

PROVISIONALLY APPROVED
The Supervisory Board of Moscow Exchange
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Moscow Exchange 2016 Annual Report

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Scope of the Report

This Annual Report reviews the consolidated performance of PJSC Moscow Exchange MICEX-RTS (hereinafter “Moscow Exchange”, or “the Group”) and its subsidiaries, including JSC National Mercantile Exchange, NCO CJSC National Settlement Depository, and JSC Bank National Clearing Centre.

Compliance

Information in this report has been consolidated in accordance with Bank of Russia Instruction No 454-П of 30 December 2014, the Corporate Governance Code of 21 March 2014 and the G4 Sustainability Reporting Guidelines.

Group Structure

Moscow Exchange Group, Russia’s only multifunctional exchange platform, was established in 2011 upon completion of the merger of MICEX (the Moscow Interbank Currency Exchange, founded in 1992) and the RTS (the Russian Trading System, founded in 1995).

The Group comprises:

- PJSC Moscow Exchange MICEX-RTS, which operates the Equity & Bond Market, FX & Money Market, Derivatives Market and Precious Metals Market;
- NCO CJSC National Settlement Depository (NSD), the central securities depository;
- JSC Bank National Clearing Centre (NCC Clearing Bank), Russia’s largest clearing centre; and
- JSC National Mercantile Exchange (NAMEX), which operates the Commodities Market.

Moscow Exchange holds majority stakes in all key subsidiaries, including a 100% stake in NCC Clearing Bank, a 99.997% stake in the NSD, and a 62% stake in the NAMEX.

Disclaimer

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This document includes forward-looking statements. All statements other than statements of historical fact included in this document, including, without limitation, those regarding our financial position, business strategy, management plans and objectives for future operations are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results, performance, achievements or industry results to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we expect to operate in the future.

Important factors that could cause our actual results, performance, achievements or industry results to differ materially from those in these forward-looking statements include, among others:

- the perception of market services offered by the Company and its subsidiaries;
- the volatility of (a) the Russian economy and the securities market and of (b) the highly competitive sectors in which the Company and its subsidiaries operate;
- changes in (a) domestic and international legislation and tax regulation and (b) state policies related to financial markets and securities markets;
- increased competition from new players in the Russian market;
- the ability to keep pace with rapid changes in science and technology, including the ability to use advanced features that are popular with the Company's customers, as well as with those of its subsidiaries;
- the ability to maintain continuity of the process of introducing new competitive products and services, while maintaining competitiveness;
- the ability to attract new customers in both domestic and international markets; and
- the ability to expand our product offer in international markets.

Forward-looking statements are only valid as of the date of the publication of this document, and we expressly disclaim any obligation or undertaking to release any update of, or revisions to, any forward-looking statements in this document as a result of any change in our expectations or any change in the events, conditions or circumstances on which these forward-looking statements are based.

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1. About MOEX

Moscow Exchange Group manages Russia's main trading platform for equities, bonds, derivative instruments, currencies, money market instruments and commodities. The Group includes Russia's central securities depository (National Settlement Depository) and a clearing centre (National Clearing Centre) that perform the functions of a central counterparty on the markets. Moscow Exchange offers its clients the full spectrum of trading and post-trade services, as well as a wide range of information services.

Moscow Exchange was formed in December 2011 from a merger of Russia's two main exchange groups: MICEX Group, the oldest domestic exchange and operator of the leading equities, bonds, foreign exchange and money markets in Russia; and RTS Group, which at that time operated Russia's leading derivatives market. This combination created a vertically integrated exchange for trading of all major asset classes. In February 2013, Moscow Exchange completed an initial public offering on its own platform (ticker: MOEX). As of 31 December 2016, the company's market capitalisation was RUB 286.2 billion, and the free float was 62.4%.

2. 2016 Highlights

2.1 Financial highlights

RUB million	2012	2013	2014	2015	2016	Change 2016/2015
Operating Income	21,547.0	24,606.0	30,394.0	45,990.0	43,567.2	-5.3%
<i>Fee and commission income</i>	11,406.8	12,792.1	15,586.0	17,784.0	19,797.6	11.3%
<i>Net interest and other finance income</i>	10,033.3	11,754.9	14,279.4	28,084.9	23,695.0	-15.6%
<i>Other operating income</i>	106.9	58.9	528.7	121.1	74.6	-38.4%
Operating Expenses	9,422.4	9,857.0	10,373.3	11,271.9	12,259.4	8.8%
Operating Profit	12,124.6	14,749.0	20,020.8	34,718.1	31,307.8	-9.8%
Net Profit	8,200.3	11,581.7	15,993.2	27,852.1	25,182.6	-9.6%
Basic Earnings per Share, RUB	3,86	5,23	7,21	12,51	11,22	-10.3%
EBITDA	13,719.3	16,393.1	21,616.1	36,519.0	33,602.1	-8.0%
<i>EBITDA margin</i>	63.7%	66.6%	71.1%	79.4%	77.1%	-2.3pp

Fee and commission income structure in 2016, %

	2015	2016
Money Market	21.8	24.4
FX Market	24.3	21.9
Depository and settlement services	19.5	18.0
Derivatives Market	8.3	10.4
Equity & Bond Market	18.4	17.6
Information services and sales of software and technical services	6.9	7.0
Other	0.9	0.6

2.2. Personnel

Employees excl. those with a second job in the Group (incl. maternity leaves), persons

2013	2014	2015	2016
1,597	1,574	1,542	1,613

Staff turnover, %

2013	2014	2015	2016
8.0	6.6	7.1	7.0

Average annual number of training hours per employee, hours

	Corporate training	Professional training
2014	27.2	6.8
2015	11.1	31.9
2016	10.7	16.4

2.3. Environmental performance

Energy efficiency (consumption)

Resource	2015 (RUB '000)	2016 (RUB '000)	Change, %
Gasoline	2,993.1	2,732.4	-8.7
Diesel fuel	46.6	172.9	271.0
Electricity	50,456.5	53,010.7	5.1
Heat	6,001.2	7,053.8	17.5
TOTAL	59,497.4	62,969.9	5.8

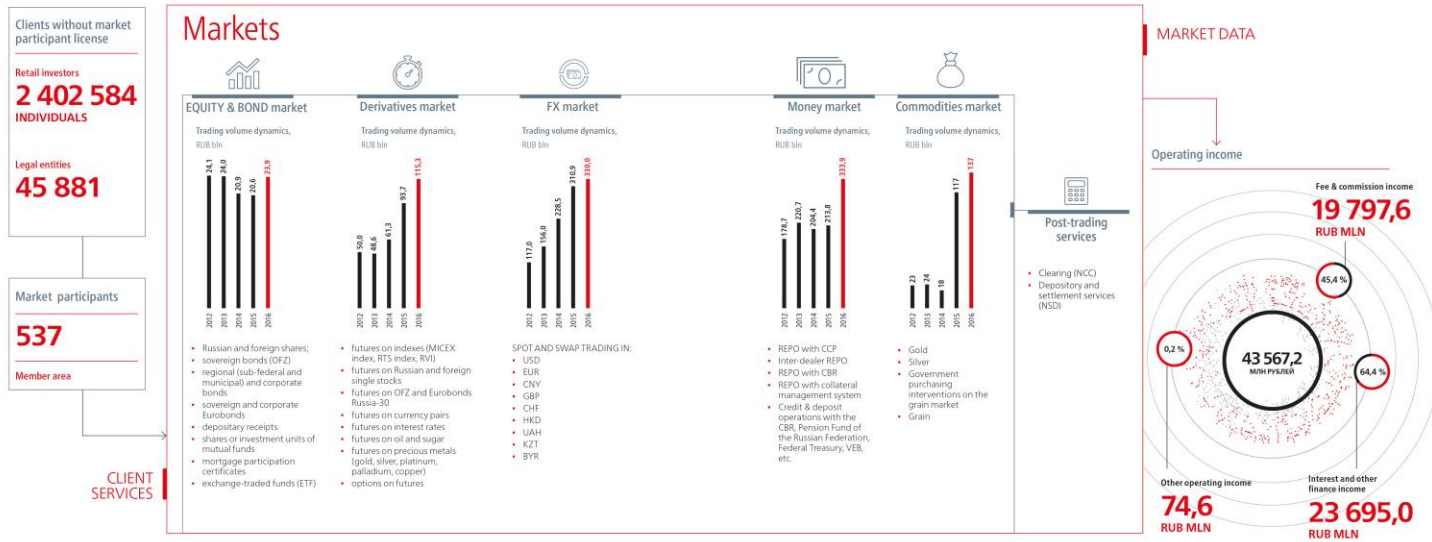
2.4 Social investment

A total amount of money allocated to charitable assistance, mln rub

	2015	2016	Change, %
Total amount	30.0	28.3	-5.7

3. Business Model

BUSINESS MODEL



4. Statement from the Supervisory Board Chairman

Dear shareholders,

2016 was a successful year for the Russian market, with total trading volumes on Moscow Exchange growing by 24% and capitalisation of the equity market increasing by 31%.

The Exchange delivered strong operating and financial results thanks to excellent implementation against our strategy and the management team delivering on all key performance indicators set by the Supervisory Board for 2016, including enhancing the reliability and stability of the Exchange's infrastructure.

Moscow Exchange's system of corporate governance is in line with global best practices. In 2016, corporate governance at the Exchange was reviewed by an independent consultant with the resulting report incorporated into this document. With active support from the Audit Committee and the Supervisory Board as a whole, we succeeded in bringing our corporate governance system in line with the new listing requirements.

The current Supervisory Board comprises high calibre professionals with unique expertise and professional backgrounds, half of whom are independent directors. This underlines the Exchange's commitment to a high degree of transparency and robust governance.

In 2016, our shareholders approved corporate restructuring of the company through consolidation of MICEX Stock Exchange and MB Technologies, two wholly-owned subsidiaries. The restructuring, which was completed in the fourth quarter of 2016, aimed to optimise the Group's corporate structure, streamline customer relationships with Group companies and reduce costs both for customers and for the company.

The dividend policy employed by any public company is an important factor in determining a company's appeal to investors. Moscow Exchange is a leader in terms of dividend payments among the world's largest exchanges; we have increased the size of the dividend payment annually and have exceeded the minimum pay-out ratio set in our dividend policy. 55.1% of the company's net profit in 2014 was paid in dividends, 58.2% of 2015 net profit was paid and 69.3% of net profit in 2016 was recommended to be paid out.

Moscow Exchange's share price showed significant growth of approximately one third in 2016, and has more than doubled since IPO. The company's free float is 62.4%, one of the highest among Russian companies.

Moscow Exchange does a great deal to promote the Russian market and its infrastructure internationally. As part of these efforts, the company hosts annual Exchange Forums in Moscow and the world's major financial hubs.

One of the Exchange's priorities is to pro-actively participate in strengthening corporate governance in Russia. In particular, we conduct annual report contests among Russian companies and we support the All-Russian Forum on Corporate Governance, the Forum for Members of Boards of Directors, the OECD-Russia Corporate Governance Roundtable and the Issuer Corporate Governance Index. In 2016, the MOEX IR Academy was opened to provide training for specialists in such areas as investor relations and corporate communications as well as analysts.

I would like to thank all of Moscow Exchange's shareholders and customers for their confidence and support, and also for effective communication aimed at improving the market infrastructure and development of the Russian financial market.

Alexey Kudrin

Chairman of the Supervisory Board

5. Statement from the Chief Executive Officer

Dear Shareholders,

Moscow Exchange is continuing to successfully execute on the company's strategy to improve its product offering and technology, introduce new instruments and services and attract Russian and international investors to its markets. In an environment of lower volatility and reduced investor activity across most emerging markets, Moscow Exchange posted strong results for 2016. We saw robust growth in trading volumes on almost all our markets, which drove record fee and commission income, the core source of income for an exchange.

Moscow Exchange remains the main platform for equity and debt offerings by Russian companies. In 2016, issuers raised over RUB 2.5 trillion in capital from domestic and international investors via Moscow Exchange.

During the year, we launched a number of successful products intended to grow the Russian financial market, enhance its depth and sophistication. These included repo in general clearing certificates, a new currency pair, new futures contracts and new types of bonds.

Moscow Exchange has established itself as a leader in the Russian fintech space; it strives to advance the market and meet needs of very different groups of customers. We support Russian fintech start-ups that contribute to accessibility, transparency and quality of investment services.

For the Russian financial market to evolve successfully, we need to grow the domestic retail investor base. This can be achieved primarily through financial education and increasing the financial literacy of households. In 2016, the Moscow Exchange School conducted over 250 online and interactive workshops at which more than 10,000 individual investors were given knowledge and skills in investment portfolio management.

One of our priority tasks has been ensuring the uninterrupted operation of our trading and clearing systems. Over recent years, the company has invested a great deal to improve the reliability and capacity of the IT infrastructure. An important step was made in 2016 with the relocation of our IT systems to a new state-of-the-art data centre that has facilitated improved service quality and accessibility.

The completion of the main phase of the listing reform was a major achievement of 2016 that helped strengthen corporate governance across the Russian public company universe and improve the transparency and perception of the Russian market.

Moscow Exchange itself is determined to develop model corporate governance and to remain attractive to a wide variety of investors.

New challenges, such as growing demands from market participants, competition and rapidly changing technology, require new approaches to our work. In 2016, Moscow Exchange introduced new corporate values. New corporate values as a company management tool will contribute to more effective business processes, a stronger customer focus and greater engagement and collaboration within the company.

We expect that more active borrowing by Russian businesses via public markets will be a growth engine for our business. Moscow Exchange in return will continue to streamline the bond issuance process, develop new fixed-income instruments and further improve its technologies.

In our efforts towards developing the Russian financial market, we work closely with market participants, shareholders and the regulator, and I would like to thank all of them for their support and collaboration.

Alexander Afanasiev

Chief Executive Officer

6. Strategic Report

6.1 Industry overview

Overview of the Exchange Industry

Exchanges are organised markets designed to provide centralised facilities for the trading of financial instruments, including securities issued by companies, governments and other entities, as well as commodities and derivatives. Exchanges typically generate core revenue by collecting fees from issuers for the admission to trading of their securities, fees from financial intermediaries who deal in the financial instruments traded on the exchange and the sale of market data and technological solutions.

In many countries, depository, clearing and settlement services are provided by independent organisations, although there is an increasing consolidation trend, with several leading exchanges adopting a vertical structure and integrating most or all of these activities within a single group. Thus, for vertically integrated exchanges, additional revenue streams include, among others, clearing and settlement charges, custody and depository fees and net interest income earned from client funds held on the exchange group's balance sheet.

The exchange industry is generally supervised by a financial regulatory agency; in some cases, exchanges may also exercise quasi-governmental authority as a self-regulatory organisation (SRO) responsible for policing their members and affiliated markets.

Key trends

Over the past decade, the industry has undergone significant re-structuring, characterised by consolidation of exchanges through mergers, acquisitions and alliances both globally and within Europe. For example, ICE's acquisition of the NYSE in 2013 established one of the world's largest exchanges by market capitalisation. Significant transactions in Europe include: NASDAQ's 2007 acquisition of OMX (Nordic region) and LSE's 2007 acquisition of Borsa Italiana and 2013 acquisition of a majority stake in LCH Clearnet. In 2011 MICEX's merger with RTS combined Russia's two largest exchange groups.

Other than the major wave of consolidation in the sector, recent industry trends and developments include:

- Demutualisation and subsequent self-listing of exchanges, providing them with additional liquidity and capital to expand their businesses and leading to increased competition in the sector globally;
- Electronification and significant automation of trading, drastically increasing the emphasis on low latency levels at execution venues and certainty of execution leading to significant modernisation and upgrades of the IT infrastructures and exchange platforms;
- Diversification into new products and services by bringing new types of financial instruments, such as derivatives, investment fund units, trusts and fixed income securities onto exchanges, in addition to the creation of new business models to encompass complimentary activities related to the trading of instruments, including the sale of market data and the licensing of software;
- Growing demand from investors to access a range of different markets and trading facilities through a "one-stop-shop" with straight through processing;
- Emphasis on vertically integrated business models, which allow exchange groups to capture a greater share of the total wallet of customers while also enhancing risk management, improving connectivity and streamlining the customer experience through the trade cycle;
- Increasing impact of legal and regulatory changes, both in Europe and the U.S., on the operations of exchanges as well as investors' perceptions of the sector;
- Development of "alternative" exchange-regulated markets that provide a venue and facilitate listings and raising of capital by small- and medium-sized enterprises that would typically not qualify for Main Boards/Official Markets;
- Development of new technologies and the rise in popularity of Electronic Communication Networks (ECNs), Multilateral Trading Facilities (MTFs) and Organized Trading Facilities (OTFs), which compete with traditional exchanges in terms of cost, speed and efficiency, as well as transparency;
- Emergence of market exchanges in developing economies as bona fide competitors to more entrenched venues supported by strong growth in their underlying national economies and increasing desire to tap both domestic and international capital;

- Increasing importance of data, analytical tools and risk management as part of services provided by exchanges and Central Counterparties (CCPs).
- To succeed in this highly competitive industry, exchanges have made large-scale investments in their information technology platforms in order to improve performance and increase trading volumes, to diversify sources of revenue and to offer more sophisticated solutions to their customers. Moreover, faced with intensified competition from ECNs, MTFs and OTFs, some exchanges have been induced to cut fees or launch their own ECNs, MTFs or OTFs.

Moscow Exchange in the Global Context

Top 10 exchanges for bond trading (2016)				
Ranking	Exchange	Country	Trading volume (USD bn)	Including repo
1	BME	Spain	6,875	√
2	Moscow Exchange	Russia	3,764	√
3	Korea Exchange	South Korea	2,843	×
4	LSE Group	UK	1,976	×
5	Johannesburg SE	South Africa	1,850	√
6	Nasdaq OMX	USA	1,712	√
7	Oslo Borse	Norway	713	√
8	Bolsa de Valores de Colombia	Colombia	417	×
9	Shanghai SE	China	398	×
10	Taipei Exchange	Taiwan	268	×

Top 10 exchanges for derivatives, by number of contracts (2016)			
Ranking	Exchange	Country	Trading volume (contracts, m)
1	CME Group	USA	3,942
2	NSE India	India	2,135
3	Moscow Exchange	Russia	1,963
4	Shanghai Futures Exchange	China	1,681
5	Deutsche Börse	Germany	1,592
6	Dalian Commodity Exchange	China	1,537
7	BM&FEBVESPA	Brazil	1,358
8	CBOE	USA	1,124
9	Nasdaq OMX	USA	998
10	Zhengzhou Commodity Exchange	China	901

Top 25 exchanges for equities (2016) ¹					
Ranking	Exchange	Country	Market cap (USD bn)	Number of issuers	Trading volume (USD bn)
1	ICE&NYSE	USA	19,573	2,307	17,318
2	Nasdaq OMX	USA	8,965	3,835	11,781
3	Shenzhen SE	China	3,217	1,870	11,606
4	Shanghai SE	China	4,104	1,182	7,492
5	Japan Exchange	Japan	5,061	3,541	5,618
6	LSE Group	UK	3,496	2,590	2,286
7	Euronext	EU	3,493	1,051	1,766
8	Korea Exchange	South Korea	1,282	2,059	1,673
9	HKEx	Hong Kong	3,193	1,973	1,350
10	Deutsche Börse	Germany	1,732	592	1,306
...
24	Moscow Exchange	Russia	636	245	129

Top 12 publicly traded exchanges by market capitalisation ²			
Ranking	Exchange	Country	Market Capitalisation (USD bn)
1	CME	USA	39.9
2	ICE&NYSE	USA	34.2
3	HKEx	Hong Kong	29.2
4	Deutsche Börse	Germany	16.7
5	LSE Group	UK	13.5
6	Nasdaq OMX	USA	11.2
7	BM&FBovespa	Brazil	10.4
8	Japan Exchange	Japan	7.6
9	ASX	Australia	7.2
10	CBOE	USA	6.2
11	SGX	Singapore	5.7
12	Moscow Exchange	Russia	5.1

Source: Moscow Exchange, WFE, Bloomberg

1. The largest stock exchanges have been ranked by equity trading volumes (EOB only). The ranking excludes BATS because no data on market capitalisation and the number of traded companies has been made available.
2. Bloomberg data as of 24 January 2017

Moscow Exchange competitors

The key competitors of Moscow Exchange are the London Stock Exchange, the New York Stock Exchange and NASDAQ, EBS FX Platform (ICAP Group), the Chicago Mercantile Exchange (CME Group), the Deutsche Börse, and the Hong Kong Stock Exchange.

The LSE is both one of the largest global exchange groups and the major overseas venue for trading in global depository receipts of Russian companies. When a company chooses to join the LSE, it can list shares on the Main Market or the Alternative Investment Market (AIM). The LSE boasts an advanced electronic trading system that supports several market types. The LSE Group also owns Turquoise, a trading platform competing with Moscow Exchange in Russian stocks and the index derivatives segment.

The NYSE is one of the world's largest exchange groups and it hosts trading in global depository receipts of Russian corporate issuers. It has been in competition with Moscow Exchange since 1996, when the NYSE became the first international exchange to list depository receipts of a Russian company.

NASDAQ is one of the leading global exchange groups trading in global depository receipts of Russian corporate issuers. It has been in competition with Moscow Exchange since 2000. A new period of competition for Russian issuers began with the IPO of Yandex 2011.

The ICAP's EBS FX Platform is the world's major inter-dealer broker and one of the global FX trading market leaders. In addition to FX instruments, ICAP also provides venues for other developed and developing market instruments, including commodity derivatives, bonds, shares and depository receipts as well as interest rate-based derivatives. The EBS is MOEX's main competitor in spot trading of the USD-RUB and EUR-RUB currency pairs.

The CME is one of the largest derivative exchanges globally with a wide offering of derivative instruments based on various asset classes, including equity indices, interest rates, FX exchange rates, commodities, and real estate. CME Group provides matching, CCP clearing and settlement services. It is MOEX's primary competitor in the segment of USD-RUB futures and options.

One of the major exchange groups in Europe and globally, Deutsche Börse is a vertically integrated holding comprising the Xetra trading system, the Clearstream settlement depository and the EUREX derivatives exchange. EUREX offers a trading venue for RDX futures (RDX is an index for depository receipts issued by the Russian blue chips calculated by Wiener Börse).

HKEx is one of Asia's leading exchange groups. It has been competing with the Moscow Exchange since 2010, when RUSAL (an off-shore company incorporated in Jersey) listed its shares on HKEx.

6.2 Mission and corporate values

Mission

Moscow Exchange Group's mission is to promote economic growth in Russia and contribute to the restructuring of the Russian economy by expanding capital-raising opportunities for issuers and facilitating a client-friendly, safe and transparent environment for local and international investors.

The Group's updated strategy is focused on achieving this mission. The goals and tasks set out in the strategy support the company's corporate values. In 2015, the company established four main corporate values, the adherence to which will help achieve the Group's goals.

Our Corporate Values

We are responsible for the future of the company.

We share a common goal, we are accountable for our results and for the future of the company.

We work in partnership with our customers.

We listen to our clients and stakeholders, we understand their needs and offer them the best solutions.

We strive for excellence and are open to change.

We are ready for changes, continually striving for excellence, innovation and adhering to best practices.

We value transparency and integrity.

We are supportive and have confidence in each other as we pursue our common goal.

6.3 Strategic Priorities 2015-2020

Key objectives of the Group's Strategy for 2015-2020	Key areas of focus	Projects completed in 2016
<p>Diversification</p> <p>Substantially increase revenues from classic infrastructure services and create new trading markets</p>	<ul style="list-style-type: none"> - Market data and information services - Technical services - Indices - Listing - OTC derivatives clearing - On-exchange trading of standardised products 	<ul style="list-style-type: none"> - MICEX and RTS indices for mid- and small-cap stocks - First RTS-linked ETF – FinEx Russian RTS Equity UCITS ETF - New types of OTC contracts with the CCP – FX swaps and forwards in the Standardised Derivatives Market - Deliverable futures contracts for USD/RUB, EUR/RUB and CNY/RUB currency pairs - CHF/RUB trades - RUONIA futures contracts with updated terms - 2016 IPOs: RussNeft (November 2016, RUB 32.5 bn), Future Financial Group (October 2016, RUB 11.7 bn)
<p>Optimisation</p> <p>Improve operational efficiency and streamline Group's business processes</p>	<ul style="list-style-type: none"> - Strengthening corporate culture - Optimisation and harmonisation of business processes - Improving the customer experience - Implementation of a cost savings programme - Tariff optimisation - 	<ul style="list-style-type: none"> - Data centre established - Shared client registration across all MOEX markets
<p>Standardisation</p> <p>Complete upgrade of key elements of the Russian financial market infrastructure in accordance with evolving international standards</p>	<ul style="list-style-type: none"> - Alignment of local financial market practices with international standards in terms of key aspects relevant for foreign investors - Developing the NSD product offering - Streamlining of exchange interfaces for market participants and investors in line with best global practices - Promoting better corporate governance at Russian companies 	<ul style="list-style-type: none"> - First international clearing members (ICM) on MOEX's FX Market, including Bank of America, National Association (BANA) and ICBC Standard Bank Plc - Recognition of MOEX indices and FX fixings as compliant with the IOSCO principles - Use of the MOEX USD/RUB FX Fixing by CME Group and EMTA for settlement of RUB FX futures - Transfer of USD-denominated Eurobonds to T+2 trading mode - Cooperation agreements with Chinese exchanges, brokers, and depositories

<p>Deepening the market</p> <p>Develop the local investor base and facilitate greater liquidity of the Russian financial markets</p>	<ul style="list-style-type: none"> - Support of the regulator in implementing reforms - Development of the local investor base - Development of the Bond Market (bondisation) - Customisation of Repo and derivatives products - Attracting new issuers - Implementation of liquidity protection programmes 	<ul style="list-style-type: none"> - GCC repo transactions - Asset Manager Ranking launch - Pension investments into the IIM instruments - 200,000 individual investment accounts - Direct access of corporate customers to the FX Market and deposit operations - Introduction of a new member type (auction organisers) to the M-Deposit segment - Unsuspended secondary trading in OFZs during OFZ offerings
<p>Development of risk and collateral management products</p> <p>Develop an advanced comprehensive system for managing risks, collateral pool and settlements extending to all Group markets</p>	<ul style="list-style-type: none"> - Development and harmonisation of the risk management system across all markets - Unified clearing and settlement pool - Single collateral pool and new collateral management services - New tripartite post-trading services 	<ul style="list-style-type: none"> - Central counterparty (CCP) protection improvement with collateral for stress - CCP allocated capital increase of RUB 3 bn to RUB 9.5 bn

6.4 Key Risks

Risks associated with the implementation of strategic priorities

Strategic areas	Financial risks / impact on KPIs	Non-financial risks / impact on KPIs
Diversification	Launch of new products may lead to an increase in assets that are exposed to credit and market risks, which will adversely affect capital adequacy. At the same time, product diversification opens up opportunities for managing interest-rate and liquidity risks, while also mitigating the concentration risk.	Moving to new technology applied to optimise the existing technologies and processes, as well as launching new products may lead to: <ul style="list-style-type: none"> - higher operational risks due to new products and processes being embedded into the existing infrastructure; - increased HR risks associated with the inability of existing personnel to fully meet the requirements of new technologies and new business processes;
Optimisation	Business process optimisation in the area of risk management improves risk protection.	<ul style="list-style-type: none"> - the current system of controls being rendered ineffective, disrupting the operation of the Moscow Exchange's key systems and processes; - development of new products increases outer exposure of the company's IT infrastructure, which increases the risk of interferences with the Exchange's systems and determines new challenges to insure cybersecurity of the company.
Development of risk and collateral management products	Development of risk and collateral management methods and technologies results in stricter requirements for financial risk assessment models in terms of their accuracy and reliability and also improves risk protection.	
Deepening the market	Market deepening through investor base expansion may potentially increase the credit risk level, especially in view of the expected rise in assets that are exposed to credit risk. At the same time, attracting new investors will enable the Company to better manage the liquidity risk and mitigate the concentration risk of exposure to individual counterparties.	Attracting new investors (including individuals) may result in higher operational risks due to new products and processes being embedded into the existing infrastructure.
Standardisation of Russian infrastructure	Gradual alignment of the Russian financial market infrastructure with international recommendations imposes financial and non-financial risks due to foreign investors being granted access to trading and clearing platforms. Other risks concern the inability to effect changes in legislation and/or obtain the regulator's approval.	

7. Performance Review

7.1 Financial Results

Moscow Exchange achieved strong financial results in 2016 as the company successfully delivered on its strategy to expand the product offering, grow the domestic investor base and attract more international investors to its markets. As expected, lower interest rates led to the normalisation of interest income. At the same time, despite lower market volatility than a year ago, the Exchange continued to see substantial volume growth across most trading markets. As a result, the Exchange demonstrated strong growth of fee and commission income, the core source of income for an exchange.

Cost control remains one of the key priorities for the company. Cost growth was mostly driven by capital expenditures, as the Exchange switched to Dataspace1 as the main data centre and increased its IT footprint to ensure reliability of core systems. This led to higher depreciation and amortisation numbers as well as higher IT maintenance costs. Reduced spending on third-party professional services and rent of property delivered cost savings.

7.1.1. Financial highlights

RUB million	2012	2013	2014	2015	2016	Change 2016/2015
Operating Income	21,547.0	24,606.0	30,394.0	45,990.0	43,567.2	-5.3%
<i>Fee and commission income</i>	11,406.8	12,792.1	15,586.0	17,784.0	19,797.6	11.3%
<i>Net interest and other finance income</i>	10,033.3	11,754.9	14,279.4	28,084.9	23,695.0	-15.6%
<i>Other operating income</i>	106.9	58.9	528.7	121.1	74.6	-38.4%
Operating Expenses	9,422.4	9,857.0	10,373.3	11,271.9	12,259.4	8.8%
Operating Profit	12,124.6	14,749.0	20,020.8	34,718.1	31,307.8	-9.8%
Net Profit	8,200.3	11,581.7	15,993.2	27,852.1	25,182.6	-9.6%
Basic Earnings per Share, RUB	3,86	5,23	7,21	12,51	11,22	-10.3%
EBITDA	13,719.3	16,393.1	21,616.1	36,519.0	33,602.1	-8.0%
<i>EBITDA margin</i>	63.7%	66.6%	71.1%	79.4%	77.1%	-2.3pp

7.1.2 Fee and Commission Income

Operating income in 2016 totalled RUB 43.57 bln, down 5.3% YoY due to lower interest income (-15.6%) on the background of decreasing client balances and rates for RUB-denominated assets. Fee and commission and other income increased by 11.3% YoY driven by strong performance of the Money Market, Derivatives Market and Fixed Income Market.

Fee and commission income structure in 2016, %

	2015	2016
Money Market	21.8	24.4
FX Market	24.3	21.9
Depository and settlement services	19.5	18.0
Derivatives Market	8.3	10.4
Equity & Bond Market	18.4	17.6
Information services and sales of software and technical services	6.9	7.0
Other	0.9	0.6

Equity & Bond Market

Fees and commissions from the Equity Market amounted to RUB 1.6 bln in 2016 (down 3.2% YoY). Equities trading volumes amounted to RUB 9.3 trln, down 1.3% YoY. The total capitalization of the Equities Market reached RUB 37.8 trln (USD 627.5 bln) as of 31 December 2016.

Fees and commissions from the Bond Market increased by 25.4% YoY and reached RUB 1.5 bln thanks to increased volume of bonds available for trading. This was caused by a decrease of direct repo transactions by the Bank of Russia and subsequent reduction of collateral base of the Bank. Government bond placements grew by 69.9% YoY, while corporate bond placements reached a record RUB 3.9¹ trln (+98.3% YoY). The total trading volume of bonds was RUB 14.6 trln, up 31.0% YoY.

FX Market

Fee and commission income from the FX Market remained flat at RUB 4.3 bln. Trading volumes reached RUB 330.0 trln (up 6.2% YoY). Trading volumes in the swap segment grew by 7.4%, reflecting continued demand for FX liquidity management solutions, while spot trading volumes increased by 3.7% YoY thanks to lower FX volatility.

Money Market

Fee and commission income from the Money Market increased by 24.8% YoY to RUB 4.8 bln. Total trading volumes on the Money Market, including repo transactions and the deposit and credit market, increased by 56.2% YoY and reached RUB 333.9 trln. The volume of repos with CCP grew by 164.1% YoY and contributed 59.5% of total repo trading volume of RUB 176.2 trln in 2016. The average repo term reduced to 3.4 days from 6.6 days due to a reduced share of repo with the Bank of Russia in the total repo trading volume.

Derivatives Market

Fees and commissions from the Derivatives Market in 2016 amounted to RUB 2.1 bln, up 39.5% YoY. Derivatives trading volumes grew by 18.4% YoY in contract terms and reached 2.0 bln contracts or RUB 115.3 trln. Open interest at the end of 2016 was RUB 639.99 bln, up 8.3% YoY.

Depository and Settlement Services

Fee & commission income from depository and settlement services grew by 2.9% to RUB 3.6 bln. Assets on deposit held at the National Settlement Depository increased to RUB 36.4 trln as of 31 December 2016 (+14.9% YoY), and averaged RUB 33.1 trln in 2016.

¹ Inclusive of overnight bond offerings of RUB 1.4 trln in 2016

Other fee and commission income

Other fees and commissions increased by 10.3% YoY to RUB 1.5 bln. Sales of software and technical services grew by 20.8% YoY and contributed RUB 636.3 mln of fee income. Sales of market data and information services grew by 9.2% to RUB 751.8 mln.

Interest & other finance income

Interest and other finance income declined 15.6% YoY to RUB 23.7 bln due to lower client balances versus 2015 (21% less for RUB and 24% less for foreign currency) as well as lower interest rates in Russia and funds available for investments.

7.1.3 Expenses

Operating expenses grew by 8.8% YoY to RUB 12.3 bln in 2016, slightly above the Russian inflation rate. Administrative and other expenses grew by 15.0% YoY to RUB 6.3 bln, mostly due to growth in depreciation of property and equipment as well as maintenance of equipment & intangible assets. Personnel expenses grew by 2.8% YoY to RUB 5.9 bln.

7.1.4 Cash and cash equivalents

Moscow Exchange's cash position² at year-end 2016 amounted to RUB 85.3 bln. The Exchange had no debt as of 31 December 2016.

² Cash position is calculated as the sum of cash and cash equivalents, financial assets at fair value through profit and loss, due from financial institutions, investments available for sale less balances of market participants, distributions payable to holders of securities and margin account under reverse repo.

7.2 Markets

7.2.1 Equity & Bond Market

Trading volume

Equities Market Trading Volumes

	Volumes, RUB billion			Change, %	Breakdown, %		
	2014	2015	2016	2016/2015	2014	2015	2016
Shares, DRs and fund units, in total	10,283	9,398	9,277	-1.3	100	100	100
Secondary market	10,255	9,352	9,210	-1.5	99.7	99.5	99.3
Primary market	28	46	67	45.7	0.3	0.5	0.7

Bond Market Trading Volumes

	Volumes, RUB billion			Change, %	Breakdown, %		
	2014	2015	2016	2016/2015	2014	2015	2016
Bond market (in total)	10,605	11,159	14,616	31.0	100	100	100
Secondary market	8,602	8,529	9,589	12.4	81.1	76.5	65.6
OFZ	3,877	3,577	4,969	38.9	36.6	32.1	34.0
Corporate & other bonds	4,725	4,952	4,619	-6.7	44.6	44.4	31.6
Placements	2,003	2,630	5,027	91.1	18.9	23.6	34.4
OFZ	144	661	1,123	69.9	1.4	5.9	7.7
Corporate & other bonds	1,859	1,969	3,904	98.3	17.5	17.6	26.7

The total securities trading volume in 2016 was RUB 23.9 tn, up 16% year-on-year. Bond trading volume rose by 31% to RUB 14.6 tn, while that of the Equity Market amounted to RUB 9.3 tn, 1% less than in 2015. Bond issuance increased by 91% to RUB 5 tn, of which OFZs accounted for RUB 1.1 tn (up 70%) and corporate and regional bonds for RUB 3.9 tn (a two-fold increase). In 2016, total equity market capitalisation rose by 30%, reaching RUB 37.8 tn (USD 627.5 bn).

New instruments

The reporting year saw the launch of a variety of new bond instruments, which boosted market liquidity. In particular, the shortest-term (overnight) bonds kicked off at the end of October. By year-end, 49 issues of such bonds were placed (for a total of RUB 1.4 tn).

Another new type of bonds – Russian law-governed foreign currency bonds – appeared on the market as an alternative to borrowing in global markets. In 2016, three issuers offered foreign currency bonds worth a total of USD 1.4 bn.

The Exchange saw a large number of registrations and placements of bonds as part of exchange-traded bond programmes, which make access to the debt market considerably simpler. During the year, the Exchange registered 71 programmes of 67 issuers worth a total of RUB 11.1 tn, and, as part of these programmes, 128 issues of exchange-traded bonds with a total par value of RUB 4.43 tn. There were also 91 offerings with a total par value of RUB 2.3 tn.

In addition, Moscow Exchange continued to launch new ETFs, of which there are 12 today. In March, the Exchange launched its first ETF on the RTS Index. During the year, total ETF trading volumes increased more than threefold to RUB 9.8 bn.

In July, USD-denominated shares of eight ETFs were admitted to trading in the negotiated trades mode with settlement in USD.

Trading technology

In 2016, Moscow Exchange continued to improve its technology to facilitate trading by market participants and their clients.

A shared registration system was introduced, allowing for intraday batch registration of clients. The new technology simplified trading member registration and reduced the time it takes investors to join the Equity and Bond Market.

Opening and closing auctions have new order types for USD-denominated instruments, offering investors new trading opportunities.

The Exchange implemented an automated solution to developing an exchange-traded bond programme, which saves issuers a significant amount of time in preparing the required documentation.

In 2016, to support OFZ trading, Moscow Exchange developed a trading technology to control the exchange of bond pools (basket for basket). September saw eight amortised OFZ issues (OFZ-AD) exchanged for three issues of fixed-rate coupon OFZs (OFZ-PD), which boosted the liquidity of government securities.

Transfer of Eurobonds to T+2 trading mode

As of 25 January 2016, USD-denominated Eurobonds could be traded partially collateralised with deferred settlement. Transfer of Eurobonds to the T+2 trading mode boosted their liquidity and enabled trading participants to use other assets as collateral for Eurobond transactions. As of year-end, Eurobond trading volumes jumped twentyfold versus 2015.

Retail investors

Moscow Exchange continued to grow the retail investor market. At the end of 2015, private investors were allowed to open brokerage accounts remotely using the Unified System for Identification and Authentication (USIA) and the Interagency Electronic Interaction System (IEIS). These technologies facilitate the registration of new clients, encouraging private investors to open more accounts in the Russian Equity and Bond Market, including individual investment accounts.

In 2016, Moscow Exchange increased the share of private investors by 9.6% to 1.1 million, with the share of active clients who made at least one transaction during the year growing by 42% to 293,900.

By year-end 2016 investors had opened a total of 195,200 individual investment accounts (versus 88,900 accounts as of year-end 2015). In January 2017, the number of individual investment accounts exceeded 200,000.

Around 100 brokerage and investment management companies opened individual investment accounts for their clients. Over 35% of all these accounts are held by new clients with no experience in the securities market.

Innovation and Investment Market

Trading volume

In 2016, the total trading volume on Moscow Exchange's Innovation and Investment Market (IIM) increased 3.4 times year-on-year to RUB 187.1 bn. The MICEX Innovation Index (MICEXINNOV) rose 58.7% to 386.92.

