

Compliance with Moscow Exchange Corporate Governance Code¹

Moscow Exchange fully complies with its Corporate Governance Code, a new version of which was approved by resolution of the Supervisory Board on October 14, 2019.

The following is information on the results of implementing corporate governance principles set forth in Chapter I, section 4, clause 4.2 of Moscow Exchange's CGC:

No.	Principle	Implementation Results
1	Provide a management system that meets the Exchange's strategic goals, corporate values, business features, as well as the needs and interests of customers	<p>The Exchange is unique in that it is a public company whose shares are traded, and yet at the same time it sets corporate governance standards by applying its listing mechanism to Russian public companies (including itself). Thus, the Group's pro-active attitude to improving corporate governance at Russian companies is one of the strategic initiatives enshrined in the Group Strategy.</p> <p>The Exchange recognizes that adherence to corporate governance principles and best practices as well as the implementation of the Group Strategy are very important conditions for its successful development. The Exchange strives to be a model for other public companies in the implementation of the highest standards of corporate governance.</p> <p>The corporate governance system of the Exchange includes management bodies, control bodies and other bodies as well as a system of communications between the management bodies, control bodies and other bodies and its shareholders, as well as their interaction with other stakeholders.</p> <p>A system of communications between the corporate bodies and the shareholders of the Exchange, and their interaction with other stakeholders, is based on the following principles:</p> <ul style="list-style-type: none"> • 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's services; • information disclosure in order to ensure transparency for stakeholders.

¹ In accordance with Order of the Bank of Russia No. 5062-U of 17/01/2019

No.	Principle	Implementation Results
2	Support for the activities of the Exchange Supervisory Board based on:	<p data-bbox="477 559 1447 608">Setting the Exchange’s strategic goals is carried out as part of the Moscow Exchange Strategy. The Exchange’s strategic goals are subject to ongoing monitoring on the basis of the Group Strategy.</p> <p data-bbox="477 623 1405 672">In accordance with the Articles of Association of the Exchange, the Supervisory Board carries out strategic management of the Exchange by:</p> <ul data-bbox="477 676 1394 751" style="list-style-type: none"> • setting priorities and main guidelines of the activities; • participation in strategy development and approval, oversight of implementation and setting a development strategy and evaluating the results of activities of the controlled companies. <p data-bbox="477 763 1483 838">Thus, in 2019, by resolution dated October 14, 2019, the Supervisory Board approved the Strategy of the Moscow Exchange Group (previously considered at a meeting of the Supervisory Board’s Strategic Planning Committee), which defines the strategic goals of the Exchange through 2024.</p> <hr/> <p data-bbox="232 846 455 1283">• on implementation by the Supervisory Board of oversight of activities of the Exchange’s executive bodies, as well as the adoption of resolutions aimed at eliminating deficiencies in the activities of the Exchange’s executive bodies, if they are identified as a result of such oversight;</p> <p data-bbox="477 846 1414 874">The Supervisory Board exercises oversight of the activities of the Exchange’s executive bodies by:</p> <ul data-bbox="477 878 1483 1208" style="list-style-type: none"> • election of the sole (temporary sole) and collective executive bodies and the early termination of their powers and approval of the terms of employment contracts with them, including setting remuneration; • coordination of overlapping positions by members of the executive bodies in management bodies of other organizations; • approval of the policy on remuneration of executive bodies and oversight of its implementation; • monitoring of strategy implementation; • consideration of the annual, and if necessary, interim reports of the Chairman of the Executive Board and members of the Executive Board on the results of their activities, as well as quarterly reports of the Executive Board on the results (including financial results) of the Exchange and decision-making based on these results, including concerning bonuses; • approval and evaluation of corporate and individual key performance indicators (KPIs) of the Chairman of the Executive Board and members of the Executive Board for the reporting year. <p data-bbox="477 1221 1207 1249">Thus, in 2019, the Exchange Supervisory Board considered and took note of:</p> <ul data-bbox="477 1253 1483 1583" style="list-style-type: none"> • the report of the Executive Board on the results of work, financial performance and implementation of the Moscow Exchange Group strategy in 2018 (resolution dated March 6, 2019); • the report of the Executive Board on the results (including financial results) of the Exchange for January-May 2019 (resolution dated June 27, 2019); • interim reports on the results of corporate KPIs of Moscow Exchange and Moscow Exchange Group companies (excluding employees of NCC and NSD for 2019, as well as interim reports on the results of implementation of individual KPIs for 2019 by members of the Executive Board (resolution dated September 26, 2019); • the report of the Executive Board on the results (including financial results) of the Exchange for January-August 2019 (resolution dated September 26, 2019); • the report of the Executive Board on the performance and financial results of Moscow Exchange Group in the first 11 months of 2019 and the forecast on executing the planned consolidated financial performance of Moscow Exchange Group in 2019 (resolution dated December 20, 2019); <p data-bbox="477 1596 1483 1640">On March 6, 2019, the Supervisory Board of the Exchange also decided to pay bonuses to executive body members based on the results in 2018 for of executive body members.</p>

