

Corporate governance framework

Letter from the Board of Directors

In line with best practices, the Board of Directors of MMC Norilsk Nickel reaffirms the Company's commitment to the highest corporate governance standards, and confirms its compliance with key material principles of the Corporate Governance Code as recommended by the Bank of Russia.

The Board of Directors views compliance with key principles and recommendations of the Corporate Governance Code as an efficient tool to improve corporate governance and ensure long-term sustainable growth.

Principles

Nornickel's corporate governance framework is designed to take into account and balance the interests of shareholders, the Board of Directors, managers and employees, as well as other stakeholders.

Nornickel is guided by the applicable laws of the Russian Federation and principles set forth in the Corporate Governance Code that has become a key source of information for the development of the Company's internal regulations and a guidance to nurture best corporate governance practices.

Nornickel's corporate governance framework relies on the following principles:

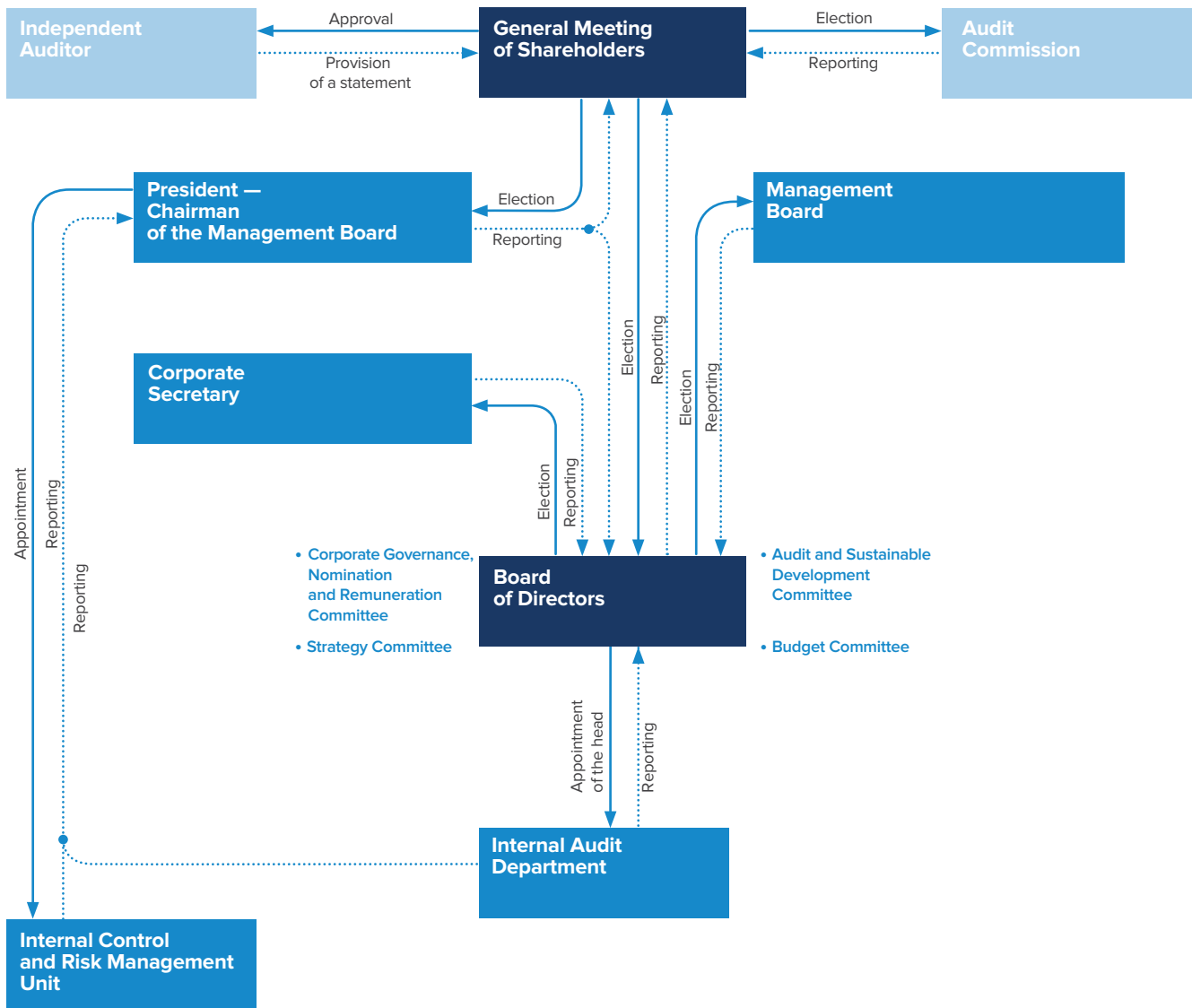
- equitable and fair treatment of every shareholder;
- professionalism and leadership of the Board of Directors;
- accountability of the Board of Directors and executive bodies;
- corporate social responsibility;
- transparent and timely disclosure;
- anti-corruption measures.