The IIM was established in 2009 at the initiative of Moscow Exchange and RUSNANO to facilitate investments primarily in small and medium-sized innovative Russian businesses.

Legislative incentives

The IIM's liquidity gained ground in part thanks to favourable legislative changes and tax incentives. Amendments to the Russian Tax Code that entered into force on 1 January 2016 mean personal income tax and corporate income tax will no longer be levied on income from selling Russian equities and bonds or on investment units issued by innovative and high-tech businesses, provided the investor holds them continuously for at least one year.

The Industrial Development Fund (IDF) and Moscow Exchange signed an agreement to promote the Russian high-tech sector by providing companies access to capital markets. For example, the IDF is planning to offer leverage to MICEX's IIM issuers on preferential terms, enabling them to pledge their securities and to issue bonds and subsidise coupon rates.

Improved screening

Moscow Exchange's Innovation and Investment Market features a premium segment for equities and bonds from innovative businesses. In 2017, the first issuers to be included in the new segment were United Aircraft Corporation and RUSNANO. The inclusion of securities in the IIM-Prime segment will increase demand for the largest, most reliable and most promising innovative Russian companies.

MOEX continues to monitor the investment quality of issuers, and it removed six issuers from the IIM during the year due to non-compliance with requirements and disclosure standards.

In order to boost the IIM Development Committee's expert capabilities, MOEX signed a contract in September to engage independent experts from the Skolkovo Foundation to screen IIM issuers.

To foster independent analytical coverage, MOEX issued two analytical reports for the investment community in 2016: FinTech Sector Overview (in partnership with Da Vinci Capital and EY as the vendor) and Trends in the Global and Russian Pharmaceutical Markets (in partnership with the IDF and Frost & Sullivan as the vendor).

Programme to boost liquidity

In 2016, a market-making programme was launched for promising IIM equities to increase liquidity and incentivise listing agents. The programme covers equities with the most weight in the MICEX Innovation Index basket.

Equity & bond listing

In 2016, Moscow Exchange continued to refine its Listing Rules by establishing additional requirements for issuers, listed securities and market participants, with a view to enhancing the quality of the securities admitted to trading.

In particular, Moscow Exchange amended the free float requirements for ordinary shares to be admitted to, and maintain a listing on, Level 2. However, there is an option for shares to be admitted to Level 2 without complying with the free float requirement if it is expected that the shares will be in compliance with the requirements upon completion of a planned offering.

There is no longer a limitation in respect of the number of directors who may be qualified as independent directors by a Board resolution. At the same time, Moscow Exchange introduced additional corporate governance requirements for any member of the board to qualify as an independent director, and requiring that the issuer disclose the relevant resolution on its website.

A new Ticket System web service was launched for issuers, who are now able to file their listing applications with the Exchange online, and can be informed of the status and progress of their ticket and application by reference to their ticket number, which is assigned automatically.

A new requirement has been introduced whereby any holders of unsecured bonds should appoint a representative.

Concessionary issuers whose bonds are admitted to the Level 1 List are now subject to an additional requirement requiring them to disclose information on concession arrangements and their efforts to implement those arrangements.

As of the end of 2016, 1,867 securities from 692 issuers were admitted to trading on Moscow Exchange, including 299 shares from 242 issuers and 1,268 bonds from 386 issuers. Level 1 and Level 2 lists now include 789 securities from 279 issuers.

Listing reform

In January 2017, Moscow Exchange completed the first stage of its listing reform launched in 2012. Issuers were granted a transition period of more than two years to bring their corporate governance system into compliance with the new listing rules. After a review of issuers and their securities, 20 shares from 18 issuers were downgraded in their listing level as of 31 January 2017. Thus, the Level 1 List now includes 60 shares from 52 issuers, and the Level 2 List includes 35 shares from 33 issuers.

- The number of independent directors in companies from the top quotation list increased 1.5 times to 222 directors.
- The percentage of independent directors has risen from 23% to 32%.
- The number of issuers in the highest-level quotation list, which was 64 at the end of 2015, has now been reduced to 52. The Level 2 List contained 44 issuers in 2015, with 33 remaining as of now.

The second stage of the listing reform is to be completed in October 2017, after which equity issuers will have to comply with the expanded list of criteria for an independent director and expanded duties for corporate secretaries. This stage of the reform will come fully into force in January 2018.

The purpose of the listing reform is to improve the quality of corporate governance practices in public Russian companies and to enhance transparency and the investment appeal of the Russian equity market with a view to protecting the interests of both retail and institutional investors.

Key changes under the listing reform:

- the structure of the quotation lists has been brought closer into line with international standards; the number of the listing levels has been reduced from six to three;
- a new free float requirement was introduced for the inclusion of shares in a quotation list;
- a longer history of IFRS reporting is now required;
- requirements regarding the quality of corporate governance at Russian issuers were tightened, including in respect of the number of independent directors and the existence of a corporate secretary, a Board audit committee, a Board remuneration committee, a Board nomination committees and an internal audit department;
- requirements for the rating assigned to issuers and their securities were increased.

Rating reform

In late 2016, the Bank of Russia approved a list of credit rating agencies and credit ratings for the purposes of including securities in the Level 1 List. Based on this action by the regulator, Moscow Exchange, beginning from 31 January 2017, downgraded the listing level of the bonds of 13 issuers, since their rating was lower than required or was assigned by a rating agency not included in the Bank of Russia's list of recognised credit rating agencies.

Expert Council on Listing

To ensure deeper analysis and improve the quality of securities upon their admission to trading and as they continue as listed companies, Moscow Exchange created a new consultation body called the Expert Council on Listing.

Consisting of 37 members, the Expert Council was approved at the end of 2016.

The Expert Council's key function is to develop recommendations for Moscow Exchange on matters of listing, delisting and changing the listing level of securities. Decisions made by the Expert Council are not mandatory, but are intended to augment the Exchange's expertise. Thus, this function has been reassigned from the Stock Market Committee, the Fixed-Income Securities Committee and Collective Investment Committee to the Expert Council on Listing. The procedure for issuing recommendations has also been changed: now, each specific matter will require a dedicated working group consisting of relevant experts.

Listing development strategy

At the end of 2016, Moscow Exchange adopted a Listing Development Strategy for the period to 2020. This document provides for certain step-by-step measures to improve Exchange procedures and to refine listing requirements.

Its key strategic objectives include:

- to improve the quality of listings on Moscow Exchange;
- to increase the number of new issuers and instruments;
- to develop technologies to automate communication between issuers and the Exchange.

In 2017, Moscow Exchange intends to pilot several stress tests in order to forecast issuers' financial and economic stability, taking into account their industry profile.

Accumulated statistics from an index of violations committed by issuers in their disclosure obligations is to be applied to issuers at the stage of maintaining their securities in quotation lists (introduction of threshold index values).

New issuer-oriented services and IT tools will be developed and implemented. In particular, a form constructor for the second part of the resolution to issue Exchange-traded bonds is expected to be launched shortly (in addition to the existing form constructor for Exchange-traded bond programmes), as well as for the resolution to launch a standalone issue of Exchange-traded bonds. By the end of 2017, each issuer's online account will feature a digital signature mechanism, thus reducing paper-based correspondence with the Exchange.

7.2.2 Derivatives Market and Standardised Derivatives

Trading volume

	Volumes, RUB billion			Change,%	Breakdown, %		
	2014	2015	2016	2016/2015	2014	2015	2016
Derivatives, in total	61,316	93,713	115,271	23.0	100	100	100
Futures	55,566	90,231	109,489	21.3	90.6	96.3	95.0
<i>FX</i>	29,404	62,478	64,561	3.3	48.0	66.7	56.0
<i>Interest</i>	92	25	27	8.0	0.2	<0.1	<0.1
<i>Equity & Bonds</i>	3,338	3,054	3,529	15.6	5.4	3.3	3.1
<i>Indices</i>	21,804	20,291	26,138	28.8	35.6	21.7	22.7
<i>Commodities</i>	928	4,383	15,234	247.6	1.5	4.7	13.2
Options	5,749	3,482	5,782	66.1	9.4	3.7	5.0
<i>FX</i>	2,043	1,412	2,119	50.1	3.3	1.5	1.8
<i>Equity & Bonds</i>	50	60	87	45.0	0.1	<0.1	0.1
<i>Indices</i>	3,645	2,002	3,434	71.5	5.9	2.1	3.0
<i>Commodities</i>	11	7	142	1928.6	<0.1	<0.1	0.1

In 2016, turnover on Moscow Exchange's Derivatives Market increased 23% year-on-year to RUB 115.3 tn. Futures volumes increased by 21% to RUB 109.5 tn and options volumes rose by 66% to reach RUB 5.8 tn. The commodity section of the Derivatives Market saw the strongest growth, with a 3.7-fold increase of trading volumes in Brent oil derivatives and a 2.5-fold increase in gold derivatives.

The average monthly number of active clients (active client accounts) grew by 30% to 51,601.

New instruments

In 2016, Moscow Exchange continued to broaden its product offering. One of its new products is RUONIA futures, which are used to hedge risks in the overnight market. The financial result of buying these futures is equal to the difference between the fixed futures price and the monthly mean RUONIA rate. Twelve monthly futures are traded at the same time.

In addition, market participants can now benefit from a full range of options contracts for all Russian stock futures traded at MOEX.

January 2017 saw the launch of weekly options trading for RTS Index futures.

Technology

Moscow Exchange continued improving its technology to enhance the reliability of its systems and broaden client capabilities. In particular, MOEX restored the service of risk balancing between the FX and Derivatives Markets, and enabled the use of settlement codes for netting, which effectively means lower guarantee requirements for clearing members and better protection of client positions and assets.

In addition, the billing system was upgraded to move fee calculation from the core of the trading and clearing system to a separate billing module of the Derivatives Market. This provides pricing flexibility and ensures the prompt introduction of new tariff plans, minimises operational risks associated with current tariff management, enhances the reliability of IT systems and reduces costs for support and further development of the pricing systems.

Transforming tariffs & fees

September saw the introduction of revised tariffs and fees for the Derivatives Market, making it possible to switch to a tariff plan based on basis points (as a percentage of the transaction value), which is set for each group of contracts. This transformation will harmonise tariffs across various Moscow Exchange markets and also across groups of derivatives contracts. It is typical of exchanges in emerging markets to charge tariffs as a percentage of a transaction's value.

Global reach

In 2016, Moscow Exchange applied to the US Commodity Futures Trading Commission to request FBOT (Foreign Board of Trade) status. This status will make it much easier for US clients to access the Derivatives Market of Moscow Exchange.

Standardised derivatives market

Trading volume in the Standardised Derivatives Market soared to RUB 18 bn in 2016 vs RUB 4 bn in 2015, with FX and interest rate swaps being the most popular instruments.

New types of OTC contracts with the CCP were introduced such as FX swaps, FX forwards and interest rate swaps. Previously, OTC contracts with the CCP included only FX options and exchange-based trades with the CCP such as FX, interest rate, FX and interest rate swaps and FX futures.

As part of the technology development drive, the Standardised Derivatives Market benefited from enhanced performance of the system and an opportunity to withdraw money after clearing, which translates to lower costs and a better customer experience for MOEX clients.

7.2.3 FX Market

Trading volume

	Volumes, RUB billion			Change, %	Breakdown, %		
	2014	2015	2016	2016/2015	2014	2015	2016
FX market	228,546	310,837	329,954	6.2	100	100	100
Spot	77,798	103,335	107,169	3.7	34	33.0	32.5
Swaps	150,748	207,502	222,785	7.4	66	67.0	67.5
USD/RUB	188,822	257,984	278,334	7.9	82.6	83.0	84.4
EUR/RUB	34,711	43,400	43,065	-0.8	15.2	14.0	13.1
EUR/USD	4,693	8,571	7,669	-10.5	2.1	2.8	2.3
CNY/RUB	305	858	776	-9.6	0.13	0.28	0.2
Other	14	24	109	354.2	<0.1	<0.1	<0.1

In 2016, FX Market trading volumes totalled RUB 330 tn, up 6% year-on-year. Spot trading volumes accounted for 32%, while the share of FX swap trading was 68%.

According to the Bank of Russia and Moscow Exchange, the Exchange's FX Market share vs. the interbank market rose from 49% to 53%, with the share of USD/RUB trading increasing from 58% to 61%, and the share of EUR/RUB growing from 68% to 80%.

As at the end of 2016, there were 467 trading members of Moscow Exchange's FX Market, including 407 banks and 60 non-credit institutions holding professional securities market participant licences.

Client access

The development of Direct Market Access (DMA) services facilitates the growth of client transactions on the FX Market. In 2016, the share of spot transactions made by clients reached 56%. The number of registered clients doubled to exceed 820,000, with the number of active clients increasing by 1.8 times to 72,000.

Trading volumes of individuals on the FX Market grew 1.5 times to RUB 34 tn, and accounted for 12% of the spot market turnover vs 9% in 2015.

At the beginning of 2017, direct access to the FX Market granted to leading Russian companies will promote further expansion of the client base.

Attracting non-residents

In 2016, Moscow Exchange continued to actively develop projects and services encouraging non-residents' access to the FX Market, namely DMA, Sponsored Market Access (SMA), and separation of trading member and clearing member statuses.

As at the end of 2016, the FX Market's client base included 8,800 registered non-resident clients from 94 countries. In 2016, the share of non-residents in spot turnover rose from 37% to 40% on average. In 2016, Bank of America, National Association (BANA) was granted the status of

general clearing member, while ICBC Standard Bank Plc and Otkritie Capital International Ltd (OCIL) obtained the status of individual clearing members of the FX Market.

Under the project separating trading member and clearing member statuses, market participants can apply for general (category O) or individual (category B) clearing membership. Both categories enable international clearing members to trade in the FX Market as trading members' registered clients, grant access to their own clients, as well as clear and settle trades on their own. Moreover, general clearing members are entitled to provide clearing services both to trading members and various client groups, including Russian and foreign legal entities and individuals executing transactions on the FX Market.

Global recognition of FX fixing

MOEX's indices and FX fixings have been recognised as compliant with the International Organization of Securities Commissions (IOSCO) principles. CME Group started using Moscow Exchange's FX fixings for the settlement of RUB FX futures. The key MOEX USD/RUB FX fixing was incorporated in the ISDA FX Definitions, the standard documentation for FX transactions of the International Swaps and Derivatives Association (ISDA), as the primary rate to settle RUB-denominated transactions. Members of the Emerging Markets Trader Association (EMTA) (global banks) started using this fixing for non-deliverable USD/RUB OTC FX derivative transactions. MOEX's USD/RUB FX fixing and the Exchange's overall performance as a fixing administrator meet with the requirements of the Bank of Russia.

New instruments and technological innovations

In 2016, Moscow Exchange continued to further develop its product offering. Trading in deliverable futures and swap contracts for deliverable futures on USD/RUB, EUR/RUB, and CNY/RUB was launched in the FX Market. In addition, the FX Market introduced a new currency pair, CHF/RUB. In 2016, the trading volume in the new instruments exceeded RUB 62 bn.

The currency pairs launched in late 2014 saw skyrocketing growth. In 2016, trading in GBP doubled to RUB 47 bn, while HKD trading soared 23 times to RUB 60 billion.

2016 saw the implementation of Discrete Auctions technology in the FX Market under the algorithm provided by the Bank of Russia. From the technological perspective, it may be launched starting 16 January 2017 subject to prior approval by the regulator.

To reduce the unproductive load on the trading system and boost order book liquidity, starting from January 2016, different coefficients have been applied to the surcharge, and starting from May 2016, the tick sizes for the major currency pairs were changed from 0.1 kopecks to 0.25 kopecks.

Eurasian economic union FX market

2016 saw the continued development of the integrated currency market of the Eurasian Economic Union (ICM EEU). Currently, 12 banks from Armenia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan, as well as two international financial institutions, namely Interstate Bank and Eurasian Development Bank (EDB), enjoy direct access to FX trading on Moscow Exchange. In autumn 2016, EDB was granted direct access to trading and was awarded the status of market maker for KZT. In January 2017, Sberbank (the Republic of Kazakhstan) joined the FX Market of Moscow Exchange; access is also to be provided to a number of EEU banks.

In 2016, the total turnover of integrated FX Market participants exceeded RUB 1.0 tn, which is four times higher than in 2015.

Development of clearing services

In 2016, Moscow Exchange focused on the development of clearing services by optimising costs for participants and improving its risk management framework. 2016 saw the implementation of inter-product spreads reducing margin requirements for opposite positions in EUR and USD, balancing of risk exposure in the Derivatives and FX Markets, interest rate risk assessment for TOM settlement instruments, and other projects. Moreover, in 2016 Moscow Exchange introduced a service for managing members' positions by recording them on second- and third-level trading and clearing accounts.

7.2.4 Money Market

Trading Volume

	Volumes, RUB billion			Change, %	Breakdown, %		
	2014	2015	2016	2016/2015	2014	2015	2016
Money market	204,375	213,786	333,883	56.2	100	100	100
On-exchange repo	183,176	180,991	296,226	63.7	89.6	84.7	88.7
Direct repo with the Bank of Russia	100,988	73,626	54,662	-25.8	49.4	34.4	16.4
<i>Shares and DRs</i>	3,172	2,369	494	-79.1	1.6	1.1	0.2
<i>OFZ</i>	38,481	21,385	7,967	-62.7	18.8	10.0	2.4
<i>Corporate & other bonds</i>	59,336	49,872	46,201	-7.4	29.0	23.3	13.8
Interdealer repo	57,152	40,646	65,393	60.9	28.0	19.0	19.6
<i>Shares and DRs</i>	26,686	14,221	14,642	3.0	13.1	6.7	4.4
<i>OFZ</i>	7,845	5,800	7,060	21.7	3.8	2.7	2.1
<i>Corporate & other bonds</i>	22,622	20,625	43,691	111.8	11.1	9.6	13.1
CCP-cleared repo	25,028	66,718	176,171	164.1	12.2	31.2	52.8
<i>Shares and DRs</i>	14,645	26,561	42,040	58.3	7.2	12.4	12.6
<i>OFZ</i>	9,067	17,810	43,773	145.8	4.4	8.3	13.1
<i>Corporate & other bonds</i>	1,316	22,347	90,034	302.9	0.6	10.5	27.0
Credit market	21,199	32,795	37,657	14.8	10.4	15.3	11.3

Repo with collateral management by NSD

	Volumes, RUB billion			Change, %
	2014	2015	2016	%
Repo with collateral management by NSD	57,220	46,361	47,284	-2.0

In 2016, the total trading volume on Moscow Exchange's Money Market grew by 56%, amounting to RUB 333.9 tn. The repo market's share in the Money Market trading volume reached 89%. In 2016, deposit and credit transactions increased by 15% to RUB 37.7 tn.

Repo with central counterparty

Repo with the CCP is a key segment of the Money Market. In 2016, the total volume of on-Exchange repo transactions increased by 1.6 times to RUB 292.2 tn, 59% of which was repo with the CCP. In 2016, more than 280 participants executed repo transactions with the CCP.

In the reporting year, Moscow Exchange continued to further expand the list of securities admitted to repo with the CCP and introduced a number of new services: trading members are now able to settle repo transactions with the CCP in EUR and USD within a seven-day execution period; the direct repo execution period with settlement in RUB, USD, and EUR was extended up to three months. This innovation helped participants effectively manage liquidity and interest rate risk over longer periods. Repo transactions with the CCP longer than three days accounted for 14% (RUB 24.1 tn) of volumes.

Repo with general collateral certificates

In 2016, the Money Market saw the launch of repo with general collateral certificates (GCC), featuring both the reliability of the CCP and an efficient collateral management mechanism. A general collateral certificate is a non-equity security subject to mandatory centralised custody originated by the National Clearing Centre against assets deposited into the pool. Cash (EUR, USD and RUB) and any shares and bonds accepted by the National Clearing Centre as collateral are eligible for the pool. Participants contributing to the pool remain the legal owners of the securities, and are entitled to receive any yield on the securities contributed to the pool and to take part in corporate actions. At the same time, participants are allowed to replace securities and use them to settle trades in the Securities Market and in repo transactions with the CCP.

Participants wishing to enter into GCC repo transactions can choose between three key pools: GC Bonds (OFZs, corporate bonds, Eurobonds), GC Shares and GC Sovereign.

More than 5,100 trades totalling RUB 323.8 bn have been executed since the launch of the project. Sixty-four participants are engaged in GCC repo transactions, and six market makers maintain quotes on a daily basis.

M-Deposits

In mid-2016, MOEX introduced direct market access to the Money Market for corporate clients through M-Deposits, enabling them to efficiently manage their liquidity position through on-exchange auction technology. As the central platform for depositors, M-Deposits offer various options of deposit auctions to participants, including the term and amount of a deposit, currency (RUB, USD or EUR), auction form, lot size, and increment.

Moscow Exchange is the marketplace for deposit and credit operations of the Bank of Russia, the Federal Treasury, the Pension Fund of the Russian Federation and Vnesheconombank.

New MOEXREPO indicators

In 2016, new MOEXREPO indicators – USD (overnight) and RUB (one week) repo rates with the CCP – were introduced. The new MOEXREPO indicators are calculated on the basis of bond and share transactions admitted to repo with the CCP.

Overnight RUB indicators are calculated separately for CCP bond repos (including Eurobonds) (MOEXREPO) and CCP share repos (MOEXREPOEQ). Indicators are calculated every trading day on the basis of repo with the CCP transactions executed as both order book and off-order book trades.

7.2.5 Commodities Market

Trading volume

	Volumes, RUB billion			Change, %	Breakdown, %		
	2014	2015	2016	2016/2015	2014	2015	2016
Commodities market	18	117	137	17.9	100	100	100
Precious metals	16	94	125	32.8	88.9	80.3	91.2
Grain	2	22	12	44.4	11.1	18.8	8.8

On-exchange grain trading

In 2016, Moscow Exchange continued to develop the Grain Market by expanding the product line, engaging new participants and implementing technologies in order to increase liquidity and thereby ensure transparent domestic price discovery.

In late December 2015, the Grain Market was launched on the National Mercantile Exchange, a part of Moscow Exchange Group. Exchange trading initially included deliverable forward contracts with wheat as the underlying asset, with barley and corn being added in November 2016. The Grain Market currently has over 20 accredited grain elevators.

The National Logistics Company organises transportation, alongside survey companies. Grain is stored in accredited grain elevators. NCC Clearing Bank performs the functions of central counterparty to the trades, as well as the operator of commodities deliveries.

Trading participants are offered forwarding services unparalleled in Russian and global exchange-based trading. The service allows the buyer to purchase commodities on condition of delivery to any railway station in Russia.

The first grain batch from the Volgograd Region's grain elevator was delivered to the Novorossiysk station for subsequent export.

Moscow Exchange Group, Rusagrotrans and the Russian Grain Union hosted the *Grain Business Infrastructure – Logistics and Finance* joint conference, which was attended by representatives of major agricultural holdings, grain traders and infrastructure organisations. The topics discussed included on-exchange grain trading and prospects for further improving infrastructure.

Government interventions in the grain market

In 2016, 1.3 mn tonnes of grain worth some RUB 12.5 bn (vs. RUB 22.4 bn in 2015) was sold via government procurement interventions in the grain market.

Authorised by the Ministry of Agriculture, the National Mercantile Exchange has, since 2002, been involved in government commodity and procurement interventions in the grain market.

In 2016, 657 agricultural production participants were involved in procurement interventions.

Precious metals trading

In 2016, total trading volumes in the Precious Metals Market grew by 33% to RUB 125 bn, with physical volumes equal to 46.7 t of gold and 1.7 t of silver.

Gold and silver are traded on the FX Market platform using a unified system of margining and risk management. Trading collateral is accepted in RUB, USD, EUR and CNY, as well as precious metals.

In 2016, nine new organisations joined the Precious Metals Market. At the end of 2016, trading involved 64 organisations: 51 banks (including the Bank of Russia) and 13 investment companies. To provide liquidity for the main market instruments, market makers continued to operate under agreements with Moscow Exchange. Six non-banking institutions provide direct market access (DMA) for their clients, both individuals and legal entities.

7.2.6 2017 Outlook

Moscow Exchange's key initiative for 2017 is the Unified Collateral Pool service providing for standardised clearing services on the Exchange's markets, including cross margining, alignment of collateral requirements, and comprehensive netting services across all markets. The new service will give participants an online tool to manage collateral based on their aggregate net position across the markets, decrease costs and increase trading volumes.

The Unified Collateral Pool service offers a variety of new opportunities:

- a single trading and clearing account that records a unified collateral position on the Equity & Bond, FX and Derivatives Markets;
- alignment of requirements for assets accepted as collateral to improve quality of collateralised assets and expand the list of assets traded as partially collateralised;
- netting of settlement on the FX, Equity & Bond and Derivatives Markets;
- cross margining that allows to cut participants' costs;
- a web terminal to enable electronic document flows between clearing members and the clearing centre.

Expansion of the client base

Moscow Exchange continues to work toward expanding its client base by optimising technology and offering new opportunities to MOEX participants and their clients in an effort to increase market liquidity and improve the overall client experience.

MOEX will continue its Moscow Exchange School initiative into 2017 as it seeks to educate private Russian investors on investments in exchange-traded financial instruments. Promotion of trading among private investors, mostly via digital channels, is a top priority for MOEX.

Another project of strategic importance is to create a framework for bank lending to be replaced with bond issuance and increasing liquidity of the secondary bond market. As part of this effort, MOEX plans to streamline the procedure for issuance of corporate bonds and continue digitalising services that will reduce the time and scope of listing and market access for new debt instruments (shortest-term bonds, Russian-law foreign currency bonds, floaters, linkers, Bank of Russia coupon bonds, OFZ-n, structured bonds, securitisations, etc.).

In 2017 the Exchange plans to provide leading Russian companies with direct access to the Money Market as part of deposit operations via the central counterparty to improve efficiency of idle cash investments. Starting from 16 January 2017, leading Russian companies have had direct access to MOEX's FX Market.

The plans for the Derivatives Market are to separate trading participant and clearing member statuses as is done on the FX Market. This initiative will enable global clearing brokers to join the Derivatives Market along with their clients.

MOEX will continue acquiring non-resident clients for clearing services in the FX Market by granting them ICM (International Clearing Membership) status, as well as general services via SMA (Sponsored Market Access). The Exchange also plans to develop information and technology exchange with large international FX trading systems.

Similar to the Innovation and Investment Market, MOEX intends to create a new public trading segment for SME securities. The Exchange will implement an action plan jointly with leading development institutions to facilitate access to financial market products for promising companies and attract investors' attention to these assets.

New instruments

Offering new instruments is a major strategic goal of Moscow Exchange over the coming years.

As part of the programme to expand the range of instruments, MOEX plans to launch trading in new currency pairs (JPY/RUB and TRY/RUB) and non-deliverable futures contracts for international benchmarks, including commodities. In addition, the Exchange plans to develop MOEX USD/RUB FX fixing services.

As part of the integrated currency market development, more options will be offered for trading in the KZT/RUB currency pair, particularly partial depositing and new instruments – TOM (next day settlements) and swaps.

The Standardised Derivatives Market will offer MOEX participants an opportunity to make trades with amortisation and capitalisation options.

As part of updating the MOEX infrastructure for the calculation and publication of indices and indicators, it is planned to calculate an indicative value of the securities portfolio for investment management firms and offer MOEX clients a subscription service for machine-readable data about the structure of indices to automate the index fund management process.

The Grain Market project provides for trading in swaps to be launched on the Commodity Market. The new instrument will enable MOEX participants to raise short-term finance secured with the commodity account balance and optimise payment streams. Moscow Exchange also plans to expand the range of underlying assets, first with agricultural products, then with other commodities. To improve liquidity of the Commodities Market, MOEX will continue acquiring new participants and increasing the number of accredited grain elevators.

In March 2017, MOEX launched sugar trading. The project is supported by the Union of Russian Sugar Producers, whose members can trade on Moscow Exchange either directly or via brokers. Sugar is traded on the UROZHAI trading and clearing platform, which is also used for trading in grain-based derivatives. The present-day trading and clearing technology will increase transparency of the sugar industry, contribute to risk mitigation and raising extra finance through swap transactions, structured products and complex hedging models involving financial institutions.

In 2017, Moscow Exchange will continue improving precious metal trading services and conditions for all participant categories. The Exchange will also consider expanding the product range to include platinum group metals provided there is interest from participants.

Technology improvement

In 2017, Standardised Derivatives Market participants will be offered new functionality, including “What-If” analysis for their trading portfolio and a risk calculator to evaluate collateral. As part of the effort to improve technology, MOEX will boost performance of the Standardised Derivatives Market trading and clearing system and develop API to connect participants.

Work is on-going to introduce machine-learning technology and big data tools to analyse MOEX data and cover more data sources. Analysable data will be supplemented with OTC transactions, macro statistics and other relevant financial data to deliver more value for clients.

The existing range of information services will also be expanded to account for the ways MOEX information is used by end-user clients. The Exchange also intends to put into commercial operation a new trading information service offering reference data. The plan for the coming years is to audit the use of MOEX trading information, technology infrastructure and technology services.

An e-voting system will be launched in 2017 to enable security holders to take part in shareholders meetings online. Voting at bondholders meetings will be enabled by a blockchain-based e-proxy voting system.

The Corporate Information Centre will also feature an improved technology platform, including extended functionality of the NRDirect client area to provide for broader information exchange as part of corporate actions and automate early redemption and acquisition of bonds by issuers. The NSDdata.ru web portal will be the single point of access to the NSD's information services and offer advanced customisation and data import opportunities based on open API.

The NSD also plans to introduce a mechanism for clients to prioritise document delivery instructions under the “delivery against payment” or “free delivery” schemes. With the new Linked Transactions service, clients will be able to pool linked transactions and line up instructions in accordance with the preset condition.

Starting from March 2017, brokers and nominee holders will have an opportunity to buy, redeem or exchange units of all investment management companies that are members of the NSD

Electronic Document Flow System, as part of the first phase of MOEX's project to create a centralised accounting system for mutual fund units.

7.3 Post-trade services

7.3.1 Clearing

In 2016, the Moscow Exchange continued to work on the development of clearing services and processes, as well as on the improvement of risk management framework, primarily in terms of creating a reliable multi-level protection system for the central counterparty (CCP), and enhancing the quality of its management processes in compliance with international standards.

Technologies

By the end of 2016, the project to enable inter-market cross-default proceedings was finalised. Clearing participants can now enjoy the benefits of transferring funds they have deposited as clearing margin directly between the Derivatives Market and other markets. Thus, all markets (except for the Standardised Derivatives Market) can now utilise a simplified transfer of funds deposited by clearing participants, increasing its effective use.

A new service calculating indicative market exposure to the Equity and Bond Market was introduced. With its help, brokers trading on Moscow Exchange can calculate their risk exposure in client operations. Customers using this service will be able to reduce the operating costs of their broker activities. NCC Clearing Bank sees this service as an extra level of risk protection.

The Bank also migrated to the CCP unified accounting system, which has helped enhance the reliability of its IT infrastructure, reduce operational risks and streamline business processes across all markets.

Collateral for stress

As part of development of the risk management framework and clearing mechanisms, and with a view to bringing the central counterparty (CCP) into compliance with international guidelines, the FX, Equity and Bond, and Derivatives Markets of Moscow Exchange introduced an additional level of CCP protection: collateral for stress. This is part of the individual clearing margin and serves as an additional level of security for risk exposure under participants' concentrated positions should any market stress scenarios materialise. The amount of collateral is determined based on the exposure under the positions held by clearing participants and secured neither by their individual margins nor by collective funds or the CCP allocated capital.

Central counterparty safeguard structure

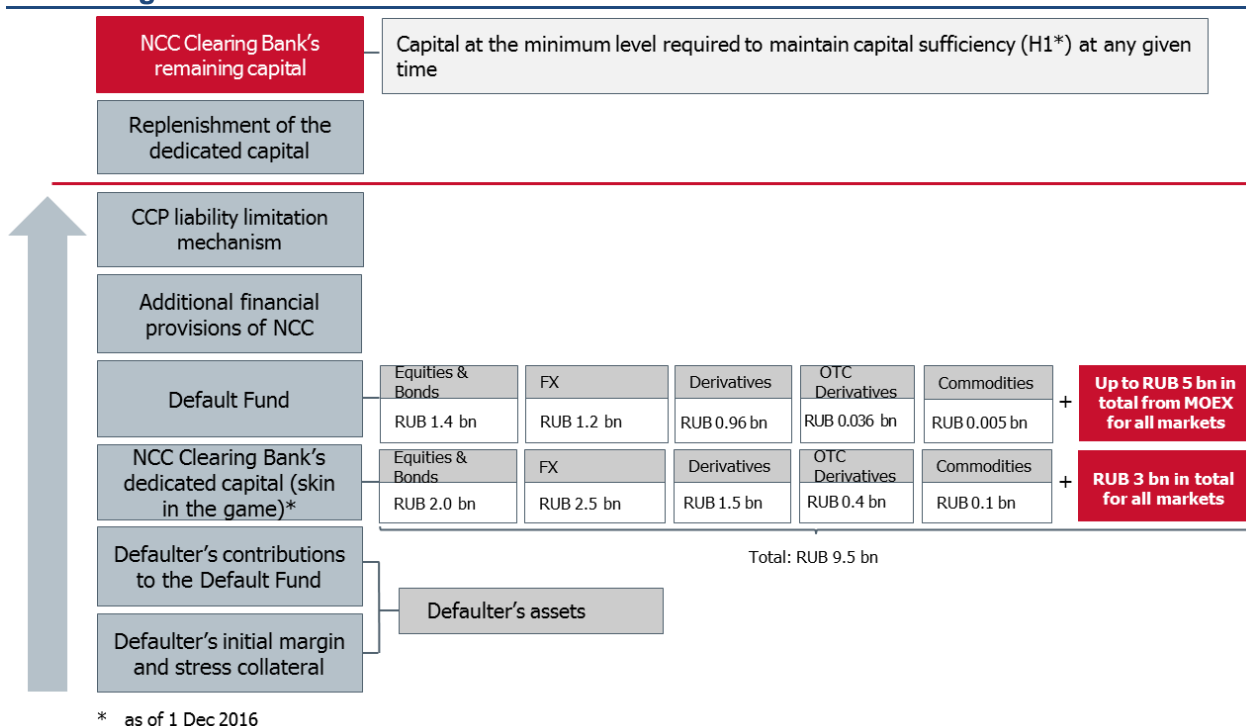
To enhance the reliability of the risk management framework on its markets, Moscow Exchange has increased the CCP allocated capital by RUB 3 bn to a total of RUB 9.5 bn.

The allocated capital is part of NCC Clearing Bank's capital that can be used to cover losses in case of default of a market participant.

The increase in the CCP allocated capital is effected as part of the new CCP safeguard structure agreed upon with market participants at the end of 2015, which is compliant with international standards that regulate CCP operations.

In addition to the allocated capital, the system guaranteeing execution of any stock market transaction also includes a margin deposited by all participants, as well as the guarantee fund, into which Moscow Exchange contributes up to RUB 5 bn

CCP safeguard structure



Ratings

In February 2016 and February 2017, Fitch Ratings affirmed the ratings of NCC Clearing Bank, two of which – the local-currency long-term issuer default rating (BBB) and the viability rating (bbb) – are one notch higher than Russia's sovereign rating (BBB-). The foreign-currency long-term issuer default rating has been affirmed at BBB- level, which is on par with Russia's sovereign rating. In October 2016, Fitch Ratings reviewed the outlook for NCC Clearing Bank, changing it to "stable" following a similar change in Russia's sovereign rating outlook. In February 2017, this outlook was confirmed.

In November, the Analytical Credit Rating Agency (ACRA) awarded NCC Clearing Bank with an AAA(RU) credit rating according to the national scale with a "stable" outlook. According to ACRA, NCC Clearing Bank's credit rating is explained by its strong and stable business profile, its exceptional liquidity and its capital adequacy position, which compensates for the Bank's risk profile, as well as by the fact that the Bank's rating is also supported by the systemic-importance status that the Bank enjoys in the Russian financial market.

Corporate procedures

In accordance with the applicable laws, all central counterparties will acquire status as a non-banking credit institution by the end of 2017. In this regard, NCC Clearing Bank is set to carry out a number of corporate procedures, including obtaining a banking licence for the CCP, which is a non-banking credit institution, amending its charter, changing its name, increasing the number of independent directors on the Supervisory Board and automating the CCP's accounts in accordance with its new status.

7.3.2 National Settlement Depository

In 2016, assets deposited with the NSD saw a 15% YoY increase and totalled RUB 36.4 tn at year-end. The number of foreign securities under custody almost doubled to 5,100 with a total value of USD 79.1 bn at year-end.

The key event of the year was the successful placement of a USD 3 bn Eurobond issue by Russia's Ministry of Finance, where NSD acted as the Head Depository. The Finance Ministry publicly stated that the offering was a success and announced its plans to further leverage the NSD's platform in the future.

In 2016, the NSD successfully processed around 15,000 corporate events. Over 3,200 shareholder meetings were held using the e-proxy voting technology based on ISO 20022. During the reporting period, approximately 7,900 corporate actions involving foreign securities were held, up 50% year-on-year.

In 2016, the NSD completed the key phase of implementing its e-voting service. As part of the e-voting project to identify securities holders, Russia's Ministry of Telecom and Mass Communications approved the NSD's integration with the online identification service.

Repository

In 2016, the NSD's Repository was the first in Russia to receive a license for repository operations from the Bank of Russia.

In 2016, the number of trades registered with the NSD's Repository reached 2.4 mn (compared to 454,000 in 2015), with the total volume amounting to RUB 403.7 tn (compared to RUB 441.3 tn in 2015).

The Repository 2.0 project was completed. Its key objectives were to migrate clients to dedicated software for transaction reporting, to facilitate reporting procedures, to abandon hard copy proxy forms and to migrate to a custodian fee model, where the payer is the message sender. A number of new services were launched, including format and logical verification, automated termination of contracts and provision of non-standard data from the contract register.

Collateral management

In 2016, the aggregate value of repo transactions serviced by the NSD collateral management system amounted to RUB 47.3 tn (compared to RUB 46.4 tn in 2015). Federal Treasury repo transactions with the NSD collateral management system more than doubled to exceed RUB 37.4 tn. The NSD collateral management system is used by 192 market participants.

Information services

In 2016, the NSD successfully launched the nsddata.ru web resource. As part of this service, a Corporate Information Centre news feed was established, a Securities section offering free access to basic information about securities serviced by the NSD was launched and an API data service was introduced.

The NSD also established a Valuation Centre by approving the composition of its Expert Council and its fair value analysis methodology. An accreditation procedure with the Bank of Russia was successfully initiated. During 2016, the number of Valuation Centre users more than doubled, reaching 53. The Centre has effectively utilised expanded distribution channels, widening its geographical footprint to cover the USA, the UK, Hong Kong, India and Singapore.

Settlement services

In 2016, the amount of money transfers remained flat year-on-year at RUB 355 tn.

In 2016, the NSD launched a new service to process cross-currency settlements: payment versus payment (PVP-1), which enables a participant's cash transfer in one currency only if the participant's cash transfer in another currency takes place at the same time, which makes settlements more reliable.

Innovations

In 2016, the NSD pioneered a blockchain-based technology, a prototype for the e-proxy voting system to be used at meetings of bondholders. The project was nominated for the Futures & Options World International Awards and Banking Technology Awards.

The NSD and Strate, South Africa's central securities depository, announced a consortium to develop fintech solutions for central depositories. The project involves experts from NASDAQ, the DTCC and SIX. The consortium also sparked interest from the CSD, China's central securities depository.

