

Remuneration

Board of Directors

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

4

RUB million

Annual remuneration payable to members of the Audit Committee of the Board of Directors

440

thousand RUB

Annual remuneration payable to members of other Committees of the Board of Directors

320

thousand RUB

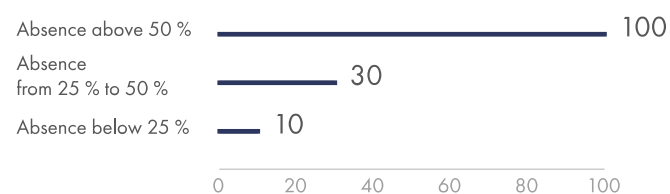
Factor applied to the Chairman of the Board of Directors

1.5

Factor applied to the Board of Directors' Committee Chairmen

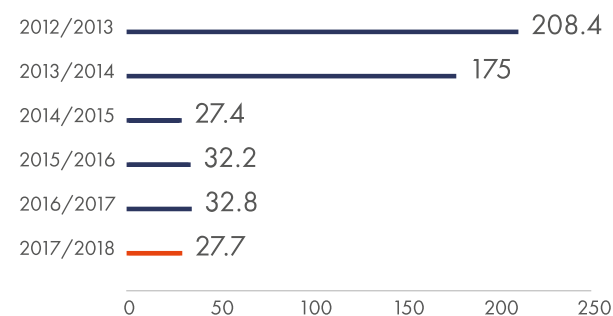
1.25

FIG. 57. REDUCTION OF REMUNERATION DUE TO ABSENCE FROM MEETINGS HELD IN PERSON OR IN ABSENTIA, %



No reimbursement of expenses or other payments were made to members of the Board of Directors in 2018, no loans (credit facilities) were granted.

FIG. 58. REMUNERATION PAID TO THE BOARD OF DIRECTORS IN 2013–2018, RUB M¹



In 2018, 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's management.

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.

TABLE 18. INDIVIDUAL PAYMENTS TO MEMBERS OF THE BOARD OF DIRECTORS, RUB

Name	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	400,000	320,000	400,000	0
Alexander A. Auzan	4,000,000	400,000	288,000	320,000	0
Kirill A. Dmitriev	4,000,000	0	0	0	0
Anton A. Zlatopolsky	0	0	0	0	0
Sergey B. Ivanov	0	0	0	0	0
Sergey B. Kalugin	0	0	0	0	0
Mikhail E. Oseevsky	0	0	0	0	0
Mikhail I. Poluboyarinov	4,000,000	0	0	0	0
Alexander A. Pchelintsev	4,000,000	0	0	0	400,000
Vadim V. Semenov	4,000,000	500,000	320,000	320,000	0
Alexey A. Yakovitsky	0	0	0	0	0
TOTAL, by type of payment	24,000,000	1,300,000	928,000	1,040,000	400,000
GRAND TOTAL					27,668,000

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.

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.

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

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.

TABLE 19. COMPONENTS OF REMUNERATION PAYABLE TO MEMBERS OF THE MANAGEMENT BOARD

Type of remuneration	Salary		Short-term incentives	Long-term incentives
	Basic salary	Annual bonus	Annual bonus	Long-term incentive program
Objective	Attract and retain professional managers by offering competitive salaries	Achieve annual business KPIs ¹	Achieve annual business KPIs ¹	Achieve long-term KPIs: Net profit, FCF, and ROIC
Target ration of remuneration components	50%	50%	50%	The multi-year programme is based on a share matching plan and offers shares as remuneration

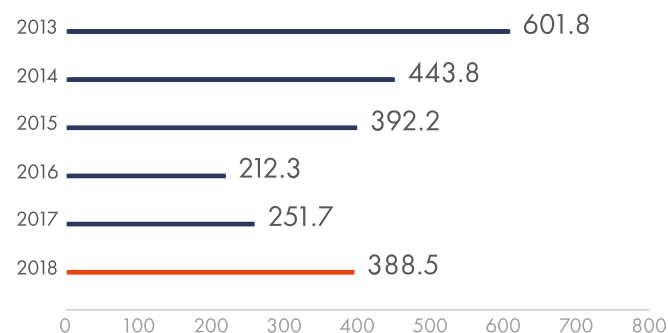
1. For more details see the Incentive Programmes section below.

