

Report on compliance with the principles and recommendations set forth in the corporate governance code

This report on compliance with the principles and recommendations set forth in the Corporate Governance Code was reviewed by the Board of Directors of MMC Norilsk Nickel at the meeting held on May 24, 2018 Minutes No. GMK/18-pr-bd.

The Board of Directors confirms that information in this report is a true and accurate reflection of the Company's compliance with the principles and recommendations set forth in the Corporate Governance Code in 2017¹.

N°	Corporate governance principles	Compliance assessment criteria	Compliance status ²	Explanation of non-compliance ³
1.1 The company shall ensure equitable and fair treatment of every shareholder exercising their rights of participation in managing the company.				
1.1.1	The company provides its shareholders with maximum opportunities to participate in the general meeting, make grounded decisions, coordinate activities, and express opinions regarding items on the agenda of the general meeting.	<ol style="list-style-type: none"> Everyone has free access to an internal document that was approved by the general meeting of shareholders and sets out the procedure for holding such meetings. The company provides its shareholders with multiple communication channels, including hotline, email and online forum, to express opinions and make questions about the agenda during the preparation for the general meeting. These channels were established in the lead-up to each general meeting held in the reporting period. 	Compliant	
1.1.2	The procedure for notifying shareholders of, and providing them with materials for, the general meeting enables shareholders to duly prepare for the same.	<ol style="list-style-type: none"> The notice of the general meeting of shareholders is published on the corporate website at least 30 days prior to the date of the meeting. The notice of the general meeting of shareholders specifies the place of the meeting and documents required for access to the venue. Shareholders are given access to the information about those who proposed the agenda and those who nominated candidates to the company's board of directors and audit commission. 	Compliant	

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1.1.3	In the lead-up to, and during, the general meeting, shareholders had timely and unrestricted access to the information about, and materials for, the meeting and had an opportunity to put questions to the company's executive bodies and directors and communicate with each other.	<ol style="list-style-type: none"> In the reporting period, shareholders had an opportunity to put questions to the company's executive bodies and directors before and during the annual general meeting. The directors' opinion (including dissenting opinions incorporated in the minutes) on each item on the agenda of the general meetings held in the reporting period was included in the materials for the respective general meeting. The company provided the entitled shareholders with access to the list of persons who have the right to participate in the general meeting, starting from the date when such list was received by the company, for each general meeting held in the reporting period. 	Compliant	
1.1.4	No unnecessary difficulties prevented shareholders from exercising their rights to convene a general meeting, nominate candidates to executive bodies and propose items for the agenda of the general meeting.	<ol style="list-style-type: none"> In the reporting period, shareholders were able to propose items for the agenda of the annual general meeting during at least 60 days after the end of the relevant calendar year. In the reporting period, the company did not decline proposals for the agenda or nominations for executive bodies for the reason of misprints or other minor faults in the shareholder's proposal. 	Compliant	
1.1.5	Each shareholder had an unrestricted opportunity to exercise their voting right in the simplest and most convenient manner.	<ol style="list-style-type: none"> An internal document (corporate policy) of the company contains provisions enabling each shareholder present at the general meeting to request, before the end of such meeting, a copy of their voting ballot certified by the counting board. 	Compliant	
1.1.6	The procedure established by the company gives every shareholder present at the general meeting equal opportunities to express their opinions and ask questions.	<ol style="list-style-type: none"> When general meetings of shareholders in the reporting period were held as physical meetings (requiring joint attendance of shareholders), sufficient time was provided to report on, and discuss, items on the agenda. Nominees to the company's executive and control bodies were available for shareholders' questions at the same general meeting at which such nominees were put to vote. When deciding on the format of, and procedures for, the general meetings of shareholders, the board of directors considered the use of telecommunication channels to enable shareholders to remotely participate in general meetings held in the reporting period. 	Partly compliant	The Company is partly compliant with Criterion 2. In accordance with the Regulations on the General Meeting of Shareholders of MMC Norilsk Nickel approved by the General Meeting of Shareholders (Minutes No. 1 of 6 June 2014), nominees to the Board of Directors and the Audit Commission are invited to the meeting. Most nominees are present at the meeting. Questions are made in writing, and answers are sent to shareholders.
1.2 Shareholders are given an equal and fair opportunity to have a share in the company's profits by receiving dividends.				
1.2.1	The company developed and introduced a transparent and clear procedure to determine the amount of, and pay out, dividends.	<ol style="list-style-type: none"> The company has developed and disclosed its dividend policy approved by the board of directors. If the dividend policy provides for the company's performance indicators to be used in the calculation of dividends, relevant provisions of the dividend policy require the use of consolidated financial statements. 	Compliant	

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1.2.2	The company does not decide to pay dividends if, meeting formal requirements set out in the applicable laws, such decision is not economically feasible and can be misleading about the company's financial performance.	1. The dividend policy of the company sets out clear instructions as to financial/economic circumstances when dividends should not be paid.	Compliant	
1.2.3	The company ensures no deterioration of the dividend rights of its existing shareholders.	1. In the reporting period, the company made no steps that could result in any deterioration of the dividend rights of its existing shareholders.	Compliant	
1.2.4	The company strives to rule out the possibility of shareholders receiving any income (profit) from the company other than dividends and liquidation value.	1. In order to rule out the possibility of shareholders receiving any income (profit) from the company other than dividends and liquidation value, internal documents introduce controls enabling the company to timely identify and properly approve transactions with persons affiliated with (related to) substantial shareholders (persons authorised to exercise voting rights granted by voting shares) when such transactions are not formally recognised as related-party transactions by the applicable law.	Compliant	
1.3 Principles and practices of corporate governance in the company provide for equal conditions for all holders of the same category (type) of shares, including minority shareholders and foreign shareholders, and their equal treatment by the company.				
1.3.1	The company has arranged for fair treatment of each shareholder by its executive and control bodies, including zero tolerance for abuse of rights by majority shareholders against minority shareholders.	1. In the reporting period, procedures to resolve potential conflicts of interest between substantial shareholders were effective, and the board of directors paid due attention to shareholder conflicts, if any.	Compliant	
1.3.2	The company refrains from any actions that will or may result in artificial redistribution of corporate control.	1. Quasi-treasury shares did not exist or did not take part in voting procedures in the reporting period.	Compliant	
1.4 Shareholders have reliable and effective ways to register their rights to shares and an opportunity to dispose of such shares freely and easily.				
1.4.1	Shareholders have reliable and effective ways to register their rights to shares and an opportunity to dispose of such shares freely and easily.	1. The company and its shareholders are satisfied with the efficiency and reliability of securities register keeping activities of the company's registrar.	Compliant	

