecom's business plan for 2020
- Approval of new versions of the Regulations on the Long-Term Share Purchase Programme (Stock Option Programme) of PJSC Rostelecom for 2020-2022 and the Regulations on the Long-Term Bonus Programme for PJSC Rostelecom Employees for 2020-2022
- Defining the position of PJSC Rostelecom (PJSC Rostelecom's representatives) in the discussion by LLC Mobitel's governing bodies of matters related to the disposal of PJSC Rostelecom shares

Corporate Governance Committee

- Approval of new versions of the regulations on Board committees
- Approval of the Report on Compliance with the Information Disclosure Policy of PJSC Rostelecom

Strategy Committee

- Adjustment of PJSC Rostelecom's business plan for 2020
- Approval of new versions of the Regulations on the Long-Term Share Purchase Programme (Stock Option Programme) of PJSC Rostelecom for 2020-2022 and the Regulations on the Long-Term Bonus Programme for PJSC Rostelecom Employees for 2020-2022
- Defining the position of PJSC Rostelecom (PJSC Rostelecom's representatives) in the discussion by LLC Mobitel's governing bodies of matters related to the disposal of PJSC Rostelecom shares
- PJSC Rostelecom's business plan for 2021
- Transaction to engage a strategic partner to participate in the capital of LLC Data Storage Centre (RTC-DC Group)

Corporate Secretary

The Corporate Secretary facilitates the coordination between the Company and its shareholders, and assists the Company's governing bodies in corporate governance. The Corporate Secretary is elected by, and reports to, the Board of Directors.

Ekaterina S. Mironova has been the Company's Corporate Secretary since 2011¹.

¹ For more details on the Corporate Secretary see Appendix 2, Governing and Control Bodies, to this Annual Report.

President and Management Board

Management Board’s performance report

Key matters discussed by the Management Board

Operations and operational excellence

- Reports on budget performance and drafting the budget for 2020
- Enhancement of corporate project management
- Implementation status and key priorities of Rostelecom’s production system
- Procurement optimisation
- Monitoring the progress of key strategic projects:
- Bridging the Digital Divide
- Providing Internet Access for Hospitals and Out-Patient Clinics
- Arranging for Video Surveillance and Ensuring the Operation of the Broadcasting Portal during the Elections in Russia
- Changes in the organisation of the Company’s branches and optimisation of employees’ performance when working remotely

The Company’s growth

- Monitoring the progress of the Company’s Strategy 2022
- Strategies of the business segments and key subsidiaries
- Target IT architecture development and transformational solutions for telecoms networks

Risk management

- Progress of the Risk Management Programme

Enhancement of corporate governance standards

- Development and approval of the Risk Management Programme
- Internal control development concept

8

members of the Management Board

46.5

years old – average age of the Management Board members

6

years – average tenure of the Management Board members

Preparation of materials and matters referred to the Board of Directors

- Preview of interested party transactions

Social responsibility

- Charity and sponsorship initiatives

No conflicts of interest involving members of the Management Board were identified in 2020.

Management Board members’ attendance at meetings

Meetings in person/in absentia	17/7
Sergey N. Anokhin	17/7
Vladimir S. Kirienko	15/7
Kirill A. Menshov	16/7
Mikhail E. Oseevsky	17/7
Dmitry V. Proskura	14/7
Galina V. Rysakova	17/7
Alexey V. Sapunov	17/7
Anna V. Shumeyko	17/7
Sergey V. Emdin ¹	1/0

24

Management Board meetings held in 2020

17

Management Board meetings held in person

7

Management Board meetings held in absentia

¹ On 18 December 2020, the Board of Directors terminated early the powers of Dmitry Proskura, a member of the Management Board, and appointed Sergey Emdin a member of the Management Board. One meeting of the Management Board was held between 18 and 31 December 2020.

Membership of the Management Board



Mikhail E. Oseevsky
Chairman of the Management Board, President

Tenure in Rostelecom since 2017
Stake in charter capital¹– 0,195 %



Sergey N. Anokhin
Senior Vice President – CFO

Tenure in Rostelecom since 2017
Stake in charter capital¹ – 0,019 %



Vladimir S. Kirienko
First Vice President

Tenure in Rostelecom since 2016
Stake in charter capital¹ – 0,096 %



Kirill A. Menshov
Senior Vice President for IT

Tenure in Rostelecom since 2018
Stake in charter capital¹ – 0,061 %



Galina V. Rysakova
Senior Vice President for Organisational Development and Human Resources

Tenure in Rostelecom since 2001
Stake in charter capital¹ – 0,088 %



Alexey V. Sapunov
Senior Vice President for Technical Infrastructure

Tenure in Rostelecom since 2013
Stake in charter capital¹ – 0,066 %



Anna V. Shumeyko
Senior Vice President, Chief of Staff of Rostelecom's President

Tenure in Rostelecom since 2017
Stake in charter capital¹ – 0,033 %



Sergey V. Emdin
CEO of Tele2

Tenure in Rostelecom since 2020

1 For more details on share transactions see Appendix 2, Governing and Control Bodies, to this Annual Report.

Management Board committees' performance report

To improve the performance of the Management Board, the Company has in place four committees

44

meetings were held in the reporgin year, 17 of them in person

113

matters were discussed

Budget and Investment Committee

Committee functions

The Budget and Investment Committee facilitates the linkages between, and alignment of, the budget and investment processes, monitors their progress and makes relevant proposals to the Management Board.

Key 2020 results

- Reviewed and assessed investment projects and programmes for 2020 and 2021, made go/no-go decisions
- Reviewed 2021 budgets of business units and branches as part of preparing the Company's draft consolidated budget for 2021
- Monitored the performance of the 2020 investment plan

Plans for 2021

- Review and assess investment projects and programmes for 2021 and 2022, make go/no-go decisions
- Review 2022 budgets of business units and branches as part of preparing the Company's draft consolidated budget for 2022
- Monitor the performance of the 2021 investment plan

41

meetings were held
in the reporting year,
24 of them in person

184

matters were discussed

Compensation Committee’s performance report

Committee functions

The Compensation Committee is responsible for discussing matters related to:

- headcount increases and sources of financing
- one-off bonuses to employees
- covering elective surgery costs for Company employees
- determining the terms of the Company’s Housing Programme.

