

DEVELOPMENT OF THE CORPORATE GOVERNANCE SYSTEM

In 2015, the Supervisory Board identified its objectives for the 2015-2016 corporate year:

- to adopt strategies for each Moscow Exchange Group business line;
- the nomination and election of candidates for the Supervisory Board;
- to formalise the succession programme for the Supervisory Board and top managers; and
- to draw up a Dividend Policy in accordance with the Strategy and the Information Policy in accordance with the Corporate Governance Code.

Most of the above objectives were attained in 2015; others will be attained in 2016.

In line with best international practices, the Supervisory Board paid special attention to training its members in 2015:

- four members completed a course at the British Institute of Directors;
- three members participated in Mini MBA programmes; and
- one member participated in the Booster Mini MBA programme.

At each meeting in 2015, the Audit Committee reviewed the progress in terms of ensuring that Moscow Exchange's activities comply with the Corporate Governance Code and the Listing Rules, and the Committee also gave its recommendations to the Supervisory Board and top managers on relevant corrective measures.

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 Moscow Exchange's Supervisory Board, the number of whom cannot exceed the number of members of the Supervisory Board. The Charter of Moscow Exchange provide that such proposals should be submitted to Moscow Exchange 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 or not 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 7 March 2015.

At the end of the day on 2 March 2015, Moscow Exchange received proposals on the nomination of 17 candidates to the Supervisory Board to be elected at the Annual General Meeting of Shareholders in 2015, 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 Adaptation 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 meetings of shareholders and of the Supervisory Board;
- an overview of the history of the Russian stock market and basic information about Moscow Exchange's strategy and operations;
- meetings with the Chairman of the Supervisory Board and the Chairman of the Executive Board of Moscow Exchange;
- meeting with the Director of the Corporate Governance Department acting as the Corporate Secretary of Moscow Exchange;
- 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;
- meeting with the chairpersons of any committees whose members are also members of the Supervisory Board.

MOSCOW EXCHANGE CORPORATE GOVERNANCE CODE

On 31 July 2015, Moscow Exchange approved its Corporate Governance Code (hereinafter, the Code). The Code complies with the Russian laws and meets:

- 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, the 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 the 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.

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 the development plans of the Moscow Exchange, 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/>) (in Russian).

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;
- the procedure for granting access to information and documents belonging to Moscow Exchange.

The Information Policy aims to provide 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 EVALUATE COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES ESTABLISHED BY THE CORPORATE GOVERNANCE CODE OF THE BANK OF RUSSIA

As the methodology that Moscow Exchange used to evaluate compliance with the corporate governance principles set forth in the Corporate Governance Code of the Bank of Russia, the recommendations used were those set out in Letter of the Bank of Russia of 17 February 2016 No. IN-06-52/8 on Disclosure, in the Annual Report of a Public Joint-Stock Company, of a Report on Compliance with the Principles and Recommendations of the Corporate Governance Code.

The aim of the evaluation was to verify the conformity of Moscow Exchange's Charter and internal documents, corporate governance practices and internal procedures with the principles and recommendations of the Corporate Governance Code of the Bank of Russia. The results of the verification of compliance with the requirements of the Listing Rules of ZAO MICEX Stock Exchange and the Corporate Governance Code of the Bank of Russia conducted by the Internal Audit Service of the Moscow Exchange in 2015 and reviewed by the Audit Committee of the Supervisory Board were also used.

The findings of the evaluation are contained in the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code (the Report),¹ which is a part of this Annual Report.

The evaluation showed that the Moscow Exchange complies with the majority of principles and recommendations of the Corporate Governance Code.

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.

¹The Report is made as per the form recommended and communicated to issuers in notification letter No IN-06-52/8 from the Bank of Russia of 17 February 2016 on Disclosure, in the Annual Report of a Public Joint-Stock Company, of a Report on Compliance with the Principles and Recommendations of the Corporate Governance Code .