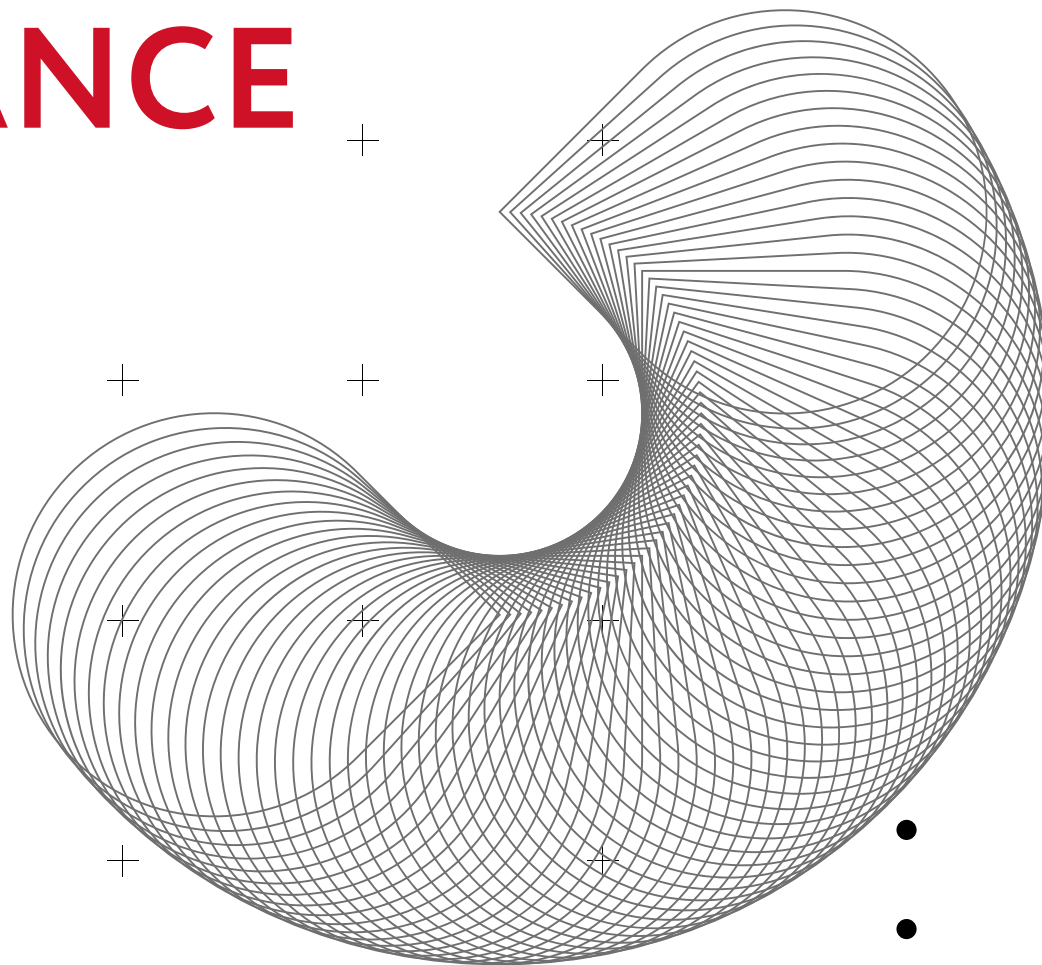


2019



**NATIONAL
SETTLEMENT
DEPOSITORY**
MOSCOW EXCHANGE GROUP

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CORPORATE GOVERNANCE

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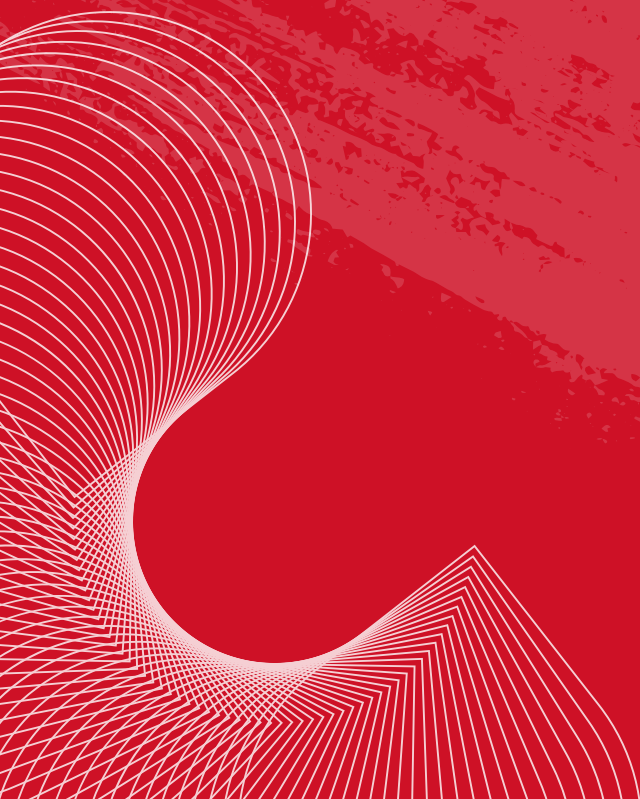
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At NSD, corporate governance means that the principles and rules of managing and controlling the company and governing relationships between the company's executive bodies, Supervisory Board, shareholders, and other stakeholders (participants of corporate relationships), are aimed at setting NSD's objectives and determining the means to achieve them.

As the CSD, NSD is committed to satisfying the interests of its clients, regulators, and financial market participants.

CORPORATE GOVERNANCE PRINCIPLES

NSD's Corporate Governance Principles are set out in NSD's Corporate Governance Policy (approved by NSD's Supervisory Board on 1 October 2019 and by the Bank of Russia on 31 October 2019), available on NSD's official web site.

NSD applies the best corporate governance standards and practices, including those set out in NSD's Corporate Governance Policy.

The results of compliance with the corporate governance principles set out in NSD's Corporate Governance Policy are described in the appendix to this Report¹.

In corporate governance processes, NSD also follows the principles recommended by Moscow Exchange and set out in the Moscow Exchange's Corporate Governance Code, including the principle that requires acting in the best interests of users of services provided by Moscow Exchange Group companies, the principle of corporate social responsibility, and other principles.

The Supervisory Board is responsible for strategic management of NSD and exercises effective control over the performance of the Executive Board and the Executive Board Chairman.

- The Supervisory Board is also responsible for defining the company's development strategy, exercising effective control over the company's financial and business activities, and approving the company's budgets.

- The composition of the Supervisory Board ensures the most effective performance of its functions.
- The Supervisory Board members actively participate in Supervisory Board meetings, as well as meetings of the Supervisory Board Committees.
- Supervisory Board meetings are convened on a regular basis, either in the form of in-person meetings or in the form of meetings in absentia, depending on the importance of the agenda matters and in accordance with the meeting schedule.
- The Regulations on the Supervisory Board set out, in detail, the procedure for arranging and holding Supervisory Board meetings.
- The Supervisory Board comprises the Budget Committee, the Audit Committee, the Nomination and Remuneration Committee, the Strategy Committee, and the Technological Policy and Development Committee.
- In accordance with NSD's Articles of Association, the Supervisory Board may establish any other standing or ad-hoc committees, as well as Customer Committees responsible for certain key areas of NSD's business in order to deal with any current issues.
- The Supervisory Board is responsible for ensuring the effective performance of the Executive Board and the Chairman of the Executive Board, as well as for exercising control over their performance.

¹ In accordance with Bank of Russia's Directive No. 5062-U dated 17 January 2019.

The Executive Board and the Chairman of the Executive Board are capable of effectively and reasonably running NSD's day-to-day operations, in good faith and in the best interests of NSD.

- In accordance with NSD's Articles of Association, the Executive Board is authorized to deal with the most complex issues arising in the company's day-to-day operations.
- The composition of the Executive Board ensures that NSD's executive bodies carry out their functions most effectively.

NSD assesses its corporate governance system in accordance with the Bank of Russia's recommendations laid down in its Letter No. 11-T dated 7 February 2007 "On the Corporate Governance Assessment Questionnaire for Credit Organizations".

In accordance with clause 12.3.26.9 of NSD's Articles of Association, the company's corporate governance system is assessed on at least an annual basis. In 2019, NSD's corporate governance system was assessed, and upon completion of the assessment, a corporate governance report was prepared and approved by the Supervisory Board.

SUPERVISORY BOARD'S PERFORMANCE REPORT FOR 2019

In 2019, as in the previous years, a number of foreign experts were among the Supervisory Board members to ensure that its decision-making process takes global trends and expertise into account.

The Supervisory Board performed the overall management of NSD's operations and held 14 meetings during the reporting year, including six in-person meetings.

At its meetings, the Supervisory Board took decisions on key issues relating to NSD's financial and business activities and business development, including the following:

- approval of the NSD Development Strategy 2019–2024;
- monitoring indicators for NSD's priority areas of business, and monitoring indicators for NSD's new products and services in 2019;
- implementation of NSD's Revenues, Costs and Income Budget and NSD's Capital Expenditures Budget for 2019;
- approval of NSD's Revenues, Costs and Income Budget and NSD's Capital Expenditures Budget for 2020;
- preliminary approval of NSD's Annual Report for 2018;

- approval of the fees payable to NSD's independent auditor;
- amendments to NSD's Fee Schedules;
- addressing various matters relating to the implementation of the project «Central Operator of Individual Pension Capital» / «Pension Operator of the Guaranteed Pension Plan»;
- addressing various matters relating to the implementation of NSD's project «Improvement of the Securities Issuance Process»;
- review of NSD's performance reports prepared by the Executive Board;
- addressing various matters relating to remuneration of the members of NSD's executive bodies; and
- addressing various matters relating to the entering into of the amended and restated Shareholders Agreement with Respect to NSD.

Also, the Supervisory Board gave a great deal of attention to addressing and deciding on issues of corporate governance at NSD, in particular:

- assessment of the state of corporate governance at NSD;

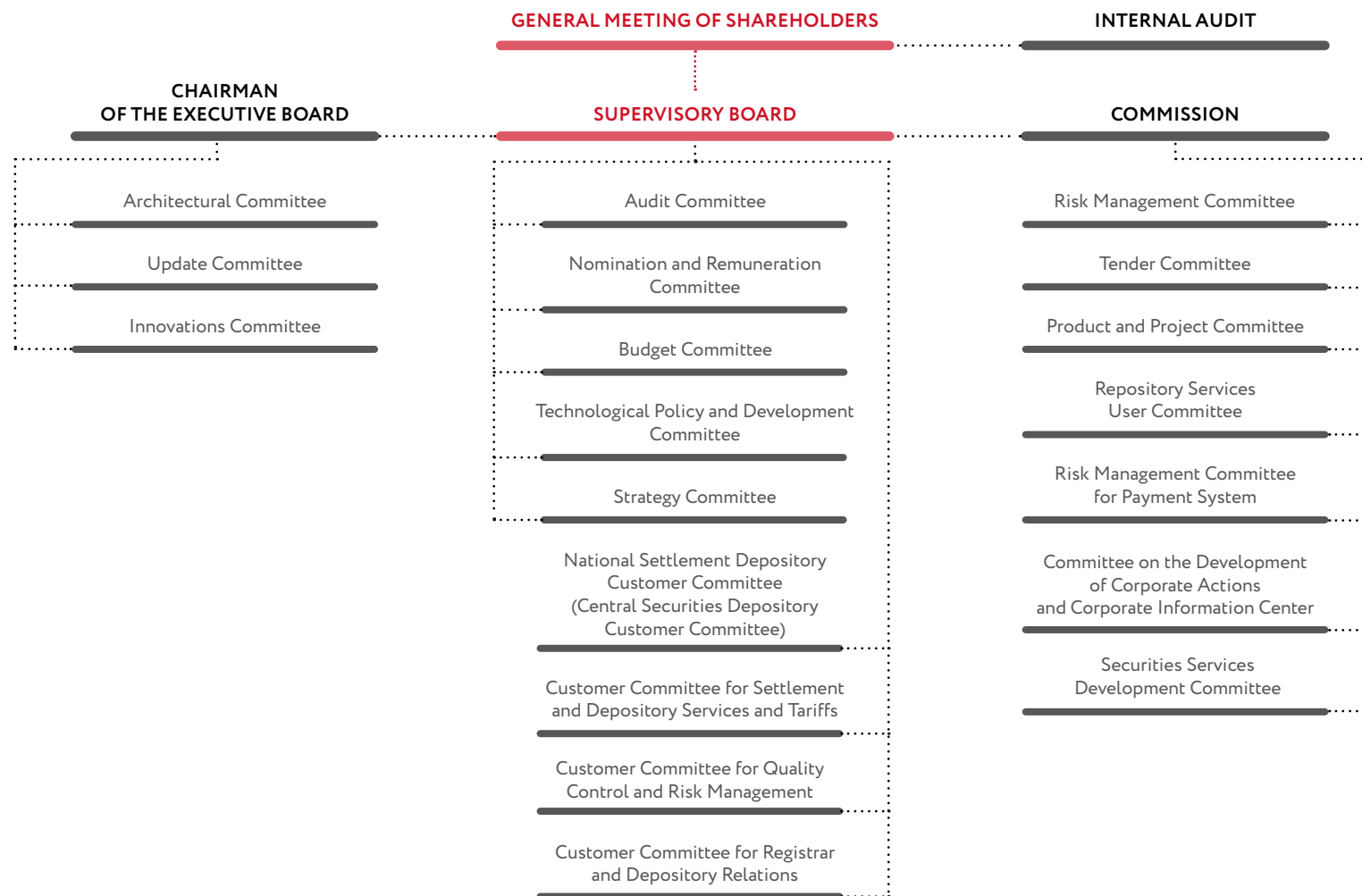
- assessment of NSD's internal control system;
- election of members of NSD's Executive Board, and authorizing Executive Board members to hold positions in management bodies of other organizations;
- convocation of the annual General Meeting of Shareholders in 2019;
- recommendations to the annual General Meeting of Shareholders in 2019;
- convocation of NSD's extraordinary General Meeting of Shareholders held on 22 January 2020;
- recommendations to the extraordinary General Meeting of Shareholders held on 22 January 2020; and
- election of new members of Supervisory Board Committees and Customer Committees.