International cooperation

The NSD signed memorandums of understanding with the China Securities Depository and Clearing Corporation Limited (CSDC), the central depository providing equities-related services and supporting Shanghai-Hong Kong Stock Connect, as well as with Shanghai Clearing House, which provides bond clearing services for the Chinese interbank bond market and acts as a central counterparty clearing house. In addition, the NSD set up a direct channel between the Russian and Chinese markets via a partnership with China Central Depository and Clearing Corporation Limited (CCDC), which settles OTC-traded government bonds.

The NSD also signed a memorandum of understanding with the Egyptian central depository and opened an account with the central depository of Georgia.

Reliability confirmation

Thomas Murray Data Services, the specialist custody rating, risk management and research firm, maintained NSD's rating at AA-, which translates as a very low-risk exposure profile with a stable outlook. The outlook for the asset servicing risk was improved to positive due to the corporate actions reform introduced by the NSD.

Following an independent third-party review, Thomas Murray Data Services also validated the NSD's observance of the CPMI-IOSCO Principles for Financial Market Infrastructures.

7.4 Information products

7.4.1 Indices

In 2016, Moscow Exchange continued to further enhance its range of indices, which are key benchmarks for the Russian financial market.

New indicators

MOEX introduced two new benchmark indices for mid- and small-cap stocks denominated in Russian roubles and US dollars. The new indices were developed to meet the demand of equity funds investing in Russian mid-cap and small-cap stocks. The index basket is compliant with the UCITS Directive adopted by the European Union under which no single stock may represent more than 10% of the index weight, and the cumulative weight of all components with an individual weight of 5% or greater must not exceed 40% of the index weight. Moreover, certain constraints are applied to the minimum sector and security weights. The indices were launched for the benefit of ETFs.

New MOEXREPO indicators – USD (overnight) and RUB (one week) repo rates with the CCP – were introduced. The MOEXREPO indicators are calculated on the basis of bond transactions admitted to repo with the CCP.

Changes in calculation methodology

Total Return Indices were launched in addition to the MICEX Index, the RTS Index and the MICEX Blue Chip Index. They factor in reinvested dividends from component stocks of the relevant index. Total Return Indices are calculated with gross dividends, i.e. excluding taxes, and with net dividends, i.e. with income tax rates applicable to non-resident and Russian corporate investors taken into consideration.

The Exchange introduced a new calculation methodology with respect to the zero-coupon yield curve (Z-Curve) for Russian government bonds (OFZ). The methodology was revised to include not only transaction data, but also orders, to factor in new parameters and refine the bond selection process. These changes were introduced to make the Z-Curve used by the Ministry of Finance to calculate the interest rate subsidisation options since 2017 more representative.

International recognition

MOEX's indices and FX fixings have been recognised as compliant with International Organization of Securities Commissions (IOSCO) principles. Broader use of MOEX's internationally recognised benchmarks by foreign investors and global financial market participants will boost overall liquidity in the Exchange's markets and revenues from its indexing business. An external audit carried out by Ernst & Young confirmed Moscow Exchange's commitment to global best practices in financial benchmarking.

7.4.2 Quotation and Reference Information

In the area of information services, Moscow Exchange is mainly focused on publication of market data for its public circulation, which can be further used in risk management and automated trading systems, and in the development of new derivative indices. Stakeholders can also receive access to the Exchange's archived trading results through its corporate website and specialised software.

In 2016, Moscow Exchange conducted a marketing survey among traders and market newswires that demonstrated general satisfaction with the volume and structure of the trading information, as well as the level of technology used in its circulation, and client support offered by the Exchange as part of such information services.

At the same time, this review helped the Exchange to identify new points of growth in the development of its information services, delivering a more clear-cut structure, consolidating data sources, and establishing universal interfaces for sharing information from all Group companies.

Moscow Exchange launched a new trading information service offering reference data and containing lists of instruments quoted on the Exchange, its trading modes and risk parameters, accessible through the MOEX's website interface.

The Exchange expanded the geographies where quotation data is offered: the Exchange entered into cooperation agreements for the sale and purchase of trading information with new global vendors, as well as international financial holdings. Moreover, the Shanghai Stock Exchange became MOEX's official partner for distribution of market data, with the right to issue relevant licenses in mainland China.

7.4.3 Analytical Products

Moscow Exchange is a unique source of financial market data. It regularly publishes analytic reviews in the form of indicators and reports on markets and the structure of trading.

In particular, the Market Structure product includes aggregated trading data used in calculation of derived indices of an instrument or a group thereof, broken down by investor type. This product has been developed with a view to making the market more coherent and transparent for professional participants and investors, and to creating tools facilitating decision-making and risk management processes.

7.5 Client Service

7.5.1 Access to markets

In 2016, Moscow Exchange continued to develop its client services to ensure efficient interaction with customers. This helped to attract new users, make online services more convenient, optimise document management and reduce costs for clients.

Centralised customer registration service

In 2016, Moscow Exchange migrated to shared client registration for the FX, Equity & Bond and Derivatives Markets. The new technology provides trading members with a single universal client code for all MOEX markets, eliminating the need for clients to sign up for each market separately. One of the Group's strategic priorities is to acquire new retail investors.

Additionally, batch client registration was implemented, enabling clients to begin trading on the day they register. In July 2016, this procedure was introduced for the FX Market, and in the future it will be rolled out for the other MOEX markets. In addition to the ability to open remote broker accounts, batch client registration will significantly reduce the time needed for investors to join the Equity & Bond Market. Future plans include online registration to enable clients to trade on Moscow Exchange within just 30 minutes of opening an account.

Document flow optimisation

In 2016, the Group continued to optimise document management and migrate to paperless technology. An option to send electronic documents for updating Know Your Customer (KYC) information without hard copies was offered to clients.

With the unified approach applied to trading access procedures, document management in the Money Market was optimised in early 2017, including depersonalisation of traders, merging of documents and transition to electronic interaction with the Bank of Russia. These changes will significantly simplify access procedures and to reduce client costs.

To improve the client experience and upgrade business processes, the Group continued to implement projects aimed at end-to-end data processing. This will reduce the time required to process client requests and in future will enhance accessibility, reliability and quality of the Group's services.

Customer online account

In 2016, the Trading Participant Online Account service was upgraded. It became more reliable and user friendly with improved design. New sections for client registration and document generation were developed and implemented, a KYC form was added for legal entities, translation for trading and clearing reports was offered and report generation based on user ID was enabled.

As a result, the number of service users increased by 30% year-on-year and the number of visits went up by 125% compared to 2015. Generation of documents, registration of clients and financial documents are the most popular sections. Acceptance of e-documents from trading members via the online account significantly reduces the time required for clients to generate documents, and the time the Exchange needs to process them.

Customer satisfaction survey

Moscow Exchange endeavours to provide a high level of satisfaction with the quality of its services.

In 2016, MOEX engaged MAGRAM Market Research to conduct a survey aimed at identifying the current level of client satisfaction. More than 650 clients and partners took part in the survey, including issuers, banks, brokers, investment management firms, members of the media, investment advisors, the Bank of Russia and the Ministry of Finance.

The customer satisfaction index was 8.6-9.0, depending on the target audience. The highest satisfaction level was recorded for banks and securities issuers.

Upon completion of the survey, a decision was made to design mechanisms enhancing client and partner experience. To this end, road maps will be developed in order to improve service quality.

The Exchange plans to set up a similar on-going monitoring tool for client satisfaction and to measure changes in perception annually.

7.5.2 Information Technology

In 2016, the Supervisory Board approved a programme for the development of Moscow Exchange's information technology system for a period of three years that aims to ensure balanced development of the IT architecture, business processes, financial support and resources.

Upgrade of the trading and clearing system

The project set to segregate the trading and clearing components of Moscow Exchange is ongoing. It will boost reliability and performance of MOEX's systems. In the first phase of the project, the trading and risk modules of the Derivatives Market system (SPECTRA) were segregated. ASTS+, a new trading and clearing system with trading and clearing modules for the FX Market, was put into commercial operation. After the launch, the transaction processing performance of the Derivatives Market and FX Market tripled. The ultimate goal of the modernisation of the Exchange's trading and clearing infrastructure is to extend its life span by 10 years. The project will continue in 2017.

A new Derivatives Market access protocol, TWIME, was developed and put into operation. It significantly reduced the average latency and order placement time. Unlike the Exchange's previous generation of protocols, TWIME unlocks opportunities for trading members and, together with the FAST data streaming protocol, provides the optimal solution for robotised trading. The TWIME protocol does not require installation of specialised software on the client's hardware while supporting any trading operating system and any programming language. The protocol minimises the time required to encrypt/decrypt transferred data both for the Exchange and for the client, and thanks to standardisation it does not require considerable resources for development. At the end of 2016, the TWIME protocol was used for execution of more than 40% of Derivatives Market transactions.

New integration architecture

In 2016, Moscow Exchange developed and introduced the Exchange Information Fabric (EIF) integration platform featuring service-oriented architecture and using state-of-the-art integration technologies to support interaction of applications.

In 2016, MOEX rolled out EIF-based cross margining, risk netting between the FX and Derivatives Markets, and a new model of interaction of the trading and clearing system with the central counterparty's system required to implement the Unified Collateral Pool service, the Exchange's key project for 2017.

Business projects

In 2016, the projects of repo trading with participants' clearing certificates and discrete auctions in the FX Market were rolled out based on the ASTS trading and clearing system. On the FX Market, MOEX introduced off-order-book trading in deliverable futures, and provided client level access (the third level settlement code can be registered for the client) and the clearing member's option to terminate unsettled obligations in transactions executed by a trading member with one settlement code. Automated processing of client registration files sent by members to the Exchange was also rolled out.

The most significant SPECTRA-based business projects were "Unified Pool: Phase 1", "Best Retail Investor", "Asset Manager Ranking" and "I am an Investor".

Data warehousing

Moscow Exchange rolled out the Exadata Database Machine, significantly improving market data processing speeds and enabling MOEX to leverage its extensive expertise in Oracle technologies. The new hardware and software solution was successfully connected to the existing data streams. At present, Moscow Exchange and the regulator employ it to extract data on trading results. The Master Data Management system was implemented within the scope of the enterprise data warehouse project with the first two directories introduced: "Financial Instruments" and "Counterparties".

Infrastructure

In 2016, Moscow Exchange completed the relocation of its primary data centre to Dataspace. Relocation to a state-of-the-art, highly reliable, Tier III-compliant data centre helped to improve the quality of services and access to Moscow Exchange's markets. The M1 data centre has been in operation as the Exchange's standby data centre since November 2016.

Additionally, at Dataspace Moscow Exchange built and rolled out a new co-location zone with a fundamentally new network architecture design minimising trading access latency and ensuring the highest reliability for clients engaged in high-frequency trading. Completion of relocation of client equipment from the old co-location zone at M1 to Dataspace is planned for the first quarter of 2017. Moscow Exchange intends to expand the co-location zone and develop new co-location services by 2020.

The technical policy setting out the IT infrastructure standards was drafted and approved. In accordance with the technical policy, obsolete server and network equipment and data storage systems were replaced.

System resilience

To mitigate failure risks, Moscow Exchange changed its network infrastructure to a segmented topology with segregation of computer networks into the trading, corporate and game/testing segments.

In 2016, to improve the Exchange's trading infrastructure safety, dedicated access servers of the Equity & Bond Market and the FX Market were relocated from participants' premises to MOEX's data centres. A similar project for the Derivatives Market's dedicated access servers is to be implemented by 2020.

To ensure high reliability and quality of the trading systems, new test facilities were set up for acceptance testing, SPECTRA functional testing and for the ASTS+ system in the FX Market.

Market access

In 2016, the number of points of presence in the UK and the USA was increased, which doubled the client base compared to 2015. The global infrastructure development strategy also covers MOEX's expansion in Asia (Hong Kong, Singapore and Shanghai).

Qualitative parameters of FAST data streaming protocol, as the fastest means of market data access, were upgraded. Along with FIX/FAST, the standard access protocols, international participants gained access to trading via software terminals.

Development of network-based services by 2020 assumes creating a new service model, setting up a shared network hub, building cooperation with telecommunications operators, and refining the model of interaction with extranet operators.

7.5.3 Moscow Exchange Council and user committees

Moscow Exchange is in an on-going dialogue with market participants through its advisory and consultative bodies – the Moscow Exchange Council and user committees – with a view to receiving feedback from its clients in respect of new products and services, improving the Exchange's infrastructure and developing proposals for changes to financial market regulations.

The primary objective of the Moscow Exchange Council is to develop strategic proposals to further develop the Russian financial market, as well as to represent traders and clients in order to ensure full and comprehensive recognition of their needs in resolving any issues connected with the organisation and development of the financial market infrastructure. The Moscow Exchange Council comprises major traders, self-regulatory organisations, investment management companies, custodians, investment banks and the Bank of Russia.

The current composition of the Moscow Exchange Council was approved in December 2015. Chaired by Ruben Aganbegyan, the Moscow Exchange Council held nine meetings in 2016.

There are 17 user committees (based on financial market participant groups and issuers) operating under the auspices of Moscow Exchange and the NSD. Every year user committees are composed of representatives of professional market participants: banks, brokers and investment companies. They are mainly tasked with the preparation of proposals to amend existing laws and other regulations, to review regulatory issues associated with public trading and the issue of securities, information disclosure in the securities market and corporate governance. In addition, they develop proposals for managing securities trading, improvements in clearing and settlement technology and the expansion of the portfolio of available tools and services. Any matters put forth for discussion by the Moscow Exchange Council are debated in user committees.

For the convenience of committee members, clients and market participants, Moscow Exchange publishes a monthly digest report of its user committees with the information and resolutions proposed for consideration by the Moscow Exchange Council and user committees.

Information on the activities of the committees and the Moscow Exchange Council is publicly available and can be accessed on the MOEX website.

7.6 Personnel

The Moscow Exchange human resources policy has three main goals: to attract highly qualified specialists, to facilitate professional development of employees and to create an atmosphere conducive to fulfilment of the Company's strategic objectives through unlocking its human resources potential and achieving performance excellence.

Remuneration policy

The Exchange provides a competitive level of remuneration to attract, retain and incentivise employees. Remuneration for any given position is proportional to the degree the position and its incumbent benefit the Exchange.

In 2016, the Exchange focused on improving performance management practices, including target-setting for all employees, semi-annual interim reviews and annual final review of key performance indicators. The personnel appraisal process was simplified and streamlined, with bias eliminated thanks to collective review of employee performance. The factors that affect the final score have also changed. Starting from 2016, the final verdict of a performance review depends not only on delivery against targets, but also on compliance with corporate values. The amended process focuses on providing feedback to employees and preparing individual development plans. In 2017, the Company plans to update its framework for setting targets to improve their quality and make them more balanced across functions, as well as to arrange additional executive training on managing employee performance.

In October 2016, the Supervisory Board approved the principles and parameters for a stock-based long-term remuneration programme, which will help the Company retain key personnel, motivate them to contribute to long-term sustainable development of the Group, and align shareholder and employee interests.

Internship programmes

In 2016, the Company targeted young talent by arranging introductory trainings for over 50 finance and IT students, with 24 of them going on to an internship programme and a comprehensive training programme in personal efficiency. The most successful students were offered positions at Moscow Exchange.

In April 2017, the Moscow Exchange will launch three internship programmes as part of its updated student engagement concept that was approved in 2016:

- **MOEX Future Leaders** – a year-long internship for final year university students who are serious about a career in the financial market and are working to become true leaders. Over the year, interns will get to work at several departments across Moscow Exchange and gain versatile experience.
- **MOEX Study & Work** – a programme for students who wish to do research focused on the Exchange under the supervision of seasoned professionals.
- **MOEX Summer** – a three-month internship over the summer holidays that will introduce students to the Exchange and give them their first work experience.

Training and development

The three key priorities of Moscow Exchange's employee training and development strategy are improvement of management skills, ensuring continuity of knowledge and experience and supporting the business in fostering innovative solutions in line with global trends. The Group traditionally makes significant investments in training and development to improve employees' professional expertise and competences.

The training and development framework includes both educational programmes and tools for workplace development and self-learning. MOEX is encouraging more employees to take charge of their own education, providing them with advanced technology and the necessary resources and opportunities.

In 2017, the Exchange will be rolling out the *70-20-10* education concept that emphasises self-learning and workplace development (70%) along with input from colleagues and one's supervisor (20%) combined with training sessions (10%).

In 2016, over 1,000 employees took part in various educational programmes and trainings, and a total of 3,000 e-courses were completed across the Company.

Development of employee competences along with leadership and project management skills is at the core of the Company's policy when it comes to delivering strategic projects. To facilitate this process, the Exchange has established a corporate university (MOEX Business University) that consists of three key programmes: Projects Faculty, Management Faculty and Professional Faculty. In February 2017, 41 attendees of MOEX Business University received a diploma for completing the programme aimed at developing project and change management skills. In 2016, 17 employees completed a year-long Management Faculty programme targeting management skills. The Professional Faculty's curriculum aims to give employees a broader and deeper knowledge of the Group's key focus areas.

For the purposes of senior executive training in 2016, the Company arranged the Advanced Management Programme that saw 32 senior executives and mid-level managers complete the courses designed by leading professors from prestigious business schools. In an effort to foster innovation and global trend understanding among its personnel, the Company sent 12 employees to intern at the Bolsas y Mercados Españoles (BME) in Madrid, as well as to study innovative client interaction technologies and cutting-edge fintech solutions.

Each year, the Corporate University expands the range of training and development opportunities for personnel. In 2017, it intends to update the competencies model and the development guide used by managers to plan employee development.

Corporate culture

Fostering a strong corporate culture is one of Moscow Exchange's strategic priorities. In 2016, the corporate culture and values framework were refined to instil more efficient employee behaviour models, as well as to promote employee engagement and facilitate effective staff interaction.

To identify the necessary initiatives for the transformation, the Company assembled a change management team comprised of employees at different levels from various departments. Having reviewed over 100 best domestic and global cases of corporate culture transformation, the team worked out the refined values for the Company:

- We are responsible for the future of the company
- We strive for excellence and are open to change
- We work in partnership with our clients
- We value transparency and integrity

To integrate these values into its everyday business, the Company incorporated them into the key HR processes: performance management, recruitment and hiring, personnel training, HR brand development, internal communications, talent management and recognition programmes.

The Exchange's management team was also actively engaged in the process, with over 50 key executives completing the Culture that Yields New Results and Values Storytelling programmes that discussed practical measures of changing the corporate culture.

For the purposes of monitoring and measuring changes in the corporate culture and the manifestation of values in employee behaviour, 100 managers underwent a 360-degree review, and the Company launched an assessment of corporate values and employee engagement.

MOEX designated change agents and value messengers to communicate the corporate values to each and every employee. The messengers were picked by employees themselves.

In early 2017, the Exchange was awarded by Headhunter as HR Brand 2016 in the "Capital" category for successful development of corporate culture and adaptation of new corporate values. The award was established to recognise companies that are the most successful in building their reputation as employers.

Health and safety

A responsible attitude to occupational safety is one of the key principles of Moscow Exchange's operations. The Exchange meets high health and safety standards, providing continuous training to personnel in order to promote health and safety awareness.

The Exchange regularly conducts occupational safety briefings, including induction briefings for new employees as well as initial, refresher and unscheduled safety briefings, with all the necessary workplace and fire safety manuals in place.

All safety-related instructions are available on the corporate intranet Portal, where employees can also find health-related articles and e-learning safety courses.

In 2016, the Company arranged management training in a specialised education centre with 61 managers completing the course and being tested in occupational safety regulations.

In 2016, a special working conditions assessment was carried out for 41 workplaces (these include newly created ones and those with expired certifications). All the workplaces were confirmed to comply with the state norms; the established working environment class is 2, i.e. acceptable, with no harmful or hazardous factors.

In 2016, MOEX submitted declarations confirming the Company's compliance with the government regulations on working conditions in 2014-2016 to the state labour inspectorate. The total number of job positions included in these declarations is 812.

Moscow Exchange carries out annual inspections to check the implementation of sanitary, anti-epidemic and prevention measures.

It provides employees with antiseptics and medical face masks during outbreaks of influenza and respiratory viral infections. The Company also purchased germicidal air purifiers.

Pre-trip, pre-employment and regular medical examinations are in place for all categories of employees subject to such examinations in accordance with the law.

Should an employee feel unwell or require emergency medical assistance, they can visit the Company doctor.

Recreational areas, kitchenettes and a gym are provided in the offices of the Exchange, which are also equipped with water dispensers, coffee and vending machines.

7.7 Moscow Exchange and the Community

7.7.1 Development of the professional environment

Moscow Exchange engages in educational outreach to improve financial literacy in Russia, provides support for academic research related to financial markets, promotes innovative technologies and seeks to improve access, transparency and quality of investment services offered in the Russian market.

Investment Community

Asset Manager Ranking

A unique information resource called Asset Manager Ranking was successfully launched in 2016, enabling private investors to compare the performance of Russian investment management firms. The ranking was designed to enhance the transparency and investment appeal of the asset management industry in Russia.

As part of this project, Moscow Exchange calculates the returns on investment of asset managers, as well as other indicators reflecting the quality of management based on the trades executed by them. This data is published on the Exchange's website. Investors may compare the performance of independent transactions in the market with those of professionals using a wide range of criteria, as well as the success ratio of various investment strategies applied across different time spans. The ranking looks at 11 different investment strategies.

Attracting Retail Investors

Moscow Exchange's annual competitions for new and experienced investors – Invest Trial and Best Private Investor – were held in 2016, attracting a record number of participants.

The Invest Trial competition attracted more than 16,000 participants (compared to 14,000 in 2015). The contest was designed to promote exchange instruments among rookie investors and to facilitate the participation of domestic investors in the Russian market. The key feature of the competition is the opportunity to acquire trading experience without risking one's money and to earn real income. The prize money available in the competition totalled RUB 8 m.

The main objective of the Best Private Investor contest is to highlight opportunities for private investors in equity and currency market instruments, and the income they can generate if they employ a trained and knowledgeable approach. A record of more than 14,000 investors took part in the competition, which was first launched in 2003. Participants' trading volume exceeded RUB 2 tn; overall, private investors earned more than RUB 500 m. Total prize money available in the competition amounted to RUB 10 m.

Improving the Quality of Corporate Governance

Moscow Exchange welcomed the idea of a Russian Public Companies Corporate Governance Index first proposed by the Independent Directors Association. The Index reflects the quality of corporate governance in companies on the basis of two sources of information: a survey of the professional community and publicly available data on each company's operations, which then serve as the basis for individual and consolidated indicators of corporate governance quality. This project was designed with a view to helping companies refine their corporate governance practices to ensure fuller disclosure and improve investor communications.

Moreover, Moscow Exchange, in conjunction with the Independent Directors Association, held its annual Director of the Year awards ceremony, which celebrates the achievements of directors who promote best corporate governance practices in Russia. Annual ratings of the best directors are compiled and later serve as a roster for determining the award winners.

Effective Investor Communication

The annual report competition organised by Moscow Exchange together with the RCB Media Group has become the most important annual event in the sphere of corporate governance and investor communication in Russia. The contest facilitates transparency and effective disclosure for the benefit of investors and clients. The 19th annual report competition attracted 139 companies, including 16 that participated for the first time.

In 2016, Moscow Exchange launched its MOEX IR Academy, a one-year programme for investor relations and corporate communications specialists, as well as analysts. The Academy educates attendees on all key elements and nuances of the profession: beginning with the evolution of IR right up to modern digital technologies employed in the industry. Lessons will help companies structure their investor communications upon entering the public market.

Development of Innovative Technologies

Moscow Exchange supports the development of innovative products and technological solutions offered to private investors and professional participants in the financial market.

Innovation in Investments Competition

The Innovation in Investments Competition for private investors and professional market participants, which was held for the first time in 2016, is aimed at supporting the development of innovative products and technological solutions in the financial market, as well as enhancing the availability, transparency and quality of investment services in the Russian market. The organisers received 62 applications from both professional participants and teams of young developers. The panel of judges, which included representatives of leading venture funds, accelerators and IT companies, named the best of the best, who received development grants from Moscow Exchange. Total prize money available in the competition was RUB 1.3 m.

Participation in the GenerationS-2016 Accelerator

At the end of 2016, Moscow Exchange selected 13 innovative projects as part of its participation in the GenerationS-2016 Accelerator set up by RVC. The programme offers educational modules with coaches; meetings with successful industry businesspeople, investors and Moscow Exchange mentors; as well as individual advice and practical assignments. The total prize money was RUB 15 m.

Communication with the Professional Community

In 2016, Moscow Exchange organised the first Russian conference on innovative technologies in investments *InvestTECH*, which attracted more than 20 expert speakers from the finance and IT sectors, as well as more than 300 representatives of the financial market. The participants discussed prevailing investment trends, shared innovative projects and established contacts that may later serve as the basis for further development of the financial industry.

Moreover, Moscow Exchange took part in the annual forum of innovative financial technologies *FINOPOLIS*, one of the major fintech events in Russia.

Improving financial literacy

Moscow Exchange is actively engaged in educational projects to improve the financial literacy of the Russian population.

In 2016, Moscow Exchange employees, in conjunction with professional market participants, held more than 200 workshops in 44 Russian cities. More than 10,000 participants had an opportunity to meet financial experts, develop an investment strategy and select an investment product.

No fewer than 250 workshops were held by the Moscow Exchange School under this programme. More than 10,000 private investors acquired the knowledge and skills required to independently manage an investment portfolio in various Moscow Exchange markets.

In 2016, MOEX's Exchange History Museum organised more than 400 excursions for 4,000 students from schools and universities in Moscow, Yaroslavl, Torzhok, Tver, Voronezh, Kaluga and other Russian cities. Twenty school groups were able to visit the museum as part of the *Corporate Museum Autumn Paths for Moscow Students*, a programme established and maintained by the Moscow Department of Education. The museum also welcomed at least 25 groups from schools and colleges that participated in the academic competition *Museums, Parks and Manors* set up by the Moscow Department of Culture. Work continued on the *Foreign Exchanges* exhibition: more than 80 exhibits were added to the museum's collection.

In conjunction with the Financial University under the Government of the Russian Federation, Moscow Exchange held *Fincontest*, a special academic competition on financial markets that gives participants an opportunity to start their professional career. More than 2,500 students took part in the competition, and some of them were offered an internship at Moscow Exchange following a multi-stage screening process. Moreover, a joint master's programme called *Securities and Financial Engineering* was also launched in 2016.

Moscow Exchange experts regularly participate in various programmes in leading national higher education establishments. In 2016, MOEX speakers held a series of master classes at MGIMO, Moscow State University, Higher School of Economics, Financial University, Moscow Aviation Institute, Moscow Engineering Physics Institute, Moscow State Institute of Steel and Alloys and Moscow Institute of Physics and Technology. Moreover, Moscow Exchange assisted the New Economic School in the development of its educational initiatives and in ensuring its financial stability.

In February 2017, a new advanced training programme called *Exchange Trading Basics* was launched. It was developed by Moscow Exchange together with the finance and banking department of the Russian Presidential Academy of National Economy and Public Administration. The programme targets young specialists and first-time investors who would like to acquire the required expertise and skills to manage their personal finances.

In 2016, the Exchange supported various public initiatives, taking part in the 4th Financial Literacy Forum, the 11th All-Russia Academic Competition in Financial Market and Basic Consumer Knowledge held for high school students, the International Conference *Financial Literacy Programmes and Availability of Financial Services: From Private Initiatives to National Strategy*, a regional competition for financial journalism called *Rouble Area* and a summer camp for high school students called *Republic of the Young: Fundamentals of Financial Education*.

Moscow Exchange took part in the preparation and publication of a school textbook titled *Fundamentals of Financial Literacy*, participated in the proceedings of the Expert Council on Financial Literacy and hosted *Days of Financial Literacy in Chuvashia*.

As part of its financial literacy educational outreach, Exchange employees explore the history of the financial market. Two books were published in 2016, including *Exchanges of the World: History, Culture, Finance* and *Heir to Age-Old Traditions*. Another book, *Moscow Exchange: An Historical Overview*, which commemorates the 25th anniversary of Moscow Exchange, was published in early 2017.

7.7.2 Charitable Assistance

In accordance with the Charity Policy, the Moscow Exchange Group supports charities that have a long-term effect. The Executive Board approves the list of such initiatives annually subject to recommendations by the Charity Policy Committee.

In 2016, a total of RUB 28.3 m was allocated to charitable assistance (vs. RUB 30 m in 2015).

The Group's charitable activities prioritise funding of long-term social projects through specialist foundations. Provision of assistance mediated by non-profit organisations reaches a large number of people in need while also ensuring the transparency of expenditures. Partnership programmes are developed with the following foundations: Gift of Life, Vera and New Teacher Charity Foundation for Education Support and Development. The Group also provides direct, targeted assistance to socially vulnerable and physically challenged categories, people of retirement age and children.

The Group involves its employees in charity activities, providing each with an opportunity to volunteer or personally donate funds. Announcements about socially significant activities are included in the *Company News* morning newsletter, and reports and photo essays about the charity events are posted on the Corporate Philanthropy intranet page, where employees can also register to participate in volunteer events and make a donation, as well as advertise alternative charitable projects.

Gift of Life Charity Foundation

The Foundation supports children who are undergoing treatment and rehabilitation related to blood diseases. Funds in the amount of RUB 6.5 m allocated by the Group in 2016 were used to support the most important programme of the foundation – *Voluntary Donation*, which provides donor blood to sponsored hospitals, as well as to all those who appeal directly for help: children and adults, patients undergoing long-term treatment and victims of accidents. In 2016, about 80 Moscow Exchange employees donated blood during outreach donor events held by the Gift of Life Foundation.

Vera Charity Foundation

This Foundation is engaged in the development of palliative care in Russia and supports more than 20 hospices in Moscow and other regions of the country. In 2016, Moscow Exchange funded the Foundation's programme to support regional hospices through a donation of RUB 6 m. In addition to financial aid, in 2016 Moscow Exchange also donated office furniture and computers to the foundation.

New Teacher Charity Foundation for Education Support and Development

The Foundation implements the *Teacher for Russia* programme, a Russian project based on public-private partnership set to involve talented young people and graduates of Russia's leading higher education institutions in teaching in regular schools. The programme is designed to provide access to quality education for children from areas with a complicated social environment, to raise the prestige of the teaching profession among top Russian graduates and attract talented teachers to the school system, to launch the regular school transformation process and to implement new educational formats and technologies. In 2016, Moscow Exchange allocated RUB 3 m to support activities of the Foundation.

Targeted charitable activity

In honour of the 71th anniversary of the victory in World War II, Moscow Exchange provided financial aid to war veterans: one-off payments were received by 119 World War II veterans and disabled soldiers, home front workers, siege survivors and prisoners of concentration camps. The total amount of payments exceeded about RUB 7 m.

In 2016, more than 200 children received financial support to pay for their treatment and rehabilitation; specialised equipment for orphanages and rooms for activities of disabled children were also purchased.

Collaboration with the Danilovtsy volunteer movement continued. Volunteers organised events for oncology patients at the Rogachev Children's Haematology Centre, Burdenko Neurosurgery Institute and Russian Children's Clinical Hospital. The Group also paid the fees of a psychologist engaged in home-based palliative care services for children of the Miloserdie medical centre and a teacher of the Elizavetinsky orphanage which educates children with Down Syndrome.

The Group is implementing a joint long-term project with Deti Nashi Foundation, organising integrative educational summer camp programmes for children who live in institutions and with their families. In 2016, 28 children participated in the programme. They went to the town of Kabardinka where they took part in master classes and psychological workshops helping to develop communication skills and to foster independence and responsibility in decision-making. Additionally, MOEX supported 146 children suffering from serious diseases to enjoy a stay at the Sheredar recreation and rehabilitation centre.

For many years, the Group has been supporting the Udelnaya orphanage, which in 2016 was reorganised into the Udelnaya centre for out-of-school activities. The Group helped to equip an art studio for children, where classes are taught to orphans now living in foster families.

The Group rendered financial support to the Wheelchair Dance Club and sponsored the trip to the Rock'n'Roll Acrobatic World Cup in Krakow for a student at the Positive Dance School, a dependant of pensioners.

Corporate Volunteering

In 2016, the Group held a Donor Day and two charity fairs. The events were supported by the Blood Service and Gift of Life Charity, Volunteers Helping Orphans, Deti Nashi, Starost v Radost foundations and the Rai Fund. A campaign was also organised to raise funds for the treatment of a 6-year-old child with cancer. Total funds donated by employees in all campaigns exceeded RUB 200,000 and were allocated to charitable foundations for their on-going programmes.

Moscow Exchange employees had an opportunity to join a unique project of BELA Butterfly Children Charity Fund – *Help Without Touching*. Its goal is to raise funds to support children with epidermolysis bullosa, a rare genetic disorder.

7.8 Environmental performance

To ensure good environmental stewardship, Moscow Exchange has approved Draft Regulations on Waste Production Rates and Waste Disposal Limits.

In accordance with the established action plan, in 2016 the Exchange streamlined the process of collection, accumulation and removal of solid waste, the canteen's food waste, bulk waste, ferrous metal scrap, and paper/cardboard waste generated as a result of office work and document processing from the MOEX premises.

Used oil and air filters, mercury lamps, parts of office/electric equipment, monitors, keyboards and cartridges were all transferred for disposal by specialised contractors. To ensure environmental safety, MOEX has arranged for special collection and disposal of batteries in all office premises.

In 2017, Moscow Exchange plans to develop a programme of environmental monitoring and industrial control.

Water

Total Water Offtake

Total Water Offtake, mln liters	2014	2015	2016	Change, 2016/2015
Municipal and other water supply systems	41.19	46.16	41.42	-10.3%

Total Water Discharge³

Total Water Discharge, mln liters	2014	2015	2016	Change, 2016/2015
Plan	43.98	49.23	44.48	-9.6%

Waste

Total Waste Mass

Total Solid Waste Mass, tons	2014	2015	2016	Change, 2016/2015
Category 1	-	0.18	0.16	-8,9%
Category 2	-	2.3	-	-
Category 3	4.4	2.4	9.9	318.8%
Category 4	165.2	228.8	208.2	-9.0%
Category 5	48.3	93.5	20.5	-78.0%
TOTAL	217,9	327,2	238,8	-25.0%

³ Total discharge includes canalisation and wastewater effluents. Discharge location: Mosvodostok (Moscow municipal discharge facilities), no pre-treatment required.

Disposal, Dumping and Recycling Methods

Method, tons	2014	2015	2016	Change, 2016/2015
Re-use	7.2	3.4	9.6	180.6%
Release of valuable components including energy	4.8	2.8	-	-
Placing in landfills	202.5	314.6	218.0	-30.7%
Other methods (deactivation and recycling)	218.7	386.3	391.2	1.2%
TOTAL	433.1	707.2	618.8	-12.5%

Energy efficiency

Resource	2015 (RUB '000)	2016 (RUB '000)	Change, %
Gasoline	2,993.1	2,732.4	-8.7
Diesel fuel	46.6	172.9	271.0
Electricity	50,456.5	53,010.7	5.0
Heat	6,001.2	7,053.8	17.5
TOTAL	59,497.4	62,969.9	5.8

Environmental Safety Costs

Costs of waste and discharge treatment and environmental remediation costs

	2014 (RUB '000)	2015 (RUB '000)	2016 (RUB '000)	Change, 2016/2015
Costs of waste and discharge treatment and environmental remediation costs	1,165.1	1,238.9	773.5	-37.6%

Environmental impact prevention and environmental management system costs

	2014 (RUB '000)	2015 (RUB '000)	2016 (RUB '000)	Change, 2016/2015
Environmental impact prevention and environmental management system costs	664.5	544.2	407.6	-25.1%

Initiatives to reduce environmental pressures

Following initiatives were rolled out to protect the environment and maintain the microclimate in offices premises:

1. In 2015, air humidifiers, purifiers, and air anti-bacterial re-circulators were installed to improve the microclimate in office premises and to filter hazardous substances, allergens, bacteria, etc. from the air.
2. In January 2016, disinfectant dispensers were installed in office premises, particularly in common areas. Employees were provided with extra masks, antibacterial wipes and gels during epidemics of influenza and respiratory viral infections.
3. Starting from January 2016, collection and disposal of batteries in office premises have been organised.
4. Regular medical examinations of employees have been in place: in 2015 – 5 employees of NCC Clearing Bank, in 2016 – 69 employees of the Moscow Exchange.
5. Holding a “Healthy Week” campaign to support a healthy lifestyle. Within the campaign in October 2016, employees were given apples, new vending machines were purchased, the canteen offered a more nutritionally balanced menu, on the intranet portal employees were offered expert advice on sedentary lifestyle and physical exercises in the workplace; the Company arranged various meetings, walking and tennis tournaments and put up thematic posters.

8. Corporate Governance

8.1. Corporate Governance System

Since Moscow Exchange's IPO, its senior executives have been continuously perfecting the Company's corporate governance procedures with the aim of taking its rightful place among global trading venues.

The Exchange's corporate governance system has been developed in accordance with the requirements of the laws regulating Moscow Exchange as an organiser of trading, the listing rules regulating Moscow Exchange as an issuer whose securities are admitted to trading and taking into account the Corporate Governance Code issued by the Bank of Russia, the OECD corporate governance principles and the best global corporate governance practices.

Moscow Exchange's corporate governance system is an efficient tool that protects the legitimate rights and interests of all the Exchange's shareholders and the users of its services. A Risk Management and Internal Control System was also created and is being developed based on state-of-the-art procedures that cover every aspect of the Exchange's operations.

In 2014, the Bank of Russia recognised Moscow Exchange, jointly with National Settlement Depository (NSD) and NCC Clearing Bank, as systematically important financial institutions.

8.1.1. Moscow Exchange corporate governance model and practice in brief

Moscow Exchange's current corporate governance system reflects its unique position as one of the largest Russian public companies included in the MSCI Russia Index (Bloomberg MXRU). The Bank of Russia is a shareholder of Moscow Exchange and the financial markets regulator, while Moscow Exchange, as a market infrastructure operator, establishes binding rules for all other issuers.

