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# *Information on major transactions and related party transactions*

## **MAJOR TRANSACTIONS**

In 2018, the Exchange executed no transactions recognized as major transactions in accordance with Federal Law No. 208-FZ on Joint-Stock Companies dated 26 December 1995.

The Charter of Moscow Exchange does not define any other transactions that are subject to the major transactions approval procedure.

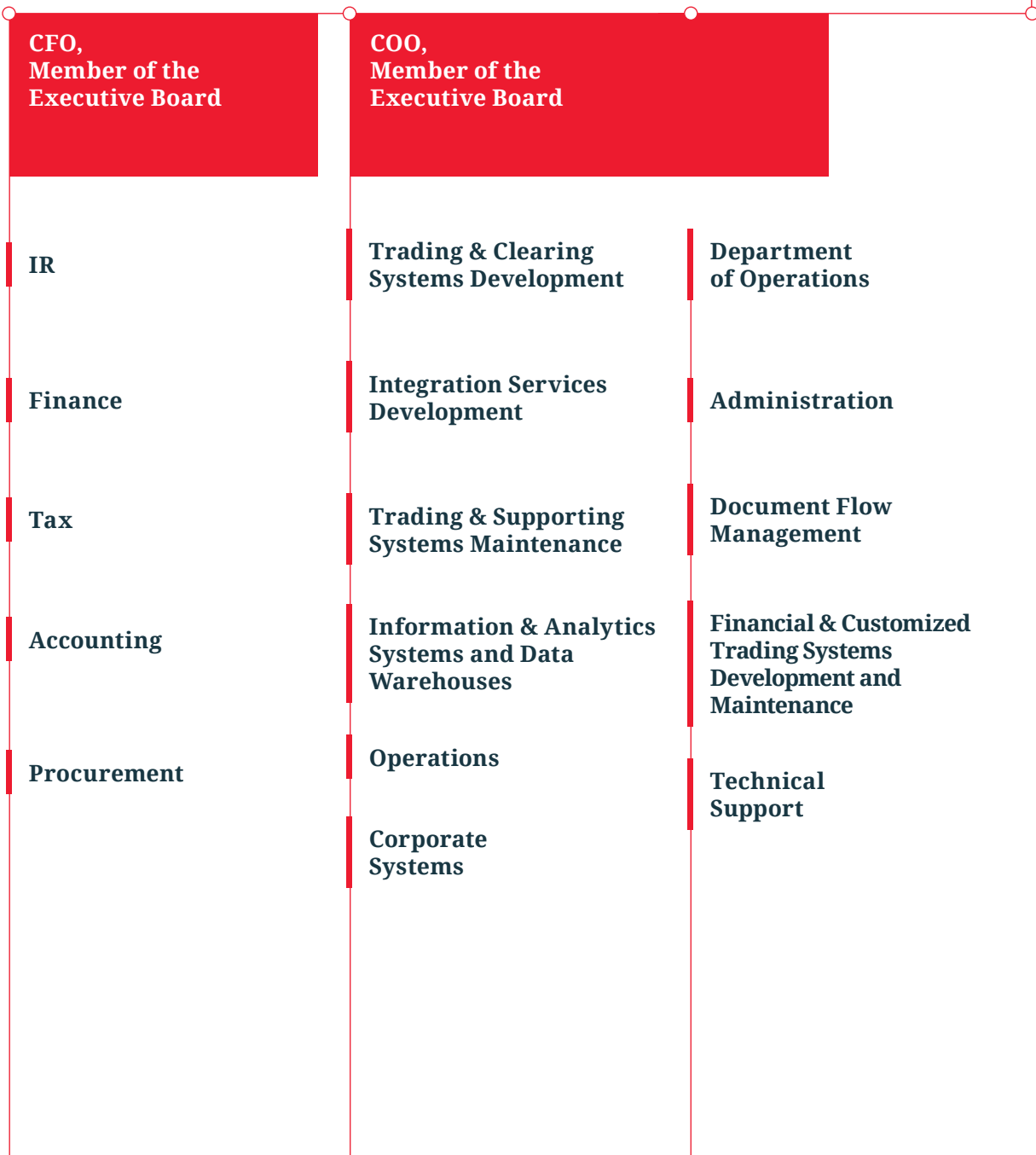
## **RELATED PARTY TRANSACTIONS**

In the 2018 reporting year, the Exchange performed transactions that were recognized as related party transactions in accordance with Federal Law No. 208-FZ on Joint-Stock Companies dated 26 December 1995, and were subject to approval in accordance with Chapter XI thereof.

Information on such transactions is stated in the Report on the Moscow Exchange's Interested Party Transactions for 2018 (the "Report"), approved on 20 March 2019 by the Supervisory Board of the Exchange (Minutes No. 17). The Report is available on the website of MOEX: <http://moex.com/s1457>.

# Organisational chart of Moscow Exchange

## CHAIRMAN OF THE EXECUTIVE BOARD (CEO)



## SUPERVISORY BOARD

Internal Audit

**Managing Director  
 of the Equity & Bond  
 Market, Member of the  
 Executive Board**

**Managing Director  
 of the Money and  
 Derivatives Markets,  
 Member of the  
 Executive Board**

Relations with key  
 accounts and issuers

Bond Market

Derivatives Market

GR

Equity Market

Money Market

Strategy

Service  
 Development

FX Market

Corporate  
 Communications

Investment  
 & Innovations

Commodities Market

Internal Control

Listing

Regional Development

Legal Services

Indices

Product Marketing  
 & Development

Corporate Governance

Marketplace

Market Data + Services

Human Resources

Client Support

Security

Standartised OTC  
 Derivatives Market

Operational Risks,  
 Information Security  
 & Business Continuity

Project Management

Business Development

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# Supply chain

## PROCUREMENT POLICY

The Group's procurement process is centralized and governed by the Regulations on Moscow Exchange Procurement Activities as well as procedures that dictate procurement interaction between Moscow Exchange and other Group companies.

## STRATEGIC PROCUREMENT PRIORITIES

The existing procurement framework helps to make fair choices among the most technologically advanced offers, ensure appropriate transparency in relation to suppliers and promote competition.

The priorities of Moscow Exchange's supply chain management strategy are:

- ▶ transparency concerning procurement: any supplier can complete the supplier form on Moscow Exchange's website ( <http://moex.com/s273> ); auctions are held on the B2B electronic trading platform;
- ▶ equality, fairness, no discrimination or unreasonable restrictions on competition among procurement participants: price negotiations are held only with short-listed bidders with proposals of similar quality;
- ▶ no additional competitive commercial stage is allowed after the announcement of the final request for proposals. An exception can be made if the initiator of the tender changes the terms of reference, or if procurement is consolidated, which is considered a new procurement. However, additional commercial negotiations can only be held with the winner;
- ▶ consolidation of volumes and awarding of long-term contracts to maximize economic effect;
- ▶ aiming to expand the competitive environment by attracting alternative suppliers.

In accordance with the priorities of the strategy, all suppliers – regardless of the size of the business and the country of registration – have equal rights to participate if they comply with the transparent, justified qualification criteria.

### ***Ensuring the effectiveness of procurement***

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In order to ensure effective procurement, proposals are benchmarked against the cost of service in the previous period, or the best bid is selected from a short list of proposals of similar quality. Costs are benchmarked against the market, and any changes are analyzed. Depending on the scope, transactions are approved at the level of the procurement unit, Procurement Commission, Executive Board or Supervisory Board. For each transaction, regardless of its value, procurement records are kept and approved, indicating savings achieved and methods used to measure savings. The Security Department assesses counterparty risks for all suppliers. Audit data are valid for up to one year. Based on audit results, contracts are not awarded to suppliers with a high level of risk. Assessment covers only economic risks.

