

In 2017, many of the Group's Russian companies entered into new collective bargaining agreements or extended the expired ones. Collective bargaining commissions also amended some of the agreements during the reporting year. The need to make those amendments was mostly related to adjustments in wage rates arising from legislative changes, organisational structure transformation and introduction of a new automated HR management system. One of the key changes was the review of the payroll system, which led to an increase in the fixed (guaranteed) part of the salary. The payroll adjustments were made in strict compliance with the applicable laws subject to the consent of every given employee. As a result, the Collective Bargaining Commission of MMC Norilsk Nickel reviewed old wage rates and salaries and approved the new ones which came into effect on 1 April 2017.

There were no social or labour disputes during the reporting period.

In 2017, the share of employees covered by collective bargaining agreements stood at 80%.¹

Incentive programmes

Remuneration system

Nornickel's remuneration policy aims to:

- attract and retain employees;
- promote higher labour productivity;
- ensure administrative efficiency and streamlining;
- enforce compliance with legal requirements.

The remuneration package consists of the fixed and variable components (70% and 30%, respectively) paid based on the Company's operating performance and achievement of relevant KPIs.

The underlying principles of the remuneration policy include:

- internal equity – remuneration management based on HAY Group job description and evaluation methodology;
- external competitiveness – remuneration level determined based on the labour market data, with adjustments made for the company's focus area, business location and job grades;
- performance-based incentives – changes in the pay level subject to the annual performance assessment outcome;
- simplicity of the remuneration system – pay level calculation and review procedures are clear for every employee.

In addition to salaries, the Company's employees enjoy a variety of benefits. Reimbursements of vacation travel expenses (round trip travel expenses and baggage fees) for employees living in the Far North and their families, and provision of discounted tours for health resort treatment account for 69% of total employee benefits.

Average monthly salary across the Group's Russian operations

Currency	2015	2016	2017
USD ²	1,393	1,405	1,784
RUB '000	84.9	94.2	104.1

Company's expenses on employee benefits across the Group's Russian operations // USD '000

Indicators	2015	2016	2017
Total expenses on employee benefits across the Group's Russian operations	102,000	103,000	122,539
including the amount spent per employee	1,300	1,300	1,571

80%

the share of employees covered by collective bargaining agreements

¹ Including entities that have no collective bargaining agreements in place but have approved local regulations that make MMC Norilsk Nickel's Collective Bargaining Agreement effective at these entities, including foreign assets.

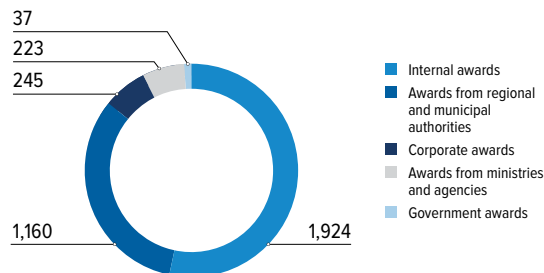
² based on the average annual USD/RUB exchange rates of 58.3529 in 2017, 67.0349 in 2016 and 60.9579 in 2015.

Efficiency improvement programmes

The Company implemented its employee performance management system back in 2014, with assessment relying on a variety of key performance indicators (KPIs), including occupational safety, operating efficiency and capital management. In 2017, some 4,326 people (employees of the Company's Head Office, branches and subsidiaries) took part in the KPI-based assessment. The new system helped develop uniform criteria for the evaluation of employee performance enabling the management and employees to align the current year's priorities with performance indicators of the Company/ branches/subsidiaries and join their forces to find a path for delivering on the tasks in hand. Moreover, this system makes it possible to link an employee's performance to his/her pay level.

In 2018, we will continue the roll-out with a focus on SAP HCM-based performance assessment automation across the Company's operations. In 2017, the automated SAP Human Capital Management system was implemented at Medvezhy Ruchey, Nor Nickel – Shared Services Centre, NORMETIMPEX and Bystrinsky Transport Division of MMC Norilsk Nickel. On top of that, 2017 saw the roll-out of the Talent Pool and Performance Assessment automated management subsystems at Polar Division, Kola MMC, Pechengastroy and GRK Bystrinskoye. The performance assessment results are also used to nominate employees for awards.

Awards for outstanding operational achievements, long track record and work commitment



Social programmes for employees

Health improvement programmes for employees

The harsh climate of the Far North and the heavy working conditions of the mining facilities require that the Company make an extra effort to protect its employees' health. Hence, health improvement and health resort treatment programmes for employees and their families are a key priority of the Company's social policy.

In 2017, more than 9,200 employees and their families received recreational treatment in Zapolyarye Health Resort (Sochi) owned by the Company. Some 15,500 people spent their vacations in other health resorts, including approximately 5,000 employees who travelled to Bulgarian resorts and over 2,000 staff members who went to Hainan (China).

The health resort treatment programme is designed to prevent the development of chronic diseases among the employees' children and give them an opportunity to take full advantage of their summer vacations. As part of this programme, some 1,500 children spent their holidays in Anapa and Loutraki (Greece).

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Financing of health resort treatment and vacation programmes for employees and their families // USD mln