In addition, decisions were taken on issues relating to NSD's operational efficiency and amendments to, and approval of, NSD's internal regulations, including the following issues:

- review of reports submitted by NSD's Internal Control and Internal Audit Departments, approval of the Internal Audit Department's work plan, and review of CSD controller's performance reports;
- assessment of risks and of the effectiveness of risk management at NSD;
- review of stress testing and ICAAP reports;
- review of the report on the implementation of NSD's Risk Management Development Strategy for 2018;
- review of the Executive Board Chairman's report regarding management of the Trade Repository's regulatory risk for 2018;
- review of NSD's Customer Satisfaction Index Report;
- approval of the estimated level of NSD's economic capital for 2019;
- approval of NSD's Key Performance Indicators for 2019;
- approval of NSD's corporate Key Performance Indicators for 2020;

- approval of NSD's internal regulations, including:
 - amended and restated Technological Policy in the Field of Basic Information Technology (IT);
 - amended and restated Risk Management Rules for Risks Associated with the Activities of the Central Securities Depository;
 - amended and restated Clearing Rules;
 - amended and restated Internal Control Rules on Anti-Money Laundering, Combating the Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction;
 - amended and restated Risk and Capital Management Strategy;
 - Terms of Transactions in Financial Instruments of Persons Considered to be NSD's Insiders and Persons Related to Them;
 - amended and restated Internal Audit Rules;
 - amended and restated Terms and Conditions of Depository Operations;
 - amendments to the Regulations on the Strategy Committee of NSD's Supervisory Board;
 - amended and restated Risk Management Policy;
 - amended and restated Development Strategy Drafting, Approval and Monitoring Guidelines;
 - amended and restated Regulations on the Internal Audit Department;
 - amended and restated internal regulations that govern employee compensation;
 - amended and restated Financial Recovery (Self-Recovery) Plan;
 - amended and restated Pricing Policy;
 - amended and restated Regulations on Investment of NSD's Temporarily Free Cash Funds;
 - amended and restated Risk and Capital Management Strategy; and
 - amended and restated Corporate Governance Policy.

NSD'S CORPORATE GOVERNANCE STRUCTURE



NSD'S MANAGEMENT BODIES

Body	Mission
General Meeting of Shareholders	<p>The General Meeting of Shareholders is NSD's superior management body. General Meetings are convened at least once a year.</p> <p>The General Meeting takes decisions on key matters relating to NSD's activities. The list of matters reserved to the General Meeting is set out in Federal Law No. 208-FZ dated 26 December 1995 "On Joint-Stock Companies" and NSD's Articles of Association.</p>
Supervisory Board	<p>The Supervisory Board is NSD's superior management body exercising management functions during the periods between General Meetings. Supervisory Board members are elected by the General Meeting of Shareholders for the period until the next annual General Meeting. The proceedings of the Supervisory Board are governed by the Regulations on the Supervisory Board approved by the General Meeting.</p>
Chairperson of the Executive Board	<p>The Chairperson of the Executive Board is the chief executive officer of NSD. The Chairperson of the Executive Board is appointed by the Supervisory Board for a term of three years.</p>
Executive Board	<p>The Executive Board is NSD's collegial executive body. Executive Board members are appointed by the Supervisory Board for a term of two years. The proceedings of the Executive Board are governed by the Regulations on the Executive Board approved by the General Meeting.</p>

COMMITTEES AND COMMISSIONS

Additional information regarding NSD's Committees and Commissions is available on page 67 of this Report.

Internal Audit Commission

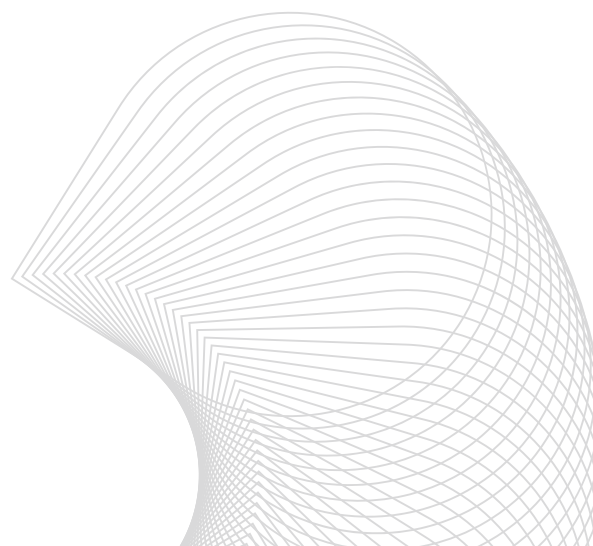
Committee	Mission
Internal Audit Commission	The Internal Audit Commission is the controlling body responsible for exercising internal control over NSD's financial and business activities. Members of the Internal Audit Commission are elected at annual General Meetings of Shareholders. The proceedings of NSD's Internal Audit Commission are governed by the Regulations on the Internal Audit Commission approved by the General Meeting.

Supervisory Board Committees

Committee	Mission
Audit Committee	Ensuring efficient work of NSD's Supervisory Board in organizing the internal control and external audit system, as well as risk management at NSD.
Budget Committee	Improving the efficiency of NSD's Supervisory Board by ensuring proper control over the way funds are received and spent at NSD. The Committee thoroughly prepares materials to be considered at meetings of NSD's Supervisory Board relating to financial planning and financial resources management at NSD.
Nomination and Remuneration Committee	In-depth analysis of matters relating to the recruitment, assessment and remuneration of NSD's senior managers, including Supervisory Board members, the Chairperson of the Executive Board, Executive Board members, and members of the Internal Audit Commission, and preparation of materials to be addressed at Supervisory Board meetings.
Technological Policy and Development Committee	Analysis of development of NSD's IT systems, and making recommendations to the Supervisory Board and the Executive Board on matters relating to the technological policy pertaining to the creation, maintenance, operation, and development of IT systems.
Strategy Committee	Making recommendations to NSD's Supervisory Board as to the worst-case, baseline, and best-case scenarios and the strategy of NSD's development for a new period. Monitoring the progress in the implementation of NSD's current strategy, assessing the need to adjust NSD's current strategy, and making relevant proposals to the Supervisory Board.

Customer Committees of the Supervisory Board

Committee	Mission
Customer Committee for Quality Control and Risk Management	Making recommendations to the Supervisory Board and/or the executive bodies on the client and marketing policy, improving the quality of client services, and approval of internal regulations relating to clearing activities.
Customer Committee for Settlement and Depository Services and Tariffs	Analyzing customers' needs, making recommendations to the Supervisory Board and/or the executive bodies for the development of depository and settlement products and NSD's pricing policy.
Customer Committee for Registrar and Depository Relations	Making recommendations to the Supervisory Board and/or the executive bodies to improve existing methods of interaction between NSD and registrars, and proposals to change existing technologies being used for the interaction between NSD and registrars.
National Settlement Depository Customer Committee (Central Securities Depository Customer Committee)	Approval of internal regulations of NSD as the central securities depository and NSD's fees for depository services.



Committees of the Executive Board

Committee	Mission
Risk Management Committee	Assistance to the Executive Board in the field of corporate governance and risk management improvement.
Tender Committee	Securing the best terms for procuring goods, services, and works needed to support NSD's operations, and minimizing the risk of NSD's contractors failing to deliver.
Product and Project Committee	NSD's project management.
Repository Services User Committee	Considering proposals and making recommendations to the Executive Board for the development and improvement of NSD's trade repository activities.
Risk Management Committee for Payment System	Considering proposals and making recommendations to NSD's executive bodies in the field of risk management in the NSD Payment System.
Committee on the Development of Corporate Actions and Corporate Information Center	Considering proposals and making recommendations to NSD's Executive Board for the development of the Corporate Actions and Corporate Information Center.
Securities Services Development Committee	Considering proposals and formulating recommendations on various issues associated with NSD's securities services.

Committees of the Chairperson of the Executive Board

Committee	Mission
Architectural Committee	Making proposals to ensure uninterrupted operation of IT infrastructure, development of the IT strategy, and monitoring its implementation.
Update Committee	Quality analysis of controls in the course of updating software or IT infrastructure, and risk management in the course of making updates.
Innovations Committee	Development of innovative ideas to create new products and services and to improve the competitiveness of NSD's existing products and services, as well as development of NSD's innovative capacity.

Supervisory Board members elected at the annual General Meeting of Shareholders on 31 May 2018¹

Eddie Astanin	Alexander Afanasiev
Paul Anne F. Bodart	Mikhail Bratanov
Oleg Vyugin	Andrey Golikov
Yury Denisov	Sergey Ivliev
Bella Zlatkis	Sergey Lykov
Paul James Ostling	Anton Ostrovskiy
Andrey Popov	Nadezhda Ushakova
Ilya Yuzhanov	

¹ Information on the Supervisory Board members elected on 31 May 2018 is available in NSD's Annual Report for 2018.

Supervisory Board members elected at the annual General Meeting of Shareholders on 30 May 2019. Information on the Supervisory Board Members¹

Eddie Astanin

Date of birth:

16 December 1961

Education:

- 1984. Mozhaisky Military Engineering Institute.
- 1996. Institute for Further Training and Qualification Upgrade in Finance and Banking at the Finance Academy under the Government of the Russian Federation.
- 1992. Ph.D. in Engineering Sciences.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment / election and resignation / removal
National Settlement Depository	Chairman of the Executive Board	From 11 November 2010
S.W.I.F.T.	Member of the Board of Directors	From 11 June 2015
Settlement Depository Company (Joint Stock Company)	Member of the Board of Directors	From 29 March 2018
Stock Company Saint-Petersburg Currency Exchange	Member of the Board of Directors	31 May 2012 – 28 June 2018
Petersburg Settlement Center Limited	Member of the Board of Directors	19 May 2011 – 18 May 2017
Self-Regulatory Organization "National Finance Association" (NFA)	Board member	20 April 2011 – 13 April 2017

¹ As of 31 December 2019.

Svetlana Balanova

Independent director

Date of birth:

5 October 1970

Education:

- 1992. Moscow State Linguistic University (The Maurice Thorez Institute of Foreign Languages).
- 2000. Open University Business School (UK).
- 2019. Institute of Directors-IoD, UK.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment / election and resignation / removal
IBS Expertise LLC	General Director	From 27 December 2013
IBS IT Services PJSC	General Director, Member of the Board of Directors	From 8 August 2017



Paul Anne F. Bodart

Date of birth:

22 January 1953

Education:

- 1976. Université Catholique de Louvain, Belgium.
- 1986. INSEAD, Fontainebleau, France.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment / election and resignation / removal
Belfius Bank S.A.	Independent director and member of the Audit Committee	From 2016
Solvay Business School of the Brussels University	Professor in the Post Master in Financial Markets program	From 2013
European Central Bank	T2S Board Member	July 2012 – December 2015
Dexia SA	Independent Director and Chairman of the Audit Committee	January 2013 – November 2016
Moscow Exchange	Supervisory Board Member	From 25 April 2019

Mikhail Bratanov

Date of birth:

16 May 1973

Education:

- 1996. Moscow Institute of Electronic Technology (Technical University) (MIET).
- 2003. Moscow Institute of Electronic Technology (Technical University) (MIET), post-graduate course, Ph.D. (Economics).
- 2011. The Moscow School of Management SKOLKOVO, Executive MBA.
- 2014: Institute of Directors (IoD), London, Great Britain, Cert IoD, Dip IoD,
- 2017: IoD Chartered Director.
- 2019. Centre for Effective Dispute Resolution, UK.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment / election and resignation / removal
PJSC ROSBANK	Regional Head of Societe Generale Securities Services (Russia and CIS), Head of Securities Services	From 1 February 2007
Public Joint-Stock Company "Moscow Exchange MICEX-RTS" (Moscow Exchange)	Supervisory Board member	16 September 2011 – 27 April 2016, and from 26 April 2018
Professional Association of Registrars, Transfer Agents and Depositories (PARTAD)	Member of the Board of Directors	From 10 July 2008
RB Specialized Depository LLC	Member of the Board of Directors	From 11 May 2016
Russian National Reinsurance Company	Supervisory Board member	From 29 July 2016
Self-Regulatory Organization "National Finance Association" (NFA)	Member of the Board of Directors	From 13 April 2017
Association "Improvement of Cottage Settlement "Pestovo"	Chairman of the Management Board	From 7 April 2018

Oleg Vyugin

Date of birth:

29 July 1952

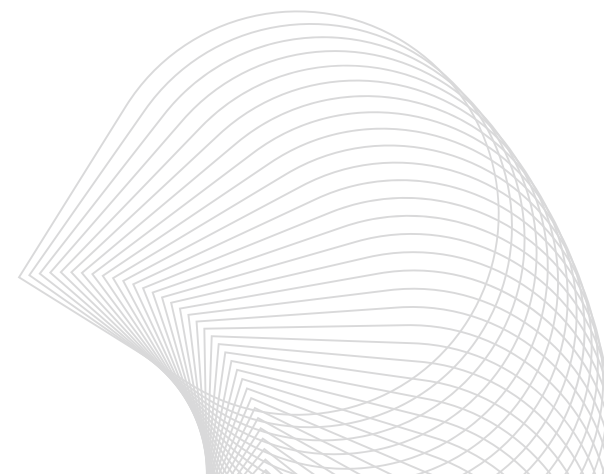
Education:

