

REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS SET FORTH IN THE CORPORATE CODE

Statement of 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.

Overview of the Company's corporate governance model and practices

The Company's corporate governance model is based on the applicable laws of the Russian Federation and principles set forth in the Corporate Governance Code, which serves as a key source for development of the Company's by-laws and a guidance to foster best corporate governance practices.

The corporate governance model adopted by the Company and established corporate governance practices seek to harmonise the relationships among shareholders, investors, directors, executives, employees, and other stakeholders contributing to the Company's business.

The corporate governance model of MMC Norilsk Nickel ensures:

- equitable and fair treatment of every shareholder exercising their right to take part in managing the Company;
- strategic guidance of the Company as developed by the Board of Directors;
- control of the Board of Directors over the Company's executive bodies, and accountability of directors and executive bodies to the Company's shareholders;
- efficient control over the Company's financial and operating performance;
- timely and accurate disclosure of all material aspects related to the Company's business, including its financial position, performance, ownership and governance structure.

For the structure of governance and control bodies underlying the corporate governance model of MMC Norilsk Nickel, see Chapter 3 (Corporate Governance) of the Company's 2016 Annual Report.

Criteria to assess compliance with the principles set forth in the Corporate Governance Code

For the purpose of the Annual Report, and with a reference to any given provision of the Corporate Governance Code, “complied with” / “not complied with” shall mean compliance / non-compliance of MMC Norilsk Nickel with the core (material part) of the corporate governance principle/

recommendation pursuant to the Company’s Charter and (or) by-laws effective as at the date of this Annual Report and (or) pursuant to the Company’s established corporate governance practices.

Actions and measures scheduled (suggested) by the Company to improve the corporate governance model and practices

Today, enhancement of corporate governance materially contributes to the social and economic development of MMC Norilsk Nickel.

In pursuance of the Company’s Corporate Governance Framework Improvement Programme, as approved by the Corporate Governance, Nomination and Remuneration Committee of Norilsk Nickel’s Board of Directors in December 2013, during 2016 the Company updated its by-laws that regulate the proceedings of the committees of the Company’s Board of Directors:

- Regulation on the Corporate Governance, Nomination and Remuneration Committee of the Board of Directors of MMC Norilsk Nickel;
- Regulation on the Audit Committee of the Board of Directors of MMC Norilsk Nickel;
- Regulation on the Budget Committee of the Board of Directors of MMC Norilsk Nickel;
- Regulation on the Strategy Committee of the Board of Directors of MMC Norilsk Nickel.

The key amendments are mostly connected with the alignment of the Company’s by-laws with the Listing Rules of the Moscow Exchange and recommendations of the Bank of Russia.

In 2017, the Company is planning 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.

With the view to addressing the matters of dividend-related decision making process, the procedure to determine its amount, time and conditions of payment, the Company’s Board of Directors has approved the Regulation on the Dividend Policy.

Key principles and recommendations complied with by MMC Norilsk Nickel (hereinafter, the Company)

