

Moscow Exchange and the community

COMMUNICATION WITH PROFESSIONAL COMMUNITY

Moscow Exchange is actively engaged in a constructive dialogue with existing and potential investors and market participants in the form of direct communication through its advisory bodies and working groups, as well as investment conferences, forums and specialized trainings. These activities assist in attracting new investors to MOEX's markets, expanding the client base, increasing liquidity on the markets and boosting investment into the Russian economy.

Moscow Exchange Council

MOEX actively maintains ongoing communication with market participants through its advisory bodies, with a view to receiving feedback from clients regarding new products and services, ways to improve the Exchange's infrastructure and proposed changes to financial market regulations.

MOEX's principle advisory body is the Moscow Exchange Council, whose primary objective is to put forward strategic proposals to further develop the Russian financial market, as well as to represent traders and consumers of the Exchange's services in order to ensure full and comprehensive recognition of their needs when addressing any issues related to the organization and development of the financial market infrastructure. The Moscow Exchange Council is comprised of representatives from the largest market participants, self-regulatory organizations, asset management companies, investment banks and the Bank of Russia.

In 2018, the Moscow Exchange Council consisted of 25 members; its membership was approved by the Supervisory Board of the Moscow Exchange at the end of 2017. The Chairman of the Council is Andrey Zvezdochkin, Chief Executive Officer of ATON investment company.



**Andrey
ZVYOZDOCHKIN,**
Chairman of the Exchange
Council and Chief Executive
Officer of Aton

A handwritten signature in black ink, appearing to be 'A. Zvyozdochkin', enclosed within a red circular border that connects to the portrait above.

The Exchange Council consists of senior executives representing the largest Russian market participants, including banks, brokerages, asset managers and self-regulatory organizations. There is no other body in Russia that acts as a forum to discuss issues related to the entire financial industry.

The Council's main focus is on development of the exchange infrastructure and the market as a whole. Topics that the Council engages with include legislative initiatives aimed at improving the financial market and protecting investors' interests, measures to boost the size of the market and liquidity and the introduction of new products and technologies. These are all things that help the financial sector to evolve and thrive.

2018 was another successful year for the investment sector. Russia's securities market continues to demonstrate strong growth potential. The Exchange Council's work in addressing the most important issues facilitates the unlocking of that potential.

In 2018, the Moscow Exchange Council held five meetings, where the following issues were considered:

- ▶ the decentralized depository for digital assets project;
- ▶ interaction with companies issuing securities;
- ▶ regulatory initiatives;
- ▶ methods of listing bonds;
- ▶ the financial products Marketplace project;
- ▶ status of the Unified Collateral Pool project;
- ▶ legislative initiatives to develop the financial market;
- ▶ introduction of a system of active monitoring of trading through filing/withdrawal of applications;
- ▶ feasibility for Russian investors to access global financial market products via MOEX.

User Committees

Nineteen user committees (based on financial market participant groups and issuers) operate under the auspices of Moscow Exchange and NSD.

Most of the committees are formed on an annual basis and composed of representatives of professional market participants, including banks, brokers, asset management companies, issuers and non-financial companies. They are mainly tasked with the preparation of proposals to amend legislation and regulations; the consideration of regulatory matters associated with public trading and issuance of securities, disclosure of information on the securities market and corporate governance. In addition, they develop proposals for managing securities trading, improving clearing and settlement technologies, as well as expanding the range of available tools and services. Matters put forth for review by the Moscow Exchange Council are often preliminarily debated in the user committees.

For the convenience of committee members, clients and market participants, MOEX publishes a monthly digest containing information on discussions and decisions taken at Exchange Council and user committees meetings.

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

Expert Council on Listing

In order to deepen analysis and improve the quality of listed securities, the Expert Council on Listing was established. Its main function is to develop recommendations for MOEX on listing, delisting, changes in the level of listings of securities and the strengthening of listing requirements. The Expert Council is an advisory body and its recommendations are intended to augment the expertise of the Exchange.

In 2018, a new membership of the Expert Council on Listing was elected, consisting of 42 members, including appraisers, auditors, bankers, lawyers, analysts, investors and methodologists. Meetings of the Expert Council are held in the form of working groups made up of seven to ten experts, appointed by the Chairman of the Expert Council to consider certain agenda items.

