

APPROVED

by the resolution of the Supervisory Board  
of the Moscow Exchange

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# **Corporate Governance Code**

## **of Public Joint-Stock Company**

### **“Moscow Exchange MICEX-RTS”**

## Contents

TERMS AND ACRONYMS.....	4
I. GENERAL PROVISIONS .....	6
1. ABOUT MOSCOW EXCHANGE .....	6
2. MANAGEMENT COMMITMENT TO BEST CORPORATE GOVERNANCE PRACTICES .....	6
3. ABOUT CORPORATE GOVERNANCE CODE.....	7
4. CORPORATE GOVERNANCE PRINCIPLES AND CONTROL OVER THEIR COMPLIANCE.....	7
5. CORPORATE GOVERNANCE SYSTEM OF THE EXCHANGE.....	8
II. IMPLEMENTATION OF CORPORATE GOVERNANCE PRINCIPLES .....	10
1. ENSURING SHAREHOLDERS' RIGHTS; SHAREHOLDER RELATIONS .....	10
1.1. Ownership rights and share capital structure .....	10
1.2. Shareholders' right to participate in the management of the Exchange .....	10
1.3. Shareholders' right to dividends .....	12
1.4. Shareholders' right to be informed .....	13
2. SUPERVISORY BOARD .....	13
2.1. Role, basic principles and functions of the Supervisory Board .....	13
2.2. Nomination, election and composition of the Supervisory Board .....	14
2.3. Role of the Chairman of the Supervisory Board .....	15
2.4. Composition, role and objectives of commissions under the Supervisory Board.....	15
2.5. Meetings of the Supervisory Board .....	16
2.6. Remuneration of members of the Supervisory Board .....	17
2.7. Conflict of interests of members of the Supervisory Board .....	18
2.8. Self-assessment of the Supervisory Board .....	18
3. EXECUTIVE BODIES .....	19
3.1. Role, main principles and functions of the executive bodies.....	19
3.2. Executive Board .....	19
3.3. Chairman of the Executive Board .....	20
3.4. Control over executive bodies by higher level management bodies .....	20
3.5. Remuneration of members of executive bodies .....	21
3.6. Managing conflicts of interest.....	22
4. CORPORATE SECRETARY.....	23
5. RISK MANAGEMENT AND INTERNAL CONTROLS .....	24
5.1. Internal control.....	24
5.2. Risk management process.....	26
5.3. External audit .....	28
6. INFORMATION DISCLOSURE; INFORMATION POLICY .....	29
6.1. General provisions on disclosure of information by the Exchange.....	29

6.2.	Information disclosure principles .....	30
6.3.	Investor and shareholder relations .....	30
7.	MATERIAL CORPORATE ACTIONS .....	32
7.1.	List of material corporate actions.....	32
7.2.	Principles of material corporate actions .....	32
7.3.	Role of the Supervisory Board in material corporate actions .....	33
7.3.1.	Transactions: .....	33
7.3.2.	Reorganisation of the Exchange: .....	33
7.3.3.	Acquisition: .....	34
7.3.4.	Increase of share capital:.....	34
7.3.5.	Delisting: .....	34
8.	CORPORATE SOCIAL RESPONSIBILITY AND STAKEHOLDER RELATIONS .....	35
8.1.	Purposes and principles of corporate social responsibility .....	35
8.2.	Relations with service users/customers.....	36
8.3.	Relations with other stakeholders.....	37
9.	CORPORATE GOVERNANCE PRINCIPLES IN THE MOSCOW EXCHANGE GROUP COMPANIES .....	39

## I. TERMS AND ACRONYMS

Acronyms, terms and definitions used in this Corporate Governance Code of the Public Joint-Stock Company “Moscow Exchange MICEX-RTS” (Moscow Exchange) have the same meanings as in the Russian laws regulating joint-stock companies and securities, unless otherwise provided by this Code of Corporate Governance.

In this Corporate Governance Code, the following acronyms shall have the following meanings:

**CGC, Moscow Exchange CGC or Moscow Exchange Code** shall mean this Corporate Governance Code adopted by the Moscow Exchange.

**Model CGC** shall mean the Model Corporate Governance Code recommended by the Bank of Russia in its Letter dated 10.04.2014 No. 06-52/2463.

**Exchange, Moscow Exchange** shall mean Public Joint-Stock Company “Moscow Exchange MICEX-RTS” (Moscow Exchange).

**Regulations on the General Meeting of Shareholders** shall mean the Regulations on Preparation, Convocation and Holding of General Meeting of Shareholders of the Moscow Exchange approved by the General Meeting of Shareholders.

**Regulations on the Supervisory Board** shall mean Regulations on the Supervisory Board of the Moscow Exchange approved by the General Meeting of Shareholders.

**Nomination and Remuneration Commission** shall mean the Nomination and Remuneration Commission of the Supervisory Board of the Exchange.

**2015–2020 Group Strategy** shall mean the Moscow Exchange Group Strategy for 2015–2020 approved by the Supervisory Board of the Exchange on March 5, 2015.

**MICEX** shall mean CJSC MICEX Stock Exchange.

**OECD** shall mean Organization for Economic Cooperation and Development.

**IFRS** shall mean International Financial Reporting Standards.

In this Corporate Governance Code, the following terms and definitions shall have the following meanings:

**Stakeholders** shall mean individual and legal entities who interact with the Exchange, including shareholders, investors, employees, customers, service providers, regulator and government bodies.

**Other key executives** shall mean employees of the Moscow Exchange Group Companies, who hold important positions within the executive management structure and have a direct impact on the financial and economic efficiency of the Exchange. List of persons (positions) belonging to the category of key executives shall be determined by the Chairman of the Executive Board on the proposal from the Nomination and Remuneration Commission.

**Executive bodies** shall mean the Executive Board and the Chairman of the Executive Board of the Exchange.

**Corporate governance** shall mean principles and rules for managing the Exchange and exercising control over its activities, which define the system of relations between the executive bodies, the Supervisory Board, shareholders of the Exchange and other stakeholders (parties to corporate relations) and aimed at defining the objectives of the Exchange and the means of achieving such objectives.

**Supervisory Board Commissions** shall mean consultative and advisory bodies established by the Supervisory Board of the Exchange for preliminary consideration of, and making recommendations on, the issues falling within its terms of reference.

**Moscow Exchange Group Companies, Moscow Exchange Group, Group** shall mean the Exchange and any legal entity controlled, directly or indirectly, by the Exchange.

**Key Group Companies** shall mean NCC Clearing Bank and NSD.

**News Line** shall mean a real time data feed provided by one of the news agencies authorised by the Bank of Russia.

**Listing Rules** shall mean the Listing Rules of the CJSC MICEX Stock Exchange setting out the terms and procedure for inclusion of securities into the list of securities admitted to trading.

**Independent directors** shall mean the members of the Supervisory Board meeting the criteria for the independence of directors established by the Listing Rules.

**Regulator** shall mean the Bank of Russia exercising its powers of regulation, control and supervision in the financial markets.

**Material corporate actions** shall mean actions by the Exchange corporate bodies, shareholders or other persons, which materially affect or may affect the shareholding structure and financial position of the Exchange and, accordingly, the position of its shareholders.

# **I. GENERAL PROVISIONS**

## **1. ABOUT MOSCOW EXCHANGE**

1.1. The Moscow Exchange is the largest Russian stock exchange established in 2011 by the merger of MICEX (Moscow Interbank Currency Exchange) founded in 1992 and RTS (Russian Trading System) founded in 1995. The Exchange is the parent company of a Group that includes the companies controlled by the Exchange and providing a wide range of trading and post-trading services in the organised market through a diversified product line. The Exchange and other companies of the Moscow Exchange Group ensure trading in the following classes of instruments: stocks, bonds, other securities, derivatives, currencies, money market instruments, precious metals and commodities. In addition to trade services, the Exchange offers a extensive range of clearing and settlement and custody services, IT products and services.

1.2. The Group's corporate vision defined by the 2015–2020 Group Strategy includes two key provisions:

- ✓ to become an international financial centre of capital raising, pricing, settlements, risk and capital management in all classes of Russian assets; and
- ✓ to create an efficient and transparent financial market infrastructure in the region, including a diversified, competitive and integrated product range.

1.3. The Group's mission is to contribute to the economic growth and restructuring of the Russian economy through:

- ✓ broadening capital raising options for issuers; and
- ✓ creating convenient, reliable and transparent investment environment for Russian and foreign investors.

1.4. As part of the IPO, the Exchange has placed its shares in its own trading floor, MICEX Stock Exchange, which demonstrated the advantages of the Russian stock market. Currently a high proportion of the Exchange's shares are in free-float, at the same time the Exchange does not have a controlling shareholder.

## **2. MANAGEMENT COMMITMENT TO BEST CORPORATE GOVERNANCE PRACTICES**

2.1. The distinctive feature of the Exchange lies in the fact that, on the one hand, it is a public company whose shares are traded in the organised market, and, on the other hand, it sets standards of corporate governance, by applying its listing mechanism to Russian public companies (including the Exchange itself). This being said, the Group's pro-active attitude to improving the corporate governance in Russian companies is one of the strategic initiatives of the Group set out its 2015–2020 Strategy.

2.2. The Exchange recognise that adherence to corporate governance principles and best practices as well as the implementation of the 2015–2020 Group Strategy are the most important conditions for its successful development.

2.3. The Supervisory Board and executive bodies of the Exchange declare that the Exchange strives to be a model for other public companies in the implementation of the highest standards of corporate governance.

2.4. Taking into account that the corporate governance is constantly evolving with the regulations, as well as new challenges and competitive environment, the Exchange will revise the Code as necessary.

### 3. ABOUT CORPORATE GOVERNANCE CODE

3.1. The main purpose of this Code is to describe the current corporate governance system of the Exchange and to create prerequisites and mechanisms for its further improvement, in order to ensure the rights and interests of shareholders, increase business efficiency, transparency and attractiveness of the Exchange for shareholders and service consumers. In this regard, in addition to describing the current corporate governance system and practices of the Exchange, the Code formulates the main directions in developing its corporate governance practices.

3.2. The Code is a public document that complies with the Russian law, including the Federal Law on Joint-Stock Companies. It is designed to meet the Model CGC recommended by the Bank of Russia, the OECD Principles of Corporate Governance, and other principles of corporate governance recommended by generally recognised international organisations. It also complements the Exchange's system of corporate governance with procedures corresponding to high standards in the area of corporate governance.

The Code explains the specifics of the Exchange's activities as an organiser of trading, which causes differences between the practice of the Supervisory Board, the executive bodies and the risk management and internal control systems and the principles contained in the Model CGC.

Explanation of key reasons and circumstances causing a deviation from principles or key criteria contained in the Model CGC and description of alternative mechanisms and tools of corporate governance are disclosed by the Exchange in its annual report.

3.3. The Code shall be published on the official website of the Exchange. The Code contains active links to internal documents of the Exchange disclosed in the Exchange's website, which supplement the provisions of the Code and/or allow stakeholders to study such documents and information.