Accordingly, the Federal Law on Organised Trading (hereinafter, "the Law") establishes additional requirements for the management bodies and founders (participants) of the market operator, in particular that:

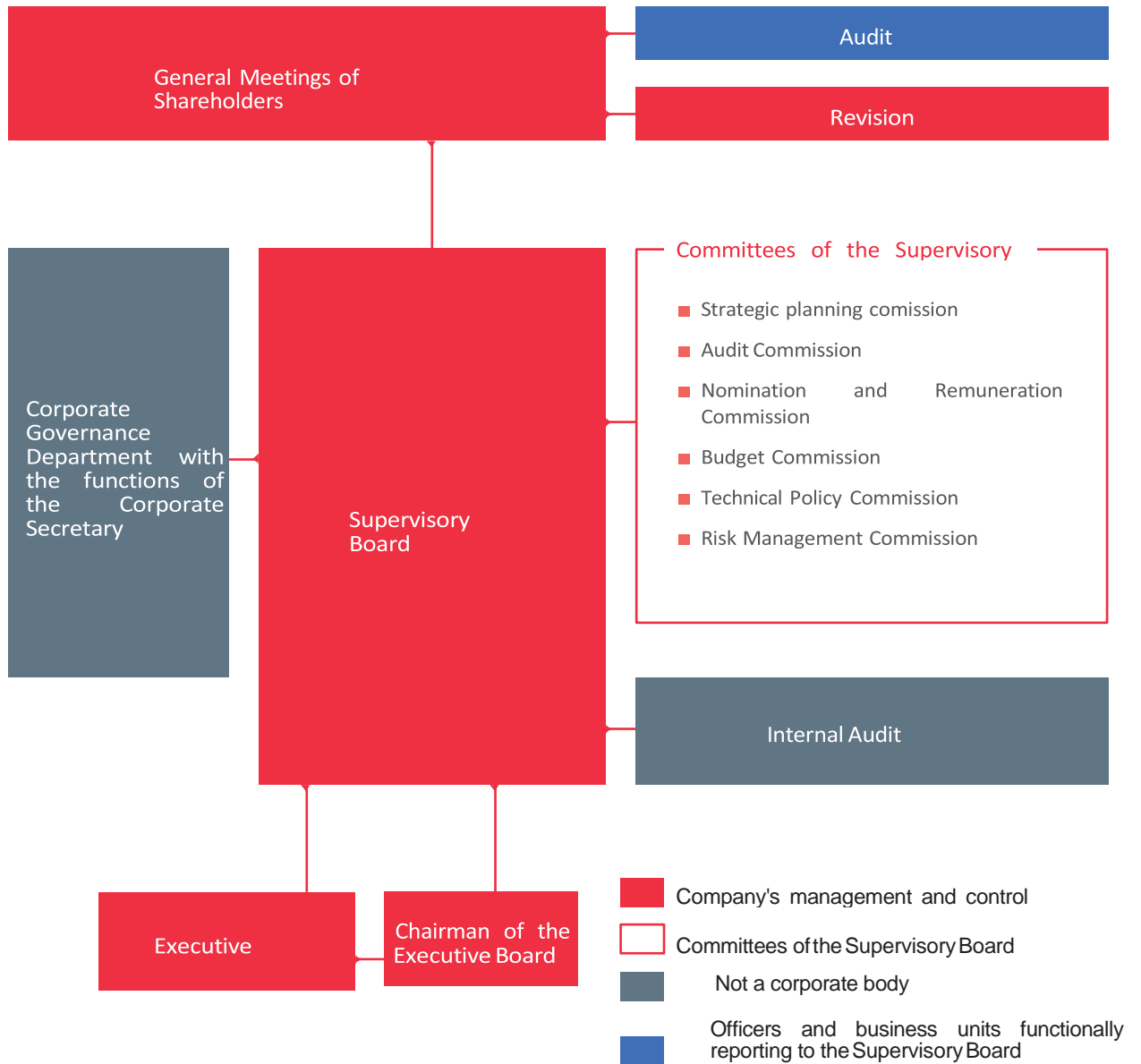
1. members of the Supervisory Board must meet the requirements for professional experience and business reputation, and should also earn a qualification certificate as a financial market specialist in clearing and trading activities;
2. members of the executive bodies must meet the requirements for professional experience, reputation and expertise, and they must be approved by the regulator, i.e. the Bank of Russia;
3. those founders (participants) who own more than 5 per cent of the authorised capital of Moscow Exchange may not include legal entities whose financial licence has been cancelled (withdrawn) for any violation or who are registered in offshore jurisdictions, or individuals who do not meet the business reputation requirements.

Additional requirements have also been established for the heads of branches, the Chief Accountant, the Head of the Risk Management Department, the Head of the Internal Audit Service, the Head of the Internal Control Service and the Head of the department in charge of trading.

Since the shares in Moscow Exchange are admitted to trading and kept in the quotation list of the first (highest) level, the following actions were taken in 2016 in order to comply with the corporate governance requirements set out in the Listing Rules and the Corporate Governance Code of the Bank of Russia:

1. Five independent directors were elected to the Supervisory Board, and one director received independent director status in the reporting period;
2. Independent directors meet the independence criteria established by the Listing Rules;
3. The Audit Commission and the Nomination and Remuneration Commission consist only of the independent members of the Supervisory Board;
4. A resolution was adopted to determine the requirements for a business unit to be compliant with the Listing Rules so as to act as the Corporate Secretary;
5. The matter of the Senior Independent Director's appointment and dismissal was left to the Supervisory Board's areas of competence;
6. A set of issues was determined that must be resolved by a three-fourths majority of votes cast by the members of the Supervisory Board participating in a meeting (strategy approval, treatment of applications for listing, exercise of the rights attached to quasi-treasury shares, submitting the issue of liquidation and restructuring, changes in the authorised capital and delisting).

8.1.2. Corporate governance structure



8.1.3. General Meeting of Shareholders

The General Meeting of Shareholders is the supreme governing body of Moscow Exchange. General Meetings adopt resolutions on strategic issues. The scope of questions related to the terms of reference of General Meetings of Shareholders is determined by the Federal Law on Joint-Stock Companies and the Charter of Moscow Exchange.

In accordance with past practice, Moscow Exchange's Annual General Meeting of Shareholders (AGM) was held on 27 April 2016 to adopt the following resolutions:

- approving Moscow Exchange's annual report and accounting (financial) statements for 2015;
- approving a new edition of Moscow Exchange's Charter subject to amendments in the legislation and in the field of corporate governance;
- approving new editions of Moscow Exchange's Provisions on the General Meeting of Shareholders, Supervisory Board and the Revision Commission;
- electing members of the Supervisory Board and the Revision Commission;
- approving a new edition of the Regulations on Remuneration and Reimbursement of Members of the Supervisory Board of Moscow Exchange and making decisions on the payment of remuneration to the members of the Supervisory Board and the Revision Commission for the 2015/2016 corporate year;
- approving transactions with Moscow Exchange's subsidiaries and regular business partners that are, in accordance with the current legislation, related-party transactions;
- approving Ernst & Young Vneshaudit, representing one of the world's largest international accounting firms, as the company's auditor for 2016;
- adopting a resolution on profit distribution and dividend payments for 2016, with the dividend amount standing at RUB 7.11 per ordinary share;
- approving an agreement regarding Moscow Exchange's commitment to the Guarantee Fund of NCC Clearing Bank for risk management purposes.

In 2016, Moscow Exchange held one extraordinary meeting of shareholders (2 September 2016). The shareholders approved a corporate restructuring whereby 100%-owned subsidiaries CJSC MICEX Stock Exchange and MB Technologies LLC were consolidated into Moscow Exchange.

8.1.4 Supervisory Board

8.1.4.1 Role of the Supervisory Board

The Supervisory Board is a key component of the corporate governance system that generally manages the activities of Moscow Exchange.

The Supervisory Board is accountable to the General Meeting of Shareholders. The members of the Supervisory Board are elected by the General Meeting, and their powers may be terminated at any time by the General Meeting.

Members of the Supervisory Board take part in the Annual General Meeting of Shareholders. The Chairman of the Supervisory Board presides at Annual General Meetings of Shareholders, where any shareholder may ask questions or address the Chairman.

In addition, any Moscow Exchange shareholder may speak on agenda items or address the Chairman of the Supervisory Board, which ensures the necessary degree of objectivity in considering the agenda.

When developing Moscow Exchange's strategy, the Supervisory Board takes into account the shareholders' vision for the development of the Company. The Supervisory Board considers appeals filed by shareholders and investors and, if necessary, gives appropriate instructions to senior managers.

The terms of reference for the Supervisory Board are established in the Charter and are clearly separate from those of the executive bodies of Moscow Exchange responsible for the current management of Moscow Exchange.

In particular, the Supervisory Board:

- determines Moscow Exchange's vision, mission and strategy;
- is responsible for the strategic management and long-term sustainable development of Moscow Exchange;
- establishes Moscow Exchange's strategic goals and key performance indicators.

The Supervisory Board's work schedule was approved in December 2015 and confirmed at the first meeting of the newly elected Supervisory Board held after the Annual General Meeting of Shareholders. The work schedule includes the main activities of Moscow Exchange, which are correlated with Moscow Exchange's strategic planning cycle and existing business cycles. In preparing the work schedule, the suggestions of members of the Supervisory Board and of senior managers on priority issues were taken into account.

The agenda of each in-person meeting of the Supervisory Board includes three to five substantive matters for decision-making and management reports. Matters related to the implementation of priority projects, operational continuity, budget performance and orders of the Supervisory Board are considered as frequently as required.

In-person meetings of the Supervisory Board are those where all directors are present, and such meetings are generally held in Moscow. The first meeting of the newly elected Supervisory Board takes place in person, generally on the same day that the General Meeting of Shareholders elects the new Supervisory Board.

Information on the activities of the Supervisory Board, including its members, meetings and commissions, is disclosed on the official website of Moscow Exchange in the form of press releases and statements of material facts, as well as in Moscow Exchange's annual reports, which ensures that information related to Moscow Exchange's Supervisory Board is transparent.

8.1.4.2 Structure and membership of the Supervisory Board

Since the date of the most recent AGM, i.e. 27 April 2016, Moscow Exchange's Supervisory Board has comprised 12 members (there were previously 15 members on the Board).

The Supervisory Board is managed and administered by the Chairman of the Supervisory Board, who is elected by the members of the Supervisory Board from among themselves, by a majority vote of the members of the Supervisory Board participating in the meeting when the election takes place.

For preliminary consideration and development of recommendations on the most important matters, the Supervisory Board set up the following commissions:

- The Strategic Planning Committee;
- The Audit Committee;
- The Nomination and Remuneration Committee;
- The Budget Committee;
- The Technical Policy Committee; and
- The Risk Management Committee.

The Committees are formed annually from among the members of the Supervisory Board. Five out of six committees are chaired by independent directors; the Audit Committee and the Nomination and Remuneration Committee comprise independent directors only. Additional IT experts are invited to participate in the Technical Policy Commission.

Members of Moscow Exchange's Supervisory Board are experienced professionals who are able to implement its strategy. They are experts in financial market infrastructure, the international industry of organised trading, financial information technologies, operational and financial risk management, financial reporting and budgeting processes. They also have competencies in personnel management and current approaches to incentivising top management.

After the 2016 Annual General Meeting of Shareholders, the Supervisory Board included five independent directors who met all the criteria of independence as set forth in the Listing Rules (no relations with the Company, major shareholders, major competitors or counterparties or with the government), nine non-executive directors and the Chairman of the Executive Board of Moscow Exchange. In 2016, one director was qualified as independent following the expiration of a three-year period after receiving remuneration other than for serving as a member of the Supervisory Board, which is applied as a criterion for director independence.

Moscow Exchange has no information on any conflicts of interest (related also to membership in management bodies of Moscow Exchange's competitors) on the part of members of the Supervisory Board or the Executive Board.

8.1.4.3 Supervisory Board Members

No	Supervisory Board members as of 1 January 2016	No	Supervisory Board members elected on 27 April 2016
<i>Independent directors</i>			
1	Bratanov, Mikhail Valeryevich	1	Wang Yuan
2	Wang Yuan	2	Karachinsky, Anatoly Mikhailovich
3	Karachinsky, Anatoly Mikhailovich	3	Riess, Rainer (<i>Senior Independent Director</i>)
4	Riess, Rainer	4	Gordon, Maria Vladimirovna
5	Sharonov, Andrey Vladimirovich	5	Paterson, Duncan
<i>Non-executive directors</i>			
6	Beattie, Nicola Jane	6	Glodek, Sean
7	Glodek, Sean	7	Golikov, Andrey Fedorovich
8	Golikov, Andrey Fedorovich	8	Goreglyad, Valery Pavlovich
9	Goreglyad, Valery Pavlovich	9	Denisov, Yury Olegovich (became an independent director on 18 October 2016)
10	Denisov, Yury Olegovich	10	Zlatkis, Bella Ilyinichna
11	Zlatkis, Bella Ilyinichna	11	Kudrin, Alexey Leonidovich
12	Kudrin, Alexey Leonidovich		
13	Lykov, Sergey Petrovich		
14	Shershun, Kirill Yevgenyevich		
<i>Executive directors</i>			
15	Afanasiev, Alexander Konstantinovich	12	Afanasiev, Alexander Konstantinovich

Women comprise 25% of the members of the Supervisory Board.

Members Of Moscow Exchange's Supervisory Board Elected By The Annual General Meeting On 27 April 2016⁴



Alexey Leonidovich KUDRIN, Chairman

Date/place of birth: 12 October 1960, Dobeles, Latvia (USSR).

Alexey Kudrin graduated from Leningrad State University in 1983. Specialisation: Political Economy.

He also received a degree in Economics.

Between 1996 and 2000, he held leading positions in the Russia Federation Government.

From 2000 until 2011, he served as the Deputy Prime Minister and the Minister of Finance of the Russian Federation.

Since 2011, he has been the Dean of the Faculty of Liberal Arts and Sciences at St Petersburg State University.

He is the Deputy Chairman of the Supervisory Board at Sberbank of Russia, Chairman of the Civil Initiatives Committee and a member of the Board of Directors at the New Economic School.

He was first elected to Moscow Exchange's Supervisory Board on 26 June 2014.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2016.



Andrey Fedorovich GOLIKOV, Deputy Chairman

Chairman of the Budget Committee, member of the Strategic Planning Committee and Technical Policy Commission

Date/place of birth: 14 March 1969, Volzhskiy, Volgograd Oblast.

Andrey Golikov graduated from Lomonosov Moscow State University, Department of Mechanics and Mathematics in 1991.

He held various positions, from 2009 to 2011, at Sberbank, including the Head of the Treasury and Financial Markets, and was a member of the Executive Board.

He is a member of NCC Clearing Bank's Supervisory Board.

He was first elected to Moscow Exchange's Supervisory Board on 24 April 2003.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2016

⁴ Data as of 31 December 2016. Professional Background data is given for the last five years.



Alexander Konstantinovich AFANASIEV

Date/place of birth: 12 January 1962, Moscow.

Alexander Afanasiev graduated from the Moscow Financial Institute in 1984. Specialty: International economic relations.

He has a degree in Economics

From 1998 to 2011, he served as the Deputy Chairman of the Management Board at Bank WestLB Vostok, a subsidiary company of the German banking group WestLB AG.

In 2011, he joined the Executive Board of Moscow Exchange.

Since 2012, he has been serving as the CEO of Moscow Exchange.

He is a member of the NCC Clearing Bank Supervisory Board, a member of NSD Supervisory Board and a member of the Management Board at the Russian Union of Industrialists and Entrepreneurs.

He was first elected to Moscow Exchange's Supervisory Board on 25 June 2013.

He owns 2,948,385 shares, or 0.1294% equity interest, in Moscow Exchange.

The list of transactions involving shares in Moscow Exchange in 2016 is provided in *Chairman and Members of the Executive Board* section of this report.



Yuan WANG, independent director.

Member of the Strategic Planning Committee

Date/place of birth: 17 February 1951, Beijing, China.

In 1976, she graduated from Shanxi University with a Bachelor of Arts degree. In 1987, she received a Master of Science degree in Developing Economies from the University of Bradford. In 1998, she received an MBA from the China Europe International Business School.

She also holds an Honorary Doctor of Science degree.

Between 2001 and 2006, she served as an Advisor to the Securities and Futures Commission of Hong Kong.

From 2006 to 2014, she worked at the China Development Bank Corporation.

She was first elected to Moscow Exchange's Supervisory Board on 26 June 2014.

She does not own any shares in Moscow Exchange.

She reported no transactions with Moscow Exchange's shares in 2016.



Sean GLODEK

Member of the Strategic Planning, Budget and Risk Management Committees

Date/place of birth: 17 July 1971, Warsaw, Poland.

He graduated from the Wharton School of the University of Pennsylvania (MBA) and from Stanford University (BA in Economics). Since 2011, he has been the Deputy General Director and a member of the Management Board at Russian Direct Investment Fund.

He is a member of the Supervisory Board at NSD.

He was first elected to Moscow Exchange's Supervisory Board on 25 June 2013.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2016.



Maria Vladimirovna GORDON, independent director

Member of the Audit Committee and the Nomination and Remuneration Committee

Date and place of birth: 13 February 1974, Vladikavkaz, Republic of North Ossetia.

In 1995, she received a Bachelor's degree in Political Science from the University of Wisconsin (USA). In 1998, she received a Master of Arts degree in Law and Diplomacy from the Fletcher School of Law and Diplomacy at TUFTS University (USA).

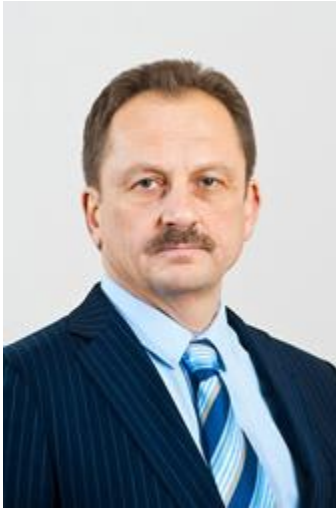
Between 2010 and 2014, she was the Chief Emerging Markets Equity Portfolio Manager at Pacific Investment Management Co. (PIMCO).

She is a member of the Supervisory Board at ALROSA.

She was elected to Moscow Exchange's Supervisory Board on 27 April 2016.

She does not own any shares in Moscow Exchange.

She reported no transactions involving shares in Moscow Exchange in 2016.



Valery Pavlovich GOREGLYAD

Member of the Budget Committee and the Risk Management Committee

Date/place of birth: 18 June 1958, Glusk, Mogilev Oblast.

He graduated from the Moscow Aviation Institute in 1981 with a Mechanical Engineering Qualification (Aircraft Production).

He holds a Doctor of Science degree in Economics.

From 2010 to 2013, he served as the Deputy Chairman of the Account Chamber of the Russian Federation. Since 2013, he has been the Chief Auditor of the Bank of Russia.

He is a Professor at the Higher School of State Audit at Moscow State University.

He was first elected to Moscow Exchange's Supervisory Board on 26 June 2014.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2016.



Yury Olegovich DENISOV, independent director

Chairman of the Risk Management Committee, member of the Strategic Planning Committee and the Nomination and Remuneration Committee

Date/place of birth: 31 May 1970, Moscow.

He graduated from the Moscow State Institute of International Relations in 1993 with a qualification in International Economic Relations.

From 2010 to 2013, he was the Executive Board Deputy Chairman at Moscow Exchange.

Since 2008, he has been a member of the Supervisory Board at NCC Clearing Bank and currently chairs the Supervisory Board.

He was first elected to Moscow Exchange's Supervisory Board on 25 June 2013.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2016.



Bella Ilyinichna ZLTKIS

Date/place of birth: 5 July 1948, Moscow

She graduated from the Moscow Finance Institute in 1970 with a specialisation in Finance and Credit.

She holds a PhD in Economics.

She has been serving as the Deputy Chairwoman of Sberbank's Executive Board for more than 10 years. Earlier, she held a post at the Ministry of Finance for more than 30 years.

Since 2011, she has been a member of NSD's Supervisory Board, and is currently the Chairwoman.

She was first elected to Moscow Exchange's Supervisory Board on 19 May 2011.

She does not own any shares in Moscow Exchange.

She reported no transactions involving shares of Moscow Exchange in 2016.



**Anatoly Mikhailovich KARACHINSKY, independent director
Chairman of the Technical Policy Committee**

Date/place of birth: 12 July 1959, Moscow

He graduated from the Moscow Institute of Railroad Transport Engineering in 1981 with a specialisation in Computer Science.

He is currently the President and the Chairman of the Governing Board at IBS.

He chaired the Supervisory Board of the IBS Group for more than 10 years. He is the Chairman of the Supervisory Board at Luxoft Holding Inc, the Chairman of the Board of Directors at NewspaperDirect Inc (Canada), the Chairman of the Supervisory Board at Medialogia and a member of the Executive Board at the

Russian Union of Industrialists and Entrepreneurs.

He was first elected to Moscow Exchange's Supervisory Board on 20 June 2012.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2016.



Duncan PATERSON, independent director

Chairman of the Audit Committee, member of the Strategic Planning Committee

Date/place of birth: 11 January, 1951, Woking, Surrey, UK.

He is a Fellow of the Institute of Chartered Accountants in England and Wales (year of qualification: 1973). In 1978, he graduated from the London School of Economics and Political Science with an MSC in Accounting and Finance.

Current position: Non-executive Chairman, GH Financials Limited, London UK.

Professional background: Managing partner at MA Partners, Senior Managing Director at Wilco International, Business Development Director at ACT Financial Systems, COO at County NatWest Investment Management, CFO at Security Pacific Hoare Govett.

He was elected to Moscow Exchange's Supervisory Board on 27 April 2016.

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2016.



Rainer RIESS, independent director

Chairman of the Strategic Planning Committee, Chairman of the Nomination and Remuneration Committee, member of the Audit Committee

Date/place of birth: 20 January 1966, Darmstadt, Germany.

He graduated from the University of Miami in 1993 with an MBA, and he also received a Master of Economics degree in 1994 from Wolfgang Goethe University (Frankfurt).

From 1995 to 2013, he served as the Managing Director at Deutsche Börse AG.

From 2008 to 2013, he served as the Deputy Chairman of the Frankfurt Stock Exchange Management Board.

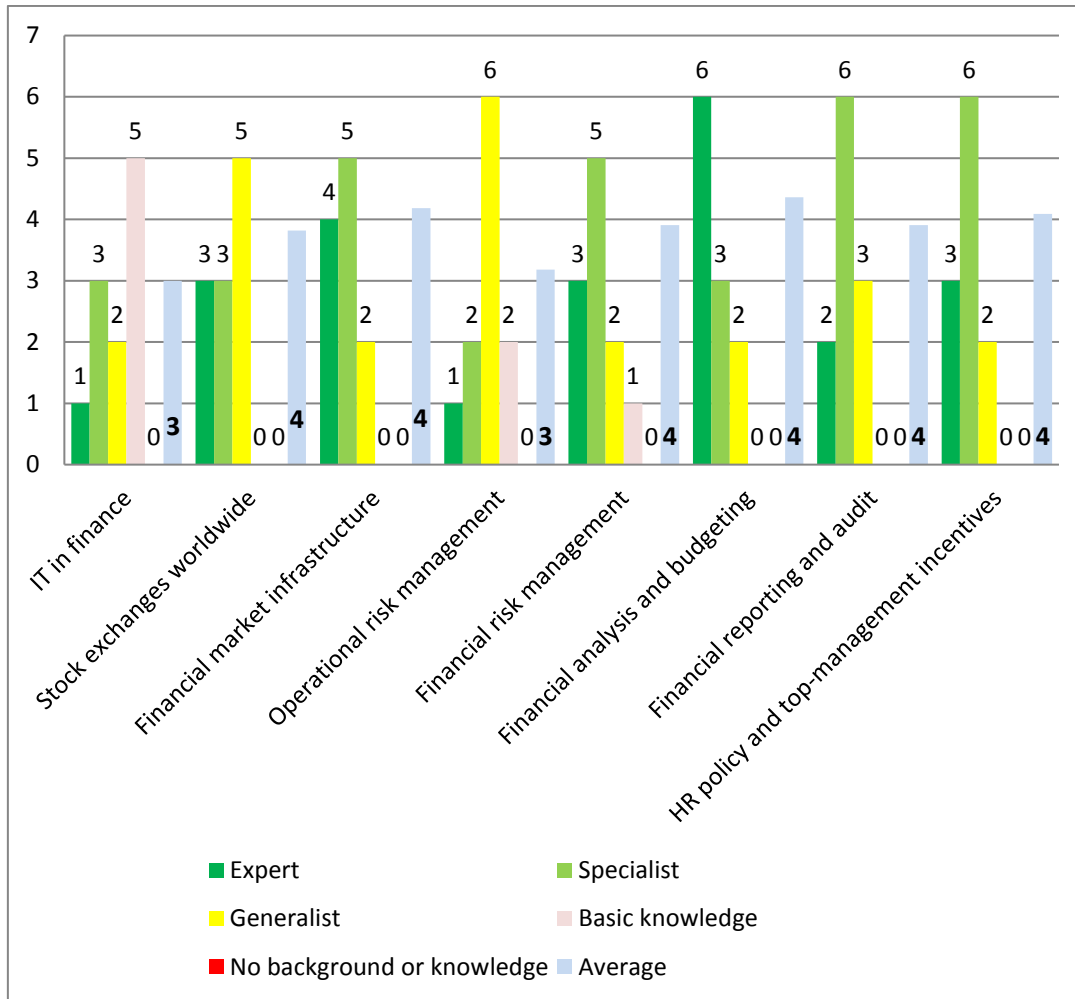
He is a managing partner and the owner of Addwis GmbH (Frankfurt), and he is also the Director General at the Federation of European Securities Exchanges AISBL (FASE).

He was first elected to Moscow Exchange's Supervisory Board on 25 June 2013.

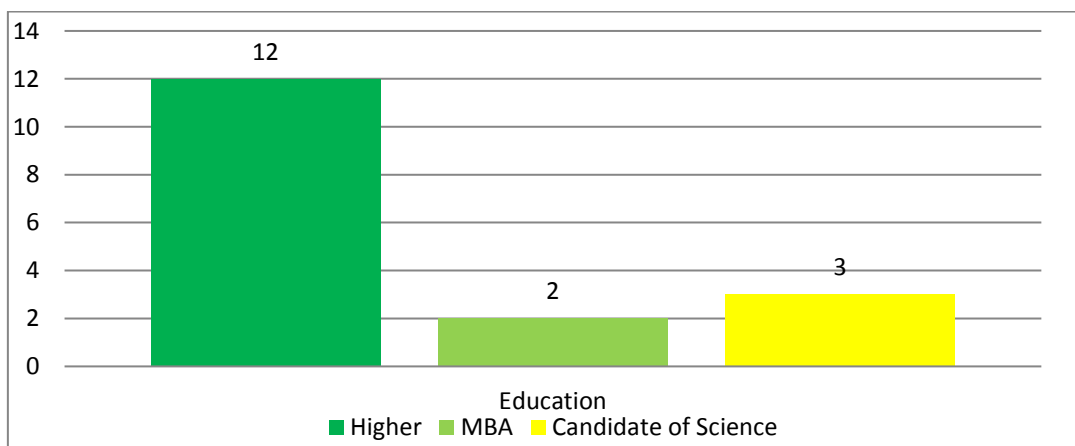
He does not own any shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2016.

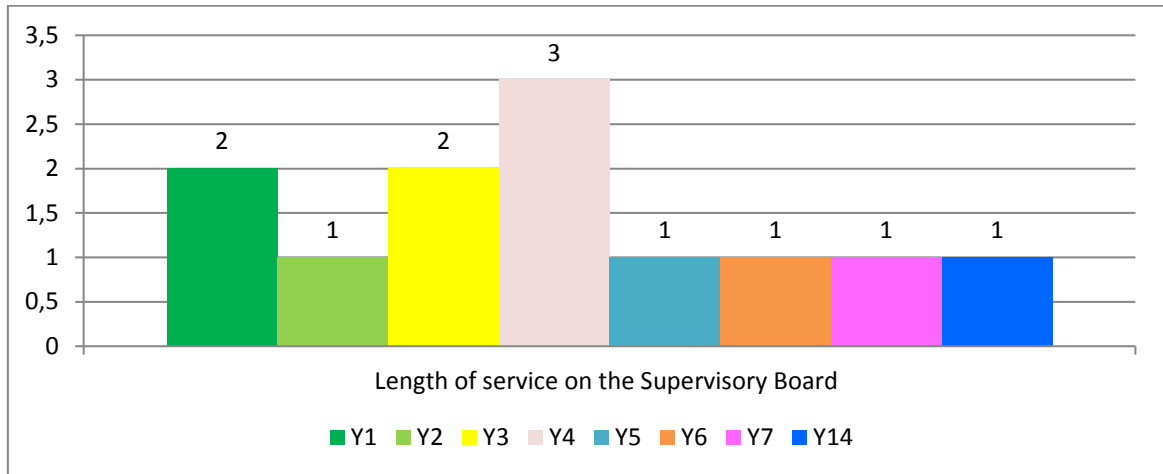
Supervisory Board members' competencies



Supervisory Board members' educational background



Length of service on the Supervisory Board



The cumulative length of service of all members is 54 years.

8.1.4.4 Supervisory Board's activity in 2016

The Board held 17 meetings from 1 January 2016 through 31 December 2016 (including six in-person meetings).

Five meetings were held before and 12 meetings after the date of the AGM, i.e. 27 April 2016.

Name	Number of meetings attended	% of total meetings attended
Kudrin, Alexey Leonidovich	17	100
Afanasiev, Alexander Konstantinovich	16	94
Wang Yuan	16	94
Glodek, Sean	17	100
Golikov, Andrey Fedorovich	17	100
Gordon, Maria Vladimirovna (since 27 April 2016)	7	58
Goreglyad, Valery Pavlovich	16	94
Denisov, Yury Olegovich	16	94
Zlatkis, Bella Ilyinichna	15	88
Karachinsky, Anatoly Mikhailovich	16	94
Paterson, Duncan (since 27 April 2016)	11	92
Riess, Rainer	16	94
Beattie, Nicola Jane (until 27 April 2016)	4	80
Bratanov, Mikhail Valeryevich (until 27 April 2016)	5	100
Lykov, Sergey Petrovich (until 27 April 2016)	5	100
Sharonov, Andrey Vladimirovich (until 27 April 2016)	2	40
Shershun, Kirill Yevgenyevich (until 27 April 2016)	5	100

Many issues on the agenda of Supervisory Board meetings were first considered by the appropriate commissions for a more detailed discussion and to give the Supervisory Board recommendations regarding voting.

Key issues that the Supervisory Board discussed in 2016 included:

- Strategy:
 - Moscow Exchange's IT strategy for 2010-2015 and a three-year programme for IT development;
 - Moscow Exchange Group's financial strategy;
 - restructuring by way of the consolidation of CJSC MICEX Stock Exchange and MB Technologies LLC;
 - Policy on the use of Moscow Exchange Group premises;
 - priority projects for 2017;
 - principles and parameters of the share-based, long-term incentive programme.
- Business development:
 - election of two new members to the Executive Board to lead Moscow Exchange's business development;
 - approval of the Derivatives Market's fees for trades in foreign currency and precious metals; trading fees for the Equity & Bond Market.

- Fundamental documents of Moscow Exchange:
 - Listing Rules;
 - approval of Trading Rules for the FX and Precious Metals Market, the Equity & Bond Market and the Derivatives Market;
 - Admission Rules;
 - updates to Moscow Exchange's Provisions of the Internal Audit Service and Nomination and Remuneration Commission;
 - updates to Moscow Exchange's Corporate Governance Code and Information Policy.
- Corporate governance:
 - independent assessment of the Supervisory Board's performance;
 - policy on remuneration and compensation of expenses due to members of the executive bodies of Moscow Exchange;
 - policy on remuneration and compensation of expenses due to members of the Supervisory Board of Moscow Exchange;
 - methodology for corporate governance assessment;
 - report on updates to Moscow Exchange's corporate governance practice in 2016.
- Risk management:
 - qualification requirements for members of executive bodies for the purpose of succession planning.
 - In 2016, an external audit of the internal control system was put into practice on the initiative of the Supervisory Board and the Audit Committee. The audit findings report will be delivered in 2017 and disclosed in the 2017 annual report.
 -

8.1.4.5. Procedures for appointment, induction and training of members of the Supervisory Board

In accordance with the Federal Law on Joint-Stock Companies, shareholders holding in aggregate no less than 2% of voting shares in Moscow Exchange have the right to nominate candidates to the Supervisory Board of Moscow Exchange. The number of candidates cannot exceed the number of members of the Supervisory Board. The Charter of Moscow Exchange provides that such proposals should be submitted no later than 60 days after the end of each fiscal year.

The Supervisory Board of Moscow Exchange was to consider the above nominations and decide whether to include them on the list of nominees for election at the General Meeting of Shareholders no later than five days after the date specified for the submission of the proposals, i.e. before 5 March 2016.

At the end of the day on 29 February 2016, Moscow Exchange received proposals on the nomination of 14 candidates to the Supervisory Board to be elected at the Annual General Meeting of Shareholders in 2016, and all of them were included on the list of nominees for the General Meeting of Shareholders.

As part of the induction of directors, there is an induction programme for members of the Supervisory Board.

The programme includes the following:

- familiarisation of Supervisory Board members with Moscow Exchange's key internal documents and the resolutions adopted at the meetings of shareholders and of the Supervisory Board;
- an overview of the history of the Russian stock market and basic information about the strategy and operations of Moscow Exchange;
- meetings with the Chairman of the Supervisory Board and the Chairman of the Executive Board of Moscow Exchange;
- a meeting with the Director of the Corporate Governance Department;
- a meeting with the Group's management team during the one-day introductory course held within two months of the date of the election of the Supervisory Board;
- a meeting with the chairpersons of any commissions whose members are also members of the Supervisory Board.

8.1.5. Activity of Committees in 2016

Information on Supervisory Board members' attendance at committee meetings

In 2016, the Strategic Planning Committee held six meetings in total; two meetings were held before and four meetings after the date of the AGM, i.e. 27 April 2016.

Name	Number of meetings attended	% of total meetings attended
Beattie, Nicola Jane, Chairwoman (Chairwoman until 27 April 2016)	2	100
Wang Yuan	6	100
Sean Glodek	5	83
Golikov, Andrey Fedorovich	6	100
Denisov, Yury Olegovich	5	83
Rainer Riess (member and Chairman since 27 April 2016)	6	100
Duncan Paterson (since 27 April 2016)	4	100

In 2016, the Audit Committee held eight meetings in total; four meetings were held before and four meetings after the date of the AGM, i.e. 27 April 2016.

Name	Number of meetings attended	% of total meetings attended
Rainer Riess (Chairman until 27 April 2016)	8	100
Bratanov, Mikhail Valeryevich (until 27 April 2016)	4	100
Wang Yuan (until 27 April 2016)	3	75
Duncan Paterson (Chairman since 27 April 2016)	4	100
Gordon, Maria Vladimirovna (since 27 April 2016)	3	75

In 2016, the Nomination and Remuneration Committee held 14 meetings in total, 10 of which were in-person meetings; six meetings were held before and eight meetings after the date of the AGM, i.e. 27 April 2016.

Name	Number of meetings attended	% of total meetings attended
Golikov, Andrey Fedorovich (Chairman until 27 April 2016)	6	100
Bratanov, Mikhail Valeryevich (until 27 April 2016)	6	100
Zlatkis, Bella Ilyinichna (until 27 April 2016)	5	83

Shershun, Kirill Yevgenyevich (until 27 April 2016)	4	67
Denisov, Yury Olegovich (until 28 October 2016)	1	50
Karachinsky, Anatoly Mikhailovich (from 27 April 2016 until 28 October 2016)	3	50
Rainer Riess (Chairman until 27 April 2016)	8	100
Gordon, Maria Vladimirovna (since 27 April 2016)	8	100

In 2016, the Budget Committee held 11 meetings in total, six of which were in-person meetings; four meetings were held before and seven meetings after the date of the AGM, i.e. 27 April 2016.

Name	Number of meetings attended	% of total meetings attended
Bratanov, Mikhail Valeryevich (Chairman until 27 April 2016)	4	100
Sean Glodek	11	100
Golikov, Andrey Fedorovich (Chairman since 27 April 2016)	11	100
Goreglyad, Valeriy Pavlovich	10	91

In 2016, the Technical Policy Committee held four meetings in total, two of which were in-person meetings; three meetings were held before and one meeting after the date of the AGM, i.e. 27 April 2016.

Name	Number of meetings attended	% of total meetings attended
Karachinsky, Anatoly Mikhailovich, Chairman	3	75
Bratanov, Mikhail Valeryevich (until 27 April 2016)	3	100
Golikov, Andrey Fedorovich	4	100

In 2016, the Risk Management Committee held six in-person meetings in total; two meetings were held before and four meetings after the date of the AGM, i.e. 27 April 2016.

Name	Number of meetings attended	% of total meetings attended
Denisov, Yury Olegovich, Chairman	6	100
Goreglyad, Valeriy Pavlovich	5	88
Rainer Riess (until 27 April 2016)	2	100
Sean Glodek (from 27 April 2016)	3	75

8.1.5.1 Audit Committee

The primary purpose of the Audit Committee is to ensure the efficient work of the Supervisory Board of Moscow Exchange in making decisions on issues concerning oversight of financial and economic operations.

The Commission's key objectives are:

- oversight, analysis and participation in the consideration of issues in the area of bookkeeping (financial statements);
- oversight, analysis and assessment in the area of risk management and internal control;
- maintenance of independence and impartiality in the area of internal and external audit;
- oversight in the area of the prevention of, and response to, *mala fide* actions taken by the Company's employees and third parties;
- support for members of the Supervisory Board in supervising the business activities of Moscow Exchange and Moscow Exchange Group companies and their personal awareness of such activities;
- preview, analysis, preparation and provision of opinions and recommendations to the Supervisory Board of Moscow Exchange on issues with regard to functions and objectives of the Audit Commission; and
- preparation and assessment of the Moscow Exchange auditor's report and delivery of said assessment in the materials for Moscow Exchange's AGM.

Committee members:

- Duncan Paterson, Chairman;
- Rainer Riess; and
- Maria Gordon.

In 2016, the Audit Committee held eight meetings (six of which were in-person meetings), where 50 agenda items were discussed.

The main issues considered by the Committee in 2016 were: performance and findings of the external auditor of Moscow Exchange Group; consolidated financial statements; Internal Audit Service reports; oversight over compliance with the Corporate Governance Code recommendations and Listing Rules requirements; selection of an external auditor and the amount of the auditor's remuneration. In 2016, the Commission was engaged in the selection of the auditor for the next three years and an assessment of internal controls.

The Committee assessed efficiency of external and internal audit processes on a regular basis, invited representatives of independent audit firms and the head of internal audit, heard their reports and gave recommendations. It determined their functions as well performed.

The Committee also reviewed the auditor's report on the 2015 accounting (financial) statements for Moscow Exchange and presented relevant recommendations to the Supervisory Board on bonuses to be paid to the Head and employees of the Internal Audit Service of Moscow Exchange for 2015.

8.1.5.2 Nomination and Remuneration Committee

The primary purpose of the Nomination and Remuneration Committee is to foster effective decision-making by the Supervisory Board of Moscow Exchange on matters concerning the operations of Moscow Exchange and of other companies directly or indirectly controlled by Moscow Exchange related to the nomination of, and remuneration paid to, members of supervisory boards and executive management bodies, other key executives and members of revision commissions.

The key objective of the Nomination and Remuneration Committee is preliminary review, development and provision of recommendations and conclusions to the Supervisory Board of Moscow Exchange and to supervisory boards of Moscow Exchange Group companies regarding the following matters:

- staff planning (succession planning), enhancement of the professional composition and performance efficiency of supervisory boards;

- efficient and transparent remuneration for members of supervisory boards and the collegial executive body, as well as for the person performing the functions of the sole executive body (hereinafter, the members of executive management bodies) and for other key executives;
- priorities of Moscow Exchange and Moscow Exchange Group activities in relation to the nomination of, and remuneration paid to, the members of supervisory boards and executive management bodies, other key executives and the members of revision commissions;
- policies and standards on choosing nominees for supervisory boards and executive management bodies that are aimed at attracting qualified specialists;
- identifying and measuring key performance indicators for top managers.

Committee members:

- Rainer Riess, Chairman;
- Maria Gordon; and
- Yury Denisov.

In 2016, the Nomination and Remuneration Committee held 14 meetings, where 57 agenda items were discussed.

The main issues considered by the Committee in 2016 were: planning of the personal composition of the supervisory boards of Moscow Exchange, NSD and NCC Clearing Bank; Supervisory Board performance assessment by an independent advisor; verifying the independence of candidates and members of the Supervisory Board of Moscow Exchange; setting the goals of the Supervisory Board of Moscow Exchange for the corporate year; assessment and training of members of the Supervisory Board of Moscow Exchange; the nomination of candidates to the Supervisory Board and the induction of new directors; developing recommendations on the identification and measurement of key corporate performance indicators (targets) for Moscow Exchange Group and the key individual performance indicators for members of executive bodies, the Director of the Corporate Governance Department of Moscow Exchange and other key executives of Moscow Exchange Group companies; the succession planning programme, prolongation of the powers of members of the executive bodies and the stock option programme for top managers.