In 2018, the Expert Council on Listing held 15 meetings, 37 issues were considered, including the development of recommendations and criteria for the inclusion of shares, bonds and collective investment instruments in the securities sector of uncertain investment risk; development of recommendations on the disclosure of information by issuers of shares from the first and second level quotation lists; development of recommendations on changes in the level of listing or delisting of securities of certain issuers.

IR Academy

Since 2016 the IR Academy has operated at Moscow Exchange. The IR Academy is a discussion platform for investor relations (IR) specialists and a center for the development of professional IR principles and standards.

The IR Academy holds seminars for investor relations professionals at public companies aimed at helping them strengthen their IR function, improve communications with the investment community and elevate disclosure of information and corporate governance standards. The seminars assist IROs in adopting best practices of interaction with investors.

In 2018, the second phase of the IR Academy project was launched. Since the launch of the IR Academy in September 2016, 15 seminars have been held, hosting about 100 speakers.

Development of Corporate Governance in Russia

The annual report competition organized by Moscow Exchange together with the RCB Media Group is one of the most important events in the sphere of corporate governance and investor communication in Russia. The Competition celebrates transparency of public companies and excellence in disclosure of information for the benefit of investors and clients. In 2018, the 21st Annual Report Competition was held: 122 companies participated, including five companies for the first time.

MOEX convened the Corporate Governance in Russia 2018 conference, an event dedicated to discussion of Russian and international trends in corporate legislation and regulation, as well as the role of information technologies in improving corporate governance. At the conference, the Bank of Russia presented its digest "On Corporate Governance Practices in Russian Public Companies."

Maria Gordon and Bella Zlatkis, members of the Supervisory Board of the Moscow Exchange, became winners of the 13th Director of the Year National Award held in the framework of the 8th All-Russian Corporate Governance Forum. Maria Gordon won in the Independent Director nomination, Bella Zlatkis received an award for her contribution to the development of the institute of independent directors.

Interaction with the Investment Community

For many years, MOEX has convened its own events and supported the largest professional conferences of financial market participants. Since 2009, the Exchange has organized Exchange Forums across the world's major investment centers, such as London, New York, Shanghai and Moscow, annually drawing over 2,000 representatives of global institutional investors and banks, heads of trading divisions and portfolio managers. The Forums provide a unique platform for dialogue among government officials, representatives of investment funds and banks and CEOs of Russian issuers while marketing the Russian financial market to domestic and international investor. In 2018, the Moscow Exchange Forum was held in two cities in China, Shanghai and Beijing.

The Exchange also held the Annual Money Market Forum, the On-Exchange Derivatives Market: Looking Forward conference and the Retail Investor conference, which was the opening event of the Financial Solutions Fair 2018. The Exchange was a business program partner of the St. Petersburg International Economic Forum (SPIEF), the International Financial Congress held annually by the Bank of Russia in St. Petersburg and the Finopolis innovative financial technologies forum in Sochi. In addition, the Exchange supported the events of self-regulatory organizations, i.e. conferences organized by the National Association of Equity and Bond Market Participants (NAUFOR), namely the Russian Equity and Bond Market conference and the Russian Structural Products Market conference as well as sponsoring the Repo-Forum organized by the National Financial Association (NFA).

In 2018, agreements for information cooperation related to the promotion of enterprises on the debt market were signed with financial market participants and public organizations from the Samara, Saratov and Ulyanovsk Regions, the Republic of Tatarstan and the Novosibirsk public organization Interregional Association of Business Leaders. The cooperation agreements are aimed at providing potential issuers and investors with information on financing opportunities, including through the issue of corporate bonds and the organization of scientific, practical and thematic events focused on the coverage and development of the financial market.

International Cooperation

Moscow Exchange places great emphasis on cooperation with international financial organizations, with a view to exchanging experience and embracing global best practices. In 2018, this work focused on expanding cooperation with Chinese companies, banks and exchanges, including hosting joint events and signing cooperation agreements.

In September, MOEX hosted the first Russian-Chinese Investment Conference in Moscow and St. Petersburg jointly with the Shanghai Stock Exchange to discuss the future development of the capital markets of the two countries. The events were attended by the heads of Chinese brokerage and asset management companies, representatives of the corporate sector, representatives of the Bank of Russia and the Russian Ministry of Finance, leading Russian banks and brokerage companies and major Russian and Chinese investment funds.