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	<ul style="list-style-type: none"> assessment of the activities of the Exchange's Supervisory Board, as well as evaluation of the quality of the committees' activities under the Exchange's Supervisory Board and disclose the results of such an assessment; 	<p>Based on evaluation of the activities of Executive Board members in 2018, as well as taking into account operational risk in 2019, the Supervisory Board, in determining bonuses for Executive Board members, took into account these circumstances and adjusted bonus awards for Executive Board members for whom shortcomings were identified in their performance.</p> <p>The Supervisory Board of the Exchange evaluates its performance and work of each member, as well as the Supervisory Board committees. Performance of the Supervisory Board and Supervisory Board committees is evaluated under the Exchange Corporate Governance Evaluation Methodology approved by the Supervisory Board on October 21, 2016.</p> <p>Performance is evaluated internally (self-assessment and competency assessment) once a year, and externally (with the assistance of an independent expert) once every three years.</p> <p>For example, an external assessment of the Supervisory Board was carried out in the spring of 2019 by VEKTOR LIDERSTVA, JSC, an independent external consultant. Results of the external assessment (Report of the independent consultant on the external assessment results) were considered at an in-person meeting of the Supervisory Board on April 25, 2019. A substantial part of the recommendations in the Report have been implemented; some of the recommendations are to be implemented in future.</p> <p>In 2019, an internal assessment of the work of members and committees of the Supervisory Board was also performed. Based on its findings, the Director of the Corporate Governance Department analyzed and prepared both a report and an action plan to improve the current corporate governance processes related to the performance of functions and delineation of authority of the executive bodies.</p> <p>Information on the results of the performance evaluation of the Supervisory Board and its committees is included in the Exchange's annual report, which is published on the Exchange's official website.</p>
	<ul style="list-style-type: none"> on separation of the control functions and managerial duties, determination of individual and corporate responsibility of members of the Exchange Supervisory Board. 	<p>Governance and oversight functions of the Supervisory Board are delineated by the Articles of Association.</p> <p>In terms of oversight, the Supervisory Board controls:</p> <ul style="list-style-type: none"> corporate governance practices, including material corporate actions; financial, economic and business activities; activities of the executive bodies. <p>In terms of governance, the Supervisory Board provides overall governance of the Exchange. The Supervisory Board determines the basic guidelines, strategy and priority directions, annually approves the Group's consolidated budget, defines principles and approaches to the organization of risk management and the internal control system.</p> <p>The Supervisory Board is guided by the principle of responsibility. Supervisory Board members shall act in the best interests of the Exchange, in good faith and reasonably. They also shall be held liable for unfair or unreasonable actions, including cases when their actions (or inaction) fail to meet the common business practices or normal entrepreneurial risk. Moreover, they shall reimburse the Exchange and the shareholders for any losses caused by their faulty actions.</p>