No.	Key principles and recommendations	Note
1.	SHAREHOLDER RIGHTS AND EQUITABLE TREATMENT OF SHAREHOLDERS	
1.1.	The company should ensure equitable and fair treatment of every shareholder exercising their right to take part in managing the company.	The rights of both minority and majority shareholders are equally respected at MMC Norilsk Nickel. Equitable and fair treatment of every shareholder exercising their right to take part in management of the Company is enforced by applicable laws, and regulations and procedures related to the General Meeting of Shareholders as set out in the Company's Charter and by-laws.
1.2.	The general meeting of shareholders should approve a by-law (Regulation on General Meeting of Shareholders) setting forth the procedures to convene, prepare for, and hold such general meetings.	On 6 June 2014, the General Meeting of Shareholders of MMC Norilsk Nickel approved the Regulation on the General Meeting of Shareholders of MMC Norilsk Nickel setting forth procedures to convene, prepare for, and hold its general meetings.
1.3.	It is recommended that the company serve general meeting notices and make relevant materials available no later than 30 days in advance, unless a longer period is specified by the applicable laws.	<p>In accordance with Clause 2.21 of the Regulation on the General Meeting of Shareholders of MMC Norilsk Nickel (the Meeting):</p> <ul style="list-style-type: none"> “a notice of the Meeting shall be published in the Rossijskaya Gazeta and Taimyr newspapers and posted online on the Company's website at http://www.nornik.ru (the “Company's website”) at least 30 days before the date of the Meeting (ballot submission deadline in case of absentee voting). The Company may additionally notify shareholders of the Meeting through publications about the Meeting in other printed media or by email. The Company may serve a notice of the Meeting prior to the date specified herein. <p>If and when required by Clauses 2 and 8 of Article 53 of the Federal Law On Joint Stock Companies, a notice of an extraordinary meeting shall be served at least 70 days in advance.”</p> <p>Pursuant to Clause 2.24 of the Regulation,</p> <ul style="list-style-type: none"> “the information (materials) referred to herein shall be made available to the persons entitled to participate in the Meeting for review in the offices of the Company's executive body or other places specified in the notice of the Meeting within 20 days before the date of such Meeting, or, if the agenda of the Meeting includes the Company's reorganisation, within 30 days before the date of the said Meeting. The above information (materials) shall be made available to persons taking part in the Meeting during its proceedings. It is required that the information (materials) to be made available in preparation for the Meeting be posted on the Company's website.” <p>Where possible, MMC Norilsk Nickel seeks to make the General Meeting materials available prior to the deadline specified in the applicable laws and the Company's by-laws.</p>
1.4.	The record date should be disclosed no later than seven days in advance.	In accordance with Clause 2.28 of the Regulation on the General Meeting of Shareholders of MMC Norilsk Nickel, Clause 6.9 of the Company's Charter, the record date shall be disclosed “at least five days in advance.” As a matter of fact, since 2014, the Company has been disclosing the record date within a time period exceeding the seven days recommended by the Corporate Governance Code.
1.5.	It is recommended that the company amend its charter by extending the deadline for shareholders to propose items for the agenda of the forthcoming annual general meeting from thirty (30) (as per the applicable law) to sixty (60) days following the end of the calendar year.	If compared with the Code, MMC Norilsk Nickel has opted for a more conservative approach. In accordance with Clause 2.2 of the Regulation on the General Meeting of Shareholders of MMC Norilsk Nickel, and Clause 6.3 of the Charter, “items for the agenda of the Annual Meeting and nominees to the Board of Directors and Audit Commission shall be proposed to the Company within 90 days following the end of a fiscal year.”

No.	Key principles and recommendations	Note
1.6.	<p>During the preparation for and running of the general meeting, the shareholders should have an unrestricted opportunity to put questions to members of the company's executive bodies, directors, the chief accountant, members of the audit committee, the company's auditors, and prospective members of the company's management and control bodies.</p> <p>It is recommended that the company invite the said persons to attend general meetings of shareholders.</p>	<p>In accordance with the Regulation on the General Meeting of Shareholders of MMC Norilsk Nickel, the Meeting shall be attended by the Company's President, Chief Accountant, members of the Audit Commission, the Chairman, or other members of the Board of Director's Audit Committee, as well as the Company's auditor. Nominees to the Company's corporate bodies and representatives of the auditor proposed for the approval by the Meeting shall be also invited (Clauses 5.16, 5.17).</p> <p>Questions from shareholders shall be submitted in writing. Notes with questions shall be handed over to the Secretary of the Meeting (Clause 5.20).</p>
1.7.	<p>The company should develop and introduce a transparent and coherent procedure to determine the amount of dividends and pay them out.</p> <p>Companies issuing consolidated financial statements are advised to set out a procedure for determining the minimum percentage of their consolidated net profit to be distributed as dividends.</p>	<p>Under the Regulation on the Dividend Policy approved by the Company's Board of Directors, in determining the recommended dividend amount, the Board of Directors seeks to make sure that the annual dividends on the Company's shares account for at least 30% of the Group's consolidated EBITDA.</p>
1.8.	<p>The company should refrain from any actions that will or may result in artificial redistribution of corporate control.</p>	<p>MMC Norilsk Nickel does not take any actions that may result in artificial redistribution of corporate control as prescribed by the applicable law prohibiting treasury stock (shares owned by the Company) from participating in the management of a joint stock company.</p>
1.9.	<p>The shareholders should have on hand reliable and effective ways to record their rights to shares and an opportunity to dispose of such shares freely and easily.</p>	<p>The Company has selected a prominent firm as the Company's registrar. It has reliable tools fine-tuned to effectively record shareholder rights and ensure free exercise thereof.</p>
2. THE COMPANY'S BOARD OF DIRECTORS		
2.1.	<p>The board of directors should be responsible for strategic governance of the company by defining key principles and approaches to risk management and internal controls, exercising control over the company's executive bodies and discharging other key responsibilities.</p>	<p>Pursuant to the Charter of MMC Norilsk Nickel, the Company's Board of Directors is authorised to:</p> <ul style="list-style-type: none"> ● determine the Company's business priorities, ● development concepts/strategies and methods for their implementation; approve the Company's plans and budgets and amendments thereto (Clause 9.3.1); ● oversee the management of MMC Norilsk Nickel and its financial and economic operations, assess performance of the Company's President and members of the Company's Management Board, monitor implementation of resolutions adopted by the Board of Directors, and review quarterly financial and economic reports submitted by the Company's Management Board (Clause 9.3.36); ● identify key risks associated with the operations of MMC Norilsk Nickel, and implement relevant risk management initiatives and procedures (Clause 9.3.34).
2.2.	<p>The board of directors should define the company's policy on remuneration and/or reimbursements (compensations) due to directors, executives, and other key managers.</p>	<p>Pursuant to the Company's Charter, the Board of Directors of MMC Norilsk Nickel is authorised to:</p> <ul style="list-style-type: none"> ● determine remuneration and compensation payable to the Company's President; approve, amend and terminate the contract setting out the President's rights and obligations (Clause 9.3.9.1); ● determine remuneration and compensation payable to members of the Company's Management Board; approve, amend and terminate the contracts setting out such members' rights and obligations (Clause 9.3.9.2). <p>With regard to the Remuneration Policy for the Board of Directors of MMC Norilsk Nickel, the Company has opted for a more conservative solution. The respective document was approved by the Annual General Meeting of Shareholders on 6 June 2014.</p>