3.4. Specific procedures mentioned and/or described in this Code are regulated in detail in the [Articles of Association of the Exchange](#) and other internal documents, including: [Regulations on the General Meeting of Shareholders](#); [Regulations on the Supervisory Board](#); Regulations on Remuneration and Indemnification of Members of the Supervisory Board; [Regulations on the Executive Board](#), Regulations on the Corporate Secretary, Regulations on the Internal Audit Service and other documents of Exchange.

3.5. The Supervisory Board of the Exchange shall approve this Code and any its alterations.

### 4. CORPORATE GOVERNANCE PRINCIPLES AND CONTROL OVER THEIR COMPLIANCE

4.1. This Code is designed to increase the attractiveness of the Exchange for the current shareholders and potential investors and is based on the following approaches:

**Accountability.** The Supervisory Board and the executive bodies of the Exchange shall be accountable to the General Meeting of Shareholders of the Exchange.

**Fairness.** The executive bodies of the Exchange shall act fairly and lawfully and ensure effective protection of the rights of shareholders of the Exchange.

**Transparency.** The executive bodies of the Exchange shall timely and adequately disclose the reliable information about material facts relating to the activities of the Exchange, including its financial position, operating results, shareholder and management structure. The executive bodies of the Exchange shall provide convenient access to such information to stakeholders.

**Responsibility.** The executive bodies of the Exchange shall recognise and ensure the rights of stakeholders under the Russian laws.

**Persistence in further development.** To ensure sustainable development of the Exchange and higher gains from equity investment in the long term, the executive bodies of the Exchange recognise the need to continuously improve the corporate governance system of the Exchange, taking into account its development and the impact of external factors, as well as the need to monitor the observance of the rights and interests of shareholders and other stakeholders.

4.2. Compliance with the corporate governance principles contained herein shall be ensured by the use of the following means:

- periodic audits by the Internal Audit Service, acting on the basis of the work plans approved by the Supervisory Board, following which reports shall be submitted to the Audit Commission and the Supervisory Board;

- corporate governance practice efficiency assessment by the Audit Commission and preparation of improvement proposals. The Supervisory Board shall consider any deviations from the principles of corporate governance and relevant corrective actions;

- reporting of the executive bodies and the Supervisory Board of the Exchange on their activities to the General Meeting of Shareholders of the Exchange. The report on the compliance with the Corporate Governance Code recommended by the Bank of Russia with a detailed analysis of compliance with the key principles of the above Code and a statement of reasons, factors and circumstances that force not to respect certain principles of corporate governance, as well as a description of alternative mechanisms and tools of corporate governance, shall be a separate section of the annual report of the Exchange.

#### *Further plans*

*The Exchange is planning to implement the practice of engaging an independent auditor (advisor) to audit the corporate governance of the Exchange.*

## **5. CORPORATE GOVERNANCE SYSTEM OF THE EXCHANGE**

The corporate governance system of the Exchange includes management bodies, control bodies and other bodies of the Exchange and the system of communications between the management bodies, control bodies and other bodies of the Exchange and its shareholders, as well as their interaction with stakeholders.

**The management bodies of the Exchange** include:

- General Meeting of Shareholders;
- Supervisory Board;
- Executive bodies: the Executive Board and the Chairman of the Executive Board.

**The system of control bodies of the Exchange** includes:

- Management bodies of the Exchange performing control functions;
- Commissions under the Supervisory Board performing control functions;
- Revision Commission, which is a body controlling financial and economic activities and subordinated directly to the General Meeting of Shareholders of the Exchange;
- Independent structural units (and/or specially authorised employees) who are in charge of internal control in accordance with the powers set forth by the internal regulations of the Exchange, including:

Internal Audit Service;



Internal Control Service.

**The system of other bodies of the Exchange** includes consultative and advisory bodies established for preliminary discussion of issues within the terms of reference of corresponding management bodies, in order to develop recommendations on decisions to be taken by them, including users' committees and the Moscow Exchange Council.

**A system of communications** between the corporate bodies and the shareholders of the Exchange, and their interaction with stakeholders is based on the following principles:

- preservation and efficient use of equity provided by the shareholders;
- reduction of risks which cannot be assessed by investors;
- corporate accountability;
- taking into account the interests of users of the Exchange services;
- information disclosure in order to ensure transparency of the Exchange for stakeholders.

## II. IMPLEMENTATION OF CORPORATE GOVERNANCE PRINCIPLES

### 1. ENSURING SHAREHOLDERS' RIGHTS; SHAREHOLDER RELATIONS

One of the main objectives of corporate governance is respect of the legitimate rights and interests of the owners of shares of the Exchange and equal treatment of all shareholders regardless of the number of shares they hold.

#### 1.1. Ownership rights and share capital structure

1.1.1. The shareholders of the Exchange are free to determine to whom and how to sell their shares, except for a number of restrictions, which are set forth by the Federal Law on Organised Trade, concerning persons who, directly or indirectly, control major blocks of voting shares of an organiser of trading. Internal documents of the Exchange contain no other restrictions on the purchase and sale of shares of the Exchange.

1.1.2. The registrar who keeps the register of shareholders of the Exchange is independent of the Exchange and its subsidiaries.

1.1.3. The authorised capital of the Exchange is comprised of common shares only, and their holders have equal rights.

One of the main objectives of corporate governance of the Exchange is to ensure equal and fair attitude to all shareholders in exercising their legitimate rights and when making major corporate actions.

A specific feature of the structure of the authorised capital of the Exchange is the lack of a controlling shareholder. Current information about the structure of [shareholders holding more than 5% of the voting shares](#) of the Exchange can be found on the website of the Exchange.

1.1.4. The Exchange has one of the highest levels of free float shares among Russian public companies. This creates conditions for increasing the liquidity of shares in organised trade.

#### 1.2. Shareholders' right to participate in the management of the Exchange

1.2.1. The Exchange approved and from time to time updates [the Regulations on the General Meeting of Shareholders](#), setting out main procedures and ensuring equal attitude to all shareholders exercising their right to attend and vote in the General Meeting of Shareholders.

1.2.2. In the course of preparation for a General Meeting in accordance with current legislation the shareholders owning in total no less than 2% of voting shares of the Exchange may, within 60 days after the end of each calendar year, propose agenda and/or nominate candidates to the management bodies of the Exchange to be considered at the annual General Meeting.

1.2.3. The Exchange shall disclose the date of the General Meeting of Shareholders at least 30 days before such General Meeting of Shareholders and information about the date of compiling the list of persons entitled to attend the General Meeting of Shareholders not less than 7 days before such date, thereby the shareholders have an enough time to familiarise themselves with the agenda of the General Meeting of Shareholders.

1.2.4. The Exchange shall publish materials on all items on the agenda of the General Meeting of Shareholders. Such materials shall be posted on the Exchange's website in Russian and in English which eliminates the need for shareholders to get to the location of the Exchange, and gives equal opportunity to review materials regardless of location and status of shareholders.

Such materials shall be so posted on the Exchange's website at least 30 days prior to the General Meeting of Shareholders to allow the shareholders to review them in advance.

In order to improve informed decision-making by the General Meeting of Shareholders, draft articles of association or other internal documents of the Exchange shall be published in the 'track changes' mode to visualise proposed amendments and additions.

In addition to the mandatory materials, the Exchange shall publish explanatory notes on all agenda of the General Meeting of Shareholders items, giving its shareholders an opportunity to carefully review the materials and make an informed and reasonable voting decision. For example, explanatory notes to internal documents submitted for approval of the General Meeting of Shareholders are specify all major changes and the rationale therefor, references to regulations pursuant to which they were designed, and, if necessary, the consequences that may affect the Exchange in case such changes are accepted / not accepted. In respect of a related party transaction to be reviewed by the General Meeting of Shareholders, explanatory notes indicate pricing mechanism and list of persons deemed interested in such transaction, stating the grounds such persons are deemed to be interested.

In addition to posting the materials on the Exchange's website, each shareholder or shareholder's representative who personally attends the General Meeting of Shareholders is also provided with a set of documents required for decision-making at their request.

1.2.5. The Exchange shall responsibly prepare to General Meetings of Shareholders, involving an adequate number of employees and paying attention to each detail.

General Meetings of Shareholders shall be held in Moscow, and the venue shall be chosen taking into account the number of shareholders and the possibility that all shareholders of the Exchange may attend the meeting personally.

1.2.6. Each shareholder shall have an opportunity to attend the General Meeting of Shareholders held in the form of joint presence, to vote in a convenient way: either by sending voting ballots by mail, or personally participating in the meeting, or by electronic voting. In accordance with the OECD recommendations, the Exchange shall translate the ballots into English to allow the shareholders to vote from abroad.

The Regulations on the General Meeting of Shareholders shall specify minimal and not burdensome exhaustive list of documents for submission to the counting commission for registration in the General Meeting of Shareholders.

1.2.7. The Exchange shall use a General Meeting of Shareholders not only to adopt formal resolutions, but also as a platform for communication between the management and the shareholders of the Exchange and to obtain feedback. Among the invitees to the annual General Meeting of Shareholders shall always be the members of the executive bodies and the members of the Supervisory Board, Chief Accountant, members of the Revision Commission, representatives of the auditor, and candidates nominated for election to the Supervisory Board and the Revision Commission, so that the shareholders could ask questions and get answers, and evaluate nominated candidates.

The shareholders shall have an opportunity to publicly express their opinion on the agenda of the General Meeting of Shareholders, in line with the procedure established for the meeting. To this end, the Regulations on the General Meeting of Shareholders shall provide sufficient time for speakers and time to discuss the agenda of the General Meeting of Shareholders.

1.2.8. The Exchange shall seek to create conditions for fair treatment of each shareholder by the management and controlling persons of the Exchange.

1.2.9. The Exchange shall take necessary measures to exclude actions that lead to an artificial redistribution of corporate control. The Articles of Association of the Exchange state that shares in the Exchange owned by a subsidiary may be sold only subject to a relevant resolution adopted by a

qualified (3/4) majority vote of the Supervisory Board's members present at the meeting. In such manner, the Supervisory Board maintains control over the circulation of quasi treasury stock of the Exchange, including the prohibition for its subsidiaries to vote by such shares.

1.2.10. The Exchange granted to shareholders holding in total not less than 5 per cent of voting shares an additional right to make proposals for inclusion into the agenda of the Supervisory Board of issues that directly concern their rights and interests:

- nominate the registrar;
- review reports of the head of the Internal Audit Service;
- consider unscheduled audits by the Internal Audit Service;
- review reports of the Corporate Secretary of the Exchange.

1.2.11. The management of the Exchange shall regularly communicate with the shareholders and their representatives by way of publishing news, press releases, annual reports, presentations and other materials for investors, organising meetings and special-purpose events for analysts and investors, holding road shows, participating conferences for investors, as well as organising quarterly conference calls and web casts for analysts and investors, in which they shall present and comment on the financial results for the reporting period and provide comments from the management. The management of the Exchange shall also actively interact with the mass media.

#### *Further plans*

1. During preparation for the General Meeting of Shareholders, the Exchange is planning to organise a special hotline for communication with its shareholders and to establish a special e-mail address on its website for questions on the agenda of the meeting.