These principles are reflected in Nornickel's official documents available on its website. Those include the Charter, Regulations on the Board of Directors, Information Policy Regulations, and Anti-Corruption Policy.



[Internal Documents and Policies](#)

Governance structure



General Meeting of Shareholders

This is the supreme corporate body of the Company.

Its authority includes:

- amending and restating the Charter;
- approving the revised Charter;
- restructuring and liquidating the Company;
- increasing and/or decreasing the authorised capital;
- splitting and/or consolidating the Company's shares;
- electing the Company's President and members of the Board of Directors and Audit Commission;
- approving the Company's auditor;
- approving annual reports, accounting/financial statements, and by-laws on the Company's corporate bodies;
- distributing annual profit;
- paying dividends.

The General Meeting of Shareholders is convened on an annual basis. It takes place no sooner than three and no later than six months following the end of the preceding financial year.

Extraordinary General Meetings of Shareholders may be convened by the Board of Directors or at the request of the Audit Commission, the Company's auditor or shareholders owning at least 10% of the Company's voting shares.

Except for the cumulative voting to elect members of the Board of Directors, each voting share is counted as one vote at the General Meeting of Shareholders.

Board of Directors

This is a collegial governance body in charge of strategic management of the Company and oversight of its executive bodies' activities.

Pursuant to the Charter, the Board consists of 13 directors.

Members of the Board are elected at the Annual General Meeting of Shareholders for a period extending until the next Annual General Meeting of Shareholders.

[For more details on members of the Board of Directors.](#)

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Chairman of the Board of Directors

The Chairman is responsible for day-to-day operation of the Board of Directors, convening and chairing its meetings, making arrangements for minute-taking, and chairing the General Meetings of Shareholders.

For the last four years, the Board has been chaired by Gareth Peter Penny, an independent director.

[For more details on members of the Chairman of the Board of Directors.](#)

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Independent directors

Independent directors are directors having sufficient professional skills, experience and independence to act on their own and make impartial and reasonable decisions that are not influenced by the Company's executive bodies, particular groups of shareholders or other stakeholders.

The Company adheres to international standards and recommendations set out in the Corporate Governance Code of the Bank of Russia relating to the required number of independent directors. As at 31 December 2017, four of the Company's Board members (i.e. 30.8%) met the director's independence criteria as defined by the Moscow Exchange.

[For more details on members of the Independent directors.](#)

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Committees of the Board of Directors

Committees are ancillary bodies set up by the Board of Directors. Their function is to provide preliminary review of critical matters and advise the Board on relevant decisions.

The Board of Directors has set up four committees:

- Audit and Sustainable Development Committee;
- Strategy Committee;
- Budget Committee;
- Corporate Governance, Nomination and Remuneration Committee.

[For more details on members of the Committees](#)

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President

The President is the sole executive body in charge of the day-to-day operations of the Company. The President is elected at a General Meeting of Shareholders for an indefinite period and acts as the Chairman of the Management Board.

The President reports to the Board of Directors and the General Meeting of Shareholders.

Since 2015, this position has been held by Vladimir Potanin (CEO of the Company in 2012–2015).

