

## Senior Independent Director's Report 2017

The independent directors of the Moscow Exchange ("MOEX"), together with the other directors and the company secretary, are committed to ensuring that the Supervisory Board of the MOEX provides sound, consistent and effective leadership. The MOEX Corporate governance system is based on Russian Joint-Stock Company Law, listing rules, Russian Corporate Governance Code ("the Code") and best international corporate governance practices. However, the Supervisory Board believes that good governance and clear leadership are about more than adherence to the Code or to any particular guidance. The members of the Supervisory Board take responsibility for promoting the success of MOEX whilst managing risk and ensuring the high ethical standards and behaviors expected of all employees at MOEX.

During 2017 the independent directors were satisfied with the quality of planning of Board meetings, the timeliness and fullness of information disclosure to the Board as well as the overall information provided for decision-making, which was complete and reliable. Meaningful preliminary discussions were usually undertaken and key issues were given sufficient consideration in face-to-face meetings.

MOEX has an active induction program for new Board members and the ongoing education of directors is encouraged. Governance improvements are regularly discussed at the Board meetings. The working atmosphere in the Board continued to be very collegial and constructive and in the best interests of the company. Overall the proceedings of the Board were very open, allowing sufficient time for strategic discussions and decisions.

Independent directors were actively involved in the work of the Supervisory Board Committees during the year. All independent directors were represented on the following principal Committees: Audit, Nomination and Remuneration, Strategic Planning, and Technical Policy. Each of these Committees, with the exception of the Budget and Risk Management Committees, were chaired by an independent director. As well as giving independent directors in-depth information about the organization, this gives them the opportunity to shape and constructively influence important areas of the business and thereby better inform the Board's decision making.

The Audit Commission gave additional focus this year to the efficacy of the internal control systems across the MOEX Group. The steps taken included an externally facilitated review with senior executive management to assure proper internal control systems are in place throughout MOEX. As a result the Audit Committee approved a number of proposals for enhancements to the scope and approach of the internal control systems. Additionally the Committee ensured the careful selection of, and the smooth transition to, a new external auditor.

The Nomination and Remuneration Committee's main focus was on the internal and external succession planning of the Executive Board and as part of this prepared the process for the CEO election in 2018. It was actively involved in the process of recruiting a new CFO, who was appointed in September 2017. The NRC also carried out a detailed review of Supervisory Board succession planning, including the required skills and competencies. Finally the Key Performance Indicators for senior management and compensation (fixed, variable and long-term incentive program) were intensively discussed and agreed.

The Strategic Planning Committee was focused on scrutinizing progress on the development of the agreed strategic projects as well as discussing new opportunities and trends, especially in FinTech, crypto-assets, regulation, and market data, as well as international developments. A successful Strategy Day was held in June 2017, prepared by the Committee and the Executive Management. This helped to inform and clarify MOEX's future strategic priorities. A special subsidiary was established in 2017 to manage new innovative products, particularly in the market data business.

The Technology Committee scrutinized and affirmed the three year Information Technology Development Program, as well as key policies and guidelines. Areas covered included core technology choices such as hardware rotation policy, network architecture, use of NoSQL databases, use of cloud deployments, core process improvement, such as Software Development Life Cycle, and matters of cybersecurity and operational stability.

According to the survey carried out by an independent research agency, investors have a positive view towards MOEX governance as well as investors relations.

The Risk Management Committee (operating as a joint Risk Commission with NCC) discussed all major financial risks such as credit, interest rate, liquidity, currency and risks, operational risks, the risk appetite, the new Unified Collateral Pool, Cross Margining, the risk model, stress testing, implementation of the new Russian CCP regulation (i.e. the change to a non-banking license, new CCP ratios, etc.) as well as other non-financial risks to MOEX.

The Budget Committee monitored the implementation of the 2017 budget and established a very efficient and constructive relationship with the new CFO. The Committee scrutinized in detail the 2018 budget, enabling a transparent Board discussion with a major focus on product development, cost efficiency and capital expenditures. The Commission also reviewed in detail the new tariff initiatives for 2017/2018.

The independent directors are aware of, and keep in constant view, their accountability to the Moscow Exchange stakeholders. As the Senior Independent Director, I regard myself as available to shareholders at any time. All directors are updated regularly on shareholders' views. Following analyst or investor meetings, detailed briefings are provided to the Supervisory Board, including feedback from those present. Analysts' reports are also circulated to the directors throughout the year.

Towards the end of the year 2017 an independent research agency was commissioned to carry out an investor perception study for the Moscow Exchange. According to the survey investors have a positive view towards MOEX governance as well as investors relations. They see the introduction of new products and the broadening of the client base as key growth drivers that help to realize further infrastructural development and diversify away from the reliance on interest income.

The Supervisory Board conducted a self-assessment again this year and agreed on the targets for the Supervisory Board for years 2017-2018. Shareholders can also provide feedback in relation to the individual performance of the directors at this year's Annual General Meeting in April when all the directors will be standing for re-election.

The independent directors are satisfied that the Moscow Exchange corporate governance controls have been effective throughout the year ended 31 December 2017.