Key 2020 results

- Made decisions on headcount increases and sources of financing
- Resolved on one-off employee bonuses for high personal commitment, prompt and professional execution of priority tasks
- Determined the terms of the Company’s Housing Programme
- Resolved to cover elective surgery costs for Company employees
- Approved the allocation of defined contributions for PJSC Rostelecom’s Corporate Centre employees pursuant to the Private Pension Insurance Programme
- Approved employee progression between grades (to grade 9)
- Approved the reimbursement of rental costs
- Approved the extension of the memorandum on the approach to financial incentives for employees of PJSC Rostelecom’s Property Management Department for outperforming the planned (budgeted) 2020 revenue targets
- Approved the productivity estimate according to a new methodology

Plans for 2021

Discuss the following matters:

- Changes to the incentive system of the Company’s business units
- Bonus payments to employees
- The Housing Programme
- Headcount increases and sources of financing
- Covering employees’ medical treatment costs

5

meetings were held
in the reporting year,
one of them in person

11

matters were discussed

Risk Management Committee’s performance report

Committee functions

The Risk Management Committee coordinates the development of the risk management system and ensures efficient risk management at all levels to make balanced business decisions.

Key 2020 results

- Previewed risk management matters submitted to the governing bodies
- Supervised risk management procedures for all risks and at all organisational levels
- Made risk management decisions, in particular, issued relevant instructions to risk management units and approved risk mitigation measures
- Monitored mitigation activities and key risk indicators
- Resolved risk management disputes

Plans for 2021

- Carry out day-to-day risk management and develop the risk management system

13

in absentia meetings were held
in the reporting year

32

matters were discussed

Charity Committee’s performance report

Committee functions

To review donation requests and advise the Company’s governing bodies on charitable giving.

Key 2020 results

- Recommended a donation of RUB 125.7 million to support education, care, spiritual heritage, environment, and sports

Plans for 2021

- Develop recommendations for charitable giving in 2021

Control Bodies

Internal Audit Unit

Key roles

- Internal audit based on a risk-oriented approach and best practices
- Independent assistance in the enhancement of risk management, internal controls, and corporate governance
- Ensuring efficient operation of the Ethics Hotline

Key 2020 results

- Executed the audit action plan, achieved economic benefits
- Provided recommendations to increase the manageability of risks that affect the Company’s capitalisation, and proposals to receive additional income and cut costs
- Implemented the concept of a continuous audit model, including a risk dashboard for procurement at subsidiaries and affiliates, as part of the internal audit ecosystem to ensure continuous monitoring
- Upgraded IT audit solutions and developed new audit approaches, taking into account digitisation trends and experience sharing between project teams; arranged for IT audits

Risk Management divisions

Key roles

Building, monitoring, and maintaining the risk management system (RMS)

Key 2020 results

- Implemented a visualisation programme for management reporting and adjusting day-to-day operations and product and service development for operational risks, including:
 - risk dashboard for business processes
 - project life cycle metrics.
- Developed and adopted a simulation modelling methodology to evaluate the impact of TTM on KPIs of projects and new products and services

For more details on control bodies’ activities see Appendix 2, Governing and Control Bodies, to this Annual Report.



Asset Protection Department (Compliance)

Key roles

- Corporate culture development in terms of anti-corruption, prevention of embezzlement and conflicts of interest, and compliance with ethical standards
- Analysing and monitoring the activities of the Company and its subsidiaries and affiliates related to asset protection
- Maintaining a whistleblowing hotline and an anti-corruption portal

Key 2020 results

- Received the highest-level (score 5) certificate confirming public endorsement of the results of implementing the Anti-Corruption Charter of the Russian Business, which made Rostelecom the leader; a grade (A1) was assigned to Rostelecom in the first national Anti-Corruption Ranking of Russian Business (RSPP)
- Developed and implemented the Company’s 2020 compliance programme
- Automated the process of handling reports received via feedback channels
- Fine-tuned the system to improve the processing of conflict of interest declarations
- Updated a number of internal documents, including the Regulations on the Conflict of Interest Management and the Anti-Corruption Clause
- Compliance training was successfully completed by more than 85 thousand employees
- Introduced anti-corruption programmes at more than 70 subsidiaries

Dedicated officials responsible for countering money laundering¹

Key roles

Mitigating the risk of the Company being involved in money laundering and the financing of terrorism

Key 2020 results

- In 2020, following the remote monitoring of the internal control system for countering money laundering, the financing of terrorism, and the financing of the proliferation of weapons of mass destruction, the Federal Financial Monitoring Service (Rosfinmonitoring) and the Federal Service for Supervision of Communications, Information Technology and Mass Media (Roskomnadzor) assigned PJSC Rostelecom the lowest, ‘green’ level of risk of being involved

¹ Dedicated officials responsible for countering money laundering, the financing of terrorism, and the financing of the proliferation of weapons of mass destruction

in money laundering and the financing of terrorism. Based on that scoring, Roskomnadzor has not included Rostelecom in the annual inspection schedule, which substantially reduces the risk of regulatory penalties in 2021

Internal Control Unit

Key roles

Assisting the top management in building an effective internal control system

Key 2020 results

- Reviewed the internal control system (ICS) across the key business processes and operational units; based on the review results, developed recommendations, and implemented measures to improve the ICS
- Within the tax monitoring regime, ensured regular reporting to the Federal Tax Service of Russia on the state of the ICS and determined measures to enhance the ICS
- Drew up the Guarantee Map¹ for 2020
- Updated the regulatory and methodological framework of the ICS

Audit Commission

Key roles

Monitoring financial and business operations between GSMS

Key 2020 results

Audited the financial and business performance of the Company in 2020, including the Annual Report and annual accounting statements

External audit

We annually engage an external auditor for independent assessment of the accuracy of the Company’s financial statements.

In 2020, following a public tender, LLC Ernst & Young was selected as PJSC Rostelecom’s auditor in respect of RAS and IFRS reporting for 2H 2020 and 1H 2021, with the fee for audit services of Rostelecom’s financial statements in accordance with RAS and IFRS totalling RUB 90.94 million².

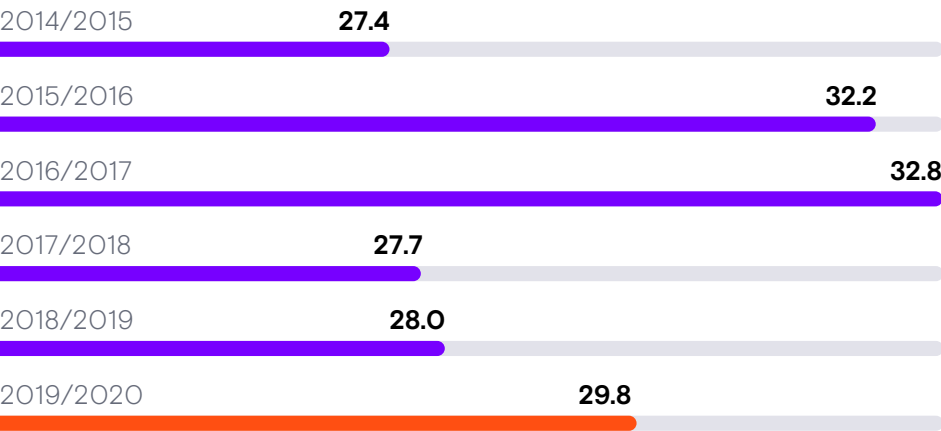
The auditor confirmed the accuracy of the 2020 financial statements.