8.1.5.3 Strategic Planning Committee

The primary purpose of the Strategic Planning Committee is to improve the efficiency of Moscow Exchange's operations, as well as that of its subsidiaries and affiliates, including companies under its direct or indirect control in both the medium and the long term.

The key objectives of the Strategic Planning Committee are:

- endorsement of strategic objectives, oversight over strategy implementation and amending the existing strategy;
- endorsement of priority business areas;
- issuing recommendations on the dividend policy;
- performance evaluation in the medium and long term;
- preliminary review and issuing recommendations on membership in other companies;
- review of voluntary and mandatory offers to acquire shares in Moscow Exchange;
- consideration of the financial model and the business and business segments valuation model;
- consideration of reorganisation and liquidation matters;
- consideration of changes in the organisational structure;
- consideration of the reorganisation of business processes.

Committee members:

- Rainer Riess, Chairman;
- Yuan Wang;
- Sean Glodek;
- Andrey Golikov;
- Yury Denisov; and
- Duncan Paterson.

In 2016, the Strategic Planning Committee held six meetings, where 40 agenda items were discussed.

The main issues considered by the Committee in 2016 were: innovation management; strategy implementation monitoring procedure development; strategies by business lines (financial, marketing, risk management, market data, OTC services, NCC Clearing Bank and NSD strategies); capturing global clients; development of services involving bond placement and trading; retail investor development; listing strategy; IT development; development of KPIs; implementation of priority projects; 2017 priority projects; the impact of key global events on financial and commodities markets; Moscow Exchange Group restructuring.

8.1.5.4 Risk Management Committee

The primary purpose of the Risk Management Committee is to contribute to improvements in managing operating, legal, reputational, strategic and other nonfinancial risks that Moscow Exchange and Moscow Exchange Group companies may face, with a view to enhancing the stability and effectiveness of Moscow Exchange's operations. The Committee works closely with the Risk Committee of NCC Clearing Bank, which analyses financial and non-financial risks of the credit institution as part of Moscow Exchange Group.

Committee members:

- Yury Denisov, Chairman;
- Valery Goreglyad; and
- Sean Glodek.

In 2016, the Risk Management Committee held six meetings, where 34 agenda items were discussed.

The main issues considered by the Committee in 2016 were: commodities market development; business continuity of Moscow Exchange Group companies; unification of risk management strategy across Moscow Exchange Group companies; Moscow Exchange Group companies safety from risks involving various risk scenarios. Over the reporting period, the Committee also gave detailed consideration to reports on financial and non-financial risks.

8.1.5.5 Budget Committee

The Budget Committee's primary purpose is to ensure oversight on the part the Supervisory Board over the accumulation and spending of funds intended for financial support for Moscow Exchange and companies that are part of Moscow Exchange Group.

The Committee's key objectives are:

- determining the key principles for Moscow Exchange's and Moscow Exchange Group's budgeting and budget spending;
- preparing a timely and accurate target budget for Moscow Exchange and Moscow Exchange Group;
- ensuring day-to-day management in budget-related matters for Moscow Exchange and Moscow Exchange Group; and
- assessing the effectiveness of budgeting at Moscow Exchange and Moscow Exchange Group.

Committee members:

- Andrey Golikov, Chairman;
- Sean Glodek; and
- Valery Goreglyad.

In 2016, the Budget Committee held 10 meetings, where 57 agenda items were discussed.

The main issues considered by the Committee in 2016 were: planning and oversight over execution of the consolidated budget; determination of the size of dividends in accordance with the dividend policy; setting fees to be applied across Moscow Exchange markets; development of recommendations regarding premises owned by Moscow Exchange; Moscow Exchange Group restructuring; budgetary oversight in relation to Moscow Exchange's priority projects.

8.1.5.6 Technical Policy Committee

The Committee's primary purpose is to develop and enhance the efficiency of Moscow Exchange and Moscow Exchange Group operations by preparing recommendations and expert opinions for the Supervisory Board of Moscow Exchange and for the Boards of Directors (Supervisory Boards) and their committees of Moscow Exchange Group companies regarding technical policy and the development of IT and software solutions at Moscow Exchange and Moscow Exchange Group companies.

The Committee's key objectives are:

- fostering efficient collaboration between Moscow Exchange and Moscow Exchange Group companies with Securities and Commodities Market participants using the Exchange's software and hardware facilities on matters regarding technical policy and the development of IT and software solutions;
- optimising the processes for conducting a complete and comprehensive assessment of the needs of Securities and Commodities Market participants in terms of the development of IT and software solutions; and
- coordinating activities related to technical policy matters within Moscow Exchange Group and ensuring a centralised policy on matters falling within the Commission's remit.

Committee members:

- Anatoly Karachinsky, Chairman;
- Andrey Golikov;
- Vladimir Gibenko;
- Vladimir Kurlyandchik;
- Alexander Chetverukhin;
- Mikhail Khasin; and
- Yury Yartsev.

In 2016, the Technical Policy Committee held four meetings, where 10 agenda items were discussed.

The main issues considered by the Committee in 2016 were: IT strategy implementation; IT development planning in the medium term; implementation of new instruments for software development and software testing methods; IT policy; data centre modernisation; evaluation of Moscow Exchange's IT architecture.

8.1.6. Performance Assessment of Supervisory Board and Committees

Assumptions and grounds for assessment

In accordance with the recommendations of the Russian Corporate Governance Code and the best international practices, Moscow Exchange assesses the performance of its Supervisory Board on an annual basis. Pursuant to its internal regulations, the Remuneration Committee sets up and oversees the process of self-assessment or of assessment by a third-party consultant.

By decision of the Supervisory Board, the assessment in 2016 was conducted by Odgers Berndtson, an independent international consultant selected in a competitive bidding process. The selection criteria, apart from the service fee, included the consultant's background with similar projects, depth of expertise in the area of corporate governance, project team membership and levels of professionalism. The important factor taken into account in selecting the consultant was absence of any relations with Moscow Exchange.

Assessment goals and objectives

The goals of this assessment were to obtain objective information on the activities undertaken by the Supervisory Board and Supervisory Board commissions, as well as the activities undertaken by their members, and to determine areas for the improvement of Supervisory Board and commission practices.

To achieve this goal, several tasks were carried out, including:

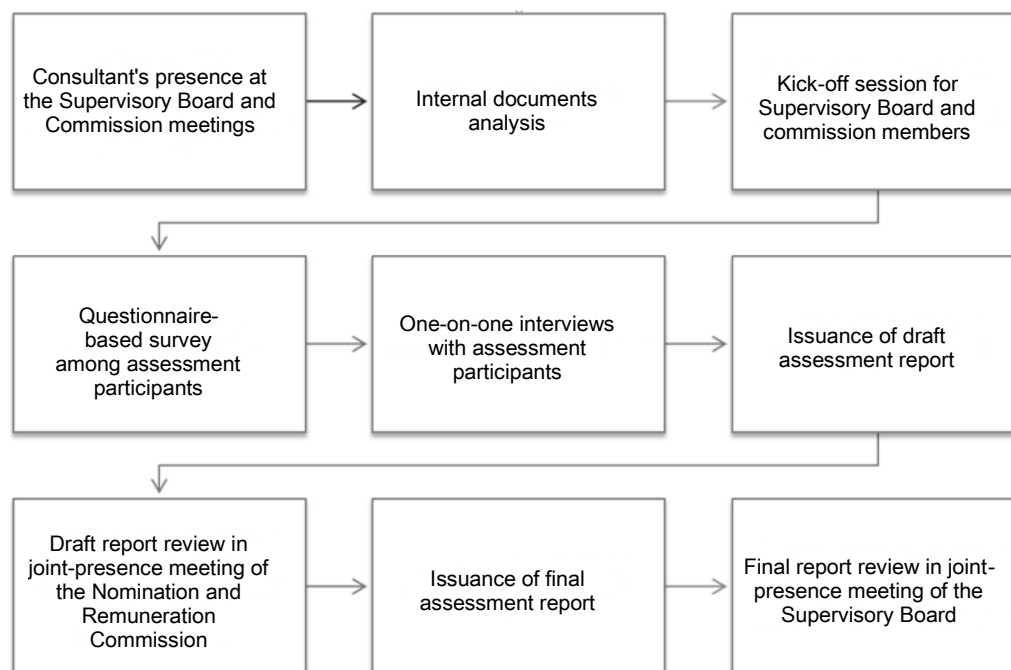
- an assessment of the role and functions of the Supervisory Board and its commissions in Moscow Exchange's corporate governance system;
- determination of the degree of balance of the Supervisory Board and commissions' membership structures;
- an assessment of the quality of interaction between the Supervisory Board, on the one hand, and the commissions and management, on the other, as well as the quality of interaction among Supervisory Board members and commission members;
- an assessment of the quality of the design of the Supervisory Board and commissions' activities;
- Supervisory Board and commission members' focus on priority tasks;
- formulation of initiatives aimed at improving the Supervisory Board and commissions' activities.

Assessment methodology

Pursuant to the methodology proposed by the third-party consultant, the following was to be assessed:

- Supervisory Board activities;
- Supervisory Board commission activities;
- the professional knowledge, skills, experience and activities of Supervisory Board members; and
- the activities of the Director of the Corporate Governance Department.

The assessment process consisted of nine stages implemented over from March through July 2016.



Assessment participants

An important feature of the assessment undertaken was the wide range of participants involved, which consisted of the incumbent and previous Supervisory Board members, shareholder representatives and Moscow Exchange key executives.

Group of assessment participants	Total group members	Group members who participated in the questionnaire-based survey	Group members who participated in one-on-one interviews
Incumbent Supervisory Board members	12	8 (67%)	11 (92%)
Previous Supervisory Board members	4	3 (75%)	3 (75%)
Shareholder representatives on the Supervisory Board	3	Participation not intended	3 (100%)
Key executives not on the Supervisory Board	9	Participation not intended	9 (100%)

Therefore, the total number of assessment participants was 27. The overall level of assessment participants' involvement in the questionnaire-based survey and one-in-one interviews was 69% and 93%, respectively. This enabled the third-party consultant to obtain sufficient information to issue the full and objective opinion expressed in the final report.

Assessment results

In general, the Supervisory Board's performance met best global corporate governance practices in many aspects. In particular, the following were positively assessed:

- the Supervisory Board's effectiveness in assuring a balance of interests among Moscow Exchange shareholders, determining the strategic priorities for company development and management interaction;
- the key role played by the Supervisory Board and commissions in the budgeting process, risk management process and the building of a comprehensive succession planning system;
- active proceedings of Supervisory Board commissions;
- the significant input of Independent Directors in Supervisory Board and commission activities;

- the open nature and richness of discussions in the course of Supervisory Board and commission meetings;
- the effectiveness of the Corporate Governance Department in preparing for and holding meetings of collegiate bodies, and their input in the development of Moscow Exchange's corporate governance system.

At the same time, areas for the improvement of Supervisory Board and commission practices were identified. Having discussed the third-party consultant's recommendations, the Supervisory Board, with support from the Nomination and Remuneration Commission, formulated a number of priority objectives for 2017:

- to make internal documents compliant with the updated Moscow Exchange Corporate Governance Code;
- to update the terms of reference of the Supervisory Board and executive bodies;
- to reinforce the strategy process;
- to update the dividend policy;
- to develop information interaction among the Supervisory Board, the commissions and management; and
- to improve the succession planning system.

8.1.7. Corporate Secretary

According to a resolution adopted by the Supervisory Board of Moscow Exchange, the Corporate Governance Department is vested with the functions of Moscow Exchange's Corporate Secretary. The Corporate Governance Department is headed by its Director, who is subordinate to the Chairman of the Executive Board administratively and, functionally, to the Chairman of the Supervisory Board. Resolutions on his/her appointment/dismissal and remuneration are taken by the Supervisory Board, which provides the necessary degree of autonomy within the framework of Moscow Exchange's management bodies.

The main objectives of the Corporate Governance Department and its function as the Corporate Secretary include:

- playing a role in improving the corporate governance system and practices of all of the companies that make up Moscow Exchange Group;
- coordination of the Company's activities for the protection of the rights and the interests of the Company's shareholders and, if necessary, of the shareholders/members of other Moscow Exchange Group companies;
- effective communication with shareholders of Moscow Exchange and, if necessary, with shareholders/members of other Moscow Exchange Group companies;
- supporting the effective work of the Supervisory Board and of the consultative bodies of the Company's Supervisory Board (hereinafter, the "Commissions of the Supervisory Board"), as well as, where appropriate, the supervisory boards/boards of directors of the companies of Moscow Exchange Group;
- participation in the disclosure of information about Moscow Exchange.
- the Director of the Corporate Governance Department organises annual monitoring of corporate governance practices within Moscow Exchange Group and an internal assessment of the Supervisory Board's performance.

Mr Alexander Kamensky has been the Director of the Corporate Governance Department of Moscow Exchange since December 2013.



ALEXANDER MIKHAILOVICH KAMENSKY

Corporate Secretary

Alexander Kamensky was born in Moscow in 1982.

He graduated (cum laude) from the Law Faculty of Moscow Lomonosov State University in 2005 with a degree in Jurisprudence. He is also a graduate of the Leadership Programme at the INSEAD Business School. In 2014, he received a Director Certificate from the British Institute of Directors.

He won the Director of the Year prize awarded by AID and RSPP in the Corporate Secretary category in 2015 and the 12th ARISTOS-2014 Award as the Best Corporate Governance Director. In 2014-2016, he was ranked first in the top 1,000 Russian managers of financial companies in the Corporate Governance Directors category.

Experience:

- Since 2013: Director of the Corporate Governance Department and the Corporate Secretary of Moscow Exchange;
- 2012-2013: Head of the Corporate Governance Centre and the Corporate Secretary of PJSC MDM Bank;
- 2011-2012: Corporate Governance Manager and the Corporate Secretary of Enel Russia.

Number of shares /equity interest in Moscow Exchange: 8 shares/0.00000035%

Below are the transactions involving shares in Moscow Exchange that he was involved in 2016:

Date of transaction	Type (substance) of transaction	Before transaction		After transaction	
		Number of shares	Equity interest (%)	Number of shares	Equity interest (%)
06 May 2016	Share purchase	0	0	333,333	0,01462862
06 May 2016	Share sale	333,333	0,01462862	108,448	0,00475934
18 May 2016	Share sale	108,448	0,00475934	65,008	0,00285293
19 May 2016	Share sale	65,008	0,00285293	48,008	0,00210687
19 May 2016	Share purchase	48,008	0,00210687	50,008	0,00219465
20 May 2016	Share sale	50,008	0,00219465	47,068	0,00206562
20 May 2016	Share purchase	47,068	0,00206562	51,008	0,00223853
24 May 2016	Share sale	51,008	0,00223853	35,008	0,00153636
25 May 2016	Share sale	35,008	0,00153636	20,568	0,00090265
25 May 2016	Share purchase	20,568	0,00090265	23,008	0,00100973
26 May 2016	Share sale	23,008	0,00100973	6,508	0,00028561
26 May 2016	Share purchase	6,508	0,00028561	9,508	0,00041727
27 May 2016	Share sale	9,508	0,00041727	2,008	0,00008812
27 May 2016	Share purchase	2,008	0,00008812	8,508	0,00037338
30 May 2016	Share sale	8,508	0,00037338	5,508	0,00024172
30 May 2016	Share purchase	5,508	0,00024172	7,508	0,00032950
31 May 2016	Share sale	7,508	0,00032950	8	0,00000035
02 June 2016	Share purchase	8	0,00000035	2,008	0,00008812
03 June 2016	Share sale	2,008	0,00008812	8	0,00000035

8.1.8. Revision Commission

The members of the Revision Commission are elected at AGM. According to current legislation, the Commission performs an oversight function with regard to the Exchange's financial and business operations, conduct inspections for a specific purpose and it assesses the accuracy of information to be provided in annual reports and included in the Company's annual financial statements under Russian accounting standards. The Commission comprises three members.

The Commission members elected by the AGM on 27 April 2016 were: Vladislav Zimin, Olga Romantsova, and Mikhail Kireev.

8.1.9. Development of the Corporate Governance System

In 2016, the Supervisory Board formulated goals for its activity for 2016-2017 based on the findings of a third-party consultant that assessed the Supervisory Board and committee activities. These goals are set out in the respective section of this report.

In 2016, the Supervisory Board, in line with best global practices, took action to train members of the Supervisory Board:

- three directors completed a course at the British Institute of Directors; and
- all Supervisory Board members underwent training and received qualification certificates as financial market professionals in clearing activities and organised training activities.

In joint-presence meetings held in 2016, the Audit Committee followed up on measures aimed at aligning Moscow Exchange activities with the recommendations of the Corporate Governance Code and the Listing Rules requirements and, following this review, provided recommendations to the Supervisory Board and the management on the required corrective action.

By October 2016, compliance with all requirements of the Listing Rules was achieved, and implementation of final measures was planned for 2017, aimed at compliance with the recommendations of the Bank of Russia Corporate Governance Code that were found appropriate for compliance by Moscow Exchange as a public company.

8.1.10. Moscow Exchange Corporate Governance Code

In 2015, Moscow Exchange approved its Corporate Governance Code (hereinafter, “the Code”). The Code complies with Russian laws and:

- the principles and recommendations of the Corporate Governance Code of the Bank of Russia;
- the OECD Corporate Governance Principles;
- the corporate governance principles recommended by recognised international organisations.

The Code contains general provisions on Moscow Exchange's activities, management's commitment to the best corporate governance practices, a description of the corporate governance principles and system and a description of how Moscow Exchange implements specific principles of corporate governance (corporate governance practices):

- in interacting with shareholders;
- in the practices of the Supervisory Board, executive bodies and the Corporate Secretary;
- in its risk management and internal control system;
- when disclosing information and implementing major corporate actions related to Moscow Exchange.

The Code also describes the objectives and principles of corporate social responsibility for Moscow Exchange, the principles of interaction with service users and other stakeholders, as well as the principles of corporate governance in Moscow Exchange Group companies.

A specific feature of the Code is that it contains development plans for the implementation of corporate governance principles. This feature means that the Code is not a declarative document but rather a practical tool that will enable Moscow Exchange to further improve its corporate governance framework.

8.1.11. Information policy

Moscow Exchange is committed to ensuring that its activities are as transparent as possible for its shareholders, investors and other stakeholders. Following the recommendations of the Corporate Governance Code of the Bank of Russia and Moscow Exchange's development plans, and taking into account the requirements of the legislation on information disclosure by issuers whose securities are admitted to trading, Moscow Exchange adopted a new Information Policy in December 2015 (<http://fs.moex.com/files/11122/>).

The Information Policy is a set of information-disclosure rules followed by Moscow Exchange (including members of its management bodies, officials and employees) when providing information to shareholders and stakeholders. In particular, the Information Policy determines:

- key information-disclosure objectives and binding principles for Moscow Exchange as a securities issuer;
- groups of disclosed information, including a list of information that Moscow Exchange may disclose voluntarily, and the disclosure procedure;
- the procedure for Moscow Exchange's interaction with stakeholders, including with individuals who are authorised to communicate on behalf of Moscow Exchange; and
- the procedure for granting access to information and documents belonging to Moscow Exchange.

In 2016, the Information Policy was amended to clarify the Exchange's approaches to determining the information that can materially affect the value of shares in Moscow Exchange, as well as to establish procedures that ensure timely disclosure of such information.

The Information Policy is aimed at providing stakeholders with additional opportunities to exercise their rights and to improve the efficiency of information exchange between Moscow Exchange and all stakeholders.

Methodology used by Moscow Exchange to assess the principles of corporate governance set out in the Bank of Russia Corporate Governance Code

The recommendations set out in Letter No. IN-06-52/8 issued by the Bank of Russia on 17 February 2016 on Disclosure, in a Public Joint-Stock Company Annual Report, of a Report on Compliance with the Principles and Recommendations of the Corporate Governance Code were used by Moscow Exchange as the methodology for its assessment of the principles of corporate governance set out in the Bank of Russia Corporate Governance Code.

As part of this assessment, an analysis was undertaken to determine whether the contents of the Charter and internal documents, as well as of Moscow Exchange's corporate governance practices and internal procedures, were aligned with the principles and recommendations of the Bank of Russia Corporate Governance Code. An analysis of the 2015 results-based assessment showed that Moscow Exchange complied with the majority of the principles and recommendations of the Corporate Governance Code in the first fiscal year after the adoption by the Bank of Russia of the Corporate Governance Code (2015).

The results of the reviews of compliance with the requirements of the Listing Rules and the Bank of Russia Corporate Governance Code undertaken by Moscow Exchange's Internal Audit Service and Legal Department in 2016 were used for assessment purposes. Another thing taken into account in the course of the assessment was the implementation of activities aimed at the improvement of corporate governance practices in respect of unmet or partly met recommendations from the Bank of Russia Corporate Governance Code indicated in the 2015 annual report. It should be noted that an analysis of the quality of disclosure of information on compliance with the principles of corporate governance undertaken by the Bank of Russia in 2016 placed Moscow Exchange among the five companies, characterised, in the Bank's opinion, by the high quality of corporate governance level disclosure.

In 2016, the Supervisory Board's Audit Committee developed recommendations regarding methods of implementing those principles of the Bank of Russia Corporate Governance Code that were named in the 2015 annual report as unmet or partly met. Some of those recommendations were taken into account by Moscow Exchange in the 2016 reporting year, in particular through the approval of new or revision of existing internal documents. As a result, there were more principles and recommendations that were complied with in 2016.

Some of the recommendations scheduled to be implemented in 2017 and beyond are listed in the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code (hereinafter, "the Report", for the purposes of this section), which is part of this annual report.

8.1.12. Directors' Liability Insurance

Since 2013, Moscow Exchange's directors and officers (including independent directors), as members of the Company's management bodies, have been insured for liability. The aim of this insurance is to provide compensation for potential damages caused by unintended negligent actions or failures to act on the part of the insured individuals in the exercise of their administrative activities.

Under the insurance contract concluded in 2016, the insurance premium is USD 115,000, and the insured amount is USD 50 mln (the total additional insured amount is USD 5 million for independent directors). The insurer is Ingosstrakh.

The terms of the insurance contract, including the insurance coverage, are consistent with best global practices.

8.1.13. External Auditor

Auditor's name: Ernst & Young Vneshaudit Limited Liability Company

INN: 9705059497

OGRN: 1167746123478

Address: 77, Sadovnicheskaya Nab., bld. 1, Moscow, 115035, Russia

The auditor is the member of Self-Regulating Organization "Russian Union of Auditors" (RUA), state registration number 1167746123478. The record thereof was made in the Unified State Register of Legal Entities on 3 August 2016.

Ernst & Young Vneshaudit Limited Liability Company is also included in the control copy of the register of auditors and audit organizations, main registration number 11603050953.

Auditing team:

- Yevguenia Vladimirovna Zaychikova, Partner;
- Mariana Valentinovna Klementieva, Senior Manager; and
- Anna Vadimovna Ratinskaya, Manager.

The fee for the audit of the annual accounting (financial) statements of Moscow Exchange and of the consolidated statements of Moscow Exchange Group for 2016 was RUB 4,390,000, excluding VAT. Ernst & Young Vneshaudit rendered no other services to Moscow Exchange in 2016 beyond audit services.

External Auditor Selection Procedure

The Moscow Exchange selects auditors every three years in a competitive tender, which is held among the leading global auditor firms by the ad-hoc Auditor Selection Commission. The number of consecutive audit years by one organisation usually does not exceed six years, or two auditor selection periods.

The best candidate is chosen in accordance with the Regulations on the Evaluation of Proposals for the Selection of Auditor for the Moscow Exchange and Technical Requirements for the audit, which are approved by the Supervisory Board's Audit Commission.

Technical Requirements determine the scope of matters the auditor reviews during an audit, as well as the Exchange's requirements for the audit firm taking part in the competitive tender.

Before reviewing the bids for the audit of the Moscow Exchange and Group companies, the Commission prepares an opinion on the bidders' eligibility pursuant to the Russian law, which also takes into account factors that may affect the independence and objectivity of the auditor. Only those candidates that comply with the requirements for the auditor's independence under Article 8 of the Federal Law No. 307-FZ *On Auditing* are admitted to the tender.

The auditor selection process is based on a review of technical and price characteristics of the bids to identify the best terms for the audit of the financial (accounting) statements of the Moscow Exchange and Group companies. The Auditor Selection Commission reviews bids in two stages, assessing technical characteristics first and then pricing, based on which it determines the winning candidate.

During the review of technical characteristics the following is assessed: audit methodology, quality of the auditor's report on the internal control framework to the Exchange's governing bodies, bidders' professional expertise and track-record with MOEX (if any), and draft audit agreement.

As regards pricing, the total audit fees for the current reporting period and for the two subsequent ones, as well as at the fee payment schedule are considered.

Based on its review of the bids, the Auditor Selection Commission determines the winning bid and recommends the candidate to the Supervisory Board's Audit Commission, which in its turn presents recommendations to the Supervisory Board.

The decision on the auditor selection is made by the Annual General Meeting of Shareholders.

8.1.14. Remuneration Payable to Members of the Supervisory Board

In accordance with Russian Federal Law No. 208-FZ *On Joint Stock Companies* dated 26 December 1995, the General Meeting of Shareholders may decide that members of the Supervisory Board should be paid remuneration for their services and/or compensation for expenses related to the execution of their functions as members of the Supervisory Board. The amount of such remuneration and compensation is determined by the General Meeting of Shareholders.

The current remuneration system for members of the Supervisory Board is underpinned by the interrelated principles of accessibility, transparency and completeness, adequacy, practicability and soundness, as well as the principle of individual remuneration depending on the contribution of each Supervisory Board member.

In accordance with the approved Policy on Remuneration and Compensations to the Members of the Supervisory Board (the "Policy"), the level of remuneration paid to Supervisory Board members should be sufficient to attract, motivate and retain persons having relevant skills and qualifications.

Pursuant to the approved Policy, remuneration of directors for their performance as Supervisory Board members consists of a basic fee and additional remuneration. Remuneration related to performance of the Supervisory Board member functions is not paid to government officials, employees of the Bank of Russia, and employees and managers of the Exchange and its subsidiaries.

The basic fee of a Supervisory Board member depends on whether such member is independent or not. The basic fee of independent Supervisory Board members is higher than that of members who are not independent.

Differentiated additional remuneration is paid to Supervisory Board members for performance of additional duties requiring extra time and effort of the Chairman of the Supervisory Board, the Deputy Chairman of the Supervisory Board, the Chairman of a Supervisory Board Commission or a member of a Supervisory Board Commission. The duties of the Chairman of the Supervisory Board and the Chairman of a Supervisory Board Commission are associated with a higher workload and level of responsibility, and therefore the amount of additional remuneration due for performance of these functions is two times higher than the additional remuneration due to the Deputy Chairman of the Supervisory Board and members of Supervisory Board Commissions, respectively.

The Nomination and Remuneration Commission of the Moscow Exchange Supervisory Board provides recommendations on the level of remuneration payable to Supervisory Board members based on the expert assessment of the levels of remuneration adopted by other Russian companies with similar capitalisation and competitors of the Moscow Exchange. Following the recommendations of the Nomination and Remuneration Commission, the Regulations on Remuneration and Compensation Due to Members of the Supervisory Board (the "Regulations") are developed to be approved by the General Meeting of Shareholders of the Moscow Exchange.

The amount of the basic fee and additional remuneration due to Supervisory Board members is fixed and reflects the expected time input related to performance of the Supervisory Board member functions; it does not depend on the actual attendance of Supervisory Board / Supervisory Board Commission meetings (including unscheduled ones).

However, in order to motivate members of the Supervisory Board and Supervisory Board Commissions to work diligently and efficiently, the General Meeting of Shareholders may reduce the amount of the basic fee and additional remuneration (as and to the extent provided for in the Regulations) or resolve not to pay any remuneration to the Supervisory Board members.

Apart from the remuneration for their work on the Supervisory Board and in Supervisory Board Commissions, pursuant to the approved Policy, Supervisory Board members are entitled to reimbursement (compensation) of travel expenses related to their participation in

Supervisory Board / Supervisory Board Commission meetings and General Meetings of Shareholders held in praesentia, as well as in other events which they attend in their capacity of Supervisory Board members. In addition, Supervisory Board members who need to travel to meetings and other events held outside their place of residence are entitled to reimbursement (compensation) of entertainment expenses.

Supervisory Board members are entitled to the same level of service as members of the Company's executive bodies in accordance with relevant internal documents on reimbursement of expenses incurred during business trips.

The exhaustive list of reimbursable expenses is defined in the Regulations.

In order to maintain the necessary level of skills of Supervisory Board members, the Nomination and Remuneration Commission of the Moscow Exchange Supervisory Board may recommend paying for their professional training and refresher courses. The amount of remuneration paid in 2016 to the members of the Supervisory Board of the Moscow Exchange for the period from the date of their election in 2015 to the date of termination of their powers in 2016 (a corporate year) was determined in accordance with the Regulations on Remuneration and Compensation Due to Members of the Supervisory Board of the Moscow Exchange approved on 28 April 2015 by the Annual General Meeting of Shareholders (Minutes No. 53).

Prior to that, the amount of remuneration to the Supervisory Board members had been reviewed by the Nomination and Remuneration Commission of Supervisory Board, and by the Supervisory Board of the Moscow Exchange.

The resolution on payment of remuneration to the Supervisory Board members for the execution of their functions during their term of office and on the amount of remuneration payable to each individual director elected on 28 April 2015 was made at the Annual General Meeting of Shareholders held on 27 April 2016.

In 2016, the remuneration (including compensation for expenses) was paid to 15 members of the Supervisory Board:

Type	Amount, RUB thousand
Remuneration for serving in a supervisory body	79,310.47
Salaries	–
Bonuses	–
Fees	–
Compensation for expenses	1,621.96
Other	1,761.62
Total	82,694.05

Amounts of remuneration and compensation paid to each member of the Supervisory Board in 2016:

No.	Name	Amount (by type)				Total RUB thousand
		Remuneration for performance as a supervisory body member, RUB thousand		Compensation for expenses, RUB thousand	Other RUB thousand	
		basic	additional			
1.	Kudrin, Alexey Leonidovich	3,500.00	4,520.00			8,020.00
2.	Golikov, Andrey Fedorovich	3,500.00	5,250.00		461.47	9,211.47
3.	Beattie, Nicola Jane	4,329.34	1,855.43	46.61		6,231.38
4.	Bratanov, Mikhail Valeryevich	5,000.00	3,000.00			8,000.00
5.	Wang, Yuan	6,311.38	1,237.47	422.56		7,971.41
6.	Glodek, Sean	4,417.49	1,104.37		826.67	6,348.53
7.	Denisov, Yury Olegovich	3,500.00	2,000.00		461.48	5,961.48
8.	Zlatkis, Bella Ilyinichna	3,500.00	500.00			4,000.00
9.	Karachinsky, Anatoly Mikhailovich	5,000.00	1,500.00			6,500.00
10.	Lykov, Sergey Petrovich	3,500.00	0.00			3,500.00
11.	Riess, Rainer	6,604.30	2,680.69	455.33	6.00	9,746.32
12.	Sharonov, Andrey Vladimirovich	2,500.00	500.00			3,000.00
13.	Shershun, Kirill Yevgenyevich	3,500.00	0.00			3,500.00
14.	Gordon, Maria Vladimirovna	0.00	0.00	340.60		340.60
15.	Paterson, Duncan	0.00	0.00	356.86	6.00	362.86

The existing remuneration and compensation rules contribute to the Moscow Exchange's long-term success. To increase transparency as regards the variable part of the remuneration, the 2016 AGM reviewed and approved the new version of the Regulations on Remuneration and Compensation Due to Members of the Supervisory Board of the Moscow Exchange.

8.1.15. Chairman and Members of the Executive Board⁵

Moscow Exchange is currently managed by the Chairman of the Executive Board, the sole executive body, and the Executive Board, the collegial executive body of Moscow Exchange. The Chairman of the Executive Board leads and arranges the work of the Executive Board.

Chairman of the Executive Board



Alexander Konstantinovich AFANASIEV

Date/place of birth: 12 January 1962, Moscow.

Alexander Afanasiev graduated from Moscow Financial Institute in 1984. Specialty: International economic relations.

He has a degree in economics

From 1998 to 2011, he was serving as the Deputy Chairman of the Management Board at Bank WestLB Vostok, a subsidiary company of the German banking group WestLB AG.

Since 2011, he has been a member of the Executive Board of Moscow Exchange.

He was first elected as Chairman of the Executive Board by the Annual General Meeting of Shareholders held on 20 June 2012 (Minutes No 44) for the period from 21 June 2012 until the next

Annual General Meeting of Shareholders in 2015.

The Annual General Meeting of Shareholders held on 28 April 2015 (Minutes No 53) elected him as the Chairman of the Executive Board for the period from 29 April 2015 until the next Annual General Meeting of Shareholders in 2018.

He is a member of the Supervisory Board at NCC Clearing Bank, a member of the Supervisory Board at NSD and a member of the Management Board at the Russian Union of Industrialists and Entrepreneurs.

He owns 2,948,385 shares, or a 0.1294% equity interest, in Moscow Exchange.

Below are the transactions involving shares in Moscow Exchange that he was involved in 2016:

Date of transaction	Type (substance) of transaction	Before transaction		After transaction	
		Number of shares	Equity interest (%)	Number of shares	Equity interest (%)
18 March 2016	Share purchase	0	0	2,000,000	0.0878
21 March 2016	Share purchase	2,000,000	0.0878	3,000,000	0.1317
22 March 2016	Share sale	3,000,000	0.1317	2,900,000	0.1273
24 March 2016	Share sale	2,900,000	0.1273	2,891,920	0.1269
25 March 2016	Share sale	2,891,920	0.1269	2,841,920	0.1247
30 March 2016	Share sale	2,841,920	0.1247	2,341,920	0.1028
31 March 2016	Share sale	2,341,920	0.1028	491,920	0.0216
11 April 2016	Share purchase	491,920	0.0216	2,312,784	0.1015
13 April 2016	Share purchase	2,312,784	0.1015	2,948,385	0.1294

⁵ Data as of 31 December 2016

Members of the Executive Board



Anna Vasilievna KUZNETSOVA, Managing Director of the Equity & Bond Market (since 22 July 2016)

Anna Kuznetsova was born on 20 September 1974 in Gorodishche, Stary Oskol district, Belgorod Oblast'.

In 1996, Anna Kuznetsova graduated from the faculty of mechanics and mathematics of the M. V. Lomonosov Moscow State University, and in 1998 from its faculty of economics. Anna Kuznetsova holds a PhD in physics and mathematics. From 1999 to 2001, Anna worked for NAUFOR and was involved in the creation of the National Quotation System and development of the Complex Information Disclosure System. From 2001 to 2004, Ms. Kuznetsova worked for RTS. Starting from 2003 she served as Head of the New Markets Development Department at NP RTS. In 2004–2006, Ms. Kuznetsova worked as Executive Director of REGION Brokerage Company where she was in charge of the organization of work and interaction between the Company's subdivisions. From 2006 to 2008, Ms. Kuznetsova served as Vice President of the Not-for-profit partnership "Russian Trading System" Stock Exchange" and Deputy CEO of OJSC RTS. In 2008-2013 Ms. Kuznetsova was serving as the Deputy CEO, and starting from 2013 and until 2016 she was the CEO at MICEX Stock Exchange.

Since 2016 she serves as the member of the Executive Board and the Managing Director of Equity & Bond market of Moscow Exchange.

She was elected a member of the Executive Board of Moscow Exchange by the resolution of Supervisory Board from 21 July 2016 (Minutes No.5) with the term of office from 22 July 2016 throughout 23 July 2018.

She owns 220,000 shares, or 0.0097% equity interest, in Moscow Exchange.

She reported no transactions involving shares in Moscow Exchange in 2016.



Igor Leonidovich MARICH, Managing Director of the Money and Derivatives Markets (since 22 July 2016)

Igor Marich was born on 1 April 1974 in Moscow.

In 1998 Igor Marich graduated with high academic honors from the Finance Academy under the Government of the Russian Federation.

Between 1994 and 1999 he was holding various positions in ELBIM Bank.

He joined the Exchange (then MICEX Stock Exchange) in 2000 to lead the derivatives market. He also was involved in development and rollout of new instruments for MICEX Group markets. He was also actively engaged in the creation and further development of Moscow Exchange's repo market and roll out of bank's deposit and lending operations on Moscow Exchange.

In 2011 he took the lead of the Exchange's FX and Money Market.

Between 2013 and 2016 he was holding the position of the Managing Director of FX and Money Market. Since 22 July 2016, he serves as the Managing Director of the Money and Derivatives Markets.

He was elected a member of the Executive Board of Moscow Exchange by the resolution of Supervisory Board from 21 July 2016 (Minutes No.5) with the term of office from 22 July 2016 throughout 23 July 2018.

He owns no shares in Moscow Exchange.

He reported no transactions involving shares in Moscow Exchange in 2016.



Sergei Olegovich POLIAKOFF, Chief Information Officer

Sergei Poliakov was born on 6 October 1960 in Moscow.

He graduated in 1991 from New York University with an MSc in Information Technology. He started his career in Bell Labs where he became the part of Unix OS development team. Before joining Moscow Exchange, Sergei held senior management positions at Morgan Stanley, QS Financial Markets, Deutsche Bank, NatWest Securities and Morgan Stanley. From 2006 to 2011, he was the CDO at Quadriserv Inc, USA.

He took a major part in developing AQS, the first and unique all electronic, CCP-based securities lending and centrally-cleared repo market system. He is a co-author of a number of patents in the sphere of automated equity market structures

Since 2013, he has been the Chief Information Officer at Moscow Exchange.

He was first elected as a member of the Executive Board of Moscow Exchange by the Supervisory Board on 23 May 2013 (Minutes No 42) for a period of two years starting from 24 May 2013.

On 22 May 2015, the Supervisory Board resolved (Minutes No 2) to elect him as a member of the Executive Board for the period from 25 May 2015 until 12 November 2015, inclusive.

On 6 November 2015, the Supervisory Board resolved (Minutes No 9) to elect him as a member of the Executive Board for the period from 13 November 2015 until 13 November 2017, this date inclusive.

He owns 2,409 shares, or a 0.00011% equity interest, in Moscow Exchange.

Below are the transactions involving shares in Moscow Exchange that he was involved in 2016:

Date of transaction	Type (substance) of transaction	Before transaction		After transaction	
		Number of shares	Equity interest (%)	Number of shares	Equity interest (%)
11 January 2016	Share sale	333,341	0.0146	230,921	0.0101
12 January 2016	Share sale	230,921	0.0101	167,921	0.0074
13 January 2016	Share purchase	167,921	0.0074	172,561	0.0076
15 January 2016	Share sale	172,561	0.0076	152,561	0.0067
27 January 2016	Share sale	152,561	0.0067	147,561	0.0065
1 February 2016	Share sale	147,561	0.0065	137,561	0.00604
2 February 2016	Share sale	137,561	0.00604	121,561	0.0053
3 February 2016	Share sale	121,561	0.0053	101,561	0.0045
2 June 2016	Share purchase	101,561	0.0045	286,599	0.01258
7 September 2016	Share sale	286,599	0.01258	188,899	0.0083

12 September 2016	Share sale	188,899	0.0083	168,769	0.0074
30 September 2016	Share sale	168,769	0.0074	39,269	0.0017
4 October 2016	Share sale	39,269	0.0017	2,409	0.00011



Evgeny Evgenyevich FETISOV, Chief Financial Officer

Evgeny Fetisov was born on 15 January 1975 in Ashkhabad.