No.	Principle	Implementation Results
3	Ensuring functioning of the internal control, internal audit and risk management systems of the Exchange	<p>The Exchange has organized a risk management and internal control system that meets, among other criteria, the requirements of Russian legislation imposed on the Exchange as an organizer of trading, as well as international recommendations for building risk management and internal control systems.</p> <p>The internal control system is based on a risk-based approach. Internal control shall be carried out by: the governance bodies of the Exchange (the General Meeting of Shareholders, Supervisory Board, Executive Board and the Chairman of the Executive Board), the Supervisory Board Audit Committee, the Revision Commission, the external auditor, the Internal Audit Service, the Internal Control Service (compliance control), the Compliance Service, the risk and operational continuity units, security units, other units and employees of the Exchange (including the Chief Accountant and their deputies), who exercise control in accordance with the powers determined by the internal documents of the Exchange.</p> <p>The Internal Control System is based on the principle of three lines of defense, which is in accordance with best international practices.</p> <p>The first line of defense consists of all employees of the Exchange’s business units and operational divisions involved in identifying, assessing and managing risks inherent in daily activities, as well as developing and implementing policies and procedures governing existing business processes.</p> <p>The second line is the Operational Risk, Information Security and Business Continuity Department, the Internal Control Service and the Compliance Service, which continuously monitor and manage risks, as well as exercise control over compliance of the activities of the Exchange with the federal laws and relevant regulations, the rules of organized trading, as well as the constituent and internal documents of the Exchange in the following areas:</p> <ul style="list-style-type: none"> • ensuring information security, including security of interests (objectives) of the Exchange in the information space; • compliance with the laws of the Russian Federation as well as constituent and internal documents of the Exchange; • prevention of the involvement of the Exchange and the participation of its employees in illegal and unfair activities, including legalization of illegal earnings (money laundering) and financing of terrorism; • prevention of illegal use of insider information and/or market manipulation; • ensuring prevention of conflict of interest, including the identification and control of conflict of interest as well as prevention of its consequences. <p>These units provide support to the first line of defense units to define the regulatory risks, development and implementation of control procedures, interpretation of requirements of applicable laws and preparation of reports on monitoring results for management bodies.</p> <p>The third line of defense is the Exchange’s management bodies, which determine the principles and approaches to organizing the risk management and internal control system in accordance with the Articles of Association and the regulations on management bodies, as well as the Internal Audit Service, which monitors the efficiency and effectiveness of financial and business activities, efficiency of the management of assets and liabilities, including ensuring the safekeeping of assets and efficiency of the risk management of the organizer of trading in accordance with the Regulation on the Internal Audit Service.</p> <p>The Exchange has organized a risk management system appropriate to the nature and volume of transactions it carries out and contains measures aimed at reducing risks, a risk monitoring system that ensures that the necessary information is brought to the attention of Exchange management bodies, as well as a process for managing the main risk groups that can negatively affect its activities. The risk management functions are distributed between the Supervisory Board and its committees, executive bodies, heads of units responsible for certain areas of Exchange activities, within which the risks may arise, a specially created unit responsible for risks arising in the activities of the organizer of trading, the Internal Control Service, and advisory bodies of the Exchange. In order to develop a unified approach to managing compliance risks in the Group companies and coordinating the actions of the respective services of the Group companies under the Chairman of the Executive Board, a Compliance Management Committee has been created, the main task of which is to develop common policies and procedures for the group of companies in the field of compliance risk management.</p>