¹ For more details on the Guarantee Map see Appendix 2, Governing and Control Bodies, to this Annual Report.
² For more details on the auditor’s fee see Appendix 2, Governing and Control Bodies, to this Annual Report.

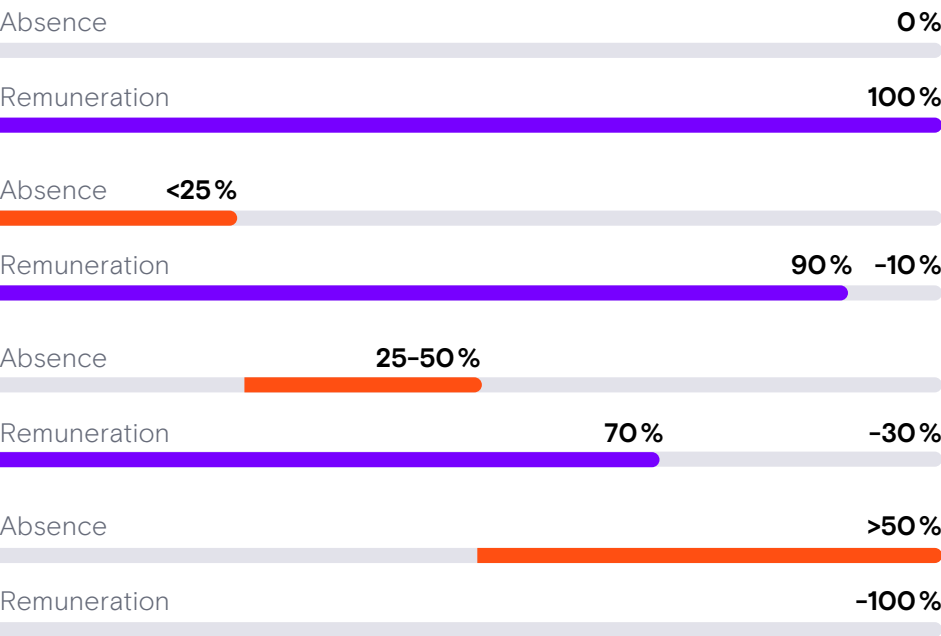
Remuneration

Board of Directors

Remuneration paid to the Board of Directors¹, RUB m



Reduction of remuneration due to absence from meetings held in person or in absentia



¹ Paid to a member of the Board of Directors not later than one month after holding the Annual General Shareholders' Meeting for the year when he/she was elected to the Board of Directors.

Individual payments to members of the Board of Directors in office from 14 June 2019 to 7 August 2020, RUB

	Remuneration for serving on the Board of Directors	Remuneration for serving on the Audit Committee	Remuneration for serving on the Strategy Committee	Remuneration for serving on the Nomination and Remuneration Committee	Remuneration for serving on the Corporate Governance Committee
Ruben A. Aganbegyan	4,000,000	360,000	320,000	320,000	0
Alexander A. Auzan	4,000,000	500,000	288,000	224,000	0
Kirill A. Dmitriev	4,000,000	0	0	0	0
Anton A. Zlatopolsky	0	0	0	0	0
Sergey B. Ivanov ¹	0	0	0	0	0
Alexey A. Ivanchenko	4,000,000	0	320,000	0	0
Nikolay A. Nikiforov	4,000,000	0	0	0	400,000
Konstantin Yu. Noskov ²	1,900,238	0	0	0	0
Mikhail E. Oseevsky ³	0	0	0	0	0
Vadim V. Semenov	4,000,000	400,000	0	400,000	320,000
Alexey A. Yakovitsky	0	0	0	0	
TOTAL, by type of payment	25,900,238	1,260,000	928,000	944,000	720,000
TOTAL					29,752,238

No reimbursement of expenses or other payments were made to members of the Board of Directors in 2020, and no loans (credit facilities) were granted.

In 2020, members of the Board of Directors who were not employed by the Company did not participate in the long-term incentive programme for the Company employees.

No annual remuneration is paid to the members of the Board of Directors holding public offices or employed by the Company, or to the members who renounced their remuneration.

¹ Chairman of the Board of Directors.
² Public officer until 21 January 2020.
³ Rostelecom employee.

3.5

4 RUB
million

fixed annual remuneration
payable to each member
of the Board of Directors

×1.5

factor applied
to the Chairman of the Board
of Directors

400

RUB thousand — annual
remuneration payable
to members of the Audit
Committee of the Board
of Directors

320

RUB thousand —
annual remuneration
payable to members
of other committees
of the Board of Directors

×1.25

factor applied
to the Board of Directors'
committee chairmen

No special remuneration is payable to Management Board members for serving on the Management Board.

President and Management Board

The President’s compensation package is determined in his contract approved by the Board of Directors.

Furthermore, in line with the Board of Directors’ resolution, the President’s pay may include an annual bonus for good-faith performance of his duties and performance against budget targets.

Severance is paid upon termination of employment by the Company in line with the Labour Code of the Russian Federation. The severance pay does not exceed the employee’s triple average monthly earnings.

Components of remuneration payable to members of the Management Board

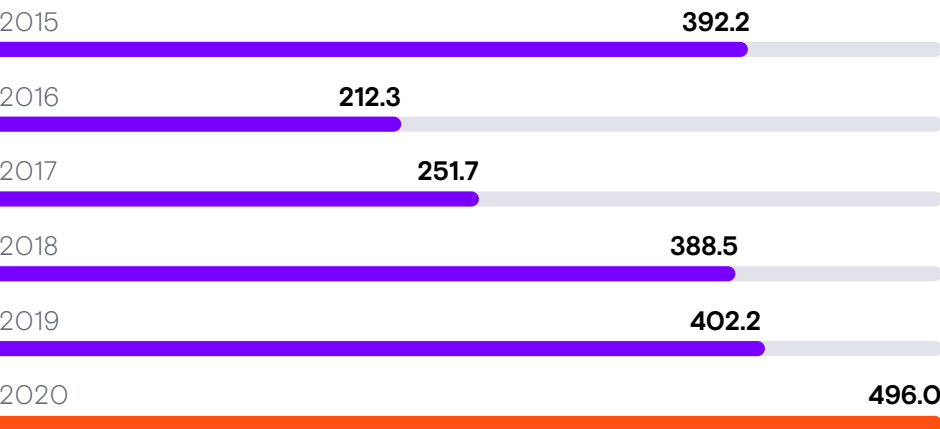
	Salary	Short-term incentives	Long-term incentives
Type of remuneration	Basic salary	Annual bonus	Long-term incentive programme
Objective	Attract and retain professional managers by offering competitive salaries	Achieve annual business KPIs	Achieve long-term KPIs: Net Profit, FCF, ROIC
Target ratio of remuneration components	50%	50%	The multi-year programme is based on a share matching plan and offers shares as remuneration

Payments to the Management Board and the highest paid employees in 2020, RUB

Payment type	Payments to Management Board members	Payments to Top 5 highest paid employees (key executives)
Salary	306,970,341	227,642,529
Bonuses, including:	853,084,081	618,894,703
short-term incentives	189,016,816	142,178,940
long-term incentives	664,067,265	476,715,763
Fees	0	0
Benefits	0	0
Reimbursement of expenses	0	0
Other	0	0
TOTAL	1,160,054,422	846,537,232

No loans (credit facilities) were granted by the Company to members of the Management Board.