Nº	Corporate governance principles	Compliance assessment criteria	Compliance status ²	Explanation of non-compliance ³
2.1 The board of directors is responsible for strategic management, defines key principles of, and approaches to, risk management and internal controls, exercises control over the company's executive bodies, and performs other key functions.				
2.1.1	The board of directors is responsible for making decisions on the appointment and dismissal of the company's executives, including appointments and dismissals on the grounds of misconduct. The board of directors also supervises activities of executive bodies and ensures that they are compliant with the approved development strategy across core business lines of the company.	1. Powers that the board of directors has in respect of appointment and dismissal of, and terms of labour contracts with, the company's executives are clearly defined in the charter. 2. The board of directors considered a report (reports) by the company's sole executive body and collegial executive body on progress in the company's strategy.	Partly compliant	The Company is partly compliant with Criterion 1. According to the Company's Charter, appointment of the President and termination of their powers require approval of the General Meeting of Shareholders The Company is partly compliant with Criterion 2. In the reporting period, the Board of Directors regularly considered reports of the Management Board on the Company's most important lines of operations. In the lead-up to the Annual General Meeting of Shareholders, the Board of Directors also pre-approved a report (as part of the Annual Report) made by the President and Chairman of the Management Board on the Company's performance.
2.1.2	The board of directors sets key long-term objectives, estimates and approves key performance indicators and business goals, assesses and approves the strategy and business plans for the company's key lines of business.	1. In the reporting period, the board of directors reviewed matters related to implementing and updating the strategy, approving the financial plan (budget), and analysing performance criteria and indicators (including interim indicators) for the strategy and business plans of the company.	Compliant	
2.1.3	The board of directors determines risk management and internal control principles and approaches of the company.	1. The board of directors defined principles of, and approaches to, the risk management and internal control framework in the company. 2. The board of directors assessed the risk management and internal control framework of the company during the reporting period.	Partly compliant	The Company is partly compliant with Criterion 2. In the reporting period, the Audit Committee reviewed results of internal control tests carried out by an external auditor (KPMG). Results are presented in the Annual Report. In 2018, the Internal Audit Department plans to conduct a comprehensive assessment of the risk management and internal control framework and its performance, and submit the results to the Audit and Sustainable Development Committee for review.

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2.1.4	The board of directors defines a policy on remuneration and/or reimbursements (compensations) due to directors, executives, and other key managers of the company.	<ol style="list-style-type: none"> The board of directors approved and put into action a policy (policies) on remuneration and reimbursements (compensations) due to directors, executives, and other key managers of the company. In the reporting period, the board of directors considered matters related to the above policy (policies) in its meetings. 	Partly compliant	<p>The Company is partly compliant with Criterion 1. The Board of Directors approved and put into action the Remuneration Policy for Members of Board of Directors of MMC Norilsk Nickel. Principles and mechanics of remunerations (reimbursements) due to executives are set out in the Charter, Regulations on the Management Board, and other internal documents of the Company.</p> <p>The system (policy) of remunerations applicable in the Company is continuously and directly monitored by the Board of Directors. Responsibilities of the Corporate Governance, Nomination and Remuneration Committee include development, supervision over adoption, implementation and regular revision of the remuneration policy for the Company's Board of Directors and Management Board and the Company's President.</p> <p>The Company is partly compliant with Criterion 2. In the reporting period, the Board of Directors regularly reviewed matters related to the remuneration policy for the top management, including its updates, improvement, control over implementation and performance assessment.</p>
2.1.5	The board of directors plays a key role in preventing, identifying and settling internal conflicts among the company's bodies, shareholders and employees.	<ol style="list-style-type: none"> The board of directors plays a key role in preventing, identifying and settling internal conflicts. The company introduced procedures to identify, and measures to settle, conflicts of interest. 	Compliant	
2.1.6	The board of directors plays a key role in ensuring transparency of the company's operations, timely and accurate disclosures, and free access to the company's documents by shareholders.	<ol style="list-style-type: none"> The board of directors approved an information policy regulation. The company appointed persons responsible for putting the information policy into action. 	Compliant	
2.1.7	The board of directors supervises corporate governance practices and plays a key role in material corporate events.	<ol style="list-style-type: none"> In the reporting period, the board of directors considered the matter of corporate governance at the company. 	Compliant	
2.2 The board of directors is accountable to the company's shareholders.				
2.2.1	Information about the activities of the board of directors is disclosed to shareholders.	<ol style="list-style-type: none"> The company's annual report includes information about attendance at the meetings of the board of directors and its committees in the reporting period. The annual report contains information about key results of the board of directors' assessment in the reporting period. 	Compliant	
2.2.2	The chairman of the board of directors is available to the company's shareholders	<ol style="list-style-type: none"> The company established a transparent procedure for shareholders to contact the chairman of the board of directors with questions and to express their opinions. 	Compliant	