### **1.3. Shareholders' right to dividends**

1.3.1. The Exchange shall provide to its shareholders a fair opportunity to participate in its profits by way of dividends, for which purpose the Exchange shall have in place the Dividend Policy, establishing a transparent mechanism and guidelines for determining the amount of dividends in the medium term. Following the best practices of corporate governance and in accordance with the Policy, the dividend amount is calculated as a percentage of net profit of Moscow Exchange Group according to IFRS and shown in the annual consolidated financial statements.

1.3.2. The Exchange is committed to carry out the Annual General Meeting of Shareholders in spring in the shortest possible time, so that the shareholders could decide on the distribution of profits and payment of dividends and receive dividend distributions as early as possible.

1.3.3. An explanatory note to the shareholders on the distribution of profits of the Exchange posted on the website of the Exchange prior to the General Meeting of Shareholders shall contain a rationale for the proposed distribution of the net and Group's profit according to IFRS showed in the consolidated financial statements for the reporting financial year, including profit distributed as dividends. This information allows shareholders to obtain information on the distribution of profits not only of the Exchange, but also within the Group, including the need to maintain (achieve) the capital adequacy required for each financial institution within the Group.

1.3.4. In accordance with the proper corporate governance practice, the Exchange shall pay dividends to shareholders in cash.

#### *Further plans*

*The Exchange is planning to approve its Dividend Policy for the period till Y2017.*

#### **1.4. Shareholders' right to be informed**

*See Section 6 "Disclosures; Information Policy" below.*

## **2. SUPERVISORY BOARD**

### **2.1. Role, basic principles and functions of the Supervisory Board**

2.1.1. The role of the Supervisory Board is to generally manage the Exchange. The members of the Supervisory Board shall be governed by best interests of the Exchange and its shareholders, acting reasonably and in good faith, and shall perform their duties with due care and diligence. They shall be personally liable for decisions made.

2.1.2. In its activities, the Supervisory Board shall be guided by the following principles:

- Competence. The professional competence of each member of the Supervisory Board allows effectively and fully perform their duties, connected with their membership in the Supervisory Board, and to assess a wide range of issues related to the implementation of the 2015–2020 Group Strategy.

- Independence. The members of Supervisory Board shall act and participate in decision making solely in the interests of the Exchange, independently of one another and the executive bodies, irrespective of their personal interests and private interests of shareholders. The Exchange expects of the shareholders that independent directors shall comprise not less than 1/3 of members of the Supervisory Board.

- Responsibility. Supervisory Board members shall act in the best interests of the Exchange, in good faith and reasonably; they must reimburse the Exchange and the shareholders for any damage caused by their fault; they also shall be held liable for unfair or unreasonable actions, including cases when their actions (inaction) fail to meet the general conditions of civil turnover or the normal entrepreneurial risk.

- Accountability. The Supervisory Board sets its annual targets and reports to the General Meeting of Shareholders on the work progress.

- Ethics. Members of the Supervisory Board shall act in a manner consistent with the good reputation of the Exchange, and they shall refrain from any conduct, which may have a negative effect on the operation of the Exchange.

2.1.3. According to [the Regulations on the Supervisory Board](#) of the Exchange, the Supervisory Board shall:

- define basic guidelines, strategies and development priorities;
- define principles and approaches to risk management and internal control;
- supervise the executive bodies, corporate governance practices, financial and economic activities.

The powers of the Supervisory Board are specified in [the Articles of Association](#) of the Exchange.

The Supervisory Board shall be the main control authority, monitoring adherence to the corporate governance practices of the Exchange in the course of material corporate actions.

The Supervisory Board shall review the compliance of the corporate governance system and the corporate values of the Exchange to objectives and challenges facing the Exchange as well as the scale of its business and risks. When reviewing the corporate governance system the Supervisory Board shall take into account the audits carried out by the Internal Audit Service in the following areas:

- compliance with ethical principles and corporate values;

- procedures for setting targets and monitoring their achievement;
- regulatory support and information exchange procedures (including risk management and internal control) at all levels of governance, including communication with stakeholders;
- guarantees of rights of shareholders, including controlled companies, and effective communication with stakeholders;
- information disclosure procedures.

Having reviewed the corporate governance practices, the Supervisory Board shall formulate proposals to improve such practices, to amend the Articles of Association and other internal documents of the Exchange, and, if necessary, make appropriate staff changes.

2.1.4. The Annual Report of the Exchange shall include the report of the Supervisory Board, which describes the main results of the Exchange in the priority areas over the past fiscal year, the number of meetings held and key issues considered by the Supervisory Board and resolutions taken.

*Further plans:*

*For the purpose of evaluating the performance of the Supervisory Board and each director and making recommendations for improving the procedures, the Exchange is planning to develop a formal procedure for detailed evaluation and to engage a third-party consultant to make such evaluation.*

*The conclusions of such evaluation will be included in the Annual Report of the Exchange.*

## **2.2. Nomination of the candidates, election and composition of the Supervisory Board**

2.2.1. The shareholders shall nominate the candidates to members of the Supervisory Board from among those who comply with the relevant requirements to directors set forth in the Federal Law *On organised trading*, and taking into account the required number of independent directors.

2.2.2. In order to ensure that the members of the Supervisory Board meet the above requirements and have experience and competence necessary to form a balanced composition of the Supervisory Board and its commissions, the Nomination and Remuneration Commission, in cooperation with the Chairman of the Supervisory Board, shall define the criteria for selecting candidates to the Supervisory Board and advise the shareholders on the requirements of the Exchange in respect of the proposed candidates. Special attention shall be paid to independent directors to ensure that the required number of candidates is nominated that meet the criteria of independence. The Nomination and Remuneration Commission shall assess whether the candidates conform to the independence criteria and whether their competence and professionalism are acceptable for the purposes of the Exchange.

2.2.3. To carry out succession planning, the Nomination and Remuneration Commission shall evaluate the composition of the Supervisory Board and its commissions and, if necessary, the supervisory boards of key companies of Moscow Exchange Group in terms of professional expertise, experience, independence and involvement of members; having conducted such evaluation the Nomination and Remuneration Commission shall determine the expected needs in new candidates for the Supervisory Board.

2.2.4. Presence of the necessary number of independent directors on the Supervisory Board shall ensure the independence and objectivity of its decisions.

2.2.5. Effectiveness, soundness and validity of the decisions are also promoted through election to the Supervisory Board of persons possessing the required level of competence, professionalism and reputation in the field of financial markets and stock exchange trade, as well as those who are members to professional communities of corporate directors.

After the list of recommended candidates to the Supervisory Board is fixed, the Nomination and Remuneration Commission shall review the professional qualifications and independence of the

candidates and issue voting recommendations to the shareholders, which recommendations are posted on the website of the Exchange for review.

2.2.6. In preparation for the General Meeting of Shareholders, the Exchange shall post on its website information enabling the shareholders to form ideas about their personal and professional qualities, and make an informed decision. To this end, the Exchange shall disclose information about the qualification and professional skills of each candidate and the candidate's potential value for the Supervisory Board, as well as about the shareholder(s) who nominated the candidate, the candidate's age and education, position, work experience, nature of his relationships with the Exchange, affiliates and major counterparties, his compliance to the requirements for independent directors, as well as other information that may be useful to the shareholders in making a decision.

### **2.3. Role of the Chairman of the Supervisory Board**

The Chairman of the Supervisory Board manages the activities of the Supervisory Board. The Chairman shall be elected at the first meeting of the newly elected Supervisory Board. The Articles of Association of the Exchange authorise the Supervisory Board to re-elect the Chairman at any time.

The Chairman shall organise the procedures of the Supervisory Board and follow-up its resolutions. He shall preside in the meetings of the Supervisory Board and the General Meeting of Shareholders and organise discussions and voting. He shall report to the Annual General Meeting of Shareholders on the activities of the Supervisory Board. The Chairman shall represent the Exchange in its relations with the third parties and perform other functions stipulated by [the Regulations on the Supervisory Board](#).

#### *Further plans*

*The Exchange is planning to set a procedure for selection of a senior independent director from among the independent directors, who will coordinate the activities of independent directors, act as an additional guarantee of efficient and stable work of the Supervisory Board, and liaise with the Chairman of the Supervisory Board.*

### **2.4. Composition, role and objectives of commissions under the Supervisory Board**

The Supervisory Board may appoint commissions which are advisory bodies that preliminarily review the most important issues requiring expert study within the terms of reference of the Supervisory Board and give recommendations to the Supervisory Board.

The commissions are auxiliary bodies under the Supervisory Board, and they are accountable to the Supervisory Board. Each commission chairperson shall regularly report to the Board.

Recommendations issued by the commissions shall be reported to the directors and included in the minutes of the meetings of the Supervisory Board.

The Supervisory Board has established the following commissions:

- Audit Commission is intended to ensure efficiency of the Supervisory Board in solving issues related to control of financial and operating activities. The assessment of the audit report prepared by the Audit Commission shall be communicated to the shareholders for review and posted on the website of the Exchange in the course of preparation for the General Meeting of Shareholders.

- Nomination and Remuneration Commission is intended to ensure the Supervisory Board efficiency in matters related to the activities of the Exchange and the Moscow Exchange Group Companies in the area of appointments and remuneration of the members of supervisory boards, executive management bodies of the Exchange and sole executive bodies of the Key Group Companies, as well as other key executives and members of revision commissions.



- Strategy Planning Commission is intended to improve the efficiency of the Exchange and Moscow Exchange Group Companies through preliminary review and preparation of recommendations for the Supervisory Board regarding the design, development and implementation of strategic goals and objectives of the Exchange and the Moscow Exchange Group Companies in the long and medium term.

- Budget Commission is intended to exercise control of the Supervisory Board over formation and expenditure of the consolidated budget of the Exchange and the Moscow Exchange Group Companies and implementation of an efficient tariff policy by the Moscow Exchange Group Companies.

- Risk Management Commission is intended to participate in the improvement the non-financial risk management system, including operational, legal, reputational, strategic and other business risks, in order to enhance reliability and efficiency of the Exchange's activities.

- Technical Policy Commission is intended to develop and improve efficiency of the Exchange and the Moscow Exchange Group Companies by way of preparing recommendations and expert conclusions for the Supervisory Board, the Supervisory Boards of the Group Companies and their commissions, as well as executive bodies, concerning the technology policy and the IT and software development issues.

The commissions of the Supervisory Board shall include the members of the Supervisory Board with the exception made for the Commission for Technical Policy, in composition of which can be elected, besides the Supervisory Board members, experts with the necessary qualifications for the work of the Commission in the field of information technology and software.

In order to make sure the commissions' membership corresponds to the functions they perform, candidates to the Supervisory Board shall be nominated taking into account their relevant professional competence and experience to make sure members can be elected to the mentioned above commissions.

Given the need for preliminary review by the commissions of issues related to operation of the Exchange as a trade organiser, the Supervisory Board may involve relevant experts to participate in the work of such a commission, with the right of advisory vote.

