



NATIONAL
SETTLEMENT
DEPOSITORY
MOSCOW EXCHANGE GROUP



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Annual Report

2020

ANNUAL REPORT
OF NATIONAL SETTLEMENT DEPOSITORY
FOR 2020





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Address by the Chairperson of the Supervisory Board



Bella Zlatkis,
Chairperson of the Supervisory Board, NSD,
Deputy Chairperson of the Executive Board,
Sberbank

DEAR SHAREHOLDERS, CLIENTS, AND PARTNERS,

As a key element of the Russian financial market infrastructure, NSD is committed to satisfying the interests of its clients, regulators, and financial market participants. Despite the market volatility and global uncertainty of 2020 caused by the pandemic, NSD continued demonstrating stability and business continuity in providing its services and delivering on its obligations.

In an uncertain environment, leadership skills, such as the ability to take decisions, flexibility to adapt to changes, speed of response, and openness to innovations, take a company to a new level. In 2020, not only NSD demonstrated its readiness to operate in a new environment, but the company also posted record high operating and financial performance and set new trends for the market.

In the past year, NSD continued implementing its strategy approved in 2019: focused on the key depository business, as

well as on the development of additional innovative products and services for clients. Throughout the year, the Supervisory Board put emphasis on risk management, business continuity, and implementation of strategic initiatives.

Also, a great deal of attention was given to corporate governance. Assessment of the state of corporate governance at NSD in accordance with the Bank of Russia's guidelines is an important tool designed to monitor the quality of corporate governance.

In 2021, the Supervisory Board will continue focusing on operation in the coronavirus crisis environment, rapid response to geopolitical and cybersecurity risks. Special attention will be given to corporate governance issues in accordance with sustainable development principles: effective governance at the interface of economic, environmental and social aspects.



Address by the Acting Chairman of the Executive Board



Maria Krasnova,
Acting Chairman of the Executive Board, NSD

DEAR SHAREHOLDERS, PARTNERS, AND COLLEAGUES,

The past year was a challenge for the global and Russian financial systems, including us. Despite all the difficulties, we managed to maintain the company's financial strength and operational reliability. Thanks to the digital solutions implemented earlier, we retained our employees and efficiently organized business processes in the new environment, in full compliance with our obligations to clients and with the regulatory requirements.

While maintaining focus on our clients and their objectives and values, we continue to reinforce our market positions, rapidly developing our core custody business, offering new complementary services, and launching new projects and initiatives.

All of that helped us finish 2020 with record-high performance figures. In particular, the value of assets in custody at NSD increased 20.8% year-on-year to the equivalent of RUB 63.6 trillion. The fee and commission income surged 23.5% to reach RUB 7.5 billion, while the net profit grew 14.6% and exceeded RUB 4.2 billion.

Thanks to the timely adaptation to the new environment, we maintained the customer satisfaction index at a consistently high level, 8.99 points on a ten-point scale.

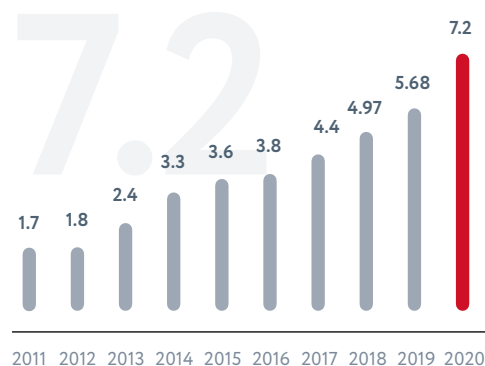
We continued implementing the NSD Development Strategy approved in 2019, which provided strategic guidance and direction, with a focus on three aspects: reliability, effectiveness, and development. As a systemically important financial market infrastructure, we put special emphasis on the quality and reliability of our IT solutions, business continuity, information security, risk management, and regulatory compliance. The roll-out of infrastructure for the launch of U.S. securities trading on the Moscow Exchange, the launch of a DVP-2 settlement service via correspondent accounts with the Bank of Russia, and the development of the Registrar of Financial Transactions and the financial messaging service Transit 2.0 all represented a logical extension of the change program launched earlier. In addition, the best practices of CSDs across the globe and the opportunities opened up by modern technology inspire us for new ambitious plans.

I would like to thank NSD's staff, Supervisory Board members, Customer Committee members, shareholders, and partners for their support. Together, we are on the right track towards the common goals.



About National Settlement Depository

Total fee and commission income for the 12M reporting period, management accounts (RUB billion)



National Settlement Depository (NSD) is the central securities depository (CSD) of the Russian Federation. NSD offers a wide range of services to its clients, including depository services, payment services, registration of OTC transactions, information services, collateral management services, and IT services.

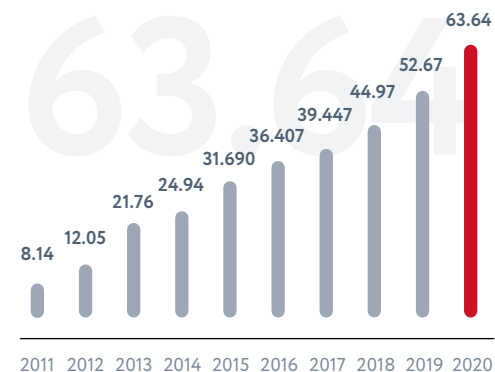
The Bank of Russia recognized NSD as a systemically important financial market infrastructure: a systemically important central securities depository, settlement depository, trade repository and registrar of financial transactions. The NSD Payment System is a systemically and nationally important payment system. Currently, NSD has securities accounts with CSDs and ICSDs in eight countries, accounts with foreign custodian banks, as well as correspondent accounts with major foreign and Russian banks. NSD services securities issued by companies representing more than 40 countries.

In 2020, the value of assets held in custody at NSD increased by RUB 10.93 trillion (20.8%) to RUB 63.6 trillion. The most increase was realized thanks to the Ministry of Finance's bonds (+RUB 4.7 trillion), which as of the end of 2020 accounted for 22% of the total value of assets in custody at NSD.

The total number of securities issues in custody at NSD increased by 13.6% to 26.6 thousand, inclusive of the number

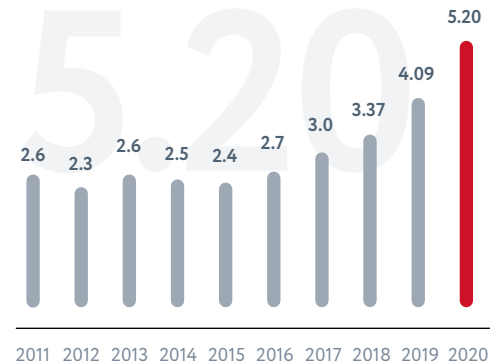
of non-Russian securities issues and Russian Ministry of Finance's Eurobonds which surged 17.4% to 18.2 thousand (non-Russian corporate issuers' and international financial institutions' bond issues in custody at NSD increased by 17.3%). The number of Russian securities issues rose by 6.2% to 8.4 thousand.

Value of securities held in clients' securities accounts as of the end of the last business day of the reporting period (RUB trillion)

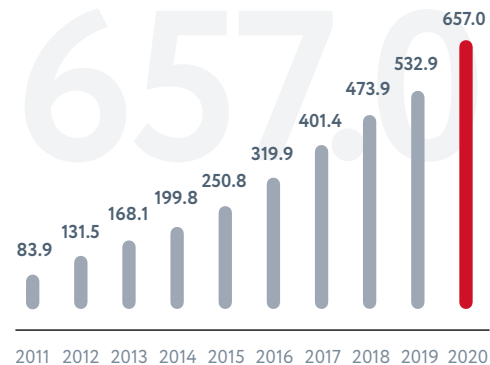




Total number of depository transactions for the 12M reporting period, calculated in accordance with NSD's methodology (in mln)

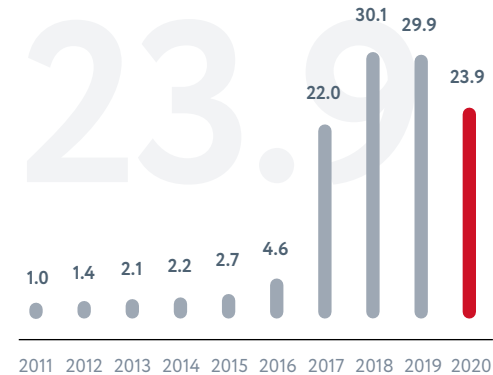


Total value of depository transactions for the 12M reporting period, calculated in accordance with NSD's methodology (RUB trillion)

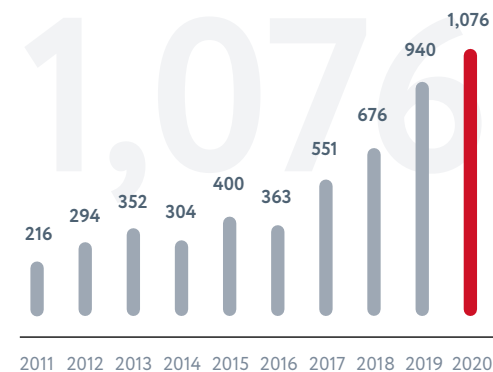


¹ before deduction of commission expenses.

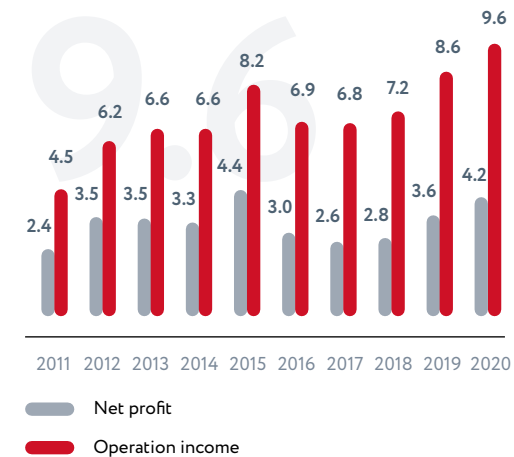
Total value of corporate and sub-federal bond issues accepted for custody for the 12M reporting period (RUB trillion)



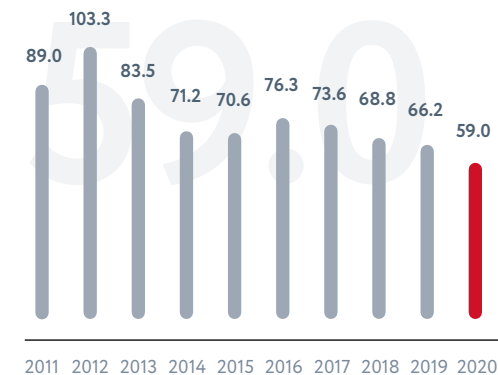
Total number of corporate and sub-federal bond issues accepted for custody for the 12M reporting period



Total net profit and income¹ under the IFRS for the 12M reporting period (RUB billion)



CTOI (management accounts), %





The Pandemic and its Impact on NSD's Operations

In 2020, the global economy faced an unprecedented global crisis caused by the COVID-19 pandemic. The Russian economy was also impacted by the coronavirus crisis through the suspension of business activity as a measure in response to the pandemic; falling oil prices; shrinking demand for Russian exports; GDP decrease; and the public budget deficit.

For NSD, 2020 presented a challenge, to cope with which the company's entire team had to work in the new environment in a well-orchestrated manner and effectively. Thanks to digital solutions, the company managed to fine-tune its business processes in the pandemic environment quickly and effectively, while complying with all regulatory requirements, meeting its obligations to clients, and ensuring full business continuity.

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 Public Health Threat Response Plan prepared by NSD well in advance was promptly adapted to the new pandemic environment.

In 2020, NSD, like most businesses in the financial services sector, made the transition to remote work in a short time frame. In addition, the company made arrangements for providing remote support to its employees, clients, IT systems and infrastructure, while maintaining the proper level of service. In the office premises, sanitary measures were taken to disinfect work and common areas. The employees working in the office were provided with personal protective equipment and their taxi costs were reimbursed for by the company. Health workers visited the office premises to test the employees for COVID-19, and measures were taken to prevent the spread of COVID-19 in the office.

The coronavirus situation had a mixed impact on NSD's operations.

On the one hand, complete uncertainty across the financial markets and high volatility resulted in an increase in the number of transactions in the securities market and, consequently, caused the load on the company's infrastructure to grow. On the other hand, that drove the growth of NSD's fee and commission income that hit a fresh all-time high.

Overall, 2020 was characterized by the growing number of transactions and securities balances at NSD and by the demand for NSD's complementary services, including liquidity management tools.

All these factors required NSD to take a comprehensive approach to the challenges. Having successfully adapted to the new environment, not only NSD managed to maintain its financial strength and operational reliability, but the company also demonstrated the growth of its key financial and operating performance metrics, including fee and commission income.

Estimates of the scope of the pandemic crisis and expectations as to when it would come to an end were constantly shifting throughout 2020, and, as of now, the range of forecasts remains wide. As of the time of publication of this Annual Report, there is no consensus as to how soon the global and Russian economies will recover from the crisis caused by the pandemic. NSD continues keeping an eye on the developments and considering different business scenarios, in line with the development strategy approved earlier.



01

Key Business Lines

Depository Services

Information Services

Tri-party Services

Trade Repository

Payment Services

IT Services



Depository Services

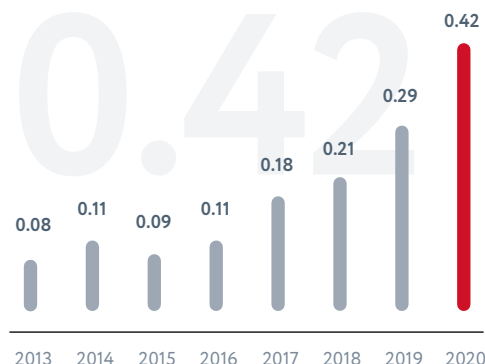
Denis Buryakov,
Managing Director
for Depository Operations

By the end of 2020, the value of securities in custody at NSD reached RUB 63.6 trillion, a 20.8% increase against 2019 (RUB 52.67 trillion). The number of securities issues in custody at NSD increased 13.6%, from 23.4 thousand in 2019 to 26.6 thousand in 2020, while the number of non-Russian securities issues and

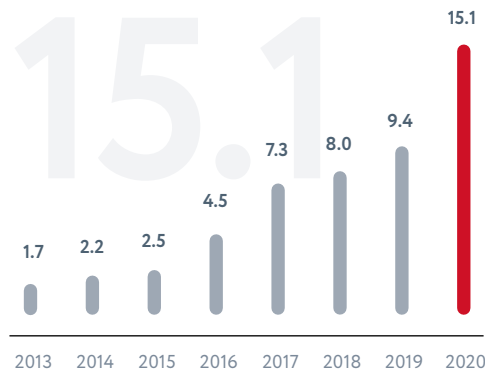
Russian Ministry of Finance's Eurobond issues increased 17.4%, to 18.2 thousand versus 15.5 thousand in 2019.

The value of Federal Loan Bond (OFZ) balances reached RUB 13.7 trillion by the end of 2020, which represents a 52.9% increase against 2019.

Number of clearing transactions (DVP), (million)



Value of clearing transactions (DVP), (RUB trillion)



The value of OFZ balances in foreign nominee accounts reached RUB 3.1 trillion by the end of the reporting year, a 10.7% increase against 2019 (RUB 2.8 trillion).

Settlement and Clearing Services

In 2020, the number of OTC trades settled on a Delivery Versus Payment (DVP) basis reached 422.7 thousand (+47.6%). The value of trades increased to RUB 15 trillion or by 60.6% against 2019. In 2020, clearing participants performed settlements in such currencies as USD, RUB, GBP, EUR, and CHF.

There was significant interest in FOP (Free of Payment) and DVP (Delivery Versus Payment) transactions at international securities depositories (ICSD) – Euroclear Bank and Clearstream, which increased by 63% and 109%, respectively. In total, clients made 286 thousand transactions in 2020.