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2.3 The board of directors is an efficient and competent management body capable of making fair and independent judgements and decisions in line with the interests of the company and its shareholders.				
2.3.1	The board of directors is composed solely of persons with an impeccable business and personal track record; directors have sufficient skills, expertise and experience to make decisions falling within the board's remit and perform their responsibilities efficiently.	<ol style="list-style-type: none"> The procedure used in the company to assess performance of the board of directors includes assessment of professional qualifications of individual directors. In the reporting period, the board of directors (or its nomination committee) assessed the board of directors' nominees for the necessary experience, knowledge, business reputation, potential conflicts of interests, etc. 	Compliant	
2.3.2	Directors are elected in a transparent manner that provides shareholders with sufficient information on nominees to get a clear idea of their personal and professional skills.	<ol style="list-style-type: none"> At each general meeting of shareholders held in the reporting period and voting on nominees for the board of directors, the company provided shareholders with biographies of all nominees to the board of directors, results of their assessment performed by the board of directors (or its nomination committee), and information about the nominees' compliance with independence criteria in accordance with Recommendations 102–107 of the Code, and written consents of the nominees to be elected to the board of directors. 	Compliant	
2.3.3	The board of directors is well balanced in terms of qualifications, experience, knowledge and business skills of its members, and is trusted by the company's shareholders.	<ol style="list-style-type: none"> As part of the performance assessment of the board of directors in the reporting period, the board of directors analysed its needs for professional and business skills and experience. 	Compliant	
2.3.4	The number of directors on the board of directors makes it possible to organise its activities in the most efficient manner and form committees, and enables substantial minority shareholders to elect a director for whom they vote.	<ol style="list-style-type: none"> As part of the performance assessment of the board of directors in the reporting period, the board of directors analysed whether the number of directors is sufficient to meet the company's goals and objectives and interests of the shareholders. 	Compliant	
2.4 The board of directors has a sufficient number of independent directors.				
2.4.1	An independent director is a person with professional expertise, experience and independence sufficient to have their own opinions and make fair and unbiased judgements that are not influenced by the company's executive bodies, shareholder groups, or other stakeholders. Nominees (elected director) related to the company, any of its substantial shareholders, counterparties or competitors or the government are not normally considered an independent director.	<ol style="list-style-type: none"> In the reporting period, all independent directors met all independence criteria specified in Recommendations 102–107 of the Code and were recognised as independent by the board of directors. 	Compliant	

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2.4.2	Nominees for the board of directors are assessed for compliance with independence criteria; compliance of the current independent directors is reviewed on a regular basis. Substance of such assessment should prevail over form.	<ol style="list-style-type: none"> In the reporting period, the board of directors (or its nomination committee) formed an opinion about the independence of each nominee to the board of directors and presented it to the company's shareholders. At least once in the reporting period, the board of directors (or its nomination committee) assessed independence of the current directors who were identified as independent in the annual report. The company developed measures to be taken by directors who cease to be independent, including obligations to timely inform the board of directors of such change in their status. 	Partly compliant	The Company is partly compliant with Criterion 2. In the lead-up to the Annual General Meeting of Shareholders in April 2017, the Corporate Governance, Nomination and Remuneration Committee of MMC Norilsk Nickel's Board of Directors reviewed the compliance of nominees to the Board of Directors with independence criteria. The current directors on the Board were elected during the Annual General Meeting on 9 June 2017. According to the Charter of the Company, "if after the election of an Independent Director to the Board of Directors such director ceases to be an independent director due to any changes or new circumstances, such director shall promptly notify the Board of Directors thereof (through the Corporate Secretary) in writing and give a detailed account of all such changes and new circumstances".
2.4.3	Independent directors make up at least one third of the elected board members.	1. Independent directors make up at least one third of the board members.	Compliant	
2.4.4	Independent directors play a key role in preventing internal conflicts and making material corporate actions by the company.	2. Independent directors (those who have no conflicts of interest) pre-estimate material corporate actions related to potential conflicts of interest, with the estimates then presented to the board of directors.	Compliant	
2.5 The chairman of the board of directors arranges for its functions to be performed in the most efficient manner.				
2.5.1	The elected chairman of the board of directors is an independent director, or independent directors have appointed a senior independent director who coordinates the work of independent directors and interacts with the chairman of the board of directors.	<ol style="list-style-type: none"> The chairman of the board of directors is an independent director, or independent directors have appointed a senior independent director⁴. Functions, rights and responsibilities of the chairman of the board of directors (or the senior independent director, when applicable) are properly defined in internal documents of the company. 	Compliant	The Chairman of the Board of Directors is an independent director; the Company believes that to fully meet best global practices. The independent Chairman of the Board of Directors of the Company ensures the most efficient interaction between the Board of Directors, shareholders and other stakeholders.
2.5.2	The chairman of the board of directors ensures constructive debate at its meetings and free discussion of items on the agenda and supervises how decisions made by the board are put into action.	1. Performance of the chairman of the board of directors was assessed as part of the board of directors' performance assessment in the reporting period.	Compliant	
2.5.3	The chairman of the board of directors takes necessary measures to timely provide other directors with information required to make decisions on the agenda.	1. The responsibility of the chairman of the board of directors to timely provide other directors with information about the agenda items is set out in internal documents of the company.	Compliant	

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2.6 Directors are sufficiently informed and act reasonably and in good faith in the interests of the company and its shareholders, prudently and with due care.				
2.6.1	Directors of the company make decisions on the basis of all available information, subject to no conflict of interest, equal treatment of shareholders and usual business risk.	<ol style="list-style-type: none"> Internal documents of the company require that any director informs the board of directors if a conflict of interest arises with regard to any item on the agenda of the board of directors or its committee before discussion of such item begins. Internal documents of the company require that a director who has a conflict of interest refrains from voting on the respective item. The company has an established procedure for the board of directors to seek professional advice on the matters within its remit at the company's expense. 	Compliant	
2.6.2	Rights and obligations of the directors are clearly set out in internal documents of the company.	1. The company approved and published an internal document clearly defining the directors' rights and obligations.	Compliant	
2.6.3	Directors are given sufficient time to perform their duties.	<ol style="list-style-type: none"> Individual attendance at the meeting of the board of directors and committees and time spent to prepare for such meetings were taken into account in the board of directors' performance assessment during the reporting period. In accordance with internal documents of the company, directors must inform the board of directors of their decision to be appointed to management bodies of other organisations (except for subsidiaries and affiliates of the company) and of such appointments. 	Compliant	
2.6.4	All directors have equal access to the documents and data of the company. Newly elected directors are provided with sufficient information about the company and activities of the board of directors within the shortest time possible.	<ol style="list-style-type: none"> In accordance with internal documents of the company, directors have the right to access documents and make request regarding the company and its subsidiaries, and executive bodies of the company must provide such information and documents. The company has an established induction procedure for newly elected directors. 	Compliant	
2.7 Preparations for, and attendance at, the meetings of the board of directors ensure efficient operations of the board of directors.				
2.7.1	Meetings of the board of directors are held when necessary, subject to the scale of operations and goals of the company in a certain period of time.	1. The board of directors held at least six meetings during the reporting period.	Compliant	