#### *Further plans:*

*The Exchange is planning to include in the Nomination and Remuneration Commission independent directors only, and, if it is not possible for objective reasons, the majority of independent directors; other positions in the Commission may be filled by those members of the Supervisory Board who are non-executive directors.*

## **2.5. Meetings of the Supervisory Board**

The Supervisory Board shall hold its meetings from time to time on an as-needed basis. The regular meetings shall be held in accordance with the schedule approved by the Supervisory Board for the entire period of its term, which allows directors to plan their participation in the meetings. Extraordinary meetings and 'distant' meetings may also be held when necessary.

The form of the meeting is determined by the Chairman of the Supervisory Board, depending on the need to discuss issues in praesentia. Issues to be preferably considered by the Supervisory Board in praesentia are listed in the [Articles of Association](#) of the Exchange. Meetings of the Supervisory Board held in praesentia may accept a written opinion of an absent director, subject to compliance with certain provisions of the [Regulations on the Supervisory Board](#).

Notice of the meeting of the Supervisory Board shall be submitted to the directors as stipulated by the Regulations on the Supervisory Board. The notice shall specify the meeting agenda, explanatory



notes on the issues to be resolved and other necessary information materials on the agenda, draft resolutions on the agenda, and voting ballots (in case of voting in absentia). All the above allows the members of the Supervisory Board to get acquainted with the materials and, should they have questions, to receive answers from the management of the Exchange or get additional information.

The detailed procedure for preparation, convocation and holding of meetings of the Supervisory Board shall be stipulated in the [Regulations on the Supervisory Board](#), which are available on the Exchange's website.

*Further plans:*

*Although the Exchange is interested in the personal and direct attendance of directors at the meetings of the Supervisory Board held in praesentia, the Exchange is planning to make it possible for the members of the Supervisory Board to participate in the discussions and voting through video-conferencing, whenever directors may have justifiable reasons for their absence at the meeting.*

## **2.6. Remuneration of members of the Supervisory Board**

2.6.1. The remuneration of the members of the Supervisory Board shall be determined by the General Meeting of Shareholders and in the Regulations on Remuneration and Compensation of Members of the Supervisory Board. Said Regulations shall set mechanisms for determining such remuneration, other payments, benefits and privileges granted to members of the Supervisory Board; the Regulations also provide for the possibility to grant to the Exchange's shares to the directors on account of their remuneration due. It is important that this right is aimed at long-term ownership of shares by the directors, and it is not subject to performance indicators of the Exchange.

2.6.2. The motivation system for directors shall be aimed at attracting highly qualified and work-oriented directors to work on the Supervisory Board and its commissions, and shall ensure that the level of remuneration is comparable to that of peer Russian and foreign public companies.

2.6.3. The remuneration of the members of the Supervisory Board shall consist of basic and additional parts; the latter shall depend on the work load and the degree of responsibility assigned to each member of the Supervisory Board (Chairman of the Supervisory Board or a commission, Deputy Chairman of the Supervisory Board, a member of a commission). In addition to the remuneration, each member of the Supervisory Board shall be reimbursed for travel and accommodation expenses and other expenses as determined by the Regulations on Remuneration and Reimbursement of Expenses to the Members of the Supervisory Board.

2.6.4. The Exchange shall, in active collaboration with the Nomination and Remuneration Commission, strive to improve the system of remuneration to members of the Supervisory Board, taking into account the best practices of corporate governance, the positive experience of public companies and foreign exchanges.

2.6.5. In its annual report, the Exchange shall disclose information on the amount of individual year-end remuneration associated with the performance of the member of the Supervisory Board functions for each member of the Supervisory Board.

*Further plans*

*The Exchange is planning to develop and submit for approval by the Supervisory Board the Policy of remuneration of members of the Supervisory Board and executive bodies, containing principles, mechanisms and procedure for determining the amount of their remuneration.*

## **2.7. Conflict of interests of members of the Supervisory Board**

The measures taken by the Exchange in order to prevent conflicts of interest shall be elaborated in the internal documents of the Exchange.

The [Regulations on the Supervisory Board](#) establish that each director shall refrain from actions that will or may lead to a conflict of interest between him and the Exchange, and notify the Exchange in writing that he (or his affiliates) is interested in a concluded or proposed transaction and the grounds of possible conflict of interest. Directors shall also notify the Exchange of their intention to make, on their own account or for the account of others, a transaction with securities of the Exchange and submit to the Exchange information on such actual transactions, as well as information on the legal entities in the management bodies of which they participate.

The Articles of Association of the Exchange shall establish an obligation of each member of the Supervisory Board to disclose information about his ownership of any securities of the Exchange, as well as about his purchases or sales thereof.

The Exchange shall insure the directors' liability, which promotes to protect the interests of members of the Supervisory Board in the event of their losses related to any wrong actions (including, but not limited to - the errors, omissions, or negligence, improper performance of duties or misconduct), as well to create balance between the risks of the Supervisory Board members and interests of the Exchange when directors make their decisions on debatable issues.

The above measures shall be aimed at reducing the risk of conflict of interest in the work of the Supervisory Board and providing a sufficiently high level of assurance that any conflict of interest of the members of the Supervisory Board will be resolved at an early stage, and the interests of the Exchange and its shareholders, customers and other stakeholders will not be prejudiced.

## **2.8. Self-assessment of the Supervisory Board**

The Supervisory Board shall annually assess its performance and the performance of its members and commissions. The assessment helps to improve the work quality and to identify problems in the organisation of the Supervisory Board as well as certain shortcomings in the work of its members.

### *Further plans*

*1. The Exchange is planning to engage third-party consultants at least once every three years to carry out assessment of the Supervisory Board.*

*2. The Nomination and Remuneration Commission is planning to establish a methodology for self-assessment of the Supervisory Board.*

*3. The Nomination and Remuneration Commission is planning to draw reports on the self-assessment of the Supervisory Board for inclusion in the Annual Report of the Exchange.*

### **3. EXECUTIVE BODIES**

#### **3.1. Role, main principles and functions of the executive bodies**

3.1.1. The executive management bodies of the Exchange shall include the Chairman of the Executive Board (a sole executive body) and the Executive Board (a collective executive body). The activities, functions, rights and obligations of the executive bodies are regulated by federal laws, the [Articles of Association](#) and [the Regulations on the Executive Board](#) of the Exchange, which can be found on the Exchange's website.

3.1.2. The executive bodies shall manage current activities of the Exchange and shall be guided by the following principles:

- Professionalism. The Chairman and members of the Executive Board shall comply with the requirements set by the Russian laws and the Bank of Russia regulations, have professional qualifications and experience high enough to develop and effectively manage the Exchange.

- Responsibility. The executive bodies of the Exchange shall be responsible for the operational management of the Exchange and the achievement of its strategic and business goals. They shall allocate the duties among relevant structural units/employees of the Exchange and establish responsibilities for the implementation of their functions.

- Accountability. The executive bodies of the Exchange shall provide their reports to the Supervisory Board (annually) and to the General Meeting of Shareholders of the Exchange. The Supervisory Board shall also review quarterly reports of the Executive Board concerning the performance of the Exchange and take decisions based on their review.

- Observance of the balance of interests of the participants of corporate relations. The executive bodies of the Exchange shall be guided by the Russian laws, the aims and objectives set by the General Meeting of Shareholders and the Supervisory Board of the Exchange.

- Ethics. The executive bodies of the Exchange shall act in a manner that is consistent with the good reputation of the Exchange, and shall refrain from any conduct that could have a negative effect on the reputation of the Exchange.

3.1.3. The main functions of the executive bodies are:

- managing, in an effective manner, the current financial, economic and business activities;
- ensure implementation of the resolutions of the General Meeting of Shareholders and the Supervisory Board, implementing the priority activities and 2015–2020 Group Strategy.

The powers shall be distributed between the Executive Board and the Chairman of the Executive Board so that to take into account the complexity of decisions and the principles of efficiency and responsibility for the consequences of decisions made.

#### **3.2. Executive Board**

3.2.1. The Executive Board of the Exchange shall make informed decisions on the most important issues of the current activities of the Exchange that fall within the terms of reference of the executive bodies in accordance with the Articles of Association of the Exchange, including: making proposals on the Exchange's strategy; approving internal documents adopted in the development of the rules of trading and regulating the interaction with customers of trade services; approving specifications of financial instruments; establishing advisory bodies and etc. The Executive Board shall approve any transaction aimed at ensuring the on-going business of the Exchange and exceeding a fixed limit, adopt decisions on issues within the competence of the general meeting of shareholders (participants) of subsidiaries the sole shareholder (participant) of which is the Exchange (with the exception of decisions related to the disposal of "quasi treasury" shares of the Exchange).

3.2.2. Members of the Executive Board shall be nominated by the Chairman of the Executive Board and elected by the Supervisory Board taking into account the recommendation of the Nomination and Remuneration Commission for a term not exceeding three (3) years; they can be re-elected unlimited number of times. The number of members of the Executive Board shall be determined by the Supervisory Board and shall not be less than the quantity determined by the Articles of Association of the Exchange.

The laws and the Supervisory Board define eligibility and other requirements to the members of the executive bodies. A member of the Executive Board must have a higher education, be a highly qualified professional, meet the requirements for business reputation, not have been convicted of economic crimes or offenses against the state, and must meet the statutory and other regulations.

### **3.3. Chairman of the Executive Board**

The Chairman of the Executive Board shall organise its work and preside over the meetings of the Executive Board, ensure implementation of resolutions of the General Meeting of Shareholders, the Supervisory Board and the Executive Board of the Exchange.

The Chairman of the Executive Board shall act without a power of attorney on behalf of the Exchange, among other, represent its interests; make transactions on its behalf; approve staff lists; issue orders and instructions; give instructions binding upon all employees of the Exchange; take initiatives concerning the activities of the Exchange; delegate certain authorities on the basis of an empowering order and/or a power of attorney.

The General Meeting of Shareholders shall elect the Chairman of the Executive Board.

#### *Further plans*

1. *Following the best practices of corporate governance and the requirements of the Federal Law “On Organized Trades”, the Exchange is planning to introduce changes into the Articles of Association of the Exchange and transfer the right to elect the Chairman of the Executive Board from the General Meeting of Shareholders to the Supervisory Board of the Exchange.*

2. *In order to ensure management continuity of the Exchange and to mitigate operational risks, and taking into account the uniqueness of the Exchange in terms of professional competencies of its personnel, the Exchange is planning to develop and implement a succession planning programme (Succession Planning) of the Executive Board members and other key executives.*

### **3.4. Control over executive bodies by higher level management bodies**

3.4.1. The executive bodies of the Exchange shall be accountable to the General Meeting of Shareholders and the Supervisory Board. The main control functions over the executive bodies shall be performed by the Supervisory Board, which in collaboration with the Nomination and Remuneration Commission shall exercise a range of supervisory powers, including the following main ones:

- assessment of candidates to the positions of members of the Exchange executive bodies, including the possibility and desirability of re-appointment of such members;
- approval of terms of contracts with members of the executive bodies, including those regulating remuneration and other payments, and early termination of such contracts;
- annual assessment of performance of members of the Exchange executive bodies in accordance with the remuneration policy; assessment of the achievement of targets set forth for such members in a long-term incentive programme;

- approval of corporate and individual key performance indicators (targets) for members of the executive bodies for each reporting year;
- review of annual and interim performance reports of executive bodies of the Exchange, as well as quarterly Exchange performance reports, and making decisions on the basis of such review;
- identification of current and anticipated needs of the Exchange as to the qualifications of members of the executive bodies, to maintain the competitiveness and to further develop the Exchange;
- succession planning.