In the reporting year, as part of its efforts to further develop its depository services, NSD implemented a number of new projects:

- In January 2020, NSD launched a service for trade settlement on a DVP-2 basis through correspondent accounts held with the Bank of Russia. In 2020, the new service was used to settle more than RUB 2 billion worth of trades. The DVP-2 model is designed to settle trades with cash netting. Transactions can be made using different accounts: either accounts held with the Bank of Russia only, or accounts one of which is held with the Bank of Russia and the second one with NSD. The use of correspondent accounts held with the Bank of Russia provides more settlement options to NSD's clients,

maintaining reliability of settlements offered by the classic DVP model and providing more flexibility in cash management. Clients, therefore, have an opportunity to make DVP-1 and DVP-2 settlements in Central Bank money (in Russian Federation currency) in line with the best global practices. The total number of DVP-1 and DVP-2 transactions in Bank of Russia's money (debits and credits from/to clients' correspondent accounts with the Bank of Russia) in 2020 rose significantly against 2019, reaching 1,431 (+41%). The amount of DVP transactions in 2020 reached RUB 685 billion.

- Steps were taken to launch trading in more than 50 U.S. securities on Moscow Exchange. The first 19 U.S. securities were made available in August. In 2021, the plans are to offer more non-Russian securities for trading on Moscow Exchange.
- In 2020, to provide its clients with access to non-Russian UIT units, NSD connected to the Euroclear Bank's platform FundSettle. Transactions are expected to be launched in 2021. NSD's clients will be able to carry out transactions with non-Russian UIT units via NSD's accounts with Euroclear Bank.
- In 2020, the first trade in commercial papers made through the OTC system in the debt market was settled. Before that, market participants had to fill in and submit their clearing instructions to NSD on their own, and now data is submitted to NSD automatically as soon as the trade is made in the OTC system in the debt market operated by Moscow Exchange. This helps simplify securities settlements significantly, reduce operational risks, improve the settlements discipline, and speed up data interchange between the trading desk and the back office.

- In 2020, NSD continued to establish contractual relationships with new places of safekeeping for non-Russian securities with the aim to diversify risks relating to services provided with respect to different financial instruments.

NSD continues developing services focused on handling non-Russian assets and working in global markets. In 2020, new clients signed up for the 'Individual Accounts with ICSDs' service. As of now, NSD holds 13 individual securities accounts with Euroclear Bank. The key advantage of the service is the opportunity to make back-to-back settlements, implying that a trade is funded by the difference between the receipt and delivery of securities. Additional advantages include additional services for dealing with ICSDs (such as technical netting, linked transactions, and instruction prioritization), which contribute to a higher liquidity and make it possible to fund the trade right before its settlement, rather than in advance. The instruction prioritization and linked transactions services that make it possible to manage the order of execution of instructions are used by NSD's clients on a daily basis, and there was a significant growth in the number of client transactions using these services. In 2020, the total number of instructions settled using the instruction prioritization and linked transactions services (pooled instructions) was more than 35 thousand, a 31.8% increase against 2019.

Remote Service Channels

Work is ongoing to migrate from Luch software to the Web-client for depository and clearing services ("DCS Web-client") to enhance the functionality and ensure comfortable interaction

between the depository and its clients. In 2020, NSD started migrating to the XML format and ISO 20022 Standard for untyped messages and depository statements.

In 2021, NSD will work on infrastructure modernization tasks. In particular, NSD proposes to put in place infrastructure for the opening of accounts for individuals and to complete integration with the Moscow Exchange's marketplace.

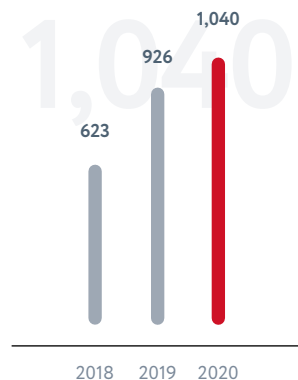
Issuer Services

As CSD, NSD is responsible for centralized safekeeping of bond issue certificates and centralized recordkeeping of rights on both Russian and non-Russian bond issues offered through Russian exchanges or in the OTC market, provides bond offering-related depository services to issuers, registers commercial papers, and performs the functions of vote counting commission at bondholder meetings.

NSD improves electronic communication channels designed to communicate with issuers for the purpose of supporting bond offerings and redemption and the conduct of corporate actions, by optimizing service processes and making issuers' access to services simpler and faster.

Various matters relating to communication channels and fees for issuer services are discussed with issuers within NSD's Securities Services Development Committee and working groups.

Corporate bond issues
accepted for servicing



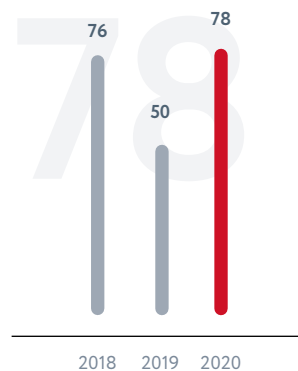
Services Supporting Corporate Bond Issuance and Trading

In 2020, 1,040 corporate bond issues with the total value of RUB 23.5 trillion were accepted for servicing, as well as 36 sub-federal and municipal bond issues with the total value of RUB 37 billion. As compared to 2019, the total number of bond issues accepted for servicing increased by 14.5%.

The bond issues accepted with issue-related documents in electronic format accounted for 78% of the total number of bond issues accepted for servicing, as compared to 48% in 2019.

In 2020, NSD supported the offering of three bond issues of the Ministry of Finance of the Republic of Kazakhstan with the total value of RUB 30 billion and one bond issue of the Ministry of Finance of the Republic of Belarus with the total value of RUB 10 billion and accepted those bond issues for servicing.

Holding of General Meetings
of Bondholders



General Meetings of Bondholders

In 2020, bond issuers held 78 general meetings of bondholders (as compared to 50 meetings in 2019).

Servicing of Bonds and Eurobonds of the Ministry of Finance of Russia

NSD is the head depository responsible for centralized safekeeping and servicing of bonds and Eurobonds issued by the Ministry of Finance of Russia.

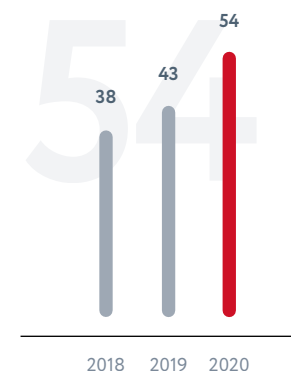
In 2020, NSD supported the offering of two Eurobond issues of the Ministry of Finance with the total value of Euro 2 billion.

Registration of Commercial Papers

As CSD, NSD registers commercial paper issues. No prospectus is needed for registration of commercial papers, and commercial papers may only be offered through private placement.

In 2020, 54 commercial paper issues of 30 issuers with the total value of RUB 446.96 billion were registered. The maturity of the issues varied from 9 months to 10 years. Also, NSD registered 11 commercial paper programs valued, in aggregate, at RUB 817.7 billion.

Commercial paper issues





In 2020, the offering of 48 commercial paper issues valued, in aggregate, at RUB 432.14 billion was completed; 12 commercial paper issues valued at RUB 2.74 billion were redeemed.

Assistance to Securities Holders in Exercising Rights Attached to Securities

NSD offers a wide range of services to assist its clients and their customers in exercising rights attached to securities held by them. Interaction with market participants in connection with their exercise of rights attached to securities held by them and data interchange are maintained using structured formats that meet the international standards, thanks to which all market participants are able to automate and optimize their processes and reduce their operational risks.

Corporate Action Processing

In 2020, NSD designed a technology that makes it possible to disclose lists of persons entitled to exercise rights attached to securities and beneficial owners of securities, as well as their details and details of securities held by them, in a structured XML format, including through the CA WEB-client. The new format was developed together with market participants and agreed upon with the relevant self-regulatory organizations, and it allows clients to send information as a single message in an STP mode, avoiding its misrepresentation or misinterpretation. In 2021, all infrastructure users, including registrars, issuers, and depositories are expected to migrate to the new technology.

In 2020, NSD continued its efforts to automate and optimize the processing of corporate actions. In particular, work was started to implement the functionality that would allow issuers, registrars, and data agencies to provide NSD with information on corporate actions upon reorganization of a joint-stock company in a structured ISO

20022-compliant format, support electronic data interchange between NSD's systems in the course of such CAs, and allow NSD to send CA confirmation to clients in accordance with the relevant international standards. The functionality will be available for use in autumn 2021.

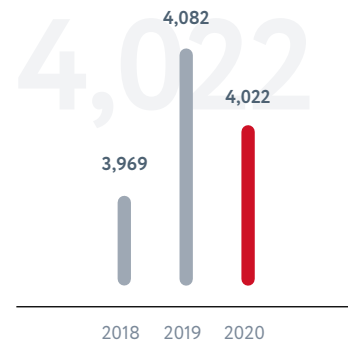
In 2021, issuers initiated 4,022 meetings of securities holders using the e-voting technology, 412 corporate actions involving the buyback of RUB 102.2 billion worth of securities, and 49 corporate actions involving the exercise of the preemptive right.

In 2020, in total, 17,286 corporate action events were initiated for Russian securities, a 9.3% increase against 2019, while the number of corporate action events initiated for non-Russian securities increased by 36.25% to reach 43,610. The increase in the number of corporate action events was mainly due to new securities issues accepted by NSD for servicing. The greatest increase was in the number of CAs involving payment of coupon or dividend income on securities.

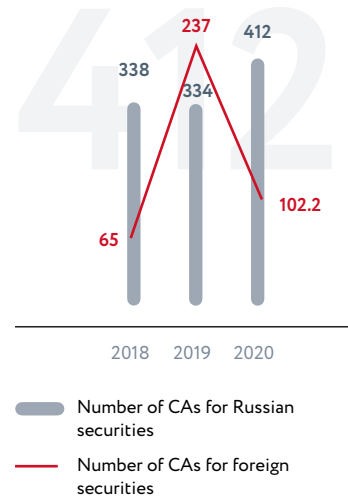
For Russian securities, the total amount paid was RUB 16.8 trillion, as compared to RUB 16.7 trillion in 2019, while for non-Russian securities, the total amount paid was the equivalent of RUB 1.2 trillion versus RUB 0.9 trillion paid in 2019.

In 2020, 17 general meetings of shareholders were held using the E-voting service. In particular, NSD's E-voting service was offered to shareholders at the general meetings of Moscow Exchange, Novolipetsk Steel (NLMK), MTS, Gazprom Neft, Sberbank, Rostelecom, ALROSA, RusHydro, IC RUSS-INVEST, and NSD. In 2020, more than 10,000 shareholders of the companies mentioned above participated in general meetings using the E-voting service. To participate in the meetings, the overwhelming majority of those shareholders identified themselves through the Public Services Portal. The number of shareholders voting using NSD's E-voting service increased 2.4 times as compared to 2019. Through the E-voting service, shareholders may vote remotely via the single interface at general meetings of different issuers. Issuers using the service provide their shareholders with extra options to participate in general meetings through the Internet.

Number of general meetings of securities holders held using the e-proxy voting technology



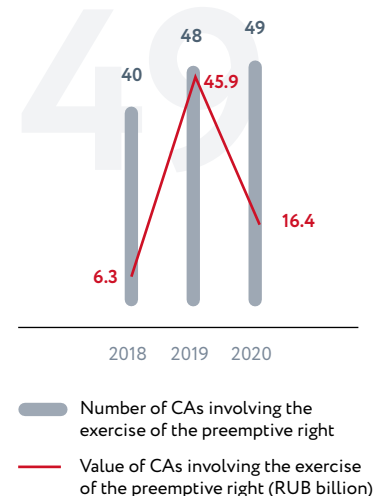
Number and amount of securities buybacks



Number of CAs for Russian and foreign securities



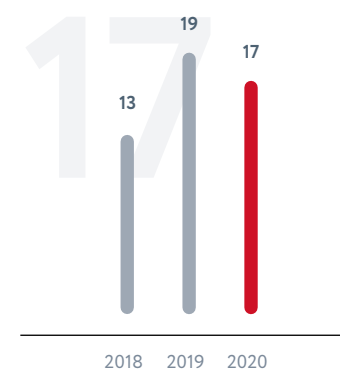
Number of CAs involving the exercise of the preemptive right.
Value of securities



In 2021, NSD will further develop the E-voting service by making necessary upgrades that would make it possible to use it at meetings of collegial bodies and meetings of companies of different legal forms. In addition, a new method of user identification is expected to be introduced.

NSD also plans to complete the process of its adaptation to the European CSDR regulation, which will change the way NSD interacts with ICSDs (Euroclear Bank and Clearstream Bank). In 2020, NSD launched the project to implement certain changes relating to the identification of securities holders and the holding of general meetings of shareholders in accordance with the requirements of the Shareholders Rights Directive (SRD II). The Directive aims to strengthen shareholder involvement in management of companies registered in European Economic Area (EEA) member states, irrespective of the shareholders' location and the place of safekeeping of securities, to raise issuers' awareness of shareholders involved in management, and to simplify shareholder identification by calling on intermediaries to communicate information regarding shareholders upon company's request. The Directive took effect on 3 September 2020 in all EEA member states and affects European equity securities serviced by NSD.

Number of meetings held using the E-voting service





NSD as a Withholding Agent

In accordance with the Russian Tax Code, since 2014, NSD has been acting as a withholding agent when paying out income on Russian equities and bonds.

In the cases provided for by law, NSD calculates, withholds, and pays to the budget of the Russian Federation corporate or personal income tax in accordance with the provisions of the Russian Tax Code and double taxation treaties of the Russian Federation. As a securities depository, NSD acts as withholding agent when paying out income on securities to foreign organizations or foreign nominee holders, as well as when paying out dividend income to Russian organizations on shares held, inter alia, in owner securities accounts with NSD.

With effect from 1 January 2021, in accordance with the amendments made to the Russian Tax Code by Federal Law No. 102-FZ, coupon income on federal, sub-federal, or municipal bonds, as well as on Russian corporate bonds traded in the securities market, became subject to personal income tax.

To comply with the new requirements, NSD made substantial efforts to elaborate:

- a methodology of foreign nominee holder disclosure for securities mentioned above for taxation purposes; and
- a method of tax calculation and withholding.

NSD designed and implemented dedicated software for full automation of processes relating to withholding agent services provided with respect to the said securities, from electronic tax disclosure processing to income payment and delivery of tax statements to clients.

Tax Management

As part of tax management services provided when paying out income on non-Russian securities, NSD, since 2014, has been providing tax exemptions and reliefs under double taxation treaties. When paying out income on depositary receipts, NSD acts as an intermediary in the chain of nominee holders of DRs and provides withholding agents with information required for beneficial owners of the income to enjoy tax exemptions or reliefs in accordance with the Russian Tax Code. When providing tax exemptions or reliefs on U.S. securities that fall under Chapters 3 and 4 of the U.S. Internal Revenue Code, NSD acts as a qualified intermediary for FATCA purposes, which allows clients to hold U.S. securities and enjoy tax exemptions or reliefs on income paid, at a lower cost than when holding such securities on accounts held directly with ICSDs.

NSD's tax management services for non-Russian securities have allowed NSD's clients to enjoy tax benefits of 13% to 100% of the amount of tax, depending on the securities and the tax jurisdiction in which the securities were issued.





Information Services

Alexander Diakovskiy,
Chief Data Officer

2020 was the most successful year in the history of NSD's information services. The number of existing commercial contracts for information

services increased ten-fold since 2015 and reached 641. Over the same period, the NSD Valuation Center's income grew eight-fold, going up 35% in 2020 alone.



NSD continued expanding the scope and functionality of its information services, with a main focus on improvement of competencies in the field of data analysis and creation of value-added services. In 2020, the number of products being used by an average user increased from 3.8 to 4.6. For the first time, the sales of value-added products and RU DATA-branded services exceeded the sales of NSD's conventional reference data services, API NSD and DISC NSD.

The following work streams remain key for the Valuation Center:

- Reference Data on securities and issuers;
- measurement of fair value and other pricing parameters; and
- distribution of NSD's data through partners' products, such as RU DATA and Moscow Exchange's channels.

In 2020, NSD added new analytical products launched as part of the Data Management work stream.

Also, as part of the Reference Data work stream, the scope of DISC NSD services was significantly expanded. In January, the following new options were offered to users: view securities no longer serviced; download data from DISC NSD; and send questions to NSD regarding any data available through the service. In February, Valuation Center and DISC NSD users got access to the new service "My Portfolio" that makes searching for and tracking necessary data much faster. The service allows users to set up a list of securities they are interested in and to download data. Users can also subscribe for a daily newsletter on forthcoming events for any securities in their 'portfolio'.

