

APPROVED BY  
the resolution of the Moscow Exchange  
Supervisory Board  
dated December 16, 2016, Minutes No. 11

Chairman of the Supervisory Board  
A.L. Kudrin

POLICY ON REMUNERATION AND COMPENSATIONS  
TO MEMBERS OF EXECUTIVE BODIES

Public Joint-Stock Company  
“Moscow Exchange MICEX-RTS”  
(Moscow Exchange)

Moscow

2016

## 1. General

1.1. This Policy on Remuneration and Compensations to Members of Executive Bodies of Public Joint-Stock Company "Moscow Exchange MICEX-RTS" (hereinafter, the Policy) is drawn up in accordance with the laws of the Russian Federation, the Corporate Governance Code recommended by the Bank of Russia and the Articles of Association of the Moscow Exchange (hereinafter, the Company) and establishes the principles and approaches to remuneration paid to members of executive bodies and other key officers of the Moscow Exchange and the procedure for determining the amount of such remuneration, and regulates the types of payments, benefits and privileges to be provided to such persons. For the purposes of the Policy, other key manager shall mean members of the collegial executive body of the Company who holds the most important positions in the company's structure and directly affects financial and economic performance of the Company. As of the date of the Policy approval, there are no other key managers in the Company except for members of the Company's collegial executive body.

1.2. The Policy shall be drawn up by the Nomination and Remuneration Commission of the Moscow Exchange Supervisory Board and approved by the Moscow Exchange Supervisory Board.

1.3. The Supervisory Board of the Company, with the support from the Nomination and Remuneration Commission, shall ensure control over implementation of this Policy by Company and, if required, review and amend this Policy.

1.4. For the purposes of this Policy, the remuneration to members of executive bodies of the Company shall mean elements of the remuneration and other payments and benefits not included into the Company's remuneration system in accordance with the laws of the Russian Federation and/or internal documents of the Company.

1.5. The size, conditions and procedure for payment of remuneration to members of executive bodies of the Company shall be established by the Supervisory Board of the Company (by recommendations of the Nomination and Remuneration Commission of the Supervisory Board of the Company), subject to the provisions of this Policy, by way of approval of employment contracts and the terms of their early termination, including all material obligations of the Company and the conditions for their provision, including severance benefits, compensations and/or any other payment in any form beyond those established by the laws and conditions for their provision.

1.6. The Moscow Exchange Supervisory Board (upon the recommendations from the Nomination and Remuneration Commission of the Supervisory Board of the Company) shall reserve the right to establish, in exceptional circumstances depend on the strategic and business needs, establish the size, conditions and procedure for payment of remuneration other than those set up by this Policy, with their mandatory fixation in employment contracts. Terms and provisions of employment contracts approved the Moscow Exchange Supervisory Board shall prevail over the provisions of this Policy.

1.7. Remuneration to members of executive bodies of the Company shall be paid in accordance with the regulations of the Russian Federation and this Policy. All cash payments shall be made in Russian roubles.

1.8. As at the approval date of this Policy, the Company has neither a representative body of its employees nor a union contract nor a collective agreement.

1.9. If, as a result of any changes in the regulations of the Russian Federation (including in the area of labour payments) and/or the Articles of Association of the Company, any provision of this Policy is in the conflict with such regulations and/or the Articles of Association, such provision shall cease to be effective and, until relevant changes are introduced in this Policy, the above regulations and/or the Articles of Association of the Company shall be governed by.

1.10. There should be a competitive buying procedure in case of the attraction of the independent consultants to the matters of the collegial executive body' remuneration.

1.11. Unless otherwise stated, in this Policy the following terms shall have the following meanings:

**Commission** means the Nomination and Remuneration Commission of the Supervisory Board of the Company.

**Supervisory Board** means the Supervisory Board of the Company.

**Member of the executive body** means Chairman of the Executive Board or Executive Board Member of the Company.

**Target size** means a planned size of remuneration in case of the full time spent at work in the reporting year and, for the purposes of the annual bonus, taking into account the expected 100% achievement of all key performance indicators.

