

The operating efficiency training

In September 2017, 55 managers embarked on the operating efficiency training at Moscow's Skolkovo School of Management. The project seeks to develop key management competencies with a focus on operating efficiency, a new approach to production management, better understanding of business and business environment, wider planning horizon, enhanced vision of the Company's prospects, analysis of the latest technologies, approaches and best practices in production management, and also their possible use and roll-out across the Group. At the end of the session, the trainees will have to come up with target strategic projects to boost operating efficiency of the Company's facilities.

Enhancing professional excellence

With our reconfigured production cycle, modernised operations, new technologies and approaches, and a rapidly changing operational environment, we need to make sure our employees meet the new expertise, skill and competency requirements. The corporate training framework must provide employees with a quick and easy access to new knowledge, helping them master new professional skills and receive training and development support for horizontal and vertical job rotation.

In 2017, we proceeded with the diagnostics and management of professional skill development across our mining facilities, building a professional competency model for lower and middle line mine managers, defining knowledge and skills requirements for each position, and developing a set of test questions to assess professional competencies of line managers at mining facilities. This year, we will carry on with this work.

In 2017, we completed a large-scale programme to retrain over 94,600 employees of the Group, including more than 24,000 people aged below 30. Over 52,000 employees were trained in corporate training centres.

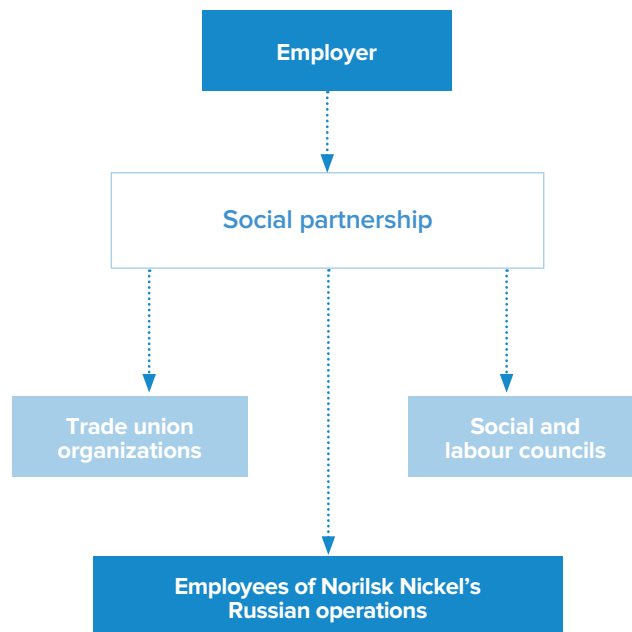
An area of special attention is the introduction of modern technologies to assist in the training of various personnel categories. In 2017, we developed interactive training in occupational safety.

Social partnership

Russian operations of Norilsk Nickel have established a social partnership framework aimed at reconciling the interests of employees and employers on matters pertaining to the regulation of social and labour relations.

The Company meets all obligations under the Labour Code of the Russian Federation, collective bargaining agreements and joint resolutions.

Social partnership framework



In regulating labour relations, employee interests are represented by trade unions and social and labour councils.

Trade union organizations

Trade unions of the companies located in Norilsk and on the Taimyr Peninsula form a single Trade Union Organisation of PJSC MMC Norilsk Nickel, its Subsidiaries and Affiliates. Trade unions of the companies operating in the Murmansk Region are joined under two umbrella trade union organisations – Regional Trade Union Organisation of Kola MMC Employees and Primary Trade Union Organisation of Kola Mining and Metallurgical Company.

As at the end of 2017, 10.9% of employees engaged in Norilsk Nickel's Russian operations were members of trade union organisations.

Trade union organisations of Nornickel and its subsidiaries, Kola MMC and its subsidiaries, GRK Bystrinskoye, NordStar Airlines and Zapolyarye Health Resort are all members of the Trade Union of MMC Norilsk Nickel Employees, an interregional trade union organisation. In the reporting year, the relationship between the employer and the Trade Union was governed by the Social Partnership Agreement signed in 2014 to formalise implementation procedures for joint initiatives ensuring sustainable performance, operating and financial excellence, employee welfare, health and safety, and enhancement of social benefits.

Membership in trade unions // %

Company	Employees enrolled in trade unions
Gipronickel Institute	15
Group's operations in the Norilsk Industrial District	8
GRK Bystrinskoye	15
Kola MMC and subsidiaries	15
NordStar Airlines	17
Zapolyarye Health Resort	30
Lesosibirsk Port	38
Yenisey River Shipping Company	55
Krasnoyarsk River Port	62

Social and labour councils

The Group's companies located in the Norilsk Industrial District, Taimyrsky Dolgano-Nenetsky Municipal District and Murmansk Region established social and labour councils back in 2006 to represent the interests of employees who are not members of trade unions. Chairs of the local councils make up the Social and Labour Council of MMC Norilsk Nickel and the Social and Labour Council of Kola MMC. To ensure regulation of social and labour relations, negotiation, drafting and signing of collective bargaining agreements, holding of bilateral consultations, respect of the employees' labour rights and participation of employee and employer representatives in out-of-court settlements, the Russian companies of Nornickel set up the following collective decision-making bodies: collective bargaining commissions, labour dispute commissions, social benefits commissions/committees, social insurance commissions, health and safety commissions/committees, social and labour relations committees, etc.

In 2017, the share of employees represented by social and labour councils across the Norilsk Nickel Group stood at 82%.

Collective bargaining agreements

The collective bargaining agreements of Nornickel's Russian companies comply with the applicable laws and meet the majority of employee expectations.

82%

of employees represented by social and labour councils across the Norilsk Nickel Group

11%

of employees engaged in Norilsk Nickel's Russian operations were members of trade union organisations at the end of 2017

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.