## Procurement volumes

	Total	Tenders	Auctions	Procurement from a single supplier (contractor, provider)	Other procurement methods	
		Open	Open, electronic		Closed	Open, electronic
Total number of tenders, other procurement methods (lots) and purchases from a sole supplier (contractor, provider)	385	0	0	174 (incl. contracts supplementary to existing ones)	130	81 (incl. orders under framework agreements executed through the ETP)
Number of awarded contracts	597	No relevant statistics are collected. The number of contracts does not match the number of procurement events (purchases) as several contracts may be awarded within one event due to scaling up to the group of companies.				
The number of contracts terminated by the parties	33					

## Economic effect of tenders

	Total initial (maximum) amount of tender contracts (lots), other procurement methods and the amount of contracts (RUB mln) entered into with a sole supplier (contractor, provider)	Total amount of awarded contracts (RUB mln)	Savings	
			RUB mln	%
2016	5,712.3	4,978.4	733.9	12.8%
2017	2,745.9	2,323.4	422.5	15.4%
2018	4,372.0	3,840.0	532.0	12.2%



# ESG Components

## GOVERNANCE

### Corporate governance

Indicator	GRI Standards	Page
Board of Directors' structure	102-18, 102-22	87
Non-executive director	102-18, 102-22, 102-23	90-94
Nomination process for the Board of Directors	102-24	98
Gender balance	102-8, 102-22, 405-1	90
Functional responsibilities of the members of the Board of Directors and Committees	102-18	88, 91-104
Board of Directors' effectiveness	102-15, 102-22	105
Remuneration system and performance assessment system for managers		111, 113
Transparency of managers' remuneration		111
Ratio of employees' remuneration to managers' remuneration	102-38	113-120
Ownership of the company's shares by the management		114-118
Management and control system / accountability system		121
Company's involvement in crisis situations with potential negative impact on its reputation		124
Risk management system and responsibility distribution in relation to GRI	102-19, 102-20, 102-29, 102-30	122
Risk map		124
Sensitivity analysis against current risks (stress testing)		125-128
New risks impacting the company's future development		129
Risk management strategy		128
Codes of conduct and compliance	102-17	86, 108, 121
Code compliance control system	102-16, 102-17	218
Anti-bribery and corruption policy	415-1	218
Anti-bribery and corruption codes of conduct	2015-2	218
Report on the violation of the anti-bribery and corruption codes	102-17, 205-3	218
Risk events / incidents		125-128
Improvement program		105

## Customer relationship management

Indicator	GRI Standards	Page
Market and customer segments overview		12
Management and control system / accountability system		53
Online customer relationship management		53
Customer satisfaction surveys	102-43,102-44	53
Security of customer data	418-1	54
Brand management system		70-75
Brand maintenance costs		70-75
Brand development strategy	102-19, 102-20	74
Stakeholder expectations analysis		70
Supply chain management		212
Supplier analysis system	102-9	212
Risk assessment across the supply chain	102-9	212
Measures taken to manage critical risks related to the supply chain	102-9	212
Integration of ESG principles in the supply chain management system	308-1, 414-1,	212
Advantages of the supply chain and their positive impact on the business		212
Disclosed provisions of the supply chain management policy (publicly accessible)		212

## Tax strategy

Indicator	GRI Standards	Page
Approach to tax management (policy provisions)		140-205
Approach to disclosing key financial and tax information	201-1	140-205
Tax risk management system		140-205
Highlights of the customer privacy policy	418-1	140-205
Customer privacy practices (number of contracts, procedures, etc.)	418-1	140-205
Responsibility for using personal data	102-19, 102-20, 418-1	140-205
Informing customers about the company's privacy policy		140-205
Data security system		140-205
Risk events / incidents		140-205
Improvement program		140-205

## ENVIRONMENTAL

Indicator	GRI Standards	Page
Environmental policy: key provisions and availability to stakeholders		79
Availability of environmental information to stakeholders	102-45, 102-46, 102-49	79
Management and control system / accountability system		79
Environmental KPIs		79-83
Environmental performance management system		79
Energy consumption	302-1, 202-2	81
Water consumption		80
Direct greenhouse gas emissions	102-13	Not relevant
Indirect greenhouse gas emissions	102-13	Not relevant
Air pollutant emissions	305-7	Not relevant
Polluted discharge	303-1, 303-3	80
Waste generation	102-56	79
External assurance for environmental indicators	102-56	Not conducted
Certification of the environmental management system (EMS)		Not conducted
Risk events / incidents		Not identified
Improvement program		79-83

## SOCIAL

Indicator	GRI Standards	Page
Key principles of recruitment and employee development		61
Codes and procedures (including a collective bargaining agreement)		61
Management and control system / accountability system		65
Employee structure and diversity	102-8, 102-12, 4005,1	62
Fair remuneration	102-12, 405-2	65
Employee turnover		63
Human rights	102-12	65
Human capital development (training)	404-1	66
Employee development programs		66
Percentage of employees from local communities		100%
Talent acquisition and retention		66
Employee performance assessment	404-3	65
Incentive program		67
Employee satisfaction indicators		68
Health and safety	403-2	68
Stakeholder engagement	102-43, 102-19, 102-20, 103,2	70
Strategic priorities of charity programs	413-1	75
Types of charity projects and community development initiatives (including indigenous peoples)	201-1	75-77
Charitable contributions		75-77
Risk events / incidents		129

# *Anti-corruption policy*

Moscow Exchange adheres to high anti-corruption and bribery standards. Bribery and corruption risk management is based on key principles defined in the Moscow Exchange Anti-Corruption Policy adopted in 2015. These principles include prohibition of any actions related to corruption and bribery, investigating situations with signs of, or suggesting corruption risk, an analysis of risk related to counterparty exposures and staff training.

The MOEX Anti-Corruption Policy outlines the following:

- ▶ the prohibition of giving/taking anything of value (including gifts) in attempt to facilitate decision-making;
- ▶ the prohibition of making deals with third persons acting on behalf of, or for Exchange;
- ▶ a collegial body must be in place to make decisions on entering into contracts;
- ▶ anti-corruption clauses must be inserted into contracts;
- ▶ counterparty due diligence;
- ▶ employees should be enabled to declare (also anonymously) the likelihood of corruption risk

# Report on Moscow Exchange Compliance with the Principles and Recommendations of the Corporate Governance Code

This Report on Compliance with the Principles and Recommendations of the Corporate Governance Code was reviewed by the Supervisory Board of Moscow Exchange at the meeting held on the Supervisory Board meeting on 22 March 2019 (Minutes No. 17).

The Supervisory Board confirms that the data quoted herein contain comprehensive and reliable information on the Company compliance with the principles and recommendations of the Corporate Governance Code for the 2018 reporting year.

The Annual Report sections describe the most significant aspects of the corporate governance model and practices at Moscow Exchange, as well as the approach to assessing compliance with the corporate governance principles legitimized in the Corporate Conduct Code.

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
1.1	<b>The company shall ensure equal and fair treatment of all shareholders when they exercise their right to participate in the company's governance.</b>			
1.1.1	The company creates the most favorable conditions for its shareholders to participate in the general meetings of shareholders and develop informed positions on issues on its agenda, as well as provide them with the opportunity to coordinate their actions and express their opinions on issues being discussed.	<ol style="list-style-type: none"> <li>the Company's internal document approved by the General Meeting of Shareholders and governing the procedures for holding the General Meeting is in the public domain.</li> <li>the Company provides an easy-to-access way to communicate with the community, such as a "hotline", an email address or Internet forum that enables shareholders to express their opinion and to put forward issues to the agenda pending preparation for the General Meeting. These actions were taken by the Company the day before each general meeting held in the reporting period.</li> </ol>	<ul style="list-style-type: none"> <li>✓complied with</li> <li>partially complied with</li> <li>not complied with</li> </ul>	
1.1.2	Procedures for notification of the general meeting and provision of materials for it should enable shareholders to get properly prepared for participation therein.	<ol style="list-style-type: none"> <li>the notice of the General Meeting of Shareholders was posted (published) on the company's website at least 30 days prior to the General Meeting date.</li> <li>the notice of the meeting specifies the venue of the meeting and the documents required to get access to the premises.</li> <li>Access to the information on the person who proposed the agenda items and the one who nominated candidates to the Board of Directors and the Internal Audit Committee of the Company was provided to shareholders.</li> </ol>	<ul style="list-style-type: none"> <li>✓complied with</li> <li>partially complied with</li> <li>not complied with</li> </ul>	