**Target total annual income** means the sum of the annual salary and the target variable part of remuneration (both short-term and long-term components).

**KPIs (Targets)** mean key performance indicators, both qualitative and quantitative (including financial), in the reporting period, established based on the strategy and the business plan of the Company, used to assess the efficiency of the Company employees and to decide on the size of annual bonus.

**KPI (Target) weight** means a coefficient (percentage) that determines the significance of the KPI in the list of all KPIs in the reporting period. The total weight of all KPIs = 100%.

**Performance thresholds** mean minimum and maximum KPIs set forth for bonus purposes.

## 2. Main Principles of Company's Remuneration Policy

2.1. The Company shall attract and retain professional and efficient team of members of the executive bodies, which possesses relevant professional skills allowing them to effectively manage the Company and meets the qualification requirements, the team which is capable to implement strategy and other business priorities of the Company and increase profits for shareholders.

2.2. Within the framework of implementation of this Policy, the Company shall be committed to provide a competitive remuneration to its members of the executive bodies sufficient to attract, motivate and retain those persons who have the required level of competences and qualifications. For this, the Company shall implement a complex incentive system for members of the executive bodies, including compensations, social benefits, and non-financial incentives. The Company shall avoid to determine remuneration that exceeds the level required to achieve those goals.

2.3. The remuneration system to members of the executive bodies shall be aimed to achieve an optimal balance between the dependence of remuneration on the performance of the Moscow Exchange and personal contribution of each member of the executive body to such performance.

2.4. During the development and revision of the remuneration system to members of the executive bodies, the Commission shall make a market study, including, among other, of the remuneration practice, based on the relevant surveys/researches purchased by the Company from leading international consulting companies, and make recommendations to the Supervisory Board in respect of each of the components of the remuneration system and their pro ratio, in order to ensure a reasonable balance between short-term and long-term performance results.

2.5. When developing this Policy, the Commission took into account the following priorities:

- need to attract and retain members of the executive bodies with required qualification;
- intention of the Company to follow the best market practices in the area of remuneration;
- dependence of the level of remuneration on members of the executive bodies on the performance and the Company results;
- focus on the increasing of Company share price.

2.6. The main elements of remuneration (for the purposes of this Policy) shall be:

2.6.1. Fixed part:

- salary.

2.6.2. Variable part:

- short-term component – annual bonus;
- long-term component – share-based long-term incentive.

2.6.3. Benefits and privileges.

2.6.4. Other payments and compensations as per the laws of Russian Federation.

The remuneration elements' structure and the ratio of the elements shall be determined individually (as a percentage of the total target annual income) and differentially (depending on the influence exerted by an executive body member on the financial performance of the Company).

2.7. Regardless of the procedures adopted by the Company and approaches to the use of certain types of remuneration, the Company aims to avoid conflicts of interest when determining the remuneration of the certain person, in particular when discussing and deciding on the level of compensation with the person whose remuneration is discussed.

2.8. Report on the practical implementation of the policy guidelines prepared by the Commission for inclusion in the annual report and other documents of the Company.

### **3. Fixed Part of Remuneration (Salary)**

3.1. Salary is the basic element of remuneration, which reflects job responsibilities. The size of the salary shall help to attract and retain each member of the executive body who meets the qualification and competence requirements sufficient to implement the strategy of the Company.

3.2. When deciding on the amount of salary to be paid to an member of the executive body, a number of factors shall be taken into account, including:

- volume and sphere of responsibility allocated to the position;
- competences, qualifications, skills and experience of the Executives;
- motivation to manage the Company effectively and efficiently;
- personal contribution;
- market practice;
- wider market and economic conditions.

3.3. Salary shall be generally revised when deciding to extend the powers of a member of the executive body. When drafting its proposals to the Supervisory Board, the Commission shall consider a change in the salary, both based on the analysis of surveys/researches in the area of remuneration and taking into account the assessment of such member of the executive body's performance efficiency. A significant increase of the salary could be recommended also in case of a change in the scale or scope of responsibilities and the role of a member of the executive body and/or the market remuneration practice.