Remuneration paid to the Management Board, excluding long-term incentives, RUB m



800

RUB thousand — annual remuneration payable to members of the Audit Commission

×1.3

factor applied to the Chairman of the Audit Commission

×1.1

factor applied to the Secretary of the Audit Commission

Audit Commission

No annual remuneration is paid to the members of the Audit Commission holding public offices.

Payments to members of the Audit Commission in 2020, RUB

	Remuneration for serving on the Audit Commission	Salary
Igor V. Belikov	1,040,000	0
Valentina F. Veremyanina	800,000	0
Anton P. Dmitriev	0	0
Andrey N. Kantsurov	0	0
Ilya I. Karpov	0	0
Mikhail P. Krasnov	880,000	0
Anna V. Chizhikova	0	0
TOTAL	2,720,000	0

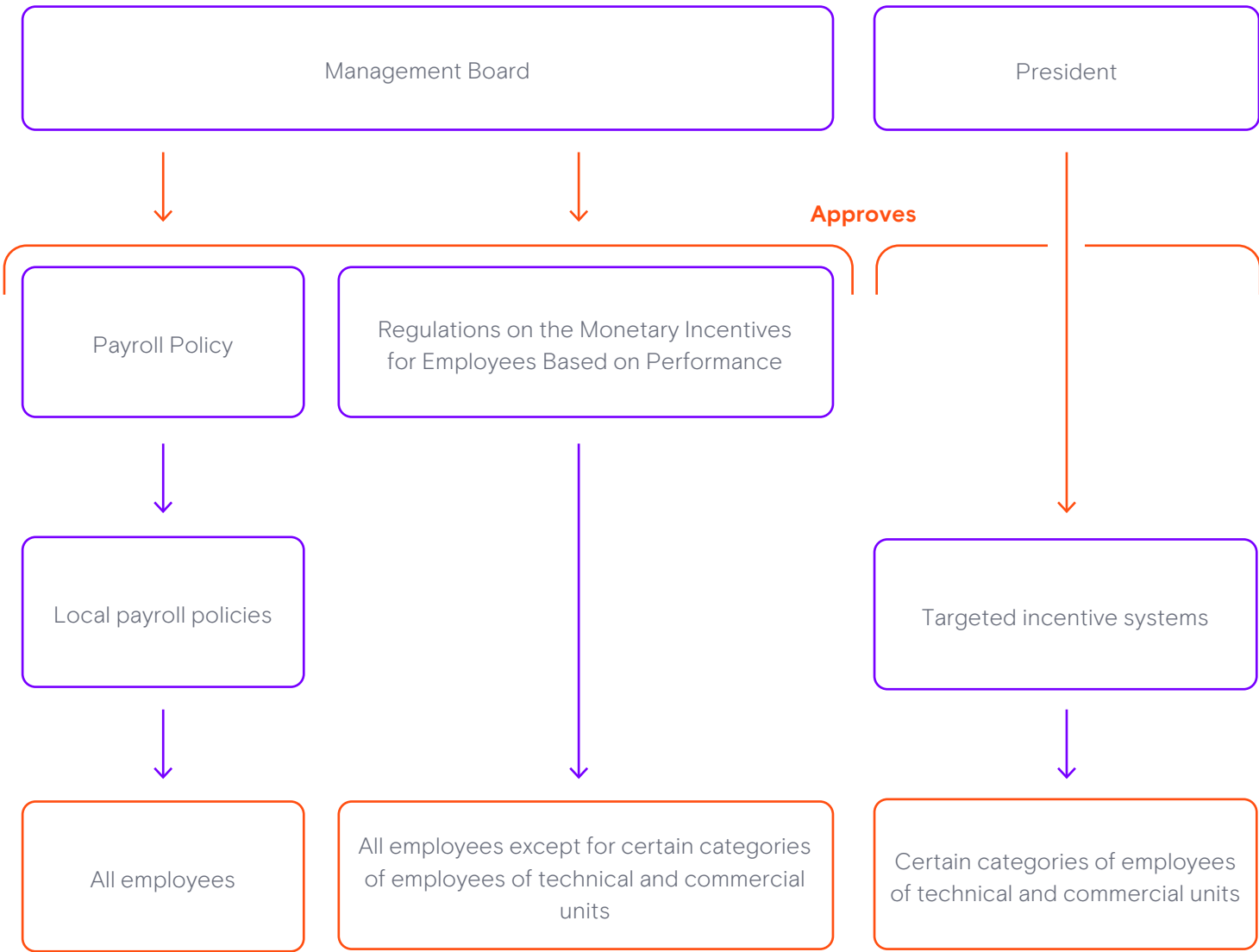
Rostelecom has in place a number of motivation policies and regulations for its employees

Incentive programmes

The Company regularly participates in salary and HR policy reviews. Remuneration and financial incentives for Rostelecom employees are on par with the market.

Rostelecom does not use non-financial incentives except for the Long-Term Incentive Programme. Local remuneration systems, including incentive systems are adapted in the Company’s subsidiaries and affiliates to stay in line with current approaches to remuneration management in Rostelecom.

Severance may be paid to Company employees upon retirement by mutual agreement of the parties. The severance pay may not exceed the employee’s triple average monthly earnings.



Long-term incentives

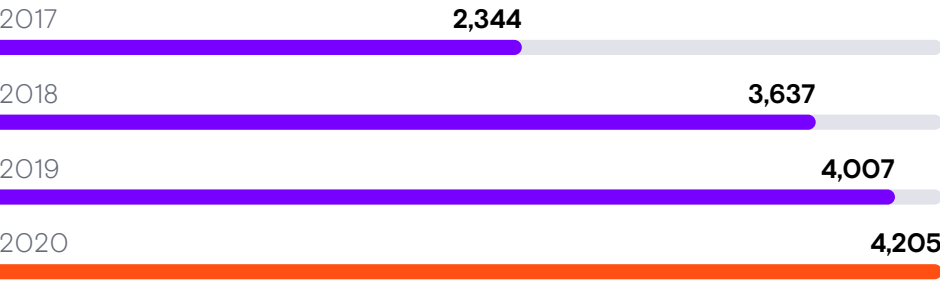
Rostelecom’s Long-Term Incentive Programme (the Programme) has been approved by the Board of Directors and is based on a share matching plan. The Programme is open to employees in grades 6 to 11 if they choose to use a portion of their variable remuneration to buy Rostelecom securities. In this case, the employee is entitled to additional remuneration in the form of Rostelecom shares depending on his or her position, amount of investment, and individual and corporate performance.