Products offered through the NSD Valuation Center, the sales of which have been doubling for three consecutive years, are the key factor that drives the growth of Information Center's income. NSD estimates that almost 70% of active market participants have already become users of Valuation Center's products. The value of almost 90% of debt securities issued by issuers operating in the Russian Federation is measured on a daily basis by the NSD

Valuation Center. In 2020, the NSD Valuation Center started covering floating-rate bonds, Eurobonds issued by the Ministry of Finance of Russia, and corporate Eurobonds. The value measurement methodology for mortgage bonds was made consistent with the Pricing Convention for Mortgage Securities, which is used by Moscow Exchange and Joint Stock Company DOM.RF.

2020 saw the rapid evolution of the RU DATA products the sales of which increased 1.9 times on a year-over-year basis. The growth was contributed to mainly by the RU DATA PRICE product based on data from the NSD Valuation Center and the RU DATA NEXT product (the next generation of the RU DATA basic service). The number of users of both products more than tripled over the year. NSD continued promoting its 'one-stop shop' service designed for disclosure of corporate information by Russian issuers, the sales of which grew 37%.

Moscow Exchange became a new channel for access to NSD's data. In particular, in November 2020, Moscow Exchange started providing its clients with NSD's reference data on securities, issuers, forthcoming and past corporate actions, a calendar of corporate events, and current fair values of bonds measured by the NSD Valuation Center.

As part of the NSD Development Strategy 2024, the NSD Valuation Center launched a new work stream, Data Management. NSD started building competencies in this field by setting up a centralized team responsible for continuous generation and testing of hypotheses, and a network of data stewards distributed across company's business units. In 2020, more than 20 hypotheses that affect all NSD's Business Lines were tested. This resulted in launching the first ever commercial product that analyzes changes in the percentage of Russian non-residents in OFZ holdings. Major Russian and global banks became the first clients using the new service. Further efforts are being made to expand the product's coverage to other groups of financial instruments and holder categories. Besides, NSD is intensively implementing artificial intelligence-based information services in-house. Processing of non-structured messages relating to securities became one of the first machine learning-based services made available at NSD. The service was found to be promising for using it as a tool to automate corporate information processing within the Moscow Exchange Group companies.

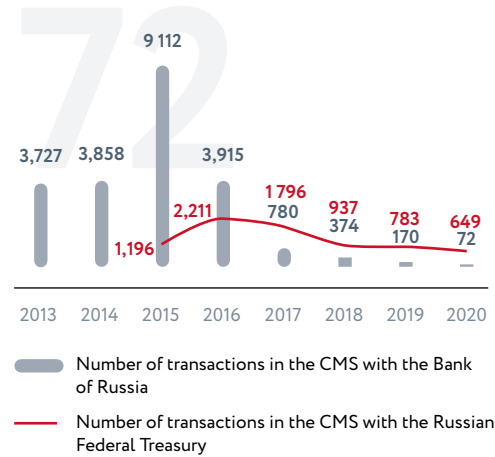


Tri-Party Services

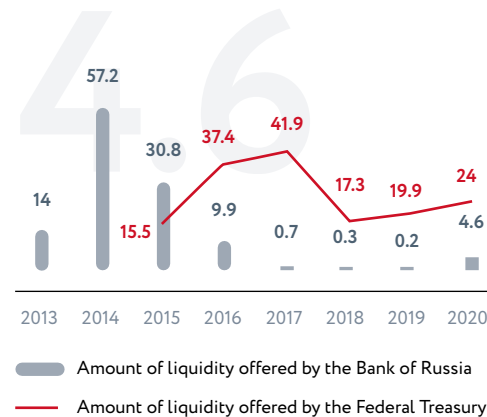
Alina Akchurina,
Managing Director for Collateral
Management and Tri-Party Services

2020 was characterized by a significant drop in the structural liquidity surplus in the banking sector (in 2020, the average surplus was RUB 1.957 trillion versus RUB 3,026 trillion in 2019), and by a decrease in the base interest rate from 6.25% in January 2020 to 4.25% in December 2020.

Number of transactions in the CMS



Amount of liquidity offered in transactions in the CMS, RUB trillion



Volume of repo trades with collateral management, RUB trillion



The liquidity offered by the Federal Treasury through repo trades, involving NSD's Collateral Management System (CMS), amounted to RUB 24 trillion in 2020, a RUB 5 trillion increase against 2019. The Federal Treasury was responding to changes in the market environment in a flexible manner, offering more than one-third of its liquidity through repo trades at a floating rate, with a long maturity (more than 30 days). The average maturity of Federal Treasury's repos was 18.9 days, as compared to 7.4 days in 2019.

To offer liquidity through repos, the Federal Treasury fully migrated to the Moscow Exchange's OTC terminal.

Key areas for development of the Liquidity Management Platform:

- The Federal Treasury implemented the 'single treasury account' concept. This made it possible to accumulate liquidity not immediately required from public budget accounts of all levels and to offer such liquidity in a centralized manner, including through repos with collateral management by NSD. Such repos will be launched in Q1 2021.
- In 2020, new instruments were added to the collateral basket available for Federal Treasury's repos. In particular:
 - Russian Ministry of Finance's Eurobonds were added in October; and
 - in December, technical preparations were completed to start providing services with respect to mortgage-backed bonds, additionally secured by guarantees from DOM.RF. The relevant repos are expected to be launched in Q1 2021.
- In July 2020, the Collateral Management System for Global Creditors' forex repo trades went live. The liquidity offered through forex repos amounted to USD 401 million (RUB 30.66 billion).
- In the context of its efforts to support the national economy and banking sector during the pandemic, the Bank of Russia launched repo auctions and increased the maturity of repos to one year. NSD rolled out an intellectual tool designed to automatically select securities as collateral for repos, depending on their



maturity. One-month repos at a fixed rate and one-year repos at a floating rate were offered in May 2020 and June 2020, respectively. The amount of liquidity offered by the Bank of Russia through repos, involving NSD's CMS, increased from RUB 0.2 trillion in 2019 to RUB 4.6 trillion in 2020. One-month repos accounted for the largest percentage of liquidity offerings, reaching RUB 2.6 trillion.

- The St. Petersburg Finance Committee continued offering its liquidity to the market through repos with collateral management by NSD. The amount of liquidity offered by them in 2020 reached RUB 95.3 billion, a RUB 8.2 billion increase against 2019. Floating-rate OFZ bonds and government bonds issued by the Government of St. Petersburg were added to the collateral basket for St. Petersburg Finance Committee's repo trades. NSD's platform for Global Creditors' liquidity management is ready to be made available to another Global Creditor, the Finance Committee of Leningrad Region. Their repos with collateral management by NSD will be launched in Q1 2021.

In 2020, the evolution of the 'Single Account' service continued. Insurers and brokerage firms are the key client segment on-boarded for the service. The Single Account is a tool designed to automate securities transfers between positions intra-day and outside sessions under a standing instruction, which helps speed up asset movements, cut funding

costs, and reduce operational risks for clients of the Moscow Exchange Group companies.

In 2020, the CMS and NSD's clearing system were integrated into brokers' repos within a bank. The new service satisfies advanced technology requirements and makes it possible to reduce the load on front, middle, and back offices. Thanks to the alert system a broker is notified online of all developments affecting a repo trade and can promptly give notices to its clients and counterparties. In 2020, the daily average size of open positions in interbank repos with collateral management by NSD amounted to RUB 55.2 billion, a 27% increase on a year-over-year basis.

In addition, NSD continuously upgrades the CMS Web-client by adding new services available through it, and, in late 2020, started publishing analytical data on liquidity offerings by Russian regions on a weekly basis.

The plans with respect to NSD's CMS include further development of NSD's liquidity management platform to cover new segments of the financial market, offering new infrastructure services, and improvement of clearing and collateral management technologies for Global Creditors' repos in order to minimize market participants' risks.



Trade Repository

Anastasia Kiseleva,
Managing Director
for Repository Services

Following the entry into force of Federal Law No. 211-FZ dated 20 July 2020 "On Making Financial Transactions through a Financial Platform", NSD split its repository business into two streams, one being the 'classic' Trade Repository and the new one being the Registrar of Financial Transactions (RoFT).

To optimize the process of interaction with clients, two sub-committees were established within the Repository Services Customer Committee: the Trade Repository Sub-committee and the RoFT Sub-committee.

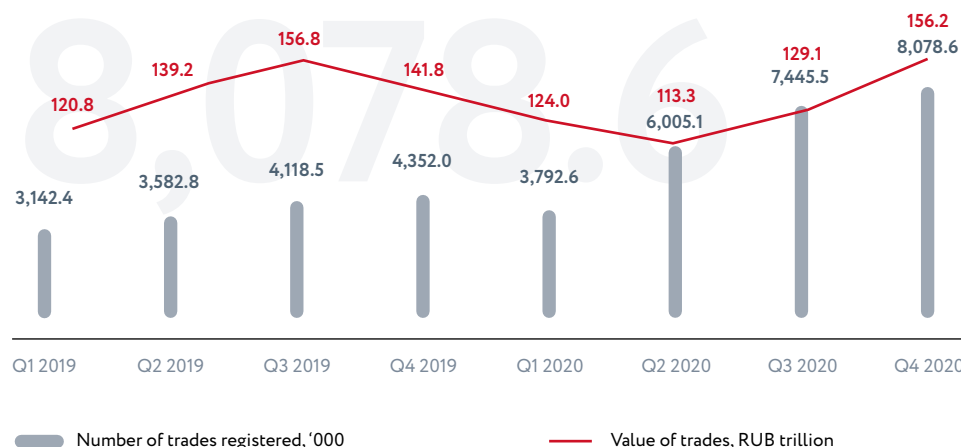
Trade Repository Services

2020 saw a significant increase in the number of trades registered by NSD's Trade Repository: 25.3 million trades (+66.6%), while the value of trades reported slightly decreased, from RUB 559 trillion in 2019 to RUB 523 trillion. Forex instruments and repo contracts remained the main drivers behind the growth.

As part of its core business, the Trade Repository continued to enhance services to facilitate clients' interaction with the Trade Repository and to help clients cut their operating costs:

- Further development of the 'Reporting Agent' service: In 2020, the first professional market participants signed up for the service. Users of the Reporting Agent service can

Number and value of trades



interact with NSD's Trade Repository through an intermediary or agent (NSD), in a format convenient to them. By working through NSD as their Reporting Agent, clients can avoid putting in place their own infrastructure to report their OTC trades, as the Reporting Agent's processes are fully adaptable to clients' needs and IT capacity.

- NSD offered a new service designed to control registration actions of a Reporting Agent. The service allows a client to automatically receive, at the close of business, a statement (Form RM004) that shows the contracts registered for the client by its reporting agents in the Trade Repository's contracts register. Statements are provided either through the Trade Repository's Web-client, or via the File Gateway of the NSD EDI system.

As part of the efforts to develop analytical information products on a commercial basis, NSD's Trade Repository implemented the following projects.

- Together with Moscow Exchange, NSD launched a service designed to provide information from NSD's Trade Repository via Moscow Exchange's channels. Information provided includes details of OTC repo and derivative trades, disaggregated by contract type, underlying asset type, and counterparty category. Demand for data, including standardized reporting, is a global trend. By implementing projects linked to Moscow Exchange Group's products and services, NSD helps market participants get access to data on OTC derivative and repo trades that used to be non-public and use that data to develop their business and meet their customers' needs.
- NSD signed an agreement with the National Finance Association (NFA) for the provision of aggregate data from the Trade Repository.

As part of technology modernization in accordance with NSD's IT Strategy, steps were taken to optimize and accelerate the repository traffic. Repository messages were separated into a standalone flow, as a result of which the transmission of messages became much faster and reliable.

In September 2020, NSD's Trade Repository started applying a new pricing model.

Registrar of Financial Transactions

The Registrar of Financial Transactions (RoFT) is a register of legally relevant information on transactions made through financial platform operators. Information available from the RoFT is a 'golden copy'.

In 2020, in compliance with the Federal Law "On Making Financial Transactions through a Financial Platform", NSD built the infrastructure for the RoFT as the key element of the Bank of Russia's Marketplace ecosystem:

- The RoFT improved its functionality to be able to receive reports on any types of financial transactions.
- On 1 September 2020, the RoFT started registration of financial transactions.
- By September 2020, the RoFT's integration with the Public Services Portal was completed. Any user with a verified account in the Unified Identification and Authentication System (ESIA) may request RoFT statements for free via the Public Services Portal, which contain full information on the transactions made by the user on financial platforms.

The first transaction type reported to the RoFT was bank deposit transactions. In late 2020, first transactions involving OSAGO insurance policies, UIT units, and bonds were also reported to the RoFT.

The RoFT infrastructure can accommodate both new product types that will be available through the marketplace, and an increased number of transactions reported to the RoFT. In particular, in 2021, the RoFT expects to start registration of credit/loan transactions and transactions in OFZ bonds for individuals (OFZ-n).

In 2021, the Trade Repository will continue revising messaging formats and repository document forms to reflect any potential amendments to Russian laws and regulations, including Bank of Russia's regulations. As part of its efforts to further develop its electronic communication channels, the Trade Repository improves and simplifies tools through which clients can connect to the Trade Repository. For instance, clients were offered an option to connect via API-services, thanks to which clients are now flexible in fine-tuning their own systems for interaction with NSD. In 2021, NSD will continue developing and improving its API tools.

Work will be continued to further develop products designed for providing analytical information on a commercial basis, including customized reports at the request of market participants.

The new initiatives include fair value measurement of contracts on the basis of information collected by the NSD Valuation Center, and establishment of a platform designed to match and confirm OTC trades (Match Point).





Payment Services

Svetlana Gryanchenko,
Director of Operations Department

For NSD, it is a priority to maintain the high quality of existing services and to introduce new ones in the NSD Payment System. Not only bank account (payment) services are a separate business line, but they are also integrated into NSD's depository and clearing operations, thus creating all-inclusive services for clients.

In 2020, the following changes were made to the payment infrastructure, which helped improve bank account services provided to NSD's clients:

- NSD connected to the Bank of Russia's Faster Payments System (FPS) and provided its clients a possibility to make instant and secure C2B payments, including money transfers by retail investors to broker accounts held with NSD. Brokerage firms, asset management companies, and e-platforms that hold accounts with NSD now have such options as quick management of retail investors' funds in their on-exchange or OTC trades and quick liquidity management and can provide their customers with more services.
- In 2020, NSD, together with a number of major forex market players, continued to improve the PVP service. In line with current trends in the market of payment and post-trade services and in response to client requests, NSD revised its regulatory procedures, put in place additional controls, and improved compliance and technical processes.

Also, NSD revised its pricing policy with respect to transactions involving the use of the PVP service. The marketing period introduced on 1 January 2020 allowed clients to significantly reduce their costs relating to payment transactions. A decision was taken to apply the marketing period fee on a continuous basis.

All of these will help NSD further increase its client base and the amount of transactions.

In 2021, the following will be key areas of focus in the field of payment services:

- Launch of B2C payments through the Faster Payments System.
- Final transition from Bank-Client systems to the Web-client for bank account services.

In 2020, the amount of cash transfers in RUB and foreign currencies reached RUB 328.1 trillion, an 8.1% increase against 2019 (RUB 303.6 trillion). The amount of cash transfers in RUB increased 8.4%, from RUB 265.4 trillion in 2019 to RUB 287.7 trillion in 2020, while the amount of cash transfers in foreign currencies grew 5.7%, from the equivalent of RUB 38.2 trillion in 2019 to the equivalent of RUB 40.4 trillion in 2020.

In 2020, the number of transactions was 1.54 million, a 25.6% increase against 2019 (1.23 million). The number of transactions in RUB increased 8.6% from 0.82 million in 2019 to 0.89 million in 2020, while the number of transactions in foreign currencies surged 59.8% from 0.4 million in 2019 to 0.65 million in 2020. In terms of the volume of payment transactions, capitalization, and the number of clients in the financial markets, NSD is one of Russia's largest settlement non-banking credit institutions and a systemically and nationally important payment system.

In 2020, the Risk Management Committee for Payment System assessed the risk management system implemented in the NSD Payment System. The assessment showed that the risk management system implemented in the NSD Payment System met the applicable criteria.

The assessment corroborated the findings of the previous assessment that the NSD Payment System operator ensured compliance with the requirements of the Russian laws and Bank of Russia's regulations which set forth the rules governing operation of payment systems, and the NSD Payment System Rules, and observed the Principles for Financial Market Infrastructures applicable to NSD.