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2.7.2	The company's internal documents stipulate the procedure to prepare for and hold meetings of the board of directors so that directors have an opportunity to make proper preparations.	1. The company approved an internal document setting out a procedure to prepare for and hold meetings of the board of directors, particularly a rule to notify directors, usually at least 5 days prior to the meeting.	Compliant	
2.7.3	The format of each meeting depends on the importance of items on the agenda. The most important matters are discussed at meetings held in person.	1. The charter or another internal document of the company requires the most important matters (listed in Recommendation 168 of the Code) to be discussed at meetings of the board of directors held in person.	Partly compliant	The Company is partly compliant with Criterion 1. The Regulations on the Board of Directors of MMC Norilsk Nickel contain the list of matters that should be discussed at board meetings held in person only. This list is substantially in line with the list given in Recommendation 168 of the Code and accounts for specific aspects of corporate governance in the Company.
2.7.4	Decisions on the most important matters of the company's operations are made at the meetings of the board of directors either by qualified majority or by majority of all elected directors.	1. The charter of the company requires that decisions on the most important matters listed in Recommendation 170 of the Code are made at a meeting of the board of directors by qualified majority (at least three fourths of votes) or by majority of all elected directors.	Partly compliant	The Company is partly compliant with Criterion 1. The Charter of the Company requires that decisions to increase the Company's authorised capital by issuing new stock be made by the Board of Directors unanimously. Decisions on certain material matters are made by positive vote of at least ten (10) directors (which is equal to at least 3/4 of all directors' votes). Such matters include proposals for the General Meeting of Shareholders to vote on amendments and addenda to the Charter, reduction of the authorised capital, approval of internal documents regulating activities of the Company's bodies, approval of, and amendments to, the dividend policy, approval of the Company's internal documents, except for internal documents referred by the federal law to the competence of the General Meeting of Shareholders, approval of, and amendments to, the sales strategy of the Company, approval of certain transactions, and other matters. No amendments are planned to be made to the Charter's provisions that regulate decision-making at meetings of the Board of Directors.

2.8 The board of directors sets up committees for preliminary consideration of the most important matters of the company's operations.

2.8.1	An audit committee made up of independent directors is set up for preliminary consideration of any matters related to the supervision of the company's financial and business operations.	1. The board of directors set up the audit committee made up of independent directors only. 2. Internal documents of the company set out responsibilities of the audit committee, including the responsibilities described in Recommendation 172 of the Code. 3. At least one member of the audit committee who is an independent director has knowledge and experience in making, analysing, assessing and auditing accounting (financial) statements. 4. Meetings of the audit committee were held at least once every quarter during the reporting period.	Partly compliant	The Company is partly compliant with Criterion 1. The Company set up the Audit and Sustainable Development Committee. It is made up of three independent directors and two non-executive directors who are neither a sole executive body nor members of the collegial executive body of the Company. The Committee is chaired by an independent director. Board of Directors includes four independent directors. In accordance with internal documents, the Company set up four committees of the Board of Directors, each made up of five persons. According to the regulations on the committees, each committee should include independent directors. Therefore, if each committee is made up of independent directors only, their workload will be excessive.
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2.8.2	A remuneration committee made up of independent directors and chaired by an independent director who is not chairman of the board of directors is set up for preliminary consideration of matters related to efficient and transparent remuneration practices.	1. The board of directors set up the remuneration committee made up of independent directors only. 2. The remuneration committee is chaired by an independent director who is not chairman of the board of directors. 3. Internal documents of the company define responsibilities of the remuneration committee, including the responsibilities described in Recommendation 180 of the Code.	Partly compliant	The Company is partly compliant with Criterion 1. The functions of the remuneration committee and nominations committee are performed by the Board of Directors' Corporate Governance, Nomination and Remuneration Committee. It is made up of three independent directors and two non-executive directors who are neither a sole executive body nor members of the collegial executive body of the Company. The Committee is chaired by an independent director. Board of Directors includes four independent directors. In accordance with internal documents, the Company set up four committees of the Board of Directors, each made up of five persons. According to the regulations on the committees, each committee should include independent directors. Therefore, if each committee is made up of independent directors only, their workload will be excessive. The Company is partly compliant with Criterion 3. The Regulations on the Corporate Governance, Nomination and Remuneration Committee of the Board of Directors of MMC Norilsk Nickel define the same responsibilities of the committee as listed in Recommendation 180 of the Code, except for Item 7 (preparing a report on the implementation of executive remuneration principles for inclusion in the Annual Report and other internal documents of the Company). In the reporting period, the Board of Directors regularly reviewed reports of the Corporate Governance, Nomination and Remuneration Committee on the remuneration policy for the top management, including its updates, improvement, control over implementation and performance assessment.