- 1974. Lomonosov Moscow State University.
- 1978. Lomonosov Moscow State University, post-graduate course.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment / election and resignation / removal
Federal State Autonomous Educational Budgetary Institution of Higher Professional Education "National Research University Higher School of Economics"	Professor of the School of Finance, Faculty of Economics	From 1 June 2007
Rosneft Oil Company PJSC	Member of the Board of Directors	From 17 June 2005
NAUFOR	Member of the Board of Directors, Chairman of the Board of Directors from 14 September 2010	From 3 June 2010
Public Joint-Stock Company "Moscow Exchange MICEX-RTS" (Moscow Exchange)	Supervisory Board member, Supervisory Board Chairman from 26 April 2018	From 27 April 2017
Center for Strategic Research Foundation	Board member	From 7 February 2002
PJSC SAFMAR Financial Investments	Chairman of the Board of Directors	From 26 June 2017
Unipro PJSC	Member of the Board of Directors	From 7 December 2017
The New Economic School Endowment Fund	Member of the Board of Trustees	From 2 July 2008

Organization	Position	Dates of appointment / election and resignation / removal
European University at St. Petersburg (EUSP) Endowment Fund	Member of the Board of Trustees	From 15 February 2008
Not-For-Profit Fund "Analytical Center Forum"	Member of the Board of Trustees	From 26 April 2011
National Council on Corporate Governance	Presidium member	From 9 September 2011
Youth Enterprise Support Fund "AGATE"	Board member	From 19 July 2016
Skolkovo - Venture Investments	Member of the Board of Directors	22 March 2017 – 28 June 2019
B&NBANK PJSC (known as MDM Bank before 18 November 2016, and URSA Bank before 6 August 2009)	Chairman of the Board of Directors from 7 August 2009 – 18.11.2016 Member of the Board of Directors	29 July 2009 – 28 February 2017
SF Holdings Company Plc	Board Member	From 23 January 2019



Andrey Golikov

Date of birth:

14 March 1969

Education:

- 1991. Lomonosov Moscow State University.
- 2016. Institute of Directors (IoD), UK.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment / election and resignation / removal
Public Joint-Stock Company "Moscow Exchange MICEX-RTS" (Moscow Exchange)	Deputy Chairman of the Supervisory Board	From 24 April 2003
Central Counterparty National Clearing Centre	Supervisory Board member	From 30 June 2014
Self-Regulatory Organization "National Finance Association" (NFA)	Co-chairperson of the Board of Directors	From 13 April 2017
Russian National Reinsurance Company	Supervisory Board member	From 19 December 2016
Commercial bank "Absolut Bank" (PAO)	Member of the Board of Directors	From 30 June 2017
"Bank Otkritie Financial Corporation" (PJSC)	Supervisory Board member	From 21 December 2017

Yury Denisov

Date of birth:

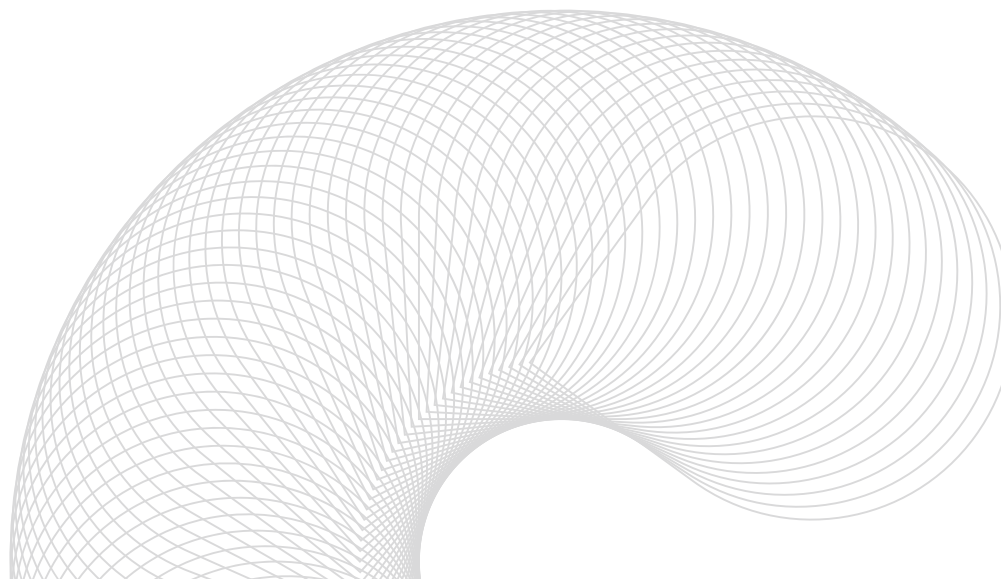
31 May 1970

Education:

- 1993. Moscow State Institute of International Relations of the Ministry of Foreign Affairs of Russia.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment / election and resignation / removal
Public Joint-Stock Company "Moscow Exchange MICEX-RTS" (Moscow Exchange)	Chairman of the Executive Board and CEO	From 16 May 2019
Public Joint-Stock Company "Moscow Exchange MICEX-RTS" (Moscow Exchange)	Supervisory Board member	From 25 June 2013
Central Counterparty National Clearing Centre	Supervisory Board member	From 29 May 2008
The Russian Union of Industrialists and Entrepreneurs	Executive Board member	From 9 October 2019



Bella Zlatkis

Date of birth:

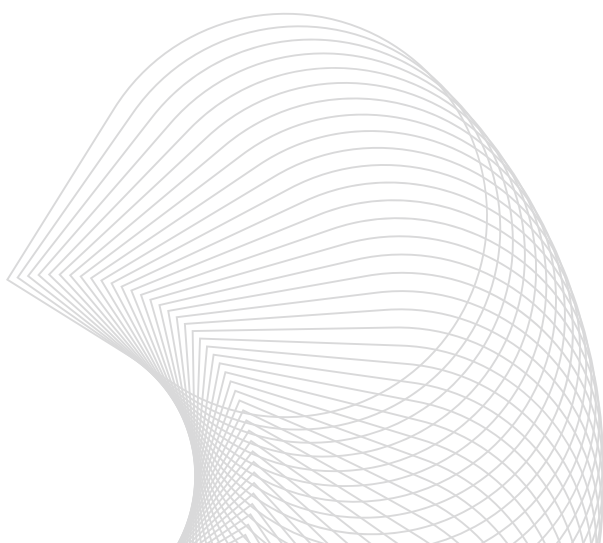
5 July 1948

Education:

- 1970. Moscow Finance Institute.
- 1978. All-Union Correspondence Financial Institute, post-graduate course.
- Ph.D. (Economics).

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment / election and resignation / removal
Sberbank of Russia	Deputy Chairperson of the Executive Board	From 28 May 2004
	Member of the Executive Board	From 8 July 2005
Public Joint-Stock Company «Moscow Exchange MICEX-RTS» (Moscow Exchange)	Supervisory Board member	From 16 September 2011
Sberbank of Russia	Supervisory Board member	30 June 2000 – 29 May 2015 and from 8 June 2018



Igor Kalganov

Independent director

Date of birth:

16 May 1987

Education:

- 2009. Tomsk Polytechnic University.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment / election and resignation / removal
LLC "Center of Practical Application of Blockchain Technology Orbita"	Managing Partner, General Director	From 24 November 2017
LLC ICS Holding	Vice President, Chief Technology Officer	22 April 2019 – 25 December 2019
LLC «Tekhnologii Nedvizhimosti»	General Director	19 September 2016 – 25 April 2018
LLC "Elektronniy Realtor"	General Director	21 July 2014 – 6 February 2017
LLC Mail.Ru	Project Manager	1 September 2017 – 1 April 2018
LLC "Cometrica"	Chief Technology Officer	1 June 2018 – 1 February 2019

Sergey Lykov

Date of birth:

12 December 1952

Education:

- 1975. Moscow Finance Institute.
- 1988. All-Union Distance Institute of Finance and Economics, post-graduate course, Ph.D. (Economics).

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment / election and resignation / removal
State Development Corporation "VEB.RF"	Deputy Chairman of the Management Board, Member of the Management Board	From 28 June 2007
Central Counterparty National Clearing Centre	Deputy Chairman of the Supervisory Board	From 28 January 2009
Moscow Exchange	Supervisory Board member	20 May 2004 – 27 April 2016
EXIMBANK OF RUSSIA	Member of the Board of Directors	8 June 2006 – 9 June 2015
Bank BelVEB OJSC	Supervisory Board member	28 March 2008 – 25 August 2016
Sviaz-Bank	Member of the Board of Directors	22 January 2009 – 6 February 2017
VEB-Leasing JSC	Member of the Board of Directors	29 June 2015 – 30 June 2016

Paul James Ostling

Independent director

Date of birth:

22 September 1948

Education:

- 1969. Fordham University (Mathematics, Philosophy).
- 1973. Fordham University School of Law.
- 1973. Academic degree: JD Cum Laude.
- 1983. Harvard University, advanced management program.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment / election and resignation / removal
Uralkali, PJSC	Member of the Board of Directors	From 2011
Business Council for International Understanding (Non-profit organization)	Board member	From 2001
Boy Scouts of America Transatlantic Council (non-profit organization)	Member of the Board of Directors	From 2007
PSINOS Inc.	Chairman of the Board of Directors	From 2013
PSIN ADVISORS LIMITED	Chairman of the Board of Directors	2018 - 2019
Phoenix Neftegaz Services, LLC	Member of the Board of Directors	2009 - 2019
Brunswick Rail Limited	Chairman of the Board of Directors	2012 - 2015
	Member of the Board of Directors	2015 - 2016
	Chairman of the Board of Directors	From early 2016 to 15 November 2016
	General Director	From early 2016 to 15 November 2016

Anton Ostrovskiy

Independent director

Date of birth:

14 February 1971

Education:

- 1993. Moscow State Institute of International Relations of the Ministry of Foreign Affairs of Russia.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment / election and resignation / removal
Fund "Institute of Contemporary Development"	Deputy Research Advisor – Director, Head of Research and Project Activities	From 1 November 2018
Endowment Fund «InSovR-Capital»	Director	20 May 2008 – 31 October 2018
	Board member	From 21 May 2008
All-Russian Insurance Association	Advisor to the President	1 September 2013 – 31 December 2016



Andrey Popov

Independent director

Date of birth:

21 January 1973

Education:

- 1995. Truman State University (Missouri, USA).
- 1996. Finance Academy under the Government of the Russian Federation.

Positions held in the last 5 years, including membership in other organizations' management bodies:

JSC RaiffeisenBank, Russia, Chief Information Officer (CIO), Member of the Management Board from 2013 to 24 December 2018.

Nadezhda Ushakova

Date of birth:

6 February 1967

Education:

- 1989. State Finance Academy.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment / election and resignation / removal
VTB Bank	Senior Vice President, Head of Depository, VTB Bank	From 21 September 2009
VTB Capital (in parallel)	Team Leader, Department of Fixed Income Market Transactions	21 September 2009 – 28 February 2017
	Team Leader, Office of the General Director	From 1 March 2017
CJSC VTB Specialized Depository	Chairperson of the Board of Directors	From 29 June 2010

Ilya Yuzhanov

Independent director

Date of birth:

7 February 1960

Education:

- 1982. Leningrad State University.
- 1989. Ph.D. (Economics).
- 2013. Institute of Directors, UK, IoD Chartered Director.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment / election and resignation / removal
United Wagon Company	Member of the Board of Directors	From March 2015
Independent Directors Association, Russia	Supervisory Board member	From July 2011
ROSNANO	Member of the Board of Directors	From June 2015
Consumer Council for the Activities of Russian Railways OJSC and its Subsidiaries, established within the Government Transport Commission of the Russian Federation	Chairman of the Council	From January 2016
Polyus Gold International Limited	Chairman of the Board of Directors	October 2013 – March 2016

The members of the Supervisory Board do not own any shares in NSD.

Information on the Executive Board Members

Eddie Astanin

Date of birth:

16 December 1961

Education:

- 1984. Mozhaisky Military Engineering Institute.
- 1996. Institute for Further Training and Qualification Upgrade in Finance and Banking at the Finance Academy under the Government of the Russian Federation.
- 1992. Ph.D. in Engineering Sciences.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment / election and resignation / removal
National Settlement Depository	Chairman of the Executive Board	From 11 November 2010
S.W.I.F.T.	Member of the Board of Directors	From 11 June 2015
Settlement Depository Company (Joint Stock Company)	Member of the Board of Directors	From 29 March 2018
Stock Company Saint-Petersburg Currency Exchange	Member of the Board of Directors	31 May 2012 – 28 June 2018
Petersburg Settlement Center Limited	Member of the Board of Directors	19 May 2011 – 18 May 2017
Self-Regulatory Organization "National Finance Association" (NFA)	Board member	20 April 2011 – 13 April 2017

Irina Veremeenko

Date of birth:

24 May 1965

Education:

- 1987. Moscow Finance Institute.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment / election and resignation / removal
National Settlement Depository (NSD) (formerly known as MICEX Settlement House)	Chief Accountant, Director of Accounting and Reporting Department	From 25 September 2000

Maria Krasnova

Date of birth:

13 February 1970

Education:

- 1992. Lomonosov Moscow State University.