The Programme includes three cycles, which are launched annually: in 2020, 2021 and 2022. The maximum total number of shares owned by Programme participants does not exceed 6% of the Company’s charter capital. The maximum number of shares owned by Programme participants in each cycle is limited to 2% of the Company’s charter capital.

- The Programme is based on both individual performance and achievement of corporate KPIs applicable to the Programme:
- Free cash flow (FCF)
 - Net profit
 - Return on invested capital (ROIC)

The Programme is implemented via RTC-Razvitie, a closed-end unit investment fund.

Expenses on the Long-Term Incentive Programme within the Statement of Profit or Loss¹, RUB m



¹ Wages, salaries, other benefits and social taxes, including personal income tax. The 2017 data was adjusted for the amount of reversed expenses associated with the Long-Term Incentive Programme effective until 2017.

The Company has an annual bonus scheme for employees.

Short-term incentives

We are also working to improve employee motivation system in line with business requirements. In 2020, targeted incentive schemes and KPIs were finalised for the B2C, B2B and B2G segments, and the Technical Infrastructure Unit. Additional financial incentive programmes were also developed and implemented to further improve employee performance in order to meet individual business objectives.

Yet another employee motivation tool used by Rostelecom is quarterly assessments of in-house services. Such assessments improve cross-functional communication. Their results are used to enhance in-house services.

System of KPIs

Key performance indicators are set for employees based on their position and scope of responsibility/influence. Bonuses paid to employees depend on the achievement of corporate, business and individual targets.

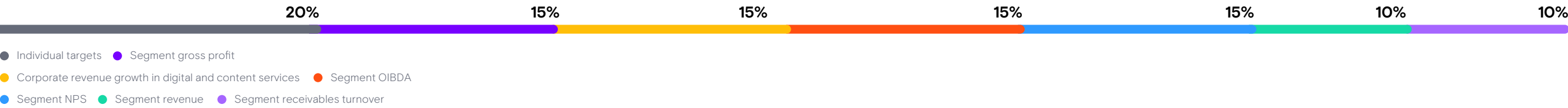
Corporate KPIs



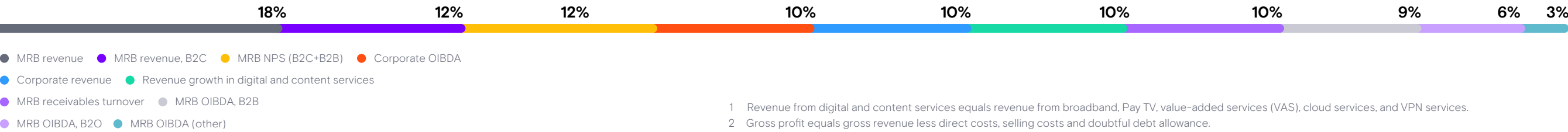
Business KPI: President and members of the Management Board¹



Business KPIs: managers of key business segments (B2C, B2B/B2G and B2O)²



KPIs: Vice Presidents – directors of macroregional branches (MRBs)



1 Revenue from digital and content services equals revenue from broadband, Pay TV, value-added services (VAS), cloud services, and VPN services.
2 Gross profit equals gross revenue less direct costs, selling costs and doubtful debt allowance.

Information Disclosure

Aiming to enhance its investment case and maintain a trust-based dialogue with its stakeholders, Rostelecom discloses information in line with:

- Russian laws
- requirements and recommendations of the Bank of Russia
- requirements of the Moscow Exchange
- internal documents.

The Board of Directors establishes the rules of, and approaches to, disclosures, which are formalised in Rostelecom's Information Disclosure Policy.

Key objectives of the Information Disclosure Policy are to:

- enhance openness and build trust
- improve transparency
- determine the Company's disclosure framework.

Key principles of the Policy are:

- timely, consistent and prompt provision of information
- accessibility, objectivity, completeness, accuracy, and comparability of disclosed information
- equal rights of all stakeholders to obtain information in compliance with all applicable laws, standards and regulations
- information disclosure regardless of specific individual or group interests
- reasonable balance between the Company's transparency and protection of its business interests
- confidentiality of information that constitutes a state secret or a trade secret in accordance with the Company's internal documents
- control over the use of insider information.

The Company discloses information on its official website www.company.rt.ru and on the corporate information disclosure website run by Interfax (in Russian) www.e-disclosure.ru



Securities and Shareholder and Investor Relations

101.50

**RUB – annual high price
of ordinary shares during 2020**

Source: Bloomberg

96.35

**RUB – annual high price
for preference shares
during 2020**

Source: Bloomberg

Securities¹

Shares

As at 31 December 2020, PJSC Rostelecom's charter capital was RUB 8.73 million divided into 3,282,997,929 ordinary and 209,565,147 preference shares. A total of 35.91% was owned by the Russian Federation represented by the Federal Agency for State Property Management (Rosimushchestvo), with 31.44% of the charter capital in free float. On the basis of shareholder agreements signed by Rosimushchestvo with VEB.RF and VTB Bank (PJSC), the Russian Federation has the right to dispose of 50% + 1 share of all ordinary (voting) shares of the Company. The total number of Rostelecom shareholders was 151,978: 700 legal entities and 151,278 individuals².

PJSC Rostelecom ordinary and preference shares (tickers RTKM and RTKMP) are admitted to the Level One quotation list of the Moscow Exchange and to the non-quotation section of Saint Petersburg Exchange's list. PJSC Rostelecom shares are also included in the FTSE and MVIS indices.

The bulk of trade in PJSC Rostelecom shares was on the Moscow Exchange.

¹ On 16 March 2020, Rostelecom increased its charter capital. For more details, see https://www.company.rtr.ru/en/ir/stock_and_bonds/ownership/.

² Excluding disclosure of shareholders whose shares are held by nominee shareholders.



Key performance highlights of PJSC Rostelecom shares on the Moscow Exchange, RUB

Metric	Ordinary shares	Preference shares
Price as at 30 December 2019	78.36	70.20
Annual low (2020)	64.00	58.45
Annual high (2020)	101.50	96.35
Price as at 30 December 2020	96.73	85.60

Source: Bloomberg.