No.	Key principles and recommendations	Note
2.3.	<p>The board of directors should manage the company in an efficient and competent manner, and make fair and independent judgements and decisions in line with the interests of the company and its shareholders.</p> <p>The board of directors should play a key role in prevention, identification and settlement of internal conflicts among the company's bodies, shareholders and employees.</p> <p>It is recommended that the board of directors be composed of persons with an impeccable business and personal track record; directors should have sufficient skills, expertise and experience to make decisions falling within the board's remit and perform their responsibilities efficiently.</p>	<p>Pursuant to Clause 8.5 of the Company's Charter, in exercising their rights and discharging their duties, members of the Board of Directors shall act in the interests of MMC Norilsk Nickel and exercise such rights and discharge such duties reasonably and in good faith.</p> <p>Qualifications that nominees to the Company's Board of Directors are to meet are set out in the Company's Policy for Development and Approval of Voting Recommendations in respect of the Nominees to the Board of Directors of MMC Norilsk Nickel, which was adopted by a resolution of the Board of Directors (Minutes No. GMK/1-pr-sd of 20 January 2015).</p> <p>Pursuant to the Directors' Code of Corporate Conduct and Business Ethics, as approved by resolution of the Board of Directors of MMC Norilsk Nickel (Minutes No. 27-pr-sd of 11 September 2014) (the Code): "the Company's Board of Directors is committed to the highest standards of corporate conduct and business ethics. The Board of Directors believes that integrity and good faith of its directors are critical for protecting the interests of the Company and its shareholders."</p> <p>The Code (Clause 3) sets forth the following key principles of conduct to be followed by the Company's directors:</p> <ul style="list-style-type: none"> ● integrity and loyalty; ● honesty and fairness; ● professionalism. <p>● In line with the declared objectives, the Code seeks to:</p> <ul style="list-style-type: none"> ● help foster the highest ethical standards, integrity and accountability; ● draw attention of the Board of Directors, and each director to potential ethical risks and conflicts of interest; ● provide ethical guidance to directors. <p>The Code obliges directors (Clause 4) to adopt resolutions ensuring compliance of the Company's employees, officers and other directors with the applicable laws, rules and regulations, as well as corporate policies.</p> <p>The Code's Clause 5 (Conflicts of Interest) sets out typical conflicts of interest that might arise in the Company and should be steered clear of by the directors.</p>
2.4.	<p>Directors should be elected in a transparent manner providing shareholders with sufficient information on candidates to get a clear idea of their personal and professional skills.</p>	<p>In accordance with the Charter (Clause 6.7), details about the nominees to the Board of Directors shall be included in the information (materials) to be made available to the persons entitled to take part in the General Meeting of Shareholders in preparation for such Meeting.</p> <p>Pursuant to the Company's Charter (Clause 6.8), the above nominee details shall include:</p> <ul style="list-style-type: none"> ● full name; ● date of birth; ● education; ● employment record for the last five years; ● record of convictions (if any) for economic crimes and crimes against the government, and administrative prosecution (if any) in business, finance, taxes and duties, and securities; ● number of shares in the Company held by the candidate; ● list of all offices held by the candidate in the management bodies of other legal entities (including full names of such legal entities and start dates of the employment contracts); ● compliance with the independent director requirements. <p>The Board of Directors adopted a resolution (Minutes No. GMK/1-pr-sd of 20 January 2015) approving the Company's Policy for Development and Approval of Voting Recommendations in respect of the Nominees to the Board of Directors of MMC Norilsk Nickel. One of its key objectives is "the introduction of a structured and transparent framework to assess candidates to the Board of Directors."</p>
2.5.	<p>It is recommended that independent directors make up at least one third of the elected board members.</p> <p>It is recommended that an independent director be a person with professional expertise, experience and independence sufficient to have his/her own opinions and make fair unbiased judgements that are not influenced by the company's executive bodies, shareholder groups, or other stakeholders.</p> <p>It is recommended that an independent director be a person who is not:</p> <ul style="list-style-type: none"> ● related to the company; ● related to any of the company's substantial shareholders; ● related to any of the company's substantial counterparties or competitors; ● related to the federal and local government or municipal agencies. 	<p>Pursuant to Clause 8.3 of the Company's Charter, the Board shall consist of 13 directors.</p> <p>As at 31 December 2016, the Board had five independent directors.</p> <p>The Company's independent directors meet the independence criteria set forth in the Corporate Governance Code and effective Listing Rules of the Moscow Exchange.</p>