In 1996, he graduated from the State Financial Academy under the RF Government with a degree in International Economy.

From 2007 to 2013, he was the Managing Director at Da Vinci Capital Management.

Since 2013, he has been the Chief Financial Officer at Moscow Exchange.

He is a member of the Boards of Directors of MICEX Stock Exchange and Moscow Energy Exchange.

He was first elected as a member of the Executive Board of Moscow Exchange by the Supervisory Board on 31 January 2013-01 February 2013 (Minutes No 25) for a period of three years starting from 4 February 2013.

On 1 February 2016, the Supervisory Board resolved (Minutes No 12) to elect him as a member of the Executive Board for the period from 2 February 2016 until 31 January 2019, this date inclusive.

He owns no shares in Moscow Exchange.

Below are the transactions involving shares in Moscow Exchange that he was involved in 2016:

Date of transaction	Type (substance) of transaction	Before transaction		After transaction	
		Number of shares	Equity interest (%)	Number of shares	Equity interest (%)
4 March 2016	Share purchase	0	0	333,334	0.01463
16 March 2016	Share sale	333,334	0.01463	0	0
4 May 2016	Share purchase	0	0	666,666	0.0293
17 May 2016	Share sale	666,666	0.0293	0	0



Dmitry Viktorovich SHCHEGLOV, Chief Operating Officer

Dmitry was born on 1 September 1975 in Orekhovo-Zuevo, Moscow region

He graduated from the Stankin Moscow State Technology University in 1998 with a degree in Automation and Control.

He joined Moscow Exchange in 1998, and he is now the Chief Operating Officer.

Since 2013, he has also been the Deputy General Director of MICEX Stock Exchange.

He was first elected as a member of the Executive Board of Moscow Exchange by the Supervisory Board on 29 March 2013 (Minutes No 35) for a period of two years starting from 1 April 2013.

On 5 March 2015, the Supervisory Board resolved (Minutes No 12) to elect him as a member of the Executive Board for the period from 2 April 2015 until 3 April 2017, this date inclusive.

He owns 68,101 shares, or a 0.00299% equity interest, in Moscow Exchange.

Below are the transactions involving shares in Moscow Exchange that he was involved in 2016:

Date of transaction	Type (substance) of transaction	Before transaction		After transaction	
		Number of shares	Equity interest (%)	Number of shares	Equity interest (%)
6 May 2016	Share purchase	65,581	0.00288	268,101	0.01177
18 May 2016	Share sale	268,101	0.01177	68,101	0.00299



Andrey Viktorovich SHEMETOV, Deputy Chairman (until 9 March 2016)

Andrey Shemetov was born on 18 July 1974 in Turosna, Klinty district, Bryansk region.

He graduated from the Ordzhonikidze State Academy of Management in 1996 with a degree in Economics and Production Management.

From 2008 to 2012, he was the General Director at ATON.

From 2012 to 9 March 2016, he was the Deputy Chairman of the Executive Board of Moscow Exchange.

He is the Chairman of the Board of Directors of MICEX Stock Exchange and a member of the Supervisory Board of NME. He

is also a member of the boards of directors of the self-regulated organisations NAUFOR and NSMA.

He was first elected as a member of the Executive Board of Moscow Exchange by the Supervisory Board on 8 November 2012 (Minutes No. 16) for a period of three years starting from 12 November 2012.

On 6 November 2015, the Supervisory Board resolved (Minutes No 9) to elect him as a member of the Executive Board for the period from 12 November 2015 until 11 November 2016, inclusive.

On 3 March 2016 the Supervisory Board of Moscow Exchange resolved to earlier terminate his office with effect from 10 March 2016 (Minutes No14).

He does not own any shares in Moscow Exchange.

He reported no transactions involving shares of Moscow Exchange in 2016.

8.1.16. Remuneration Payable to Members of the Executive Board

In 2016, the Supervisory Board of the Moscow Exchange approved the Policy on Remuneration and Compensations to Members of Executive Bodies.

The Moscow Exchange is committed to provide a competitive remuneration sufficient to attract, motivate and retain members of the executive bodies. Their remuneration is linked to the performance of the Moscow Exchange and personal contribution of each executive body member to the achievement of its strategic and financial goals. The Moscow Exchange seeks to maintain an optimal balance between these two components.

Its Supervisory Board jointly with its Nomination and Remuneration Commission, determines the amount of remuneration payable to executive body members, including its structure, types of payments, benefits and perquisites, as well as the list of reimbursable expenses, reimbursement (compensation) conditions, procedure and amounts.

The remuneration amount and the balance between the fixed and the variable components depend on each executive body member's contribution to the financial results and overall performance of the Moscow Exchange, as well as their scope and area of their responsibility. When determining the same, the Moscow Exchange also relies on the results of top management remuneration surveys (research) purchased from leading international consulting agencies.

The remuneration payable to each executive body member, payment terms and procedure, along with conditions for early termination of contracts, including severance pay, compensations and/or any other payments in excess of those required by the law, as well as conditions for payment thereof, are reviewed and approved by the Supervisory Board based on the recommendations issued by the Nomination and Remuneration Commission (when approving employment contracts with executive body members), and may be revised depending on the scale and scope of tasks assigned to such member, as well as the quality of their performance. The amount of compensations (severance pay) payable in the event of executive body members' early resignation (voluntary termination), subject to no fraudulent actions on their part shall be no more than double of the fixed part of their annual remuneration. No compensation is determined or paid in case a member of an executive body is dismissed on grounds related to disciplinary penalty or their employment is terminated as a result of a guilty act (or omission) committed by the said member.

The variable part, which constitutes a larger portion of the remuneration payable to the Executive Board members, consists of short- and long-term components.

The short-term variable part is linked to performance via the key performance indicators reviewed and approved annually for the Executive Board members and embracing both corporate and individual KPIs. In 2016, their proportion was forty per cent and sixty per cent, respectively.

Annual bonuses are discussed annually by the Supervisory Board based on the recommendations of the Nomination and Remuneration Commission in respect of each executive body member. When determining the bonus size, the Supervisory Board also takes into account the following criteria: results of reviewing annual performance reports from executive body members, data derived from financial and accounting statements, results of external and internal audits and audits by regulatory bodies, performance of the assignments the Supervisory Board and its commissions, implementation of strategic projects and achievement of strategic targets not included in the KPIs, and other operating factors.

To increase personal responsibility of each executive body member, the Supervisory Board regularly defers payment of a portion of bonuses to the members responsible for certain operations and projects until it receives the information on their financial and other achievements; the delayed portion may be reduced or cancelled in the event of negative

Type	Amount , RUB thousand
Remuneration for serving in a supervisory body	-
Salaries	135,150.27
Bonuses	125,073.98
Fees	-
Compensation for expenses	4,430.40
Other	2,629.36
TOTAL	267,284.01

Expense reimbursement for members of the Executive Board is set out in their employment agreements. Exchange's standard practice is to authorise the members to use a corporate car with a driver for work-related and private journeys pursuant to the company's internal regulations; to be paid up to 100% of official salary for not more than 10 (in aggregate) working days of incapacity for work per year; to use corporate credit cards in accordance with the Exchange's internal documents; to be provided with compulsory social insurance (including insurance against accidents and occupational diseases) subject to the federal laws; to be repaid all travelling, hotel and daily living expenses associated with his business travels in the amount set by the company's regulations, but no less than in that set forth by the law of the Russian Federation if applicable; to be repaid for professional training expenses; be entitled to benefits, guarantees and reimbursements stipulated by the law of the Russian Federation and company's regulations; to be given free medical insurance (corporate voluntary medical insurance and international medical insurance), including insurances for the member's spouse and children subject to a program selected by the member, as well as with accident and illness insurance; and to be compensated for mobile phone expenses as provided for in the company's internal documents.

8.2 Risk management

8.2.1. Key Risks

The Moscow Exchange Group has built an integrated risk management system, however each of the Group company faces its own inherent risks associated with the specific field of its activities. Thus, the Moscow Exchange, being the parent company of the Group, assumes the risks of a market operator.

However, the Group's principal risk taker is none other than Bank National Clearing Centre (Joint-stock company) (short name "NCC Clearing Bank") on the grounds that it operates as clearing house, a central counterparty for all main markets of the Moscow Exchange Group, and an operator of deliveries in the Commodities Market.

The Group's comprehensive risk management system extends to the NSD, the infrastructure powerhouse of the Russian financial market, whose priorities lie in the reliable operation and stable development of the following key areas:

- central securities depository;
- clearing system;
- commodities' repository;
- tripartite services;
- corporate information centre.

8.2.2. System for Managing Risks to the Current Strategy

The principles and approaches employed by the Group in installing and operating the risk management system (RMS) have been based on the best international practices implemented in compliance with the national and international risk and capital management standards. Thus, the Group holds an annual audit of its compliance with the CPMI-IOSCO Principles for Financial Market Infrastructures, the COSO's Enterprise Risk Management Framework, the guidelines of the Basel Committee on Banking Supervision on procedures to be employed by credit institutions in the sphere of risk and capital management. In November 2016 the NCC Clearing Bank, the principal risk taker of the Group, was awarded with the DNV Business Assurance Management System Certificate ISO 9001:201508, an international standard that has summarised the best world expertise in the field of business and quality management. The Bank was audited by DNV-GL, an international certification company. The DNV-GL's standards differ from others in that they establish clear requirements to the management system of the business processes designed to serve as the basis for predictable and stable level of quality of products and services.

The integration of the risk management functionality in the business processes enables to timely identify risks, assess their materiality and ensure an efficient response by mitigating their adverse effect and/or by reducing the probability of their realisation. Among mitigating tools are insurance, hedging, limit requirements and transaction collateral requirements.

The Group's RMS operates on the following principles:

Principle of Comprehensive Coverage is premised on the identification of risk factors and risk objects, determination of risk appetite on the basis of a comprehensive analysis of the existing and proposed business processes (products), implementation of universal RMS working procedures and elements, consistent application of methodological approaches in resolving similar risk assessment and risk management tasks, assessment and management of key operational risks in close connection with the non-key operational RMS.

Continuity Principle is premised on regular, coherent, target-driven procedures, such as assessment of existing risks, including monitoring risk parameters, review of the RMS key parameters, and the manner of their determination, including limits and other restrictions in respect of clearing members' transactions, analysing RMS technologies and operational rules, holding stress tests and preparation of reports for the management.

Transparency Principle is manifested by the Group's providing clearing members / counterparties with the relevant information describing RMS. Clearing members, including potential members, have access to methodological documents describing RMS, including methodological approaches to risk assessment, as well as to key aspects of the procedures employed in monitoring financial stability of clearing members / counterparties. At the same time, the assessment results of a specific clearing member and counterparty represented in the form of internal ratings, or limits, and other restrictions established in respect of treasury or administration operations are never made public and are never subject to disclosure.

Principle of Independent Assessment means that the comprehensive assessment and review of the risk is undertaken by separate divisions/employees who are independent from the divisions responsible for taking risks or counterparties. The above-mentioned divisions/employees cannot be charged with any responsibilities that may give rise to a conflict of interest.

Paper Trail Principle means that any RMS guidelines, procedures, and rules should be developed, negotiated with the divisions participating in the risk assessment and management procedures, and approved by the relevant governing bodies.

Principle of Prudence suggests that in choosing methods of risk assessment and management, and in determining the acceptable level of risk (risk appetite), the Group proceeds from the principle of prudent combination of RMS reliability and profitability.

Materiality Principle means that in implementing various RMS elements in its operations, the Group is guided by correlation between the costs that the implementation of mechanisms of risk analysis, control, and management will require, and potential outcome of such implementation,

as well as the costs of the development and implementation of products, services or tools carrying the relevant exposure.

As part of the risk management strategy, and with the view to achieving strategic objectives, credit entities of the Group have established and annually review their risk appetite that defines the risk limit assumed by them by reference to strategic objectives they are set to achieve.

The current version of the Group's strategy includes five priority areas:

1. Diversification. Strategic objective: to substantially increase the proceeds from classic infrastructure services, and to create new trading markets.
1. Optimisation. Strategic objective: to improve operational efficiency and streamline Group's business processes.
2. Market deepening (growth as a result of further development of the Russian financial markets). Strategic objective: to develop the local investor base, and to facilitate greater liquidity of the Russian financial markets.
3. Integration of risk management products and collateral. Strategic objective: to develop an advanced comprehensive system managing risks, collateral pool, and settlements, and extending to all Group markets.
4. Standardisation of Russian infrastructure. Strategic objective: to complete the upgrade of the key infrastructure elements of the Russian financial market in accordance with evolving international standards.

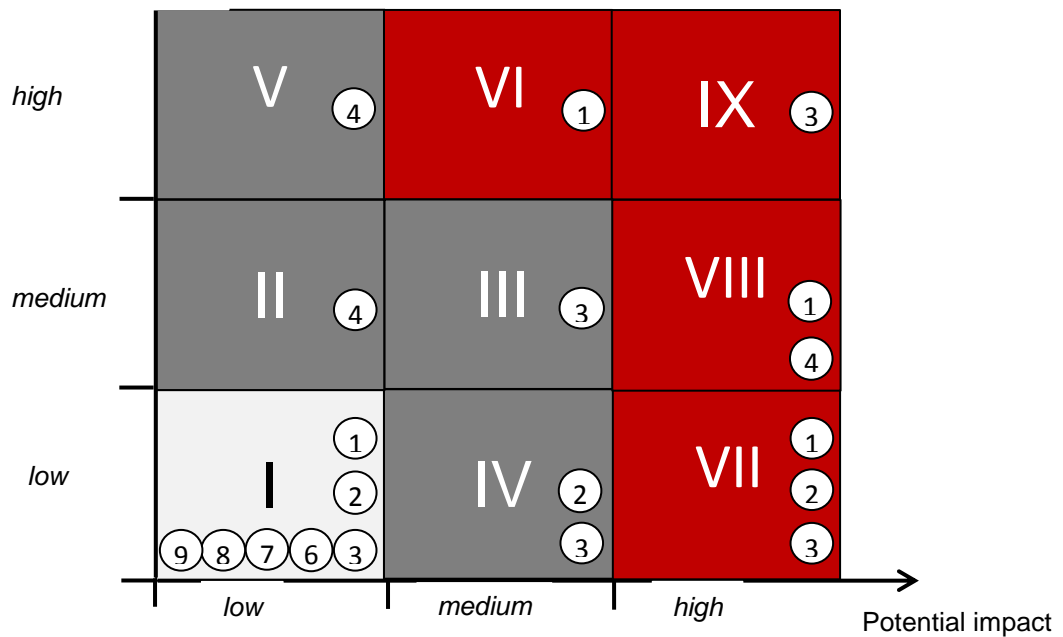
The identified priority areas have served as the basis for calculation of threshold values of specific target indicators. Their observance is regularly reviewed and communicated to the Supervisory Board.

8.2.3. Risk Map

The risk map based on the updated risk identification procedure of 2016 is shown below. The same type of risk may be represented by different events that vary in their potential impact and frequency of occurrence. If events of the same risk type fall into different matrix sectors, the risk significance is categorised via a simple majority based on the sector colour:

- Red: the most significant risks – sectors VI, VII, VIII, IX;
- Grey: risks of medium significance – sectors II, III, IV, V;
- White: the least significant risks – sector I.

Frequency of occurrence



①	Credit risk
②	Operational risk
③	Market risk
④	Liquidity risk
⑤	Bank book interest risk
⑥	Compliance risk
⑦	Legal risk
⑧	Reputational risk
⑨	Custody risk
⑩	Commercial risk
⑪	Systemic risk

Financial Risks		
Risk	Description	Actions
Credit risk (incl. CCP risk and concentration risk)	Group's assets are subject to credit risk which is defined as the risk of possible losses caused by failure of a Group's counterparty to perform or properly perform its obligations to it.	<p>The Group controls the credit risk by employing the following procedures:</p> <ul style="list-style-type: none"> – establishing single or group counterparty limits, subject to a comprehensive assessment of their financial position, the analysis of the macroeconomic environment they are operating in, the level of their information transparency, business reputation, as well as other financial and non-financial factors; – using an internal rating system providing a weighted assessment of the counterparty's financial position, and the level of the credit risk assumed in its respect; – controlling the credit risk concentration in accordance with the current regulatory requirements; – establishing strict requirements for the types and quality of the acceptable collateral, including liquid securities, as well as cash in Russian roubles and in foreign currency. <p>In order to reduce the credit risk associated with the CCP's operations, the Group has implemented a multi-level safeguard structure triggered upon a clearing member's failure to perform or properly perform its obligations, in compliance with regulatory requirements and strict international standards.</p>
Market risk	The market risk may emerge from the defaulting clearing member's need to close major positions / sell the collateral, which in case of a low market liquidity may adversely affect the price, at which such position can be closed / or the collateral can be sold.	<p>The primary objective in managing the market risk upon investing idle cash is to improve the risk/profitability correlation, and to minimise any losses should any adverse events occur. With this view the Group:</p> <ul style="list-style-type: none"> – diversifies its securities portfolio (by maturity, issuer's industry profile); – sets up maximum expiration periods for investments in securities; – sets up maximum volumes of investment in securities (by the total volume, by types of investments, and issuers); – classifies debt obligations and securities by risk groups; – establishes provisions for potential losses under securities should they be not marked to market. <p>The market risk emerging as part of trading or clearing operations, is primarily managed by:</p> <ul style="list-style-type: none"> – identifying, monitoring, and timely reviewing risk parameters, taking into account regular stress test results; – establishing individual collateral rates taking into account concentration limits, profiles of the instruments traded at each of the markets, and possible volatility change scenarios; – back testing collateral rates, and controlling collateral adequacy. <p>In managing the market risk emerging as part of trading or clearing operations, the Group:</p> <ul style="list-style-type: none"> – devises mechanisms permitting to close positions of defaulting clearing members within two trading days; – sets discounts for the assets accepted as collateral, with the view to covering possible changes in their values in the period from their most recent re-evaluation until the time of their sale; – sets concentration limits that define clearing member's position volume, upon reaching which the underlying collateral is subject to heightened requirements; – evaluates clearing members' collateral adequacy subject to market liquidity; – develops procedures for resolving a situation, when a terminated obligation of a clearing member is secured by property other than the subject of the underlying obligation;

		<ul style="list-style-type: none"> – maintains a system of additional financial collateral meant to cover losses not secured by clearing member's clearing or any other collateral.
Liquidity risk	The risk of losses due to the Group's inability to ensure the performance of its obligations in full and in a timely manner.	<p>The liquidity management system includes the following elements:</p> <ul style="list-style-type: none"> – distribution of powers in managing liquidity; – specific liquidity management and control procedures; – information system to accumulate and review liquidity-related information; – a set of guidelines, performance indicators, and plans of initiatives designed to ensure efficient liquidity management and control; – internal management accounts underlying any decision adopted in respect of the liquidity efficient control and management.
Bank book interest risk	Risk of potential losses following an adverse change in the value of the instruments comprising the bank book, caused by changes in interest and/or yield rates.	In order to measure the impact of the interest risk over the fair value of financial instruments, the Group holds regular assessment of potential losses, which may be caused by negative change of the market terms. The risk management division regularly monitors the financials of the Group and its principal members, assesses the sensitivity of the market value of the investment portfolio and of the proceeds to the interest risk.

Non-Financial Risks		
Risk	Description	Actions
Operational risk	Risk of potential losses caused by inconsistency of internal operational procedures to the nature and scope of the business, and/or statutory requirements, their non-observance by employees, lack of functionality, inadequacy of information, technological and other systems and/or their failure, as well as by external events.	<p>The principal operational risk management (mitigation) methods include:</p> <ul style="list-style-type: none"> – development of organisational structure, internal operational rules and regulations, distribution of powers, approval (negotiation) and reporting of undertaken operations, all of which will permit to avoid (minimise) the probability of operational risk factors; – development of control measures following the analysis of statistical data undertaken with the view to identifying typical operational risks on the basis of recurrent events; – monitoring compliance with the adopted rules and procedures; – technological automation of undertaken operations, and development of information protection systems; – insurance, including both traditional property and personal insurance (insuring buildings, other property against destruction, damage, loss caused by a natural disaster and other accidents, as well as by actions of third parties or employees; insuring employees against accidents and personal injuries), as well as insurance of specific professional risks, both on a comprehensive basis and against separate types of risks; – development of the system of business continuity measures to apply in the operational cycle, including emergency plans (business continuity and/or disaster recovery plans).
Continuity risk	Risk of discontinued critical services.	<p>With the view to ensuring normal operations in emergency situations:</p> <ul style="list-style-type: none"> – the Group has put together a reserve complex including reserve office and firmware capabilities located at a safe distance from the principal office.

		<ul style="list-style-type: none"> – the Group has developed business continuity and disaster recovery plans (BCDR Plans) that define critical business processes, priority actions in an emergency situation, timing and volumes of recovery operations, and business processes to enjoy priority recovery, as well as mandatory steps to be taken after the emergency situation subsides.
Legal risk	Risk of losses caused by breach of contractual obligations, litigations, criminal and administrative liability of Group members and/or their governing bodies acting in their official capacity.	<p>Legal risk management procedures include:</p> <ul style="list-style-type: none"> – regular monitoring of laws, and verification of internal procedures as to their compliance with actual regulations; – establishing quantitative and volume restrictions for claims, and controlling compliance with the established restrictions; – analysing the legal basis for new products and services; – updating internal regulations with the view to avoiding fines. <p>Losses associated with legal risks shall be reflected in the operational risk database.</p>
Regulatory risk	Risk of losses caused by inconsistency of Group's operations with the laws, its Charter, and internal regulations.	<p>The regulatory risk is managed by the Internal Control Function, which takes the following steps to prevent losses caused by realisation of the regulatory risk:</p> <ul style="list-style-type: none"> – monitors the laws; – is in constant communication with regulatory authorities on matters of new regulations; – identifies regulatory risk in the existing and scheduled procedures; – analyses best practices in implementing internal control measures.
Reputational risk	Risk of losses caused by a negative public opinion of the Group's operational (technical) stability, quality of its services and its activities in general.	<p>In order to avoid losses associated with the realisation of the reputational risk, the Group continuously monitors media space for information about the Group and analyses its internal processes applying the impact assessment methodology to each identified event or factor. The primary source of the reputational risk is the realisation of the operational risk, especially when such information becomes public. Thus, all actions taken to prevent and to mitigate the operational risk work simultaneously towards the reduction of the reputational risk.</p>
Strategic risk	Risk of expenses (losses) sustained by the market operator as a result of mistakes (defects) made in deciding on the operator's business and development strategy.	<p>Principal methods of strategic risk management include:</p> <ul style="list-style-type: none"> – building up a process for strategic planning and management commensurate with the Exchange's calibre and operations; – preventing any decisions, including strategic, to be taken by a non-appropriate body from the hierarchic point of view; – exercising general control over the performance of the risk management system; – determining the process for major transactions, for development and implementation of prospective projects as part of the general concept of the Moscow Exchange Group's development; – controlling the consistency of the risk management parameters with the Exchange's current condition and its development strategy.

8.2.4. Risk Management Strategy

All principal risk takers among the companies of the Group have developed Risk and Capital Management Strategy. The principles and processes introduced by the Strategy seek to build, use and develop a comprehensive system of capital and risk management in order to ensure business continuity both in normal and stress economic situations, to enhance transparency of the risk and capital management processes, as well as to timely identify and assess significant risks, support capital planning and take risks into account in the decision making process.

With the view to maintaining efficiency of the regular risk management processes:

- Group governing bodies and divisions regularly exchange information on the matters connected with the recognition, identification, assessment of risks, and control over them;
- Group governing bodies, its divisions, and employees have been engaged in a system of distribution of powers and responsibilities to implement the key risk management principles;
- risks are being regularly identified;
- responsibility for managing certain types of risks is allocated to dedicated employees;
- models are being developed to quantify the risks and to ensure their comprehensive inventory;
- measures are being taken to mitigate risk factors;
- the Group's operations are being tested for sensitivity against certain risk factors which are taken into account in the risk assessment models;
- the Group holds regular (not less than once a month) stress tests for the adequacy of equity (capital) and clearing margin, including:
 - a complex scenario-based stress analysis that takes into account simultaneous change of several risk factors;
 - back stress testing;
- the management accounts are systematically drawn up and sent to Group governing bodies, including on the matters connected with the recognition, identification, assessment of risks, and control over them;
- the NCC Clearing Bank Supervisory Board Risk Committee, the Moscow Exchange Risk Committee and the NSD Management Board Risk Committee duly discharge their functions;
- the internal control system has been set up;
- financial resilience recovery plans and plans for engagement of additional resources have been developed.

Moreover, the Moscow Exchange has established a separate market operator's risk management subsystem that enables it to timely identify and assess the risks and to develop mitigation measures.

This system incorporates continuous monitoring of emergencies and assessment of their potential impact on the technical processes of the exchange markets and updating the integrated operational and financial risk management system in line with adopted decisions and procedures. Further development of the risk management system is planned to reduce the vulnerability of business processes and their recovery time, to improve system redundancy based on spacing and duplication of resources and to improve the reliability of communication systems between traders, Exchange and depository and settlement organisations.

In addition, the Exchange has also set up a separate structural unit that is responsible for managing its risks as a market operator. This unit aims to identify and assess risks in a timely manner and to develop mitigation measures. The Exchange developed and approved the Regulations on Managing the Risks of a Market Operator, which establish, in particular:

- the principles of the risk management system related to the Company's operations;
- the principles and objectives of risk management related to the activities of a market operator;
- Regulations on Managing the Risks of a Market Operator:
 - classify the risks inherent to the Exchange;
 - set up the procedure and the timeline for an audit of the risk management system efficiency;
 - provide basic guidance and approaches to identifying, assessing and monitoring risks;
 - set up the procedure and the timeline for informing the Exchange's governing bodies, executives and divisions of identified risks;

- detail a list of measures to be taken by the Exchange to ensure confidentiality of the risk-related information, including confidentiality of risk reports;
- set up the frequency of stress testing, as well as the requirements for the scenarios used for such testing.

8.2.5 Internal Control System

- To enhance efficiency and effectiveness of financial and business operations, the asset management process and risk management system, a multilevel internal control system has been introduced which is a combination of supervisory offices and focus areas intended to ensure compliance with the law, constitutive documents of the Exchange and its by-laws.
- Financial and business operations of the company are monitored by the Revision Commission, the auditor, the Internal Audit Service, the Board Audit Committee and the management bodies such as the Supervisory Board, the Executive Board and the Chairman.

8.2.6. Short-term Risk Outlook

- Financial risks – since the Group’s strategy requires the development of new products, establishment of new trading markets, and the expansion of investor base, the management of financial risks will be key for the Company.
- HR risks – this type of risk will remain neutral, given that most ongoing activities are long-term; however, staff turnover remains low.
- Regulatory and legal risks – since the Exchange’s strategic objectives include the standardisation of the Company’s financial infrastructure and the development of its product line, the regulatory and legal risks will continue to have a high impact on the Exchange’s activities; however, taking into account ongoing activities, we do not expect a significant increase in the regulatory and legal risk.
- Reputational risks – we expect the reputational risk to decrease on the back of several major marketing activities planned for the near future, which will contribute to enhancing the Moscow Exchange’s image.
- Operational risks – the Stabilisation and Reliability programme being implemented will reduce the operational risk; however, the full effect of the programme will be visible only in the long term.
- Information security risks – plans to upgrade the Exchange’s key information systems will keep information security risks elevated.

8.3 For Shareholders and Investors

8.3.1. Equity Capital

Ordinary registered shares	State Registration Number 1-05-08443-H
Par value of one issued share	RUB 1.00
Number of issued shares	2,278,636,493
Issue size	RUB 2,278,636,493
International Securities Identification Number (ISIN)	MOEX / RU000A0JR4A1

Moscow Exchange's equity capital is RUB 2,278,636,493, equaling the total number of outstanding ordinary registered shares.

MOEX's outstanding shares have traded on Moscow Exchange's Equity and Bond Market under the "MOEX" trading code since 4 February 2013. From 2 April 2013, MOEX's shares have been included in Quotation List A Level 1 (currently, the top listing level).

In 2016, Moscow Exchange Group was reorganised through the merger of MOEX with MICEX Stock Exchange and MB Technologies, its wholly-owned subsidiaries. The shareholders who voted against the reorganisation or abstained from voting at the Extraordinary General Meeting of Shareholders, had the right to redeem their shares at a price of RUB 106 per share. Based on the requirements, the Exchange has repurchased 2,235,035 shares, or 0.098% of its share capital. As at 31 December 2016, these shares were in the Exchange's possession. On 2 March 2017, the Supervisory Board recommended that the general meeting of shareholders resolve to reduce the share capital by cancelling the repurchased shares. After the cancellation of shares, the share capital will amount to RUB 2,276.4 m.

Moscow Exchange's shares are included in several Russian stock market indices. MICEXINDEXCF and RTSI, which include shares with the highest liquidity among 50 major Russian issuers, are just two of them. MOEX shares are also included in Moscow Exchange's sectoral index for Banking and Finance, the MICEX index for mid- and small-cap stocks that has been in place since February 2016, and the equity sub-index of the Retirement Index.

Higher capitalisation and liquidity in 2016 prompted the inclusion of MOEX's shares in the Blue Chip Index (RTSSTD, calculated based on deals with the 15 most liquid stocks in the Russian market) and MICEX10INDEX (a price index of the ten most liquid blue chip stocks admitted to trading on MOEX).

The international index provider MSCI includes MOEX's shares for the purpose of calculation of MSCI indices for the Russian and developing markets. As at 9 March 2017, the weight of MOEX shares in the MSCI Russia Index was 1.7%, up from 0.9% in March 2016.

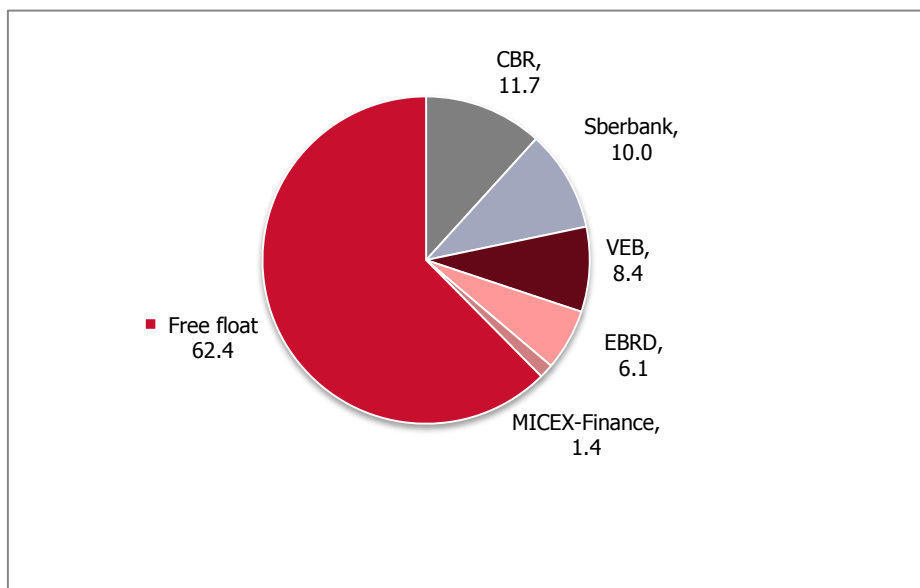
In March 2016, MV Index Solutions included MOEX's shares in the MVRSX Index, a benchmark for Market Vectors Russia ETF (RSX) Fund that managed around USD 2.4 bn as at 8 March 2017. The inclusion of MOEX's shares in the international indices calculated by MSCI and MVIS confirms their full compliance with the requirements for securities included in such indices. This increases appetite for MOEX's shares among the international institutional investors who factor in the structure of indices when making investment decisions.

As at 31 December 2016, the number of the Moscow Exchange's shareholders was 13,181.

According to the information available to the Exchange, no shareholders possessing 5% of its shares or more have an extent of control disproportionate to their contribution to the Exchange's share capital, including through shareholder or other agreements providing for the exercise of

rights certified by shares. MOEX did not issue ordinary or preferred shares with differing par values. The Exchange does not have information about shareholders that hold less than 5% of its shares and have an extent of control disproportionate to their contribution to the share capital.

Equity capital breakdown as at 31 December 2016,%



In 2016, there were some changes in the makeup of Moscow Exchange's shareholders owning at least 5% of votes in Moscow Exchange's supreme governing body. In February 2016, over 30 investment funds from the USA, the UK, Europe, and Russia acquired a 5.228% stake in MOEX from Chengdong Investment Corporation. The transaction was completed in the form of accelerated book-building.

In July 2016, the Russian Direct Investment Fund (RDIF) reduced its stake in MOEX from 5.261% to 4.998%.

The Moscow Exchange's executive bodies have no other information on any equity interests in the share capital of over 5% apart from those already disclosed in this section of the report.

As at 31 December 2016, the Moscow Exchange held 2,235,035 treasury shares (0.098% of the share capital) following share buyback from shareholders, while MICEX-Finance, a controlled entity, held 31,189,925 shares (1.369% of the capital).

In the reporting period, Moscow Exchange did not make any special transactions with its shareholders. All transactions were market-oriented and had terms similar to those of transactions made with the Company's other counterparties.

8.3.2 Registrar

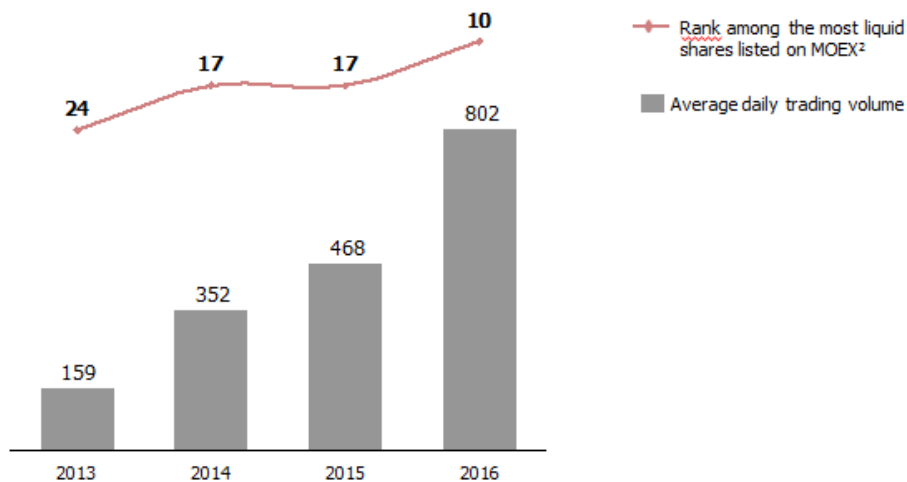
Full company name	Joint Stock Company "Registry society "STATUS"
Address	32/1 Novorogozhskaya street, 109544 Moscow, Russia
Registration details	State registration certificate No.066.193 from 20 June 1997, certificate to confirm the legal entity from 4 July 2002
Primary State Registration Number (OGRN)	1027700003924
Licence	Registrar Licence No.10-000-1-00304 from 12 March 2004 (without limitation of the period of validity) issued by the Federal Financial Market Service
Contact details	General enquiries: (495) 974-83-50 Shareholder service enquiries: (495) 974-83-47 E-mail: info@rostatus.ru Fax: (495) 678-71-10 E-mail: Office@rostatus.ru

For more details see visit the company's website www.rostatus.ru.

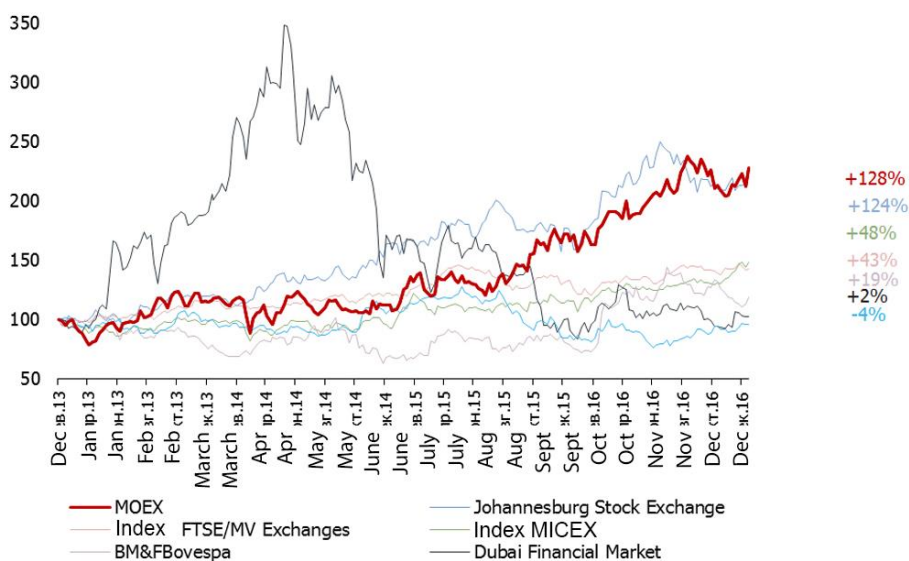
8.3.3. MOEX Share Performance

As at the end of 2016, Moscow Exchange’s capitalisation was RUB 286.2 bn (vs RUB 208.3 bn as at the end of 2015). Since MOEX’s IPO in February 2013 (RUB 55 per share), the share price has more than doubled, with the closing price on 30 December 2016 standing at RUB 125.59.