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2.8.3	A nomination (appointment, HR) committee whose members are mostly independent directors is set up for preliminary consideration of any matters related to HR planning (succession planning), expertise and performance of the board of directors.	<ol style="list-style-type: none"> The board of directors set up a nomination committee (or its responsibilities specified in Recommendation 186 of the Code are performed by another committee*(5)), and most of its members are independent directors. Internal documents of the company define responsibilities of the nomination committee (or another committee performing its functions), including the responsibilities described in Recommendation 186 of the Code. 	Partly compliant	<p>The Company is partly compliant with Criterion 2. The Regulations on the Corporate Governance, Nomination and Remuneration Committee of the Board of Directors of MMC Norilsk Nickel defines the same responsibilities as listed in Recommendation 186 of the Code, except for Item 2 (relations with shareholders should not be restricted to major shareholders only in nominating candidates to the Board of Directors; such contacts should be aimed at forming a board that will most fully meet the goals and objectives of the Company) and Item 4 (definitions of individual responsibilities of the directors and Chairman of the Board of Directors, including time to be spent on operating matters both at and outside board meetings during scheduled and unscheduled activities; such definitions (separate for the directors and Chairman of the Board of Directors) should be approved by the Board of Directors and given for guidance to each new director and Chairman after their election).</p> <p>Key responsibilities of the directors (including Chairman of the Board of Directors) are defined in the Regulations on the Board of Directors; The composition of the Board of Directors is relatively stable, with each director having an established list of individual responsibilities; an introductory course was developed for newly elected directors, particularly to brief them on working procedures in the Board of Directors. Any additional definitions of directors' responsibilities by the Committee would be excessively formal. The Company does not plan to include this task in the Committee's responsibilities.</p>

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2.8.4	Subject to the scale of operations and risk level, the board of directors made sure that its composition fully meets the goals and objectives of the company. Additional committees were either formed or recognised as unnecessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, HSE committee, etc.).	<ol style="list-style-type: none"> In the reporting period, the board of directors analysed its composition to make sure that it fully meets the goals and objectives of the company. Additional committees were either formed or recognised as unnecessary. 	Compliant	<p>The Company set up four committees of the Board of Directors⁶:</p> <ul style="list-style-type: none"> Audit and Sustainable Development Committee; Corporate Governance, Nomination and Remuneration Committee Budget Committee; Strategy Committee.
2.8.5	The committees are made up so as to enable thorough discussion of the matters considered and take different opinions into account.	<ol style="list-style-type: none"> Committees of the board of directors are chaired by independent directors. According to internal documents (policies) of the company, non-members may attend meetings of the audit committee, nomination committee and remuneration committee at the invitation of committee chairmen only. 	Partly compliant	<p>The Company is partly compliant with Criterion 1. The Board of Directors of the Company includes four independent directors. The Company set up four committees of the Board of Directors, each made up of five persons. According to the regulations on the committees, each committee should include independent directors. If independent directors are elected Chairmen of all the committees, their workload will be excessive. For this reason, the Budget Committee and the Strategy Committee are chaired by non-executive directors. The Committees are made up of two independent directors and three non-executive directors.</p>
2.8.6	Committee chairmen regularly inform the board of directors and its chairman of committee activities.	<ol style="list-style-type: none"> Committee chairmen provided the board of directors with regular reports on committee activities in the reporting period. 	Compliant	
2.9 The board of directors provides for assessing its own performance and the performance of its committees and individual members.				
2.9.1	Assessment of the board of directors' performance aims to estimate how effective the board of directors, its committees and individual directors are and whether their activities meet corporate goals; it is also designed to stimulate the work of the board of directors and identify areas of potential improvement.	<ol style="list-style-type: none"> Self-assessment and external assessment of the board of directors' performance in the reporting period included performance assessment of board committees, individual directors and the board of directors in general. Results of the self-assessment and external assessment of the board of directors' performance in the reporting period were considered at the board meeting held in person. 	Partly compliant	<p>The Company is partly compliant with Criterion 1. Performance of the Company's Board of Directors was assessed in accordance the Performance Evaluation Policy for Board of Directors of MMC Norilsk Nickel (the policy was developed with assistance of an external consultant). In the reporting period, self-assessment of the Board of Directors, Committees and Chairman of the Board of Directors was performed by questionnaire.</p> <p>The Company does not believe it to be reasonable for the time being to assess the performance of individual directors.</p>

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2.9.2	Performance of the board of directors, committees and individual directors is assessed regularly, at least once a year. An external organisation (consultant) is engaged at least once every three years to assess the board's performance on an independent basis.	1. An external organisation (consultant) was engaged at least once over the last three reporting periods to assess the board's performance on an independent basis.	Not compliant	The Company is not compliant with Criterion 1. Over the last three years, the Board of Directors' performance has been assessed internally. The internal assessment procedure for the Board of Directors was developed with assistance of an independent consultant and best global practices. An external assessment is planned to be organised following 2018.
3.1 The corporate secretary is a corporate officer whose duties include managing shareholder relations, making necessary arrangements to protect their rights and interests, and providing efficient operating support to the board of directors.				
3.1.1	The corporate secretary has skills, expertise and qualifications to perform their duties, has impeccable reputation, and is trusted by shareholders.	1. The company adopted and disclosed a corporate regulation on the corporate secretary. 2. The corporate website and annual report contain the corporate secretary's biography as detailed as those of directors and corporate executives.	Compliant	
3.1.2	The corporate secretary is sufficiently independent of the company's executive bodies and has powers and resources necessary to perform their duties.	1. The board of directors approves the appointment and dismissal of, and additional remuneration for, the corporate secretary.	Compliant	
4.1 Remuneration paid by the company is sufficient to recruit, motivate and retain employees with required competencies and qualifications. Remuneration to directors, executives and other key managers of the company is paid in accordance with the remuneration policy adopted by the company.				
4.1.1	Remuneration paid by the company to its directors, executives and other key managers provides sufficient motivation for efficient performance, enabling the company to recruit and retain competent and skilled professionals. The company avoids higher-than-necessary remunerations and unreasonable gaps between remunerations of such corporate officers and rank-and-file employees of the company.	1. The company adopted an internal document (documents) – remuneration policy (policies) for directors, executives and other key managers – that clearly set out approaches to remuneration of such persons.	Partly compliant	The Company is partly compliant with Criterion 1. The Board of Directors approved and put into action the Remuneration Policy for Members of Board of Directors of MMC Norilsk Nickel. Principles and mechanics of remunerations (reimbursements) due to executives are set out in the Charter, Regulations on the Management Board, and other internal documents of the Company. The system (policy) of remunerations applicable in the Company is continuously and directly monitored by the Board of Directors. Responsibilities of the Corporate Governance, Nomination and Remuneration Committee include development, supervision over adoption, implementation and regular revision of the remuneration policy for the Company's Board of Directors and Management Board and the Company's President.