TABLE 20. PAYMENTS TO THE MANAGEMENT BOARD AND THE HIGHEST PAID EMPLOYEES IN 2018, RUB

Payment type	Payments to Management Board members	Payments to Top 5 highest paid employees (key executives)
Salary	241,829,207.98	153,998,454.25
Bonuses, including:	718,146,788.02	489,678,079.17
short-term incentives	146,698,529.02	101,808,137.17
long-term incentives	571,448,259.00	387,869,942.00
Fees	0	0
Benefits	0	0
Reimbursement of expenses	0	0
Other	0	0
TOTAL	959,975,996.00	643,676,533.42

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

FIG. 59. REMUNERATION PAID TO THE MANAGEMENT BOARD, EXCLUDING LONG-TERM INCENTIVES, RUB M



The higher overall remuneration paid to the Management Board in 2018 was mainly driven by an increase in the Board's size to nine people (until 16 May 2017, six people; until 27 October 2017, eight people; currently, nine people), and changes in the composition of the Board.

TABLE 21. PAYMENTS TO MEMBERS OF THE AUDIT COMMISSION IN 2018, RUB

Name	Remuneration for serving on the Audit Commission	Salary
Valentina F. Veremyanina	800,000.00	0
Anton P. Dmitriev	0	0
Ilya I. Karpov	0	0
Mikhail P. Krasnov	880,000.00	0
Oleg A. Musienko	390,136.99	0
Alexander S. Ponkin	0	0
Alexander V. Shevchouk	1,040,000.00	0
TOTAL	3,110,136.99	0

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

Audit Commission

Annual remuneration payable to members of the Audit Commission

800

thousand RUB

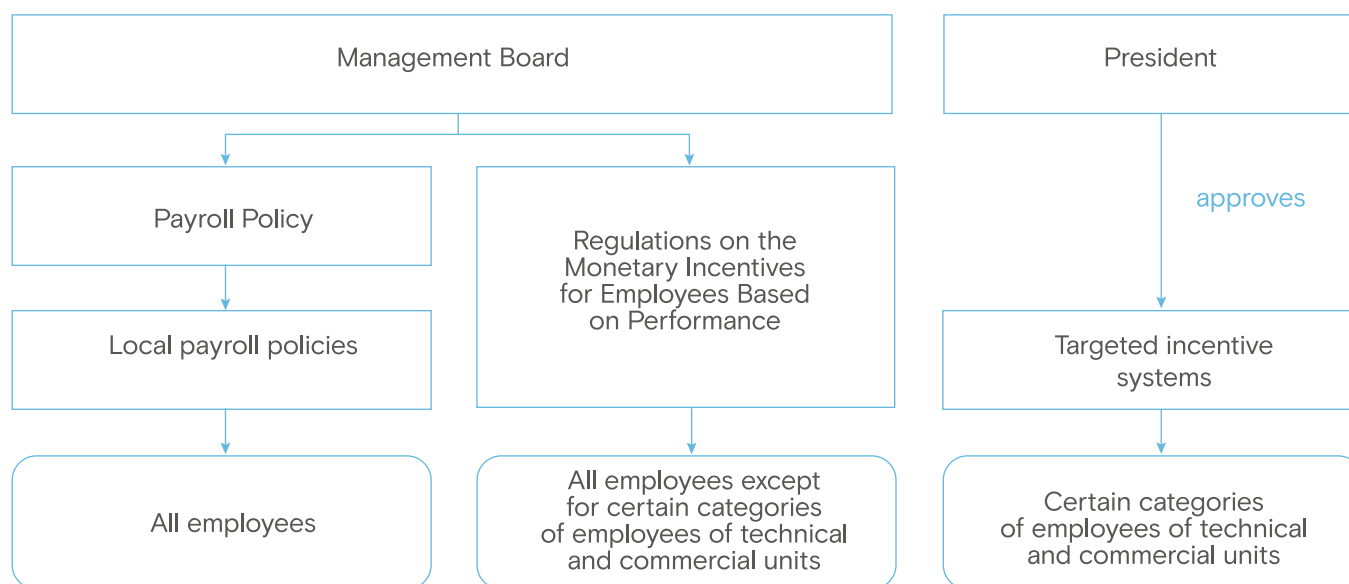
Factor applied to the Chairman of the Audit Commission

1.3

Factor applied to the Secretary of the Audit Commission

1.1

Incentive programmes



Rostelecom has in place a number of policies and regulations for employee incentives.