In November, the traditional Exchange Forums on the Russian capital market were held for Chinese investors in Beijing and Shanghai. They were attended by representatives of MOEX and major Russian issuers, Chinese financial and infrastructure institutions as well as institutional investors. Forums and seminars were aimed at developing cooperation in the financial sector and creating joint projects in the public capital market.

In October, during a visit of a delegation from the Shenzhen Stock Exchange to Moscow, MOEX signed a memorandum of understanding committing to conduct joint marketing activities for Russian and Chinese investors and to implement projects ensuring mutual access to the markets of both countries, including potentially establishing a trading and clearing link between Moscow and Shenzhen, as well as cross-listing of ETFs on Russian and Chinese stock indices.

In November, in China, MOEX signed a memorandum of understanding with the Shanghai Clearing House (SHCH). Under this memorandum, the parties shall work out the possibility of building clearing and settlement links between the central counterparties of the Russian and Chinese markets, the NCC and the SHCH. The link will establish the settlement and clearing infrastructure necessary for allowing Chinese banks and investors to access MOEX FX Market and Bond Market instruments, and to allow Russian market participants to access the Chinese market.

MOEX also signed a memorandum of understanding with China International Capital Corporation (CICC) that aims to deepen investment cooperation between Russia and China and develop the off-shore CNY market in Russia. Under this agreement, the parties will explore projects that enable trading CNY instruments on MOEX, as well as cross-listing of ETFs and other financial instruments of the Russian and Chinese trading platforms.

In April, during the third annual Global Gold Market Summit 2018 held in China, MOEX signed a memorandum of understanding with the Shanghai Gold Exchange aimed at promoting cooperation between the two exchanges in the field of gold trading. The signing of this memorandum constituted the next step in the expansion of financial market cooperation between Russia and China and the development of a Regulated Precious Metals Market provided for by the cooperation agreement in the field of gold trading between the Bank of Russia and the People's Bank of China.

International cooperation was not limited only to Chinese financial institutions. In April, during the annual Exchange Forum held in Moscow, MOEX signed a memorandum of understanding with the Hanoi Stock Exchange (HNX), aimed at promoting cooperation and strengthening the partnership between the two exchanges. In October, MOEX signed a strategic partnership agreement with the Kazakhstan Stock Exchange (KASE), under which MOEX will acquire up to 20% of KASE. The main objectives of the partnership include integration of the Russian and Kazakhstan trading markets, mutual access to exchange markets for professional participants and investors, exchange of information on market development, promotion of the KASE's initial public offering and use of MOEX's experience in the initial placement of the KASE shares.

MOEX is a member of the World Federation of Exchanges (WFE) and the Futures Industry Association (FIA). In 2018, MOEX was represented at several WFE and FIA conferences in Chicago, London, Boca Raton and Athens. MOEX was also an active participant of the WFE working groups, including those studying exchanges' efforts to attract international investors to exchange markets.

Employer Brand and Attraction of Young Specialists

The Exchange was recognized as one of the World's Best Employers for the second year in a row. The ranking by Forbes Magazine ranked 500 top employers globally, with only four Russian companies making the list.

Due to the unique profile of MOEX, one of the priorities of the personnel policy is to attract highly qualified employees and young specialists. In 2018, MOEX targeted young talent by putting in place an internship program for 46 students of financial and IT departments of universities, giving them an opportunity to participate in real Moscow Exchange projects and undergo a comprehensive training program to develop and improve their skills and competencies. The most successful interns were offered the opportunity to continue their career at the Exchange.

In 2019, MOEX will continue working with young specialists and developing internship programs in accordance with the best practices. In April 2019, the Exchange will launch three internship programs:

- ▶ **MOEX Future Leaders** is an annual internship for senior university students who want to undergo training in the financial markets industry and strive to become true leaders. During the year, students will be able to work in several divisions of the Exchange and gain universal experience.
- ▶ **MOEX Study&Work** is a program for students wishing to participate in research activities under the supervision of experienced professionals at MOEX.
- ▶ **MOEX Start** is a three-month internship that allows interns to get acquainted with the activities of the Exchange and gain first-hand work experience during their summer holidays.