IT Services

Alexander Nam,
Managing Director
for Technology Solutions

As the core of the financial market, NSD gives particular attention to developing a reliable IT platform, implementing partnership programs, and ensuring a high level of information security.

SWIFT Service Bureau

In 2020, NSD's SWIFT Service Bureau was certified for compliance with the Shared Infrastructure Programme (SIP) 2020. Compliance with the SIP requirements demonstrates a high level of security and reliability of NSD's SWIFT Service Bureau's operations.

In 2020, the total number of SWIFT Service Bureau users was 66. The average monthly messaging traffic generated by SWIFT Service Bureau users reached 580,859 messages, a 37.8% increase against the previous year.

Transit 2.0

By year-end 2020, 8 new corporate clients connected to the Transit 2.0 platform. The total number of platform users reached 33, including: 22 corporations (12 of which started using the platform in their operations) and 11 banks (including 8 systemically important ones). A new functionality of forex transfers and foreign exchange control was implemented on the platform.

In addition, a light version of the Transit 2.0 platform was launched, which is accessible to a wider range of clients thanks to simpler integration and installation.

Bank of Russia's Financial Messaging System Service Bureau

In 2020, NSD became the first institution in Russia to receive the status of Bank of Russia's Financial Messaging System (SPFS) Service Bureau. The SPFS Service Bureau built on NSD's infrastructure allows financial institutions and corporate clients to get access to the SPFS quickly and cost effectively.

As of now, three clients are connected to the SPFS via the SPFS Service Bureau. Further development of the SPFS Service Bureau will be one of NSD's priorities, including in the CIS markets.

In 2021, the SPFS functionality will be integrated into the Transit 2.0 platform to create a single interface for convenience of market participants.





02

Client Service and International Cooperation

Client Service

International Cooperation.
Integration into the Global
Financial Infrastructure
and Cooperation with the
International Community

Nsd's Membership in
International Associations
and Other Organizations

NSD's Activities as
Numbering Agency and Local
Operating Unit (LOU)



Client Service

During the pandemic, NSD managed to maintain a high level of availability of account managers, address difficulties with client routing within NSD, and ensure appropriate communications with clients.

To that end, the following projects and solutions were implemented in 2020:

- The 'E-Secretary' project was launched, which forwards incoming calls to appropriate employees and frees up account managers to enable them to deal with clients' practical tasks.
- To make it easier for clients to search for a list of documents required to sign up for various services, a convenient search navigator was made available on NSD's web site.

- By continuously improving the User Account solution, NSD offered its clients a possibility to enter into a number of agreements in electronic format, including a services agreement for the conduct of a general meeting of bondholders; a services agreement for registration of commercial paper issues; a collateral management services agreement; an agreement for Trade Repository's auxiliary services; an agreement for information reporting to the Trade Repository; an information services agreement; and an agreement for assignment of CFI codes to non-Russian financial instruments.
- In the remote work environment, NSD interacted with its clients through webinars. In total, 9 webinars were provided in 2020, with more than 1,000 participants.

International Cooperation.

Integration into the Global Financial Infrastructure and Cooperation with the International Community

The main goal of NSD's international activities is to widen the scope of opportunities available to the company's clients.

NSD's key goals in the global arena are to build a positive reputation of the company and Russian securities market, promote the Russian securities market, strengthen relationships with foreign partners, and share experiences and expertise in various financial areas.

To those ends, NSD holds regular bilateral meetings with its partners, participates actively in a number of international organizations, attends major international forums and conferences, and acts as a member of some intergovernmental committees and working groups.



Bilateral Meetings

Several key meetings with partners took place at the Sibos 2020 forum online. NSD met with such counterparties as the Polish and Hungarian CSDs, global custodian banks Citibank N.Y. and Raiffeisen Bank International, and ICSDs Euroclear and Clearstream.

In addition, major meetings with representatives of CSDs of China, South Korea, Turkey, and Taiwan, as well as CSDs of some CIS countries (Belarus, Kazakhstan, and Armenia) were held.

Multilateral Cooperation Formats

In 2020, as a member of the Association of Eurasian Central Securities Depositories (AECSD), NSD took steps to strengthen relationships across the region, which contributed to greater integration between AECSD members.

On 3-5 June 2020, the annual training seminar for depositories of the AECSD member countries took place. Due to the epidemiological situation, the seminar was held online. Thanks to the online format, the event was attended by more than 60 representatives of financial institutions and regulatory authorities from the AECSD member and observer countries - Armenia, Belarus, Belgium, India, Kazakhstan, Kyrgyzstan, Russia, South Korea, Tajikistan, Turkey, Uzbekistan, and Ukraine, which was a record number for such an event.

During the seminar, the participants touched upon a number of important topics, such as the organization of accounts and correspondent relations, the implementation of the repository function, electronic voting mechanisms, and digitalization. The seminar program also included a discussion of the consequences of the COVID-19 epidemics for the industry, and participants noted that they have overcome current challenges without significant drawbacks for their activities.

On 11 September 2020, the Annual General Meeting of AECSD members was held, which was attended by representatives of the Association's members and observers. For the first time, the Meeting was held in a video conference format.

The event was attended by representatives of 12 members of the Association, as well as representatives of observer organizations. The attendees discussed the issues of the AECSD

participation in international initiatives (WFC, Single Disclosure, E-Learning, and World CSD Factbook), the functioning of the AECSD working groups, as well as the organization of the Association's events in 2020 and 2021.

The next Annual General Meeting of the AECSD will be held in September 2021 on the sidelines of the XVII International Conference of the AECSD in Tsakhkadzor, Armenia.

Also, the AECSD Secretariat started implementing the Memorandum of Cooperation signed in 2019 between the AECSD and the Financial Market Advisory Committee of the Board of the Eurasian Economic Commission (EEC). For the first time, the AECSD Secretariat initiated discussions of documents being considered by the EEC and discussions concerning barriers to cooperation in custodial business, which are observed by AECSD members from the EAEU member countries. A special working group is responsible for that.

In addition, in 2020, the AECSD set up a project team to address remote client services and software.

WFC

As a member of the Board of the World Forum of CSDs (WFC), NSD plays an active role in its work. In 2020, in the context of WFC activities, a number of meetings of the WFC Board were held, as well as meetings between the Secretariats of regional CSD associations to discuss issues relating to the work of different WFC task forces, the preparation of the WFC Conference 2022, and improvements to WFC operation.

Other Activities

NSD also develops contacts with key players in the global financial sector and participates, on a regular basis, in events hosted by other regional associations, as well as in major international conferences and forums.

In particular, NSD took part in the Moscow Exchange Day (MOEX DAY) event, which took place on 7 February in Yerevan, Armenia, as part of the International Forum "National Currencies of the EAEU Countries: Practical Experience."



Forum participants included representatives of central (national) banks of the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, and the Russian Federation, Armenia's Ministry of Finance and Ministry of Economics, and the Eurasian Economic Commission, as well as commercial banks and investment companies. The organizers provided the financial and business communities of the EAEU countries with an opportunity to share experiences in working with national currencies and securities and to present their proposals.

As part of the Forum, the Moscow Exchange and the Armenia Securities Exchange organized the Moscow Exchange Day in Yerevan for professional financial market participants.

In June 2020, NSD's representatives participated in The Network Forum held online. The Network Forum is a platform for discussion of challenges facing the financial services industry. The Forum provides a wide range of opportunities both for understanding key trends in financial markets and for networking.

In October 2020, the Sibos conference took place online.

Participation in Intergovernmental Commissions

The Asia-Pacific Region remains one of the key focuses of NSD's international cooperation.

The 21st meeting of the Sub-commission for Financial Cooperation of the Russian-Chinese Commission for the Preparation of Regular Meetings between Heads of Governments took place online in September 2020.

The meeting participants discussed potential ways of cooperation in the financial sector between Russia and China, including development of cooperation in the context of various aspects of their CSDs' operations, information sharing regarding the national stock markets and CSDs' services (including custody, settlement, and information services), and cooperation within the regional CSD associations.

NSD's Membership in International Associations and Other Organizations

Membership in both domestic and international industry associations is essential as it enables NSD to adopt international best practices and standards and to ensure NSD's successful integration into global markets.

NSD is a member of the following leading international organizations in the post-trade industry:

- Association of Eurasian Central Securities Depositories (AECSD);
- World Forum of CSDs (WFC);

- European Central Securities Depositories Association (ECSDA);
- Association of National Numbering Agencies (ANNA);
- International Securities Services Association (ISSA);
- Russian National SWIFT Association (ROSSWIFT);
- DLT Working Group.



NSD's Activities as Numbering Agency and Local Operating Unit (LOU)

NSD acts as National Numbering Agency (NNA) for Russia and Substitute Numbering Agency (SNA) for the CIS countries, and as such assigns ISINs, CFIs and FISNs to financial instruments. In 2020, NSD assigned 1,646 ISINs, CFIs and FISNs to Russian financial instruments and 26 ISINs, CFIs and FISNs to financial instruments issued by CIS issuers.

In May 2020, NSD successfully passed annual re-accreditation as Local Operating Unit (LOU) authorized to assign and verify, on an annual basis, LEIs and to provide other services, including accepting LEIs issued by other LOUs for servicing and providing data to the LEI database maintained by the Global Legal Entity Identifier Foundation (GLEIF). NSD is the first and the only company in Russia and CIS with that status.

As LOU, NSD covers 30 jurisdictions, including, in addition to Russia, CIS, Western and Eastern European, and other countries, market players from which may request that NSD assign and service their LEI codes. At the request of its clients, NSD continues extending the list of covered jurisdictions. In 2020, NSD assigned 52 LEIs and verified 472 LEIs.

In late 2020, NSD and the Belarusian Currency and Stock Exchange (BCSE) agreed to conclude the Registration Agent Agreement allowing the BCSE to operate as a licensed GLEIF Registration Agent. In early 2021, participants of the Belarusian market will be able to access NSD's LEI assignment and maintenance services via the BCSE, upon provision of required documents to the Registration Agent, and to receive NSD's service reports and related documents. Thanks to such Registration Agents, access to NSD's LEI assignment and verification services for non-Russian market participants will be simpler and quicker.

By acting as Numbering Agency and LOU, NSD contributes to the introduction of the global coding standards in the Russian and CIS markets, which improves their transparency, helps them integrate into the global market infrastructure, and simplifies and optimizes financial market transactions.





03

Corporate Governance

Corporate Governance Principles

Supervisory Board's Performance Report for 2020

NSD's Corporate Governance Structure

NSD's Management Bodies

Committees and Commissions

Shareholders

Report on the Payment of Declared (Accrued) Dividends on the Shares in NSD

Remuneration of NSD's Supervisory Board Members

Remuneration of NSD's Executive Board Members

NSD's Supervisory Board Committees and Other Committees



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 Report.¹

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.

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



- 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.

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 2020, 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 2020

In 2020, 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 15 meetings during the reporting year, including six in-person meetings.

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

- review and discussion of NSD's preliminary Performance Report for 2020;
- approval of NSD's Budget (Business Plan) 2021-2023;



- preliminary approval of NSD's Annual Report for 2019;
- approval of the fees payable to NSD's independent auditor;
- amendments to NSD's Fee Schedules;
- review and discussion of the Progress Report on the Implementation of the NSD Development Strategy in 2019;
- addressing various matters relating to the implementation of the project "Pension Operator of the Guaranteed Pension Plan";
- review and discussion of various matters relating to the implementation of the Project Program "Ensuring NSD's Compliance with the Requirements of the GOST R 57580 Standard and Federal Law 152-FZ"
- review of NSD's performance reports prepared by NSD's Executive Board;
- addressing various matters relating to remuneration of the members of NSD's executive bodies;
- review and discussion of the Moscow Exchange Group's Risk Management System Development Strategy 2024.

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;
- resignation of the Chairman of NSD's Executive Board and appointment of the Acting Chairman of NSD's Executive Board;

- convocation of the annual General Meeting of Shareholders in 2020;
- recommendations to the annual General Meeting of Shareholders in 2020;
- convocation of NSD's extraordinary General Meeting of Shareholders held on 9 April 2020;
- recommendations to the extraordinary General Meeting of Shareholders held on 9 April 2020; and
- election of new members of Supervisory Board Committees and Customer Committees.

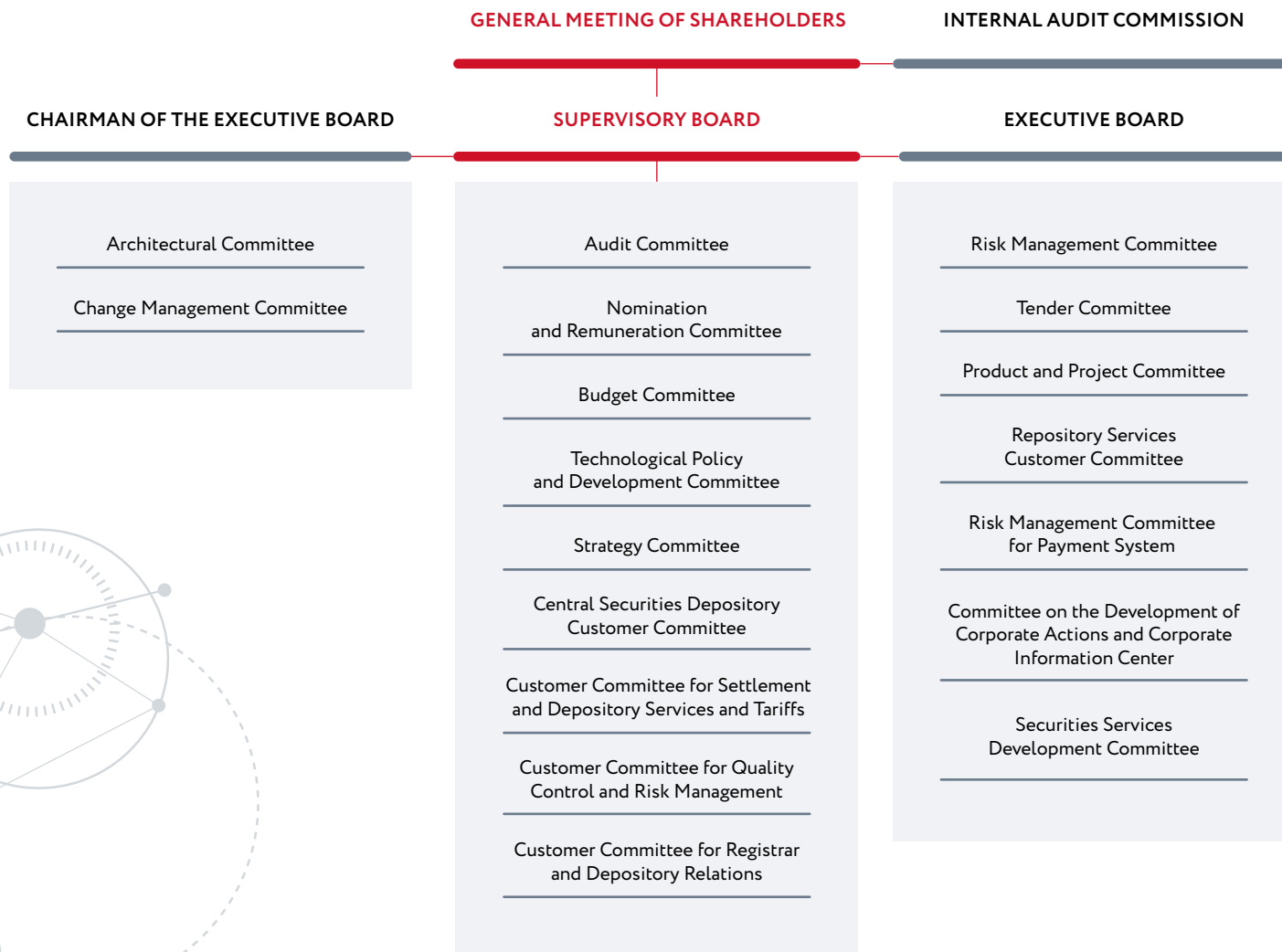
In addition, decisions were taken on issues relating to NSD's operational efficiency and amendments to, and approval of, NSD's internal regulations, including the following issues:

- review of reports submitted by NSD's Internal Control and Internal Audit Departments, approval of the Internal Audit Department's work plan for 2021;
- review and discussion of the findings of the audit of NSD by the Bank of Russia and of a plan of actions to address and prevent re-occurrence of the violations identified by the audit
- 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 2019;
- approval of NSD's risk management priorities for 2020-2021;
- review of the Executive Board Chairman's report regarding management of the Trade Repository's regulatory risk for 2019;
- review of NSD's Customer Satisfaction Index Report;

- approval of the estimated level of NSD's economic capital for 2020;
- approval of NSD's Key Performance Indicators for 2020;
- approval of NSD's corporate Key Performance Indicators for 2021;
- approval of NSD's internal regulations, including:
 - amended and restated Information Security Policy;
 - amended and restated Clearing Rules;
 - amended and restated Information Protection 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;
 - Regulations on the Central Securities Depository Customer Committee;
 - Regulations on Bonus Payment for the Purposes of NSD's Employees' Participation in the Long-Term Moscow Exchange Share-Based Incentive Program
 - amended and restated Terms of Transactions in Financial Instruments of Persons Considered to be NSD's Insiders and Persons Related to Them;
 - amended and restated Terms and Conditions of Depository Operations;
 - amended and restated internal regulations that govern employee compensation;
 - amended and restated Regulations on NSD's Internal Audit Department;
 - amended and restated Pricing Policy;
 - amendments to the Regulations on NSD's Customer Committees.