Share capital structure as at 31 December 2020

Stake in charter capital



Stake in ordinary shares

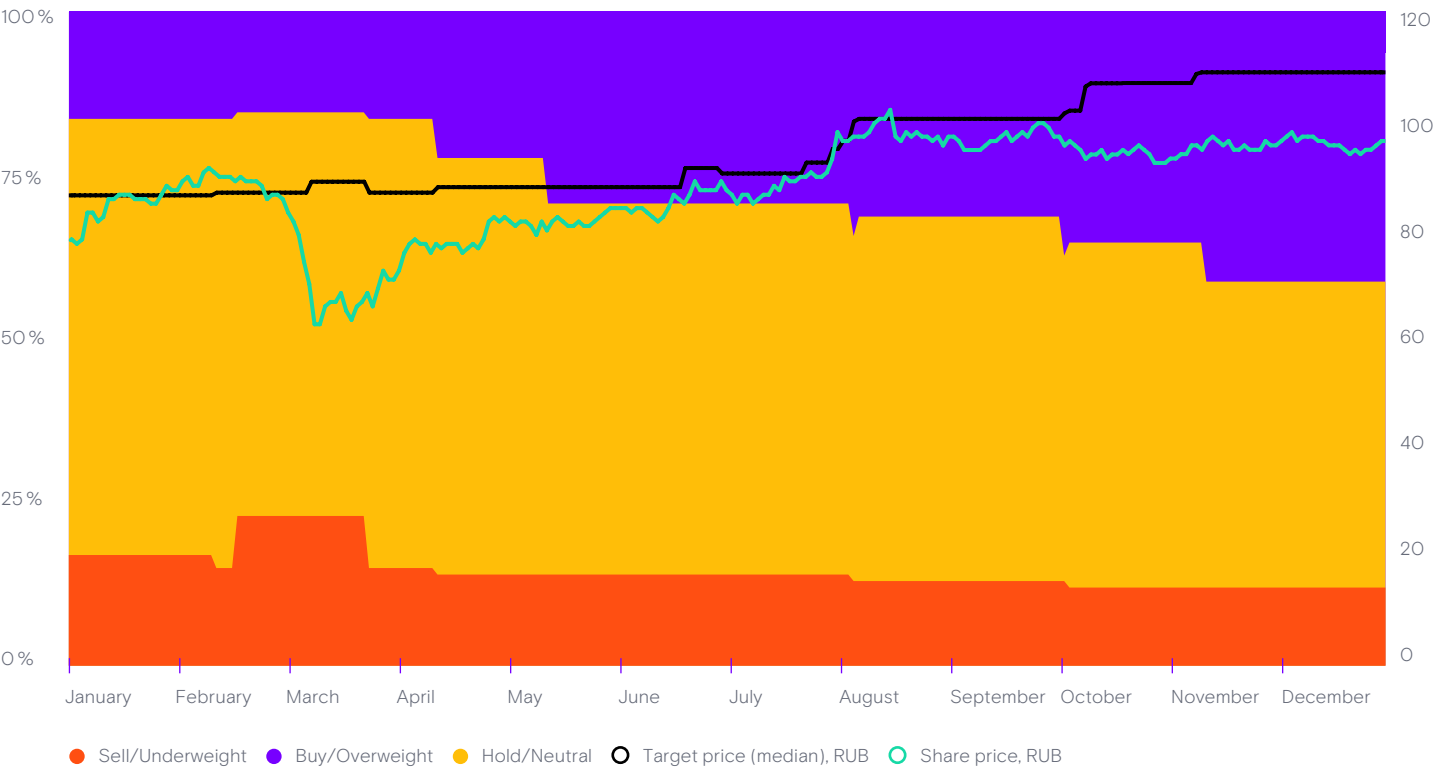


Stake in preference shares

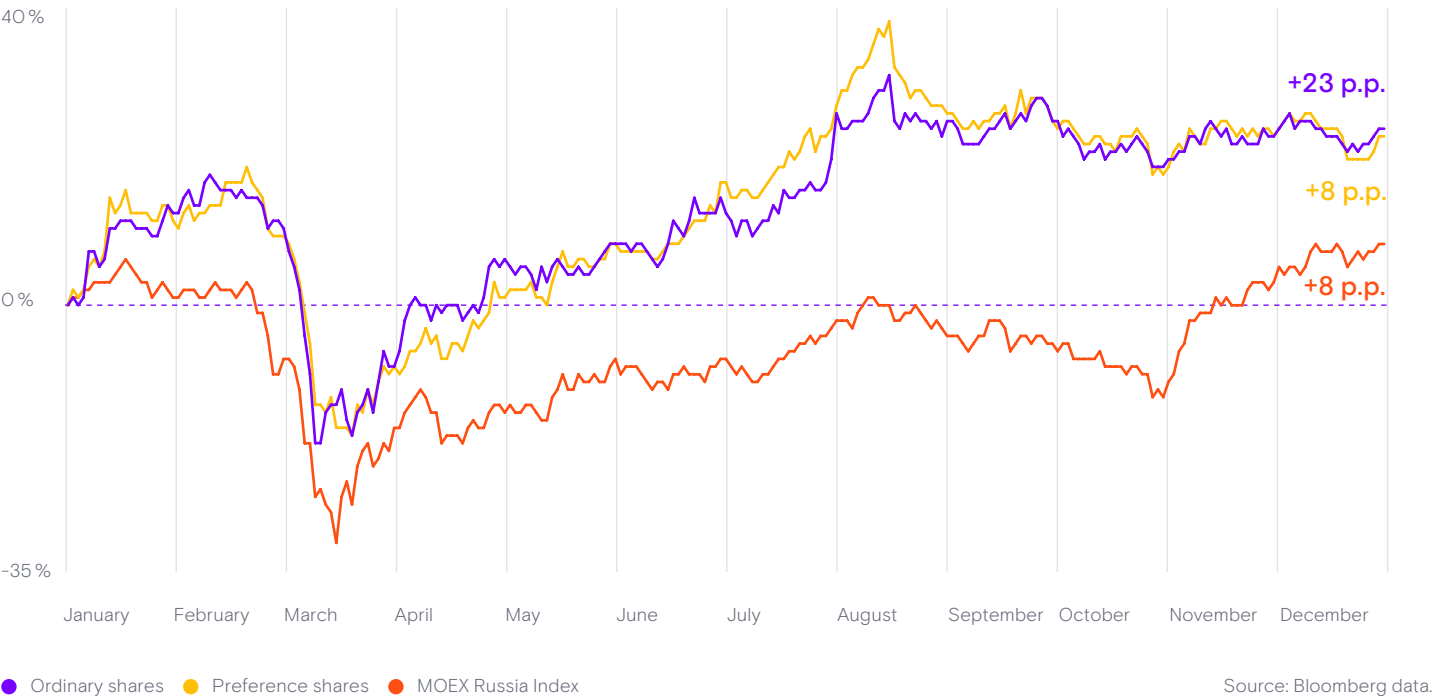


Free float Rosmushchestvo Telecom Investments VTB Bank VEB.RF MOBITEL

Analyst recommendations for PJSC Rostelecom ordinary shares, %



PJSC Rostelecom ordinary and preference share price and MOEX Russia Index performance, %



Source: Bloomberg data.