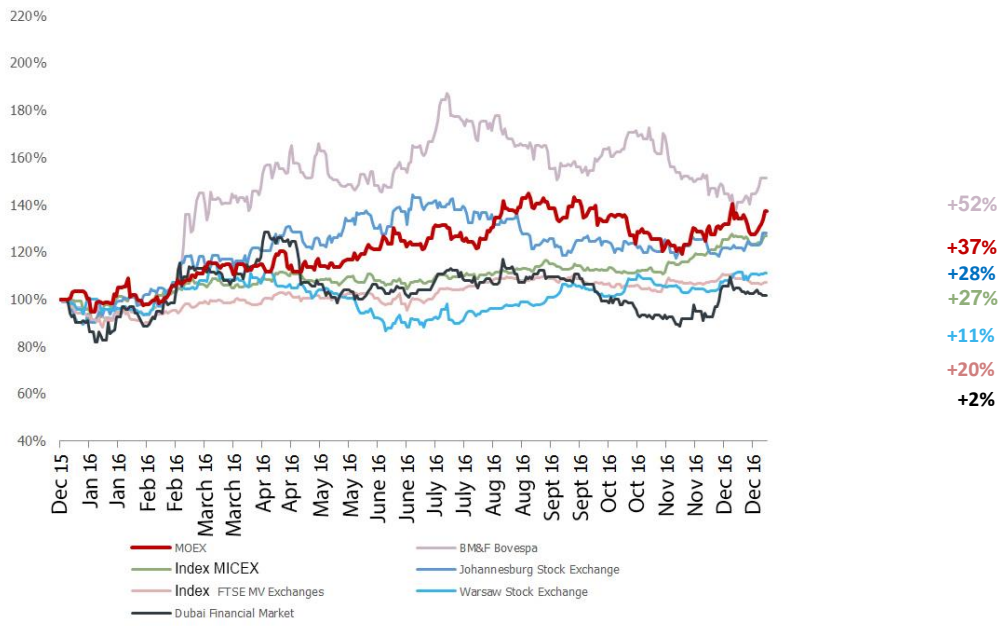
ADTV and liquidity position⁶, RUB mln



Performance of MOEX Shares, MICEX Index and International Peers in 2013–2016



Performance of MOEX Shares, MICEX Index and International Peers in 2016



8.3.4. Dividends

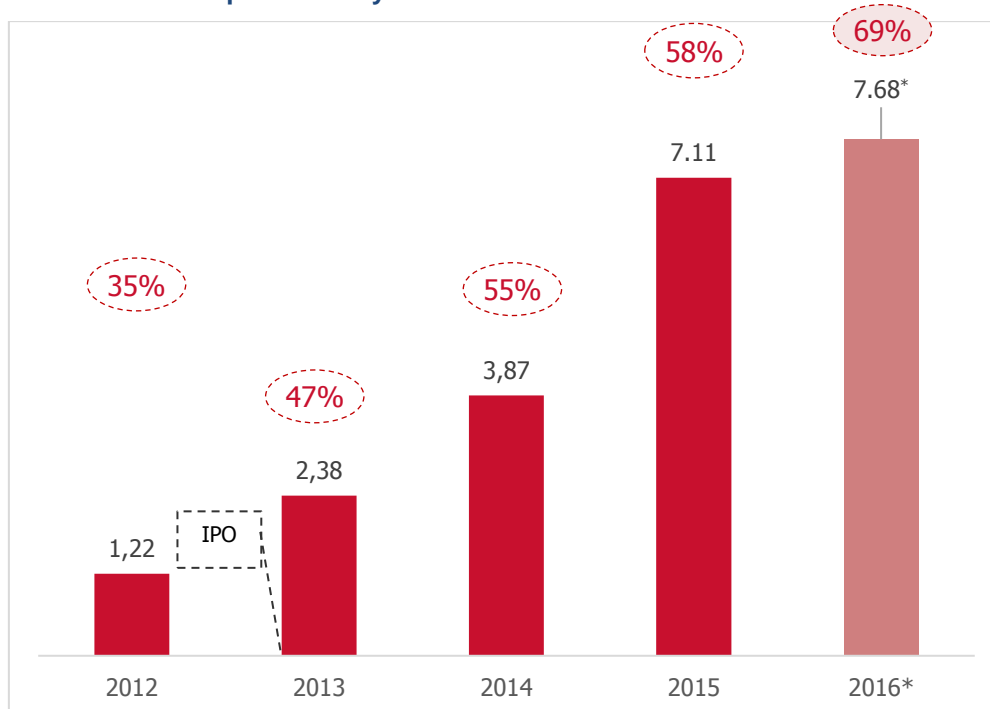
For 2015, Moscow Exchange's Annual General Meeting of Shareholders resolved to distribute RUB 16.2 bn of dividends (RUB 7.11 per ordinary share), which is equivalent to 58.2% of the 2015 IFRS consolidated net income.

In December 2015, the MOEX Supervisory Board approved a Dividend Policy requiring that the dividend distributions equal at least 55% of the Group's IFRS net income.

On 27 March 2017, the Supervisory Board recommended that the Annual General Meeting of Shareholders approve the dividend payouts of RUB 7.68 per share for 2016. It is therefore recommended that RUB 17.5 bn, or 69.3% of the Group's 2016 IFRS net income, be distributed in the form of dividends.

In 2013-2016, the dividends were paid out in accordance with the relevant dividend policies adopted by the Exchange in 2013 and 2015.

Annual Dividend per Ordinary Share and Recommended Dividend Amount for 2016, RUB



** Dividend per share in 2016 as recommended by the MOEX Supervisory Board*

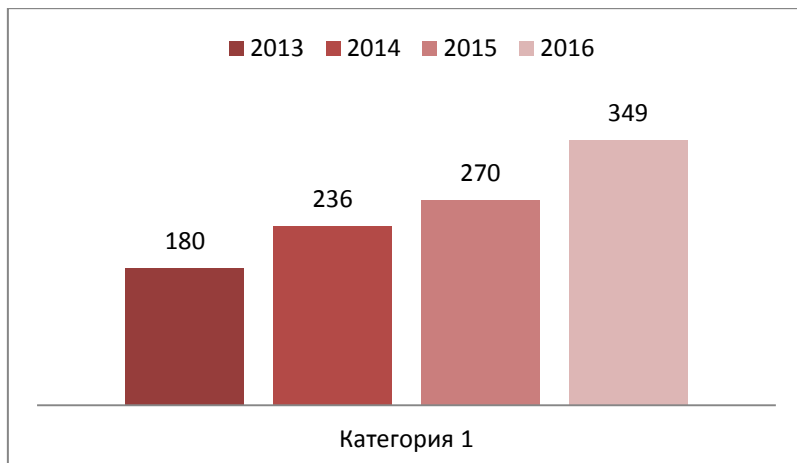
Dividend payments in 2012–2016

Paid in:	2012	2013	2014	2015	2016
Paid for:	2011	2012	2013	2014	2015
Announced on	20 June 2012 Minutes No. 44 of the AGM	25 June 2013 Minutes No. 49 of the AGM	26 June 2014 Minutes No. 52 of the AGM	28 April 2015 Minutes No. 53 of the AGM	29 April 2016 Minutes No. 54 of the AGM
Total pre-tax amount of dividends declared	RUB 681,197,400	RUB 2,901,756,800	RUB 5,423,154,900	RUB 8,818,323,227.91	RUB 16,201,105,465.23
Payment period established by the AGM	Within 60 days of the dividend resolution date	Within 60 days of the dividend resolution date	By 25 July 2014 for nominee holders; by 15 August 2014 for other registered holders	By 25 May 2015 for nominee holders; by 16 June 2015 for other registered holders	By 30 May 2016 for nominee holders; by 20 June 2016 for other registered holders
Actual payment date	Registrar: 15 August 2012 Register: 20 August 2012	Registrar: 22 August 2013 Register: 26 August 2013	24 July 2014 for nominee holders; 7 August 2014 for other registered holders	25 May 2015 for nominee holders Register: 16 June 2015	By 27 May 2016 for nominee holders Register: by 20 June 2016

8.3.5. Investor Relations

In 2016, Moscow Exchange's management held 349 investor meetings and took part in 11 international investor conferences, including the Moscow Exchange Forums in Moscow, New York and London. It also held a number of investor roadshows covering Continental Europe and many investor meetings in Moscow.

Number of investor meetings



In April, for the third year running, Moscow Exchange held a Shareholders' Day. The event took place in the form of a conference call attended by about 300 participants. During the Shareholders' Day, the management gave details about the Exchange's performance in 2015, development of new products and services, MOEX's dividend policy and plans for the future.

Moscow Exchange's Annual General Meeting of Shareholders took place on 27 April 2016. The meeting agenda consisted of 15 items, including the approval of the annual report and financial statements for 2015, income and dividend distributions in 2015, election of new members of the Supervisory Board, etc.

In 2016, as part of the Reinvent MOEX seminar programme, Moscow Exchange staged four management meetings with investors and analysts to give them a deeper understanding of the Group's business. In 2016, the seminars aimed to give insights into the development of the on-exchange grain trading, the management of the Group's investment portfolio, the launch of the new Money Market product (repo with general collateral certificates), and the Derivatives Market development strategy.

In July 2016, Moscow Exchange received an award in the nomination for Best Overall Investor Relations among mid-cap companies from IR Magazine Russia & CIS Awards. The awards were granted on the basis of the independent Extel Pan-European 2016 Survey covering over 20,000 global institutional investors and analysts in 2016.

Investors' opinion on investor relations at Moscow Exchange

In 2014-2016, Moscow Exchange conducted a number of surveys to learn more about the Company's perception by investors and analysts.

Year	Parameters	No response	Good	Very good	Excellent
2014	Knowledge of business	18%	14%	36%	32%
	Quality of IR materials	14%	4%	32%	50%
	Trust and transparency	23%	9%	27%	41%
	Time efficiency	23%	0%	18%	59%
	Friendliness / commitment to support	23%	0%	23 %	54%
	Access to the management	36%	9%	32%	23%
2015	Knowledge of business	5%	0%	23%	72%
	Quality of IR materials	5%	0%	23%	72%
	Trust and transparency	18%	0%	18%	64%
	Time efficiency	5%	0%	27%	68%
	Friendliness / commitment to support	13%	0%	23%	64%
	Access to the management	9%	0%	14%	77%
2016	Knowledge of business	10%	0%	10%	80%
	Quality of IR materials	10%	5%	25%	60%
	Trust and transparency	10%	0%	40%	50%
	Time efficiency	5%	0%	5%	90%
	Friendliness / commitment to support	10%	0%	5%	85%
	Access to the management	10%	0%	25%	65%

3.3.6. Analysts

MOEX's performance is closely monitored by leading Russian and international banks. They publish regular reports on the Company's shares as well as provide stock recommendations and financial forecasts.

Company	Analyst	Phone	Email
Citigroup	Maria Semikhatova	+7 495 643 1462	maria.semikhatova@citi.com
Credit Suisse	Hugo Swann	+44 20 7883 2574	hugo.swann@credit-suisse.com
Deutsche Bank	Ivan Kachkovski	+44 20 7541 1735	Ivan.Kachkovski@db.com
HSBC Bank Plc	Andrzej Nowaczek	+44 20 7991 6709	andrzej.nowaczek@hsbcib.com
JP Morgan	Alexander Kantarovich	+7 495 967 3172	alex.kantarovich@jpmorgan.com
Merrill Lynch	Olga Veselova	+7 495 662 6080	olga.veselova@baml.com
Morgan Stanley	Anil Sharma	+44 20 7425 8828	Anil.K.Sharma@morganstanley.com
UBS	Mikhail Shlemov	+7 495 648 2355	Mikhail.Shlemov@ubs.com
Aton	Mikhail Ganelin	+7 495 213 0338	mikhail.ganelin@aton.ru
BCS	Olga Naydenova	+7 495 785 5336	ONaydenova@bcprime.com
Veles Capital	Egor Dakhtler	+7 495 258 1988	EDakhtler@veles-capital.ru
VTB Capital	Svetlana Aslanova Jason Hurwitz	+7 495 663 4788 +7 495 589 2162	Svetlana.Aslanova@vtbcapital.com Jason.Hurwitz@vtbcapital.com
Gazprombank	Andrey Klapko	+7 495 983 1800	Andrey.Klapko@gazprombank.ru
Otkritie	Andrey Mikhailov	+7 495 777 5656	Andrey.Mikhailov@otkritie.com
Renaissance Capital	Armen Gasparyan	+7 495 783 5673	AGasparyan@rencap.com
Sberbank	Andrew Keeley Andrey Pavlov-Rusinov	+44 20 7936 0439 +7 495 933 9817	Andrew_Keeley@sberbank-cib.ru Andrey_Pavlov-Rusinov@sberbank-cib.ru

As at 9 March 2017, the target price for MOEX shares as recommended by an average of the analysts, stood at RUB 137.19 per share.

9. Financial statements

Financial statements (IFRS) - <http://moex.com/s1355>

10. Appendices

10.1 Major transactions and related-party transactions

Major transactions

In 2016, Moscow Exchange did not engage in any transactions deemed to be major transactions pursuant to Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995.

The Moscow Exchange Charter does not define any other transactions that would be subject to the major transactions approval procedure.

Related-party transactions

During the reporting year 2016, Moscow Exchange entered into transactions that qualify under the Federal Law On Joint-Stock Companies as related-party transactions that required approval pursuant that Chapter 11 of the Federal Law on Joint Stock Companies.

During the year, the Moscow Exchange did not take part in any related-party transactions, the value of which was 2% or more of the carrying amount of the Exchange's assets.

The information on the transactions made in 2016 is contained in the Report on the Moscow Exchange's Related-Party Transactions in 2016 (the "Report"), which was approved by the Exchange's Supervisory Board on 27 March 2017 (minutes No. 16). The Report is available on the Moscow Exchange website at <http://moex.com/s1457>.

10.2 Report on Moscow Exchange Compliance with the Principles and Recommendations of the Corporate Governance Code

This Report on Compliance with the Principles and Recommendations of the Corporate Governance Code was reviewed by the Supervisory Board of Moscow Exchange at the meeting held on the Supervisory Board meeting on March 27, 2017 and Minutes number 16.

The Supervisory Board confirms that the data quoted herein contain comprehensive and reliable information on the Company compliance with the principles and recommendations of the Corporate Governance Code for the 2016 reporting year.

The Annual Report _____ sections describe the most significant aspects of the corporate governance model and practices at Moscow Exchange, as well as the approach to assessing compliance with the corporate governance principles legitimized in the Corporate Conduct Code.

#	Corporate governance principles	Corporate governance principle compliance criteria	Status <1> of conformity with the corporate governance principle	Explanations <2> of deviation from the assessment criteria of compliance with the corporate governance principle
1.1	The company shall ensure equal and fair treatment of all shareholders when they exercise their right to participate in the company's governance.			
1.1.1	The company should create most favourable conditions for its shareholders enabling them to participate in the general meeting and develop informed positions on issues on its agenda, as well as provide them with the opportunity to coordinate their actions and express their opinions on issues being discussed.	<p>1. The Company's internal document approved by the General Meeting of Shareholders and governing the procedures for holding the General Meeting is in the public domain.</p> <p>2. The Company provides an easy-to-access way to communicate with the community, such as the "hotline", email or Internet forum that enables shareholders to express their opinion and to put forward issues to the agenda pending preparation for the General Meeting. These actions were taken by the Company the day before each general meeting held in the reporting period.</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

1.1.2	<p>Procedures for notification of the general meeting and provision of materials for it should enable the shareholders to get properly prepared for participation therein.</p>	<p>1. The notice of the General Meeting of Shareholders was posted (published) on the website at least 30 days prior to the General Meeting date.</p> <p>2. The notice of the meeting specifies the venue of the meeting and the documents required to get access to the premise.</p> <p>3. Access to the information on the person who proposed the agenda items and the one who nominated candidates to the Board of Directors and the Internal Audit Commission of the Company was provided to shareholders.</p>	<p><input checked="" type="checkbox"/> complied with</p> <p><input type="checkbox"/> partially complied with</p> <p><input type="checkbox"/> not complied with</p>	
1.1.3	<p>During the preparation for and holding of the general meeting, the shareholders should be able to freely and timely receive information about the meeting and its materials, to pose questions to members of the company's executive bodies and board of directors, and to communicate with each other.</p>	<p>1. The shareholders were enabled to ask members of the executive bodies and members of the Company's Board of Directors before and during the annual General Meeting in the reporting period.</p> <p>2. The standpoint of the Board of Directors (including any special opinions included into the minutes) on each agenda item of the General Meetings conducted during the reporting period was included into the materials of the General Meeting of Shareholders.</p> <p>3. The Company provided the shareholders with the appropriate entitlement with the access to the list of persons eligible to attend the General Meeting, starting from the date of its receipt by the Company, in all cases of holding the General Meetings in the reporting period.</p>	<p><input checked="" type="checkbox"/> complied with</p> <p><input type="checkbox"/> partially complied with</p> <p><input type="checkbox"/> not complied with</p>	

1.1.4	<p>There should be no unjustified difficulties preventing shareholders from exercising their right to demand that a general meeting be convened, nominate candidates to the company's governing bodies, and to place proposals on its agenda.</p>	<p>1. In the reporting period, shareholders were entitled, within not less than 60 days from the end of the respective calendar year, put forward proposals to be included into the agenda of the annual General Meeting.</p> <p>2. In the reporting period, the Company did not refuse to accept proposals to the agenda or candidates to the Company's bodies due to misprints and other insignificant defects in the shareholder's proposal.</p>	<p><input checked="" type="checkbox"/> complied with</p> <p><input type="checkbox"/> partially complied with</p> <p><input type="checkbox"/> not complied with</p>	
1.1.5	<p>Each shareholder should be able to freely exercise his right to vote in a straightforward and most convenient way.</p>	<p>1. The Company's internal document (internal policy) contains the provisions, whereby each participant in the General Meeting may, before completion of the respective meeting, to require a copy of the ballot completed by the shareholder and certified by the counting board.</p>	<p><input type="checkbox"/> complied with</p> <p><input type="checkbox"/> partially complied with</p> <p><input checked="" type="checkbox"/> not complied with</p>	<p>The functions of the Moscow Exchange counting board shall be performed by the registrar, relations with which are governed by the contract made. A separate contract is entered into for holding each particular general meeting of shareholders with the Registrar, the conditions of which do not prevent any shareholder of the Exchange, before completion of the meeting, to request the Registrar's representatives to provide him/her with a copy of the completed ballot. No such requests were received when holding the AGSM in 2016. The agreement with the Registrar in relation to the 2016 AGM envisages a further duty of the Registrar to certify a copy of a filled-out ballot at the request of a meeting participant. In accordance with the decision made by the Supervisory Board on March 2, 2017, a</p>

				<p>new version of the Regulations on the General Meeting of Shareholders (hereinafter, the GSM Regulations) incorporating the relevant recommendation will be brought before the AGM in 2017.</p>
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1.1.6	Procedures for holding a general meeting set by the company should provide equal opportunity to all persons present at the general meeting to express their opinions and ask questions that might be of interest to them.	<p>1. When General Meetings of Shareholders are held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time is envisaged for the reports on agenda items and the time to discuss these issues.</p> <p>2. Nominees to the Company's management and control bodies were available to answer shareholders' questions at the meeting where they were voted upon.</p> <p>3. The Board of Directors reviewed the use of telecommunications tools to provide shareholders with remote access to participate in the General Meetings in the reporting period, when making decisions related to preparation and holding of the General Shareholders' Meetings.</p>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>1. Complied with. 2. Complied with. 3. Not complied with.</p> <p>In 2016, the Moscow Exchange Supervisory Board did not review the issue of using any means of telecommunication to provide shareholders with remote access to the meeting, as it is not technically possible to fill out the voting ballot electronically via the personal account on the website (e-voting). In accordance with the Supervisory Board decision dated March 2, 2017, new versions of the Charter and the Regulations on the General Meeting of Shareholders that permit e-voting at shareholder meetings will be brought before the AGM in 2017. It is intended that e-voting will be conducted on the basis of the NSD facilities.</p> <p>At the same time, in addition to the traditional ways of participating in a meeting, i.e. personal presence or sending in filled-out voting ballots on paper, shareholders, since 2015, have the ability of using the e-voting procedure by sending in electronic documents (e-proxy voting).</p>
1.2	Shareholders are provided with an equitable and fair opportunity to participate in the company's profits through the distribution of dividends.			
1.2.1	The company should develop and put in place a transparent and clear mechanism for determining the amount of	<p>1. The dividend policy of the Company was developed, approved by the Board of Directors, and disclosed.</p> <p>2. If the Company's dividend policy uses the</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

	dividends and their payment.	Company's reporting measures to determine the amount of dividends, the relevant dividend policy provisions incorporate the consolidated measures of financial statements.		
1.2.2	The company should not make a decision on the payment of dividends, if such decision, without formally violating limits set by law, is unjustified from the economic point of view and might lead to the formation of false assumptions about the company's activity.	1. The Company's dividend policy comprises clear-cut indications to financial/ economic circumstances when no dividends are due to the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
1.2.3	The company should not allow deterioration of dividend rights of its existing shareholders.	1. In the reporting period, the Company did not take steps that impaired the existing shareholders' dividend rights.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
1.2.4	The company should strive to rule out any ways through which its shareholders can obtain any profit or gain at the company's expense other than dividends and distributions of its liquidation	1. To eliminate other methods for shareholders to generate profit (income) at the Company's expense, other than dividends and the liquidation value, the Company's internal documents establish the controls that ensure timely identification and procedure for approval of the transactions with the persons affiliated	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

	value.	(related) with substantial shareholders (the persons entitled to dispose of the votes attached to voting shares), where the law does not formally recognize such transactions as related party transactions.		
1.3	The system and practices of corporate governance should ensure equal terms and conditions for all shareholders owning shares of the same class (category) in a company, including minority and foreign shareholders, as well as their equal treatment by the company.			
1.3.1	The company should create conditions which would enable its governing bodies and controlling persons to treat each shareholder fairly, in particular, which would rule out the possibility of any abuse of minority shareholders by major shareholders.	1. During the reporting period, the procedures for management of potential conflicts of interests among the existing shareholders are efficient, and the Board of Directors paid enough attention to conflicts among shareholders, if any.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
1.3.2	The company should not perform any acts which will or might result in artificial reallocation of corporate control therein.	1. Quasi-treasury shares are not available or were not used in the voting during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
1.4	Shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.			
1.4	The shareholders should be provided with reliable and efficient means of recording	1. Quality and reliability of the business pursued by the Company's registrar to keep the register of the securities' holders meet	<input checked="" type="checkbox"/> complied with	

	their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.	the Company's and its shareholders' needs.	<input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.1	The Board of Directors shall be in charge of strategic management of the company, determine major principles of and approaches to creation of a risk management and internal control system within the company, monitor the activity of the company's executive bodies, and carry out other key functions.			
2.1.1	The board of directors should be responsible for decisions to appoint and remove [members] of executive bodies, including in connection with their failure to properly perform their duties. The board of directors should also procure that the company's executive bodies act in accordance with an approved development strategy and main business goals of the company.	1. The Board of Directors has the powers stipulated in the Articles of Association to appoint, dismiss, and determine conditions of the contracts, with respect to members of executive bodies. 2. The Board of Directors reviewed the report(s) of the sole executive body and members of the collegial executive body on fulfillment of the Company's strategy.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.1.2	The board of directors should establish basic long-term targets of the company's activity, evaluate and approve its key performance indicators and principal business goals, as well as evaluate and approve its strategy and business plans in respect of its principal areas of operations.	1. During the reporting period, meetings of the Board of Directors reviewed the progress of execution and updating the strategy, approval of the Company's financial and business plan (budget), and the review of the criteria and measures (including intermediate) to implement the Company's strategy and business plans.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

2.1.3	The board of directors should determine principles of and approaches to creation of the risk management and internal control system in the company.	<p>1. The Board of Directors determines the principles and approaches to the risk management and internal control system in the Company.</p> <p>2. The Board of Directors assessed the risk management and internal control system of the Company during the reporting period.</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.1.4	The board of directors should determine the company's policy on remuneration due to and/or reimbursement of costs incurred by its board members, members of its executive bodies and other key managers.	<p>1. The Company has developed and implemented the policy(-ies) approved by the Board of Directors on remuneration and reimbursement of costs incurred by the members of the Board of Directors, the Company's executive bodies and other key managers of the Company.</p> <p>2. The meetings of the Board of Directors reviewed issues related to the above policy (-ies) during the reporting period.</p>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

2.1.5	The board of directors should play a key role in prevention, detection and resolution of internal conflicts between the company's bodies, shareholders and employees.	<p>1. The Board of Directors plays a key part in prevention, detection and settlement of internal conflicts.</p> <p>2. The Company has established the system to identify the transactions related to the conflict of interests and the system of efforts aimed at settlement of such conflicts</p>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>1. Complied with.</p> <p>2. Partly complied with.</p> <p>The Supervisory Board approved an internal document that aims to prevent, identify and settle any conflicts of interest arising in the activities of Moscow Exchange in relation to any employees and members of executive governance bodies, and in particular sets out the rules to be followed by them in pursuing any transactions that may result in a conflict. That document does not extend onto members of the Supervisory Board and shareholders.</p> <p>In relation to the Supervisory Board members, Moscow Exchange internal documents provide for the Supervisory Board members' duty to refrain from doing anything that will or may potentially result in a conflict of interest between their interests and those of Moscow Exchange, and if such conflict does arise, they shall report such conflict to the Supervisory Board.</p> <p>The interaction between Moscow Exchange and its shareholders shall be supported by the head of the structural unit that performs the functions of the corporate secretary, who acts in accordance with appropriate Regulations approved by the Supervisory Board. The head of the structural unit that performs the functions of the corporate secretary takes part in preventing and settling corporate conflicts, and has the duty of promptly notifying the Supervisory Board Chairman whenever any corporate conflicts arise.</p> <p>Moscow Exchange collects and updates information that helps to identify related parties on a regular (quarterly) basis. The</p>
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				<p>list of such parties is published on the intranet portal accessible by all Moscow Exchange employees.</p> <p>At present, an internal document is being developed with the aim of preventing conflicts of interest among governance bodies and shareholders that will, among other things, determine a system for the identification of transactions related to conflicts of interests, and a system of measures aimed at settling such conflicts. It is expected that this document will be brought before the Supervisory Board for review in 2017.</p>
2.1.6	<p>The board of directors should play a key role in procuring that the company is transparent, discloses information in full and in due time, and provides its shareholders with unhindered access to its documents.</p>	<p>1. The Board of Directors approved the Regulations on information policy. 2. The Company determined the persons in charge of implementation of the information policy.</p>	<p><input checked="" type="checkbox"/> complied with</p> <p><input type="checkbox"/> partially complied with</p> <p><input type="checkbox"/> not complied with</p>	

2.1.7	The board of directors should monitor the company's corporate governance practices and play a key role in its material corporate events.	1. During the reporting period, the Board of Directors reviewed the corporate governance practice in the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.2	The Board of Directors should be accountable to the company's shareholders.			
2.2.1	Information about the board of directors' work should be disclosed and provided to the shareholders.	1. The Company's annual report for the reporting period includes information on the attendance rate of meetings of the Board of Directors and its committees by individual directors. 2. The annual report contains information on the principal findings of the Board of Directors' performance assessment in the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.2.2	The chairman of the board of directors must be available to communicate with the company's shareholders.	1. The Company has a transparent procedure that enables shareholders to submit their questions and their standpoint thereon to the Chairman of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.3	The board of directors should be an efficient and professional governing body of the company which is able to make objective and independent judgements and pass resolutions in the best interests of the company and its shareholders.			
2.3.1	Only persons with impeccable business and personal reputation should be elected	1. The procedure for assessing the efficiency of operations of the Board of Directors adopted in the Company comprises, in	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with	

	to the board of directors; such persons should also have knowledge, skills, and experience necessary to make decisions that fall within the jurisdiction of the board of directors and to perform its functions efficiently.	<p>particular, the assessment of professional qualifications of members of the Board of Directors.</p> <p>2. In the reporting period, the Board of Directors (or its Nomination Committee) assessed the nominees to the Board of Directors in terms of the required experience, expertise goodwill, lack of the conflict of interests, etc.</p>	<input type="checkbox"/> not complied with	
2.3.2	Board members should be elected pursuant to a transparent procedure enabling the shareholders to obtain information about respective candidates sufficient for them to get an idea of the candidates' personal and professional qualities.	<p>1. Where the General Meeting of Shareholders, the agenda of which included election of the Board of Directors, was held in the reporting period, the Company provided shareholders with the life record data for all the nominees to the Board of Directors, scores assigned to such nominees by the Board of Directors (or its Nominations Committee) and information on conformity of the nominees to the independence criteria, according to the recommendations in paragraphs 102 to 107 of the Code and the nominees' written consent to be elected to the Board of Directors.</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.3.3	The composition of board of directors should be balanced, in particular, in terms of	<p>1. As part of the assessment of the Board of Directors in the reporting period, the Board of Directors reviewed its own needs in</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with	

	<p>qualifications, expertise, and business skills of its members. The board of directors should enjoy the confidence of the shareholders.</p>	<p>professional qualifications, experience and business skills.</p>	<p><input type="checkbox"/> not complied with</p>	
2.3.4	<p>The membership of the board of directors of the company must enable the board to organize its activities in a most efficient way, in particular, to create committees of the board of directors, as well as to enable substantial minority shareholders of the company to elect a candidate to the board of directors for whom they would vote.</p>	<p>1. As part of the assessment of the Board of Directors held in the reporting period, the Board of Directors reviewed the conformity of the number of members of the Board of Directors to the Company's needs and the shareholders' interests.</p>	<p><input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>	

2.4	The Board of Directors should include a sufficient number of independent directors.								
2.4.1	<p>An independent director should mean any person who has required professional skills and expertise and is sufficiently able to have his/her own position and make objective and bona fide judgments, free from the influence of the company's executive bodies, any individual group of its shareholders or other stakeholders. It should be noted that, under normal circumstances, a candidate (or an elected director) may not be deemed to be independent, if he/she is associated with the company, any of its substantial shareholders, material trading partners or competitors, or the government.</p>	<p>1. During the reporting period, all independent members of the Board of Directors met the independence criteria specified in recommendations 102 to 107 of the Code or were recognized as such by resolution of the Board of Directors.</p>	<table border="0"> <tr> <td data-bbox="1162 336 1227 379"><input type="checkbox"/></td> <td data-bbox="1234 336 1406 379">complied with</td> </tr> <tr> <td data-bbox="1162 379 1227 422"><input checked="" type="checkbox"/></td> <td data-bbox="1234 379 1503 422">partially complied with</td> </tr> <tr> <td data-bbox="1162 422 1227 466"><input type="checkbox"/></td> <td data-bbox="1234 422 1451 466">not complied with</td> </tr> </table>	<input type="checkbox"/>	complied with	<input checked="" type="checkbox"/>	partially complied with	<input type="checkbox"/>	not complied with
<input type="checkbox"/>	complied with								
<input checked="" type="checkbox"/>	partially complied with								
<input type="checkbox"/>	not complied with								

2.4.2	<p>It is recommended to evaluate whether candidates nominated to the board of directors meet the independence criteria as well as to review, on a regular basis, whether or not independent board members meet the independence criteria. When carrying out such evaluation, substance should take precedence over form.</p>	<p>1. In the reporting period, the Board of Directors (or the Nominations Committee of the Board of Directors) formed the estimate of independence of each nominee to the Board of Directors and submitted the relevant opinion to shareholders.</p> <p>2. In the reporting period, the Board of Directors (or the Nominations Committee of the Board of Directors) reviewed the independence of the existing members of the Board of Directors, as indicated by the Company in the annual report as independent directors, at least once.</p> <p>3. The Company has drafted the procedures that determine the necessary actions to be taken by a member of the Board of Directors, if he/she loses his/her independence, including the obligations to timely notify the Board of Directors accordingly.</p>	<p><input checked="" type="checkbox"/> complied with</p> <p><input type="checkbox"/> partially complied with</p> <p><input type="checkbox"/> not complied with</p>	
2.4.3	<p>Independent directors should account for at least one-third of all directors elected to the board of directors.</p>	<p>1. Independent directors shall account for at least one third of the Board of Directors.</p>	<p><input checked="" type="checkbox"/> complied with</p> <p><input type="checkbox"/> partially complied with</p> <p><input type="checkbox"/> not complied with</p>	
2.4.4	<p>Independent directors should play a key role in prevention of internal conflicts in the company and performance by the latter of material corporate actions.</p>	<p>1. Independent directors (who do not have any conflict of interests) preliminarily estimate the substantial corporate actions related to a potential conflict of interests, and the findings of such assessment are submitted to the Board of Directors.</p>	<p><input checked="" type="checkbox"/> complied with</p> <p><input type="checkbox"/> partially complied with</p> <p><input type="checkbox"/> not complied with</p>	

2.5	The Chairman of the Board of Directors should help the Board carry out the functions imposed on it in a most efficient manner.		
2.5.1	It is recommended to either elect an independent director to the position of the chairman of the board of directors or identify the senior independent director among the company's independent directors who would coordinate work of the independent directors and liaise with the chairman of the board of directors.	<p>1. The Chairman of the Board of Director is an independent director or a senior independent director is identified among independent directors <3>.</p> <p>2. Role, rights and duties of the Chairman of the Board of Directors (and, if applicable, the senior independent director) are duly determined in the Company's internal documents.</p>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.5.2	The board chairman should ensure that board meetings are held in a constructive atmosphere and that any items on the meeting agenda are discussed freely. The chairman should also monitor fulfilment of decisions made by the board of directors.	1. Performance of the Chairman of the Board of Directors was estimated as part of the BoD efficiency assessment procedure in the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with
2.5.3	The chairman of the board of directors should take any and all measures as may be required to provide the board members in a timely fashion with information required to make decisions on issues on	1. The duty of the Chairman of the Board of Directors to take efforts to ensure timely filing of documents to members of the Board of Directors on agenda items of the meeting of the Board of Directors is legitimized in the Company's internal documents.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with

	the agenda.			
2.6	Board members must act reasonably and in good faith in the best interests of the company and its shareholders, being sufficiently informed, with due care and diligence.			
2.6.1	Acting reasonably and in good faith means that board members should make decisions considering all available information, in the absence of a conflict of interest, treating shareholders of the company equally, and assuming normal business risks.	<p>1. The Company's internal documents establish that a member of the Board of Directors is obliged to notify the Board of Directors if he/she has a conflict of interests with respect to any agenda item of the meeting of the Board of Directors or a committee of the Board of Directors, before the start of the discussion of the relevant agenda item.</p> <p>2. The Company's internal documents envisage that a member of the Board of Directors should refrain from voting on any item where he/she has a conflict of interests.</p> <p>3. The Company establishes the procedure that enables the Board of Directors to obtain professional advice on issues falling within its competence, at the Company's expense.</p>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>1. Partly complied with. Internal documents do not require from a Supervisory Board member to notify the Supervisory Board if he/she has a conflict of interest in relation to any item on the agenda of the Supervisory Board or relevant commission meeting before the start of the deliberation on the respective agenda item.</p> <p>At the same time, pursuant to the Supervisory Board Regulations, a member of the Supervisory Board has the obligation to forthwith disclose the existence of his/her interests and the grounds thereof to the Supervisory Board. In accordance with the Supervisory Board decision dated March 2, 2017, a new version of the Supervisory Board Regulations that incorporates such duties of Supervisory Board members, will be brought before AGM in 2017.</p> <p>In accordance with the decision made by the Supervisory Board on March 2, 2017, a new version of the Supervisory Board Regulations incorporating this recommendation will be brought before the AGM in 2017.</p> <p>2. Complied with. 3. Complied with.</p>
2.6.2	Rights and duties of board	1. The Company adopted and published the		

	members should be clearly stated and documented in the company's internal documents.	internal document that clearly determines rights and duties of members of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.6.3	Board members should have sufficient time to perform their duties.	<p>1. Individual attendance of meetings of the Board and committees as well as the time spent on preparation for participation in the meetings was taken into account as part of the assessment procedure of the Board of Directors in the reporting period.</p> <p>2. According to the Company's internal documents, members of the Board of Directors are obliged to notify the Board of Directors of their intention to join management bodies of other companies (except for the Company's affiliates and dependent companies) and about such actual appointment.</p>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>1. Complied with.</p> <p>2. Partly complied with.</p> <p>The internal documents do not provide for the Supervisory Board members' duty to notify the Board of Directors of their intention to become member of the governance bodies of other entities (other than company subsidiaries and affiliates). The Supervisory Board members, however, observe this duty through quarterly questionnaire-based survey of Supervisory Board members, conducted by Moscow Exchange.</p> <p>In accordance with the Supervisory Board Regulations, an SB member has the duty to provide full and reliable information on the legal entities wherein he/she holds positions with governance bodies, and/or serves on the boards of directors (supervisory boards).</p> <p>In accordance with the decision made by the Supervisory Board on March 2, 2017, a new version of the SB Regulations incorporating this recommendation will be brought before the AGM in 2017.</p>

2.6.4	All board members should have equal opportunity to access the company's documents and information. Newly elected board members should be provided with sufficient information about the company and work of its board of directors as soon as practicable.	1. According to the Company's internal documents, members of the Board of Directors are free to gain access to documents and to make requests pertaining to the Company and its affiliates, and the Company's executive bodies are obliged to provide the relevant information and documents. 2. The Company has a formalized program of introductory events for newly elected members of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.7	Meetings of the Board of Directors, preparation for them, and participation of Board members therein should ensure efficient work of the Board.			
2.7.1	It is recommended to hold meetings of the board of directors as needed, with due account of the company's scope of activities and its then current goals.	1. The Board of Directors held at least six meetings in the reporting year.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.7.2	It is recommended to develop a procedure for preparing for and holding meetings of the board of directors and set it out in the company's internal documents. The above procedure should enable the shareholders to get prepared properly for such meetings.	1. The Company approved the internal document that governs the procedure for preparation for and holding of meetings of the Board of Directors, which, in particular, stipulates that the notice of the meeting should be normally made at least 5 days prior to the meeting.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

2.7.3	<p>The form of a meeting of the board of directors should be determined with due account of importance of issues on the agenda of the meeting. Most important issues should be decided at the meetings held in person.</p>	<p>1. The Articles of Association or the internal document of the Company envisage that the most significant issues (according to the list in Recommendation 168 of the Code) should be considered at the personal meetings of the Board.</p>	<table border="0"> <tr> <td><input type="checkbox"/></td> <td>complied with</td> </tr> <tr> <td><input checked="" type="checkbox"/></td> <td>partially complied with</td> </tr> <tr> <td><input type="checkbox"/></td> <td>not complied with</td> </tr> </table>	<input type="checkbox"/>	complied with	<input checked="" type="checkbox"/>	partially complied with	<input type="checkbox"/>	not complied with	<p>The majority of issues referred to in para.168 of the Bank of Russia CGC are normally reviewed in joint-presence meetings of the Board, as the Moscow Exchange Charter requires. The following issues are excluded from this list:</p> <ul style="list-style-type: none"> (1) endorsement of related-party transactions as material transactions, (2) review of material aspects of subsidiary activities, (3) matters related to the receipt of a voluntary or mandatory offer. <p>In accordance with the Supervisory Board decision dated March 2, 2017, a new version of the Charter that provides for the inclusion of items (2) and (3) in this list will be brought before the AGM in 2017. It is not expected that issue (1) will be included in the list as the specific features of the Moscow Exchange's activity in the capacity of the Organiser of Trading imply that it enters into numerous trades with the Trading Members that constitute related-party transactions. The terms of such trades are the same for all members, regardless of whether formal grounds exist for the application of related-party transaction criteria, and in fact are not material for Moscow Exchange. For this same reason, the Moscow Exchange Code of Corporate Governance does not classify related-party transactions as material transactions for Moscow Exchange.</p>
<input type="checkbox"/>	complied with									
<input checked="" type="checkbox"/>	partially complied with									
<input type="checkbox"/>	not complied with									