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
1.1.3	During the preparation for and convening of the general meeting, shareholders should be able to freely and in a timely manner receive information about the meeting and materials related to it, pose questions to members of the company's executive bodies and board of directors, and to communicate with each other.	<p>1. Shareholders were able to ask members of the executive bodies and members of the Company's Board of Directors before and during the Annual General Meeting that took place during the reporting period.</p> <p>2. the viewpoints of the Board of Directors (including any special opinions included into the minutes) on each agenda item of the General Meetings conducted during the reporting period were included into the materials of the General Meeting of Shareholders.</p> <p>3. the Company provided shareholders with the appropriate entitlement with the access to the list of persons eligible to attend the General Meeting, starting from the date of its receipt by the Company, in all cases of holding the General Meetings in the reporting period.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
1.1.4	There should be no unjustified difficulty in preventing shareholders from exercising their right to demand that a general meeting be convened, nominate candidates to the company's governing bodies, and to place proposals on its agenda.	<p>1. in the reporting period, shareholders were entitled, within not less than 60 days from the end of the respective calendar year, to put forward proposals to be included into the agenda of the Annual General Meeting.</p> <p>2. in the reporting period, the Company did not refuse to accept proposals to the agenda or candidates to the Company's bodies due to misprints and other insignificant defects in shareholder proposal.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
1.1.5	Each shareholder should be able to freely exercise his right to vote in a straightforward and convenient way.	1. the Company's internal document (internal policy) contains the provisions, whereby each participant in the General Meeting may, before completion of the respective meeting, to require a copy of the ballot completed by the shareholder and certified by the tallying commission.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
1.1.6	Procedures for holding a general meeting set by the company should provide equal opportunity to all persons present at the general meeting to express their opinions and ask questions that might be of interest to them.	<p>1. When General Meetings of Shareholders were held in the reporting period in the form of an in-person meeting (joint presence of shareholders), sufficient time was allowed for reports on agenda items and to discuss these issues.</p> <p>2. Nominees to the Company's management team and oversight bodies were available to answer shareholders' questions at the meeting at which they were voted upon.</p> <p>3. the Board of Directors reviewed the use of telecommunications tools to provide shareholders with remote access to participate in the General Meetings in the reporting period, when making decisions related to preparation and holding of the General Shareholders' Meetings.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
<b>1.2 Shareholders are provided with an equitable and fair opportunity to participate in the company's profits through the distribution of dividends.</b>				
1.2.1	The company should develop and put in place a transparent and clear mechanism for determining the amount of dividends and their payment.	<p>1. the dividend policy of the Company was developed, approved by the Board of Directors, and disclosed.</p> <p>2. If the Company's dividend policy uses the Company's reporting measures to determine the amount of dividends, the relevant dividend policy provisions incorporate the consolidated measures of financial statements.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
1.2.2	The company should not make a decision on the payment of dividends, if such decision, without formally violating limits set by law, is unjustified from the economic point of view and might lead to the formation of inaccurate assumptions about the company's activity.	1. the Company's dividend policy clearly explains under what financial/economic circumstances the Company would not pay dividends.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
1.2.3	The company should not allow deterioration of dividend rights of its existing shareholders.	1. in the reporting period, the Company did not take steps that impaired existing shareholders' dividend rights.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
1.2.4	The company should strive to rule out any ways through which its shareholders can obtain any profit or gain at the company's expense other than dividends and distributions of its liquidation value.	1. To eliminate other methods for shareholders to generate profit (income) at the Company's expense, other than dividends and the liquidation value, the Company's internal documents establish the controls that ensure timely identification and procedure for approval of the transactions with the persons affiliated (related) with substantial shareholders (the persons entitled to dispose of the votes attached to voting shares), where the law does not formally recognize such transactions as related party transactions.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
<b>1.3</b>	<b>The system and practices of corporate governance should ensure equal terms and conditions for all shareholders owning shares of the same class (category) in a company, including minority and foreign shareholders, as well as their equal treatment by the company.</b>			
1.3.1	The company should create conditions which would enable its governing bodies and controlling persons to treat each shareholder fairly, in particular, ruling out the possibility of any abuse of minority shareholders by major shareholders.	1. During the reporting period, the procedures for management of potential conflicts of interests among the existing shareholders are efficient, and the Board of Directors paid enough attention to conflicts among shareholders, if any.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
1.3.2	The company should not perform any acts which will or may result in artificial reallocation of corporate control.	1. Quasi-treasury shares are not available or were not used in the voting during the reporting period.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
<b>1.4</b>	<b>Shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.</b>			
1.4	Shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.	1. Quality and reliability of the business pursued by the Company's registrar to keep the register of the securities' holders meets the Company's and its shareholders' needs.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
<b>2.1</b>	<b>The Board of Directors shall be in charge of strategic oversight of the company, determine major principles of and approaches to creation of a risk management and internal control system within the company, monitor the activity of the company's executive bodies, and carry out other key functions.</b>			
2.1.1	The board of directors should be responsible for decisions to appoint and remove members of executive bodies, including in connection with their failure to properly perform their duties. the board of directors should also ensure that the company's executive bodies act in accordance with an approved development strategy and main business goals of the company.	<p>1. the Board of Directors has the powers stipulated in the Articles of Association to appoint, dismiss, and determine conditions of the contracts, with respect to members of executive bodies.</p> <p>2. the Board of Directors reviewed the report(s) of the sole executive body and members of the collegial executive body regarding fulfillment of the Company's strategy.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	



#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
2.1.2	The board of directors should establish basic long-term targets of the company's activity, evaluate and approve its key performance indicators and principal business goals, as well as evaluate and approve its strategy and business plans in respect of its principal areas of operations.	1. During the reporting period, meetings of the Board of Directors reviewed the progress of execution and updating the strategy, approval of the Company's financial and business plan (budget), and the review of the criteria and measures (including intermediate) to implement the Company's strategy and business plans.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
2.1.3	The board of directors should determine principles of and approaches to creation of the company's risk management and internal control systems.	<p>1. the Board of Directors determines the principles and approaches to the company's risk management and internal control systems.</p> <p>2. the Board of Directors assessed the company's risk management and internal control systems during the reporting period.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
2.1.4	The board of directors should determine the company's policy on remuneration due to and/or reimbursement of costs incurred by its board members, members of its executive bodies and other key managers.	<p>1. the Company has developed and implemented the policy(-ies) approved by the Board of Directors on remuneration and reimbursement of costs incurred by the members of the Board of Directors, the Company's executive bodies and other key managers of the Company.</p> <p>2. the meetings of the Board of Directors reviewed issues related to the above policy (-ies) during the reporting period.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
2.1.5	The board of directors should play a key role in prevention, detection and resolution of internal conflicts between the company's bodies, shareholders and employees.	1. the Board of Directors plays a key part in prevention, detection and resolution of internal conflicts. 2. the Company has established the system to identify the transactions related to the conflict of interests and the system aimed at resolving such conflicts	complied with ✓partially complied with with not complied with	1. Complied with. 2. Partly complied with.  The Company established the system to identify the transactions related to the conflict of interests arising in executing transactions and in the activities of the Company in relation to any employees and members of executive governance bodies, as well as the system of efforts aimed at settlement of such conflicts. the Supervisory Board approved the relevant internal document that aims to prevent, identify and settle such conflicts of interest, and in particular sets out the rules to be followed in pursuing any transactions that may result in a conflict.  In addition, the head of the Company's structural unit with the corporate secretary's functions exercises a number of powers in relation to preventing and settling corporate conflicts.  The reason that the Exchange did not fully comply with this principle in the reporting year is that the internal document on preventing conflicts of interest among governance bodies and shareholders determining, among other things, a system for the identification of transactions related to conflicts of interests, and a system of measures aimed at settling such conflicts (in addition to existing ones), was approved Supervisory Board for review in 2018.
2.1.6	The board of directors should play a key role in ensuring that the company is transparent, discloses information in full and in a timely manner, and provides its shareholders with unhindered access to its documents.	1. the Board of Directors approved the Regulations on information policy. 2. the Company determined the persons in charge of implementation of the information policy.	✓complied with partially complied with not complied with	

