

Deputy Chairman's letter

Corporate governance is key to the success of MMC Norilsk Nickel as a public company. The Corporate Governance, Nomination and Remuneration Committee works hard alongside the Board of Directors to implement best corporate governance practices and procedures across the Company.

This goes beyond the pragmatics of investor appeal and shareholder confidence, and becomes an essential tool to improve the efficiency of our operations and maintain our competitive edge. In 2017, we approved the new version of the Company's Charter while also introducing a number of by-laws (regulations and policies) to make sure we are aligned with global best practices and retain our leadership in the global market to enhance trust with our shareholders and investors.

The Corporate Governance Excellence Programme launched by the Corporate Governance, Nomination and Remuneration Committee has been in place since 2014. In line with that programme, in 2014–2017, the Board of Directors approved several by-laws designed to improve

our corporate governance. Those included: Code of Conduct and Ethics for Members of Board of Directors, Professional Development Policy for Members of Board of Directors, Performance Evaluation Policy for Board of Directors, Policy on Development and Approval of Vote Recommendations on Candidates Nominated to Board of Directors, Dividend Policy, and new versions of regulations on the Board committees.

In 2017, the Company continued to enhance its corporate governance framework following the standards set out in the Corporate Governance Code, which was endorsed by the Bank of Russia. Special focus was given to planning and implementing sustainable development and corporate social responsibility initiatives, greater efficiency of the Board of Directors and



its committees, strengthening of the internal audit function, enhanced transparency and disclosure levels.

Throughout 2017, the Audit and Sustainable Development Committee reviewed reports on key strategic and operational risks and also the current status of the Company's risk management framework. As part of its assessment of internal controls, the committee engaged in regular analysis of reports prepared by the Internal Control Department. Health, safety, and environment remained a priority for us. On a quarterly basis, the Audit and Sustainable Development Committee reviewed reports on the Company's progress in pursuing its health and safety strategy, along with environmental projects and initiatives.

Environmental matters (primarily the Sulphur Project aiming to cut sulphur dioxide emissions in Polar Division) were at the centre of attention for the Board's Strategy Committee. The committee was heavily involved in developing recommendations for directors when drafting the Company's updated strategy (showcased at the Strategy Day in November 2017) and a number of functional strategies (on project management, construction, repairs, long-term production planning, exploration and prospecting, sales, marketing and IT). Another focus area were the matters directly linked to our operations. Those included progress of major investment projects, production reconfiguration, Technology Breakthrough initiative, and programme on efficiency improvement and cost reduction.

In 2018, the Audit and Sustainable Development Committee will continue its hard work to promote independence and avoid bias in the Company's internal and external audits while also fostering the reliability and enhancing performance of the corporate risk management universe. The committee will also go on with the programme to instil a culture of occupational safety and prevent irresponsible work practices that can potentially lead to accidents.

In 2017, the Corporate Governance, Nomination and Remuneration Committee prioritised matters related to long-term projects under the programme to enhance corporate governance. The committee reviewed progress of initiatives that are part of the Human Capital Development Programme, along with the Company's mid-term Charity Policy. On top of that, the Board of Directors approved a number of by-laws covering corporate and social matters, including Human Rights Policy, Freedom of Association Policy, Equal Opportunities Programme, Working Conditions Policy, Local Community Relations Policy, Environmental Policy, Quality Policy, and Renewable Energy Sources Policy. Also, as a way to strengthen corporate efforts aimed at fighting corruption and ensuring compliance with antitrust regulations, in 2017, the Board of Directors approved the Anti-Corruption Policy and Antitrust Compliance Policy.

The Company's improvements in environmental protection, social responsibility and governance (ESG) were recognised by independent agencies, with MSCI ESG upgrading Nor nickel's rating from CCC to B and the score by Sustainalytics going up from 49 to 58 (compared to 46 in 2015).

In its relations with shareholders and investors, we seek to ensure compliance with applicable laws and principles of openness and transparency. With a view to improving its transparency and enhancing information security and confidentiality, the Company approved the amended version of the Information Policy Regulations of PJSC MMC Norilsk Nickel. The new Regulations expand the Company's disclosure commitments and provide further guidance on the mandatory disclosure required by regulators.

We will remain committed to continuous improvement of our corporate governance practices in 2018. The Board of Directors and its committees and the management are well aware of the areas where we can excel further, and recognise the importance of these efforts.



Andrey Bougrov
Senior Vice-President,
Deputy Chairman of the Board of Directors,
MMC Norilsk Nickel