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment / election and resignation / removal
National Settlement Depository	Deputy Chairman of the Executive Board	From 1 July 2013
	Vice President, Director for Corporate Matters, Risks and Legal Support (in parallel)	6 April 2012 – 30 June 2013
	Deputy Chairman of the Executive Board	21 July 2011 – 5 April 2012

Andrey Shlyappo

Date of birth:

12 September 1968

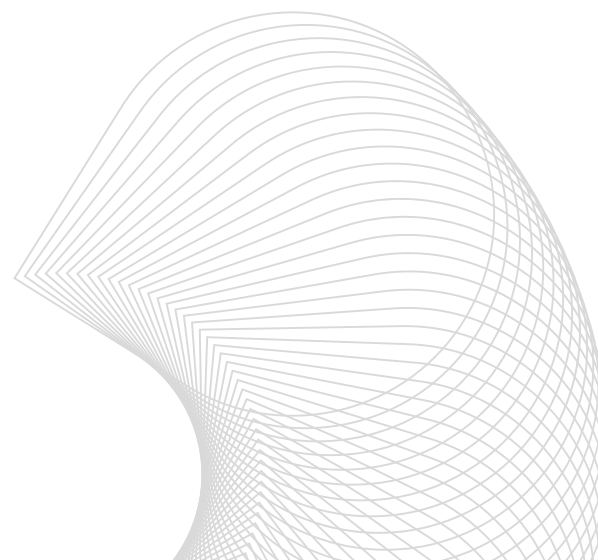
Education:

- 1998. Moscow State Institute of Steel and Alloys (Technological University).

Positions held in the last 5 years, including membership in other organizations' management bodies:

Organization	Position	Dates of appointment / election and resignation / removal
National Settlement Depository (NSD)	Deputy Chairman of the Executive Board	From 1 April 2014
	Vice President, Director of Operations	1 February 2012 – 31 March 2014
	Director of Depository Transactions Department	11 November 2010 – 31 January 2012

The members of the Executive Board do not own any shares in NSD.



SHAREHOLDERS

On 21 November 2019, NSD's shareholders signed the amended and restated Shareholders Agreement with respect to NSD, and NSD became a party to the Shareholders Agreement. Moscow Exchange holds a 99.997% interest in NSD's share capital, while each of the other 34 shareholders (banks, brokerage firms, registrars, Republican Unitary Enterprise "Republican Central Securities Depository" (Republic of Belarus), and ICSDs (Euroclear Bank SA/NV и Clearstream Banking S.A.)) holds one share. The full list of NSD's shareholders is shown in the table below. Thanks to such shareholder structure, the Shareholders Agreement strikes a balance between shareholders' interests and interests of NSD's service users.

The Shareholders Agreement needed to be amended and restated to reflect certain changes in Russian laws and regulations applicable to the CSD. Besides, since the execution of the previous Shareholders Agreement in 2011, NSD, in addition to acting as CSD, has taken a number of other infrastructure roles, including those of a systemically important trade repository and a nationally important payment system, all of which required to update the Shareholders Agreement. The Shareholders Agreement demonstrates that the Moscow Exchange Group is willing to establish a corporate governance system that is transparent to securities market participants.

Because certain international central securities depositories became shareholders in 2014, NSD is now able to position itself as a Eurasian (regional) international central securities depository. This allows NSD to offer foreign investors CSD services for execution of transactions in securities of Russian or other CIS issuers, and also to offer investors from CIS countries services for execution of transactions in foreign securities through accounts held by international or CIS CSDs with NSD.

The presence of foreign infrastructure institutions among NSD's shareholders demonstrates that Russia's central securities depository is recognized in the global arena and that its corporate governance system is trusted.

List of NSD's Shareholders¹

1. Public Joint-Stock Company «Moscow Exchange MICEX-RTS»
2. Gazprombank (Joint Stock Company)
3. Public joint-stock company ROSBANK
4. CentroCredit Bank
5. VTB Bank (Public Joint-Stock Company)
6. State Development Corporation «VEB.RF»
7. ALOR Plus Corporation
8. Joint Stock Company Raiffeisenbank
9. Stock Company Saint-Petersburg Currency Exchange
10. Joint Stock Company UniCredit Bank
11. KIT Finance (Joint-stock company)
12. Commercial Bank «J.P. Morgan Bank International» (Limited Liability Company)
13. ATON Limited Liability Company
14. Kompaniya Brokercreditservice Limited Liability Company
15. OOO Morgan Stanley Bank
16. Joint-Stock Company «ALFA-BANK»

¹ As of 31 December 2019.

17. BANK SAINT PETERSBURG Public Joint-Stock Company
18. Otkritie Broker Joint Stock Company
19. Sberbank of Russia
20. Joint Stock Company "Bank DOM.RF"
21. INFINITUM Asset Services
22. Renaissance Broker Limited
23. Limited Liability Company "Reestr-RN"
24. Joint Stock Company "Noviy Registrator"
25. Professional Registration Center JSC
26. JSC "DRAGA"
27. JSC Independent Registrar Company R.O.S.T.
28. Investment Company "Zerich Capital Management" Joint Stock Company
29. Evrofinance Mosnarbank
30. Clearstream Banking S.A.
31. Euroclear Bank SA/NV

32. Republican Unitary Enterprise "Republican Central Securities Depository" (Republic of Belarus)
33. Joint Stock Company Commercial Bank Citibank
34. Joint Stock Company «Russian regional development bank»
35. RON Invest

General Meeting of Shareholders

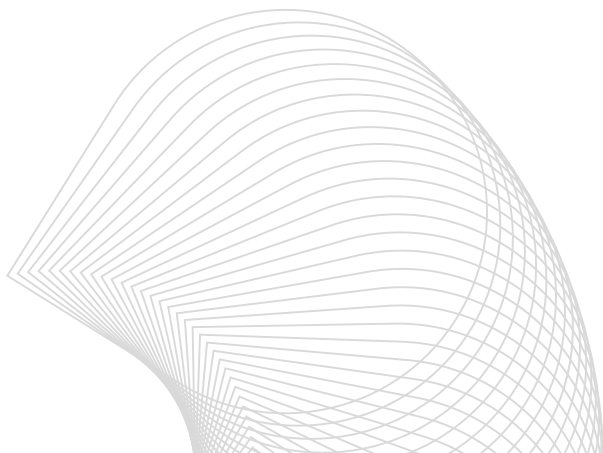
The proceedings of General Meetings of Shareholders are governed by the Rules of Procedure of NSD's General Meeting of Shareholders approved by the General Meeting.

On 30 May 2019, the annual General Meeting of Shareholders approved NSD's Annual Report for 2018 and appointed NSD's external auditor. In addition, the General Meeting took decisions on profit distribution and dividend payment for 2018, elected the new members of the Supervisory Board and Internal Audit Commission, and took decisions on remuneration of the Supervisory Board members.

No extraordinary General Meeting of Shareholders was held in 2019.

Registrar

The Registrar maintaining the share register of NSD is Joint Stock Company «Registry society «STATUS».



REPORT ON THE PAYMENT OF DECLARED (ACCRUED) DIVIDENDS ON THE SHARES IN NSD

In accordance with Federal Law No. 208-FZ dated 26 December 1995 “On Joint-Stock Companies”, a company may declare dividends on its issued and outstanding shares and is required to pay the dividends so declared.

The annual General Meeting of Shareholders held on 30 May 2019 passed the following resolutions in relation to dividend payment to NSD’s shareholders:

1. Distribute NSD’s net profit for 2018 as follows:

- Use 100% of NSD’s net profit for 2018 amounting to RUB 2,757,282,000 to pay dividends to the shareholders.

2. Determine the dividend amount of RUB 2,335.34 per NSD’s registered ordinary share before dividend income tax under article 284 (sub-paragraph 1, paragraph 3) of the Russian Tax Code.

3. Determine that the record date for dividend payment purposes shall be 10 June 2019.

4. Pay the dividends within the time limits required by the Russian laws.

The dividends were paid in full and within the prescribed timeframe.

REMUNERATION OF NSD’S SUPERVISORY BOARD MEMBERS

In accordance with the Federal Law «On Joint-Stock Companies», the General Meeting of Shareholders may resolve to pay remuneration to Supervisory Board members during their term in office. The amount of such remuneration is to be approved by the General Meeting of Shareholders in accordance with NSD’s Supervisory Board Members’ Remuneration and Expenses Reimbursement Regulations.

In determining the amount of remuneration payable to Supervisory Board members, the following factors are taken into account:

- independent director status;

- the exercise of functions of Chairperson / Deputy Chairperson of the Supervisory Board;

- Supervisory Board Committee membership;

- the exercise of functions of Supervisory Board Committee Chairperson; and

- attendance at in-person Supervisory Board meetings and meetings of Supervisory Board Committees.

The total remuneration paid in 2019 to the Supervisory Board members amounted to RUB 54,395,206, including RUB 31,395,206 paid to the independent directors.

REMUNERATION OF NSD'S EXECUTIVE BOARD MEMBERS

In accordance with NSD's Articles of Association, the amount of remuneration is approved by the Supervisory Board.

Remuneration payable to the Executive Board members comprises two components:

- Monthly remuneration (salary) payable for the performance of duties under the employment contract; and

- Performance-based remuneration. Key performance indicators are set by the Supervisory Board in accordance with the recommendations made by the Nomination and Remuneration Committee of the Supervisory Board. Individual key performance indicators are set for each Executive Board member, and the amount of remuneration payable to that member depends on whether the KPIs are achieved.

NSD'S SUPERVISORY BOARD COMMITTEES AND OTHER COMMITTEES

Audit Committee

Mission:

The Audit Committee's role is to ensure efficient work of NSD's Supervisory Board in organizing the internal control and external audit system, as well as risk management at NSD.

In 2019, as in the previous year, NSD continued to face such challenges as global geopolitical and financial uncertainty; evolving financial policy and regulation; and heightening concerns around risk management and cyber security. Throughout the reporting year, the Audit Committee and NSD's business units were actively involved in addressing these challenges. Despite the continuing volatility caused by the underlying factors, NSD continued to display stability in updating its processes and systems to proactively address them.

Members (as of 31 December 2019)

1	Paul James Ostling	Chairperson of the Committee Independent member of NSD's Supervisory Board
2	Oksana Loginova	Member of the Board of Directors, SBER LEGAL LLC
3	Anton Ostrovskiy	Independent member of NSD's Supervisory Board
4	Andrey Popov	Independent member of NSD's Supervisory Board
5	Nadezhda Ushakova	Senior Vice President, Head of Depository, VTB Bank

Highlights of the year:

In 2019, the Audit Committee held 13 meetings and dealt with 66 issues.

At its meetings, the Audit Committee mainly reviewed regular reports of the Risk Management, Internal Audit, and Internal Control Departments and of the Information Security Division; internal risk management, control, and audit processes; and external audit findings (encompassing audit of NSD's financial statements and operational audit).

In 2019, the Audit Committee also addressed the risks relating to NSD's new development strategy 2024 and steps to be taken to reduce those risks. In addition, NSD successfully passed operational audit under ISAE 3402 Type II (SOC 1). To revise NSD's internal rules and regulations, new versions of the Regulations on the Internal Audit Department (to bring them in line with the international standards for the professional practice of internal auditing) and Financial Recovery (Self-Recovery) Plan were approved.

In 2020, the Audit Committee will be supporting NSD's business development initiatives and infrastructure projects, such as RoFT, which commonly require Committee's involvement to control and prevent risks. Moreover, the Committee will focus strongly on cyber security and business continuity, as vulnerability of the relevant IT systems gives rise to potential risks for NSD's business.

Budget Committee

Mission:

The Budget Committee's role is to improve the efficiency of NSD's Supervisory Board by ensuring proper control over the way funds are received and spent at NSD. The Committee thoroughly prepares materials to be considered at NSD's Supervisory Board meetings on matters relating to financial planning and financial resources management at NSD.

Members (as of 31 December 2019):

1	Maxim Lapin	Chairperson of the Committee Chief Financial Officer, Moscow Exchange
2	Mikhail Bratanov	Regional Head of Societe Generale Securities Services (Russia and CIS), Head of Securities Services, PJSC ROSBANK
3	Andrey Popov	Independent member of NSD's Supervisory Board
4	Nadezhda Ushakova	Senior Vice President, Head of Depository, VTB Bank

Highlights of the year:

In 2019, the Committee held 12 meetings.

The priorities for the Committee were matters relating to the budgeting of NSD's operations and the company's pricing policy.

The Committee has contributed to fine-tuning the cost control process, analyzing the company's revenue model and prospective projects, analyzing company's economic capital.

In 2020, the Committee will focus on the quarterly monitoring of CTOI and fees and commissions, analysis of revenue streams from business lines, and analysis of the 'Registrar of Financial Transactions' and 'Pension Operator of the Guaranteed Pension Plan' projects.

Nomination and Remuneration Committee

Mission:

In-depth analysis of matters relating to the recruitment, assessment and remuneration of NSD's senior managers, including Supervisory Board members, the Chairman of the Executive Board, Executive Board members, and other key employees and members of the Internal Audit Commission, and preparation of materials to be considered at Supervisory Board meetings.

Members (as of 31 December 2019):

1	Ilya Yuzhanov	Chairperson of the Committee Independent director
2	Yury Denisov	Chairman of the Executive Board and CEO, Moscow Exchange
3	Oleg Vyugin	Chairman of the Supervisory Board, Moscow Exchange
4	Bella Zlatkis	Deputy Chairperson of the Executive Board, Sberbank of Russia

Highlights of the year:

In 2019, the Committee held 8 meetings at which the Committee members made recommendations concerning the composition of NSD's Executive Board and remuneration payable to the Executive Board members, as well as recommendations as to:

- new nominees to the Supervisory Board to be elected at the annual General Meeting in 2019;
- NSD's Key Performance Indicators (KPI) for 2019 and assessment of the achievement of NSD's KPIs for 2018;

- updating NSD's Supervisory Board Members' Remuneration and Expenses Reimbursement Regulations;
- remuneration of the Chairman of the Executive Board and Executive Board members for 2018, and remuneration of the heads of the business units in charge of internal control and risk management;
- updating NSD's employee compensation plans in accordance with Bank of Russia's Instruction No.154-I dated 17 June 2014; and
- NSD's corporate Key Performance Indicators for 2020.