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No.	Principle	Implementation Results
		<p>Since 2019, the Exchange’s priority in the field of risk management has shifted to forecasting potential risks. In September 2019, the Supervisory Board approved the Risk Management System Improvement Program, which includes a set of measures aimed at proactive response to the risks in changing conditions, introducing new tools, such as scenario analysis, data analysis with elements of machine learning and staff training with a focus on predicting the most negative effects (the “Anticipate Risk” program).</p> <p>In addition, in 2019, a decision was made to change the organization of the risk committees of Moscow Exchange Group companies, allowing for communication between them regarding the risks associated with the introduction of new products.</p> <p>In order to develop recommendations for the executive bodies related to risk management in the course of the Exchange’s activities as an organizer of trading, it was decided to create a Risk Management Committee under the Executive Board of the Exchange, the main tasks of which are monitoring the level of risks accepted by the Moscow Exchange Group companies, synchronizing risk management methods of Moscow Exchange Group companies, preliminary planning of automated risk management procedures and preliminary risk analysis of new projects of the Moscow Exchange Group.</p> <p>Information on the risk management system is communicated to shareholders, trading and clearing participants, the Bank of Russia and other related parties on an ongoing basis through reporting or by posting information on the website.</p> <p>At the level of Moscow Exchange Group, the “Stabilization 3.0” program is being implemented, including an independent assessment of the internal control system and implementation of measures to reduce operational and compliance risks. One of the main elements of the program is to grow compliance culture and develop new channels of interaction between employees of Moscow Exchange Group companies in relation to risks.</p> <p>The Internal Audit Service carries out internal audit, including a systematic independent assessment of the reliability, effectiveness and efficiency of the organization and implementation of the internal control, corporate governance and business processes of the Exchange, as well as the organization of a risk management system and assessment of the efficiency of the methods used to ensure the safety of Exchange property and Moscow Exchange Group companies. The main activities of the Internal Audit Service are to assist the Supervisory Board, the Executive Board and the Chairman of the Executive Board in improving: efficiency of the management of the Exchange and its financial and economic activities through a systematic and consistent approach to the analysis and evaluation of risk management and internal control, as well as corporate governance and business processes as tools to ensure reasonable confidence in achieving the goals.</p>

No.	Principle	Implementation Results
4	Ensuring the prevention, identification and resolution of conflicts of interest related to the activities of the Exchange, as well as combatting corruption.	<p>The measures taken by the Exchange in order to prevent conflicts of interest shall be elaborated in the internal documents of the Exchange, including a List of Measures on Preventing Conflict of Interest in the Trading Activities of Moscow Exchange. Such measures are aimed at preventing situations when the personal interest of Exchange employees may affect fair and efficient performance of their duties.</p> <p>In terms of managing the risk of corruption violations, the Exchange adheres to the basic principles set forth in the Policy on Preventing Corruption approved in 2015. Namely, the prevention of actions associated with any manifestation of corruption, investigation in the event of a situation containing signs or giving grounds to assume existence of corruption risk and analysis of business relations risks with contractors as well as employee training. Key features of the Policy include:</p> <ul style="list-style-type: none"> • a ban on the delivery/receipt of any material items in exchange for assistance in resolving any issue (including gifts); • a ban on concluding transactions with third parties operating on behalf of or in the interests of the Exchange; • the presence of a body that supervises procurement to decide on the conclusion of contracts; • the presence of anti-corruption conditions (or stipulation) in contracts; • counterparty verification; • the ability to inform employees about corruption risk (including anonymously). <p>The measures aimed at managing a conflict of interest arising in cases of a conflict between the interests of the Exchange and the personal interests of members of the management due to their business, friendship, family and other ties and relations, as well as in cases of a conflict between their obligations in regard to the Exchange and obligations in regard to other persons defined in the Conflict of Interest and Corporate Conflict Management Policy of Moscow Exchange approved by the Supervisory Board. This Policy defines the liabilities of members of management aimed at implementing measures to manage a conflict of interest, sets approaches and methods for preventing and identifying a conflict of interest, including identifying transactions made under a conflict of interest (including transactions with the Exchange's securities, related-party transactions and transactions that go beyond the ordinary course of business, that may have a potential conflict of interest).</p>
5	Ensuring equal and fair attitude to all shareholders in exercising their legitimate rights in governing the Exchange, as well as maintaining a balance of the rights and interests of clients, counterparties and other stakeholders.	<p>The Exchange ensures an equal and fair attitude to all shareholders concerning the exercise of their legitimate rights in governing the Exchange. Each shareholder shall have an opportunity to attend the General Meeting of Shareholders held in the form of joint participation and to vote in a convenient way: by sending voting ballots by mail, personally participating in the meeting or by electronic voting. The Exchange provides shareholders with the opportunity to vote electronically by filling out an electronic ballot form on the website. In order to ensure equal treatment of all shareholders, the Exchange shall provide information on the meeting, including meeting materials, in both Russian and English. Ballots shall also be translated into English, which, in accordance with OECD recommendations, allows shareholders to vote from abroad.</p> <p>Much attention is paid to working with retail shareholders. Since 2014, a Shareholder Day has been held annually for retail investors. The event is an online conference with participation of the Exchange's management.</p> <p>Meetings are also held with current and potential investors, so that investors may ask the management team questions and get relevant information that allows them to make an informed investment decision.</p> <p>Additionally, the Exchange seeks to build long-term, stable and mutually beneficial relations with its counterparties. The Exchange has a competitive procedure for selecting counterparties, which makes the process of concluding contracts transparent and facilitates choosing the optimal counterparties for the company.</p>