Depository receipts

PJSC Rostelecom launched an American Depositary Receipt (ADR) programme for its ordinary shares in February 1998.¹ One ADR represents six ordinary shares. Currently, the ADRs are traded on the OTCQX trading platform, as well as on the London, Frankfurt and other foreign stock exchanges under unlisted trading privileges. As at 31 December 2020, 7.4 million ADRs were issued, or 1.3% of the total outstanding ordinary shares.

Bonds

In 2020, Rostelecom placed four issues of exchange bonds:

- In February – three-year exchange bonds for RUB 15 billion at 6.25% p.a. until the final redemption date
- In February – seven-year exchange bonds for RUB 15 billion at 6.65% p.a. until the final redemption date
- In April – three-year exchange bonds for RUB 10 billion at 6.75% p.a. until the final redemption date
- In October – five-year exchange bonds for RUB 10 billion at 6.3% p.a. until the final redemption date

The proceeds were used to refinance the Company’s existing debt and did not change its overall leverage.

As at 31 December 2020, the total value of the Company’s outstanding bonds amounted to RUB 113.88 billion, or 28.12% of its debt portfolio.

¹ For more details on the depository and custodian see Appendix 11, Additional Information on PJSC Rostelecom, to this Annual Report.

Outstanding bonds as at 31 December 2020

Series	Placement date	Issue size, RUB	Number of outstanding bonds	Maturity date
БO-01	29 May 2015	5,000,000,000	862,810	16 May 2025
001P-01R	22 September 2016	15,000,000,000	8,016,404	10 September 2026
001P-02R	26 April 2017	10,000,000,000	10,000,000	14 April 2027
001P-03R	21 November 2017	10,000,000,000	10,000,000	9 November 2027
001P-04R	16 March 2018	10,000,000,000	10,000,000	3 March 2028
001P-05R	3 April 2019	15,000,000,000	15,000,000	21 March 2029
002P-01R	5 December 2019	10,000,000,000	10,000,000	27 November 2025
002P-03R	18 February 2020	15,000,000,000	15,000,000	14 February 2023
002P-02R	19 February 2020	15,000,000,000	15,000,000	10 February 2027
002P-04R	24 April 2020	10,000,000,000	10,000,000	21 April 2023
002P-05R	14 October 2020	10,000,000,000	10,000,000	8 October 2025

Dividends

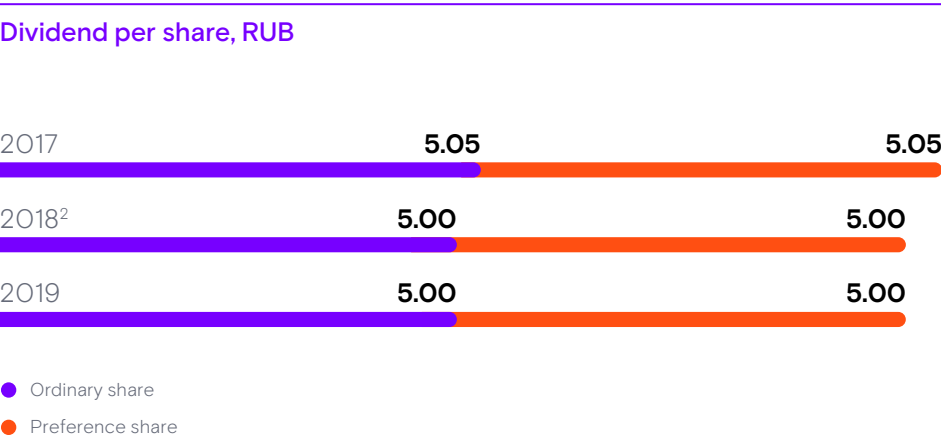
PJSC Rostelecom’s Dividend Policy¹, in effect during 2020, stipulated that the company will seek to:

- allocate to dividend payouts on ordinary and preference shares for 2018–2020 at least 75% of its FCF in each reporting year
- ensure that the annual dividend per ordinary share is at least RUB 5
- ensure that the amount of dividend payouts on ordinary and preference shares does not exceed 100% of the IFRS net profit for the reporting year, but in no case be less than the amount recommended by Rosimushchestvo and the Government of the Russian Federation for partly state-owned companies if such requirement is applicable to the Company.

¹ Approved by PJSC Rostelecom’s Board of Directors on 26 April 2019; Minutes No. 6 dated 26 April 2019. The full text of the document is available at https://www.company.rt.ru/en/ir/corporate_governance/docs/.

On 7 August 2020, the Annual General Shareholders’ Meeting resolved to pay dividends for FY2019 in the total amount of RUB 17,462,815 thousand; dividends on ordinary and preference shares were RUB 5 per share. Dividends were paid out of retained earnings of previous years; the amount paid to the federal budget was RUB 6,270,948 thousand, with no outstanding dividends payable to the federal budget.

Dividend history					
Dividends for	Total accrued, RUB thousand	Total paid prior to 2020, RUB thousand	Total paid during 2020, RUB thousand	Total paid by end of 2020	
				RUB thousand	%
2019	17,462,815	–	17,351,047	17,351,047	99.36
2018	6,961,200	6,908,466	2,546	6,911,012	99.28
9M 2018	6,961,200	6,909,292	2,136	6,911,428	99.29
2017	14,050,000	13,951,592	2,683	13,954,275	99.32
2016	15,000,000	14,892,372	2,055	14,894,427	99.30



In April 2021, the board of directors approved new Rostelecom’s Dividend Policy for 2021–2023 financial years. According to the new policy, the company will strive to pay at least RUB 5 per ordinary share and at least 5% more per share than in the previous reporting year.

2 Together with dividends for 9M 2018.

PJSC Rostelecom’s credit ratings as at 31 December 2020

AA(RU)

Analytical Credit Rating Agency (ACRA)

Outlook Stable
Affirmed on 4 June 2020

BBB[–]

Fitch Ratings

Outlook Stable
Affirmed on 13 November 2020

BB⁺

Standard & Poor’s

Outlook Stable
Affirmed on 12 February 2020

Credit ratings

According to international rating agencies, Rostelecom’s credit rating was in line with Russia’s sovereign credit rating at the time the ratings were assigned. As at the end of 2020, Rostelecom’s ratings remained unchanged: during the year, all rating agencies affirmed the Stable outlook.