The Committee Chairman coordinated efforts to assess the state of corporate governance at NSD based on the results of 2019.

Technological Policy and Development Committee

Mission:

Analysis of development of NSD's IT systems to ensure they meet the needs of financial markets participants, and making recommendations to the Supervisory Board and the Executive Board on matters relating to the technological policy concerning the creation, maintenance, operation, and development of such IT systems.

Members (as of 31 December 2019):

1	Alexander Izosimov	Chairperson of the Committee Supervisory Board member, Moscow Exchange
2	Svetlana Balanova	Independent member of NSD's Supervisory Board
3	Dmitry Ereemeev	President, FIX Group
4	Igor Kalganov	Independent member of NSD's Supervisory Board
5	Vladimir Kurlyandchik	Director for Development, ARQA Technologies
6	Kirill Menshov	Senior Vice President for IT, PJSC "Rostelecom"

7	Andrey Popov	Independent member of NSD's Supervisory Board
8	Yury Yartsev	Deputy Head of the Project Office Department, Moscow Office of BCS Prime Brokerage Limited

Highlights of the year:

In 2019, the Committee held one meeting to discuss various issues relating to the preparation of NSD's IT strategy 2024 and selection of a prospective IT platform for the NSD Payment System.

In 2020, the Committee will focus on the implementation and, if necessary, revision of NSD's IT strategy and take part in expert discussions of other issues concerning NSD's IT development.

Strategy Committee

Mission:

Making recommendations to NSD's Supervisory Board as to the worst-case, baseline, and best-case scenarios and the strategy of NSD's development for a new period.

Monitoring the progress in the implementation of NSD's current strategy, assessing the need to adjust NSD's current strategy, and making relevant proposals to the Supervisory Board.

Members (as of 31 December 2019):

1	Бодар Пол Анне Ф.	Chairperson of the Committee
2	Братанов Михаил Валерьевич	Regional Head of Societe Generale Securities Services (Russia and CIS), Head of Securities Services, PJSC ROSBANK
3	Вьюгин Олег Вячеславович	Chairman of the Supervisory Board, Moscow Exchange
4	Денисов Юрий Олегович	Chairman of the Executive Board and CEO, Moscow Exchange

5	Островский Антон Олегович	Independent member of NSD's Supervisory Board
6	Попов Андрей Александрович	Independent member of NSD's Supervisory Board

Highlights of the year:

In 2019, the Committee held six meetings.

At its meetings, the Committee worked to devise NSD's new development strategy 2024 eventually approved by NSD's Supervisory Board on 23 April 2019. As part of the Strategy implementation, a new version of NSD Development Strategy Drafting, Approval and Monitoring Guidelines was drafted. The current statuses of strategic initiatives were monitored on a regular basis. To align the NSD strategy with the strategy of the Moscow Exchange Group, the Committee cooperated with the Strategy Planning Commission of Moscow Exchange's Supervisory Board. The Committee also approved the following prospective initiatives: selection of a prospective IT platform for the NSD Payment System; monetization of data (Big Data) collected by NSD; NSD's IT Strategy for the Period until 2024; and amended and restated Shareholders Agreement with respect to NSD.

Committee's key objectives in 2020 will include:

- Review and discussion of a Report on the Progress in the Implementation of the NSD Development Strategy in 2019. Formulating recommendations to NSD's Supervisory Board;
- Monitoring of the current statuses of the strategic initiatives covered by the Strategy;
- Review and discussion of prospective initiatives that can potentially be put on the list of strategic initiatives.

Customer Committees of the Supervisory Board

National Settlement Depository Customer Committee (Central Securities Depository Customer Committee)

Mission:

The Committee is responsible to review and approve internal regulations (amendments thereto) of NSD as central securities depository, including regulations that require approval by the Bank of Russia.

Chairperson:

Svetlana Kamasheva, Vice President, Head of Depository's New Product Development Department, VTB Bank (PJSC)¹.

Highlights of the year:

In 2019, the Committee held three meetings, at which the Committee approved the amended and restated Risk Management Rules for Risks Associated with the Activities of the Central Securities Depository and the amended and restated Terms and Conditions of Depository Operations, as well as the amendments to the Fee Schedule for NSD's Depository Services, as relating the fee for tax support services in connection with payment of income from securities and removal of the fees for NSD's services in connection with instruction cancellation upon acceptance of securities for safekeeping or withdrawal of securities from safekeeping (securities held with international central securities depositories, ADRs, GDRs).

Customer Committee for Quality Control and Risk Management

Mission:

The key role of the Customer Committee for Quality Control and Risk Management is to make recommendations to NSD's Supervisory Board and executive bodies on the following matters:

- NSD's customer policy, in particular a client onboarding process and servicing principles applicable to various client categories;
- NSD's marketing policy in promoting its services;
- improving customer services and ensuring control over their quality, including in the field of software, hardware and technological support of NSD's activities;
- improving products and services offered by NSD;
- reducing NSD's operational risks in delivering services;
- informing NSD's customers about new products and services, and supporting the promotion of such services in the financial services market; and
- approving internal regulations relating to NSD's clearing operations.

¹ Before 1 August 2019, the Committee was headed by Alexey Fedotov, Deputy Head of Depository, Russian Agricultural Bank.

Chairperson:

Vladimir Itunin, Head of Operations, Alfa-Bank¹.

Highlights of the year:

In 2019, the Committee held three meetings at which the Committee approved the amended and restated Risk Management Rules for Risks Associated with the Activities of the Central Securities Depository and reviewed and discussed reports regarding the level of customer satisfaction of NSD's services, software design and improvement process, operational audit findings, and insurance coverage maintained by NSD. The Committee also addressed various information security issues and the key achievements in the development of the company's business continuity management system.

Customer Committee for Settlement and Depository Services and Tariffs

Mission:

The key functions of the Customer Committee for Settlement and Depository Services and Tariffs are as follows:

- liaising with financial market participants for the purpose of studying customers' needs and analysing new market trends; and
- making recommendations to NSD's Supervisory Board and executive bodies on the following matters:
 - development of depository and settlement services and products;
 - development and standardization of a pricing model;
 - marketing policy aimed at offering competitive services; and
 - other matters directly relating to NSD's Development Strategy.

Chairperson:

Ksenia Vlasova, Head of Operations, Business Support Department, Aton LLC².

Highlights of the year:

In 2019, the Committee held four meetings at which the Committee addressed proposed improvements to the functionality of Web-client for Depository and Clearing Services (DCS Web-client) and services relating to foreign corporate actions; potential integration between the Moscow Exchange's OTC system for the debt market and NSD's DCS Web-client; and the DVP-2 service with the use of correspondent accounts with the Bank of Russia. The Committee discussed specific aspects of application of Article 8.5 of Federal Law No. 39-FZ dated 22 April 1996 "On the Securities Market" and addressed the issue of discrepancies in securities quantities arising from Article 8.5 of the Federal Law «On the Securities Market». In addition, the Committee focused on the improvement of paperwork in connection with mutual payments for services and harmonization of NSD's fees (introduction of a monthly fixed fee for clearing services).

Customer Committee for Registrar and Depository Relations

Mission:

The key functions of the Customer Committee for Registrar and Depository Relations are as follows:

- making recommendations to improve NSD's existing relations with registrars that maintain registers of registered securities holders, and with specialized depositories that maintain registers of UIT unit holders;
- making proposals to change NSD's communication technologies being used to interact with registrars, including electronic data interchange technologies;
- making proposals to design new technologies to improve the quality of NSD's relations with registrars and specialized depositories; and
- addressing any other matters relating to the Committee's tasks and objectives.

¹ Before 18 December 2019, the Committee was headed by Natalia Sidorova, Head of Global Securities Services, Transaction Banking Services Department, JSC UniCredit Bank.

² Before 18 December 2019, the Committee was headed by Evgenia Klimova, Head of Custody Services Department, JSC Raiffeisenbank, Russia.

Chairperson:

Vadim Protasenko, First Deputy General Director, JSC Independent Registrar Company R.O.S.T.¹

Highlights of the year:

In 2019, the Committee held one meeting to discuss changes in NSD's securities services and corporate action processing methods resulting from the entry into force of Federal Law No. 514-FZ dated 27 December 2018, and the implementation of a new format of a list of securities holders of record in interactions with depositories and registrars.

Committees of the Executive Board

Risk Management Committee

Mission:

The Risk Management Committee's role is to provide assistance to the Executive Board in the field of corporate risk management. The Committee focuses on improving and strengthening risk management at NSD and ensuring immediate response to critical risks.

Chairperson:

Maria Krasnova, Deputy Chairman of the Executive Board, Executive Board member, NSD.

Highlights of the year:

In 2019, the Committee held 10 meetings, at which the Committee members addressed a number of matters relating to operational reliability of NSD's services, operation and development of the risk management system, business continuity, and information security. In particular, the Committee focused on the following matters:

- steps aimed at enhancing the level of NSD's cyber security;
- information security testing;
- progress in the implementation of the business continuity and disaster recovery plans and plans for building resilient infrastructure;
- acceptance of risks in NSD's ongoing operations; and

- findings of investigations into the causes and circumstances of material incidents in NSD's operations, and steps taken to prevent their re-occurrence.

The outcomes of Committee meetings are regularly reported to the Executive Board.

Risk Management Committee for Payment System

Mission:

The Committee makes recommendations in the field of risk management in the NSD Payment System, including recommendations as to the eligibility criteria for participation in the NSD Payment System, requirements to payment infrastructure service providers, and issues of information security in the NSD Payment System.

Chairperson:

Viktor Utkin, a representative of Alfa-Bank.

Highlights of the year:

In 2019, the Committee held three meetings at which the Committee assessed risk management in the NSD Payment System and discussed potential broadening of standard reporting forms being used as raw data for stress testing of financial risks, as well as the usefulness of stress testing of liquidity risk in the NSD Payment System in view of the sources of liquidity risk in the Payment System.

Tender Committee

Mission:

Securing the best terms for procuring goods, services, and works needed to support NSD's operations, and minimizing the risk of NSD's contractors failing to deliver.

Chairperson:

Georgy Uryutov, Director of General Economic Department, NSD.

¹ Before 18 December 2019, the Committee was headed by Maksim Murashov, General Director, JSC "DRAGA"

Highlights of the year:

In 2019, the Committee held 38 meetings. Most of the matters addressed by the Committee were relating to the outsourcing of the design and maintenance of various IT systems and software solutions, and repair and maintenance of the office building occupied by NSD at 12 Spartakovskaya Street in Moscow. In particular, counterparties were selected to conduct market researches, to provide advisory services, insurance coverage, and staff training, and to acquire licences, computer hardware, and other equipment.

Product and Project Committee

Mission:

The Committee was set up to manage project activities at NSD, including the development of new products and services. The Committee's key role is to assist the Executive Board in deciding on the project and product management of the company and to ensure that the project implementation complies with management policies and regulations.

Chairperson:

Irina Veremeenko, Chief Accountant, Director of Accounting and Reporting Department, Executive Board member.

Highlights of the year:

In 2019, the Committee held 18 meetings, at which the Committee members, among other things, discussed the following projects: transit service for financial notifications; integration with the Prospective Payment System; improvement of electronic communications with clients; Registrar of Financial Transactions; and W8BEN service.

Repository Services User Committee

Mission:

The Committee's primary role is to consider proposals and make recommendations to NSD's Executive Board for the development and improvement of NSD's repository activities.

Chairperson:

Marina Presnyakova, Executive Director, COO, Commercial Bank "J.P. Morgan Bank International" (Limited Liability Company).

Highlights of the year:

In 2019, the Committee did not meet.

Committee on the Development of Corporate Actions and Corporate Information Center

Mission:

The Committee's primary role is to consider proposals and make recommendations to NSD's Executive Board for the development of the Corporate Actions and Corporate Information Center.

Chairperson:

Natalia Shtalenkova, Head of Product Development Division, Depository Services Department, Commercial Bank «J.P. Morgan Bank International» (Limited Liability Company).

Highlights of the year:

In 2019, the Committee did not meet.

Committees of the Chairperson of the Executive Board

Update Committee

Mission:

The Committee's key role is to mitigate the negative impact that software updates have on the quality of services provided to NSD's clients. The Committee's objectives

are analysis of whether control measures used or planned in connection with software updates are adequate; and development of measures to mitigate the risk of the negative impact that the software updates have on the quality of services.

Chairperson:

Andrey Shlyappo, Deputy Chairman of the Executive Board.

Highlights of the year:

In 2019, the Committee held 21 meetings to discuss matters relating to the installation of software releases, as well as to the assessment of non-project-related requests.

Architectural Committee

Mission:

The Architectural Committee's key responsibilities are as follows:

- making proposals to ensure failure-free and reliable operation of electronic systems and IT infrastructure critical for NSD's business; and
- making proposals to ensure competitive advantages and leadership for NSD by developing and monitoring the implementation of the IT strategy, introducing and using advanced and promising settlement, depository, and clearing technologies to address tasks set before NSD.

Chairperson:

Alexander Chekanov, Chief Architect.

