

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:

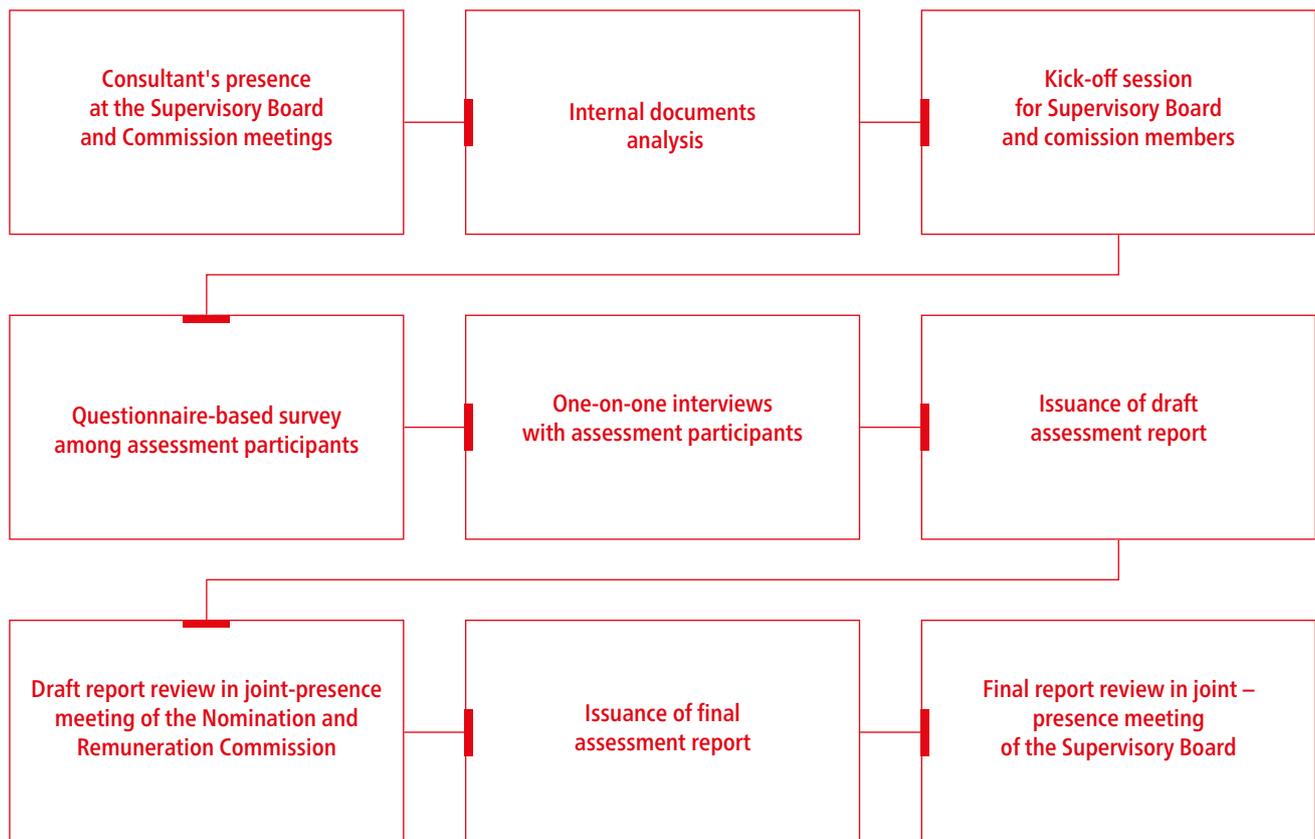
- an assessment of the role and functions of the Supervisory Board and its commissions in Moscow Exchange's corporate governance system;
- determination of the degree of balance of the Supervisory Board and commissions' membership structures;
- an assessment of the quality of interaction between the 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.