#### **4. Variable Part of Remuneration**

The basis of effective management of the Company shall be to ensure that members of the executive bodies are interested in the implementation of the Company's strategy, as well as in the long-term and short-term performance of the Company and in increasing their personal (individual) contribution to the final financial result. To achieve these goals, the variable part of remuneration shall be established.

For members of the executive bodies, the variable part shall be a significant part of their annual remuneration, in which at least half of the target size of the variable part of remuneration shall be the long-term component.

##### **4.1. Short-Term Component – Annual Bonus**

4.1.1. The annual bonus is a bonus based on annual performance, depending on financial performance of the Moscow Exchange and individual contribution of member of the executive body to the result. The dependence of the remuneration on performance shall be implemented through, among other things, annual approval by the Supervisory Board of key performance indicators for each member of the executive body, review of the KPIs report and deciding on the size of bonuses, based on the level of achievement of key performance indicators.

4.1.2. The target annual bonus shall be a percentage of the annual salary set forth in the employment contract. When deciding on the target annual bonus, a number of factors shall be taken into account, including:

- volume and sphere of responsibility allocated to the position;
- influence on financial Company's results;
- motivation to manage the Company effectively and efficiently;
- personal contribution;
- market practice;
- wider market and economic conditions.

4.1.3. The annual bonus to be paid (an approved annual bonus) shall depend on, among other things, the level of achievement of KPIs set forth for each member of the executive body in the reporting period.

KPIs shall be generally of two types: corporate (financial, strategic) and individual. The percentage ratio of the two types, their weights, performance thresholds and bonus calculation algorithm for each of the target shall be set by the Supervisory Board when approving KPIs for each reporting year, based on the recommendation of the Commission. KPIs shall be set taking into account the strategic priorities of the Company and the economic situation, and they shall support the implementation of the Company's strategy.

To maintain a balance between corporate (financial, strategic) and individual targets, the aggregate weight of corporate targets shall be not less than 40% in the total (100%) weight of all the targets. One KPI of corporate targets (usually, a financial KPI) can be a blocking one, i.e. if the minimum threshold for such KPI is not achieved, the annual bonus may be not paid.

Depending on strategic challenges facing to members of the executive bodies, the aggregate weight of the individual targets can be increased.

KPI-dependent bonus calculated using the algorithm approved by the Supervisory Board shall serve a basis when deciding on annual bonuses to be paid to executives. In determining the bonus to be paid, the Supervisory Board shall also take into account the following criterias: the annual reports of members of the executive bodies, the financial and accounting reports, the outcomes of internal / external audits and regulatory inspections, the

performance of the assignments of the Supervisory Board and its commissions, the implementation of strategic projects / targets not included in the KPIs, and other production factors. Following the consideration and taking into account the recommendations of the Commission, the Supervisory Board shall decide on bonus payment and approve bonuses to be paid.

4.1.4. In order to attain a balance between short-term and long-term incentives, as well as to increase the personal responsibility of members of the executive bodies, the payment of a part of the approved bonuses may be deferred, including possible reduction or cancellation of a part of such deferred bonus in case of a failure to attain a positive result in the relevant line of business, based on the time corresponding financial and other business indicators become known. The annual bonus shall be paid as follows: 60% of the approved annual bonus shall be paid after the results of the reporting year are summed up, 20% of the approved annual bonus shall be paid with a delay of one (1) calendar year, 20% of the approved annual bonus shall be paid with a delay of two (2) calendar years.

4.1.5. Any part of the annual bonus, including the part(s) of the annual bonus to be paid after the expiry of the term in office / employment contract, shall be paid after summing up the performance of the Company in the respective year and based on a decision taken by the Supervisory Board of the Company.