Highlights of the year:

In 2019, the Committee held 11 meetings. Among the matters addressed by the Committee were the following: robotics-related risks; IPC project architecture; AI technologies; selection of a secure data interchange system for data interchange with the Bank of Russia; DLT-based commodities clearing OTC system; and selection of a prospective IT platform for the NSD Payment System.

Innovations Committee

Mission:

The Innovations Committee's key responsibilities are as follows:

- development of innovative ideas to create new products and services and to improve the competitiveness of NSD's existing products and services; and
- development of NSD's innovative capacity.

Chairperson:

Artem Duvanov, Director for Innovations, NSD.

Highlights of the year:

In 2019, the Committee did not meet.

02

RISK MANAGEMENT

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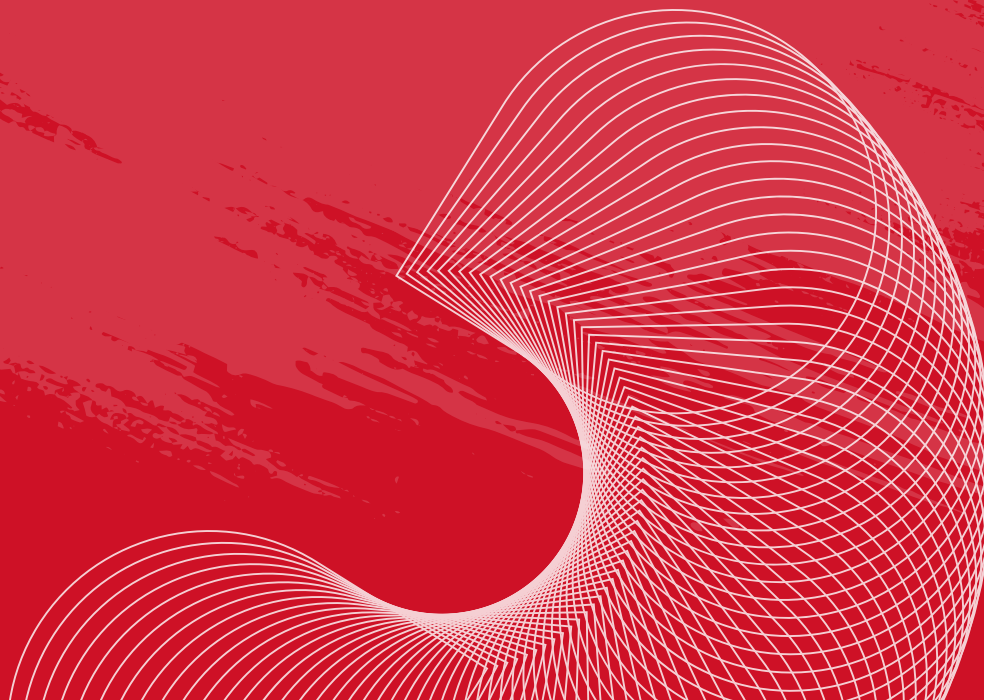
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NSD's risk management system aims to promote sustainable development of the Russian financial market in accordance with international standards and is focused on effective risk management for both the company and participants of the financial market infrastructure.

The main purpose of risk management at NSD is to ensure operational reliability and steady development of the company's key areas of business and to guarantee that the company meets its obligations to its shareholders, clients, regulator, and other stakeholders. Risk management processes are based on the Integrated Enterprise Risk Management Framework (COSO ERM) and constitute an integral part of NSD's operations.

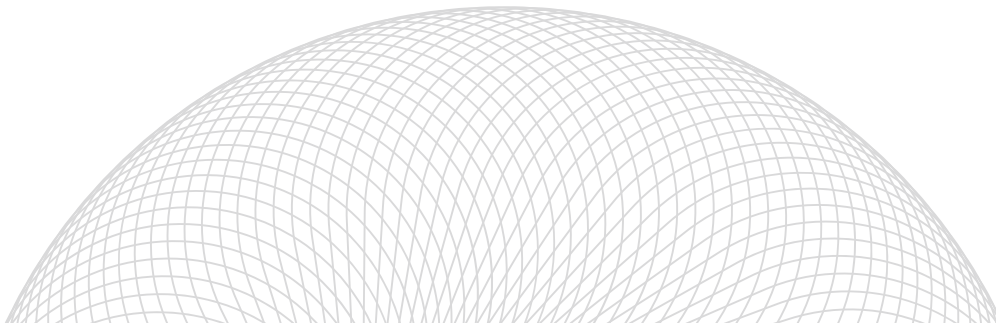
Effective risk management contributes both to optimal decision-making in the context of uncertainty and related risks, and the use of available opportunities.

Detailed information on the risk management system, its organizational structure, and key principles of risk management is available on NSD's web site in the Risk Management section.

RISK PROFILE

The risk management system is designed to manage all types of financial and nonfinancial risks in NSD's business, namely: credit risk, market risk, liquidity risk, operational risk, legal risk, regulatory risk, strategic risk, reputational risk, business risk, and systemic risk.

The risk management process involves measures aimed at identifying, assessing, responding to, monitoring, and controlling NSD's risks.



KEY RISK FACTORS ASSOCIATED WITH NSD'S OPERATIONS

Risk	Risk Factors / Sources
Credit Risk	<ul style="list-style-type: none"> Counterparties' default on their obligations in transactions that bear credit risk
Market Risk	<ul style="list-style-type: none"> Changes in exchange rates Changes in the market value of securities in NSD's portfolio Changes in interest rates and yields
Liquidity Risk	<ul style="list-style-type: none"> Potential maturity mismatch between financial assets and financial liabilities Need for NSD to meet its financial liabilities immediately and at the same time
Operational Risk	<ul style="list-style-type: none"> Ineffectiveness of internal business processes Human errors Malfunctioning of IT systems Cybercrime Fraud External events
Legal Risk	<ul style="list-style-type: none"> Failure to perform contracts and agreements Flaws in the legal system Legal errors arising in the course of operations
Regulatory Risk	<ul style="list-style-type: none"> Failure to comply with the requirements of laws, internal regulations, and industry standards applicable to NSD's operations

Risk	Risk Factors / Sources
Reputational Risk	<ul style="list-style-type: none"> Negative perception of the company's financial solvency, quality of services, and operational reliability by clients and other stakeholders
Strategic Risk	<ul style="list-style-type: none"> Mistakes in decision-making regarding the company's development strategy Shortcomings in strategy implementation
Business Risk	<ul style="list-style-type: none"> Unforeseen costs arising in the course of providing services Flaws in management decisions taken in connection with the design and promotion of services External environment factors affecting company's income and expenses
Systemic Risk	<ul style="list-style-type: none"> Failure by one or more than one settlement participant to meet his liabilities, which could adversely affect the capability of most or all settlement system participants to meet their respective liabilities

The key tools designed to manage risks include:

- 1) Collection and analysis of information on risk events.
- 2) Identification, assessment, and reduction of risks in NSD's current business processes, projects, and products.
- 3) Setting limits and other restrictions with respect to the risks taken.
- 4) Monitoring of compliance with the applicable risk appetite parameters.
- 5) Managing the assets and liabilities portfolio for the purpose of its optimization in terms of maturity and structure.
- 6) Setting aside reserves to cover potential losses.
- 7) Monitoring of NSD's risk level and the impact of changes in the external environment on the company's risk profile.

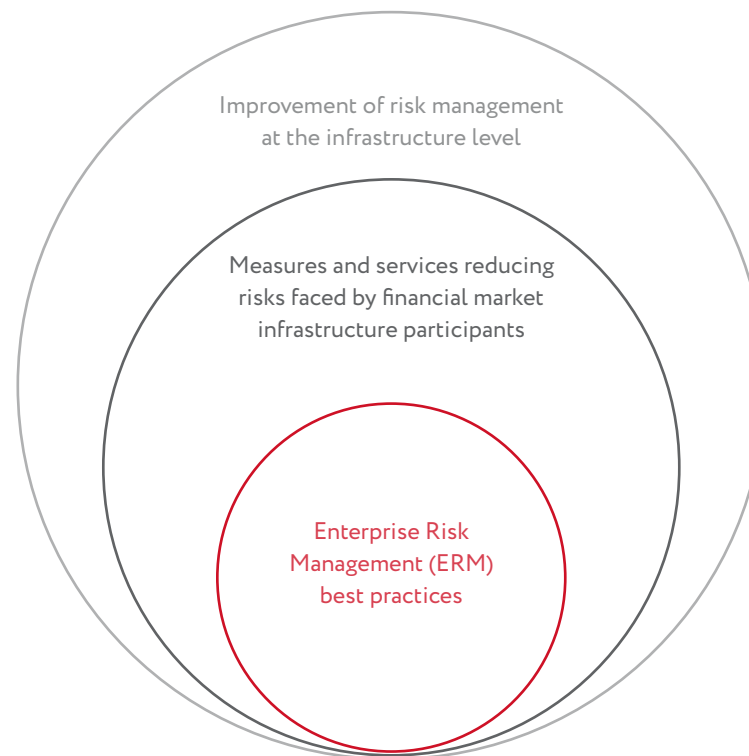
In addition, to ensure the company's financial strength, various processes have been implemented to plan and maintain NSD's capital at the level adequate to cover risks pertaining to the company's operations, including in stress conditions. Compliance with the capital requirements is monitored on a daily basis.

KEY MILESTONES IN RISK MANAGEMENT IN 2019

In 2019, NSD continued its efforts to improve its risk management tools and practices. The Risk Management System Development Strategy for the Period until 2020 defines the following three key areas of focus.

The key activities completed in 2019 include the following:

- Steps taken to ensure operational reliability and failure-free operation of NSD's processes.
- Implementation of the program designed to build a risk culture and to raise staff and senior management's awareness of risk management tools and practices.
- Automation of a number of risk and control management processes.
- Updating of approaches and methods for ensuring the company's financial strength.



PLANS FOR 2020

Risk management, along with other support functions, is intended to create an environment that would enable NSD to pursue its strategic goals and objectives. Accordingly, the following priority areas of focus have been identified to improve risk management practices:

- Ensuring a high level of risk culture and risk management competencies possessed by company's staff and senior management.
- Risk assessment of NSD's strategic projects and initiatives.
- Further improvement of the procedures designed for evaluation of reliability and financial strength of legal entities involved in recordkeeping or safekeeping of assets owned by NSD or its clients.

03

BUSINESS CONTINUITY

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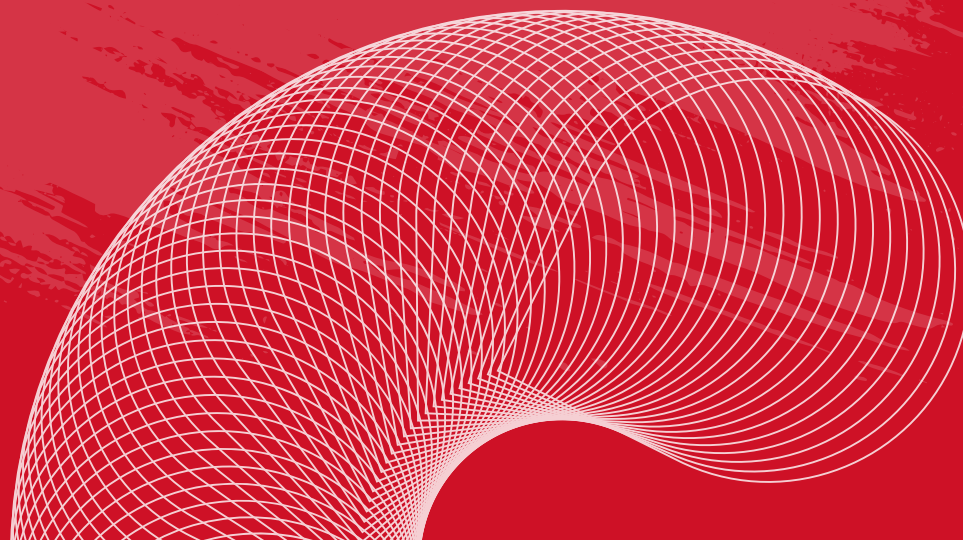
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To ensure its business continuity, NSD has in place and continuously improves the business continuity management system based on the recognized standards and global best practices.

The business continuity management system covers the entirety of NSD's key areas of business and is focused on:

- Ensuring safety of company employees and NSD's visitors;
- Ensuring NSD's ability to meet its obligations to clients and partners in the event of disruption of the company's normal operations;
- Prevention of potential disruption of the company's normal operations;
- Mitigation of financial and non-financial consequences of emergencies;

- Restoration of the normal operations following an emergency; and
- Maintaining the level of management at NSD, which allows for making reasonable and optimal management decisions and implementing them in a timely fashion and in full.

The work aimed at ensuring the reliability of critical processes is systematic and consistent. Business continuity management is supported by NSD's senior executives, with necessary resources being allocated to ensure the proper level of continuity of business processes.

NSD has in place adequate backup infrastructure (the backup site and backup data center) that meets all of the requirements applicable to such facilities.

In addition, NSD has in place Business Continuity and Disaster Recovery Plans that are tested, reviewed, and updated on a continuous basis.

FULL-SCOPE BUSINESS CONTINUITY EXERCISES

In 2019, multiple tests were conducted, which covered various areas of NSD's business, including tests involving clients, the regulator, municipal service agencies, and service providers.

In addition to testing disaster recovery of IT systems and utilities, NSD, as part of its business continuity efforts, conducts cross-functional emergency situation exercises, which involve relocation of the company's critical business functions to the backup site in accordance with the Business Continuity and Disaster Recovery Plans.

Specific attention is paid to managing communications with stakeholders and to disclosure of information regarding emergencies.

In line with the global best practices, representatives of stakeholders are invited to take part in exercises as observers.