Collaboration with Universities

MOEX actively participates in financial literacy initiatives, implementing various initiatives in this area. Together with one of Russia's leading economic universities, the Financial University under the Government of the Russian Federation, MOEX convenes Fincontest, a competition focused on the financial markets. Fincontest tests the knowledge of participants in the fields of corporate finance, the securities market and financial analysis, while assisting participants in beginning a professional career in finance. In 2018, more than 2,000 students took part in Fincontest; based on the results of a multi-stage selection process, two students were offered an internship at Moscow Exchange.

Moscow Exchange professionals are regularly involved in joint programs with leading Russian universities. In 2018, MOEX speakers held a series of master classes at the Moscow State Institute of International Relations (MGIMO), the Lomonosov Moscow State University (MSU), the Higher School of Economics (HSE), the Financial University under the Government of the Russian Federation and the Moscow Engineering Physics Institute (MEPhI). The financial literacy course of study, Master's Program in Securities and Financial Engineering, was launched in collaboration with the Financial University. Over the past few years, Moscow Exchange Group employees have run a special course on Financial Risk Management at Moscow State University's Faculty of Computational Mathematics and Cybernetics. MOEX has cooperated closely with MEPhI for 20 years, a partnership under which the MEPhI operates a faculty specializing in exchange trading technologies.

In 2018, Moscow Exchange Group supported the All-Russian Days of Financial Literacy in Educational Institutions, as well as the 13th All-Russian Contest on Financial Literacy & Financial Market and Financial Consumer Protection for senior pupils.

Moscow Exchange also facilitated the On-Exchange Market Cup of the Governor of the Novosibirsk Region, a tournament where 153 students from 14 Russian universities had the opportunity to get acquainted with securities exchange markets, try out trading strategies, practice forming an investment portfolio and gain work experience in the markets.

Together with the major brokers and banks, the Financial Triathlon – Treasure Exchange quest competition was held in St. Petersburg for students and undergraduates, who could get acquainted with stock exchange history in Russia, the mechanisms of operation of the exchanges and brokers, try themselves as investors while solving entertaining economic problems and mini-cases and answer quick-fire questions.

Stock Exchange History

Since 2002, the Exchange has operated a museum that chronicles the main stages of creation and development of the Exchange and the financial markets in Russia.

In 2018, on the basis of the collected historical materials, about 100 excursions, lectures and seminars were held, which were attended by about 2,500 people, including schoolchildren and university students, as well as official Russian and foreign delegations.

Tours of the museum for new employees, who are just beginning to get acquainted with the Exchange, resumed. In addition, in 2018, the Exchange joined the All-Russian Night of Museums with about 100 employees of the Exchange visiting the museum and listening to a lecture on stock exchange history.

MOEX constantly engages in new research, and in 2018, a collection of historical documents was prepared for publication, which included the Consolidated Charter of Joint-Stock Commercial Banks, materials of the Congress of Joint-Stock Commercial Banks of 1916 and an essay on the establishment and activities of this banking association during the First World War, the Bolshevik Revolution and emigration.

CHARITABLE ASSISTANCE

The charity program is carried out in accordance with the Company's Charity Policy, which was approved by the Executive Board of Moscow Exchange on 6 September 2012. The Group's charitable activities prioritize financial support for long-term social initiatives implemented by reputable specialist foundations and non-profit organizations. The Executive Board approves the list of projects to be funded based on recommendations of the Charity Policy Committee on an annual basis.

Moscow Exchange focuses its charitable initiatives on the following key areas:

- ▶ development, education and medical treatment of children;
- ▶ aid to those injured in catastrophes and natural disasters;
- ▶ support for veterans and the elderly.

The Exchange does not support organizations that discriminate based on gender, sexual orientation or nationality.

The Exchange does not, directly or indirectly, finance organizations whose activities are in any way associated with human rights violations or manufacturing and proliferation of weapons of mass destruction, and it does not take part in projects that carry risks of environmental pollution.

The Group cooperates with several reputable charitable foundations, which receive the bulk of its charity allocations. By working with partner non-profit organizations, the Exchange ensures that the funds impact a large number of people in need while also ensuring transparency of expenditures. In 2018, the Group's charity expenses amounted to RUB 27.5 mln.

In selecting new projects or deciding whether to continue funding existing projects, the Exchange applies the following criteria:

- ▶ The project's ability to address a socially significant problem in Russia;
- ▶ Measurable assessment of the project's impact;
- ▶ Opportunity for Moscow Exchange employees to take part in the project.