In addition to key performance indicators, the Nomination and Remuneration Commission shall approve, for each member of the Executive Board, an annual personal development plan, aimed at improving his/her professional and management skills.

3.4.2. On behalf of the Supervisory Board, the Executive Board shall submit to the Supervisory Board reports on implementation of the priority projects of the Exchange, financial and operating results, key risks, competitive environment of the Group, effectiveness of internal controls and material transactions, as well as other reports on the activities of the Exchange.

The Supervisory Board shall review reports on the implementation of assignments issued by the Supervisory Board, assess their performance and make decisions following the results of such review on a quarterly basis.

3.4.3. At the Annual General Meetings of Shareholders, a report of the Chairman of the Executive Board and the reports of other top managers shall be read out to show the results achieved by the executive bodies. The shareholders shall have the right to ask questions to the members of the executive bodies of the Exchange present at the meeting. The shareholders also may assess the performance of executive bodies on the basis of the information disclosed by the Exchange.

### **3.5. Remuneration of members of executive bodies**

3.5.1. The Supervisory Board, with support from the Nomination and Remuneration Commission, shall be responsible for establishment of efficient and transparent compensation practices. To this end, the Supervisory Board, on the advice from the Nomination and Remuneration Commission, shall determine the amount of remuneration to the members of executive bodies (both fixed and variable parts thereof) that depends on the performance of the Exchange and the individual contribution of members of the Executive Board to the overall performance. The dependence of remuneration on business results shall be implemented, in particular, through annual approval by the Supervisory Board of key performance indicators for each member of the Executive Board, review of his/her report on the achievement of such indicators, and taking a decision on the amount of annual bonus (year-end bonus) taking into account performance against the key performance indicators.

3.5.2. The system of remuneration of the members of executive bodies shall be aimed at optimal balance between the performance of the Exchange and the personal contribution of each member of the executive bodies to such performance.

Principles and basic mechanisms of the procedure for determining the remuneration of the members of the executive bodies, including: structure of remuneration, regulation of different types of payments, benefits and privileges, conditions for and amounts of reimbursement (compensation), and the list of costs so reimbursed shall be established by the Remuneration Policy. Such Policy shall be developed with the assistance of the Nomination and Remuneration Commission and approved by the Supervisory Board of the Exchange. The Supervisory Board of the Exchange, supported by the Nomination and Remuneration Commission, shall monitor the implementation of the Remuneration Policy.

3.5.3. Specific remuneration to members of the executive bodies, conditions and procedure for payment of remuneration and conditions for early termination of employment contracts, including severance pay and compensations shall be reviewed and approved by the Supervisory Board on the advice from the Nomination and Remuneration Commission (in the frames of the procedure for approval of the terms of employment contracts with members of the Exchange executive bodies) and shall be subject to revision. The amount of compensation (severance pay) payable in the event of early termination of powers of members of executive bodies at the initiative of the Exchange (in the absence of their unscrupulous actions) shall not exceed the fixed part of the annual remuneration. The decision on payment of a bonus and the amount of such a bonus shall depend on the achievement of individual key performance indicators by each member of an executive body in the reporting period. In order to develop the institute of personal responsibility of members of the executive bodies, the Supervisory Board shall regularly practice the postponement for 2 (two) years of bonuses to those members of executive bodies who are in charge of certain activities / projects, including possible cut or elimination of the deferred bonus in accordance with the Remuneration Policy.

3.5.4. In order to improve motivation and responsibility of members of the executive bodies of the Exchange and key executives and to form their attitude to the business of the Exchange as of the owners of the company, as well as to link their remuneration to long-term performance of the Exchange, the Supervisory Board shall approve and from time to time revise the principles and indicators of a Long-term Incentive Programme for Executives of the Exchange.

#### *Further plans*

*The Exchange is planning to draw up and submit to the Supervisory Board for approval the Remuneration Policy for members of executive bodies and other key executives, which will set out transparent principles for determining the amount of remunerations, as well approaches determining the provision of payments, benefits and privileges.*

### **3.6. Managing conflicts of interest**

3.6.1. The measures to be taken by the Exchange, as a trade organiser, in order to prevent conflicts of interest shall be regulated by its internal documents.

The Regulations on the Executive Board shall establish an obligation of each member of the Executive Board to refrain from any actions that will or may potentially lead to a conflict of interest between him/her and the Exchange. In the case of existence or occurrence of a conflict of interest, such member of the Executive Board shall disclose such conflict to the Executive Board and the Supervisory Board and comply with the procedure for such interested party transactions. Such member of the Executive Board shall refrain from voting on the relevant matters and immediately disclose its interest and the grounds thereof in accordance with the established procedure.

The members of the executive bodies may not establish or participate (acquire shares) in any legal entities competing with the Exchange.

The Articles of Association of the Exchange shall establish an obligation of members of the executive bodies to disclose information about their holding, buying or selling of any securities issued by the Exchange.

No member of the Executive Board shall be entitled to receive gifts or to enjoy other, direct or indirect, benefits, the aim of which is to influence the decisions taken by the Executive Board.

3.6.2. The Exchange shall adopt and implement the Code of Business Conduct, which describes the principles of interaction between employees of the Exchange (including members of the executive bodies) and its customers, partners, the media, public and political organisations, as well as other rules for external communications. Special attention shall be paid to deemed or potential conflicts of interest, as well as to actions recommended to be taken to prevent such conflicts.

Violation of the provisions of the Code of Business Conduct shall entail a disciplinary liability.

#### **4. CORPORATE SECRETARY**

4.1. For the purpose of coordinating the actions taken by the Exchange to protect and promote the rights and interests of the shareholders, the Supervisory Board shall appoint a person to perform the functions of the Corporate Secretary of the Exchange. In accordance with the Regulations on the Corporate Secretary, the main objectives of the Corporate Secretary shall also include support of efficient operation of the Supervisory Board and its commissions, contribution to the improvement of the system and practices of corporate governance of the Exchange and the Group.

4.2. Functions of the Corporate Secretary shall be assigned to the head of the Corporate Governance Department, which shall have sufficient resources to perform such functions.

The Corporate Secretary's competence, election procedure, reporting, interaction with management bodies and divisions of the Exchange shall be determined by the Regulations on the Corporate Secretary.

4.3. In order to ensure independence of the Corporate Secretary from the executive bodies, the Chairman of the Executive Board shall have the right to appoint and to dismiss the Corporate Secretary only if such a decision was adopted by the Supervisory Board. Taking into account preliminary recommendations from the Nomination and Remuneration Commission the Supervisory Board shall also approve the terms of the Corporate Secretary employment contract, including the terms and procedure for remuneration and other payments, and approve corporate and his/her individual key performance indicators.

##### *Further plans*

1. *The Exchange is planning to pursue a policy aimed at ensuring that the Corporate Secretary is independent of the executive bodies of the Exchange.*
2. *The Exchange is planning to disclose information on the Corporate Secretary on its website in the same level of detail as it discloses information on the Supervisory Board members and executive bodies of the Exchange.*

## 5. RISK MANAGEMENT AND INTERNAL CONTROLS

The Exchange shall establish a risk management and internal control system in compliance with, among other things, the requirements set forth in the Russian legislation as to the Exchange as a trade organiser and with international recommendations on the development of risk management and internal controls systems.

### 5.1. Internal control

5.1.1. Internal control includes activities carried out by the management bodies, structural units and employees of the Exchange, aimed at:

- effectiveness and efficiency of trade organisation, transactions, including assets safeguarding;
- efficiency and effectiveness of risk management;
- accuracy, completeness, objectivity and timeliness of preparation and submission of financial, accounting, statistical and other reports (for internal and external users), as well as information security;
- compliance with laws, regulations, standards of self-regulating organisations, charter and other internal documents of the Exchange, and timely submission of information to public authorities and the Bank of Russia in accordance with the legislation of the Russian Federation;
- compliance with legislation and recommendations on corporate governance of public companies;
- exclusion of unlawful actions by the Exchange and its employees.

5.1.2. The system of internal control is a set of bodies and areas that ensures compliance with the procedure for implementation and achievement of the objectives established by the legislation of the Russian Federation, the Articles of Association and other internal documents of the Exchange.

Internal control shall be carried out by: the management bodies of the Exchange (the General Meeting of Shareholders, Supervisory Board, executive bodies), the Supervisory Board Audit Commission, the Revision Commission, external auditor, Internal Audit Service, Internal Control Service (compliance control), other units and employees of the Exchange (including the Chief Accountant and his deputies), who exercise control in accordance with the powers determined by the internal documents of the Exchange.

The internal control powers of the General Meeting of Shareholders shall include the following issues: election of members of the Revision Commission; approval of the external auditor; approval of the Articles of Association and other internal documents regulating the activities of the management and control bodies of the Exchange; approval of annual reports, including the annual accounting (financial) statements; approval of material transactions and related party transactions, in cases stipulated by law.

The Supervisory Board shall review key issues related to the organisation and functioning of the internal control system. Its responsibility shall also include endorsement of anti-corruption policy, the Code of Business Conduct and other internal documents of the Exchange aimed at preventing corruption and ethic non-compliance.

**The Audit Commission under the Supervisory Board** shall be established in order to create an effective system of internal control, monitoring and improvement of internal audit procedures. The Audit Commission of the Supervisory Board shall conduct its activities in accordance with the Regulations on the Audit Commission under the Supervisory Board. The Audit Commission shall support the Supervisory Board in matters relating to the control of financial and economic activities, including, independence and objectivity of internal and external audit; review and assessment of risk management and internal control; combating fraud by employees and third parties.



The Chairman of the Executive Board and the Executive Board of the Exchange shall ensure the implementation of internal control, resolutions taken by the Supervisory Board and the General Meeting of Shareholders, as well as the elimination of violations and drawbacks. The executive bodies shall be responsible for the effective distribution of internal control powers, duties and responsibilities among the structural units of the Exchange.

**The Revision Commission**, having been vested with a sufficient degree of objectivity and independence from the executive bodies, shall conduct the annual audit of the financial and economic activity of the Exchange, confirm the accuracy of the information contained in the annual report, annual accounting (financial) statements, and issue opinions thereon. The Annual General Meeting of Shareholders (AGM) can approve no accounting (financial) statements without a relevant opinion of the Revision Commission.