The positive outcomes of the exercises and tests prove the high level of NSD's preparedness to ensure the continuity of its services for clients in an emergency.

It should be specifically said that NSD, in its business continuity efforts, is client-oriented. In 2019, the Business Continuity and Disaster Recovery Plan for Corporate Actions Conducted by NSD's Clients was tested together with clients. Special work areas at NSD's offices are always available to clients to enable them to conduct a corporate action when the client's offices could not be used for that purpose.

04

CORPORATE SOCIAL RESPONSIBILITY

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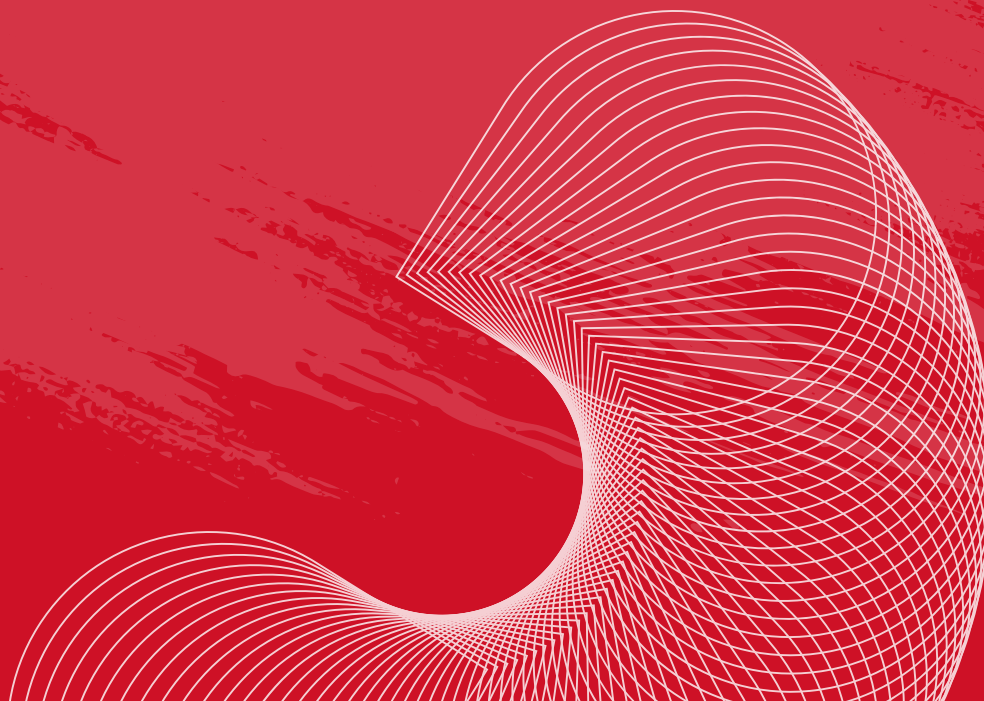
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PROMOTING FINANCIAL LITERACY AMONG THE GENERAL PUBLIC

In 2019, NSD contributed RUB 500,000 to provide a salary to a financial literacy teacher in the “Bolshaya Peremena” (Big Change) charity foundation that helps orphans adapt to the modern life while they stay in a children’s home and after they leave it. Orphaned

children are the first to fall victim to fraudsters who hunt them down to deprive them of the property and money received from the government. NSD helps protect children and provide them with the basic knowledge of how to deal with money.

ASSISTANCE TO CHILDREN

In 2019, NSD collaborated with a number of charitable foundations and volunteer movements that support orphaned children and children with severe diseases. These organizations provide psychological and medical assistance to those put in their charge, taking care of their education and creative development when their relatives are not able to do that for a variety of reasons.

NSD allocated RUB 470,000 to the “Sheredar” charitable foundation to sponsor the rehabilitation program for 70 children aged 13-17 who were diagnosed with cancer. This partially covered the transfer, room and board of the program participants and volunteers, and purchase of special equipment. NSD also supported a sports, health improvement, and development program named “Kanikuly so Smyslom” (Meaningful Holidays). It is held for orphaned children by the “Deti Nashi” (Our Children) charitable fund. 18 children received treatment during the program’s summer session and 20 children – during its winter session. NSD’s aid in the amount of RUB 500,000 allowed to provide room and board to the children and those who accompanied them, offer remuneration to counsellors, psychologists, a financial manager, and a project coordinator, as well as pay for accounting services.

Our company has a strong focus on initiatives aimed to support children in healthcare facilities. For example, NSD’s contribution (RUB 300,000) allowed to fund the work of the “Danilovtsy” volunteer movement’s hospital teams for 6 months. During that period,

the volunteers made more than 1,000 visits to Dmitry Rogachev National Research Center of Pediatric Hematology, Oncology and Immunology, Burdenko Neurosurgery Institute, Morozov Children’s City Clinical Hospital, Russian Children’s Clinical Hospital, and Children’s Mental Hospital No. 6. As part of NSD’s collaboration with the “Strana Chudes” (Wonderland) charitable foundation in 2019, RUB 450,000 were allocated for purchasing medicines, bandages and dressings, hi-tech hearing aid and paying for children’s treatment.

In addition, NSD for the first time funded (RUB 568,698) the “Miloserdie” (Charity) charitable foundation’s mobile team that provides palliative care to children. The aid covered the wages of a neurologist, pediatrician, and social worker for 4 months.

Apart from funding medical treatment, our company seeks to invest money in the development of children deprived of parental care. NSD allocated RUB 276,000 to the Elizabeth’s children’s home to cover a six-month wage rate of a teacher of the youngest age correction group, who becomes a trusted adult for orphans and teaches them basic communication and social life skills. Moreover, to promote artistic capabilities in children of the Udelnoe center for extracurricular activities, NSD provided RUB 120,000 to purchase a multimedia studio and a Lego construction set. Children learn how to work with the multimedia studio, master the basics of animated cartoon making, video shooting and editing, and make their cartoons that are very simple so far.

ASSISTANCE TO VETERANS AND DISABLED PEOPLE

In 2019, NSD provided financial assistance to the Duet Wheelchair Athletic Dance Club for the amount of RUB 250,000. This covered travel expenses, room and board, and performance of 8 dancers and their attendants. As a result, the “Duet” team visited Minsk and participated in the Dancing and Parachuting Festival where it won 8 medals

in the wheelchair athletic dance contests (6 gold and 2 bronze medals) and 2 gold medals in parachute jumping. In addition, the Moscow team won 4 medals in the Wheelchair Athletic Dance Continental Cup (1 gold, 2 silver, and 1 bronze medals) in September 2019.

CORPORATE VOLUNTEERING

NSD’s employees who can try hand at volunteering or make a donation are engaged in charity events. Announcements of socially significant events are sent to employees in a daily morning Company Newsletter, while stories and photo reports of the charity events held are posted on the NSD portal’s Corporate Charity page. Here, NSD’s employees can also apply for participation in a charity event, make a donation, or post an announcement of an alternative charity project. In 2019, the company’s office hosted such events as Donor’s Day (89 employees donated blood) and charity fairs. The events were held with the assistance of the Blood Supply Service and the “Podari Zhizn” (Gift of Life) charitable

fund. NSD also arranged campaigns to raise funds for the medical treatment of children with cancer. As a result of all the events held, NSD’s employees donated more than RUB 37,160. The amount was handed over to those in need through the “Podari Zhizn” (Gift of Life) charity.

NSD’s employees participated in a charitable New Year’s party and purchased 80 presents for children receiving treatment in the Kirov Regional Children’s Clinical Hospital.



05

HUMAN CAPITAL

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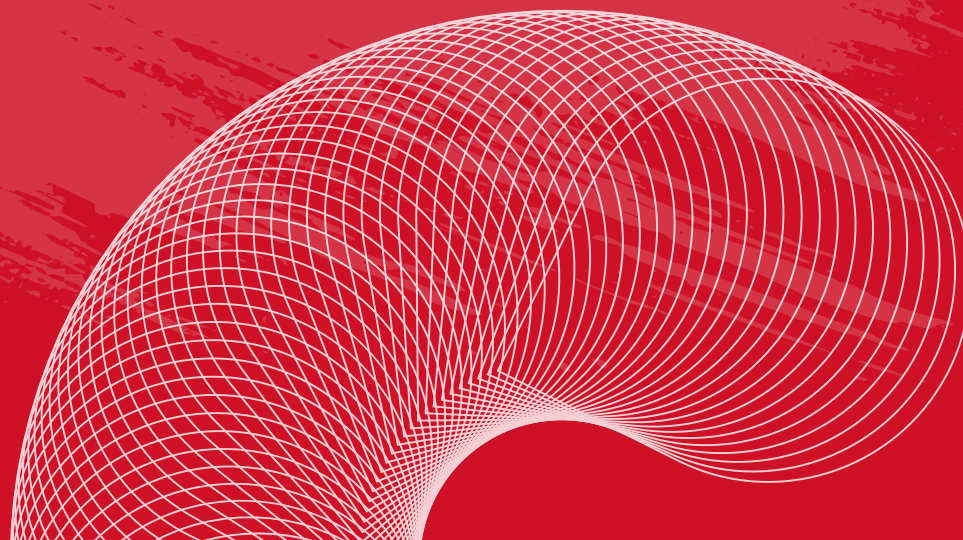
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HR MANAGEMENT

In 2019, NSD's average headcount amounted to 505 employees¹. 97% of our employees have a degree from higher professional education establishments. The general turnover rate decreased as compared to the previous year and remains lower than the average figures across the financial sector, amounting to 7.7% of the average headcount.

In 2019, the number of male vs. female employees was 44% and 56%, respectively. The proportion of female executives in the total number of executives was 52%. The remuneration level at NSD depends on the job functions and position level. The pay level across similar positions for males and females is equal. Throughout 2019, the number of promotions among males and females was approximately the same (4% and 5% of the total number of employees of each gender). These figures indicate gender equality and equal career opportunities.

CORPORATE SOCIAL SUPPORT

NSD pays great attention to employee social support. In addition to voluntary medical insurance plans, overseas travel insurance, critical disease and accident insurance, as well as financial assistance due to a variety of events in an employee's life, as traditionally provided to our staff, in 2019, NSD conducted a number of activities (such as a reality game called Walking Together, topical seminars, and endocrinology screening on site), aimed to maintain and strengthen the employees' health and promote a healthy life style.

The company supports family values, inviting our employees' children to NSD's premises on the Family Day. The children enjoy diving into their parents' working environment and learning about the exciting world of finance through games, quests, and workshops.

HR BRAND PROMOTION

In 2019, NSD's user-friendly and feature-rich career website was updated and improved. It provides information that is of interest to potential employees. The website allows users to understand the company's values and priorities and make a well-informed decision when applying for a position at NSD.

The company continuously monitors and uses new communication channels when dealing with potential job applicants. The communication channels directly depend on the target audience that the company is interested in, including both experienced professionals and university and college graduates. Such approach allows us to tell them about our priorities in an open and objective manner, recruit motivated and effective employees, and be a company that is accessible and attractive to young people.

¹ Excluding part-timers and employees on a parental leave.

² Executive positions: head of a unit, head of a division, head of a department, Executive Board members.

CONTINUOUS EMPLOYEE TRAINING USING DIGITAL TECHNOLOGY

NSD strives to support a high professional level of employees and build the leadership capacity of executives. NSD offers training programs at all levels of employment in the company. These include distance learning, online training and development programs. The company uses the practice of internal cross-functional training. It ensures continuous propagation and accumulation of unique in-house knowledge. All training activities in the company are monitored and analyzed in our internal systems that collect complete HR analytics.

UPDATING APPROACHES: FEEDBACK AND DEVELOPMENT

In 2018, NSD conducted an employee engagement index survey. It showed that the NSD's employee engagement level corresponded to that of the world's most successful companies. However, the survey revealed a number of areas where our employees were somewhat unsatisfied.

In the reporting period, NSD selected internal focus groups involving about 70 employees from various business units. The key problem areas were identified within these focus groups.

Based on the results of focus group analysis, info meetings with employees were arranged and certain changes and improvements in a number of internal HR processes were introduced.

FOCUS ON TEAMWORK

Achievement of the company's strategic goals requires well-orchestrated work of all business units. Providing assistance in coordinating teamwork is one of the priorities of NSD's HR function.

In 2019, NSD conducted a number of team sessions with the key representatives of business and IT divisions. In their course, an internal agreement was reached regarding the teamwork of all members and the responsibility areas of the employees in charge of the company's internal activities were elaborated..

YOUNG GENERATION AND WORKING WITH STUDENTS

Year after year, NSD seeks to attract young specialists and ensure they grow into real professionals. Working with students is one of the major priorities in this field.

Internships and an annual conference for students is an important part of work with the young generation. In 2019, the annual NSD Progress conference was held in a new format. The most successful and motivated students of the Higher School of Economics (HSE) were invited as speakers. The company conducted internal training for speakers on the 'Presentation Skills' topic.

In 2019, the number of students invited as interns to the company was 40% higher than in 2018. This gave more young people an opportunity to gain their first work experience and NSD to recruit a larger number of trained young specialists.

06

GENERAL INFORMATION ON NSD'S ACTIVITIES

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INFORMATION DISCLOSURE

NSD's Information Disclosure Rules approved by the Bank of Russia (Order No. 14-6-22/9132 dated 20 September 2017) set out the procedure for information disclosure, i.e., provision of the following information to an indefinite or unlimited number of concerned parties:

- information to be disclosed by NSD in accordance with the Russian statutory requirements; and
- information disclosed by NSD on its own accord or upon request by a party concerned.