NSD's Corporate Governance Structure





NSD's Management Bodies

Body	Mission
General Meeting of Shareholders	The General Meeting of Shareholders is NSD's superior management body. General Meetings are convened at least once a year. 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.
Supervisory Board	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.
Chairperson of the Executive Board	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.
Executive Board	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.





Committees and Commissions

Additional information regarding NSD's Committees and Commissions is available on page 64 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.
Central Securities Depository Customer Committee	Approval of internal regulations of NSD as the central securities depository and NSD's fees for CSD 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 Customer Committee	Review and pre-approval of internal regulations relating to NSD's trade repository operations. Considering proposals and making recommendations 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.
Change Management Committee	Quality analysis of controls in the course of updating software or IT infrastructure, and risk management in the course of making updates.

Supervisory Board members elected at the annual General Meeting of Shareholders on 30 May 2019¹

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

¹ Information on the Supervisory Board members elected on 30 May 2019 is available in NSD's Annual Report for 2019.





Supervisory Board members elected at the annual General Meeting of Shareholders on 2 June 2020. 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
Central Counterparty National Clearing Centre	Chairman of the Management Board	From 18 June 2020
National Settlement Depository	Chairman of the Executive Board	11 November 2010 – 17 June 2020
S.W.I.F.T. SC	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 2020.



Svetlana Balanova

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
JSC "Gazprom-Media Holding"	First Deputy General Director	From 27 March 2020
	Board member	From 29 September 2020
IBS Expertise LLC	General Director	27 December 2013 – 27 March 2020
IBS IT Services PJSC	General Director, Member of the Board of Directors	8 August 2017 – 24 June 2020
Ruform Limited Liability Company	Chairperson of the Board of Directors	From 29 December 2020
	Member of the Board of Directors	30 September 2020 – 28 December 2020
JSC "KINOCENTR "OKTYABR"	Chairperson of the Board of Directors	From 10 September 2020
	Member of the Board of Directors	2 September 2020 – 9 September 2020
JSC "NTV Broadcasting Company"	Member of the Board of Directors	From 31 August 2020



Organization	Position	Dates of appointment/election and resignation/removal
Charity Fund "OPEN WORLD"	Member of the Board of Trustees	From 31 August 2020
OJSC TELEBAZIS	Member of the Board of Directors	From 29 July 2020
JSC "TNT-Broadcasting Network"	Member of the Board of Directors	From 21 July 2020
Telekanal TNT4 LLC	Member of the Board of Directors	From 17 July 2020
TV and Radio Company 2x2 LLC	Member of the Board of Directors	From 16 July 2020
Broadcast and Production Union Red Media LLC	Member of the Board of Directors	From 16 July 2020
LLC "Telekanal TV3"	Member of the Board of Directors	From 16 July 2020
Seven Days Publishing House CJSC	Member of the Board of Directors	From 14 July 2020
GPM Entertainment Television LLC	Member of the Board of Directors	From 3 July 2020
Aura-Media LLC	Member of the Board of Directors	From 30 June 2020
Gazprom-Media LLC	Member of the Board of Directors	From 30 June 2020
GPM-Digital LLC	Member of the Board of Directors	From 25 June 2020
PREMIER LLC	Member of the Board of Directors	From 11 June 2020
LLC "MT-TECHNOLOGIES"	Member of the Board of Directors	From 29 May 2020
Uma.Tech LLC	Member of the Board of Directors	From 30 April 2020
NTV-PLUS LLC	Member of the Board of Directors	From 17 April 2020
National Settlement Depository	Supervisory Board member	From 30 May 2019



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
Public Joint-Stock Company "Moscow Exchange MICEX-RTS" (Moscow Exchange)	Supervisory Board member	From 25 April 2019
Hellenic Financial Stability Fund (HFSF)	Managing Board member	From 15 April 2020
European Central Bank	T2S Board Member	July 2012 – December 2015
Dexia SA	Independent Director and Chairman of the Audit Committee	January 2013 – November 2016



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	Head of Investor Services in Financial Markets, Regional Head of Societe Generale Securities Services (Russia and CIS)	From 16 November 2020
	Head of Securities Services, Regional Head of Societe Generale Securities Services (Russia and CIS)	1 February 2007 – 15 November 2020
Public Joint-Stock Company "Moscow Exchange MICEX-RTS" (Moscow Exchange)	Supervisory Board member	16 September 2011 – 27 April 2016, and 26 April 2018 – 28 April 2020
Professional Association of Registrars, Transfer Agents and Depositories (PARTAD)	Member of the Board of Directors	From 10 July 2008
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
RB Capital Asset Management LLC	Member of the Board of Directors	From 5 June 2020
RB Specialized Depository LLC	Member of the Board of Directors	11 May 2016 – 25 June 2020



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	25 June 2013 – 28 April 2020
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	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	Supervisory Board member	30 June 2000 – 29 May 2015 and from 8 June 2018



Oksana Loginova

Independent director

Date of birth:

18 October 1970

Education:

- 1993. Lomonosov Moscow State University
- 2018. University of Oxford, UK, Diploma in Strategy & Innovation
- 2004. Swinburne University, Australia, MBA
- 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
SBER LEGAL LLC	Member of the Board of Directors (Independent), Member of the Strategy Committee	From 25 April 2019
Sberbank	Managing director, Deputy Head of Corporate and Investment Business Department, Deputy Head of Financial Market Department	22 September 2008 – 29 December 2017



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	Chairman of the Supervisory Board, Deputy Chairman of the Supervisory Board	From 28 January 2009
	From 28 January 2009	20.05.2004 – 27.04.2016
Moscow Exchange	Supervisory Board member	20 May 2004 – 27 April 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
Microcredit company "SimpleFinance" Limited Liability Company	Member of the Board of Directors	From 2019
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:

Organization	Position	Dates of appointment/election and resignation/removal
JSC Raiffeisenbank, Russia	Deputy Head (IT) of Banking Transactions and IT Directorate	20 June 2011 – 9 January 2013
	Chief Information Officer (CIO)	9 January 2013 – 24 December 2018
	Member of the Management Board	1 January 2013 – 24 December 2018
PJSC Bank ZENIT	Member of the Board of Directors	2 June 2020 – to date
Central Counterparty National Clearing Centre	Supervisory Board member	30 June 2020 – to date



Nadezhda Ushakova Independent director¹

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	21 September 2009 – 6 November 2020
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	1 March 2017 – 30 June 2020
JSC VTB Specialized Depository	Chairperson of the Board of Directors	From 29 June 2010

¹ From 9 November 2020.



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	March 2015 – March 2019
Independent Directors Association, Russia	Supervisory Board member	July 2011 – February 2019
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 Astanin¹

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
Central Counterparty National Clearing Centre	Chairman of the Management Board	From 18 June 2020
National Settlement Depository	Chairman of the Executive Board	11 November 2010 – 17 June 2020
S.W.I.F.T. SC	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 Until 17 June 2020 (inclusive).



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	Acting Chairman of the Executive Board	From 18 June 2020
	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



Irina Antonova¹

Date of birth:

13 April 1965

Education:

- 1988. Plekhanov Moscow Institute of National Economy

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	HR Director	21 November 2011 – to date

Pavel Andrianov²

Date of birth:

20 June 1972

Education:

- 1995. Moscow State Aviation Institute (Technical 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	IT Director	30 July 2018 – to date
	Director of IT Development Department	13 January 2014 – 30 July 2018

¹ From 18 February 2020.

² From 6 February 2020.



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

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	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 33 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 posted on NSD's web site at <https://www.nsd.ru/en/about/korporativnoe-upravlenie/aktsionery/>. 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.

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 2 June 2020, the annual General Meeting of Shareholders approved NSD's Annual Report for 2019 and appointed NSD's external auditor. In addition, the General Meeting addressed such matters as profit distribution and dividend payment for 2019, elected the new members of the Supervisory Board and Internal Audit Commission, took decisions on remuneration of the Supervisory Board members, and approved the amended and restated Regulations on NSD's Supervisory Board.

In 2020, two extraordinary General Meetings of Shareholders were held:

- the first one held on 22 January 2020 approved amendments to NSD's Articles of Association and approved the amended and restated Regulations on NSD's Supervisory Board;
- the second one held on 9 April 2020 resolved to distribute NSD's retained earnings of previous years as dividends.

Registrar

The Registrar maintaining the share register of NSD is Registrar Society "STATUS" Joint-Stock Company.



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 extraordinary General Meeting of Shareholders held on 9 April 2020 passed the following resolutions in relation to dividend payment to NSD's shareholders:

1. Distribute NSD's prior years' retained earnings as follows: allocate RUB 1.85 billion for paying dividends to NSD's shareholders.
2. Determine the dividend amount of RUB 1,566.9 per NSD's registered ordinary share before dividend income tax under Article 284 (sub-paragraph 1, paragraph 3) of the Tax Code of the Russian Federation.

3. Approve the date of 20 April 2020 as the record date for the payment of dividends.
4. Pay the dividends within the time limits required by the Russian laws.

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

The annual General Meeting of Shareholders held on 2 June 2020 passed the following resolutions:

1. Not distribute NSD's net profit for reporting year 2019 amounting to RUB 3,707,094 thousand, which shall be retained by NSD at its disposal.
2. Neither declare, nor pay dividends out of NSD's net profit for reporting year 2019.



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 2020 to the Supervisory Board members amounted to RUB 80,197 thousand, including RUB 41,371 thousand 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 three components:

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

- 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; and
- Moscow Exchange Share-Based Long-Term Incentive Plan.



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 2020, NSD faced such global challenges as COVID and the need to transition most employees to remote work and to implement proper controls. Throughout the reporting year, the Audit Committee and NSD's business units, operating and control departments were actively involved in addressing these challenges. Despite the continuing volatility caused by the underlying factors, NSD continued to display stability in providing clients services. As part of the regular review process and tender procedures, the ad hoc commission established by the Moscow Exchange Group to select service providers took a decision to replace the external auditor for 2021. In 2020, NSD's control departments started using a standardized system designed for risk management and for addressing controversies within NSD to improve the effectiveness of those processes. To find an optimal solution, the Audit Committee took part in formulating principles of effective cooperation between the Moscow Exchange Group companies' departments in charge of risk management, internal audit, and internal control.

Members (as of 31 December 2020):

1	Paul James Ostling	Chairperson of the Committee Independent member of NSD's Supervisory Board
2	Oksana Loginova	Independent member of NSD's Supervisory Board
3	Anton Ostrovskiy	Independent member of NSD's Supervisory Board
4	Andrey Popov	Independent member of NSD's Supervisory Board
5	Nadezhda Ushakova	Independent member of NSD's Supervisory Board

Highlights of the year:

In 2020, the Audit Committee held 12 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; matters relating to internal risk management, control, and audit processes; and external audit findings (encompassing audit of NSD's financial statements and operational audit).



Key objectives in 2021:

Geopolitical and cybersecurity risks will remain key risks in 2021 along with risks relating to new areas of business, which normally require involvement of the Audit Committee in establishing whether proper risk management measures and controls are in place. The Audit Committee will also focus on ESG factors and related operational risks to ensure NSD's future sustainable development.

In 2021, the Audit Committee will continue coordinating the work of risk management, internal audit, and internal control functions within the Moscow Exchange Group to enable them to achieve synergy at the Group level, while maintaining proper independence and ensuring compliance with all applicable statutory requirements.

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 2020):

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 Investor Services in Financial Markets
3	Andrey Popov	Independent member of NSD's Supervisory Board
4	Nadezhda Ushakova	Independent member of NSD's Supervisory Board

Highlights of the year:

In 2020, the Committee held 9 meetings.

The priorities for the Committee were various matters relating to NSD's budgeting and budget implementation processes; approval of fees for NSD's services; and approval of the amount of NSD's economic capital and dividends payable to NSD's shareholders.

In addition to addressing usual matters, the Committee achieved the following two key objectives: first and foremost, transition from the standard annual budgeting process to flexible three-year business planning; and second and equally important, transition to a new strategic benchmark in determining the amount of economic capital, i.e., economic capital under stressed conditions instead of the target level of economic capital. Both achievements contribute to greater confidence in maintaining NSD's financial strength and provide enhanced tools for making management decisions in furtherance of the NSD Development Strategy 2024 approved by NSD's Supervisory Board.

In 2021, the Committee will focus on implementing and updating NSD's three-year business plan, monitoring and achievement of financial KPIs (both Group-wide KPIs and NSD's specific KPIs), the Free Cash Flow situation, and revision of fees for 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 2020):

1	Ilya Yuzhanov	Chairperson of the Committee Independent director
2	Mikhail Bratanov	Regional Head of Societe Generale Securities Services (Russia and CIS), Head of Investor Services in Financial Markets
3	Yury Denisov	Chairman of the Executive Board and CEO, Moscow Exchange
4	Bella Zlatkis	Deputy Chairperson of the Executive Board, Sberbank

Highlights of the year:

In 2020, 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 2020;
- NSD's Key Performance Indicators (KPI) for 2020 and assessment of the achievement of NSD's KPIs for 2019;
- remuneration of the Chairman of the Executive Board and Executive Board members for 2019, and remuneration of the heads of the business units in charge of internal control and risk management;
- resignation of the Chairman of NSD's Executive Board and appointment of the Acting Chairman of NSD's Executive Board;
- 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 2021.

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 2020):

1	Vadim Kulik	Chairperson of the Committee Deputy President and Chairman of VTB Bank (PJSC)
2	Svetlana Balanova	First Deputy General Director, JSC "Gazprom-Media Holding"
3	Dmitry Ereemeev	President, FIX Group
4	Igor Kalganov	General Director, LLC "Center of Practical Application of Blockchain Technology Orbita"
5	Maxim Krasnykh	Chief Operating Officer, Gett
6	Vladimir Kurlyandchik	Director for Development, ARQA Technologies
7	Kirill Menshov	Senior Vice President for IT, PJSC "Rostelecom"
8	Andrey Popov	Independent member of NSD's Supervisory Board
9	Oskar Hartmann	Member of the Board of Directors, AO "ALFA-BANK"
10	Yuri Yartsev	Deputy Head of the Project Office Department, Moscow Office of BCS Prime Brokerage Limited

Highlights of the year:

In 2020, the Committee held two meetings to address IT architecture modernization of NSD's Alameda system used for depository and clearing recordkeeping purposes.



It is expected that throughout 2021, the Committee will focus on implementing and updating NSD's IT strategy and taking part in expert discussions of various other matters relating to technology development at NSD, including revision of NSD's Technological Policy, feasibility study of the initiative to establish a Group-wide center of expertise in artificial intelligence and machine learning, and approval of a solution to be selected for NSD's payment system.

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 2020):

1	Paul Anne F. Bodart	Chairperson of the Committee
2	Eddie Astanin	Chairman of the Management Board, CCP NCC
3	Mikhail Bratanov	Head of Investor Services in Financial Markets, Regional Head of Societe Generale Securities Services (Russia and CIS)
4	Anton Ostrovskiy	Independent member of NSD's Supervisory Board
5	Andrey Popov	Independent member of NSD's Supervisory Board

Highlights of the year:

In 2020, the Committee held five meetings.

