

## ASSESSMENT OF SUPERVISORY BOARD AND COMMITTEE PERFORMANCE

### Assumptions and grounds for assessment

In accordance with the recommendations of the Corporate Governance Code and best international practices, Moscow Exchange assesses the performance of the Supervisory Board on an annual basis. In accordance with the Corporate Policy, the Nomination and Remuneration Committee of the Supervisory Board regularly engages external consultants for an independent assessment.

By decision of the Supervisory Board, assessment in 2019 was performed with the assistance of Ward Howell, an independent consultant selected following a competitive process. The selection criteria, in addition to the cost of services, were as follows: a consultant's experience in implementing similar projects, academic and practical expertise in the area of corporate governance, experience and level of professional competence of the project team as well as absence of any links with the Exchange.

### Assessment goals and objectives

The assessment is aimed at monitoring changes in the activities of the Supervisory Board, as well as identification of areas to enhance the effectiveness of the work of the Board and its individual members.

In order to achieve these goals, the following issues were assessed:

- ▶ The role and functions of the Supervisory Board and committees in the Exchange's Corporate Governance System;
- ▶ The composition of the Supervisory Board and committees in terms of balance and effectiveness of the formation process;
- ▶ The priorities for work of the Supervisory Board and committees;
- ▶ The effectiveness of working processes and procedures of the Supervisory Board and committees;
- ▶ The dynamics of meetings of the Supervisory Board and committees;

- ▶ The contribution and effectiveness of the Chairman of the Supervisory Board, chairmen of committees and the Corporate Secretary;
- ▶ An individual assessment of the level of involvement and the preparation for meetings of the members of the Supervisory Board;
- ▶ Recommendations for the improvement of activities of the Supervisory Board were formulated.

### Assessment methodology

To collect the necessary information and obtain as objective results as possible, the consultants used several tools:

- ▶ Analysis of internal documents;
- ▶ Attendance at meetings of the Supervisory Board and committees;
- ▶ Questionnaire of members of the Supervisory Board and management representatives;
- ▶ Interview with members of the Supervisory Board, management representatives and shareholders;
- ▶ Individual 360-degree assessment of members of the Supervisory Board;
- ▶ Benchmarking of Russian and international practices.

The members of the Supervisory Board, management representatives and shareholders took an active part in the assessment. External consultants noted the profound, detailed and open nature of the discussions in the course of their interviews.

Assessment participants	Number of participants	Took part in questionnaire	Took part in interview
Members of the Supervisory Board	12	9 (75%)	12 (100%)
Management representatives	19	10 (53%)	15 (79%)
Shareholders	2	N/A	2 (100%)
Total:	33	19 (61%)	29 (88%)

Involvement of participants from different groups facilitated as broad and as objective an assessment as possible.

## Assessment results

Overall, the assessment demonstrated the Supervisory Board's activities are in line with best international practices of corporate governance. The following aspects were the most highly rated:

- ▶ **Professionally invested and involved directors** – most directors prepare for meetings and take an active part in discussions, demonstrating a responsible attitude and professional interest.
- ▶ **Effective strategic direction** – the Supervisory Board effectively organizes the process of discussion and determination of the Exchange's strategic direction, including involving the main stakeholders in work on the strategy.
- ▶ **Effective organization of committee work** – Supervisory Board committees complete the tasks assigned to them. The chairmen of most of the committees organize their work.
- ▶ **Leadership style of the Chairman of the Supervisory Board** – ensures the substantive quality of discussions and representation of all points of view. The Chairman effectively represents the Supervisory Board in external communications.

- ▶ **Professional Corporate Secretary** – ensures the effective functioning of the Supervisory Board and implementation of best practices of corporate governance.

The Supervisory Board increased its effectiveness in some aspects of its work, which were identified as areas for improvement in the course of an external assessment in 2016 and self-assessment in 2018. In particular, the processes for interaction between the Supervisory Board, committees and management was improved. Another improvement was improved efficiency of the process of developing and revising the company's strategy. The professional work of the Strategy Committee played a key role in this regard. In comparison with the self-assessment performed in 2018, Board members' preparation for meetings improved.