**The Internal Control Service** shall exercise control over compliance of the Exchange's operations with applicable laws and regulations, governing the Exchange's activities as the organiser of trade, as well as the provisions of the Articles of Association and internal documents of the Exchange (compliance control). The Internal Control Service shall, at least once in 3 (three) months, inspect the activities of the Exchange for compliance with statutory requirements, including the activities of the official (structural unit) in charge of risk management of the trade organizer. Following such an inspection, the Supervisory Board and the executive bodies shall be provided with a report indicating any violations identified, which is then used for corrective actions development. The Internal Control Rules of the Exchange shall be posted on the website.

Key issues on organisation and performance of the Internal Control Service procedures shall be reviewed by the Supervisory Board, whose terms of reference include the approval of internal documents, including among others the internal control principles and approaches, approval of quarterly reports of the Internal Control Service. The Chairman of the Executive Board shall appoint and dismiss the Head of Internal Control also as well on the basis of the relevant resolution of the Supervisory Board of the Exchange.

The **Internal Audit Service**, carry out its control powers in three main areas: a systematic independent evaluation of the reliability and efficiency of risk management and internal control (including financial and economic activities and corporate governance practices of the Exchange (and of the Group companies, if so decided by the Supervisory Board of the Exchange)). The Supervisory Board shall approve the scheduled inspections by the Internal Audit Service, which, in addition to these areas, may include any areas of activities of the Group. The Internal Audit Service on the instructions from the Supervisory Board shall carry out unscheduled inspections. Goals, objectives, functions and powers of the Internal Audit Service, the procedure for interaction of the internal audit bodies with the external auditor, Supervisory Board, Audit Commission, Revision Commission and other internal control entities, and the procedure for planning and implementation of internal audit shall be determined by the *IAS Regulations*.

The Exchange shall create all necessary conditions for smooth and effective implementation by the IAS of its duties and functions: employees of the Service shall have access to any documents and information necessary for the implementation of the functions and tasks assigned to the Service, unhindered access to all office premises and databases of the units being inspected, obtain oral and written explanations from senior officials of the audited units. The employees of the Service shall be included into any commissions established by the executive bodies to conduct official investigations. To ensure additional control over the Moscow exchange Group Companies, employees of the Internal Audit Service are included into the Revision Commissions of the Group companies.

The Exchange shall ensure the independence of the Internal Audit Service from the executive bodies, which is achieved mainly through the consideration by the Supervisory Board of a range of issues related to the internal audit: approval of internal documents regulating the internal audit, including the Internal Audit Policy and the Regulations on the Internal Audit Service; appointment and

dismissal of the Internal Audit Service head; review of Internal Audit Service reports and decision making on the basis of such review, including those related to bonuses; determination of the headcount and structure of the Internal Control Service of the exchange and the salary and bonuses of its personnel; approval of Internal Audit Service action plans and unscheduled audits; consideration of significant limitations of powers of the Internal Audit Service or other restrictions that could affect the Exchange's internal audit. The Audit Commission under the Supervisory Board of the Exchange shall consider all these issues.

In view of the importance of the Internal Audit Service as a key element of an independent internal control, the Exchange has granted to its shareholders holding more than 5% shares in the Exchange the right to propose inclusion into the agenda of the Supervisory Board issues related to the reports of the Internal Audit Service head and the unscheduled audits.

The Exchange shall ensure a unified approach to the organisation of internal control in the Group companies and strive to ensure its effective organisation.

## **5.2. Risk management process**

5.2.1. The Exchange shall organise the management of major groups of risks that could affect its business.

The risk management functions shall be distributed among the Supervisory Board and its commissions, the executive bodies, risk-prone departments, a special risk management unit, responsible for risks of the trade organiser, as well as the consultative bodies of the Exchange.

The Supervisory Board shall define the risk management principles and approaches and approve the risk management policy and other relevant internal documents, as well as review and assess the risk management system.

The Supervisory Board shall establish a special **Risk Management Commission** tasked with participation in improving operational, legal, reputational, strategic and other non-financial business risk management system within the Moscow Exchange Group. The Commission shall issue recommendations for the Supervisory Board on non-financial risk management priorities for the Exchange and the Moscow Exchange Group Companies; analyse internal procedures for managing non-financial risks and make recommendations to improve their efficiency; review managerial reports concerning non-financial risk management system, etc.

5.2.2. The executive bodies of the Exchange shall ensure the effective distribution of powers, duties and responsibilities among structural units of the Exchange in respect of the specific risk management procedures. The Chairman of the Executive Board shall control the establishment and maintenance of an effective risk management system.

In addition to the risks (political, legal, reputational, regulatory, financial etc.) typical for most companies, the Exchange deals with additional risks associated with the organisation of trading. Particular attention is paid to operational risks, i.e. risks of expenses (losses) due to a business interruption in the structural units of the Exchange, malfunction of the software and hardware of the Exchange, violation of operational rules and requirements, including by reason of error, fraud or wilful misconduct of employees, technical failures, as well as the influence of external circumstances.

The Exchange shall strictly adhere to risk management requirements established by the Regulator for organisers of trading. The Supervisory Board in the Risk Management Rules available on the Exchange's website shall establish risk management principles of the Exchange as a trade organiser.

5.2.3. The Supervisory Board shall assess the effectiveness of risk management in the Exchange. The Risk Management Commission under the Supervisory Board of the Exchange shall regularly consider issues related to risk management.

A dedicated unit of the Exchange shall perform the main on-going operational risk management

functions of the trade organiser. Its purpose is to timely identify and assess the risks and develop measures to mitigate them. As part of this goal, the unit shall develop and maintain the operational risk management concept, elaborate risk identification and analysis mechanisms, prepare proposals to mitigate the identified risks and coordinate units of the Exchange in implementation of risk mitigation measures. As a result, the Exchange shall have a risk database and implement an operational risk assessment procedure for each identified operational risk. For each risk event, which is to be mitigated, an action plan shall be drawn up and a procedure for independent monitoring of implementation of such plans shall be introduced.

The Exchange shall also be pro-active in ensuring the information security and business continuity. The dedicated unit of the Exchange in charge of risk management, shall organise and coordinate the activities related to data protection; research the information processing technologies in order to detect possible breaches and other information security threats; establish patterns of threats; develop an information security policy and measures aimed at its implementation. The Supervisory Board has approved a Business Continuity Policy defining the measures to be taken by the organiser of trading in case of emergency and aimed at ensuring business continuity. The Business Continuity Policy shall be available on the Exchange's website. The Exchange has established and maintains a standing Information Technology Committee, an advisory body the main objectives of which, among other things, include participation in work of the Exchange related to the identification and prevention of technical failures and making improvement recommendations for trading tools.

The Supervisory Board shall review quarterly reports on business continuity of the Exchange.

5.2.4. The Exchange controls risks arising in the course of the Key Group Companies' activity. Most important risks are the central counterparty (hereinafter – CCP) risks assumed in the process of centralized clearing. In case of a Clearing Member's default the CCP shall fulfil its liabilities to the Non-defaulting Clearing Members. Managing these risks is one of the key priorities for the Group. In view of the above, a special system of financial and credit risk management was built on the basis of CCP, whose functions are performed by NCC Clearing Bank.

The purpose of the CCP risk management system is restricting the risks assumed in each sphere of NCC Clearing Bank activity and securing the volume of assets sufficient to cover the risks assumed. CCP financial and credit risk management includes continuous and consistent implementation of measures aimed at identifying, assessing, monitoring and controlling the risk types mentioned above.

The specific feature of credit risk in relation to CCP is associated with a CM's/credit organization's failure to fulfil its obligations. To manage credit risks the CCP sets admission criteria for the participants, checks the participants for their compliance with the admission criteria, issues initial margin requirements and takes other measures aimed at minimizing CCP credit risks.

Market risk (in relation to CCP) is only manifested in case of a credit risk event. To reduce market risks, the CCP controls Participants' collateral on a regular basis, assesses Participants' open positions, checks the mechanisms which secure Participants' positions closeout in case they fail to fulfil their liabilities.

To manage the risks of the Group's temporarily free assets placements:

- Criteria for temporarily free assets placements were defined; the CCP controls these rules' observance
- Limits and other restrictions for own assets/collateral placement were set (there are restrictions regarding counterparties, placement duration, etc.)

The shareholders, the trading and clearing participants, the Bank of Russia and other stakeholders are regularly informed about the risk management system status by way of reports or information published on the website.

### 5.3. External audit

In order to verify and confirm the reliability of the accounting (financial) statements prepared in accordance with the legislation of the Russian Federation, as well as the financial statements prepared in accordance with International Financial Reporting Standards, the Exchange shall engage, on a contractual basis, an eligible audit firm, conducting audit activities in accordance with the laws of the Russian Federation and recognised auditing standards.

The Exchange shall establish a procedure for competitive selection of an auditor firm, according to which a special tender commission shall select the auditor for all the Group companies for 3 (three) years, from among the major international auditing firms. The Audit Commission and the Supervisory Board shall consider the candidate independent auditor, after which it shall be presented to the General Meeting of Shareholders.

Authorised employees of the external auditor shall cooperate with the Revision Commission, the Audit Commission and other supervisory bodies of the Exchange.

#### *Further plans*

*1. The Exchange is planning to perform regular reviews and assessments of the risk management and internal control system and submit the results to the Supervisory Board.*

*2. The Exchange is planning to perform a structured disclosure of information, connected with the risk management and internal control on the Exchange's website.*

*3. The Exchange is planning to obtain certificates of compliance with the international standard for information security (ISO 27001) and with the international standard for business continuity management (ISO 22301).*

## **6. INFORMATION DISCLOSURE; INFORMATION POLICY**

### **6.1. General provisions on disclosure of information by the Exchange**

6.1.1. The Exchange shall seek to provide access of stakeholders to the information about all material facts relating to the Exchange, allowing them make informed investment and management decisions. Basic approaches and principles of information disclosure by the Exchange shall be set in the Regulations on Information Policy approved by the Supervisory Board of the Exchange.

In accordance with the Regulations on Information Policy, information disclosed by the Exchange shall be categorised into three groups:

- information on the activities of the Exchange as an issuer of securities and an organiser of trading, which shall be mandatorily disclosed in accordance with the laws and regulations;
- information disclosed voluntarily at the discretion of the Exchange;
- information disclosed freely upon request of stakeholders.

6.1.2. The Exchange is obliged to disclose information not only as a public company who issues securities, but also as an organiser of trading. Since the disclosure of such information is intended for different target audiences, the Exchange's website shall contain two subsections for the convenience of users: Issuer's Information and Trade Organiser's Information.

As an issuer of securities, the Exchange shall quarterly and from time to time disclose the lists of affiliates containing, among other things, information about companies in which the Exchange owns more than 20% shares. The Exchange shall disclose the quarterly issuer's report and publish securities prospectus and other relevant documents. The Exchange shall also disclose the financial statements prepared in accordance with the Russian Accounting Standards and the financial statements prepared in accordance with IFRS, as well as other materials containing financial reporting analysis.

As an organiser of trading, the Exchange shall disclose information on: its equity, user committees, rules of trading, rules for admission to the organised trade, other internal documents registered by the Bank of Russia, trade service tariffs; traders' defaults and violations; technical failures on the Exchange; other information and documents that may be material for traders.