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
2.1.7	The board of directors should monitor the company's corporate governance practices and play a key role in material corporate events.	1. During the reporting period, the Board of Directors reviewed the corporate governance practices of the Company.	<p>complied with</p> <p>✓ partially complied with</p> <p>not complied with</p>	<p>The issue of the company's corporate governance practice was on the agenda for the last meeting of the Supervisory Board in 2018, i.e. on 13 December 2018. However, given the other higher-priority issues on the agenda and time limits provided for a qualitative discussion of the given issue, it was decided to postpone consideration of the issue.</p> <p>As a separate matter, in 2018 the Supervisory Board also considered the report on compliance with the Bank of Russia Corporate Governance Code recommendations. Delivered analysis and assessment is an essential tool for corporate governance practice improvement. In particular, to implement certain corporate governance principles, in 2018 the Company amended the Corporate Governance Code. The new version of the Company's Corporate Governance Code was considered by the Audit Committee in December 2018 and approved by the Supervisory Board on 15 February 2019.</p> <p>The issue "On the company's corporate governance practice" will be discussed at the a meeting in presentia in 2019.</p> <p>To comply with this principle, it is expected that the Supervisory Board will be further discussing the issue during a year, rather than at the year-end, so to ensure better planning of changes in the Company's corporate governance practice.</p>
<b>2.2 The Board of Directors should be accountable to the company's shareholders.</b>				
2.2.1	Information about the board of directors' work should be disclosed and provided to shareholders.	<p>1. the Company's annual report for the reporting period includes information on the attendance rate of meetings of the Board of Directors and its committees by individual directors.</p> <p>2. the annual report contains information on the principal findings of the Board of Directors' performance assessment in the reporting period.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
2.2.2	The chairman of the board of directors must be available to communicate with the company's shareholders.	1. the Company has a transparent procedure that enables shareholders to submit their questions and their views to the Chairman of the Board of Directors.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
<b>2.3</b>	<b>The board of directors should be an efficient and professional governing body of the company able to make objective and independent judgments and pass resolutions in the best interests of the company and its shareholders.</b>			
2.3.1	Only persons with impeccable business and personal reputation should be elected to the board of directors; such persons should also have knowledge, skills, and experience necessary to make decisions that fall within the jurisdiction of the board of directors and to perform its functions efficiently.	<p>1. the procedure for assessing the efficiency of operations of the Board of Directors adopted in the Company comprises, in particular, the assessment of professional qualifications of members of the Board of Directors.</p> <p>2. in the reporting period, the Board of Directors (or its Nominating Committee) assessed the nominees to the Board of Directors in terms of the required experience, expertise, goodwill, lack of the conflict of interests, etc.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
2.3.2	Board members should be elected pursuant to a transparent procedure enabling shareholders to obtain information about respective candidates sufficient for them to understand the candidates' personal and professional qualities.	1. in all instances when the General Meeting of Shareholders, the agenda of which included election of the Board of Directors, was held in the reporting period, the Company provided shareholders with the life record data for all the nominees to the Board of Directors, scores assigned to such nominees by the Board of Directors (or its Nominating Committee) and information on conformity of the nominees to the independence criteria, according to the recommendations in paragraphs 102 to 107 of the Code and the nominees' written consent to be elected to the Board of Directors.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
2.3.3	The composition of the board of directors should be balanced, in particular, in terms of qualifications, expertise, and business skills of its members. the board of directors should enjoy the confidence of the shareholders.	1. As part of the assessment of the Board of Directors in the reporting period, the Board of Directors reviewed its own needs in terms of professional qualifications, experience and business skills.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
2.3.4	The membership of the board of directors of the company must enable the board to organize its activities in a most efficient way, in particular, to create committees of the board of directors, as well as to enable substantial minority shareholders of the company to elect a candidate to the board of directors for whom they would vote.	1. As part of the assessment of the Board of Directors held in the reporting period, the Board of Directors reviewed the conformity of the number of members of the Board of Directors to the Company's needs and the shareholders' interests.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
<b>2.4</b>	<b>The Board of Directors should include a sufficient number of independent directors.</b>			
2.4.1	An independent director should mean any person who has the required professional skills and expertise and is sufficiently able to have his/her own position and make objective and bona fide judgments, free from the influence of the company's executive bodies, any individual group of its shareholders or other stakeholders. It should be noted that, under normal circumstances, a candidate (or an elected director) may not be deemed to be independent, if he/she is associated with the company, any of its substantial shareholders, material trading partners or competitors, or the government.	1. During the reporting period, all independent members of the Board of Directors met the independence criteria specified in recommendations 102 to 107 of the Code or were recognized as such by resolution of the Board of Directors.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
2.4.2	It is recommended to evaluate whether candidates nominated to the board of directors meet the independence criteria as well as to review, on a regular basis, whether or not independent board members meet the independence criteria. When carrying out such evaluation, substance should take precedence over form.	<p>1. in the reporting period, the Board of Directors (or the Nominating Committee of the Board of Directors) formed an opinion about the independence of each nominee to the Board of Directors and submitted the relevant opinion to shareholders.</p> <p>2. in the reporting period, the Board of Directors (or the Nominating Committee of the Board of Directors) reviewed the independence of the existing members of the Board of Directors, as indicated by the Company in the annual report as independent directors, at least once.</p> <p>3. the Company has drafted procedures that determine the necessary actions to be taken by a member of the Board of Directors, if he/she loses his/her independence, including the obligations to notify in a timely manner the Board of Directors accordingly.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
2.4.3	Independent directors should account for at least one third of all directors elected to the board of directors.	1. Independent directors shall account for at least one third of the Board of Directors.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
2.4.4	Independent directors should play a key role in prevention of internal conflicts in the company and performance by the latter of material corporate actions.	1. Independent directors (who do not have any conflict of interests) preliminarily estimate the substantial corporate actions related to a potential conflict of interests, and the findings of such assessment are submitted to the Board of Directors.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	In the reporting year, the Company did not record any material corporate actions related to a potential conflict of interest.

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
<b>2.5 The Chairman of the Board of Directors should help the Board carry out the functions imposed on it in a most efficient manner.</b>				
2.5.1	It is recommended to either elect an independent director to the position of the chairman of the board of directors or identify the senior independent director among the company's independent directors who would coordinate work of the independent directors and liaise with the chairman of the board of directors.	1. the Chairman of the Board of Directors is an independent director or a senior independent director is identified among independent directors <3> . 2. Role, rights and duties of the Chairman of the Board of Directors (and, if applicable, the senior independent director) are duly determined in the Company's internal documents.	complied with ✓ partially complied with not complied with	Oleg Viyugin, an independent director, was elected the Chairman of the Supervisory Board elected by the AGM in 2018. He then ceased to be qualified as an independent director. However, considering the formal nature of that non-compliance, as well as his expertise and competence, he was recognized as an independent director of the Board (please refer to notes to paragraph 2.8.2). Contrary to the situation when a non-executive director is elected the chairman and a senior independent director is elected to coordinate the work of the Supervisory Board, electing an independent director to the position of the chairman ensures more effective performance of the Supervisory Board, including engagement with other independent directors. In the period to the date of the ADM in 2018, the Chairman of the Board was a non-executive director, that required a Senior Independent Director to be appointed out of the independent directors.
2.5.2	The board chairman should ensure that board meetings are held in a constructive atmosphere and that any items on the meeting agenda are discussed freely. the chairman should also monitor fulfillment of decisions made by the board of directors.	1. Performance of the Chairman of the Board of Directors was assessed as part of the Board of Directors efficiency assessment procedure in the reporting period.	✓ complied with partially complied with not complied with	
2.5.3	The chairman of the board of directors should take any and all measures as may be required to provide board members in a timely fashion with information required to make decisions on issues on the agenda.	1. the duty of the Chairman of the Board of Directors to take efforts to ensure timely filing of documents to members of the Board of Directors on agenda items of the meeting of the Board of Directors is legitimized in the Company's internal documents.	✓ complied with partially complied with not complied with	

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
<b>2.6</b>	<b>Board members must act reasonably and in good faith in the best interests of the company and its shareholders, being sufficiently informed, with due care and diligence.</b>			
2.6.1	Acting reasonably and in good faith means that board members should make decisions considering all available information, in the absence of a conflict of interest, treating shareholders of the company equally, and assuming normal business risks.	<p>1. the Company's internal documents establish that a member of the Board of Directors is obliged to notify the Board of Directors if he/she has a conflict of interest with respect to any agenda item of the meeting of the Board of Directors or a committee of the Board of Directors, before the start of the discussion of the relevant agenda item.</p> <p>2. the Company's internal documents envisage that a member of the Board of Directors should refrain from voting on any item where he/she has a conflict of interest.</p> <p>3. the Company establishes the procedure that enables the Board of Directors to obtain professional advice on issues falling within its competence, at the Company's expense.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
2.6.2	Rights and duties of board members should be clearly stated and documented in the company's internal documents.	1. the Company adopted and published the internal document that clearly determines rights and duties of members of the Board of Directors.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
2.6.3	Board members should have sufficient time to perform their duties.	<p>1. Individual attendance of meetings of the Board and committees as well as the time spent on preparation for participation in the meetings was taken into account as part of the assessment procedure of the Board of Directors in the reporting period.</p> <p>2. According to the Company's internal documents, members of the Board of Directors are obliged to notify the Board of Directors of their intention to join management bodies of other companies (except for the Company's affiliates and dependent companies) and upon such actual appointments.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
2.6.4	All board members should have an equal opportunity to access the company's documents and information. Newly elected board members should be provided with sufficient information about the company and work of its board of directors as soon as practicable.	<p>1. According to the Company's internal documents, members of the Board of Directors are free to gain access to documents and to make requests pertaining to the Company and its affiliates, and the Company's executive bodies are obliged to provide the relevant information and documents.</p> <p>2. the Company has a formalized program of introductory events for newly elected members of the Board of Directors.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
<b>2.7</b>	<b>Meetings of the Board of Directors, preparation for them, and participation of Board members therein should ensure efficient work of the Board.</b>			
2.7.1	It is recommended to hold meetings of the board of directors as needed, with due account of the company's scope of activities and its current goals at the time.	1. the Board of Directors held at least six meetings in the reporting year.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
2.7.2	It is recommended to develop a procedure for preparing for and holding meetings of the board of directors and set it out in the company's internal documents. the procedure should enable shareholders to become properly prepared for such meetings.	1. the Company approved the internal document that governs the procedure for preparation for and holding of meetings of the Board of Directors, which, in particular, stipulates that the notice of the meeting should normally be made at least five (5) days prior to the meeting.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	



