

# Statement from the Chairman of the Supervisory Board



**Oleg  
Viyugin,**

*Chairman  
of the Supervisory Board*

A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

## DEAR SHAREHOLDERS,

It is an honor as Chairman of the Supervisory Board to present the key results of Moscow Exchange for 2018.

For Moscow Exchange, 2018 was a year of significant achievements and important decisions. The key goals set by the Supervisory Board – namely growth of fee and commission income, expansion of the retail investor base, development of the corporate bond market and acceleration of project completion – were successfully achieved.

Fee and commission income increased by 11.5% year-on-year, accounting for a record high 59% of total operating income. Time-to-market for new products decreased by a third. The number of retail brokerage accounts increased by 50% in 2018.

Today, Moscow Exchange is the main platform for attracting public capital into the country's economy. Over the course of the year, Russian companies raised more than RUB 2.3 trillion from Russian and international investors via the Exchange, and the Russian government attracted RUB 1 trillion through offerings of government securities.

One of the important areas of focus for the Exchange is to build meaningful dialogue between Russian and foreign investors and market players using major industry conferences. The Exchange is a partner of the St. Petersburg International Economic Forum (SPIEF), the Finopolis forum for financial innovations and the International Financial Congress. It also holds its own investment conferences branded Moscow Exchange Forum in global financial centers Moscow, Shanghai, London and New York. These forums provide the business and investment communities an opportunity to learn about the Russian economy and financial market first-hand.

The Exchange has established active and direct communication with its customers – its market participants. Nineteen user committees and two expert committees have been established and work actively to discuss the latest issues for specific markets or specific groups of clients.

As part of the long-term effort to develop the financial markets of the Eurasian Economic Union, Moscow Exchange forged an agreement with Kazakhstan Stock Exchange (KASE) that contributes to harmonization of the regulatory framework and infrastructure of the Russian and Kazakh financial markets and enables issuers of our

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countries to effectively attract capital on the open market to finance their businesses and help investors unlock more opportunities.

Environmental, social and governance (ESG) criteria play an increasing role in investment decisions on international markets. Moscow Exchange is contributing to this trend by encouraging issuers to expand disclosure in this area and helping investors better assess companies' corporate social responsibility performance. Notably, Moscow Exchange joined the United Nations' Sustainable Stock Exchanges (SSE) initiative, which brings together more than 80 securities exchanges from around the world. The Exchange also penned a cooperation agreement with the Russian Union of Industrialists and Entrepreneurs (RSPP), to calculate sustainability indices based on ESG reporting. In order to facilitate financing of companies involved in environmental or social projects, a new Sustainability Sector is envisaged to enable precise positioning of issuers and investors with targeted investments.

Moscow Exchange also strives to adhere to best practice with regards to its own corporate governance. Seven of the 12 members of the Supervisory Board are independent directors and the Board audit, strategic planning, nomination and remuneration and technical policy committees are all chaired by independent directors. Active participation of independent directors on the Board helps to ensure transparent and effective corporate governance.

In order to make it more convenient for shareholders to participate in corporate actions, the Exchange implemented remote digital voting during general meetings of shareholders. The new platform created by the National Settlement Depository (NSD) enables more shareholders to participate in corporate governance and has seen strong demand among Russian issuers. For Moscow Exchange, this new technology has become particularly important given that in 2018 the number of individuals holding shares in the Exchange more than doubled to exceed 35,000.

The Supervisory Board remains committed to a policy of distributing the majority of profits to shareholders as dividends. The Exchange's approach to dividends is an important part of the company's investment case. Moscow Exchange is amongst the leaders in Russia and globally in terms of the percentage of net profit returned to shareholders in the form of dividends. The Board has recommended that 89% of 2018 net profit be paid out to shareholders as dividends.

Payment of dividends will be made based on full-year results, in line with the Exchange's dividend policy. The Supervisory Board recommended not to pay an interim dividend for the first half of the year in order to sustain a high capital adequacy level of the National Clearing Center (NCC). In the context of highly volatile financial markets, market participants increased volumes and their share of trading with the central counterparty, thus increasing pressure on its capital.

Taking into account the importance of balanced development of the Exchange as the central element of Russia's financial market infrastructure, the Supervisory Board acts in constant cooperation with the management team and is responsible for strategic oversight of the Exchange and its sustainable growth. We can already state that Moscow Exchange has implemented the key elements of its Strategy 2020 and achieved the financial and operational targets included in that strategy. In view of this, in 2018 the Supervisory Board began development of a new strategy and plans to present it to shareholders, the investor community and analysts in the near future.

This year, we will start delivering on our new 2019-2024 strategy that pursues a significant transformation of the company's business model. We also plan to release an updated dividend policy to ensure predictability and stability of dividend payments to our shareholders.

Finally, I would like to express my gratitude to the shareholders and the customers of Moscow Exchange for their trust and support and effective cooperation as we work together to further develop the Russian financial market. The Supervisory Board will continue its hard work aimed at ensuring operational reliability and adequate return on invested capital for our shareholders.