

Remuneration

Key performance indicators

The key performance indicators adopted by Nornickel serve to build a transparent incentive and performance assessment system. The Company believes that the remuneration framework put in place has proved its efficiency. KPIs are linked to performance metrics approved for different types of jobs, with employees consistently exceeding the targets. **The Company's KPIs embrace achievements in social responsibility, occupational safety, operating efficiency and capital management.**

The Company's President approved an Implementation Plan for the Employee Performance Management System at Nornickel providing for:

- review and approval of documents governing employee performance assessment procedures;
- approval of individual KPIs;
- preparation of individual development plans;
- assessment of performance by team and individual KPIs.

To improve performance at the Head Office, the CEO issued an order approving the Procedure for Assessing Head Office Employee Performance and the Regulation on Annual Performance Bonuses for Head Office Employees.

The Procedure primarily seeks to align the results of performance assessment with remuneration, development, and promotion of employees, whereas the Regulation on Annual Performance Bonuses for Head Office Employees is used to assess employee performance in the reporting period based on team and individual KPIs.

To boost employee performance across its Russian subsidiaries, the Company has developed the Procedure for Assessing Performance of the Group's Management. The Procedure prescribes that management performance be managed by establishing KPIs and assessing achievement thereof.

Remuneration of governance bodies

Principles and mechanics of remunerations (reimbursements) due to executives are set out in the Charter, Regulations on the Management Board, and other by-laws of the Company. The system 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, Management Board and the Company's President.



In 2014, the Remuneration Policy for Members of the Board of Directors was approved by the General Meeting of Shareholders and published on the Company's website

The Remuneration Policy for Members of the Board of Directors sets forth the following annual remuneration for non-executive directors:

- base remuneration of USD 120,000 for the Board membership;
- additional remuneration of USD 50,000 for membership in a committee of the Board of Directors;
- additional remuneration of USD 150,000 for chairing a committee of the Board of Directors;
- reimbursement of expenses incurred by directors while discharging their duties.

The base remuneration for the Chairman of the Board of Directors is USD 1 mln. Subject to a special resolution adopted by the General Meeting of Shareholders, the Chairman of the Board of Directors may be entitled to additional remuneration and benefits.

To clearly differentiate the principles and structure of remuneration payable to non-executive and executive directors, the following items are excluded from the remuneration payable to non-executive directors:

- bonuses linked to the Company's operating results;
- stock options;
- additional benefits, including all forms of insurance other than directors' liability insurance;
- severance pay and any payments related to the change of ownership;
- pension plans and schemes.

As an additional benefit, directors are entitled to certain insurance protections, such as:

- liability insurance;
- reimbursement of losses incurred due to the election to the Board of Directors.

As per the Company's Charter, decisions on remuneration and reimbursement payable to the Company's President and members of the Management Board are reserved to the Board of Directors. 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). Bonuses are linked to the Company's performance, including both financial metrics (EBITDA, free cash flow) and non-financial indicators (lower workplace injury rates, stakeholder involvement, etc.).

The variable part of the remuneration payable to the members of the Management Board is based on key performance indicators updated and approved annually by the Corporate Governance, Nomination and Remuneration Committee of the Board of Directors. The dismissal policy for top executives does not differ from that for other employees.

The remuneration paid to the members of governance bodies in 2017 including salaries, bonuses, commissions, benefits and reimbursement of expenses totalled USD 90.1 mln (RUB 5.3 bn)¹.

Board of Directors remuneration in 2017

Remuneration types	RUB mln	USD mln
Remuneration for membership in a governance body	228.1	3.9
Salary	0	0
Bonus	0	0
Commissions	0	0
Benefits	0	0
Reimbursement	0.3	0.004
Other types of remuneration	0	0
Total	228.3	3.9

Management Board remuneration in 2017

Remuneration types	RUB mln	USD mln
Remuneration for membership in a governance body	2.3	0.04
Salary	2,444.7	41.9
Bonus	2,583.8	44.3
Commissions	0	0
Benefits	0	0
Reimbursement	0	0
Other types of remuneration	0	0
Total	5,030.9	86.2

¹ The amount of remuneration is different from that specified in the 2017 consolidated IFRS financial statements as it excludes non-cash remuneration (insurance and VHI payments, and annual remuneration liabilities as at 31 December 2017). The remuneration accrued to the members of governance bodies in 2017 under IFRS totalled USD 103 mln (RUB 6.039 bn).