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2.6.	It is recommended that either an independent director be elected as the chairperson of the board, or a senior independent director be nominated from among the company's independent directors to coordinate their work and liaise with the chairperson.	Gareth Peter Penny, an independent director, was elected Chairman of the Company's Board of Directors.
2.7.	It is recommended that the company's by-laws stipulate the procedure to prepare for and hold board meetings, so that directors have an opportunity to make proper preparations.	On 30 June 2009, the Annual General Meeting of Shareholders approved the Regulation on the Board of Directors of MMC Norilsk Nickel ensuring that the procedure to prepare for and hold Board meetings provides directors with an opportunity to make proper preparations for such meetings.
2.8.	Board meeting notices should provide details on its format and agenda, and be served along with the reference materials early enough for directors to form opinions on the agenda items. The notice period should generally be no less than five calendar days.	Pursuant to Clause 5.9 of the Regulation on the Board of Directors of MMC Norilsk Nickel, a notice of the meeting shall be served on each of the directors by any means necessary to furnish documentary evidence of dispatch within five calendar days prior to the date of the meeting. The notice shall be accompanied by information (materials) about the meeting's agenda.
2.9.	In case of absentee voting, it is essential to define the procedure and timing for the voting ballots to be dispatched to and collected from each of the directors.	Pursuant to Clause 5.9 of the Regulation on the Board of Directors of MMC Norilsk Nickel, if the Board resolves to hold absentee voting on agenda items, the board meeting notices shall "provide the ballot submission deadline (both time and date) along with the address and other contact details for the dispatch of completed voting ballots."
2.10.	It is recommended that the company's by-laws contain a relevant provision whereby written opinions submitted by directors absent from an in-person board meeting shall be counted in determining the quorum and outcome of the vote on the agenda items.	Pursuant to Clause 5.18 of the Regulation on the Board of Directors of MMC Norilsk Nickel, a director absent, for any given reason, from an in-person meeting may participate in deliberations and vote on the agenda items via a written opinion served by any means necessary to furnish documentary evidence of dispatch. The above opinion shall be counted in determining the quorum and outcome of the vote on the agenda items as long as the Board of Directors receives it prior to the meeting.
2.11.	It is recommended that the company allow directors staying away from the meeting venue to participate in deliberations and vote remotely via conference calls and video conferencing.	Pursuant to Clause 5.17 of the Regulation on the Board of Directors of MMC Norilsk Nickel, directors may participate in meetings held in the form of joint presence by phone, video conference or any other means that make it possible to identify a respective director and hold real-time deliberations on the agenda items. Such participation shall be deemed equivalent to presence in person.
2.12.	It is recommended that an audit committee be set up for preliminary consideration of any matters related to the monitoring of the company's financial and business operations.	The Audit Committee in its composition as of 31 December 2016 was elected by the Company's Board of Directors on 20 June 2016 (Minutes No. GMK/22-pr-sd of 21 June 2016).
2.13.	It is recommended that a remuneration committee be set up for preliminary consideration of any matters related to the development of an efficient and transparent remuneration framework. It is inadvisable that the the remuneration committee be chaired by the board's chairperson.	The Company has a Corporate Governance, Nomination and Remuneration Committee. The Corporate Governance, Nomination and Remuneration Committee in its composition as of 31 December 2016 was elected by the Company's Board of Directors on 20 June 2016 (Minutes No. GMK/22-pr-sd of 21 June 2016). The Committee is chaired by a person other than the Chairman of the Company's Board of Directors.
2.14.	It is recommended that a nomination (appointment, HR) committee predominantly composed of independent directors be set up for preliminary consideration of any matters related to the board's HR planning (succession planning), expertise and performance.	The Company has a Corporate Governance, Nomination and Remuneration Committee. The Corporate Governance, Nomination and Remuneration Committee in its composition as of 31 December 2016 was elected by the Company's Board of Directors on 20 June 2016 (Minutes No. GMK/22-pr-sd of 21 June 2016). Out of the five elected Corporate Governance, Nomination and Remuneration Committee members, three are independent directors.
2.15.	It is recommended that the company set up other board committees taking into account the company's scale and risk levels.	In addition to the Audit and Corporate Governance, Nomination and Remuneration Committees, the Company has Budget and Strategy Committees in place.