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

Rostelecom does not use non-cash incentives except for the Long-Term Incentive Programme. Local incentive systems in place in Rostelecom's subsidiaries and affiliates are adapted to keep in line with the Company's incentive system.

Severance may be paid to the Company's 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 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.

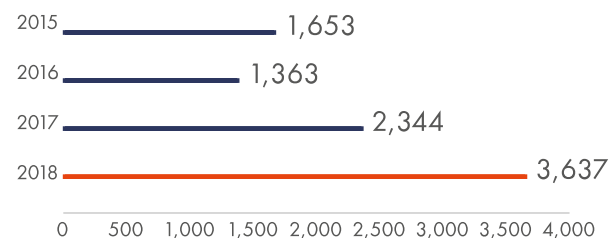
The Programme includes three cycles, which are launched annually: in 2017, 2018, and 2019. The maximum total number of shares owned by Programme participants may not exceed 6% of the Company's charter capital. The maximum number of shares owned by Programme participants in each cycle may not exceed 2% 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-Development, a closed-end unit investment fund.

FIG. 60. EXPENSES ON THE LONG-TERM MANAGEMENT INCENTIVE PROGRAMME WITHIN THE STATEMENT OF PROFIT OR LOSS, RUB M¹



In 2018, Rostelecom's Board of Directors approved the Company's Long-Term Incentive Programme for 2020-2022. The terms and conditions for participation remained the same.

1. Salary expenses, other payments, and social charges, including personal income tax and social charges. The 2017 data were adjusted for the amount of returned expenses associated with the Long-Term Incentive Programme effective until 2017.

Short-term incentives

The Company has an annual bonus scheme for top and middle managers.

We are also working to improve employee motivation. In 2018, targeted incentive schemes and KPIs for B2C and B2B segments and the Technical Infrastructure Unit based on 2017 performance were finalized.

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. Methodology of the survey was changed in 2018 to introduce a more sensitive response scale, expand assessment criteria, and add a feedback form.

System of KPIs

The Company has in place a KPI system, where KPIs depend on employee's position and scope of responsibility. Bonuses paid to employees depend on the achievement of corporate, business, and individual targets.

FIG. 61. CORPORATE KPI

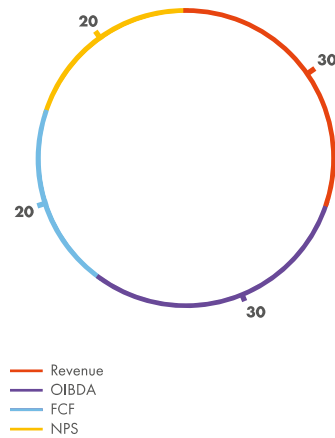


FIG. 62. BUSINESS KPI: PRESIDENT AND MEMBERS OF THE MANAGEMENT BOARD

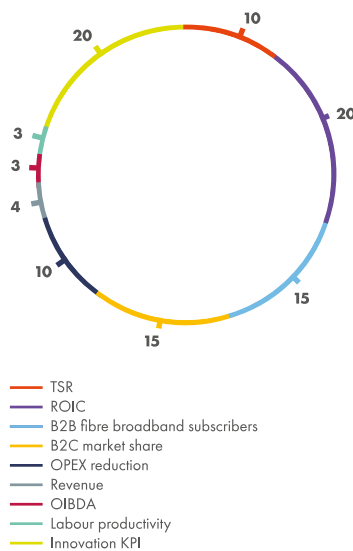


FIG. 63. BUSINESS KPI: MANAGERS OF KEY BUSINESS SEGMENTS (B2C, B2B/B2G, AND B2O)

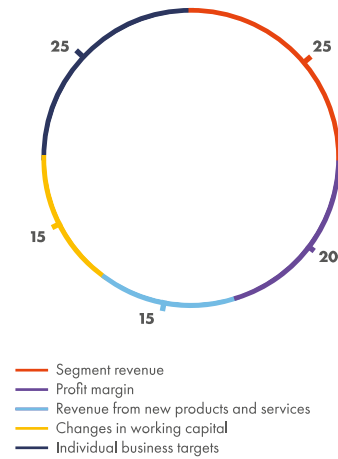


FIG. 64. BUSINESS KPI: VICE PRESIDENTS – DIRECTORS OF MACROREGIONAL BRANCHES