#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
2.7.3	The form of a meeting of the board of directors should be determined with due consideration of importance of issues on the agenda of the meeting. the most important issues should be decided at the meetings held in person.	1. the Articles of Association or the internal document of the Company envisage that the most significant issues (according to the list in Recommendation 168 of the Code) should be considered at in-person meetings of the Board.	<p>complied with</p> <p>✓ partially complied with</p> <p>not complied with</p>	<p>According to the Charter, the issues listed in Recommendation 168 of the Code (except for material related party transactions and placing the issue of delegating the CEO's powers to the asset management company before the AGM for consideration) are decided at the meetings held in person. It is not expected that issues of material related party transactions will be included on the said list, since the Company's Code of Corporate Governance does not classify related party transactions as transactions material for the Company.</p> <p>The Company has set materiality thresholds in terms of amount and subject of a transaction, regardless of parties to the transaction.</p> <p>Placing the issue of delegating the sole executive body's powers to the asset management company before the AGM is not within the Supervisory Board competence, since, in pursuance with the Federal Law on Organized Trading, (1) the Company's sole executive body is elected by the Supervisory Board, and (2) the Organizer of Trading is no authorized to delegate the powers of the sole executive body to other entity (asset manager, asset management company).</p>

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
2.7.4	Decisions on most important issues relating to the company's business should be made at a meeting of the board of directors by a qualified majority vote or by a majority vote of all elected board members.	1. the Articles of Association of the Company envisage that resolutions on the most critical issues set forth in Recommendation 170 of the Code, shall be adopted at the meeting of the Board of Directors, by a qualified, at least three fourths majority of votes, or by a majority of votes of all elected members of the Board of Directors.	<p>complied with</p> <p>✓ partially complied with</p> <p>not complied with</p>	<p>Most issues listed in Recommendation 170 of the Code, are included on the list of issues that should be decided by a three fourths majority vote of directors participating in the meeting, or by the majority of all votes.</p> <p>The list does not include approval of (1) priority activities, (2) business plan, (3) placing amendments to the Charter before the AGM and approval of major transactions, (4) review of material aspects of controlled entities' activities.</p> <p>The main reason that the Exchange does not fully comply with this principle is in progressive implementation of the Corporate Governance Code recommendations.</p> <p>In 2018, the Audit Committee considered it advisable to add issues in (2), (3) and (4) on the relevant list.</p> <p>The new version of the Company's Charter with amendments described above is supposed to be considered at the AGM in 2019.</p> <p>The issue of priorities approval is not to be added on the list, since priorities are normally described in the strategy approved by a three fourths majority vote of all Supervisory Board members attending the meeting.</p> <p>The Company believes that a preliminary and thorough discussion of most issues including those specified above, by ad-hoc committees allows the Supervisory Board to make decisions unanimously and helps reduce risks related to non-compliance with the principle specified above.</p>

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
<b>2.8</b>	<b>The Board of Directors should form committees for preliminary consideration of the most important aspects of the company's business.</b>			
2.8.1	For the purpose of preliminary consideration of any matters of control over the company's financial and business activities, it is recommended to form an audit committee comprised of independent directors.	<p>1. the Board of Directors established an Audit Committee comprising independent directors only.</p> <p>2. the Company's internal documents determine the objectives for the Audit Committee, including, in particular, any objectives contained in Recommendation 172 of the Code.</p> <p>3. at least one member of the Audit Committee, which is an independent director, has experience and expertise in drafting, reviewing, assessment and audit of financial statements (accounts).</p> <p>4. Meetings of the Audit Committee were held at least quarterly during the reporting period.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
2.8.2	For the purpose of preliminary consideration of any matters of development of efficient and transparent remuneration practices, it is recommended to form a remuneration committee comprised of independent directors and chaired by an independent director who should not concurrently be the board chairman.	<p>1. the Board of Directors set up the Remuneration Committee consisting of independent directors only.</p> <p>2. the Chairman of the Remuneration Committee is an independent director, other than Chairman of the Board of Directors.</p> <p>3. the Company's internal documents determine the objectives of the Remuneration Committee, including those contained in Recommendation 180 of the Code.</p>	<p>complied with</p> <p>✓ partially complied with</p> <p>not complied with</p>	<p>1. Partly complied with The Nomination and Remuneration Committee of the Supervisory Board performs the functions listed in Recommendation 180 of the Code.</p> <p>The following cases of non-compliance with the independence criteria were identified in the regular revision of the Committee:</p> <p>1. Y. Denisov, member of the Committee valid in Q1 2018, did not comply fully with the independence criteria. Termination of his appointment as a member of the Committee on the ground of his non-independent status was not initiated as his knowledge and expertise in the area of the financial market as well as a strong background in HR helped achieve thorough and comprehensive consideration of issues and improve the Committee's efficiency. He was not elected to the next Committee.</p> <p>2. M. Bratanov and O. Viyugin, current members of the Committee, did not comply due to their relation to not-for-profit self-regulatory financial organizations (NFA and NAUFOR, respectively) which are significant counterparties according to the Code. the significant counterparty status was given to the organizations due to their small book values and the Company's sponsorship to them exceeding 2% of the book value; the sponsorship amount was not significant for the Company. M. Bratanov and O. Viyugin did</p>

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
				<p>not participate in voting on sponsorship for NFA and NAUFOR. Hence, their relation to the organizations is formal and does not influence their ability to make independent, reasonable and good decisions. Considering the foregoing, expertise and competence of the members and their contribution to good and thorough discussion of issues, the Supervisory Board decided to recognize them as independent directors.</p> <p>With the sufficient numbers of independent directors elected at the AGM in 2019, and they having the required experience and competence, the Company is striving to ensure that the Committee consists of independent directors only.</p> <p>2. Partly complied with.</p> <p>During certain periods of the reporting year, the Chairman of the Committee was not an independent director (see comments to paragraph 1 above).</p> <p>3. Complied with</p>
2.8.3	For the purpose of preliminary consideration of any matters relating to human resources planning (making plans regarding successor directors), professional composition and efficiency of the board of directors, it is recommended to form a nominating committee (a committee on nominations, appointments and human resources) with a majority of its members being independent directors.	<p>1. the Board of Directors established the Nominating Committee (or its objectives specified in Recommendation 186 of the Code are implemented as part of another committee &lt;4&gt; ), a majority of which are independent directors.</p> <p>2. the Company's internal documents determine the objectives of the Nominating Committee (or the relevant committee with a combined functionality), including those contained in Recommendation 186 of the Code.</p>	<p>✓complied with</p> <p>partially complied with</p> <p>not complied with</p>	<p>The tasks set out in para 186 of the Bank of Russia Corporate Governance Code are carried out by the Nomination and Remuneration Committee.</p>
2.8.4	Taking account of its scope of activities and levels of related risks, the company should form other committees of its board of directors, in particular, a strategy committee, a corporate governance committee, an ethics committee, a risk management committee, a budget committee, a committee on health, security and environment, etc.	<p>1. in the reporting period, the Company's Board of Directors reviewed the conformity of membership in its committees to the objectives assigned to the Board of Directors and to the Company's operating goals. Additional committees were either established or were not recognized as necessary.</p>	<p>✓complied with</p> <p>partially complied with</p> <p>not complied with</p>	<p>&lt;5&gt;</p> <p>The Company has six committees of the Supervisory Board (namely, the Nomination and Remuneration Committee, Audit Committee, Budget Committee Risk Management Committee, Strategic Planning Committee and the Technical Policy Committee). Additional committees were not recognized as necessary.</p>

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
2.8.5	The composition of the committees should be determined in such a way that it would allow a comprehensive discussion of issues being considered on a preliminary basis with due account of a variety of viewpoints.	<p>1. Committees of the Board of Directors are headed by independent directors.</p> <p>2. the Company's internal documents (policies) contain the provisions whereby persons not included on the Audit Committee, the Nominating Committee and the Remunerations Committee, may attend meetings of the committees upon invitation of the Chairman of the respective committee only.</p>	<p>complied with</p> <p>✓ partially complied with</p> <p>not complied with</p>	<p>1. Partly complied with.</p> <p>The Company has six committees of the Supervisory Board (namely, the Nomination and Remuneration Committee, Audit Committee, Budget Committee Risk Management Committee, Strategic Planning Committee and the Technical Policy Committee).</p> <p>According to resolution of the Supervisory Board, four out of six committees are chaired by independent directors. During a certain period of the reporting year, the Chairman of one of the Committees was no longer compliant with the independence criteria. However, given his expertise and experience, the Supervisory Board recognized him an independent director (see comments to clause 2.8.2).</p> <p>The Supervisory Board was taking decisions on the lineup of the committees and their chairmen depending on whether the directors have sufficient time to perform their duties within the committees, and to ensure comprehensive discussions permitting for a diversity of views.</p> <p>The main reason that the Company does not fully comply with this recommendation is that it elects directors most competent in the relevant areas to chair its Committees, but not all of them fully comply with independence criteria formalities.</p> <p>With the sufficient numbers of independent directors elected at the AGM in 2019, and they having the required experience and competence, the Company is striving to ensure that the Committee consists of independent directors only.</p> <p>2. Complied with.</p>
2.8.6	The chairmen of the committees should inform the board of directors and its chairman of the work of their committees on a regular basis.	1. During the reporting period, chairmen of the committees reported on the committees' operations to the Board of Directors on a regular basis.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
<b>2.9 The Board of Directors should evaluate of the quality of its work and that of its committees and Board members.</b>				
2.9.1	Evaluation of quality of the board of directors' work should be aimed at determining how efficiently the board of directors, its committees and board members work and whether their work meets the company's needs, as well as at making their work more intensive and identifying areas of improvement.	1. Self-assessment or external assessment of the Board of Directors' performance conducted in the reporting period included the assessment of operations of the committees, individual members of the Board of Directors and the entire Board of Directors.	<p>complied with</p> <p>✓ partially complied with</p> <p>not complied with</p>	<p>1. Complied with.</p> <p>2. Not complied with.</p>