At its meetings, the Committee regularly analyzed the impact of COVID on NSD's business and strategic initiatives and assessed the need to adjust the NSD Development Strategy.

In particular, the Committee addressed the following matters:

- The progress report on the Implementation of the NSD Development Strategy in 2019. The implementation of the NSD Development Strategy in 2019 was found to be satisfactory.
- The report on the Implementation of NSD's Risk Management Development Strategy. The Committee also approved the risk management priorities for 2020-2021.
- The findings of the internal audit of the NSD Development Strategy 2019-2024 by NSD's Internal Audit Department. The audit revealed no shortcomings that posed a high level of risk.
- The possible implications and impacts of external shocks on NSD's performance. Overall, the manifestation of external shocks did not significantly affect NSD's business in 2020. The need to adjust the NSD Development Strategy on an urgent basis was not identified.
- Ensuring the robustness and evolution of NSD's products and services amid the pandemic. The Committee approved the proposed approach to operate NSD's business in the context of the pandemic.

The status of the different strategic initiatives was monitored on a regular basis:

- The initiative to become the Operator of the Guaranteed Pension Plan (GPP);



- The initiative to become a central Registrar of Financial Transactions (RoFT);
- The Transit 2.0 Initiative to develop a financial messaging system's service bureau for communications between companies and their banks;
- The initiative to continue to develop and diversify NSD collateral management suite of services and systems;
- The initiative to develop links with foreign markets and foreign CSDs with a double objective: support Russian investors willing to invest in foreign assets; support foreign investors willing to invest in Russian assets;
- The initiative to strengthen NSD information security framework and systems.

The Committee also discussed and approved plans of actions for the following prospective initiatives:

- The initiative to become infrastructure for digital assets;
- The initiative to develop a Marketplace for OFZ-N (federal loan bonds for individuals);
- The initiative to support settlement of transactions in the commodity markets;
- Modernization of the core system infrastructure ("Alameda") of NSD.

In 2021, the Committee will continue to monitor the progress on all the initiatives included in the NSD Development Strategy 2019-2024 and the new prospective initiatives launched in 2020. The Committee will review the progress report on the implementation of the NSD Development Strategy in 2020.

The Committee will also assess possible new initiatives. A particular emphasis will be made on:

- The possible evolution of the operating model of the organization, leveraging the lessons learned from the pandemic crisis;
- The possible need to adjust the current Development Strategy to take into account changes observed in the Russian financial markets and possible external shocks;
- The possible need to adjust the existing Development Strategy to take into account the global evolution toward a more ESG compliant and climate-friendly world.

Customer Committees of the Supervisory Board

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.

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



Highlights of the year:

In 2020, the Committee held three meetings at which the Committee elected its Chairperson and Deputy Chairperson, approved the fee schedule for CSD's services, and the amended and restated Terms and Conditions of Depository Operations of National Settlement Depository.

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.

Chairperson:

Vladimir Itunin, Head of Operations, Alfa-Bank.

Highlights of the year:

In 2020, the Committee held one meeting at which the Committee elected its Deputy Chairperson. At the meeting, the Committee also reviewed and discussed NSD's report on Customer Satisfaction Index in 2019, information concerning the risk management system, and the steps taken to ensure NSD's business continuity in the pandemic environment.

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 analyzing 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 LLC.

Highlights of the year:

In 2020, the Committee held three meetings at which the Committee addressed transition from Luch software to the Web-client solution for interchanging untyped messages between NSD and its clients, the data standard for depository statements in the XML format, and a number of legislative initiatives proposed by NSD:

- The initiative to make amendments to laws to allow foreign nominee holders to open special bank accounts intended to hold cash funds of their customers, with such cash funds being protected against any restrictive and/or enforcement measures that can be taken against the account owner.
- The initiative to make amendments to the Federal Law “On Foreign Exchange Regulation and Foreign Exchange Control” to add transactions relating to the exercise of rights attached to non-Russian securities and the exercise/performance of related rights/obligations to the list of permissible foreign-currency transactions between Russian residents.
- The initiative to make amendments to laws to implement a single approach to the conduct of bonds-related corporate actions.

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.

Chairperson:

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



Highlights of the year:

In 2020, the Committee held two meetings at which the Committee discussed various issues arising in the course of interaction between NSD and its counterparties in the course of securities buy-backs in view of the amendments made to the Russian Tax Code, as well as the progress in changing the format of a list of holders of registered securities, and transition to a new format for electronic messages.

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, Acting Chairman of the Executive Board, NSD.

Highlights of the year:

In 2020, the Committee held 12 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 2020, the Committee held one meeting at which the Committee reviewed and discussed the Report "Ensuring Business Continuity of NSD and NSD Payment System in the Novel Coronavirus Environment" presented by Andrey Lazutkin, Head of NSD's Business Continuity Service.



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:

Timofey Sklyarov, Head of NSD's Security Division¹.

Highlights of the year:

In 2020, the Committee held 33 meetings, addressing more than 100 matters and taking decisions on 79 procurement contracts. Most procurement contracts were applied for by the Administrative Affairs Division for the purposes of fitting out NSD's office building, and by IT units to purchase or extend software licences.

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 2020, the Committee held 24 meetings, at which the Committee discussed the following projects: modernization of the joint-stock company reorganization process; building a resilient IT infrastructure; WEB-client for banking services; NSD's adaptation to the CSDR and SRD II; NSD's migration to the new platform SVED ECOS (Alfresco); transit service for financial notifications; etc.

The following matters were addressed by the Committee:

- 1) Launch of pre-project stages;
- 2) Requests to change pre-project parameters;
- 3) Requests to change project parameters;
- 4) Project completion;
- 5) Closure of pre-project stages (without proceeding to further implementation);
- 6) Formulating recommendations to NSD's Executive Board to start implementation of projects;

¹ Prior to 11 June 2020: Georgy Uryutov, Director of NSD's General Economic Department.



- 7) Suspension of pre-project stages;
- 8) Monthly project progress reports;
- 9) Project status reports;
- 10) Changes to project organizational structures;
- 11) Proposals to make changes to the Committee composition.

Repository Services Customer Committee

Mission:

The Committee's primary role is to review and pre-approve NSD's internal regulations relating to NSD's trade repository operations, as well as to consider proposals and formulate recommendations for development and improvement of trade repository operations. The Committee comprises two sub-committees: the Trade Repository Sub-committee and the RoFT Sub-committee.

Chairperson:

Ekaterina Merk, Head of Regulatory Reporting, Investment Operations Support Directorate, AO "ALFA-BANK"¹.

Highlights of the year:

In 2020, the Committee held 4 meetings at which the Committee approved the amended and restated Rules for the Provision of Repository Services by NSD and the new Fee Schedule for repository services.

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 2020, the Committee did not meet.

Securities Services Development Committee

Mission:

Considering proposals and formulating recommendations on various issues associated with NSD's securities services.

Chairperson of the Committee:

Viktor Volgarev, Director of Finance and Development, VEB.RF.

¹ Prior to 10 April 2020: Marina Presnyakova, Executive Director, COO, Commercial Bank "J.P. Morgan Bank International" (Limited Liability Company).



Highlights of the year:

In 2020, the Committee did not meet.

Committees of the Chairperson of the Executive Board

Change Management 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, Executive Board member.

Highlights of the year:

In 2020, the Committee held 15 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:

Pavel Andrianov

Highlights of the year:

In 2020, the Committee held 18 meetings, at which the Committee, in particular, addressed such matters as preparation and approval of the plan of development and IT architecture concept of Alameda system; results of pilot testing of NSD's SVED application solution on the Alfresco platform; integration between MOEX Treasury and Transit 2.0; and the concept of NSD's microservices platform.



04

Risk Management

Risk Profile

Key Risk Factors Associated
with NSD's Operations

Key Milestones in Risk
Management in 2020

Plans for 2021



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	Counterparties' default on their obligations in transactions that bear credit risk
Market risk	- Changes in exchange rates - Changes in the market value of securities in NSD's portfolio - Changes in interest rates and yields
Liquidity risk	- 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	- Ineffectiveness of internal business processes - Human errors - Malfunctioning of IT systems - Cybercrime - Fraud - External events
Legal risk	- Failure to perform contracts and agreements - Flaws in the legal system - Legal errors arising in the course of operations
Regulatory risk	Failure to comply with the requirements of laws, internal regulations, and industry standards applicable to NSD's operations
Reputational risk	Negative perception of the company's financial solvency, quality of services, and operational reliability by clients and other stakeholders
Strategic risk	- Mistakes in decision-making regarding the company's development strategy - Shortcomings in strategy implementation
Business risk	- 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	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 2020

In 2020, NSD continued its efforts to improve its risk management tools and practices.

In March 2020, NSD's Supervisory Board approved the company's risk management priorities for 2020-2021, which are focused both at maintaining the current maturity level of the risk management system, and at ensuring its further evolution.

The key developments in 2020 were as follows:

- implementation of processes designed to ensure availability of up-to-date and full information on company's risks in ongoing operations, project risks, and strategic risks;
- dedicated business continuity and information security training sessions for company's management and staff, with further skill assessment tests;
- development of control effectiveness assessment practices together with the second line of defence;
- development of tools for risk management process automation and integration of the internal audit function into the risk management and internal controls system.

Plans for 2021

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;
- development of strategic risk management and risk appetite approval and monitoring processes;
- putting in place tools for risk scenario analysis;
- further development of counterparty due diligence processes.



05

Business Continuity

Specific Nature of Operations
in 2020

Disaster Recovery Testing
and Exercises Under
the BCDR Plans



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 NSD's employees and 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 negative 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 continuity of critical business processes is systematic and consistent. Business continuity management is supported by NSD's senior executives, with necessary resources being allocated to take all measures required to ensure the proper level of operational reliability.

NSD has in place adequate backup infrastructure: the backup data center and the backup site. In addition, NSD has in place Business Continuity and Disaster Recovery Plans (BCDR Plans) that are tested, reviewed, and updated on a regular basis.

Specific Nature of Operations in 2020

2020 was characterized by unprecedented restrictions and measures imposed at the government level to prevent the spread of the novel coronavirus infection, which affected staff and operations of businesses. The Public Health Threat Response Plan prepared by NSD well in advance was promptly adapted to the new pandemic environment.

In accordance with the Plan, a variety of steps were taken at different times and depending on the virus spread level, including preventive and health measures in the office and remote work arrangements covering up to 95% of NSD's employees.

As part of the transition to remote work, NSD had to address the following key tasks:

- having users prepared to work in the new environment, while maintaining the proper control environment, including IT and administrative support of the transition process;
- prompt fine-tuning of the necessary hardware required for remote work and software licenses required for access through secured channels;
- ensuring information security and operational reliability in the new environment;
- management of communications with stakeholders and ensuring compliance with Moscow City Mayor's Decrees.



Disaster Recovery Testing and Exercises Under the BCDR Plans

In 2020, NSD conducted a number of tests covering different areas of NSD's business. Disaster recovery testing involved the most complicated and comprehensive scenarios, such as 'isolation of the main data center' and failover to the backup data center with all critical systems operating there under a full load during 5 business days.

In addition to testing disaster recovery of IT systems and utilities and BCDR Plans testing, NSD, as part of its business continuity efforts, conducts cross-functional exercises. In 2020, an exercise was conducted for the Emergency Management Committee that had to deal with

a crisis simulation. As part of the exercise, the Emergency Management Committee members put into practice their skills of responding to emergencies, introducing an emergency regime, communicating with stakeholders, including mass media, investigating root causes of the emergency, and taking decisions required to return to normal operations.

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.

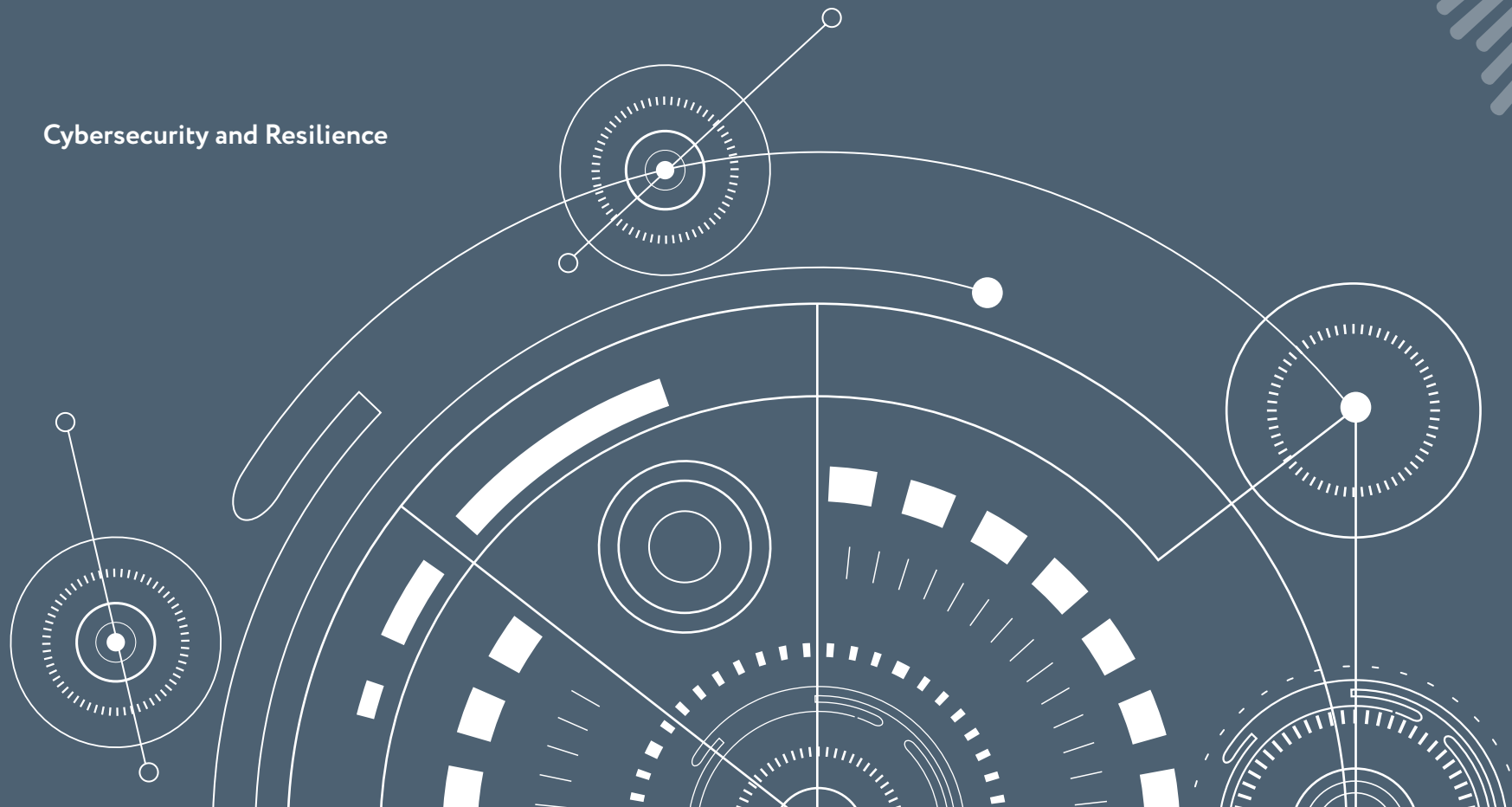




06

IT Infrastructure

Cybersecurity and Resilience





IT Infrastructure

Pavel Andrianov,
IT Director, Member of the Executive Board

Effective management of the IT infrastructure and ensuring continuous functionality of its components remain one of the key objectives for NSD.



In 2020, NSD, like most businesses and in a short time frame, made the transition to remote work. In addition, the company made arrangements for providing remote support to its employees, clients, IT systems and infrastructure, while maintaining a high level of such support.

- In total, 63,600 employee and client support tickets were processed in the past year.

Cybersecurity and Resilience

In 2020, a number of tasks focused on cybersecurity improvement of NSD's IT infrastructure were completed, including protection of NSD's resources and infrastructure from current and future cyber threats.

DR tests were conducted, which involved failover from the main site (data center) to the backup site for one week.