2.7.4	Decisions on most important issues relating to the company's business should be made at a meeting of the board of directors by a qualified majority vote or by a majority vote of all elected board members.	1. The Articles of Association of the Company envisages that resolutions on the most critical issues set forth in Recommendation 170 of the Code, shall be adopted at the meeting of the Board of Directors, by a qualified, at least three fourths majority of votes, or by a majority of votes of all elected members of the Board of Directors.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>The currently applicable Charter version defines the lists of issues to be resolved by the Supervisory Board on a 3/4 majority vote of the members participating in the meeting, as well as by the majority of all votes.</p> <p>In accordance with the Supervisory Board decision dated March 2, 2017, a new version of the Charter that expands the above-mentioned lists with due account of the Bank of Russia CGC will be brought before the AGM in 2017.</p>
2.8	The Board of Directors should form committees for preliminary consideration of the most important aspects of the company's business.			
2.8.1	For the purpose of preliminary consideration of any matters of control over the company's financial and business activities, it is recommended to form an audit committee comprised of independent directors.	<p>1. The Board of Directors established the Audit Committee comprising independent directors only.</p> <p>2. The Company's internal documents determine the objectives for the Audit Committee, including, in particular, any objectives contained in Recommendation 172 of the Code.</p> <p>3. At least one member of the Audit Committee, which is an independent director, has experience and expertise in drafting, reviewing, assessment and audit of financial statements (accounts).</p> <p>4. Meetings of the Audit Committee were held at least quarterly during the reporting period.</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.8.2	For the purpose of preliminary consideration of any matters of development of efficient and transparent remuneration	1. The Board of Directors set up the Remuneration Committee consisting of independent directors only.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with	<p>1. Partly complied with.</p> <p>2. Partly complied with.</p> <p>In 2016, two lineups of the Nomination and Remuneration Commission were active. The first Commission lineup,</p>

	practices, it is recommended to form a remuneration committee comprised of independent directors and chaired by an independent director who should not concurrently be the board chairman.	<p>2. Chairman of the Remunerations Committee is an independent director, other than Chairman of the Board of Directors.</p> <p>3. The Company's internal documents determine the objectives of the Remunerations Committee, including those contained in Recommendation 180 of the Code.</p>	<input type="checkbox"/> not complied with	<p>elected in 2015, included 4 members, 2 of which did not meet the independence criteria; the Commission chairman was not an independent director, either. The second (current) Commission lineup, elected after the 2016 AGM, fully meets the Bank of Russia CGC recommendations (all Commission members are independent directors).</p> <p>3. Complied with.</p>
2.8.3	For the purpose of preliminary consideration of any matters relating to human resources planning (making plans regarding successor directors), professional composition and efficiency of the board of directors, it is recommended to form a nominating committee (a committee on nominations, appointments and human resources) with a majority of its members being independent directors.	<p>1. The Board of Directors established the Nominations Committee (or its objectives specified in Recommendation 186 of the Code are implemented as part of another committee <4>), a majority of which are independent directors.</p> <p>2. The Company's internal documents determine the objectives of the Nominations Committee (or the relevant committee with a combined functionality), including those contained in Recommendation 186 of the Code.</p>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>1. Partly complied with. The tasks set out in para 186 of the Bank of Russia CGC are carried out by the Nomination and Remuneration Commission. In the reporting year 2016, the Commission lineup was not fully compliant with the Bank of Russia CGC recommendations (see comments to para 2.8.2.).</p> <p>2. Complied with.</p>
2.8.4	Taking account of its scope of	1. In the reporting period, the Company's		

	<p>activities and levels of related risks, the company should form other committees of its board of directors, in particular, a strategy committee, a corporate governance committee, an ethics committee, a risk management committee, a budget committee or a committee on health, security and environment, etc.</p>	<p>Board of Directors reviewed the conformity of membership in its committees to the objectives assigned to the Board of Directors and to the Company's operating goals. Additional committees were either established or were not recognized as necessary.</p>	<p><input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>	
2.8.5	<p>The composition of the committees should be determined in such a way that it would allow a comprehensive discussion of issues being considered on a preliminary basis with due account of</p>	<p>1. Committees of the Board of Directors are headed by independent directors. 2. The Company's internal documents (policies) contain the provisions, whereby persons not included into the Audit Committee, the Nominations Committee and the Remunerations Committee, may attend meetings of the committees upon invitation of the Chairman of the respective committee only.</p>	<p><input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>	<p>1. Partly complied with. There are six Supervisory Board commissions functioning at Moscow Exchange. In January through April 2016, three commissions were chaired by independent directors. As new commission lineups were formed (post 2016 AGM), independent directors now chair four of the commissions. Subsequently, chairman of yet another commission became compliant with the independence criteria, so that by the end of the reporting year, 5 out of the 6 commissions were chaired by independent directors. With the numbers of elected independent directors being sufficient, and they having the required experience and competence, Moscow Exchange is now striving to have the majority of the Supervisory Board commissions chaired by independent directors.</p>

				2. Complied with.
2.8.6	The chairmen of the committees should inform the board of directors and its chairman of the work of their committees on a regular basis.	1. During the reporting period, chairmen of the committees reported on the committees' operations to the Board of Directors on a regular basis.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.9	The Board of Directors should evaluate of the quality of its work and that of its committees and Board members.			
2.9.1	Evaluation of quality of the board of directors' work should be aimed at determining how efficiently the board of directors, its committees and board members work and whether their work meets the company's needs, as well as at making their work more intensive and identifying areas of improvement.	1. Self-assessment or external assessment of the Board of Directors' performance conducted in the reporting period included the assessment of operations of the committees, individual members of the Board of Directors and the entire Board of Directors. 2. The findings of self-assessment or external assessment of the Board of Directors in the reporting period were reviewed at the personal meeting of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
2.9.2	Quality of work of the board of directors, its committees and board members should be evaluated on a regular basis, at least once a year. To carry out an independent evaluation of the quality of the board of directors' work, it is	1. For independent quality assessment of the Board of Directors' performance, an external company (advisor) was engaged by the Company at least once in three recent reporting periods	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

	recommended to retain a third party entity (consultant) on a regular basis, at least once every three years.			
3.1	The company's corporate secretary shall be responsible for efficient interaction with its shareholders, coordination of the company's actions designed to protect the rights and interests of its shareholders, and support of efficient work of its Board of Directors.			
3.1.1	<p>The corporate secretary should have knowledge, experience, and qualifications sufficient for performance of his/her duties, as well as an impeccable reputation and should enjoy the trust of the shareholders.</p>	<p>1. The Company adopted and disclosed the internal document – Regulations on the Corporate Secretary.</p> <p>2. The Company's website and annual report discloses background information on the Corporate Secretary with the same level of detail as for members of the Board of Directors and the executive management of the Company.</p>	<p><input type="checkbox"/> complied with</p> <p><input checked="" type="checkbox"/> partially complied with</p> <p><input type="checkbox"/> not complied with</p>	<p>1. Partly complied with. Regulations on the Corporate Governance Department that currently exercises the functions of a corporate secretary, were approved on September 29, 2016; the Regulations were disclosed on the Moscow Exchange website in 2017.</p> <p>Previously, the corporate secretary's functions were exercised by the Director of the Corporate Governance Department. The Regulations on the Corporate Secretary were approved by the Supervisory Board and were disclosed on the web-site.</p> <p>2. Partly complied with. The corporate secretary-related information, with the same level of granularity as in relation to the Supervisory Board members and the Executive Board members was disclosed on the Moscow Exchange website in 2016.</p> <p>The biographic information on the corporate secretary, with the same level of granularity as in relation to the Supervisory Board members and the Executive Board members, is provided in the 2016 annual report.</p>

3.1.2	The corporate secretary should be sufficiently independent of the company's executive bodies and be vested with powers and resources required to perform his/her tasks.	1. The Board of Directors approved the appointment, dismissal and additional remuneration of the Corporate Secretary.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
4.1 The level of remuneration paid by the company should be sufficient to enable it to attract, motivate, and retain persons having required skills and qualifications. Remuneration due to board members, the executive bodies, and other key managers of the company should be paid in accordance with a remuneration policy approved by the company.				
4.1.1	It is recommended that the level of remuneration paid by the company to its board members, executive bodies, and other key managers should be sufficient to motivate them to work efficiently and enable the company to attract and retain knowledgeable, skilled, and duly qualified persons. The company should avoid setting the level of remuneration any higher than necessary, as well as an excessively large gap between the level of remuneration of any of the above persons and that of the company's employees.	1. The Company adopted the internal document(s), the remuneration policy(-ies) for members of the Board of Directors, the executive bodies and other key managers, which clearly describe approaches to remuneration of these persons.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	The executive body members' remuneration and compensation policy was approved by the Supervisory Board on December 16, 2016. The Supervisory Board members' remuneration and cost reimbursement (compensation) policy was approved by the Supervisory Board on December 28, 2016.

4.1.2	<p>The company's remuneration policy should be developed by its remuneration committee and approved by the board of directors. With the help of its remuneration committee, the board of directors should monitor implementation of and compliance with the remuneration policy by the company and, should this be necessary, review and amend the same.</p>	<p>1. In the reporting period, the Remunerations Committee reviewed the remuneration policy(-ies) and the practice of its/their implementation and, if necessary, submitted the relevant recommendations to the Board of Directors.</p>	<p><input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>	<p>During 2016, the Nomination and Remuneration Commission reviewed draft executive body members' remuneration policies on several occasions. The final Policy version was approved by the Supervisory Board on December 16, 2016.</p>
4.1.3	<p>The company's remuneration policy should provide for transparent mechanisms to be used to determine the amount of remuneration due to members of the board of directors, the executive bodies, and other key managers of the company, as well as to regulate any and all types of payments, benefits, and privileges provided to any of the above persons.</p>	<p>1. The Company's remuneration policy(-ies) contain(s) transparent arrangements on determining the amount of the remuneration of members of the Board of Directors, executive bodies and other key managers of the Company and govern(s) all types of fees, benefits and advantages provided to these persons.</p>	<p><input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>	

4.1.4	The company is recommended to develop a policy on reimbursement of expenses which would contain a list of reimbursable expenses and specify service levels provided to members of the board of directors, the executive bodies, and other key managers of the company. Such policy can form part of the company's policy on compensations.	1. The remuneration policy(-ies) or other internal documents of the Company establish(-es) the rules on reimbursement of costs to the members of the Board of Directors, executive bodies and other key employees of the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
4.2	The system of remuneration of board members should ensure harmonisation of financial interests of the directors with long-term financial interests of the shareholders.			
4.2.1	A fixed annual fee shall be a preferred form of monetary remuneration of the board members. It is not advisable to pay a fee for participation in individual meetings of the board of directors or its committees. It is not advisable to use any form of short-term incentives or additional financial incentives in respect of board members.	1. Fixed annual remuneration was the only monetary form of remuneration for the members of the Board of Directors for work within the Board of Directors during the reporting period.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	Fixed annual remuneration was the main kind of remuneration offered to the Supervisory Board members. At the same time, in accordance with the decision made by the AGM in 2016, three of the Supervisory Board members were paid further remuneration on account of their participation in several activities at the initiative of Moscow Exchange. Taking this practice into account, amendments were made to the Supervisory Board Members Remuneration and Compensation Regulations at the 2016 AGM that fixed the maximum amount of further remuneration on account of participation in activities at the initiative of Moscow

				Exchange, and determined the terms and conditions of receiving such remuneration.
4.2.2	Long-term ownership of shares in the company contributes most to aligning financial interests of board members with long-term interests of the company's shareholders. However, it is not recommended to make the right to dispose of shares dependent on the achievement by the company of certain performance results; nor should board members take part in the company's option plans.	1. If the Company's internal document(s), the remuneration policy(-ies), envisage(s) granting of shares to members of the Board of Directors, clear rules for holding shares by members of the Board of Directors, intended to encourage long-term ownership of such shares, should be available and disclosed.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	Moscow Exchange internal documents do not provide for the provision of shares to the Supervisory Board members.
4.2.3	It is not recommended to provide for any additional allowance or compensation in the event of early dismissal of board members in connection with a change of control over the company or other circumstances.	1. The Company does not envisage any additional benefits or compensations in case of early termination of powers of the members of the Board of Directors in connection with change of control over the Company or other circumstances.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
4.3	The system of remuneration due to the executive bodies and other key managers of the company should provide that their remuneration is dependent on the company's performance and their personal contributions to the achievement thereof.			
4.3.1	Remuneration due to the executive bodies and other	1. During the reporting period, the annual performance indicators approved by the	<input type="checkbox"/> complied with	1. Complied with. 2. Complied with.

	<p>key managers of the company should be set in such a way as to procure a reasonable and justified ratio between its fixed portion and its variable portion that is dependent on the company's performance results and employees' personal (individual) contributions to the achievement thereof.</p>	<p>Board of Directors, were used to determine the amount of variable remuneration of members of executive bodies and other key managers of the Company.</p> <p>2. During the most recent assessment of the remuneration system for the members of executive bodies and other key managers of the Company, the Board of Directors (the Remunerations Committee) made sure the Company applied an efficient ratio of the fixed remuneration portion to the variable one.</p> <p>3. The Company has the procedure for refunding to the Company bonuses unlawfully obtained by the members of executive bodies and other key managers of the Company.</p>	<p><input checked="" type="checkbox"/> partially complied with</p> <p><input type="checkbox"/> not complied with</p>	<p>3. Moscow Exchange does not have in place any procedure whereby any unreasonably received bonus payments would be restituted to the Company. Such restitution is conducted in accordance with the applicable laws of the Russian Federation.</p>
4.3.2	<p>Companies whose shares are admitted to trading at organised markets are recommended to put in place a long-term incentive programme for the company's executive bodies and other key managers involving the company's shares (or options or other derivative financial instruments the underlying assets for which are the company's shares).</p>	<p>1. The Company introduced the long-term incentive program for members of executive bodies and other key managers of the Company using shares in the Company (financial instruments based on the shares in the Company).</p> <p>2. The long-term incentive program for the members of executive bodies and other key managers of the Company implies that the right to sell the shares and other financial instruments used in such program will not arise until three years from their provision; provided that the right to sell the same is</p>	<p><input type="checkbox"/> complied with</p> <p><input checked="" type="checkbox"/> partially complied with</p> <p><input type="checkbox"/> not complied with</p>	<p>1. Complied with.</p> <p>2. Partly complied with.</p> <p>Under the executive long-term incentive plan, the right to dispose of the plan shares vests in stages: in one/two/three years, subject to continued employment.</p> <p>The right to dispose shares subjects to the Moscow Exchange Group breakeven in the year preceding to such right. Besides the breakeven indicator, the Programme also stipulates for setting of long-term KPIs, which may influence on the terms and conditions of the shares disposal rights.</p> <p>The resolution on setting such long-term KPIs and their details shall be taken by the Supervisory Board of the Moscow Exchange upon the recommendation of</p>

		conditional upon achievement of certain performance indicators of the Company.		relevant Commission of the Supervisory Board of the Moscow Exchange.
4.3.3	The amount of severance pay (so-called "golden parachute") payable by the company in the event of early dismissal of an executive body or other key manager at the initiative of the company, provided that there have been no bad faith actions on the part of such person, should not exceed two times the fixed portion of his/her annual remuneration.	1. The amount of compensation (golden parachute) paid by the Company in case of early termination of powers to the members of executive bodies or key managers at the Company's initiative and in the absence of unfair actions on their part, did not exceed the double fixed portion of the annual remuneration in the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
5.1	The company should have in place an efficient risk management and internal control system designed to provide reasonable confidence that the company's goals will be achieved.			
5.1.1	The board of directors should determine the principles of and approaches to creation of the risk management and internal control system in the company.	1. Functions of various management bodies and business units of the Company in the risk management and internal control system are clearly determined in internal documents/ the Company's relevant policy approved by the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

5.1.2	The company's executive bodies should ensure the establishment and continuing operation of the efficient risk management and internal control system in the company.	1. The Company's executive bodies ensured allocation of the functions and powers as concerns risk management and internal control among their subordinate managers (heads) of business units and divisions.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
5.1.3	The company's risk management and internal control system should enable one to obtain an objective, fair and clear view of the current condition and prospects of the company, integrity and transparency of its accounts and reports, and reasonableness and acceptability of risks being assumed by the company.	1. The Company approved the anti-bribery policy. 2. The Company established an affordable method to notify the Board of Directors or the Board of Directors Audit Committee on actual violations of the laws, internal procedures, and the Company's ethics code.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
5.1.4	The board of directors is recommended to take required and sufficient measures to procure that the existing risk management and internal control system of the company is consistent with the principles of and approaches to its creation as set forth by the board of directors and that it operates	1. In the reporting year, the Board of Directors and the Board of Directors Audit Committee assessed efficiency of the risk management and internal control system of the Company. Information on the key findings of such assessment are included into the Company's annual report.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

	efficiently.			
5.2	To independently evaluate, on a regular basis, reliability and efficiency of the risk management and internal control system and corporate governance practices, the company should arrange for internal audits.			
5.2.1	It is recommended that internal audits be carried out by a separate structural division (internal audit department) to be created by the company or through retaining an independent third-party entity. To ensure the independence of the internal audit department, it should have separate lines of functional and administrative reporting. Functionally, the internal audit department should report to the board of directors, while from the administrative standpoint, it should report directly to the company's one-person executive body.	1. For the purposes of internal audit, the Company established a separate business unit for internal audit, which functionally reports to the Board of Directors or the Audit Committee, or engaged an independent external company with the same principle of reporting.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

5.2.2	When carrying out an internal audit, it is recommended to evaluate efficiency of the internal control system and the risk management system, as well as to evaluate corporate governance and apply generally accepted standards of internal auditing.	<p>1. In the reporting period, as part of internal audit, the internal control and risk management system efficiency was assessed.</p> <p>2. The Company uses common approaches to internal control and risk management.</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
6.1	The company and its activities should be transparent to its shareholders, investors and other stakeholders.			
6.1.1	The company should develop and implement an information policy enabling the company to efficiently exchange information with its shareholders, investors, and other stakeholders.	<p>1. The Company's Board of Directors approved the Company's information policy developed with the view to the Code's recommendations.</p> <p>2. The Board of Directors (or one of its committees) reviewed the issues related to the Company's compliance with its information policy at least once in the reporting period.</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
6.1.2	The company should disclose information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of this Code.	<p>1. The Company discloses the corporate governance system in the Company and the general corporate governance principles applied in the Company, in particular, in the Company's website.</p> <p>2. The Company discloses the composition of executive bodies and the Board of Directors, independence of members of the Board and their membership in committees</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

		<p>of the Board of Directors (as defined in the Code).</p> <p>3. If there is a person who controls the Company, the Company publishes the memorandum of the controlling person concerning such person's plans for corporate governance in the Company.</p>		
6.2	The company should disclose, on a timely basis, full, updated and reliable information about itself so as to enable its shareholders and investors to make informed decisions.			
6.2.1	<p>The company should disclose information in accordance with the principles of regularity, consistency and timeliness, as well as accessibility, reliability, completeness and comparability of disclosed data.</p>	<p>1. The Company's information policy determines the approaches to and criteria for determining the information that may materially influence the Company's value, the value of its securities and the procedures that ensure timely disclosures of such information.</p> <p>2. If the Company's securities are traded in foreign organized markets, materials information is disclosed in the Russian Federation and on such markets simultaneously and equivalently in the reporting year.</p> <p>3. If foreign shareholders hold a significant number of shares in the Company, then, in the reporting period, disclosures were carried out not only in Russian but also in one of the most common foreign languages.</p>	<p><input type="checkbox"/> complied with</p> <p><input checked="" type="checkbox"/> partially complied with</p> <p><input type="checkbox"/> not complied with</p>	<p>1. Partially Complied with.</p> <p>2. Not applicable as the Moscow Exchange securities do not trade on foreign regulated markets.</p> <p>3. Complied with.</p>

6.2.2	The company is advised against using a formalistic approach to information disclosure; it should disclose material information on its activities, even if disclosure of such information is not required by law.	<p>1. In the reporting period, the Company disclosed annual and half-year IFRS financial statements. The Company's annual report for the reporting period includes annual IFRS financial statements with the auditor's opinion.</p> <p>2. The Company discloses comprehensive information on the Company's capital structure, according to Recommendation 290 of the Code in the annual report and the Company's website.</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
6.2.3	The company's annual report, as one of the most important tools of its information exchange with its shareholders and other stakeholders, should contain information enabling one to evaluate the company's performance results for the year.	<p>1. The Company's annual report contains information on the key dimensions of the Company's operations and its financial performance</p> <p>2. The Company's annual report contains information on environmental and social dimensions of the Company's business.</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
6.3	The company should provide information and documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.			
6.3.1	Exercise by the shareholders of their right to access the company's documents and information should not be unreasonably burdensome.	1. The Company's information policy determines the easy procedure for providing access to shareholders to the information, in particular, the information on the legal entities dependent on the Company, at the	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	

		shareholders' request.		
6.3.2	When providing information to its shareholders, the company should maintain a reasonable balance between the interests of individual shareholders and its own interests related to the fact that the company is interested in keeping confidential sensitive business information that might have a material impact on its competitiveness.	<p>1. In the reporting period, the Company did not deny satisfaction of any shareholders' requests for information or such denials were reasonable.</p> <p>2. In cases determined in the Company's information policy, shareholders are warned of the confidential nature of the information and undertake to keep it confidential.</p>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	
7.1	Any actions which will or may materially affect the company's share capital structure and its financial position and, accordingly, the position of its shareholders ("material corporate actions") should be taken on fair terms and conditions ensuring that the rights and interests of shareholders as well as other stakeholders are observed.			
7.1.1	Material corporate actions shall be deemed to include reorganisation of the company, acquisition of 30 or more percent of its voting shares (takeover), entering by the company into any material transactions, increasing or decreasing its share capital, listing and delisting of its shares, as well as other actions which might result in material changes in rights of	<p>1. The Company's Articles of Association determines the list of actions and other efforts that constitute material corporate actions, and their determination criteria. Decision-making on material corporate actions falls within the competence of the Board of Directors. Where taking of these corporate actions is directly referred by law to the competence of GSM, the Board of Directors makes the relevant recommendations to the shareholders.</p>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>1. Partly complied with. The Moscow Exchange Charter does not contain a defined list of trades or acts that are material, or criteria for their definition. The list of material corporate actions which includes, among other things, execution of certain material trades, is provided in the Moscow Exchange Corporate Governance Code. The applicable law and the Moscow Exchange Charter reserve decisions on material actions for the Supervisory Board or the shareholders meeting. In connection with any matters brought before the shareholders meeting, including those related to material corporate actions, the Supervisory Board provides relevant</p>

	<p>its shareholders or violation of their interests. It is recommended to include in the company's articles of association a list of (criteria for identifying) transactions or other actions falling within the category of material corporate actions and provide therein that decisions on any such actions should fall within the jurisdiction of the company's board of directors.</p>			<p>recommendations to shareholders. On April 24, 2016, as part of its review of the issue of the Bank of Russia CGC implementation, the Audit Commission found it appropriate to provide, in the Moscow Exchange Charter, a reference to the Moscow Exchange Corporate Governance Code that contains the List of Material Corporate Actions. By the decision of the Supervisory Board dated March 2, 2017, a new version of the Charter incorporating such provision will be brought before the AGM in 2017.</p> <p>2. Partly complied with. The list of material corporate actions is indicated in the Moscow Exchange Corporate Governance Code. Such list includes, among other things, matters of Moscow Exchange reorganisation, acquisition of 30 percent or more of Moscow Exchange voting shares (takeover), execution of material transactions, charter capital increase or reduction, share listing and de-listing.</p>
7.1.2	<p>The board of directors should play a key role in passing resolutions or making recommendations relating to material corporate actions; for that purpose, it should rely on opinions of the company's independent directors.</p>	<p>1. The Company envisages the procedure; whereby independent directors announce their standpoint on material corporate actions before their approval.</p>	<p><input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>	

7.1.3	<p>When taking any material corporate actions which would affect rights or legitimate interests of the company's shareholders, equal terms and conditions should be ensured for all of the shareholders; if statutory mechanisms designed to protect the shareholder rights prove to be insufficient for that purpose, additional measures should be taken with a view to protecting the rights and legitimate interests of the company's shareholders. In such instances, the company should not only seek to comply with the formal requirements of law but should also be guided by the principles of corporate governance set out in this Code.</p>	<p>1. The Company's Articles of Association, taking into account the particular features of its operations, established lower minimum criteria for classifying the Company's transactions as major corporate actions than envisaged in law.</p> <p>2. During the reporting period, all material corporate actions underwent approval before their implementation.</p>	<p><input checked="" type="checkbox"/> complied with <input type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>	
7.2	<p>The company should have in place such a procedure for taking any material corporate actions that would enable its shareholders to receive full information about such actions in due time and influence them, and that would also guarantee that shareholder rights are observed and duly protected in the course of taking such actions.</p>			
7.2.1	<p>When disclosing information about material corporate actions, it is recommended to give explanations concerning reasons for, conditions and</p>	<p>1. In the reporting period, the Company disclosed information on the Company's material corporate actions timely and in detail, including reasons for and timing of</p>	<p><input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with</p>	<p>Explanations regarding the reasons and terms of any proposed material corporate actions, together with a description of potential consequences of such actions for Moscow Exchange and its shareholders, are described at a granular level in the</p>

	consequences of such actions.	taking such actions.		materials provided to shareholders whenever matters of endorsement of material corporate actions are brought before the General Meeting of Shareholders. The explanations on matters to be reviewed by the General Meeting of Shareholders, prepared for shareholders, are not mandatory according to applicable regulations, but are used on a regular basis in the Moscow Exchange corporate practices with the purpose of providing shareholders with reliable information, enabling shareholders to impact material corporate actions and, where necessary, obtain an adequate protection level. Similar explanations are prepared for the Supervisory Board members for the purposes of their making of decisions on material corporate actions not reserved by the Moscow Exchange Charter for the General Meeting of Shareholders, or in connection with matters brought by them before the General Meeting of Shareholders. Moscow Exchange publicly discloses information on matters brought before the Supervisory Board, including those regarding the performance of material corporate actions by publishing an announcement of the Supervisory Board meeting and its agenda. In addition, any shareholder may make an inquiry with Moscow Exchange requesting it to provide documents evidencing any decision made by the Supervisory Board.
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7.2.2	Rules and procedures in relation to material corporate actions taken by the company should be set out in its internal documents.	<p>1. The Company's internal documents envisage the procedure for engaging an independent appraiser in evaluating the assets disposed of or purchased under a major transaction or a related party transaction.</p> <p>2. The Company's internal documents envisage the procedure for engaging an independent appraiser in evaluating the purchase and redemption price for the shares in the Company.</p> <p>3. The Company's internal documents envisage an expanded list of reasons for the members of the Company's Board of Directors and other persons envisaged in the law to be recognized as interested in the Company's transactions.</p>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partially complied with <input type="checkbox"/> not complied with	<p>1. Partly complied with.</p> <p>In connection with its endorsement of such transactions, the Supervisory Board focuses on transaction price determination and decides separately upon the value of the property affected by the transaction (whether divested and acquired), determining it on the market value basis. An independent appraiser of renown reputation on the market and experienced in relevant appraisals may be engaged for purposes of determining the property value. The decision on whether it is appropriate to engage an independent appraiser is made based on the nature of the transaction and the assets divested or acquired.</p> <p>Moscow Exchange understands that major transactions can materially affect its financial positions and has not executed any such transactions over the recent years.</p> <p>In 2016 the issue of whether engagement of an appraiser is necessary was reviewed by the Audit Commission on and by the Supervisory Board, which determined the list of cases for the necessity of an appraiser's engagement, including those cases when the Moscow Exchange is planning to execute the transactions exceeding RUB 600 mln., the subject matter of those are real estate or non-core assets, as well as for the determination of the value of any property acquired or divested in a major transaction.</p>
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				<p>Relevant amendments to the internal documents of the Moscow Exchange are planned to be made in 2017.</p> <p>2. Partly complied with. Share buyout price is determined with the engagement of an independent appraiser. The independent appraiser selection procedure follows the rules set out in the Moscow Exchange Procurement Regulations.</p> <p>3. Not complied with. Internal documents do not provide for an extended list of the grounds for which the Supervisory Board members and other persons referred to in the law may be found to be interested in a transaction. On April 26, 2016 the Audit Commission recognized inexpedient the extension of the specified list of the grounds.</p>
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 <1> The "complied with" status is only indicated if the Company meets all the criteria of the corporate governance principle compliance assessment. Otherwise, the "partially complied with" or "not complied with" status is displayed.

<2> They are shown for each criterion of the corporate governance principle compliance if the Company meets only part of the criteria or fails to meet any of the principle compliance assessment criteria. If the Company indicated the "complied with" status, no explanations are required.

<3> Please specify, which of the two alternative approaches admitted by the principle is implemented in the Company and explain the reasons for the selection made.

- <4> If the objectives of the Nomination Committee are only implemented as part of another committee, indicate its name.
- <5> List the established additional committee.

10.3 Personnel's data

Personnel structure by category

Employees excl. those with a second job in the Group (incl. maternity leaves)	2013		2014		2015		2016	
	31.12.2013		31.12.2014		31.12.2015		30.12.2016	
	Male	Female	Male	Female	Male	Female	Male	Female
Senior executives	11	6	10	6	11	5	17	4
Heads of functional units	266	203	263	191	247	179	243	176
Specialists	485	585	472	595	499	568	533	609
Labourers	41	0	37	0	33	0	31	0
Total	803	794	782	792	790	752	824	789
	1 597		1 574		1 542		1 613	
The 2016 headcount increased vs 2015 mainly due to the new IT hires under the business development and support programme.								

Personnel structure by age

Employees excl. those with a second job in the Group (incl. maternity leaves)	2013		2014		2015		2016	
	31.12.2013		31.12.2014		31.12.2015		30.12.2016	
	Male	Female	Male	Female	Male	Female	Male	Female
Under 25	41	59	50	60	65	46	42	29
26–35	270	289	265	306	272	300	278	283
36–55	392	408	370	393	367	375	392	421
Over 56	100	38	97	33	86	31	112	56
Total	803	794	782	792	790	752	824	789
	1 597		1 574		1 542		1 613	

Staff turnover

	2013		2014		2015		2016	
	Turnover rate, %		Turnover rate, %		Turnover rate, %		Turnover rate, %	
	Male	Female	Male	Female	Male	Female	Male	Female
Under 25	25.1	17.8	10.4	24.9	31.0	33.3	5,6	2,7
26-35	12.6	8.7	9.6	8.0	9.7	8.7	13,8	6,2
36–55	6.3	3.9	6.5	3.6	4.2	4.3	7,9	3,3
Over 56	2.8	14.3	1.8	0	3.7	5.1	3,0	9,2
Total	8.9	7.2	7.0	6.2	7.1	7.1	9,2	4,7
	8.0		6.6		7.1		7.0	

Average number of training hours

Corporate training							
Total training hours							
	Average annual number of training hours per employee	Corporate (skills) training	Training breakdown by gender		Training breakdown by employee category		
			Male	Female	Senior executives	Heads of functional units	Specialists
2013	9.6	2,208	824	1,384	-	656	1,552
2014	27.15	13,928	6,904	7,008	-	10,024	3,888
2015	11.08	13,472	6,944	6,528	256	6,016	7,200
2016	10.72	16,418	9,051	7,367	658	7,829	7,931

Professional training								
Total training hours								
	Average annual number of training hours per employee	Professional training	Training breakdown by gender		Training breakdown by employee category			
			Male	Female	Senior executives	Heads of functional units	Specialists	Labourers
2013	-	5,104	2,352	2,752	-	2,048	3,040	16
2014	6.76	7,110	-	-	-	-	-	-
2015	31.94	25,912	12,837	13,075	488	9,158	16,266	-
2016	16.40	25,124	13,638	11,486	568	8,240	16,326	-

	Total training hours	Average annual number of training hours per employee
2016	41,542	27.00

10.4 Supply Chain

Procurement Policy

The Group's procurement process is centralised and governed by the Regulations on Moscow Exchange Procurement Activities and procedures for procurement interaction between Moscow Exchange and other Group companies. In 2016, the Agreements on procurement interaction between Moscow Exchange and other Group companies were updated.

Strategic Procurement Priorities

The existing procurement framework helps to make fair choices among the most technologically advanced offers, ensure appropriate transparency in relations with suppliers and promote competition.

Priorities of Moscow Exchange's supply chain management strategy:

- Information transparency concerning procurement: any supplier can fill out the supplier form on the Moscow Exchange website (<http://moex.com/s273>), auctions are held on the B2B-centre electronic trading platform;
- Equality, fairness, no discrimination or unreasonable restrictions on competition among procurement participants: price negotiations are held only with short-listed bidders with proposals of similar quality;
- No additional commercial competitive stage is allowed after the announcement of the final request for proposals. An exception is a change in the terms of reference substantiated by the initiator, or resulting from the consolidation of procurement, which is considered a new procurement. However, additional commercial negotiations can only be held with the winner;
- Consolidation of volumes and awarding of long-term contracts to maximise economic effect;
- Aiming to expand the competitive environment by attracting alternative manufacturers.

In accordance with the priorities of the strategy, all suppliers – regardless of the size of the business and the country of registration – have equal rights to participate if they comply with transparent, justified qualification criteria.

Ensuring the effectiveness of procurement

In order to ensure effective procurement, proposals are benchmarked against the cost of service in the previous period, or the best bid is selected from a short list of proposals of similar quality. Costs are benchmarked against the market, and any changes are analysed. Depending on the scope, transactions are approved at the level of the procurement unit, Procurement Commission, Executive Board or Supervisory Board. For each transaction, regardless of its value, procurement records are kept and approved, indicating savings achieved and methods used to measure savings. The Security Department assesses counterparty risks for all suppliers. Audit data are valid for up to one year. Based on audit results, contracts are not awarded to suppliers with a high level of risk. Assessment covers only economic risks.

Procurement volumes

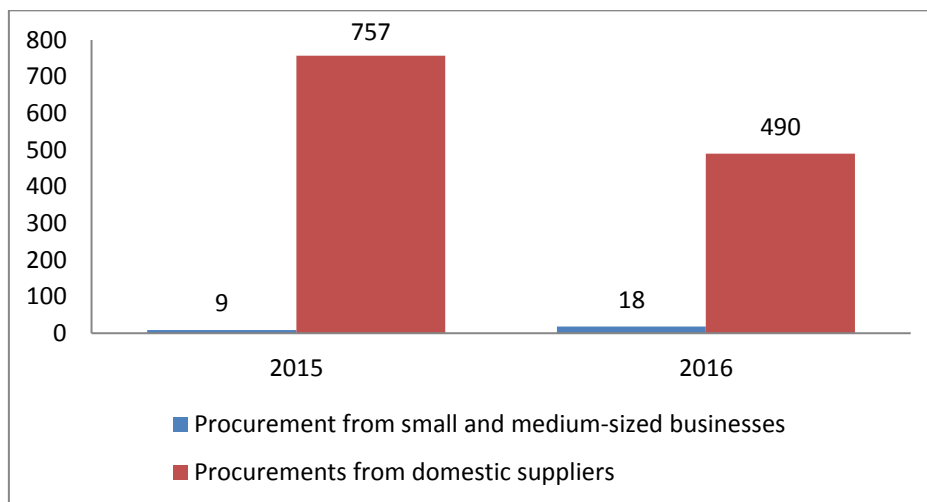
	Total	Tenders	Auctions	Procurement from a sole supplier (contractor, provider)	Other procurement methods	
		Open	Open, electronic		Closed	Open, electronic
Total number of tenders, other procurement methods (lots) and purchases from a sole supplier (contractor, provider)	509	0	0	227	173	109
Number of invalid tenders, other procurement methods (lots) deemed failed	1				1	
Number of invalid tenders, other procurement methods (lots)	1				1	

which were deemed failed and did not result in contracts						
Number of awarded contracts ⁷	606	-	-	-	-	-
The number of contracts terminated by the parties	6			3	3	

Economic effect of tenders, RUB'000

	Total initial (maximum) amount of tender contracts (lots), other procurement methods and the amount of contracts entered into with a sole supplier (contractor, provider)	Total amount of awarded contracts	Savings	
			RUB	%
2014 ⁸	-	-	-	-
2015	RUB 2,609.2 mln	RUB 2,161.7 mln	RUB 447.5 mln	17.1%
2016	RUB 5,712.3 mln	RUB 4,978.4 mln	RUB 733.9 mln	12.8%
2017 (planned)	-	-	-	7%

Number of purchases from small and medium-sized businesses and domestic suppliers, pcs.



⁷ No relevant statistics are collected. The number of contracts does not match the number of procurement events (purchases) as several contracts may be awarded within one event due to scaling up to the group of companies

⁸ Due to the implementation of the new statistical data processing system, the procurement statistics are provided for the period from 1 May to 31 December 2015

10.5 ESG components

10.5.1 Governance

10.5.1.1 Corporate governance

Indicator	GRI G4 index	Page
Board of Directors' structure	G4-34, G4-38	
Non-executive director	G4-39, G4-34, G4-38	
Nomination process for the Board of Directors	G4-40	
Gender balance	G4-10, G4-38, G4-LA12	
Functional responsibilities of the members of the Board of Directors and Committees	G4-34	
Board of Directors' effectiveness	G4-41, G4-38	
Remuneration system and performance assessment system for managers		
Transparency of managers' remuneration		
Ratio of employees' remuneration to managers' remuneration	G4-54	
Ownership of the company's shares by the management		
Management and control system / accountability system		
Company's involvement in crisis situations with potential negative impact on its reputation		
Risk management system and responsibility distribution in relation to GRI	G4-35, G4-36, G4-45, G4-46	
Risk map		
Sensitivity analysis against current risks (stress testing)		
New risks impacting the company's future development		
Risk management strategy		
Codes of conduct and compliance	G4-58	
Code compliance control system	G4-56, G4-57	
Anti-bribery and corruption policy	G4-SO6	
Anti-bribery and corruption codes of conduct	G4-SO4	
Report on the violation of the anti-bribery and corruption codes	G4-58, G4-SO5	
Risk events / incidents		
Improvement programme		

10.5.1.2 Customer relationship management

Indicator	GRI G4 index	Page
Market and customer segments overview		
Management and control system / accountability system		
Online customer relationship management		
Customer satisfaction surveys	G4-PR5	
Customer satisfaction indicators		
Security of customer data	G4-PR8	
Brand management system		
Brand maintenance costs		
Brand development strategy	G4-35, G4-36	
Current brand assessment system		
Stakeholder expectations analysis		
Supply chain management		
Supplier analysis system	G4-12	
Risk assessment across the supply chain	G4-12	
Measures taken to manage critical risks related to the supply chain	G4-12	
Integration of ESG principles in the supply chain management system	G4-EN32, G4-LA14, G4-HR10, G4-SO9	
Advantages of the supply chain and their positive impact on the business		
Disclosed provisions of the supply chain management policy (publicly accessible)		
Risk events / incidents		
Improvement programme		

10.5.1.3 Tax strategy

Indicator	GRI G4 index	Page
Approach to tax management (policy provisions)		
Approach to disclosing key financial and tax information	G4-EC1	
Tax risk management system		
Highlights of the customer privacy policy	G4-PR8	
Customer privacy practices (number of contracts, procedures, etc.)	G4-PR8	
Responsibility for using personal data	G4-35, G4-36, G4-PR8	

Informing customers about the company's privacy policy		
Data security system		
Risk events / incidents		
Improvement programme		

10.5.2 Environmental

Indicator	GRI G4 index	Page
Environmental policy: key provisions and availability to stakeholders		
Availability of environmental information to stakeholders	G4-17, G4-18, G4-23	
Management and control system / accountability system		
Environmental KPIs		
Environmental performance management system		
Energy consumption	G4-EN3, G4-EN4	
Water consumption		
Direct greenhouse gas emissions	G4-EN15	
Indirect greenhouse gas emissions	G4-16	
Air pollutant emissions	G4-EN21	
Polluted discharge	G4-EN8, G4-EN10	
Waste generation	G4-EN23	
Climate change	G4-EC2	
External assurance for environmental indicators	G4-33	
Certification of the environmental management system (EMS)		
Risk events / incidents		
Improvement programme		

10.5.3 Social

Indicator	GRI G4 index	Page
Key principles of recruitment and employee development		
Codes and procedures (including a collective bargaining agreement)		
Management and control system / accountability system		
Employee structure and diversity	G4-10, G4-15, G4-LA12	
Fair remuneration	G4-15, G4-LA13	
Employee turnover		
Human rights	G4-15	
Human capital development (training)	G4-LA9	
Employee development programmes		
Percentage of employees from local communities		
Talent acquisition and retention		
Employee performance assessment	G4-LA11	
Incentive programme		
Employee satisfaction indicators		
Health and safety	G4-LA6	
Stakeholder engagement	G4-26, G4-35, G4-36, G4-SO11	
Strategic priorities of charity programmes	G4-SO1	
Types of charity projects and community development initiatives (including indigenous peoples)	G4-EC1	
Charitable contributions		
Risk events / incidents		
Improvement programme		