No.	Principle	Implementation Results
6	Ensuring the transparency of activities and effective communication of the Exchange with its shareholders and other stakeholders.	<p>The Exchange strives to provide stakeholders with access to information on all material facts about the Exchange’s activities, allowing them to make informed investment and management decisions. The main approaches and principles of the Exchange concerning information disclosure are established by the Information Policy, under which the information disclosed by the Exchange is divided into three groups:</p> <ul style="list-style-type: none"> • information on the Exchange’s activities as an issuer of securities and as an organizer of trading, disclosed without fail in accordance with the requirements of legislation and regulations; • information disclosed voluntarily at the discretion and choice of the Exchange; • information freely available at the request of stakeholders. <p>For the convenience of users, the following sections are available on the Exchange’s official website, issuer information and information of the organizer of trading. Information is also published in the news feed.</p> <p>For foreign shareholders and investors, a special section, https://www.moex.com/en/, is provided on the English version of the Exchange’s website, that includes news for investors, key information about the Exchange’s shares, dividend policy and dividend payments, financial and operating results of the Exchange, corporate governance, past and upcoming events for investors and shareholders as well as contact information.</p> <p>In order to effectively communicate with shareholders and other stakeholders, the IR service (Investor Relations) was created. The Investor Relations Director is responsible for the work of the IR Service, who directly interacts with shareholders and prospective shareholders. Information for contacting/receiving advice on IR issues (phone, e-mail), including information about the Director for Investor Relations, is available on the Exchange’s website.</p> <p>In addition, an investor’s calendar is published annually on the Exchange’s website in the “Investor Relations” section. The calendar contains information on important events for shareholders and other stakeholders, including those held by the Exchange, and the time and location they are to be held.</p> <p>In preparation for the annual General Meeting, a Shareholder Day is held in the form of an online conference, where the Exchange’s management team talks about the annual results and answers questions from conference participants in real time. Questions for the Shareholder Day are collected by e-mail or by phone.</p> <p>The Corporate Governance Department facilitates interaction with existing shareholders of the Exchange, and, as necessary, with shareholders of Moscow Exchange Group companies, including in preparation for the General Meetings of Shareholders.</p>
7	Desire for further development with the aim of sustainable growth of the Exchange and increasing returns on invested capital.	<p>In order to provide sustainable growth of the Exchange and increase the return on invested capital over the long term, the Exchange management bodies recognize the need to continually improve the Exchange’s corporate governance system taking into account its development and the influence of external factors, as well as the need for ongoing monitoring of the rights and interests of shareholders and other stakeholders.</p>