## **4.2. Long-Term component**

In order to ensure the convergence of interests of shareholders and employees of the Company, to motivate members of the executive bodies for in a long-term, sustainable business development, as well as to ensure a consistent approach to the incentive system focused on the best international and local practices, the Supervisory Board may decide that members of the executive bodies can participate in the Share-Based Long-Term Incentive Programme, which principles and parameters are approved by the Supervisory Board.

## **5. Benefits and privileges**

5.1. Benefits shall be aimed at meeting market practices, and to provide social security to the Company employees (and, in some cases, their families) in order to improve their efficiency and labour quality. Benefits shall be provided to the Company employees on the basis of the Regulations on Corporate Social Support to Employees of the Moscow Exchange.

The main types of benefits provided by the Company include:

- voluntary medical insurance (VMI), including outpatient services, hospital and dental care;
- international medical insurance (IMI), i.e. medical care in critical diseases, generally excepted from VMI, abroad;
- life insurance and accident insurance, providing for the possibility of insurance payments in case of an insured event;
- material aid;
- additional payment up to the amount of salary for a certain number of days in a year of temporary disability.

The benefits shall be reviewed from time to time, to ensure their availability and competitiveness.

5.2. A flexible approach to the benefits provided to members of the executive bodies suggests that, when approving an employment contract, the Supervisory Board shall decide either to apply the Regulations on Corporate Social Support to Employees of the Moscow Exchange to such member of the executive body or to improve the terms thereof. The decision shall be made on a case by case basis.

5.3. A company car with a driver shall be provided to each member of the executive body in accordance with the internal documents of the Company. The Supervisory Board may decide to

provide a second driver or to increase the class of such company car, given the intensity and level of external communications of an executive.

5.4. The Supervisory Board shall reserve the right to provide, at its discretion, additional benefits, depending on the need to attract, motivate and retain a particular executive. Such benefits shall be determined on a case by case basis and fixed in the employment contract.

## **6. Other Statutory Payments and Compensations**

6.1. To members of the executive bodies shall be provided with statutory guarantees and other forms of compensations, in the cases, manner and amounts established by the laws of the Russian Federation.

6.2. In case of termination of the employment contract with a member of the executive body in accordance with paragraph 2 of Article 278 of the Labour Code of the Russian Federation in the absence of culpable actions (inaction) on his/her part, such member shall be paid a severance pay of three average monthly salaries. The employment contract may establish higher severance pay payable in case of early termination of authorities of a member of the executive body and in the absence of fraud on his/her part, but such severance pay may not exceed the fixed part of the annual remuneration.

## **7. Compensations**

### **7.1. Business Trip Expenses**

In case when a member of the executive body is sent on a business trip, the Company shall reimburse, in the manner and in the amounts established by the Regulations on Business Trips and Secondments of Employees of the Moscow Exchange:

- travel expenses;
- board and lodging;
- per diem;
- other expenses as allowed by the employer.

Per diem shall be the same for all employees of the Company, regardless of the level of position, but it shall differ depending on the area of secondment.

### **7.2. Hospitality Expenses**

In order to fulfil their duties with regard to establishing and maintaining business contacts with representatives of other companies and institutions, members of the executive bodies shall be reimbursed for hospitality expenses. Planning, control and documentation of hospitality expenses is regulated by the Moscow Exchange Regulations on Hospitality Expenses.

### **7.3. Corporate Mobile Communications**

For the purposes of fast exchange of information in order to improve management efficiency, prevent loss of working time, and to ensure round-the-clock communication with Company employees, investors and partners, including foreign and potential, and for the purposes of fast exchange of information in modern business conditions, members of the executive bodies shall, along with other employees, be provided with corporate mobile communication means, in the manner and under conditions established by the Moscow Exchange Regulations on Procedure for Use of Mobile Communication Services.

As members of the executive bodies are frequently sent on business trips and hold meetings outside their office, their limit (maximum mobile expenses per month paid by the Company) shall be determined taking into account unlimited tariffs set by a mobile communications operator, as

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Public Joint-Stock Company "Moscow Exchange MICEX-RTS"  
well as the additional services to provide Internet access and data communications from  
anywhere in the necessary volume.