N°	Corporate governance principles	Compliance assessment criteria	Compliance status ²	Explanation of non-compliance ³
4.1.2	The company's remuneration policy was developed by the remuneration committee and approved by the board of directors of the company. The board of directors and its remuneration committee ensures that the remuneration policy is duly adopted and implemented in the company, as well as reviews and amends it where necessary.	1. In the reporting period, the remuneration committee reviewed the remuneration policy (policies) and its (their) implementation practices and, where necessary, recommended that the board of directors make amendments.	Partly compliant	The Company is partly compliant with Criterion 1. The Corporate Governance, Nomination and Remuneration Committee of the Board of Directors monitored implementation of the remuneration policy (system) to make performance improvement proposals.
4.1.3	The company's remuneration policy sets out transparent procedures to determine the amount of remuneration payable to directors, executives and other key managers of the company, and governs all types of payments, benefits and privileges available to the above persons.	1. The company's remuneration policy (policies) sets (set) out transparent procedures to determine the amount of remuneration payable to directors, executives and other key managers of the company, and governs (govern) all types of payments, benefits and privileges available to the above persons.	Partly compliant	The Company is partly compliant with Criterion 1. The remuneration system existing in the Company provides for the procedure to determine (calculate) the amount of remuneration payable to the directors and executives. The remuneration system in the Company meets general transparency criteria. The procedure to determine directors' remuneration is set out in the Remuneration Policy for Members of Board of Directors of MMC Norilsk Nickel and is also approved by the General Meeting of Shareholders. The total remuneration of the President and members of the Management Board consists of the base salary and bonuses (a variable part of the remuneration). The variable part of the remuneration depends on the Company's financial and operating performance. The variable part of the remuneration payable to the members of the Management Board is based on key performance indicators. Key performance indicators are updated and approved annually by the Corporate Governance, Nomination and Remuneration Committee of the Board of Directors.
4.1.4	The company has devised a reimbursement (compensation) policy specifying the list of reimbursable expenses and level of service available to the company's directors, executives and other key managers. Such policy may be part of the company's remuneration policy.	1. The remuneration policy (policies) or other internal documents of the company define rules of reimbursement for expenses incurred by directors, executives and other key managers of the company.	Partly compliant	The Company is partly compliant with Criterion 1. The Remuneration Policy for Members of Board of Directors of MMC Norilsk Nickel contains rules of reimbursement for expenses incurred by the Company's directors. Expenses of the Company's executives are reimbursed in the same manner as established in internal documents of the Company and applicable law.

Nº	Corporate governance principles	Compliance assessment criteria	Compliance status ²	Explanation of non-compliance ³
4.2 Remuneration payable to directors of the company aligns their financial interests with long-term financial interests of shareholders.				
4.2.1	The company pays a fixed annual remuneration to its directors. The company does not remunerate directors for attending certain meetings of the board of directors or its committees. The company does not employ any means of short-term motivation or additional incentives to stimulate its directors.	1. The fixed annual remuneration was the only monetary remuneration paid to directors for sitting on the board in the reporting period.	Compliant	
4.2.2	Long-term ownership of the company's shares is the best tool to align financial interests of directors with long-term interests of shareholders. At the same time, the right to sell shares is not conditional on achieving certain performance indicators, and directors do not participate in stock option plans.	1. If an internal document (documents) – a remuneration policy (policies) – provides for the company's shares to be granted to directors, clear rules should be established and disclosed as to how directors may hold shares and how to incentivise long-term ownership of such shares.	Compliant	
4.2.3	The company offers no additional remunerations or reimbursements if directors' powers are terminated early after the change of control over the company or for any other reason.	1. The company offers no additional remunerations or reimbursements if directors' powers are terminated early after the change of control over the company or for any other reason.	Partly compliant	The Company is partly compliant with Criterion 1. The remuneration policy (system) existing in the Company does not provide for any additional remunerations or reimbursements in case directors' powers are terminated early after the change of control over the Company or for any other reason. The only exception is made for the current Chairman of the Board of Directors. The General Meeting of Shareholders decided to pay extra remuneration to the current Chairman of the Board of Directors if the above circumstances arise. This privilege is explained by exceptional business skills and professionalism of the current Chairman, who is one of the most experienced and highly qualified world class managers with an extensive expertise in the mining industry.