In particular, the Rules require that NSD act in accordance with the principle of transparency towards its shareholders, clients, business partners, counterparties, governmental authorities, employees, and other stakeholders. In accordance with the principle of transparency, the proper level of information disclosure is ensured by compliance with the following rules:

- Information disclosure practices must be consistent with NSD's and Moscow Exchange Group's development strategy (goals and objectives);
- Information disclosed must be accurate and accessible;
- Information must be disclosed in a timely fashion, regularly, and on a non-discriminatory basis;

- A reasonable balance must be stricken between NSD's transparency and NSD's and Moscow Exchange Group's commercial interests;
- The requirements of the Russian laws and other regulations concerning trade secrets, bank secrecy, or insider information, as well as the requirements of NSD's internal regulations applicable to dealing with confidential information must be complied with;
- Standards of professional ethics must be complied with; and
- Information distribution channels must ensure free, easy, and inexpensive access by interested parties to any information disclosed.

To ensure compliance with the Rules, the Chairman of the Executive Board approved the Procedure for Preparation, Verification and Approval of Information to Be Disclosed by NSD as the Central Securities Depository. The Procedure sets out a list of information (data, facts, documents, and other informational materials) to be disclosed by NSD and designates employees responsible for the preparation, verification, and approval of the information to be disclosed.

In addition to conventional communication channels, NSD discloses information and communicates with counterparties via popular social media: Twitter and Facebook.

AUDIT

Internal Audit Commission

The Internal Audit Commission is the controlling body responsible for internal control over NSD's financial and business activities. Members of the Internal Audit Commission are elected at annual General Meetings of Shareholders.

The members of the Internal Audit Commission are:

1. Olga Melentieva;
2. Maxim Nikonov;
3. Vladimir Sukhachev.

The proceedings of NSD's Internal Audit Commission are governed by the Regulations on the Internal Audit Commission approved by the General Meeting.

Material Aspects of Interaction with External Auditors

On 30 May 2019, NSD's annual General Meeting of Shareholders resolved to approve the appointment of Deloitte & Touche CIS as NSD's auditor to conduct audits under the Russian Accounting Standards (RAS) and the International Financial Reporting Standards (IFRS) for the period until NSD's annual General Meeting of Shareholders to take place in 2020.

Full name	Joint-Stock company "Deloitte & Touche CIS"
Short name	Deloitte & Touche CIS
Registered Office	5 Lesnaya Street, 125047 Moscow
Telephone and fax numbers	Tel.: +7 (495) 787 06 00 Fax: +7 (495) 787 06 01
E-mail	moscow@deloitte.ru
Full name and address of the self-regulatory organization of auditors in which the auditor has (had) membership	Self-regulated organization of auditors «Russian Union of Auditors» (Association) 8 Petrovskiy Pereulok, Bldg. 2, 107031 Moscow 2
Financial year for which the auditor conducted an independent audit of the statutory accounting books and financial statements under Russian laws and the IFRS	2017, 2018, 2019

Deloitte & Touche CIS is authorized under Russian laws to conduct independent audits of NSD's accounting system, financial statements (accounts), tax reports, financial results, and NSD's internal control system, as well as to prepare and present an auditor's report on NSD's financial statements prepared under the RAS and IFRS, and, if any material shortcomings in the accounting or internal control system are identified, issue an information letter, describing the shortcomings, to NSD's executives.

Deloitte & Touche CIS does not have any significant common interests with NSD or the Moscow Exchange Group.

Interaction with the external auditor is maintained under the Audit and Review Services Agreement. An audit is only intended to express an opinion on the validity of NSD's financial statements and on whether the accounting records are maintained by NSD in compliance with applicable Russian law. Validity means the degree of accuracy of the data contained in the financial statements and whether it enables a user of such financial statements to draw conclusions, on the basis of such data, regarding NSD's performance results, financial position, and assets, and to make informed decisions. During the audit period, the auditors also examine the tax accounting books and tax reports filed by NSD in the forms required (i.e., tax returns, tax calculations, etc.) and determine whether all tax reliefs were obtained lawfully. The purpose of a review is to express a conclusion whether, on the basis of the review, anything has come to the auditor's attention that causes the auditor to believe that NSD's interim financial statements for the first six months of the year are not prepared, in all material respects, in accordance with IAS 34 «Interim Financial Reporting».

Interaction with the auditor includes several phases:

- Phase 1: analysis of NSD's information systems;
- Phase 2: review of the company's IFRS interim financial statements for the first six months of the year;
- Phase 3: intermediate procedures: audit of the state of accounting and controls, account balances, and tax filings for the nine months of the financial year;
- Phase 4: final procedures: audit of the state of accounting and controls, account balances, RAS and IFRS financial statements and tax filings for 12 months of the financial year.

For the purposes of conducting an audit, NSD designates an employee to be in charge of liaising with NSD's business units and ensuring that the information needed for the audit is delivered in a timely fashion.

Under the Audit and Review Services Agreement, the auditor undertakes to strictly comply with the laws of the Russian Federation and other regulations, including Federal Law No. 307-FZ dated 30 December 2008 "On Audit Activities", international standards on auditing, and federal standards on auditing adopted in the Russian Federation. Furthermore, the auditor is required to:

- ensure that any documents received by the auditor in the course of an audit are kept safe and returned in due course, and that their contents or any other information are not disclosed without NSD's consent, except as provided by Russian law;
- if so requested by NSD, supply NSD with the necessary information on the requirements of the Russian laws with respect to the conduct of audits (including tax audits), and references to the regulations on which the auditor's comments and conclusions are based; and
- inspect the documents related to NSD's financial and business activities and the availability of any assets recorded in those documents.

Where the auditor discovers any breach of the tax laws or any material misstatements in NSD's financial statements or tax reports, the auditor will notify NSD's executives that they may be held liable for such breaches and that it is necessary to make amendments to the financial statements or make adjustments to the tax returns and calculations.

The auditor determines, at its own discretion, the forms and methods of the audit based on the requirements imposed by the applicable Russian laws and regulations, subject to the specific terms and conditions of the Audit and Review Services Agreement.

In the course of an audit, NSD undertakes to make the relevant arrangements and provide assistance to the auditor to ensure that the financial and tax audits are completed in a timely fashion and in full. NSD provides the auditor with all the information and documents requested and needed for the audit, provides full clarifications and confirmations as may be requested by the auditor, and requests any information necessary for the audit from third parties.

INTERNAL CONTROL

In compliance with the requirements set forth by Russian laws and Bank of Russia's regulations, NSD implements internal controls that are appropriate to the nature and scope of NSD's business (as the central securities depository and as a non-banking credit institution, professional securities market participant, clearing house, and trade repository), and to NSD's risk profile.

Internal controls are implemented to ensure that NSD pursues the following objectives:

- ensure that NSD's financial and commercial performance in the course of banking and any other operations and transactions is efficient and effective, and ensure the efficient management of assets and liabilities (including protection of assets) as well as efficient risk management;
- ensure that NSD's financial statements, accounting, statistical, and other reports (both internal and external) are accurate, complete and objective and are prepared and submitted in a timely fashion, and maintain information security (safeguard the company's interests and objectives in the information field defined as a totality of information, information infrastructure, parties involved in information collection, generation, distribution, and use, and the framework of regulation of resulting relations);
- ensure compliance with the applicable Russian laws, Bank of Russia's regulations, self-regulatory organizations' standards, and NSD's constitutional documents and internal regulations; and
- prevent NSD's or its employees' involvement in illegal activities (including money laundering and terrorist financing), and ensure that relevant information is reported to competent authorities and the Bank of Russia in a timely fashion in accordance with the Russian laws.

NSD's Supervisory Board, Executive Board, and Executive Board Chairman are actively involved in managing the internal control system. NSD has the Audit Committee, a standing advisory body of the Supervisory Board established to ensure the effectiveness of internal controls and internal audits, to assess the effectiveness of the risk management system, and to make recommendations to NSD's Supervisory Board and executive bodies to enable them to take decisions on those matters in accordance with their authority.

NSD's internal control system is based on the principle of three lines of defence, as required by the global best practices. The maturity level of the internal control system is confirmed by an independent auditor.

At NSD, there are two departments responsible for internal control on a continuous basis: the Internal Audit Department and the Internal Control Department.

The Internal Audit Department is responsible for assessing the reliability and effectiveness of internal controls, risk management, corporate governance, and business processes at NSD, provides NSD's management bodies with information upon completion of internal audits, and gives advice on matters relating to internal controls.

The Internal Control Department is responsible for ongoing control over NSD's operations, including NSD's operations as CSD, clearing house, and trade repository, as well as over the work of the AML/CFT Officer and the Insider Trading Compliance Officer.

In 2019, in the field of AML/CFT, the main focus was on automation of processes amid changing requirements of Russian laws, and on preventing questionable transactions attempted to be made using new instruments or services.

Compliance efforts were focused on ensuring compliance with increasing regulatory requirements to NSD's operations and foreign jurisdictions' requirements concerning tax risks (FATCA, The Common Reporting Standard), as well as on managing geopolitical risks.

- The Internal Control Department improves its control and monitoring tools on a continuous basis, including:
- monitoring of whether regulatory reports are submitted to the Bank of Russia in a timely fashion;
- access to insider information;
- quality of handling client enquiries that could be classified as complaints; and
- compliance with the AML/CFT requirements of the laws and Bank of Russia's regulations.

In 2019, NSD's key areas of business were audited by the Bank of Russia, without any material findings on non-compliance.

The multi-level internal control system enables NSD to effectively identify and manage risks in all areas of its business.

INFORMATION SECURITY

To deliver on its strategic objectives, it is crucial for NSD to implement information management and protection practices, as information protection is the overarching factor of effective and sustainable performance.

NSD has the status of central securities depository, its Payment System is nationally important, and NSD also provides banking, trade repository, clearing, and other services in the financial market. All these factors make information and cyber security one of NSD's priorities.

The work to ensure information security (IS) at NSD is organized in accordance with the Russian laws, Bank of Russia's requirements and recommendations, the package of standardization documents issued by the Bank of Russia (entitled "Ensuring Information Security at Organizations of the Banking Industry of the Russian Federation") (the "BR ISBS Package"), NSD's Information Security Policy, and the best practices and international standards.

The focus of IS activities is to ensure the security of clients' assets, as well as the security of the company's banking, depository, settlement and information systems, to ensure NSD's sustainable and effective performance, and to safeguard interests of NSD and its shareholders, investors, and clients against information security threats. The Information Security Division is responsible for putting in place an effective system to manage IS risks and conducting works designed to identify and counter any possible threats.

In accordance with the requirements of the Russian laws and the requirements set out in the BR ISBS Package, the Information Security Division is actively involved in analyzing business processes, drafting terms of reference, rolling out hardware and software, and performing an expert review of contracts and agreements. In addition, the Information Security Division regulates processes designed to separate users' access, sets up and maintains information protection tools, allocates access rights, and maintains key information.

Thanks to regular IS audits, NSD can objectively assess the current level of information security. On a quarterly basis, the Information Security Division issues a cyber security report describing the current security status of IT systems; reports are provided to the Executive Board, Executive Board Chairman, Risk Management Department, and Audit Committee of the Supervisory Board.

An independent audit of NSD for compliance with the requirements set out in Bank of Russia's Regulations No. 382-P dated 9 June 2012 "On the Requirements to Information Security in the Course of Money Transfers and the Procedure for Monitoring by the Bank of Russia of Compliance with Such Requirements", which was conducted in 2019, confirmed that NSD complies with the Bank of Russia's requirements and observes the international Principles for Financial Market Infrastructures, and showed an improvement in the IS level.

To maintain and raise its IS level, NSD took steps to improve its information protection tools and IS-related internal regulations and to enhance security of source codes of business IT systems under development.

In 2019, NSD's Information Security Division paid specific attention to:

- ensure security of the company's internal systems, focusing on those accessible online, by addressing vulnerabilities identified by penetration and other tests;
- update IS-related internal regulations;
- address vulnerabilities identified in NSD's information infrastructure; and
- automate IS processes and procedures.

NSD took steps to improve the process of vulnerability management, which allowed the company to identify and address vulnerabilities in NSD's information infrastructure before they have caused negative effects as a result of such vulnerabilities being exploited by intruders.

In the reporting year, the following measures were implemented:

- A list of IT systems covered by static code analysis to identify potential vulnerabilities was expanded; the process of mandatory audit of all IT systems to be deployed to the production environment was automated; and tools designed for security screening of third-party libraries and IT systems being tested were implemented. These steps will improve effectiveness and help further decrease the number of vulnerabilities against previous periods, which may be identified by subsequent penetration tests.

- IS-related internal regulations were updated as part of the personal data protection efforts.
- Thanks to the implementation of additional information protection tools, improvements were made to the access management and user account management processes.
- The account lifecycle management process was automated.

The Information Security Division continuously improves the methodological and technological support of its activities. In particular, the Information Security Division analyzes, on a regular basis, legislative and regulatory changes, including changes in Government Standard GOST 57580.1-2017 «Security of Financial (Banking) Operations. Information Protection at Financial Institutions. Basic Organizational and Technical Measures», providing the basis on which NSD can make necessary amendments to its internal regulations in a timely fashion, and implements and modernizes security and protection solutions.

NSD'S INTERESTS IN OTHER ENTITIES

Entity's Full and Short Name	Registered Office	Interest in the Share Capital, %
SWIFT SCRL (Society for Worldwide Interbank Financial Telecommunication)	Avenue Adèle 1, 1310 La Hulpe, Belgium	0.0145



**NATIONAL
SETTLEMENT
DEPOSITORY**
MOSCOW EXCHANGE GROUP

12, Spartakovskaya St.,
Moscow 105066, Russia

+7 495 234-48-27
+7 495 956-09-38

www.nsd.ru/en/

