

RSPP SUSTAINABILITY, CORPORATE SOCIAL RESPONSIBILITY AND REPORTING INDICES

This analysis initiated by the Russian Union of Industrialists and Entrepreneurs (the RSPP) explores how sustainability and corporate social responsibility management has progressed at the Russia's largest companies. The input data are public corporate reporting of Russia's top 100 companies in terms of sales volume (by RAEX Rating Agency and RBC). The following three indices will be calculated based on data analysis findings:

- **Responsibility and Transparency Index:** the index intended to provide an overview of progress on information disclosure with regard to sustainability and corporate social responsibility;
- **Sustainable Development Vector Index:** the index shows how companies succeed in sustainability and corporate social responsibility matters;
- **Prospects Index:** the index tracks commitment by companies to sustainable development and corporate social responsibility (subordinate index to the Sustainability Vector Index)

The three indices are interrelated. The RSPP chooses out of the Responsibility and Transparency Index components, companies that are most effective in information disclosure and have a higher disclosure frequency and quality. Such companies constitute candidates for inclusion into the Sustainable Development Vector Index and Prospects Index. The following ten basic criteria are used to analyse how the companies are successful in and committed to sustainability and CSR:

- *Labour efficiency;*
- *Employee health & safety;*
- *Compensation and social support of employees;*
- *Training and development opportunities for employees;*
- *Labour turnover;*
- *Social investment;*
- *Air pollution;*
- *Water sources;*
- *Energy consumption; and*
- *Waste recycling.*

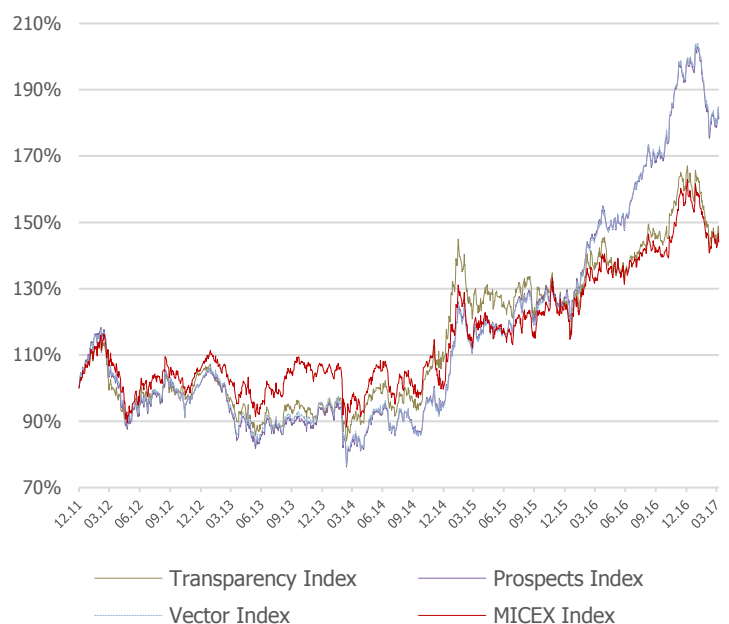
MODELLING MOEX INDICES BASED ON RSPP GAUGES

To design MOEX indices for sustainability, corporate social responsibility and reporting, companies already in the leading groups of the relevant RSPP indices are selected.

SELECTION CRITERIA

Responsibility and transparency	Volume and quality of information disclosure with regard to sustainable development and CSR in the public corporate reporting. Identifying transparency leaders
Sustainable Development Vector	Positive dynamics in results. Selection of the most efficient companies
Prospects	Specific and clear goals. Selection of the leading companies by existence and clarity of goals

Return on indices, 2012-Q1 2017



Index	Calculation method	Max individual company weight
Responsibility and Transparency		15%
Sustainable Development Vector	Free float adjusted market cap weighted	As per the RSPP's matrix
The Prospects		As per the RSPP's matrix

TASKFORCE

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Responsibility and Transparency Index

Companies, which are leaders of the Responsibility and Transparency Index, disclose the most complete information on their efforts in sustainable development and corporate social responsibility. The table below includes a current base to compile an equity index under the selection criteria applied to the Responsibility and Transparency Index:

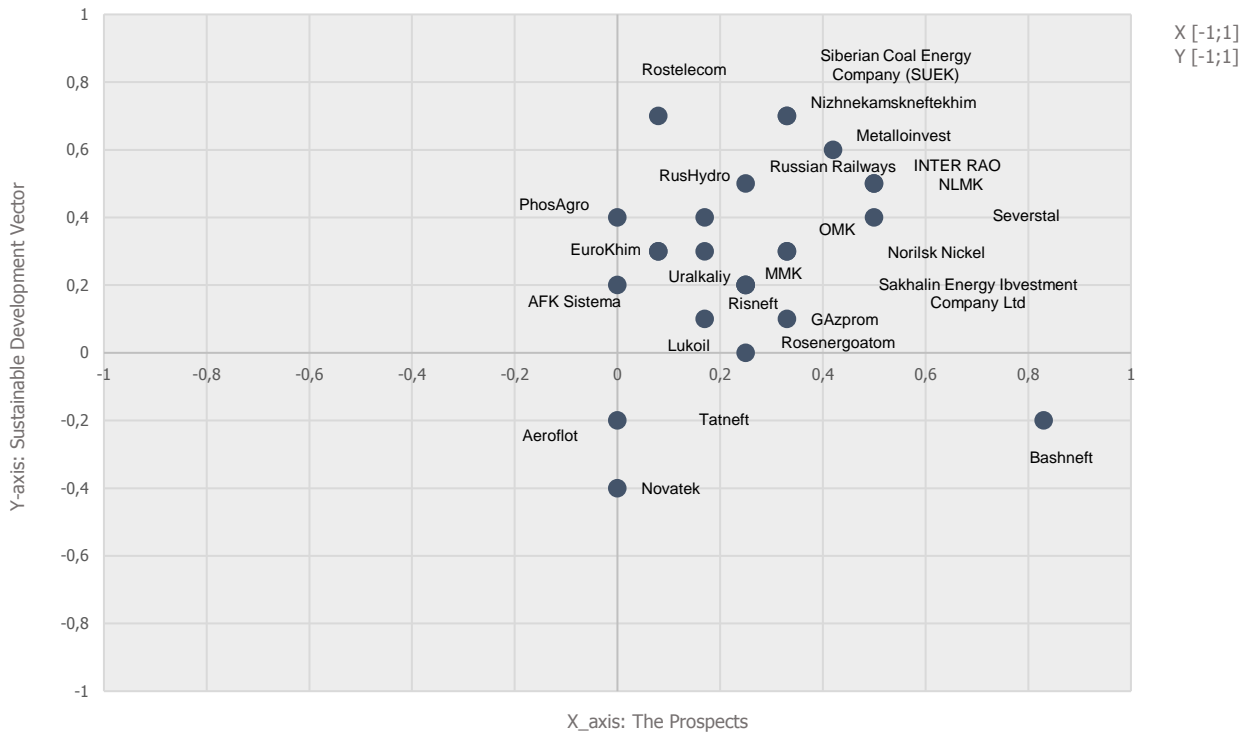
	Ticker	Name	Number of shares	Free-Float	Restricting coefficient	Weight as of 28 Feb 2017
1	NVTK	Novatek, ords	3,036,306,000	27%	0.8662884	15.00%
2	LKOH	Lukoil, ords	850,563,255	46%	0.4434889	15.00%
3	GAZP	Gazprom, ords	23,673,512,900	46%	0.3669592	15.00%
4	GMKN	Norilsk Nickel, ords	158,245,476	33%	1	13.62%
5	ROSN	Rosneft, ords	10,598,177,817	11%	1	10.81%
6	TATN	Tatneft, ords	2,178,690,700	32%	1	6.66%
7	CHMF	Severstal, ords	837,718,660	18%	1	3.49%
8	IRAO	Inter RAO, ords	104,400,000,000	29%	1	3.41%
9	NLMK	NLMK, ords	5,993,227,240	16%	1	3.03%
10	HYDR	RusHydro, ords	386,255,464,890	23%	1	2.33%
11	AFKS	AFK Sistema, ords	9,650,000,000	36%	1	2.20%
12	PHOR	PhosAgro, ords	129,500,000	25%	1	2.18%
13	AFLT	Aeroflot, ords	1,110,616,299	41%	1	2.11%
14	RTKM	Rostelecom, ords	2,574,914,954	32%	1	1.80%
15	MAGN	MMK, ords	11,174,330,000	13%	1	1.50%
16	URKA	Uralkali, ords	2,936,015,891	6%	1	0.82%
17	NKNC	Nizhnekamskneftekhim, ords	1,611,256,000	19%	1	0.60%
18	BANE	Bashneft, ords	147,846,489	3%	1	0.43%

A pilot index is calculated in a similar way to classic indices, i.e. a component company's effect on the index is determined by its free float adjusted market capitalisation. Moscow Exchange uses same approach to calculate the MICEX Index, RTS Index, MOEX sectoral indices, etc. The only difference is higher focus on quality of corporate reporting rather than technical parameters of the security (trading volume, capitalisation, etc.). For example, Bashneft ordinary shares remain in the new index despite a free float decrease below 5%.

The following companies had been included in the RSPP's Responsibility and Transparency Index by the end of 2016, but were excluded from the pilot stock index, as they are not traded on Moscow Exchange: EuroKhim, Metalloinvest, OMK, Russian Railways, Rosenergoatom and Sakhalin Energy Investment Company Ltd.