Nº	Corporate governance principles	Compliance assessment criteria	Compliance status ²	Explanation of non-compliance ³
4.3 Remuneration of executives and other key managers is linked to the company's performance and their personal contribution thereto.				
4.3.1	Remuneration paid to executives and other key managers of the company consists of two reasonably balanced parts: a fixed part and variable part, which depends on the company's performance and the employee's personal (individual) contribution thereto.	1. Performance indicators approved by the board of directors were used in the reporting period to calculate the variable part of remuneration paid to executives and other key managers of the company. 2. During the last assessment of remuneration payable to executives and other key managers of the company, the board of directors (remuneration committee) made sure that fixed and variable parts of remuneration were effectively balanced. 3. The company established a procedure to claim bonuses wrongfully received by executives and other key managers of the company.	Partly compliant	The Company is partly compliant with Criterion 1. Annual key performance indicators were used to calculate the variable part of remuneration paid to executives. These final (annual) indicators were preliminarily analysed, revised and approved by the Corporate Governance, Nomination and Remuneration Committee of the Board of Directors. The Company is partly compliant with Criterion 2. The Corporate Governance, Nomination and Remuneration Committee of the Board of Directors revises remuneration of the Company's executives on an annual basis. Following the last revision, it was concluded that fixed and variable parts of remuneration payable in the Company were effectively balanced. The Company is partly compliant with Criterion 3. Applicable laws enable the Company to claim bonuses wrongfully received by employees (including executives) of the Company. This legal mechanism is effective enough and can be used regardless of whether it is included (by reference or otherwise) into internal documents of the Company.
4.3.2	The company adopted a long-term share-based incentive plan for its executives and other key managers (an option plan or another derivative plan with the company's shares as an underlying asset).	1. The company adopted a long-term share-based incentive plan for its executives and other key managers (an incentive plan with the company's shares as an underlying asset). 2. According to the long-term incentive plan for the company's executives and other key managers, the right to sell shares or other derivatives used in this plan arises not earlier than in three years after such right is granted. The right to sell is also conditional on certain performance indicators.	Not compliant	The Company is not compliant with Criterion 1. The Company considers the possibility of introducing an option plan as a long-term incentive for its executives. However, the possibility is restricted by the absence of specific provisions on corporate option plans and relevant matters in the Russian civil and corporate law.
4.3.3	Compensations (golden parachutes) paid by the company to its executives and other key managers in case of early termination of their powers at the company's initiative (provided there was no fraud on their part) do not exceed two fixed parts of their annual remuneration.	1. Compensations (golden parachutes) paid by the company to its executives and other key managers in case of early termination of their powers at the company's initiative (provided there was no fraud on their part) did not exceed two fixed parts of their annual remuneration in the reporting period.	Not applicable	No such compensations were paid in the reporting period.
5.1 The company has an efficient risk management and internal control system in place to provide reasonable assurance that it will achieve the goals set by the management.				
5.1.1	The board of directors defined principles of, and approaches to, the risk management and internal control system in the company.	1. Risk management and internal control functions of management bodies and corporate divisions are clearly set out in internal documents / relevant policies approved by the board of directors.	Compliant	

Nº	Corporate governance principles	Compliance assessment criteria	Compliance status ²	Explanation of non-compliance ³
5.1.2	Executive bodies of the company establish and maintain an efficient risk management and internal control system in the company.	1. Executive bodies of the company arranged for proper distribution of risk management and internal control functions and powers between employees and managers of business units / divisions.	Compliant	
5.1.3	The risk management and internal control system gives accurate, fair and clear representation of the company's current affairs and prospects, ensures integrity and transparency of financial statements, as well as rationality and acceptability of the company's risk appetite. ¹	1. The company adopted an anti-corruption policy. 2. The company established an easily accessible channel to inform the board of directors or its audit committee about breaches of the law, internal procedures and ethics code of the company.	Compliant	
5.1.4	The board of directors takes the steps required to make sure that the risk management and internal control system existing in the company meets principles and approaches approved by the board of directors and functions effectively.	1. In the reporting period, the board of directors or its audit committee assessed performance of the risk management and internal control system. Key results of this assessment are included in the annual report of the company.	Partly compliant	The Company is partly compliant with Criterion 1. In the reporting period, the Audit Committee reviewed results of internal control tests carried out by an external auditor (KPMG). Results are presented in the Annual Report. In 2018, the Internal Audit Department plans to conduct a comprehensive assessment of the risk management and internal control framework and its performance, and submit the results to the Audit and Sustainable Development Committee for review.
5.2 An internal audit is performed regularly to conduct a comprehensive assessment of reliability and efficiency of the risk management and internal control system and corporate management practices.				
5.2.1	A separate division is established in the company or an independent external organisation is hired to perform an internal audit. Functional and administrative accountabilities of the internal audit division are separated. The internal audit division is functionally accountable to the board of directors.	1. A separate division, which is functionally accountable to the board of directors or its audit committee, is established in the company or an independent external organisation with the same accountability is hired to perform an internal audit.	Compliant	

Nº	Corporate governance principles	Compliance assessment criteria	Compliance status ²	Explanation of non-compliance ³
5.2.2	The internal audit division assesses the efficiency of the internal control, risk management and corporate governance systems. The company applies generally accepted internal audit standards.	1. Efficiency of the internal control and risk management system was assessed in the reporting period as part of internal audit. 2. The company uses generally accepted approaches to internal control and risk management.	Partly compliant	The Company is partly compliant with Criterion 1. The Internal Audit Department is guided by international professional standards of internal audit. In the reporting period, the Internal Audit Department assessed the efficiency of the internal control and risk management systems in certain processes and subsidiaries of the Company as part of the audit engagement. In 2018, the Internal Audit Department plans to conduct a comprehensive assessment of the risk management and internal control framework and its performance.
6.1 The company and its operations are transparent for shareholders, investors, and other stakeholders.				
6.1.1	The company developed and adopted an information policy that ensures effective exchange of information between the company, its shareholders, investors, and other stakeholders.	1. The board of directors approved an information policy developed in accordance with recommendations of the Code. 2. The board of directors (or any of its committees) reviewed matters related to the company's compliance with its information policy at least once in the reporting period.	Compliant	
6.1.2	The company discloses information on its corporate governance, including details on its compliance with the principles and recommendations set out in the Code.	1. The company discloses information on its corporate governance practices and general principles of corporate governance, including by way of publications on the company's website. 2. The company discloses information on its executive bodies, board of directors, directors' independence, and membership in board committees (in accordance with the definitions contained in the Code). 3. If there is a person controlling the company, the company publishes a controlling person statement on the plans of such person regarding corporate governance in the company.	Compliant	
6.2 The company timely discloses full, accurate and up-to-date information on the company to enable shareholders and investors to make grounded decisions.				
6.2.1	The company discloses information in accordance with the principles of regularity, consistency, timeliness, accessibility, reliability, completeness and comparability of disclosed data.	1. The company's information policy defines approaches to, and criteria of, identifying information that may have a material influence on the value of the company and its securities, as well as procedures ensuring timely disclosure of such information. 2. If the company's securities are traded on foreign organised markets, disclosures of material information in Russia and such markets are made simultaneously and to the same extent. 3. If foreign shareholders hold a material share in the company, disclosures in the reporting period were made in Russian and also in one of the most widely used languages.	Compliant	
6.2.2	The company avoids a formal approach to disclosures and discloses information about its operations even if such information is not required to be disclosed by law.	1. The company disclosed its annual and semi-annual IFRS financial statements in the reporting period. The annual report of the company incorporates annual IFRS financial statements and an audit opinion. 2. In accordance with Recommendation 290 of the Code, the company discloses full information about its capital structure in the annual report and on the company's website.	Compliant	