The following IT projects were completed in 2020:

- The functionality of the RoFT system was made available and put into commercial operation.
- NSD was granted the status of Bank of Russia's Financial Messaging System (SPFS) Service Bureau, rolled out required hardware and software, and arranged for the first exchange of messages through the SPFS.

- The W8BEN automated processing system was deployed.
- The service designed for the processing of non-Russian corporate actions was automated and optimized to improve the quality of their processing, reduce operational risks, and enhance the effectiveness of processes.
- A voice assistant service was implemented. Software and hardware were put in place for an automated voice assistant integrated into NSD's telephone and CRM systems.
- A company-wide system for monitoring of key phases of business processes was implemented.
- Big Data solutions development.
- Several AI-based solutions were launched for commercial operation.



07

Corporate Social Responsibility

Support to Projects for
Promoting the Public's
Financial Literacy

Assistance to Children

Corporate Volunteering



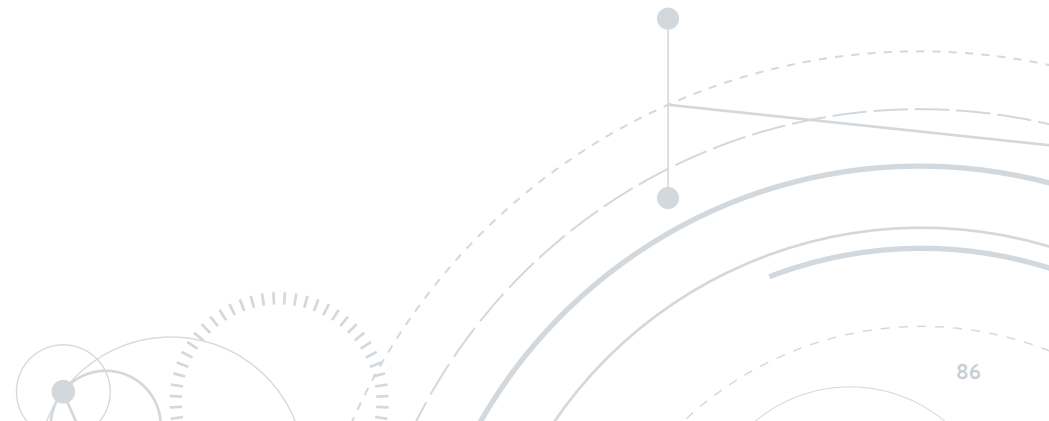
In 2020, NSD approved a new Corporate Social Responsibility Program 2021-2023. Taking into account the global trends in social and business development, NSD identified the key areas for its social policy, such as promotion of sustainable social development through socially important projects and volunteer initiatives aimed to help those in need, promote social inclusion, financial literacy, and environmental protection.

NSD pays equal attention to the development of relationships with clients, partners, employees, the society and surrounding community and collaborates with field-specific funds, holds regular charity events, and develops corporate volunteering. The company estimates the efficiency of these activities on an annual basis.

Support to Projects for Promoting the Public's Financial Literacy

In 2020, NSD provided 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 one

of the most vulnerable social groups and are most often the first to fall victim to fraudsters. NSD helps protect young people and provide them with the basic knowledge of how to deal with money.





Assistance to Children

In 2020, 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 has a strong focus on initiatives aimed to support children in healthcare facilities. Our company provided financial aid to the “Danilovtsy” volunteer movement’s teams. The volunteers from eight hospital teams visited 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 to hold workshops and engage children in other creative activities.

NSD provided financial assistance to the “Podari Zhizn” (Gift of Life) charitable foundation to purchase the Imbruvica medicine for an 8-year-old boy suffering from acute lymphocytic leukemia.

In 2020, NSD collaborated with the “Strana Chudes” (Wonderland) charitable foundation that helps treat children with ICP and supported the “Miloserdiye” (Charity) charitable foundation’s mobile team that provides palliative care to children. The aid covered the wages of a psychologist.

Apart from funding medical treatment, our company seeks to invest money in the development of children deprived of parental care. NSD allocated money to the Elizabeth’s children’s home to cover the wages of a teacher of the youngest age correction group. At the request of the “Ispolneniye Mechty” (Making Dreams a Reality) charitable foundation that helps children’s homes in the Republic of Tatarstan, NSD funded a purchase of special “Dream” chairs for children with ICP.

Corporate Volunteering

NSD’s employees who can try hand at volunteering or make a donation are engaged in charity events. Announcements of these events are sent to employees in a 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.

Due to the pandemic, the company’s office did not host the traditional Donor’s Day in 2020. However, the imposed restrictions did not prevent us from holding an online New Year’s charity fair. The funds raised in combined effort were allocated to develop and support the programs and projects of the “Volunteers in Assistance to Orphaned Children” charity.



08

Human Capital

Hr Management

Corporate Social Support

Remuneration

Career Opportunities and
Talent Scouting

Employee Engagement and
Job Satisfaction is the Key to
Achieving Ambitious Goals

Internship Programs as a Way
to Attract Young Specialists

Continuous Training



Human Capital

Irina Antonova,
HR Director, Member of the Executive Board



HR Management

NSD's employees are part of the company's capital. At NSD, we pay special attention to staff development and engagement, as well as their social support.

As of end 2020, NSD's headcount amounted to 521 employees¹. 96% 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 5% of the average headcount.

In 2020, the number of male vs. female employees was 43% and 57%, respectively. The proportion of female executives in the total number of executives² was 55%. 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. This indicates gender equality and equal career opportunities.

Corporate Social Support

In 2020, employee social support was as relevant as never before. To protect our employees against the new coronavirus disease, COVID-19, the NSD management team allowed as many employees as possible to perform their job duties remotely, having left the minimum required number of staff in the office to support business-critical processes. In the office premises, sanitary measures were taken to disinfect work and common areas and to provide the employees working in the office with personal protective equipment. Once in two weeks, health workers visited the office premises to test the employees for COVID-19. Measures were taken to prevent the spread of COVID-19 in the office, including social distancing,

sound office space zoning, and the opportunity to shift the workday start time. In addition to voluntary medical insurance programs, as well as critical disease and accident insurance traditionally provided to our employees, they could get financial aid to cover the costs of treatment of the new coronavirus infection and post-COVID rehabilitation. An important contribution to the employees' social security was a decision made by the NSD management team to pay sick pay in the amount of 100% of an employee's salary if they had an acute respiratory viral infection regardless of the duration of their sick leave.

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

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



Remuneration

Year after year, NSD maintains a competitive level of remuneration to its employees and monitors the salary trends for a variety of professional categories. Despite the tough market situation in 2020 and an overall decrease in incomes both in Russia and globally, the company

did maintain the current wage rates for its employees and even revised them to increase pay depending on performance indicators.

Career Opportunities and Talent Scouting

The 2020 project involved activities for diagnostics of the existing employee incentive program and development of a customized value offer for a category of key employees, who had worked

in the company for a long time and gained deep expertise in their field, to retain them and provide them with additional incentives. These activities will be continued in 2021.

Employee Engagement and Job Satisfaction is the Key to Achieving Ambitious Goals

NSD pays great attention to aspects that affect employee engagement and their job satisfaction. In 2020, we conducted an employee engagement index survey. It showed that the NSD's employee engagement level was 86.2% and corresponded to that of the most

successful financial companies. The main drivers for employee engagement at NSD are: corporate culture based on trust and good communication between employees, excellent personal skills of an employee's immediate superior, and a clear corporate strategy.



Internship Programs as a Way to Attract Young Specialists

In 2020, NSD continued to develop its internship program and invited students of major Russian universities as interns to the company, 70% of them in the field of IT. The company wants to make sure they grow into real professionals and get to know the basics of the Central Securities Depository's activities. This approach both attracts young technical specialists to the company and ensures they get a good idea of how everything works.

Using the internship program, NSD seeks to promote its image of an attractive employer not only among future financial experts, but also among future software developers, system analysts, and test engineers.

Continuous Training

Despite the changes in the working environment, employee development still remains one of NSD's key priorities. To enhance their professional expertise and personal effectiveness skills, the company completely switched to online training format. NSD provided training programs for both line employees and executives.

The training focused on how to work with a distributed team, carry out management under uncertainty, and deal with stress. Each program took into account the changing working environment and helped the employees deal with most complicated situations due to having to work from home.



09

General Information on NSD's Activities

Information Disclosure

Audit

Internal Control

Information Security

NSD's Interests in Other
Entities



Information Disclosure

NSD's Information Disclosure Rules approved by the Bank of Russia 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 for Preparation, Verification and Approval of Information to Be Disclosed by NSD as a Clearing Organization.

The Procedures set 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 Facebook social media.



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 elected by the annual General Meetings of Shareholders on 2 June 2020 are:

1. Olga Melentyeva;
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 2 June 2020, 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 2021.

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.

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-regulatory organization of auditors "Auditor Association Sodruzhestvo" (SRO AAS) 21, bldg. 4, Michurinsky Prospect, Moscow 119192, Russia
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, 2020



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", and international 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/WMD Officer in order to counter the misuse of insider information and market manipulation.

In 2020, in the field of AML/CFT/WMD, 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 licensing regulatory requirements to NSD's operations, development of control measures to manage regulatory risks and mitigate geopolitical risks.

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

The multi-level internal control system enables NSD to effectively identify, assess 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, and its Payment System is recognized as nationally and systemically important. NSD also provides banking, trade repository, clearing, and other services to financial market participants. All these factors make information and cybersecurity 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 (ISD) 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 ISD plays an active role 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 ISD regulates processes designed to separate users' access, sets up and maintains information protection tools, allocates access rights, and holds keying information.

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

In 2020, NSD's information security system was independently assessed for conformity to Bank of Russia's Regulations No. 683-P and 684-P, as well as to the Government Standard GOST R 57580.1-2017 "Security of Financial (Banking) Operations. Information Protection at Financial Institutions. Basic Organizational and Technical Measures." A plan of actions was prepared and is being implemented to ensure the achievement of the target level of conformity.

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 2020, the ISD took steps 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;
- identify and promptly address vulnerabilities in NSD's information infrastructure;
- automate IS processes and procedures;
- support the transition to remote work and put in place mechanisms designed to ensure secure use of NSD's IT systems by employees;
- optimize information security processes in the context of remote work; and
- provide cybersecurity training for employees.

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 2020, the following measures were implemented:

- The list of IT systems covered by static code analysis to identify potential vulnerabilities was expanded, and tools designed for security screening of third-party libraries and IT systems being tested were implemented. These steps helped improve effectiveness and further decrease the number of vulnerabilities identified by subsequent penetration tests, as compared to previous periods.
- NSD introduced the practice of security screening of external systems and components before they are integrated into NSD's IT systems and processes. Due to their low security level, some components were discarded or replaced with more secure ones.
- To ensure full compliance with the requirements of Federal Law No. 152-FZ "On Personal Data", a deep analysis of personal data available in NSD's IT systems was launched in order to determine how and when that personal data is to be destroyed upon completion of its processing.



- Tools designed to protect the integrity of key executable files in IT systems throughout their lifecycle were tested and deployed.
 - 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 Kaspersky ASAP platform-based program for raising information security awareness for NSD's employees was adapted and expanded.
 - Special attention was paid to measures to prevent potential frauds in NSD's payment processes.

NSD's Interests in Other Entities

Entity's Full and Short Name	Registered Office	Interest in the Share Capital, %
S.W.I.F.T. SC (Society for Worldwide Interbank Financial Telecommunication)	Avenue Adèle 1, 1310 La Hulpe, Belgium	0.0145





10

Appendices

Annual Financial Statements under the Russian Accounting Standards (RAS).

NSD's Consolidated Financial Statements for 2018 under the International Financial Reporting Standards (IFRS).

Report on Compliance with NSD's Corporate Governance Principles

Acting Chairman of the Executive Board

Maria Krasnova

Chief Accountant

Irina Veremeenko



Banking financial statements

OKATO territory code	Code of the credit institution (branch)	
	OKPO	Registration No. (/sequential No.)
45	42949474	3294

Balance Sheet

(published form)

for 2020

Full name or short name of the credit organization	National Settlement Depository
Address (location) of the credit organization:	12 Spartakovskaya St., Moscow 105066

OKUD code 0409806
Quarterly (annual)

Line	Item description	Note	For the reporting period, RUB'000	For the previous reporting period, RUB'000
1	2	3	4	5
I. ASSETS				
1	Cash	3.1, 3.27, 5	1 667	1 975
2	Balances with the Central Bank of the Russian Federation	3.2, 3.27, 5	475 013	2 163 103
2.1	Minimum reserve deposits		0	0
3	Due from credit institutions	3.3, 3.27, 5	331 085 414	156 454 116



Line	Item description	Note	For the reporting period, RUB'000	For the previous reporting period, RUB'000
1	2	3	4	5
4	Financial assets at fair value through profit or loss	3.4, 5	532 902	25 594
5	Net loans receivable at amortized cost		0	0
5a	Net loans receivable		0	0
6	Net investments in financial assets at fair value through other comprehensive income	3.5, 5	12 898 366	20 027 605
6a	Net investments in securities and other financial assets available for sale		0	0
7	Net investments in securities and other financial assets at amortized cost (other than net loans receivable)		0	0
7a	Net investments in securities held to maturity		0	0
8	Investments in subsidiaries and associates		0	0
9	Current income tax assets		470 147	27 825
10	Deferred income tax asset		46 307	98 478
11	Property and equipment, intangible assets and inventories	3.6	4 835 551	4 884 838
12	Non-current assets held for sale		0	0
13	Other assets	3.7, 5	1 299 727	743 904
14	Total assets		351 645 094	184 427 438
II. LIABILITIES				
15	Loans, deposits and other balances due to the Central Bank of the Russian Federation	3.8, 5	19 497 015	200
16	Customer accounts at amortized cost	3.9, 3.10, 5	300 073 082	159 301 739
16.1	Due to credit institutions	3.9, 5	263 356 818	137 574 123
16.2	Customer accounts (other than credit institutions)	3.10, 5	36 716 264	21 727 616
16.2.1	Deposits by individuals, including individual entrepreneurs		0	0



Line	Item description	Note	For the reporting period, RUB'000	For the previous reporting period, RUB'000
1	2	3	4	5
17	Financial liabilities at fair value through profit or loss		0	0
17.1	Deposits by individuals, including individual entrepreneurs		0	0
18	Debt securities issued		0	0
18.1	At fair value through profit or loss		0	0
18.2	At amortized cost		0	0
19	Current income tax liabilities		0	0
20	Deferred tax liabilities		0	0
21	Other liabilities	3.11, 5	17 300 671	12 841 083
22	Allowance for losses under loan commitments, other losses and transactions with offshore residents		5	20
23	Total liabilities		336 870 773	172 143 042
III. EQUITY				
24	Shareholders' (participants') equity	3.12	1 180 675	1 180 675
25	Treasury shares		0	0
26	Share premium		0	0
27	Reserve fund	3.13	177 101	177 101
28	Fair value revaluation of financial assets at fair value through other comprehensive income, decreased by deferred tax liability (increased by deferred tax asset)		155 807	61 254
29	Revaluation of property, equipment and intangible assets, decreased by deferred tax liability		0	0
30	Revaluation of liabilities (assets) on payment of long-term benefits		0	0
31	Revaluation of hedging instruments		0	0



Line	Item description	Note	For the reporting period, RUB'000	For the previous reporting period, RUB'000
1	2	3	4	5
32	Grant financing (property investments)		0	0
33	Change in fair value of the financial liability attributable to changes in the credit risk		0	0
34	Allowances for expected credit losses		920	5 405
35	Retained earnings (accumulated deficit)		13 259 818	10 859 961
36	Total equity		14 774 321	12 284 396
IV. OFF-BALANCE SHEET COMMITMENTS				
37	Irrevocable commitments		55 424 287	11 086 324
38	Guarantees issued		0	0
39	Non-credit contingent liabilities		0	0

Acting Chairman of the Executive Board

M. O. Krasnova

Chief Accountant, Director of Accounting and Reporting Department

I. E. Veremeenko

Drafted by

S. V. Vigovskaya

Tel.: +7 495 234-48-29

19 March 2021



Banking financial statements

OKATO territory code	Code of the credit institution (branch)	
	OKPO	Registration No. (/sequential No.)
45	42949474	3294

Statement of Financial Results

(published form)

for 2020

Full name or short name of the credit organization	National Settlement Depository
Address (location) of the credit organization:	12 Spartakovskaya St., Moscow 105066