[For more details on members of the President.](#)

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Management Board

This is a collegial executive body in charge of the day-to-day management of the Company within its scope of authority as set out in the Charter and the implementation of resolutions approved by the General Meeting of Shareholders and the Board of Directors.

Members of the Management Board are elected by the Board of Directors for an indefinite period. As at 31 December 2017, the Management Board consisted of 13 members.

[For more details on members of the Management Board](#)

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Corporate Secretary

This is a corporate officer whose duties include managing shareholder relations, making the necessary arrangements to protect their rights and interests, and providing efficient operating support to the Board of Directors. The Corporate Secretary reports to the Board of Directors.

Pursuant to the Charter, the Corporate Secretary is appointed by the Board of Directors for a three-year term.

Since 2011, this position has been held by Pavel Platov.

[For more details on members of the Corporate Secretary](#)

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Audit Commission

The Audit Commission controls the Company's financial and business transactions.

It performs annual internal audits of the Company's financial and business operations, as well as other internal audits as it may see fit or as requested by the General Meeting of Shareholders, the Board of Directors or any shareholders owning at least 10% of the Company's stock.

Members of the Audit Commission are elected at an Annual General Meeting of Shareholders for a period extending until the next Annual General Meeting of Shareholders. Members of the Audit Commission shall

not simultaneously serve on the Company's Board of Directors or hold other positions in the Company's corporate bodies.

[For more details on members of the Audit Commission.](#)

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Independent Auditor

This is an audit firm commissioned to audit accounting/ financial statements of the Company and provide an independent opinion regarding their accuracy.

The auditor is approved by the Annual General Meeting of Shareholders.

In 2017, the Annual General Meeting of Shareholders approved JSC KPMG as the Company's auditor for both IFRS and Russian accounting standards.

[For more details on members of the Independent Auditor.](#)

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Internal Control and Risk Management Unit

This unit is in charge of improving the risk management and internal control framework, detecting and preventing any waste, misuse or misappropriation of funds or assets of the Company and its subsidiaries, as well as any other wrongdoings and theft, ensuring accuracy of metrics and measurement standards and combating illegal activities, such as money laundering and terrorism financing.

[For more details on members of the Internal Control and Risk Management Unit.](#)

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Internal Audit Department

This department is in charge of independent audits, including assessment of the risk management and internal control framework of the Company and its subsidiaries.

[For more details on members of the Internal Audit Department](#)

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Achieving excellence in corporate governance

Corporate governance assessment

Nornickel introduced annual performance assessments of the Board of Directors in 2014 in order to improve its corporate governance framework. All directors must fill out an online questionnaire following a schedule approved by the Board of Directors. The questionnaire contains 76 questions, divided into three parts and 15 sections. All questions are graded on a scale from 1 to 10. For each question there is a text field where directors may enter additional comments. Answering all questions is mandatory.

Such evaluation of the Board of Directors helps us identify gaps, their root causes and opportunities for improvement.

Corporate governance improvements

Nornickel continuously improves its corporate governance framework to enhance efficiency and ensure compliance with global best practices. The Company adheres to recommendations set out in the Corporate Governance Code of the Bank of Russia.

Our Corporate Governance Framework Improvement Programme was approved and adopted by the Corporate Governance, Nomination and Remuneration Committee back in December 2013. In 2017, the Programme was enhanced with a set of initiatives aimed at improving performance of the Board and its committees. Some of the key corporate governance improvement initiatives in 2017 included:

- approving the revised Charter;
- approving the revised Regulation on Audit and Sustainable Development Committee of the Board of Directors;
- approving the revised Information Policy Regulations;
- approving the revised Anti-Corruption Policy.

The ESG analysts welcomed our new/updated environmental and social responsibility policies, boosting the Company's position in the rankings provided by the leading global agencies.

MSCI ESG upgraded our rating from CCC to B, while Sustainalytics raised our score from 49 to 58 (industry average).

In 2018, the Company plans to gradually implement the principles and procedures set out in the approved regulations in order to improve the performance of the Company's Board of Directors and its committees.

[For more details on compliance with the Corporate Governance Code of the Bank of Russia](#)

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