No.	Key principles and recommendations	Note
2.16.	<p>The board of directors should provide for assessing its own, along with its committees' and individual members', performance.</p> <p>The performance should be assessed on a regular basis, at least once a year. To assess the board's performance on an independent basis, it is recommended that an external entity (consultant) be engaged from time to time, but not less than once every three years.</p>	<p>In accordance with the Policy for Assessment of Performance of the Board of Directors of MMC Norilsk Nickel (as adopted by the Company's Board of Directors, Minutes No. GMK/1-pr-sd of 20 January 2015), the assessment shall be as follows:</p> <ul style="list-style-type: none"> ● assessment based on the Board's performance over the reporting fiscal year and delivered within 90 days after the end of the relevant reporting fiscal year (Clause 3.1); ● internal assessment held annually in the form of a survey of the Company's directors; organised by the Company with possible engagement of independent consultants (Clause 4.1.1); ● external assessment conducted at the initiative of the Corporate Governance, Nomination and Remuneration Committee and authorised through a resolution of the Company's Board of Directors; implies engagement of independent consultants (Clause 4.1.2).
3. CORPORATE SECRETARY		
3.1.	<p>The company should approve an internal regulation on the corporate secretary. The duties and responsibilities of the company's corporate secretary may be performed either by one person, the Corporate Secretary, or by a dedicated business unit headed by the same.</p>	<p>The Company's Board of Directors approved the Regulation on the Corporate Secretary of MMC Norilsk Nickel (Minutes No. GMK/43-pr-sd of 22 April 2015) setting forth the status, duties and powers of the Corporate Secretary, and the status and responsibilities of the Secretariat.</p> <p>Pursuant to Clause 6.2 of the Regulation, the Corporate Secretary is also Head of the Secretariat.</p> <p>The Company's Corporate Secretary was elected by the Board of Directors (Minutes No. GMK/43-pr-sd of 11 December 2015).</p>
3.2.	<p>The corporate secretary should be sufficiently independent of the company's executive bodies and have the necessary powers and resources to perform their duties.</p>	<p>Pursuant to the Regulation on the Corporate Secretary of MMC Norilsk Nickel, the Corporate Secretary shall be appointed to and released from their position subject to respective resolutions of the Company's Board of Directors (Clause 3.3).</p> <p>The Board of Directors may terminate the powers of the Corporate Secretary prior to their expiration (Clause 3.2).</p> <p>The terms and the amount of remuneration of the Corporate Secretary, including the bonus for meeting the KPIs, shall be determined by the Board of Directors and stated in the Corporate Secretary's employment contract (Clause 9.1).</p>
3.3.	<p>The corporate secretary should have skills, expertise and qualifications to perform their duties, as well as impeccable reputation, and have the trust of the shareholders.</p>	<p>Pursuant to Clause 2.1 of the Regulation on the Corporate Secretary of MMC Norilsk Nickel:</p> <p>"A person eligible for appointment to the position of the Corporate Secretary shall:</p> <p>2.1.1. have impeccable reputation;</p> <p>2.1.2. have a university degree in Law, Economics, or Business Administration;</p> <p>2.1.3. be fluent in Russian and English;</p> <p>2.1.4. have at least two (2) years of experience in corporate governance or in a management position;</p> <p>2.1.5. have knowledge of the applicable legislation, disclosure standards, rules applied to public companies, etc.;</p> <p>2.1.6. be familiar with international best practices in corporate governance; and</p> <p>2.1.7. have no record of conviction or disqualification under the Russian Code of Administrative Offences."</p>
4. REMUNERATION OF DIRECTORS, EXECUTIVE BODY MEMBERS AND OTHER KEY MANAGERS¹		
4.1	<p>Remuneration paid by the company to its directors, executive body members and other key managers should provide sufficient motivation for their efficient performance enabling the company to recruit and retain competent and skilled professionals.</p>	<p>The amount of remuneration paid to the the Company's directors is set out in the Remuneration Policy for the Board of Directors of MMC Norilsk Nickel approved at the Annual General Meeting of Shareholders of 6 June 2014 (Clause 3). In the reporting fiscal year, the resolution to pay remuneration to the Company's directors was adopted at the Annual General Meetings of Shareholders on 13 May 2015 (Minutes No. 1) and on 10 June 2016 (Minutes No. 1).</p> <p>Qualifications that nominees to the Company's Board of Directors are to meet are set out in the Company's Policy for Development and Approval of Voting Recommendations in respect of the Nominees to the Board of Directors of MMC Norilsk Nickel, which was adopted by a resolution of the Board of Directors (Minutes No. GMK/1-pr-sd of 20 January 2015).</p> <p>Determination of the remuneration and compensation amounts payable to the members of the Company's Management Board is reserved to the remit of the Board of Directors. Remuneration amounts payable to the members of the Management Board are linked to the Company's financial (EBITDA, free cash flow) and non-financial (lower workplace injury rates, engagement with stakeholders) performance.</p>