The Exchange shall also disclose information about essential facts concerning the issuer and the organiser of trading, the Annual Report approved by the annual General Meeting of Shareholders, the articles of association and other internal documents regulating the activities of the Exchange, operational performance results, news on the major events, which may entail changes to the share price.

6.1.3. Attaching great importance to its service users, the Exchange shall disclose, on its own initiative, the information about committees that have the section board status, as well as about all other committees of users, including their composition and decisions taken by such committees.

6.1.4. The Exchange shall promptly respond to requests for information from shareholders and other stakeholders.

The Exchange shall seek to maintain the policy of efficient interaction with shareholders through e-mails and, if requested, hardcopy communications.

6.1.5. The Exchange shall use public feeds to disclose the required information, including its official website and via publications in the News Line.

For foreign shareholders and investors, the English version of the website of the Exchange in the Internet shall have a special section called "[\*Investor relations\*](#)", where investor news, basic information on the Exchange shares, dividend policy and dividend payments, financial and operational performance, corporate governance, past and future events for investors and shareholder, as well as contact information shall be published.

## 6.2. Information disclosure principles

In its disclosures, the Exchange shall be guided by the following principles:

- **Completeness.** The information shall be disclosed by the Exchange in accordance with the Regulations on Information Policy and other regulations. Both positive and negative information about the Exchange is subject to disclosure in a scope stipulated by applicable normative legal acts.

- **Reliability.** Management bodies of the Exchange shall disclose information on the activities of the Exchange, and seek to avoid the possibility of its ambiguous or contradictory interpretations. Publishing of misleading information by the management bodies or employees of the Exchange shall be unacceptable. A person who makes a disclosure shall be liable for any inaccuracy.

- **Accessibility.** Information shall be disclosed in a way convenient for stakeholders. Information disclosed on the Exchange's website shall be free of charge and require no special procedures to be viewed.

- **Responsiveness and timeliness.** To ensure the continuity of disclosure, the Exchange shall establish the internal procedures for coordination of its units, which are in charge of prompt preparation, provision and disclosure of information.

- **Neutrality.** The Exchange shall seek to ensure that stakeholders are equally treated and the information disclosed is not related to interests of any persons or groups.

- **Controllability.** The process and times of disclosure, the structure and amount of information disclosed, methods, mechanisms and channels of disclosure shall be controlled by responsible officers of the Exchange and the regulator.

- **Confidentiality.** The Exchange aims at ensuring high level of information integrity regarding commercial confidentiality and insider information and preventing any misuse of such information.

The Exchange shall adhere to the principles of regularity, consistency, and comparability as regards the information disclosed.

Any information about the Exchange may not be used by employees and members of the management bodies of the Exchange for their personal purposes.

## 6.3. Investor and shareholder relations

The management bodies of the Exchange shall seek to maintain dialogue with the information users to monitor the effectiveness of disclosures and timely respond to changes in the information requirements of stakeholders.

To manage the process of communication with stakeholders, including investors and shareholders, the Exchange shall establish the Investor Relations Department to interact with shareholders and potential investors of the Exchange, the Communications Department, and the Corporate Governance Department to disclose the information of the Exchange.

Any investor or shareholder may contact the Exchange via any communication channel, including written requests in hardcopy or electronic form using the feedback forms posted in various sections of the Exchange's website. The Exchange shall promptly investigate any complaints from investors or shareholders and timely respond thereto.

Any abuse by a shareholder of his rights, either by action or omission, intended to harm other shareholders, the Exchange or its customers, including the right to obtain confidential information/documents and/or insider information, shall be regarded as unacceptable behaviour by the Exchange. The Exchange expects that its shareholders will fully comply with current legislation, provide timely feedback and pro-actively participate in making decisions falling within the scope of the General Meeting of Shareholders in accordance with the Articles of Association.

### *Further plans*

*1. The Exchange is planning to update the Regulations on Information Policy, including:*

*- add a section regulating relations between the Exchange and its shareholders, investors, analysts and other stakeholders in information disclosure and related activities.*

*- add a section on the disclosure of information about the companies controlled by the Exchange;*

*- specify additional information about the Exchange and the manner of its disclosure,*

*- specify measures to ensure the compliance with the Regulations on Information Policy.*

*2. The Exchange is planning to improve:*

*- the disclosure of information on system and practice of corporate governance on its website;*

*- the English version of its website, dedicated to information disclosure.*

## **7. MATERIAL CORPORATE ACTIONS**

### **7.1. List of material corporate actions**

The Exchange shall carry out material corporate actions on fair terms, respecting the rights and interests of the shareholders of the Exchange and other stakeholders.

The material corporate actions of the Exchange include:

- ✓ Material transactions made by the Exchange, including:
  - major transactions;
  - transactions the amount of which exceeds RUB 600 million, except for stock exchange transactions relating to the business scope of the Exchange in accordance with its Articles of Association, and transactions for placement of temporarily free funds;
  - purchase and/or sale of shares in other legal entities, as well as making decision on the establishment by the Exchange (the Exchange's participation in the creation of) of affiliate entity or liquidation of such entity;
  - sale of treasury shares or quasi treasury shares;
  - transactions involving assets of the legal entities controlled of Exchange, including NSD and NCC Clearing Bank, in an amount exceeding 50% of the book value of such entities;
- ✓ Reorganisation of the Exchange
- ✓ Acquisition by a legal entity or an individual (group of persons) of 30 % or more of the voting shares (including the existing ones) in the Exchange (acquisition)
- ✓ Increase or decrease in the authorised capital, consolidation, split or conversion of shares of the Exchange
- ✓ Listing or delisting of the shares of the Exchange
- ✓ Change of the core business of the Exchange
- ✓ Actions that can lead to a material change in shareholders' rights or violation of their interests (in case the independent directors are of the opinion that such changes are material).

### **7.2. Principles of material corporate actions**

In taking material corporate actions, the Exchange shall adhere to the following principles: protection of shareholders' rights; transparency; ability of shareholders to influence major corporate actions; compliance with corporate governance principles.

When taking major corporate actions affecting the rights and legitimate interests of Exchange shareholders, the Exchange shall be committed to provide the shareholders with conditions and mechanisms for exercising their rights provided by law.

Explanations of causes and terms of the proposed material corporate actions, as well as the possible consequences of such actions for the Exchange and its shareholders, shall be specified in detail in the documents to be provided to shareholders, if such material corporate actions are subject to approval by the General Meeting of Shareholders. Such explanations shall not be binding (in accordance with the current laws), but they shall be regularly used in the corporate practice of the Exchange in order to provide reliable information to its shareholders, ensure their ability to influence major corporate actions and, if necessary, obtain an adequate level of protection. Similar explanations shall be prepared for the members of the Supervisory Board to enable them make an informed



decision on a material corporate action, which does not fall under the terms of reference of the General Meeting of Shareholders, or when the Supervisory Board considers an issue to be submitted to the General Meeting of Shareholders. Information on issues brought for the review by the Supervisory Board, including material corporate actions, shall be disclosed by the Exchange in the notice of the meeting of the Supervisory Board and its agenda. In addition, any shareholder may request the Exchange to provide documents confirming the decisions taken by the Supervisory Board.

Depending on the importance of the material corporate action, the Supervisory Board and the executive bodies of the Exchange shall establish special working groups/temporary committees and engage independent directors among other persons in the activities of such groups/committees.

### **7.3. Role of the Supervisory Board in material corporate actions**

Material corporate actions shall be taken by the Exchange, subject to a positive decision by the Supervisory Board or a relevant positive recommendation to the General Meeting of Shareholders. Prior to this, the issue regarding the material corporate action shall go through preliminary consideration by the subject-matter Commissions under the Supervisory Board.

#### **7.3.1. Transactions**

When approving major transactions and/or related party transactions, the Supervisory Board shall pay a special attention to the transaction price and take a separate decision on the fair market value of the property (to be sold or purchased). To determine the fair market value an independent appraiser may be engaged, who has a market-recognised reputation and relevant experience. An independent appraiser can be selected either by the executive bodies of the Exchange or by the Supervisory Board on the basis of the nature of transaction and the assets to be purchased or sold.

The Exchange is aware of the fact that major transactions may have a significant effect on its financial status and has not performed any such transactions over the recent year. If the General Meeting of Shareholders is proposed to approve a major transaction under which the value of the assets exceeds 50% of the book value of the Exchange assets, the Supervisory Board shall inform the shareholders of their right to demand redemption of their shares by the Exchange, and the price and redemption procedure. Redemption of shares from the shareholders shall be carried out at a price determined with involvement of the independent appraiser. If the Supervisory Board is proposed to approve a major transaction under which the value of the assets exceeds 25% of the book value of the Exchange assets, the Supervisory Board shall adopt the decision on the need to involve an independent appraiser taking in account the nature of the transaction.

The Supervisory Board shall review and define the position of the Exchange regarding a number of major corporate actions to be taken by key subsidiaries (NSD and NCC Clearing Bank), including their reorganisation, increase or decrease of the share capital, approval of major transactions for more than 50% of the book value.

#### **7.3.2. Reorganisation of the Exchange**

The Supervisory Board may not recommend the general meeting of shareholders to approve a reorganisation, unless the Supervisory Board has made an assessment of the advantages and disadvantages of such reorganisation. The Supervisory Board shall arrive to a firm opinion on the need for such reorganisation and fairness and acceptability of its terms for the shareholders, including minority shareholders.

The Exchange refers a reorganisation to strategically important issues. The Strategy Planning Commission under the Supervisory Board shall assess feasibility of reorganisation of the Exchange and the Group companies.

In order to protect the interests of the shareholders, the Supervisory Board shall determine the share conversion ratio to be used in reorganisation, based on the market price of the shares. In order

to evaluate each of the entities involved in the reorganisation and determine the share conversion ratio, the Supervisory Board shall engage an independent appraiser or provide the shareholders with a detailed justification for determination of share price.

#### **7.3.3. Acquisition**

The Supervisory Board and the executive bodies of the Exchange aim, as far as possible, to prevent hostile takeover of the Exchange and, if necessary, shall monitor implementation of the procedures of voluntary or mandatory offer and the fairness of the offer/acquisition price.

#### **7.3.4. Increase of share capital**

The share capital of the Exchange shall consist of common shares exclusively. No preferred shares have been issued. Such capital structure is most conducive to the implementation of the 'one share is one vote' principle and the property rights of shareholders. In case the Exchange decides to issue any preferred shares, the Supervisory Board shall ensure that such issue will not infringe the dividend rights of existing shareholders and will not dilute the shares.

Issue of any additional shares for a non-cash consideration is possible only in exceptional cases, when such consideration includes marketable securities or a unique property that is necessary for core activities of the Exchange. Such consideration shall be subject to evaluation by an independent appraiser with a good reputation and relevant experience.

#### **7.3.5. Delisting**

The Exchange is a public joint stock company whose shares were admitted (in February 2013) to organised trading with MICEX and included in the first (highest) grade quotation list. In preparing and carrying out the above admission, the Supervisory Board evaluated in advance all benefits and costs associated with the listing.

The Supervisory Board and the executive bodies shall manage the Exchange so that to exclude any actions, which may result in forced delisting of the shares of the Exchange.