N°	Corporate governance principles	Compliance assessment criteria	Compliance status ²	Explanation of non-compliance ³
6.2.3	As one of the most important information channels for shareholders and other stakeholders, the annual report contains information enabling them to assess annual performance of the company.	<ol style="list-style-type: none"> The annual report contains information about key operations and financial performance of the company. The annual report contains information about environmental and social aspects of the company's operations. 	Compliant	
6.3 The company provides information and documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.				
6.3.1	Access to information and documents requested by the company's shareholders is provided in accordance with the principle of equal and unhindered accessibility.	<ol style="list-style-type: none"> The information policy of the company defines an unhindered procedure of accessing information by shareholders, including information about the company's subsidiaries at the request of shareholders. 	Compliant	
6.3.2	When providing shareholders with information, the company maintains a reasonable balance between the interests of individual shareholders and the interests of the company as the latter strives to keep confidential any sensitive commercial information that may have a material influence on the company's competitive position.	<ol style="list-style-type: none"> The company did not refuse to provide information request by shareholders in the reporting period, or such refusals were justified. In certain situation defined in the company's information policy, shareholders are properly informed that information is confidential and undertake to keep it confidential. 	Compliant	
7.1 Any actions that have or might have a significant influence on the shareholding structure and financial standing of the company and, consequently, on the position of shareholders (material corporate actions) are taken under fair conditions that ensure rights and interests of shareholders and other stakeholders.				
7.1.1	Material corporate actions include reorganisation of the company, acquisition of at least 30% of the company's voting shares (takeover), material transactions entered into by the company, increase or reduction in the company's authorised capital, listing and delisting of the company's shares, and other actions which may result in material changes in the rights of shareholders or be against their interests. The company's charter includes the list (criteria) of transactions or other actions deemed to be material corporate actions and refer them to the remit of the board of directors.	<ol style="list-style-type: none"> The company's charter includes the list of transactions or other actions deemed to be material corporate actions, and criteria of their identification. Decisions on material corporate actions are referred to the remit of the board of directors. If the law expressly refers such corporate actions to the remit of the general meeting of shareholders, the board of directors provides relevant guidelines to the shareholders. Material corporate actions identified as such in the company's charter include at least the following: reorganisation of the company, acquisition of at least 30% of the company's voting shares (takeover), material transactions entered into by the company, increase or reduction in the company's authorised capital, and listing or delisting of the company's shares. 	Partly compliant	The Company is partly compliant with Criteria 1 and 2. The decision-making procedure recommended in the Code (decision-making by the Board of Directors or the General Meeting of Shareholders when required by the Charter or law) is followed in most material corporate actions identified as such in the Code.

N°	Corporate governance principles	Compliance assessment criteria	Compliance status ²	Explanation of non-compliance ³
7.1.2	The board of directors plays a key role in making decisions or recommendations regarding material corporate actions, and relies on the opinion of independent directors.	<ol style="list-style-type: none"> The company established a procedure for independent directors to express their opinion on material corporate actions prior to approval. 	Compliant	
7.1.3	When taking material corporate actions affecting the rights and legal interests of shareholders, the company ensures equal conditions for all shareholders of the company and, when legal mechanisms protecting shareholders' rights are insufficient, arranges for additional protection of rights and legal interests of shareholders. In doing so, the company is guided by both formal legal requirements and corporate governance principles specified in the Code.	<ol style="list-style-type: none"> Subject to specific operations of the company, its charter provides for more stringent criteria of identifying transactions as material corporate events than required by law. All material corporate actions in the reporting period were approved before taken. 	Compliant	
7.2 The company arranges for material corporate actions to be taken in such a way that shareholders have access to full information about these actions, have an opportunity to influence these actions, and are guaranteed exercise and protection of their rights when these actions are taken.				
7.2.1	Disclosed information about material corporate actions explains reasons, terms and conditions, and consequences of such actions.	<ol style="list-style-type: none"> In the reporting period, the company disclosed information about material corporate actions timely and accurately, including grounds for, and time frames of, such actions. 	Compliant	
7.2.2	Rules of, and procedures for, material corporate actions are set out in internal documents of the company.	<ol style="list-style-type: none"> Internal documents of the company provide for a procedure to hire an independent appraiser to estimate the value of property sold or acquired in a major transaction or related-party transaction. Internal documents of the company provide for a procedure to hire an independent appraiser to estimate the value of the company's shares to be acquired or bought back. Internal documents of the company provide for an extended list of criteria for directors and other persons specified in the law to be recognised as interested in the company's transactions. 	Partly compliant	The Company is partly compliant with Criteria 1 and 2. The Company hires an independent appraiser in each case provided for in the law. An independent appraiser may also be hired at the initiative of directors. The Company is not compliant with Criterion 3. Applicable laws provide for a sufficient list of criteria for directors and other persons specified in the law to be recognised as interested in the company's transactions.

¹ Please indicate the reporting year or, if the report on compliance with the principles and recommendations set forth in the Corporate Governance Code contains information for the period from the end of the reporting year until the date of this report, specify the date of this report.

² The "compliant" status is indicated only if the company meets all compliance criteria for the relevant corporate governance principle. Otherwise a "partly compliant" or "non-compliant" status is indicated.

³ Explanations are provided for each corporate governance compliance criterion if the company is only compliant with some of the criteria or is not compliant with any of them. If the company indicates the "compliant" status, no explanation is needed.

⁴ Please specify which out of two options provided for in the principle is adopted in the company and explain reasons for selecting such option.

⁵ If functions of the nomination committee are performed by another committee, indicate the name of the committee.

⁶ Please specify the list of additional committees established.