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
		2. the findings of self-assessment or external assessment of the Board of Directors in the reporting period were reviewed at the in-person meeting of the Board of Directors.		<p>Self-assessment results were delivered as part of the company's corporate governance practice issue, which was on the agenda for the last meeting of the Supervisory Board in 2018, i.e. on 13 December 2018. However, given the other higher-priority issues on the agenda and time limits provided for a qualitative discussion of the given issue, it was decided to postpone consideration of the issue.</p> <p>This issue will be discussed by the Board at its meeting in presentia in 2019.</p> <p>To comply with this principle, it is expected that the Supervisory Board will be further discussing the issue during a year, rather than at the year-end, so to ensure better planning of changes in the Company's corporate governance practice.</p>
2.9.2	Quality of work of the board of directors, its committees and board members should be evaluated on a regular basis, at least once a year. To carry out an independent evaluation of the quality of the board of directors' work, it is recommended to retain a third party entity (consultant) on a regular basis, at least once every three years.	1. for independent quality assessment of the Board of Directors' performance, an external company (advisor) was engaged by the Company at least once in three recent reporting periods	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
<b>3.1</b>	<b>The company's corporate secretary shall be responsible for efficient interaction with its shareholders, coordination of the company's actions designed to protect the rights and interests of its shareholders, and support efficient work of its Board of Directors.</b>			
3.1.1	The corporate secretary should have knowledge, experience, and qualifications sufficient for performance of his/her duties, as well as an impeccable reputation and should enjoy the trust of shareholders.	<p>1. the Company adopted and disclosed the internal document – Regulations on the Corporate Secretary.</p> <p>2. the Company's website and annual report discloses background information on the Corporate Secretary with the same level of detail as for members of the Board of Directors and the executive management of the Company.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
3.1.2	The corporate secretary should be sufficiently independent of the company's executive bodies and be vested with powers and resources required to perform his/her tasks.	1. the Board of Directors approved the appointment, dismissal and additional remuneration of the Corporate Secretary.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
4.1	<b>The level of remuneration paid by the company should be sufficient to enable it to attract, motivate, and retain persons having the required skills and qualifications. Remuneration due to board members, the executive bodies, and other key managers of the company should be paid in accordance with a remuneration policy approved by the company.</b>			
4.1.1	It is recommended that the level of remuneration paid by the company to its board members, executive bodies, and other key managers should be sufficient to motivate them to work efficiently and enable the company to attract and retain knowledgeable, skilled, and duly qualified persons. the company should avoid setting the level of remuneration any higher than necessary, as well as an excessively large gap between the level of remuneration of any of the above persons and that of the company's employees.	1. the Company adopted the internal document(s), the remuneration policy(-ies) for members of the Board of Directors, the executive bodies and other key managers, which clearly describe approaches to remuneration of these persons.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
4.1.2	The company's remuneration policy should be developed by its remuneration committee and approved by the board of directors. with the help of its remuneration committee, the board of directors should monitor implementation of and compliance with the remuneration policy by the company and, should this be necessary, review and amend the same.	1. in the reporting period, the Remuneration Committee reviewed the remuneration policy(-ies) and the practice of its/their implementation and, if necessary, submitted the relevant recommendations to the Board of Directors.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
4.1.3	The company's remuneration policy should provide for transparent mechanisms to be used to determine the amount of remuneration due to members of the board of directors, the executive bodies, and other key managers of the company, as well as to regulate any and all types of payments, benefits, and privileges provided to any of the above persons.	1. the Company's remuneration policy(-ies) contain(s) transparent arrangements on determining the amount of the remuneration of members of the Board of Directors, executive bodies and other key managers of the Company and govern(s) all types of fees, benefits and advantages provided to these persons.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
4.1.4	The company is recommended to develop a policy on reimbursement of expenses which would contain a list of reimbursable expenses and specify service levels provided to members of the board of directors, the executive bodies, and other key managers of the company. Such policy can form part of the company's policy on compensation.	1. the remuneration policy(-ies) or other internal documents of the Company establish(-es) the rules on reimbursement of costs to the members of the Board of Directors, executive bodies and other key employees of the Company.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
<b>4.2</b>	<b>The system of remuneration of board members should ensure harmonization of financial interests of the directors with long-term financial interests of the shareholders.</b>			
4.2.1	A fixed annual fee shall be a preferred form of monetary remuneration for board members. It is not advisable to pay a fee for participation in individual meetings of the board of directors or its committees. It is not advisable to use any form of short-term incentives or additional financial incentives in respect of board members.	1. Fixed annual remuneration was the only monetary form of remuneration for the members of the Board of Directors for work within the Board of Directors during the reporting period.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
4.2.2	Long-term ownership of shares in the company contributes most to aligning financial interests of board members with long-term interests of the company's shareholders. However, it is not recommended to make the right to dispose of shares dependent on the achievement by the company of certain performance results; nor should board members take part in the company's option plans.	1. If the Company's internal document(s), the remuneration policy(-ies), envisage(s) granting of shares to members of the Board of Directors, clear rules for holding shares by members of the Board of Directors, intended to encourage long-term ownership of such shares, should be available and disclosed.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	Company's internal documents do not provide for the provision of shares to Supervisory Board members.
4.2.3	It is not recommended to provide for any additional allowance or compensation in the event of early dismissal of board members in connection with a change of control over the company or other circumstances.	1. the Company does not envisage any additional benefits or compensations in case of early termination of powers of the members of the Board of Directors in connection with change of control over the Company or other circumstances.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
<b>4.3</b>	<b>The system of remuneration due to members of the executive bodies and other key managers of the company should provide that their remuneration is dependent on the company's performance and their personal contributions to the achievement thereof.</b>			
4.3.1	Remuneration due to members of the executive bodies and other key managers of the company should be set in such a way as to procure a reasonable and justified ratio between its fixed portion and its variable portion that is dependent on the company's results and employees' personal (individual) contributions to the achievement thereof.	<p>1. During the reporting period, the annual performance indicators approved by the Board of Directors were used to determine the amount of variable remuneration of members of executive bodies and other key managers of the Company.</p> <p>2. During the most recent assessment of the remuneration system for the members of executive bodies and other key managers of the Company, the Board of Directors (the Remuneration Committee) ensured the Company applied an efficient ratio of the fixed remuneration portion to the variable one.</p> <p>3. the Company has the procedure for refunding to the Company bonuses unlawfully obtained by the members of executive bodies and other key managers of the Company.</p>	<p>complied with</p> <p>✓ partially complied with</p> <p>not complied with</p>	<p>1. Complied with.</p> <p>2. Partly complied with</p> <p>In the reporting year, there were neither assessment of the remuneration payable to executive body members, No dedicated discussion of a ratio between its fixed portion and its variable portion, since those activities were carried out in 2017.</p> <p>In addition to that, in 2018 the Nomination and Remuneration Committee evaluated a ratio between a fixed portion of remuneration and its variable portion more than once: (1) when setting or changing size of remuneration payable to a member of the Executive Board, (2) when discussing changes in the long-term incentive program. the total size of remuneration due to a member of the Executive Board, inclusive of</p>