Sustainable Development Vector Index and Prospects Index

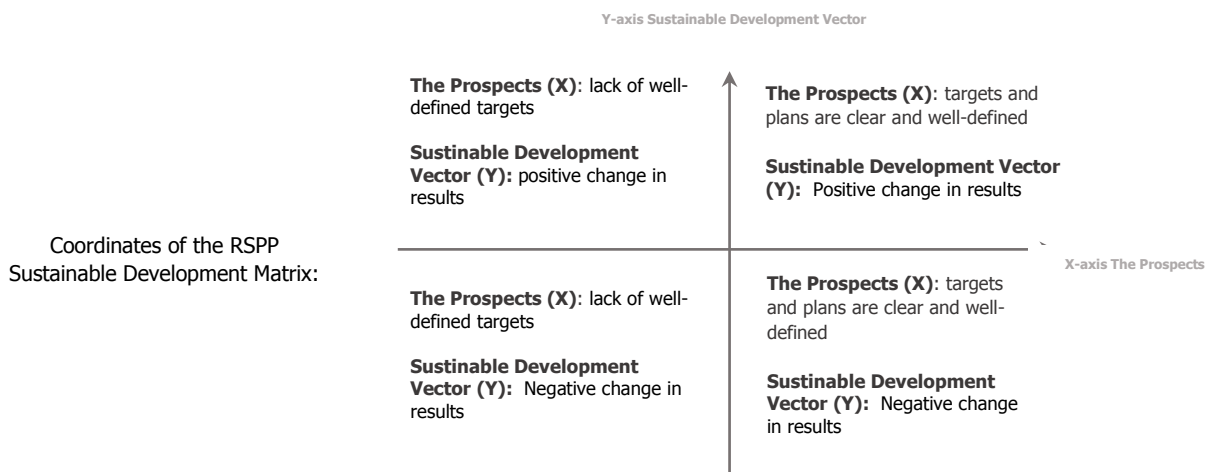
In the 2016 analysis, the ten above-mentioned basic criteria were applied to three preceding years covered by the CSR report. The findings allowed the RSPP to create a sustainable development matrix to evaluate the proportion of positive and negative trends in efficiency of companies in the CSR area.



The X-axis The Prospects shows the company activities in the CSR sphere in terms of clarity and well definition of its goals. The Y-axis Sustainable Development Vector gives an overview of the progress made by the companies in CSR.

The stock indices compiled based on the RSPP’s Sustainable Development Vector Index and Prospects Index have a component weighting principle different to that applied to the pilot stock index created through the RSPP’s Responsibility and Transparency Index; i.e. the company’s weight in each index is determined by its position on the relevant axis.

As a result, the greater weight will have companies with clearer and better-defined plans and goals for CSR, as well as demonstrates good progress in achieving the goals.



The Sustainable Development Vector Index is a key indicator of sustainable development intended to catch signs of actual progress behind the company's reports on sustainable development and CSR. The term Sustainable Development Vector implies a focused result-oriented process and good definition of guidelines. On the other hand, we cannot deny that any business operates in changeable environment that requires the readiness of the CSR management system, i.e. the strategy and planning and control tools, to address new challenges. The Prospects Index evaluates the company's approaches to planning in CSR and would later advance against the Sustainable Development Vector Index despite its current ancillary nature.

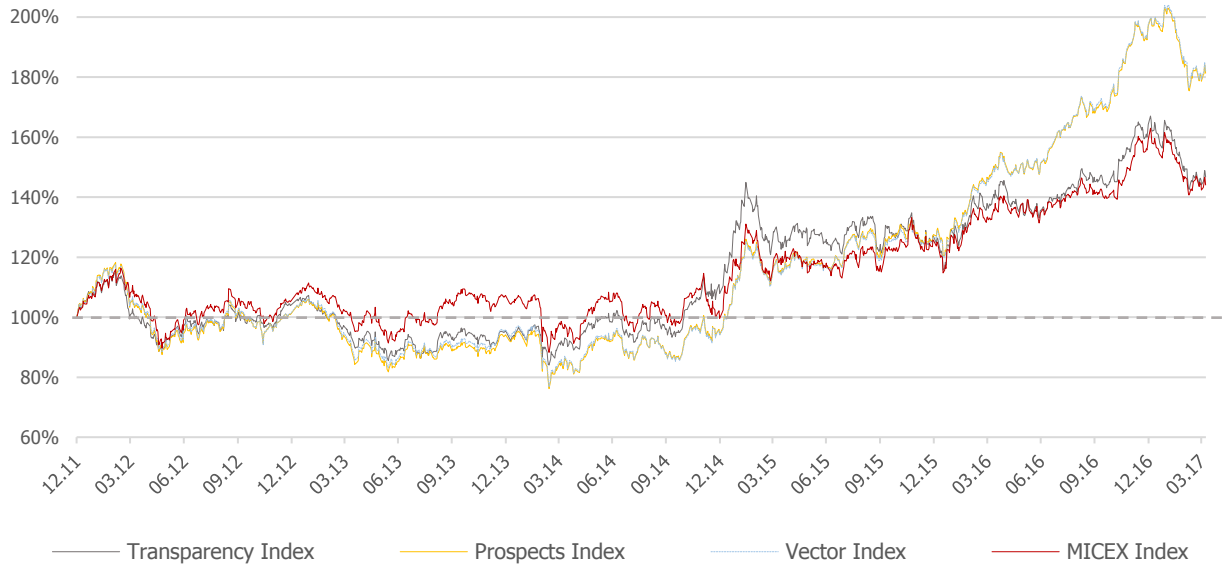
The table below lists component companies of pilot stock indices based on the RSPP's Sustainable Development Vector Index and Prospects Index, as well as their weights in every index:

	Ticker	Name	Number of shares	Free-Float	Sustainable Development Vector		The Prospects	
					Restricting coefficient	Weight as of 28 Feb 2017, %	Restricting coefficient	Weight as of 28 Feb 2017, %
1	NKNC	Nizhnekamskneftekhim, ords	1,611,256,000	19%	1	8.54%	1	7.10%
2	RTKM	Rostelecom, ords	2,574,914,954	32%	0.3317489	8.54%	0.2693901	5.76%
3	NLMK	NLMK, ords	5,993,227,240	16%	0.1742936	7.54%	0.2227812	8.00%
4	IRAO	Inter RAO, ords	104,400,000,000	29%	0.1544809	7.54%	0.1974568	8.00%
5	PHOR	PhosAgro, ords	129,500,000	25%	0.2261565	7.04%	0.2064801	5.34%
6	CHMF	Severstal, ords	837,718,660	18%	0.1408628	7.04%	0.1929109	8.00%
7	GMKN	Norilsk Nickel, ords	158,245,476	33%	0.0335586	6.53%	0.0438843	7.10%
8	URKA	Uralkali, ords	2,936,015,891	6%	0.5544843	6.53%	0.6378654	6.24%
9	HYDR	RusHydro, ords	386,255,464,890	23%	0.1958332	6.53%	0.2079524	5.76%
10	ROSN	Rosneft, ords	10,598,177,817	11%	0.0390212	6.03%	0.0519549	6.67%
11	AFKS	AFK Sistema, ords	9,650,000,000	36%	0.191673	6.03%	0.2041629	5.34%
12	MAGN	MMK, ords	11,174,330,000	13%	0.2803829	6.03%	0.3733168	6.67%
13	LKOH	Lukoil, ords	850,563,255	46%	0.011435	5.53%	0.0155462	6.24%
14	GAZP	Gazprom, ords	23,673,512,900	46%	0.0094617	5.53%	0.0146226	7.10%
15	TATN	Tatneft, ords	2,178,690,700	32%	0.0528039	5.03%	0.0843671	6.67%

The following companies have not been included into the indices as they are not traded on Moscow Exchange, but they were covered by the RSPP's survey: SUEK, EuroKhim, Metalloinvest, OMK, Russian Railways, Rosenergoatom and Sakhalin Energy Investment Company Ltd.

STOCK INDICES DYNAMICS

Index returns since 2012



Index	Change over the period, %						
	2017*	2016	2015	2014	2013	2012	2012-2017*
MICEX Index	-10.61%	26.76%	26.12%	-7.15%	1.99%	5.17%	42.34%
Responsibility and Transparency Index	-12.27%	29.45%	17.59%	12.98%	-8.04%	3.86%	44.10%
Sustainable Development Vector Index	-9.26%	56.00%	34.80%	-1.99%	-5.17%	1.11%	79.30%
Prospects Index	-9.38%	54.52%	35.34%	0.16%	-6.71%	0.88%	78.62%

*as of 31 March 2017

THE RSPP'S NOTES

According to the index modelling results, the Sustainable Development Vector Index, Prospects Index and Responsibility and Transparency Index shows higher returns compared to the country benchmark. In particular, Sustainable Development Vector Index and Prospects Index outperform the MICEX Index almost every year. This highlights the importance of SD/CSR issues being currently addressed and the necessity to go on with monitoring and development of the theme to meet needs of issuers and investors.

This paper has been prepared by the index management team of Moscow Exchange with analytical support from the department for corporate social responsibility, sustainable development and social entrepreneurship of the Russian Union of Industrialists and Entrepreneurs.

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