¹ Key managers of MMC Norilsk Nickel are the members of the Management Board

No.	Key principles and recommendations	Note
4.2.	<p>The company's remuneration policy should be developed by the remuneration committee and approved by the board of directors of the company.</p> <p>Supported by the remuneration committee, the board of directors should oversee the introduction and implementation of the remuneration policy in the company, and, where necessary, review and amend it.</p>	<p>Pursuant to Clauses 2.1.5.1 and 2.1.6.1 of the Regulation on the Corporate Governance, Nomination and Remuneration Committee of MMC Norilsk Nickel's Board of Directors, the responsibilities of the Committee shall include: development of the Remuneration Policy for the Company's Board of Directors, Management Board and President, control over adoption and implementation of the Policy and its regular revision, and, pursuant to Clause 2.1.6.2, "development of conditions for early termination of employment contracts with members of the Management Board and the President of the Company, including all of the issuer's financial liabilities and conditions for the discharge thereof."</p>
4.3	<p>The company's remuneration policy should set out transparent procedures to determine the amount of remuneration payable to directors, executive bodies and other key managers of the company, and regulate all types of payments, benefits and privileges available to the above persons.</p>	<p>Remuneration to the directors is paid pursuant to the Remuneration Policy for the Board of Directors of MMC Norilsk Nickel approved by the Company's Annual General Meeting of Shareholders on 6 June 2014.</p> <p>The total remuneration amount payable to the President and members of the Management Board includes a base salary specified in the employment contract and approved by the Board of Directors, and a bonus component. The bonus component of the remuneration is linked to the Company's financial (EBITDA, free cash flow) and non-financial (lower workplace injury rates, engagement with stakeholders) performance.</p> <p>The remuneration amount paid to the members of the Board of Directors and the Management Board shall be disclosed on a regular basis.</p> <p>Pursuant to Clause 8 of the Remuneration Policy for the Board of Directors, members of the Board of Directors are entitled to an additional privilege, namely directors' liability insurance and the reimbursement by the Company of any expenses the directors may incur due to their election to the Board of Directors.</p> <p>Pursuant to the Regulation on the Management Board of MMC Norilsk Nickel, during the managers' term in office, the Company may, subject to the resolution of the Board of Directors, enter into agreements to insure members of the Management Board against any civil liability associated with the performance of their duties, as well as agreements for the reimbursement by the Company of any losses the above persons may incur due to the performance of their duties.</p> <p>In the reporting fiscal year, the resolution to purchase directors' and officers' liability insurance policies for the members of the Board of Directors and the Management Board was adopted by the Company's Annual General Meetings of Shareholders held on 13 May 2015 (Minutes No. 1) and on 10 June 2016 (Minutes No. 1).</p>
4.4	<p>The company has defined its policy on reimbursements (compensations) providing a list of reimbursable expenses and specifying the class of services available to the company's directors, executive body members and other key managers. Such policy may be included in the company's remuneration policy.</p>	<p>Pursuant to Clause 8.6 of the Company's Charter, during their term in office, directors may, subject to the resolution of the General Meeting of Shareholders, be entitled to remuneration and (or) compensation for expenses related to the performance of their duties, and (or) directors' civil liability insurance policies covering their actions as members of the Board of Directors, and agreements may be made with them for the reimbursement of any expenses that such directors may incur in connection with the performance of their duties.</p> <p>Pursuant to Clause 5 of the Remuneration Policy for the Board of Directors of MMC Norilsk Nickel, as adopted by the resolution of the Annual General Meeting of Shareholders on 6 June 2014, the expenses shall be reimbursed to directors only if such expenses were incurred due to the directors' engagement in the activities of the Company, the General Meeting of Shareholders, the Board of Directors, Board Committees, or any other process related to the performance by such directors of their obligations towards the shareholders of the Company as part of their membership in the Board of Directors.</p> <p>The reimbursable expenses include:</p> <ul style="list-style-type: none"> ● transportation expenses; ● accommodation costs; ● business trips; ● one-off business expenses; and ● other minor expenses related to the performance of the directors' duties. <p>All expenses submitted by directors for reimbursement shall be related to the Company's operations, incurred in the reasonable course of business and properly documented.</p> <p>Expenses of executive body members shall be reimbursed in accordance with the regulations on general and administrative expenses approved by the Company.</p>
4.5.	<p>Fixed annual compensation should be the preferred form of cash compensation payable to directors.</p> <p>The fixed compensation amount should reflect the director's expected time and efforts associated with the preparation for and participation in meetings of the board of directors. It is recommended that the fixed compensation amount is graded depending on the director's scope of responsibilities on the board.</p>	<p>The Remuneration Policy for the Board of Directors of MMC Norilsk Nickel approved at the Annual General Meeting of Shareholders on 6 June 2014 (Clause 3) sets forth the annual remuneration for non-executive members as a fixed base salary, a bonus for participating in one of the Board of Directors' committees and a bonus for chairing one of the Board of Directors' committees.</p> <p>In the reporting fiscal year, the resolution to pay remuneration to directors was adopted at the Company's Annual General Meetings of Shareholders on 13 May 2015 (Minutes No. 1) and on 10 June 2016 (Minutes No. 1).</p>