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				<p>a ratio between a fixed portion of remuneration and its variable portion, was also assessed against remuneration payable by peer companies, based on overviews (studies) procured from the leading consulting firms (inclusive of international ones).</p> <p>The Nomination and Remuneration Committee is expected to consider the remuneration system assessment and effectiveness of a ratio between its fixed and variable portions in 2019.</p> <p>3. Not complied with.</p> <p>The Company does not have in place any procedure whereby any bonus payment unreasonably received by executive body members and other key managers would be restituted to the Company. Such restitution is conducted in accordance with the applicable laws of the Russian Federation. Restitution of unlawfully obtained bonuses to the Company is only possible in court or through a damage restitution procedure. the restitution procedure is set in Chapter 37 and Chapter 39 of the Russian Federation Labor Code, therefore, it is not required to additionally secure this procedure in internal documents of the Company. in case of restitution under the Russian Labor Code, an employee is charged the average monthly salary, with the remaining part collected through court action.</p> <p>In case a wrongful bonus payment is to be returned to the Company and an insufficient amount of the average monthly salary plus the bonus (including deferred parts thereof), the Company will file the action with a court.</p> <p>Seeking to mitigate risks and develop individual accountability concept, the Policy of Remuneration and Compensation of the Company ensures a possibility for the Supervisory Board to take a decision on reducing or cancelling bonus payouts (inclusive of its deferred parts), also in the follow-up of audits by internal/external auditors and regulatory authorities, which allows for the Company to retribute bonus amounts unlawfully obtained by members of the executive bodies.</p> <p>Considering the foregoing, the Company will plan to adhere to the recommendation after the relevant amendments are made to legislation.</p>

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
4.3.2	Companies whose shares are admitted to trading on organized markets are recommended to put in place a long-term incentive program for the company's executive bodies and other key managers involving the company's shares (or options or other derivative financial instruments the underlying assets for which are the company's shares).	<p>1. the Company introduced the long-term incentive program for members of executive bodies and other key managers of the Company using shares in the Company (financial instruments based on the shares in the Company).</p> <p>2. the long-term incentive program for the members of executive bodies and other key managers of the Company implies that the right to sell the shares and other financial instruments used in such programs will not arise until three years from their provision; provided that the right to sell the same is conditional upon achievement of certain performance indicators of the Company.</p>	<p>complied with</p> <p>✓ partially complied with</p> <p>not complied with</p>	<p>1. Complied with.</p> <p>2. Partly complied with.</p> <p>Under the executive long-term incentive plan, the right to dispose of the plan shares vests in stages: in one/two/three years, subject to continued employment. When introducing the program, the Supervisory Board discussed the terms during which the rights under the program may be exercised, and found it expedient to identify opportunities for the rights under the program to be exercised in the stages specified, so to retain and motivate the key staff.</p> <p>The right to dispose shares subjects to the Moscow Exchange Group breakeven in the year preceding to such right. Besides the breakeven indicator, the Program also stipulates for setting of long-term KPIs, which may affect the terms and conditions of the shares disposal rights. the resolution on setting such long-term KPIs and their details shall be taken by the Supervisory Board of the Company upon the recommendation of relevant Committee of the Supervisory Board.</p> <p>During the reporting year, the Nomination and Remuneration Committee was considering the terms and conditions of the long-term incentive program, including the links between achieving certain targets and the right to sell shares under the program. After discussions are completed and recommendations are finalized by the Committee, the Supervisory Board will discuss the terms and conditions of the long-term incentive program at the meeting in 2019. the new long-term incentive program will be adopted and then introduced in late 2019/early 2020.</p>
4.3.3	The amount of severance pay (so-called "golden parachute") payable by the company in the event of early dismissal of a member of the executive body or other key manager at the initiative of the company, provided that there have been no bad faith actions on the part of such person, should not exceed two times the fixed portion of his/her annual remuneration.	1. the amount of compensation (golden parachute) paid by the Company in case of early termination of powers to the members of executive bodies or key managers at the Company's initiative and in the absence of unfair actions on their part, did not exceed double the fixed portion of the annual remuneration in the reporting period.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
<b>5.1</b>	<b>The company should have in place an efficient risk management and internal control system designed to provide reasonable confidence that the company's goals will be achieved.</b>			
5.1.1	The board of directors should determine the principles of and approaches to creation of the risk management and internal control system in the company.	1. Functions of various management bodies and business units of the Company in the risk management and internal control system are clearly determined in internal documents/ the Company's relevant policy is approved by the Board of Directors.	✓ complied with partially complied with not complied with	
5.1.2	The company's executive bodies should ensure the establishment and continuing operation of the efficient risk management and internal control system in the company.	1. the Company's executive bodies ensured allocation of the functions and powers as concern risk management and internal control among their subordinate managers (heads) of business units and divisions.	✓ complied with partially complied with not complied with	
5.1.3	The company's risk management and internal control system should enable one to obtain an objective, fair and clear view of the current condition and prospects of the company, integrity and transparency of its accounts and reports, and reasonableness and acceptability of risks being assumed by the company.	1. the Company approved the anti-bribery policy. 2. the Company established an affordable method to notify the Board of Directors or the Board of Directors Audit Committee on actual violations of the laws, internal procedures, and the Company's ethics code.	✓ complied with partially complied with not complied with	
5.1.4	The board of directors is recommended to take required and sufficient measures to procure that the existing risk management and internal control system of the company is consistent with the principles of and approaches to its creation as set forth by the board of directors and that it operates efficiently.	1. in the reporting year, the Board of Directors and the Board of Directors Audit Committee assessed efficiency of the risk management and internal control system of the Company. Information on the key findings of such an assessment is included in the Company's annual report.	✓ complied with partially complied with not complied with	
<b>5.2</b>	<b>To independently evaluate, on a regular basis, reliability and efficiency of the risk management and internal control system and corporate governance practices, the company should arrange for internal audits.</b>			
5.2.1	It is recommended that internal audits be carried out by a separate structural division (internal audit department) to be created by the company or through retaining an independent third-party entity. To ensure the independence of the internal audit department, it should have separate lines of functional and administrative reporting. Functionally, the internal audit department should report to the board of directors, while from the administrative standpoint, it should report directly to the company's one-person executive body.	1. for the purposes of internal audit, the Company established a separate business unit for internal audit, which functionally reports to the Board of Directors or the Audit Committee, or engaged an independent external company with the same principle of reporting.	✓ complied with partially complied with not complied with	

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
5.2.2	When carrying out an internal audit, it is recommended to evaluate efficiency of the internal control system and the risk management system, as well as to evaluate corporate governance and apply generally accepted standards of internal auditing.	<ol style="list-style-type: none"> <li>1. in the reporting period, as part of internal audit, the efficiency of the internal control and risk management system was assessed.</li> <li>2. the Company uses common approaches to internal control and risk management.</li> </ol>	<ul style="list-style-type: none"> <li>✓ complied with</li> <li>partially complied with</li> <li>not complied with</li> </ul>	
<b>6.1 The company and its activities should be transparent to its shareholders, investors and other stakeholders.</b>				
6.1.1	The company should develop and implement an information policy enabling the company to efficiently exchange information with its shareholders, investors, and other stakeholders.	<ol style="list-style-type: none"> <li>1. the Company's Board of Directors approved the Company's information policy developed with the view to the Code's recommendations.</li> <li>2. the Board of Directors (or one of its committees) reviewed the issues related to the Company's compliance with its information policy at least once in the reporting period.</li> </ol>	<ul style="list-style-type: none"> <li>✓ complied with</li> <li>partially complied with</li> <li>not complied with</li> </ul>	
6.1.2	The company should disclose information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of this Code.	<ol style="list-style-type: none"> <li>1. the Company discloses the corporate governance system in the Company and general corporate governance principles applied in the Company, in particular, with regard to the Company's website.</li> <li>2. the Company discloses the composition of executive bodies and the Board of Directors, independence of members of the Board and their membership in committees of the Board of Directors (as defined in the Code ).</li> <li>3. If there is a person who controls the Company, the Company publishes the memorandum of the controlling person concerning such person's plans for corporate governance in the Company.</li> </ol>	<ul style="list-style-type: none"> <li>✓ complied with</li> <li>partially complied with</li> <li>not complied with</li> </ul>	<ol style="list-style-type: none"> <li>1. Complied with</li> <li>2. Complied with</li> <li>3. The are no persons controlling the Company.</li> </ol>