OKUD code 0409807
Quarterly (annual)

Section 1. Profit and loss

Line	Item description	Note	For the reporting period, RUB'000	For the corresponding period of the previous year, RUB'000
1	2	3	4	5
1	Interest income, total, including:	3.14, 5	835 786	1 240 183
1.1	due from credit institutions	3.14, 5	73 839	78 554
1.2	on loans to customers (other than credit organizations)		0	0
1.3	from finance lease services		0	0
1.4	from investments in securities	3.14, 5	761 947	1 161 629



Line	Item description	Note	For the reporting period, RUB'000	For the corresponding period of the previous year, RUB'000
1	2	3	4	5
2	Interest expense, total, including:	3.15	122 002	219 708
2.1	deposits by credit organizations	3.15	117 569	219 708
2.2	on deposits by customers (other than credit organizations)	3.15, 5	4 433	0
2.3	securities issued		0	0
3	Net interest income (negative interest margin)		713 784	1 020 475
4	Change in allowance for losses and allowance for expected credit losses on loans and loan equivalents, balances on correspondent accounts and accrued interest income, total, including:	3.22, 5	264	864
4.1	Change in allowance for losses and allowance for expected credit losses on accrued interest income	3.22, 5	142	281
5	Net interest income (negative interest margin) after allowance for losses		714 048	1 021 339
6	Net gain on financial assets at fair value through profit or loss	3.16, 5	-2 520 266	2 396 410
7	Net income from operations with financial liabilities at fair value through profit or loss		0	0
8	Net gain on securities at fair value through other comprehensive income	3.17, 5	675	-14 153
8a	Net gain on securities available for sale		0	0
9	Net gain on securities at amortized cost		0	0
9a	Net gain on securities held to maturity		0	0
10	Net gain on foreign exchange operations	3.18, 5	12 820	-18 310



Line	Item description	Note	For the reporting period, RUB'000	For the corresponding period of the previous year, RUB'000
1	2	3	4	5
11	Net gain on foreign currency revaluation	3.19	4 115 190	-1 048 718
12	Net gain from operations with precious metals		0	0
13	Income from investments in other entities		0	0
14	Fee and commission income	3.20, 5	7 460 029	6 038 267
15	Fee and commission expense	3.21, 5	787 009	510 983
16	Change in allowance for losses and allowance for expected credit losses on securities measured at fair value through other comprehensive income		5 464	-7 038
16a	Change in allowance for losses on securities available for sale		0	0
17	Change in allowance for losses and allowance for expected credit losses on securities at amortized cost		0	0
17a	Change in allowance for losses on securities held to maturity		0	0
18	Change in allowance for other losses	3.22, 5	-5 922	72 823
19	Other operating income	3.23, 5	49 524	49 266
20	Net income (expense)		9 044 553	7 978 903
21	Operating expenses	3.24, 5	3 615 615	3 257 733
22	Profit (loss) before income tax		5 428 938	4 721 170
23	Tax benefit (expense) ¹	3.25	1 179 081	1 014 076
24	Profit (loss) from continuing operations		4 249 857	3 707 094
25	Profit (loss) from discontinued operations		0	0
26	Profit (loss) for the reporting period		4 249 857	3 707 094

¹ In accordance with the procedure for preparing the Statement of financial results as approved by the Bank of Russia, a positive value of the item reflects tax expense.



Section 2. Other comprehensive income

Line	Item description	Note	For the reporting period, RUB'000	For the corresponding period of the previous year, RUB'000
1	2	3	4	5
1	Profit (loss) for the reporting period		4 249 857	3 707 094
2	Other comprehensive income (loss)		X	X
3	Items that are not reclassified to profit or loss, total, including:		0	0
3.1	Change in the revaluation reserve for property, equipment and intangible assets		0	0
3.2	Change in the revaluation reserve for liabilities (assets) on defined post-employment benefit plans		0	0
4	Income tax related to items that cannot be reclassified to profit or loss		0	0
5	Other comprehensive income (loss) that cannot be reclassified to profit or loss, net of income tax		0	0
6	Items that can be reclassified to profit or loss, total, including:		112 584	83 325
6.1	Change in revaluation reserve for financial assets at fair value through other comprehensive income		112 584	83 325
6.1a	Change in revaluation reserve for financial assets available for sale		0	0
6.2	Change in revaluation reserve for financial liabilities at fair value through profit or loss		0	0
6.3	Change in cash flow hedge reserve		0	0



Line	Item description	Note	For the reporting period, RUB'000	For the corresponding period of the previous year, RUB'000
1	2	3	4	5
7	Income tax related to items that can be reclassified to profit or loss		22 516	16 666
8	Other comprehensive income (loss) that can be reclassified to profit or loss, net of income tax		90 068	66 659
9	Other comprehensive income (loss), net of income tax		90 068	66 659
10	Financial result for the reporting period		4 339 925	3 773 753

Acting Chairman of the Executive Board

M. O. Krasnova

Chief Accountant, Director of Accounting and Reporting Department

I. E. Veremeenko

Drafted by

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19 March 2021



Report on Compliance with NSD's Corporate Governance Principles

N	Principle	Compliance
1	Ensuring governance of National Settlement Depository ("NSD" or the "Company"), which meets the Company's strategic objectives, is consistent with the Company's corporate values and the scope of its business, and meets the needs and interests of its clients	While NSD is a non-public company, NSD seeks to apply the best standards and practices in corporate governance. Application of the best standards and practices in corporate governance, as well as of the NSD's and Moscow Exchange Group's development strategy, is crucial to NSD's growth. The key objective of NSD's corporate governance is to build efficient decision-making mechanisms designed to manage strategic risks and to address growth challenges. NSD's corporate governance system comprises NSD's management, controlling, and other bodies. Interaction between NSD's shareholders is based on the Shareholders Agreement and aimed at maintaining the balance of interests of all NSD's shareholders. The Company cooperates with its clients effectively and seeks to act in their best interests. NSD's Customer Committees are the key tool of such cooperation. NSD has 8 Customer Committees members of which are representatives of NSD's clients. The Customer Committees are NSD's advisory bodies that preliminarily approve NSD's internal documents, discuss and formulate proposals for arrangement and improvement of client services, improvement of settlement technologies, and expansion of the range of products and services. They also discuss initiatives of making amendments to laws and regulations. The detailed information on NSD's Customer Committees and their activities is available on NSD's web site at www.nsd.ru.
2	Ensuring that Supervisory Board's activities are based on: • strategic governance of the Company;	NSD's strategic objectives are defined as part of the NSD's and Moscow Exchange Group's Development Strategy. The Company's strategic objectives are subject to continuous monitoring by the Executive Board, Strategy Committee, and Supervisory Board. In accordance with NSD's Articles of Association, the Supervisory Board is responsible for strategic governance of the Company by: • approval of the Company's business priorities; and • approval of NSD's development strategy and monitoring of compliance with it. On 23 April 2019, the Supervisory Board approved the NSD Development Strategy 2019–2024 (pre-approved by the Strategy Committee of NSD's Supervisory Board), which sets out NSD's strategic objectives until 2024.



N	Principle	Compliance
	- performance by the Supervisory Board of control functions over activities of NSD's executive bodies, as well as over the decision-making process aimed at addressing any shortcomings identified by such controls in activities of NSD's executive bodies; - performance assessment of the Supervisory Board and Supervisory Board Committees and disclosure of results of such assessments; and - segregation between control functions and management duties, and determination of individual and collective responsibility of Supervisory Board members.	NSD's Supervisory Board exercises control over the performance of executive bodies by: - appointment and removal of the Company's chief executive officer (Chairperson of the Executive Board) and members of the collegial executive body (Executive Board), and approval of their remuneration and benefits; - granting permission to members of the Company's executive bodies to hold positions in management bodies of other organizations; - preliminary approval of annual reports and submission thereof to the General Meeting of Shareholders; - review of Company's performance reports prepared by the Executive Board; - assessment of the performance of Company's executive bodies' members against the corporate and individual Key Performance Indicators and taking decisions upon such assessment, including decisions to pay bonuses. In 2020, NSD's Supervisory Board reviewed and took note of the following reports: - report on the implementation of NSD's 2019 budget (resolution dated 6 March 2020); - NSD's performance report for 5M 2020 (resolution dated 25 June 2020); - report on the implementation of NSD's 2020 budget for 5M 2020 (resolution dated 25 June 2020); - NSD's performance report for 8M 2020 (resolution dated 30 September 2020); - report on the implementation of NSD's 2020 budget for 8M 2020 (resolution dated 30 September 2020); and - NSD's preliminary performance report for 2020 (resolution dated 17 December 2020). On 6 March 2020, NSD's Supervisory Board reviewed the performance of executive bodies' members against their Key Performance Indicators and resolved to pay performance bonuses to them for 2019. No shortcomings were identified in the performance of NSD's executive bodies. An assessment of the state of corporate governance at NSD in accordance with the Bank of Russia's guidelines (an "Assessment") is an important tool designed to monitor the quality of corporate governance, including the effectiveness of Supervisory Board's work. An assessment is conducted at least on annual basis under the leadership of the Supervisory Board, and for this purpose officers are designated to collect and summarize information and to issue a report on the state of corporate governance to the Supervisory Board.



N	Principle	Compliance
		In 2020, NSD's Supervisory Board conducted a scheduled Assessment in accordance with the methodology recommended by the Bank of Russia, with a focus, in particular, on the following areas of Supervisory Board's work: • overall management of NSD's operations and the establishment of business priorities; • organizing the Supervisory Board's activities, including its interaction with NSD's executive bodies; • compliance with the corporate governance principles; • availability of efficient risk management at NSD; and • availability and quality of necessary internal regulations, the approval of which is a matter reserved for the Supervisory Board. The assessment involved completing a questionnaire by the Supervisory Board members. The assessment results were presented in a Report on the State of Corporate Governance and approved by NSD's Supervisory Board. In accordance with NSD's Articles of Association, Supervisory Board's management duties and control functions are segregated. In terms of its control functions, the Supervisory Board controls: • implementation of the Company's development strategy; • performance of executive bodies; • NSD's financial and business operations; and • NSD's risk management activities. In terms of its management duties, the Supervisory Board is responsible for the overall management of the Company. In particular, the Supervisory Board approves key guiding principles of Company's operations, its strategy and business priorities, annual budgets, and risk management and internal control principles and approaches. Supervisory Board members shall exercise their rights and perform their responsibilities in the best interests of the Company, in good faith, and reasonably. Supervisory Board members are liable to the Company for any losses caused by their wrongful actions (omissions), unless different grounds or scope of liability are stipulated by the federal laws. However, those Supervisory Board members who either voted against the resolution that resulted in Company's losses or did not vote thereon shall not be held liable. Where more than one member of the Supervisory Board is liable to the Company, their liability shall be joint and several.



N	Principle	Compliance
3	Ensuring the functioning of NSD's internal control, internal audit, and risk management systems	At NSD, internal controls, internal audit, and risk management meet the Russian statutory requirements to NSD and the international guidelines for internal control, internal audit, and risk management systems. The Internal Control Department (ICD) is responsible for ongoing control over NSD's regulatory risk management practices as CSD, professional securities market participant, credit institution, clearing house, and trade repository; in particular, the ICD performs the internal control functions for the purposes of anti-money laundering, combating the financing of terrorism and the financing of proliferation of weapons of mass destruction, and combating insider trading and market manipulation. The ICD keep records of regulatory risk events, analyzes them, and assesses their probability and potential impact. The head of ICD reports potential and/or actual regulatory risk events that have resulted (or are capable to result) in significant consequences to the Chairperson of Executive Board. At least on an annual basis, the head of ICD submits an ICD performance report to the Supervisory Board. NSD ensures that the ICD performs its functions without any interference from NSD's business units or employees. The Internal Audit Department (IAD) is responsible for internal audits, including ongoing independent assessment of reliability, efficiency and effectiveness of internal controls, corporate governance, and business processes at NSD, as well as of the risk management system, and efficiency of the methods applied by NSD to ensure security of its assets. The IAD audits all areas of NSD's business, and any business unit or employee can be audited. The Company ensures the operational continuity, independence and impartiality of the IAD, as well as professional competence of its head and staff. NSD also ensures that the IAD smoothly and effectively exercises its functions. The IAD and the head of IAD report to, and are directly controlled by, NSD's Supervisory Board. The Company has in place a risk management system that is adequate to the nature and scope of its operations and encompasses risk reduction and mitigation measures; a risk monitoring system that ensures reporting necessary information to NSD's management bodies; and a process designed to manage key risks that can potentially have negative impact on NSD's operations. Risk management duties are allocated between the Supervisory Board, executive bodies, heads of NSD's key business units, the Risk Management Department, and the Internal Control Department (the latter is responsible for regulatory risk management). Information regarding the risk management system in place at NSD is communicated to shareholders, the Bank of Russia, and other stakeholders on a regular basis, by way of reporting or on the Company's web site.



N	Principle	Compliance
4	Ensuring prevention, identification, and management of conflicts of interest arising in NSD's operations, and corruption control	The measures taken by the Company to prevent conflicts of interest are set out in NSD's internal regulations, including in the Conflict of Interest Prevention Policy and the Code of Professional Ethics. The purpose of such measures is to prevent a situation in which employees' personal interests may hinder or prevent them from performing their duties in good faith and efficiently. In managing corruption risk, NSD acts in accordance with the key principles set out in NSD's Anti-Bribery and Corruption Policy: prevention of any corrupt practices; investigation of any situations that show signs, or give reason to suggest existence, of corruption risk; analysis of risks in business relations with counterparties; and employee awareness-raising and training. The key measures taken to control corruption risk are: • prohibition of giving/receiving anything of value (including gifts) with the intention to get assistance in solving any issue; • establishment of a body responsible for monitoring tender processes for the purpose of taking a decision on whether or not to enter into a contract; • incorporation of anti-corruption clauses into contracts; • performance of counterparty due diligence; and • providing employees with a possibility to report corruption risks (including anonymously).
5	Ensuring the equitable and fair treatment of all shareholders exercising their right to participate in Company's management, and striking a balance between the rights and interests of NSD's clients and those of its counterparties or other stakeholders	NSD ensures equitable and fair treatment of all shareholders exercising their right to participate in Company's management. Each shareholder may participate in a physical (in-person) General Meeting of Shareholders and cast a vote by any of the following methods: by mailing the voting ballot, or by attending the meeting personally, or by e-voting. Shareholders can use the e-voting option by completing an e-voting ballot on the dedicated web site. To ensure equitable treatment of all shareholders, NSD provides information regarding the convocation of a meeting and meeting materials both in Russian and in English, and also translates voting ballots into English to remove voting barriers for non-Russian shareholders in accordance with the OECD guidelines. Moreover, NSD seeks to establish long-term, stable, and mutually beneficial relations with its counterparties. NSD chooses its counterparties through a tender process that makes the contracting process transparent and allows the Company to choose best counterparties.



N	Principle	Compliance
6	Ensuring the transparency of NSD's operations and efficient communications between NSD and its shareholders and other stakeholders	Ensuring the transparency of NSD's operations and efficient communications between NSD and its shareholders and other stakeholders is one of the key corporate governance principles followed by NSD. To enable its shareholders to make reasonable and informed decisions and to ensure the transparency of its operations, NSD discloses, in a timely fashion, full and accurate information on its activities, as required by Russian law and NSD's internal regulations. NSD's shareholders enjoy equal rights to gain access to all corporate information. NSD's shareholders and other stakeholders may receive full and accurate information, including information on NSD's financial standing, performance, governance, shareholders, and any material facts that affect NSD's financial and business activities. Information is disclosed in accordance with NSD's Information Disclosure Rules (the "Rules") approved by the Supervisory Board. The Rules set out the procedure for information disclosure, i.e., the procedure for ensuring that information on NSD is accessible by any interested party in the manner that enables such party to find and receive necessary information, including: • 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. The principal channel used by NSD for information disclosure is NSD's web site at www.nsd.ru that is used to post information sufficient to understand any material aspects of the Company's business. Non-Russian shareholders and clients have access to the English-language version of NSD's web site, including Company's news, constitutional documents, key financials and operational performance figures, information on corporate governance, and contact details.

Annual Financial Statements under the Russian Accounting Standards (RAS).

NSD's Consolidated Financial Statements for 2020 under the International Financial Reporting Standards (IFRS).



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