No.	Key principles and recommendations	Note
4.6	<p>Long-term ownership of the company's shares is the best tool to encourage closer alignment between the financial interests of directors and the long-term interests of shareholders. Any restrictions on the right to dispose of shares subject to the company's performance, or directors' participation in the company's stock option plans, are not recommended.</p>	<p>Pursuant to Clause 6 of the Remuneration Policy for the Board of Directors of MMC Norilsk Nickel, as adopted by the resolution of the Annual General Meeting of Shareholders on 6 June 2014, directors are encouraged to invest their funds in the Company's shares to further align the interests of the Company's directors and shareholders in line with the best corporate governance practices.</p>
4.7.	<p>Remuneration of executive body members and other key managers should be linked to the company's performance and their personal contribution thereto.</p>	<p>Remuneration of executive body members is linked to the Company's performance and their personal contribution thereto.</p> <p>Order of the CEO No. GMK/127-p dated 3 December 2013 approved the Implementation Plan for the Employee Performance Management System of the Group, which involves:</p> <ul style="list-style-type: none"> ● iteration and approval of documents setting out employee performance assessment procedures; ● approval of KPIs; ● preparation of individual development plans; and ● assessment of performance by team and individual KPIs. <p>For the purpose of improving employees' performance by developing and implementing uniform principles and approaches to performance assessment, Order of the CEO No. GMK/100-p dated 3 December 2014 approved the Procedure for assessing performance of the employees in Norilsk Nickel's Head Office.</p> <p>Pursuant to Clause 4.3 of the Procedure, the objective of the performance assessment shall be "creating a framework for linking the performance assessment result with the remuneration, development, promotion and acknowledgement aspects".</p> <p>Order of the CEO No. GMK/43-p dated 14 July 2014 approved the Regulation on Bonus Payment to the Employees of Norilsk Nickel's Head Office, according to which the performance assessment in the reporting period is based "on achievement of the team and individual KPIs set forth in the employee's KPI sheet".</p> <p>For the purpose of improving employee performance in MMC Norilsk Nickel and the Company's Russian subsidiaries, the Procedure for assessing performance of the Group's management was developed (Order of the CEO and Chairman of the Management Board of MMC Norilsk Nickel No. GMK/54-p dated 21 May 2015).</p> <p>Pursuant to Clause 4.1, "performance assessment shall form an integral part of the Employee Performance Management System applied in the Group and shall be implemented by establishing key performance indicators ("KPIs") and assessing their achievement".</p>