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
<b>6.2</b>	<b>The company should disclose, on a timely basis, full, updated and reliable information about itself so as to enable its shareholders and investors to make informed decisions.</b>			
6.2.1	The company should disclose information in accordance with the principles of regularity, consistency and timeliness, as well as accessibility, reliability, completeness and comparability of disclosed data.	<p>1. the Company's information policy determines the approaches to and criteria for determining the information that may materially influence the Company's value, the value of its securities and the procedures that ensure timely disclosures of such information.</p> <p>2. If the Company's securities are traded on foreign organized markets, material information is disclosed in the Russian Federation and on such markets simultaneously and equivalently in the reporting year.</p> <p>3. If foreign shareholders hold a significant number of shares in the Company, then, in the reporting period, disclosures were carried out not only in Russian but also in one of the most common foreign languages.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	<p>1. Complied with.</p> <p>2. Not applicable as the Company securities do not trade on foreign regulated markets.</p> <p>3. Complied with.</p>
6.2.2	The company is advised against using a formalistic approach to information disclosure; it should disclose material information on its activities, even if disclosure of such information is not required by law.	<p>1. in the reporting period, the Company disclosed annual and half-year IFRS financial statements. the Company's annual report for the reporting period includes annual IFRS financial statements with the auditor's opinion.</p> <p>2. the Company discloses comprehensive information on the Company's capital structure, according to Recommendation 290 of the Code in the annual report and the Company's website.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
6.2.3	The company's annual report, as one of the most important tools of exchange of information with its shareholders and other stakeholders, should contain information enabling one to evaluate the company's performance for the year.	<p>1. the Company's annual report contains information on the key dimensions of the Company's operations and its financial performance</p> <p>2. the Company's annual report contains information on environmental and social dimensions of the Company's business.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
<b>6.3</b>	<b>The company should provide information and documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.</b>			
6.3.1	Exercise by the shareholders of their right to access the company's documents and information should not be unreasonably burdensome.	1. the Company's information policy establishes an easy procedure for providing shareholders with access to the information, in particular, information on the legal entities dependent on the Company, at the shareholders' request.	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
6.3.2	When providing information to its shareholders, the company should maintain a reasonable balance between the interests of individual shareholders and its own interests related to the fact that the company is interested in ensuring that sensitive business information that might have a material impact on its competitiveness remains confidential.	<p>1. in the reporting period, the Company did not deny satisfaction of any shareholders' requests for information or such denials were reasonable.</p> <p>2. in cases determined in the Company's information policy, shareholders are warned of the confidential nature of the information and undertake to keep it confidential.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
<b>7.1</b>	<b>Any actions which will or may materially affect the company's share capital structure and its financial position and, accordingly, the position of its shareholders ("material corporate actions") should be taken on fair terms and conditions ensuring that the rights and interests of shareholders as well as other stakeholders are observed.</b>			
7.1.1	Material corporate actions shall be deemed to include reorganization of the company, acquisition of 30 or more percent of its voting shares (a takeover), entering by the company into any material transactions, increasing or decreasing its share capital, listing and delisting of its shares, as well as other actions that might result in material changes in rights of its shareholders or violation of their interests. It is recommended to include in the company's articles of association a list of (criteria for identifying) transactions or other actions falling within the category of material corporate actions and provide therein that decisions on any such actions should fall within the jurisdiction of the company's board of directors .	<p>1. the Company's Articles of Association determine the list of actions and other efforts that constitute material corporate actions, and their determination criteria. Decision-making on material corporate actions falls within the competence of the Board of Directors. Where taking of these corporate actions is directly referred by law to the competence of the General Meeting of Shareholders, the Board of Directors makes the relevant recommendations to the shareholders.</p>	<p>complied with</p> <p>✓ partially complied with</p> <p>with</p> <p>not complied with</p>	<p>1. Partly complied with.                      The list of material corporate actions is not indicated in the Charter, but in the Company Corporate Governance Code. As part of its review of the issue of the Bank of Russia CGC implementation, the Audit Committee found it appropriate to provide, in the Company Charter, a reference to the Corporate Governance Code that contains the List of Material Corporate Actions.</p> <p>At present, the Company has no intention to include the list of transactions and actions that constitute material corporate actions for the Company.</p> <p>The applicable law and the Company Charter reserve decisions on material actions for the Supervisory Board or the shareholders meeting. in connection with any matters brought before the shareholders meeting, including those related to material corporate actions, the Supervisory Board provides relevant recommendations to shareholders.</p> <p>2. Partly complied with</p> <p>The list of material corporate actions in the Company Corporate Governance Code covers, among other things, the matters of Company's reorganization, acquisition of 30 percent or more of Company's voting shares (takeover), execution of material transactions, charter capital increase or reduction, share listing and de-listing.</p>
7.1.2	The board of directors should play a key role in passing resolutions or making recommendations relating to material corporate actions; for that purpose, it should rely on opinions of the company's independent directors.	<p>1. the Company has established a procedure whereby independent directors announce their opinions on material corporate actions before their approval.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
7.1.3	When taking any material corporate actions which would affect rights or legitimate interests of the company's shareholders, equal terms and conditions should be ensured for all shareholders; if statutory mechanisms designed to protect the shareholder rights prove to be insufficient for that purpose, additional measures should be taken with a view to protecting the rights and legitimate interests of the company's shareholders. in such instances, the company should not only seek to comply with the formal requirements of law but should also be guided by the principles of corporate governance set out in this Code.	<p>1. the Company's Articles of Association, taking into account the particular features of its operations, established lower minimum criteria for classifying the Company's transactions as major corporate actions than envisaged in law.</p> <p>2. During the reporting period, all material corporate actions underwent approval before their implementation.</p>	<p>✓ complied with</p> <p>partially complied with</p> <p>not complied with</p>	
<b>7.2</b>	<b>The company should have in place a procedure for taking any material corporate actions such that shareholders receive full information about such actions in a timely manner and have the ability to influence them, and that would also guarantee that shareholder rights are observed and duly protected in the course of taking such actions.</b>			
7.2.1	When disclosing information about material corporate actions, it is recommended to give explanations concerning reasons for, conditions and consequences of such actions.	1. in the reporting period, the Company disclosed information on the Company's material corporate actions in a timely manner and in detail, including reasons for the timing of taking such actions.	<p>complied with</p> <p>✓ partially complied with</p> <p>with</p> <p>not complied with</p>	<p>Grounds for, terms and conditions of, and outcomes for the Exchange and its shareholders from intended material corporate actions, are normally described in materials provided to shareholders for decision-making. in the reporting year, the Company did not record any material corporate actions where a resolution on taking/approving such actions should be taken by shareholders.</p> <p>The Company was timely disclosing information on the material corporate actions where a resolution on taking/approving such actions should be taken by the Supervisory Board by publishing an announcement of the Supervisory Board meeting and its agenda.</p> <p>The main reason that the Company does not fully comply with this principle to the extent of amount of details in disclosure is in progressive implementation of the Corporate Governance Code recommendations.</p> <p>In 2018, the issue of the said principle implementation was considered by the Audit Committee, which adopted the approach described below. the Company seeks for a reasonable balance between interests of its shareholders, investors and own interests of the Company, and therefore, decisions on the scope of disclosure relating to material corporate actions where a resolution on taking/approving such actions are taken by the Supervisory Board will be taken by the Company's management at their own discretion on a case-by-case basis.</p>

#	Corporate governance principles	Criteria by which compliance with corporate governance principle is assessed	Status of compliance with the corporate governance principle	Explanations of deviation from the corporate governance principle
7.2.2	Rules and procedures in relation to material corporate actions taken by the company should be set out in its internal documents.	<p>1. the Company's internal documents envisage the procedure for engaging an independent appraiser to evaluate the assets disposed of or purchased under a major transaction or a related-party transaction.</p> <p>2. the Company's internal documents envisage the procedure for engaging an independent appraiser in evaluating the purchase and redemption price of shares in the Company.</p> <p>3. the Company's internal documents envisage an expanded list of reasons for the members of the Company's Board of Directors and other persons envisaged in the law to be recognized as interested in the Company's transactions.</p>	<p>complied with</p> <p>✓ partially complied with</p> <p>not complied with</p>	<p>1. 1. Partially complied with</p> <p>In the reporting year, the internal documents of the Company did not require that the Company engage an independent appraiser in evaluating the assets disposed of or purchased under a major transaction or a related-party transaction, and in evaluating the purchase price for the shares in the Company (in redemption requested by shareholders, an appraiser is engaged under the law).</p> <p>The reason for that is that during recent years the Company did not record any major transactions, since it is aware that major transactions may substantially affect its financial performance.</p> <p>In 2018, as part of the corporate governance practice improvement framework, the Audit Committee approved the draft Corporate Governance Code, allowing for the engagement of an appraiser when purchasing or selling assets under major transactions (the new version of the Corporate Governance Code was approved by the Supervisory Board in February 2019).</p> <p>The Company's internal documents do not provide for an independent appraiser to be engaged in assessing assets sold or purchased under related-party transactions (as separate grounds). However, the new Corporate Governance Code provides for the engagement of an appraiser for the real estate or non-core assets valuation when the value of such assets exceeds RUB 600 mln, whether there is a related-party in the transaction or not. the Company believes that this approach aims to reduce the risk of non-compliance with the Corporate Governance Code's principle described above.</p> <p>2. Partly complied with</p> <p>Company's internal documents do not include the involvement of an independent appraiser in evaluating the purchase price for the shares in the Company. in redemption requested by shareholders, an appraiser is engaged under the law).</p>