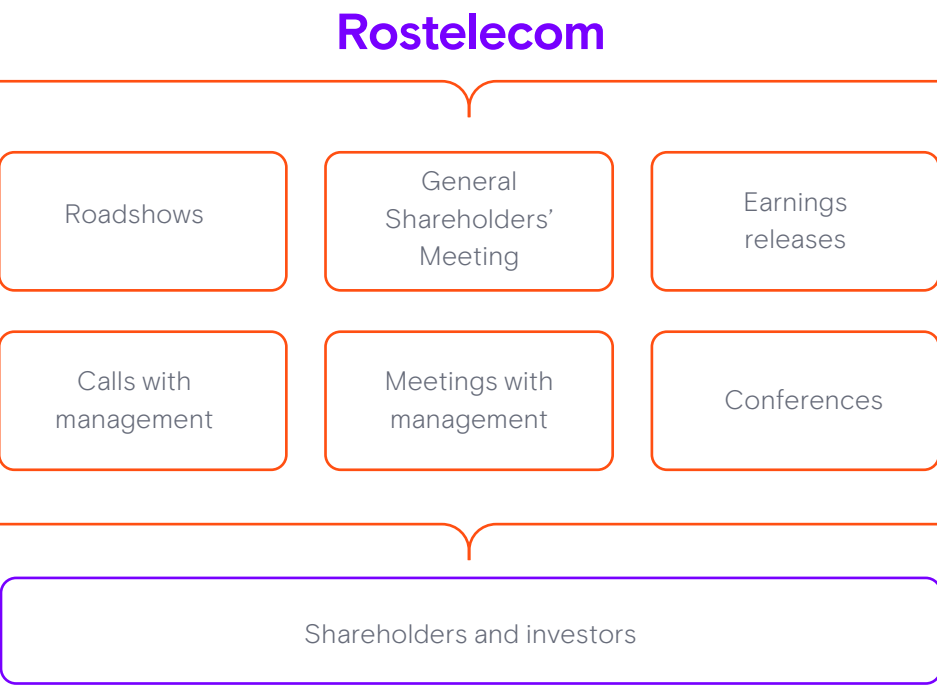
Shareholder and investor relations

Rostelecom is committed to building strong relations with the investment community, promptly providing information on its operations to stakeholders, and quickly responding to requests from investors and other target audiences. The Company maintains an ongoing dialogue with sell-side analysts and holds regular meetings with existing shareholders and potential investors.

In its interactions with investors, the Company primarily aims to:

- promote Rostelecom’s investment case
- manage expectations
- participate in analysing strategic decisions on the Company’s growth, including their impact on market capitalisation
- expand and diversify Rostelecom’s investor base, focusing on long-term investment funds
- reduce borrowing costs.

Key shareholder and investor relations tools



XXIII Annual Reports
Contest organised by
the Moscow Exchange

Best annual report among
telecoms and FMCG companies

Silver prize in the Best Strategy and
Investment Story category

Over the past year, the Company’s senior management and IR team were able to quickly readjust and adapt to remote work amid the pandemic, leveraging digital platforms and online investor communication channels. In 2020, the Company took part in seven investment conferences organised predominantly online due to the spread of COVID-19. In total, Rostelecom held about 50 face-to-face and online meetings with the investment community throughout 2020.

In addition to four quarterly disclosures of its financial and operating results and about 50 press releases for a financial audience published in 2020, Rostelecom widely reported to its investors and shareholders on the consolidation of 100% shares in Tele2 Russia, which constituted the biggest transaction in the Russian telecoms market, and on the deal to engage VTB Bank as a partner in developing the data centre and cloud solution business, which is strategically important for the Company.

As part of our efforts to improve Rostelecom’s ESG profile in 2020, we engaged with specialised providers to clarify the details of the Company’s sustainability performance, which helped improve its position in the rankings compiled by these providers. An important ESG development was Rostelecom’s inclusion in the Bloomberg Gender–Equality Index covering 380 companies from 44 countries. Rostelecom demonstrated a high level of disclosure and overall performance across the index framework.

Rostelecom’s disclosure achievements were commended at the 23rd Annual Reports Contest organised by the Moscow Exchange.¹ Rostelecom’s Annual Report 2019 ranked first among telecoms and FMCG companies and was a winner in the Best Strategy and Investment Story category.

1 <https://konkurs.moex.com/winners>

The Company is engaged in an active dialogue with analysts from banks and rating agencies.

The full list of analysts is available on the Company’s website at www.company.rt.ru/ir/ratings/coverage/

IR calendar

Date	Event	Format
15 January 2020	J.P. Morgan CEEMEA Opportunities Conference	One-on-one and small group meetings with management
6 February 2020	Raiffeisenbank Russian Day in Stockholm	One-on-one and small group meetings with management
3 March 2020	Announcement of Q4 2019 and FY2019 IFRS results	Publication of a press release, presentation, statements, and other materials for the reporting period. Holding of a press conference and a management conference call with investors
7 April 2020	SOVA–MOEX Exchange Forum 2020	One-on-one and small group online meetings with management
19 May 2020	Announcement of Q1 2020 IFRS results	Publication of a press release, presentation, statements, and other materials for the reporting period. Holding of a management conference call with investors
23 June 2020	Renaissance Capital Annual Russia Investor Conference	One-on-one and small group online meetings with management
5 August 2020	Announcement of Q2 2020 IFRS results	Publication of a press release, presentation, statements, and other materials for the reporting period. Holding of a management conference call with investors
1 September 2020	Dialogue with the Company for private investors. VTV online–conference	Group online meeting of private investors with management
29 October 2020	MOEX & SBER Forum	One-on-one and small group online meetings with management
11 November 2020	Announcement of Q3 2020 IFRS results	Publication of a press release, presentation, statements, and other materials for the reporting period. Holding of a management conference call with investors
3 December 2020	Wood’s Winter Wonderland	One-on-one and small group online meetings with management

Contact Details

Full company name	Public Joint-Stock Company "Rostelecom"
Abbreviated name	PJSC Rostelecom
State registration certificate number and date	Initial state registration details: Certificate No. 021.833 dated 23 September 1993
Legal entity registration details	Certificate of entry into the Unified State Register of Legal Entities of an entity registered before 1 July 2002 (OGRN 1027700198767) series 77 No. 004891969 dated 9 September 2002
Location	Saint Petersburg, Russian Federation
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Postal address	30 Goncharnaya St., Moscow, 115172, Russian Federation
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Headquarters	Phone: 8 800 200 0033 (toll-free) Phone: +7 499 999 8283 Fax: +7 499 999 8222
Hotline for shareholders	Phone: 8 800 100 1666 (toll-free)
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