Since the level of corporate governance is essential to the listing of a company's securities, and failure to meet the corporate governance requirements set out in the Listing Rules may form the grounds for excluding the company's securities from the quotation list, the responsibility for the Exchange's compliance with the corporate governance requirements shall reside not only with the management bodies, but also with the shareholders. As part of the annual procedure of nominating candidates to the Supervisory Board, the shareholders of the Exchange (with support from the Nominations and Remuneration Commission) must make sure that the number of independent directors on the Supervisory Board is sufficient to meet the said requirements and establish the key commissions under the Supervisory Board.

In case any issues related to delisting of the Exchange shares arise, the Supervisory Board shall ensure transparency of a relevant decision, including the disclosure to shareholders of the grounds for such decision and risks associated with the delisting, as well as to protect the rights of shareholders in the delisting procedure.

## 8. CORPORATE SOCIAL RESPONSIBILITY AND STAKEHOLDER RELATIONS

### 8.1. Purposes and principles of corporate social responsibility

8.1.1. The Corporate Social Responsibility of the Exchange is a set of principles and commitments by which the Exchange aims to be guided in its stakeholder relationships and affect the national economy, social sphere and environment.

8.1.2. The corporate social responsibility objectives of the Exchange include:

- integrating the principles of corporate social responsibility into the activities of the Exchange and its Strategy;
- forming an additional urge for higher competitiveness;
- improving management quality through systematic work and cooperation with users (clients);
- creating an additional urge for employees' loyalty through their greater involvement in socially significant issues;
- regulatory reforms in the areas systemically important for the Exchange;
- monitoring and control over the reputational risk related to corporate social responsibility.

The Mission of Moscow Exchange Groups as defined in the Group Strategy for 2015–2020 is to contribute to the economic growth and restructuring of the Russian economy. One of the ways of its implementation is to create a convenient, reliable and transparent investment environment for Russian and foreign investors. The Exchange recognises its responsibility before customers – for the quality of services, to business partners – for proper performance of its obligations, to shareholders – for the results of its activities, to the society and the state – for respect of human rights and freedoms, and for its contribution to the development of the Russian economy.

8.1.3. In its relations with the public, the Exchange shall stick to the principles of a civilised, open, honest and socially responsible business, it shall participate in the economic development of the country and its citizens, including through financial literacy enhancement.

The corporate social responsibility and relationships with stakeholders shall be **based on the following principles**:

**Transparency.** The Exchange shall seek to ensure the transparency of its decisions and activities that influence the society, economy and environment. Timely provision of access to information enables stakeholders to assess the impact of decisions and activities of the Exchange on their interests.

**Ethical behaviour.** The Exchange shall deem the behaviour of its employees ethical if such behaviour corresponds to the mission of the Exchange, its vision and values.

**Respect for the interests of stakeholders.** The Exchange shall be open for stakeholders to discuss any matters of common interest; it shall create conditions for such a dialogue and be committed to achieving mutually acceptable solutions.

**Supremacy of law and equality before the law.** The Exchange shall follow the principle of supremacy of law, understanding that the law governs all regulations and bylaws, as well as its internal documents; the Exchange shall admit that the laws apply equally to all persons, without exception, and that no person can be relieved from responsibility for their actions.

**Accountability.** The Exchange recognises the need for regular reporting on the impact of its activities on the society, economy and environment. The Exchange shall consider a constructive criticism by stakeholders as a source of improvement, and it shall respond to such criticism, including measures aimed at preventing subsequent unintended and unforeseen negative impacts.

8.1.4. The Exchange confirms that the success and competitiveness of its operations are the result of teamwork, and they largely depend on the actions of stakeholders. The Exchange shall seek to create the conditions for mutually beneficial relations with stakeholders.

## **8.2. Relations with service users/customers**

8.2.1. The principle of the best interests of service users of the Exchange and the Moscow Exchange Group Companies shall be implemented using tools for effective interaction with market participants and issuers. The main tool of such interaction shall be user committees.

The Exchange and the Moscow Exchange Group Companies established user committees composed mainly of the users of the Group services and formed on the basis of the category of activity of the financial market participants, type of contracts and securities placed by the issuers. The committees are advisory bodies of the Exchange and the Moscow Exchange Group Companies. The Supervisory Board or the supervisory boards of Group companies shall establish such committees and elect members thereof, and approve the provisions thereon. The main objective of the committees established by the Exchange (and MICEX) is to prepare recommendations on the price of the organised trading services, amending the trading rules and the rules of admission, and other changes in the key internal documents of the Exchange regulating its relations with customers. In addition, user committees shall develop proposals for organisation of trade in securities, improving the clearing and settlement technologies, expanding the range of available tools and services; discuss proposed amendments to laws and other regulations, public circulation and issuance of securities, disclosures in the securities market, and corporate governance issues.

Along with the mandatory user committees that also perform the functions of section boards in accordance with the legislation on the organised trading, certain committees have been established by the Exchange on its own initiative to ensure continuous dialogue between the Exchange and its clients and their participation in the formulation of business initiatives. User committees served as a platform for the majority of business innovations implemented by the Exchange. They also discuss the issues of pricing and technological solutions.

More information about user committees established by the Exchange and their activities is available on the Exchange's [website](#).

8.2.2. The Exchange Council is a voluntarily advisory body of the Exchange, acting on a permanent basis. It is a platform to discuss and make recommendations on the most significant issues of stock market development. In particular, the Exchange Council shall discuss and make recommendations to the Supervisory Board on the Group's strategy, development of the stock market infrastructure, clearing and settlement technologies, attraction of new market segment customers, and other important issues related to the stock exchange operations.

The Exchange Council shall include the competent representatives of the main players in the financial market: representatives of regulators, the Ministry of Finance and other government officials, leaders of the largest self-regulatory organisations and major service users, including members of the user committee established by the Group. The Regulations on the Exchange Council, its members and decisions are available on the Exchange's [website](#).

8.2.3. Taking into account the fact, that many shareholders of the Exchange are also its customers, the Exchange takes care to provide services to customers on equal terms, preventing obtainment of unfair advantages.

8.2.4. The shareholders' agreement in respect of the shares in NSD concluded in 2011 on the initiative of the Exchange is a tool for interaction with the users of custody services. As the sole shareholder of the NSD, the Exchange has sold 1 (one) share in NSD to each service user and fixed the shareholders' right to participate in the general meeting of shareholders, elect the members of the supervisory board, members of user committees and committees under the supervisory board, participate in amending the articles of association, etc.

The text of the [Shareholders Agreement](#) can be found at the NSD website.

### **8.3. Relations with other stakeholders**

8.3.1. Employees of the Exchange are the most valuable resource of the Exchange. The Exchange shall seek to create additional conditions to enhance its employees motivation. Each employee shall undergo an annual performance assessment as part of the annual Performance Management Process. The annual bonus is paid to the employees on the basis of such individual performance assessment. The Exchange has a Long-Term Incentive Programme for certain categories of employees. In certain cases the Exchange provides additional social support to its employees (financial support, additional medical insurance, international medical insurance, etc.).

Increasing the importance of corporate culture is one of the key strategic initiatives of the Exchange, as set forth in the Strategy. The Exchange has developed, implemented and plans to periodically review its corporate Values.

The Performance Management Process assesses the employees' adherence to the corporate values and the level of corporate competencies, based on those values. As a result of the assessment, every employee of the Exchange shall have an annual personal development plan approved, according to which the Exchange organises internal and external trainings.

8.3.2. The Exchange is committed to building long-term, sustainable and mutually beneficial relationships with its contractors. The Exchange shall establish a competitive procedure for selecting contractors, which makes the contracting process transparent and allows the Exchange to select the most appropriate counterparties.

8.3.3. The Exchange recognises that no major strategic and business initiative is possible without regulatory reforms. The Exchange shall closely cooperate with government agencies and the Bank of Russia in the law-making process and formation of best practices. Representatives of the Exchange and the Moscow Exchange Group Companies shall take an active part in the discussion and elaboration of legislative initiatives aimed at improving the organisation of trade in the financial markets, corporate governance and other spheres.

8.3.4. The Exchange is a member of self-regulatory organisations and associations operating on the financial market. Top managers of the Exchange are included in the management bodies of such organisations and participate in their activities.

8.3.5. The Exchange participates and provides assistance in arranging of professional conferences on the financial market, hosts the Exchange Forum - one of Russia's largest professional conferences of the professional financial market participants.

8.3.6. The Exchange shall contribute to the financial education, support research in the field of financial markets, and sponsor the professional publications.

The Exchange has established joint programmes with leading universities of the country, aimed at training qualified specialists in the stock exchange industry and implementation of economic and technology research projects.

8.3.7. Charitable activities of the Exchange shall be aimed at helping those who need it, especially children, as well as at funding public projects through social foundations. Cooperation with charitable non-profit organisations shall increase the efficiency of social expenditures and contribute to reaching a larger number of beneficiaries. It is extremely important for the Moscow Exchange Group to involve its employees in charitable activities as volunteers and donors. The Exchange has established the Committee on Charity Policy, which takes decisions on social assistance in accordance with the approved annual budget and plan.

8.3.8. Despite the fact that the activities of the Exchange are not directly associated with the risk of contamination, the Exchange shall maintain an environmental policy, mitigating harmful effects through refusal of actions that are clearly deteriorating to the environment, and the Exchange shall contribute to the environmental recovery, by way of raising the awareness of its employees.

8.3.9. The stakeholders shall be informed of the Exchange's activities in the field of corporate social responsibility through inclusion in the annual report of relevant information concerning:

- improvement of quality and development of customer services,
- improvement of personnel and social policy; development of professional and personal skills of employees; occupational health and safety compliance;
- participation in large-scale nation-wide educational programmes to improve financial literacy of the population;
- participation in charitable and social activities.

#### *Further plans*

*The Exchange recognises the need for drawing up a corporate social report in accordance with internationally accepted procedure. In the near future, it plans to develop a Corporate Social Responsibility Policy.*

## **9. CORPORATE GOVERNANCE PRINCIPLES IN THE MOSCOW EXCHANGE GROUP COMPANIES**

In collaboration with the Group companies, the Exchange shall be focused on balanced sustainability and seek to introduce into the practices of the controlled companies of modern principles of corporate governance, in order to effectively supervise their activities, taking into account the nature, scale and complexity of the risks faced by the Exchange and the Moscow Exchange Group Companies.

The Exchange recommends that the Moscow Exchange Group Companies adhere to the following principles of corporate governance:

- ✓ protecting and respecting the rights and interests of all shareholders of the Moscow Exchange Group Companies;
- ✓ effective management of shares in the Moscow Exchange Group Companies;
- ✓ transparency and objectivity of disclosure of information about the Moscow Exchange Group;
- ✓ efficient management of the Moscow Exchange Group Companies' capital;
- ✓ acting in the best interests of users of the services provided by the Moscow Exchange Group;
- ✓ equal requirements for access to the services provided by the Moscow Exchange Group;
- ✓ effective employment policy;
- ✓ social and corporate responsibility.