No.	Key principles and recommendations	Note
5.	RISK MANAGEMENT AND INTERNAL CONTROL	
5.1.	The board of directors should determine the company's risk management and internal control principles and approaches.	<p>Pursuant to the Company's Charter (Clauses 9.3.34 and 9.3.26), the Company's Board of Directors is authorised to:</p> <ul style="list-style-type: none"> ● identify key risks associated with the Company's operations, and implement relevant risk management initiatives and procedures; and ● approve the internal control system and procedures and the management information system. <p>In 2016, the Company's Board of Directors resolved to approve the Risk Management Policy of MMC Norilsk Nickel (Minutes of the Board of Directors No. GMK/17-pr-sd of 27 May 2016). The document defines the principles, rules, requirements and restrictions applying to the Company's risk management arrangements.</p> <p>The policy defines risk management as a continuous process of identifying, assessing and dealing with risks, which relies on the risk management infrastructure and uniform principles and embraces all business areas and organisational structures of the Company in order to:</p> <ul style="list-style-type: none"> ● increase the likelihood of achieving the company's goals; ● improve the resource allocation efficiency; and ● boost the Company's investment case and shareholder value. <p>Pursuant to the Policy, the Company's risk management shall seek to:</p> <ul style="list-style-type: none"> ● enhance the risk management infrastructure, including through the development and implementation of risk management policies and procedures; ● integrate the corporate risk management system with the Company's key business processes, including strategic planning and budgeting; <ul style="list-style-type: none"> ● collect and analyse information on external and internal risk factors that may affect the achievement of the Company's goals; ● aggregate and classify risks for the purposes of their further analysis and assessment; ● select risk response strategies and develop a risk management action plan in order to reduce the probability of risks and (or) the degree of risk exposure to an acceptable level (risk appetite and risk tolerance); provide risk insurance; and ● implement the risk management action plan and monitor the efficiency of risk management initiatives, etc. <p>Entities and participants involved in the management risk process are structured in a number of levels and include management bodies, business units and employees of the Company and its Russian subsidiaries.</p> <p>The Policy sets out the Company's risk management principles and formalises risk management rules, requirements and restrictions, including the risk management efficiency criteria.</p> <p>On 25 August 2016, the Board of Directors resolved to approve the Internal Control Policy (the Policy) of MMC Norilsk Nickel (Minutes of the Board of Directors No. GMK/32-pr-sd). The Policy replaced the Regulation on Internal Control over Financial and Business Performance of MMC Norilsk Nickel adopted back in 2006.</p> <p>The Policy defines the internal control system (ICS) as a combination of organisational processes, policies and guidelines, control procedures, corporate culture principles and actions taken by the internal control entities to provide reasonable assurance that the Company will achieve its goals, including:</p> <ul style="list-style-type: none"> ● the effectiveness and efficiency of the Company's business; ● the reliability and accuracy of the Company's financial and management reports; and ● compliance with the applicable laws and the Company's internal regulations. <p>The objectives of the ICS are as follows:</p> <ul style="list-style-type: none"> ● create an efficient control environment; ● timely identify and analyse business process risks; ● develop and implement control procedures; ● standardise and streamline control procedures; ● assign responsibility for the implementation of control procedures; ● ensure assets safety and efficient use of resources; ● ensure efficient implementation of control procedures, including those aiming to reduce the Company's exposure to fraud and corruption risks; ● develop a framework for assessing the ICS performance; and ● ensure control over the accuracy of business transactions at all stages of business processes implemented by the Company and its subsidiaries in order to timely prepare and submit the Company's financial and management reports to external and internal recipients. <p>ICS entities are structured in a number of levels and include the Company's and its subsidiaries' corporate and control bodies, business units and employees, whereas the controlled items (processes, principles, frameworks, tools, and internal control procedures) are arranged as a system made up of several components, including:</p> <ul style="list-style-type: none"> ● control environment; ● assessment of risks to business processes; ● control procedures; ● information and communications; and ● ICS monitoring. <p>The Policy sets out the internal control organisation and implementation principles and defines the ICS efficiency criteria.</p> <p>On 30 September 2016, in furtherance of the Policy's provisions, the Company put in place the Internal Control Procedure and the Guidelines for its Implementation.</p>

No.	Key principles and recommendations	Note
5.2.	To ensure effective performance of the risk management and internal control framework, it is recommended to establish a separated business unit (units) dedicated to risk management and internal control.	<p>In September 2016, following some organisational changes the Company established an Internal Control and Risk Management Unit (Order of the President No. GMK/100-p dated 29 September 2016). The Internal Control Department, the Risk Management Service and the Financial Control Service were included in the unit. The Internal Control Department aims to create an efficient internal control framework that represents a combination of organisational processes, policies and guidelines, control procedures, corporate culture principles and actions that the internal control entities perform to provide reasonable assurance that the Company will achieve its targets; the Department's functions include:</p> <ul style="list-style-type: none"> ● developing and improving an efficient internal control framework; ● ensuring a consistent approach to the design, operation and development of the internal control framework; ● detecting and preventing any waste, misuse or misappropriation of funds or assets of the Company and the Norilsk Nickel Group subsidiaries, wrongdoings and theft; ● ensuring accuracy of metrics and measurement standards for the control and accounting of metal bearing products; ● arranging and implementing internal controls so as to combat illegal activities, such as money laundering and terrorism financing; ● managing the Corporate Trust Service activities; <p>In 2013, the Company launched its Financial Control Service,</p> <ul style="list-style-type: none"> ● whose key functions, functional reporting line and interaction with the Company's management bodies are governed by the Regulation on the Financial Control Service approved by the Board of Directors; <p>The Service's key responsibility is reviewing the financial and operational performance of the Company and the Group in order to report to the Company's President (or the authorised representative) and Board members and provide recommendations to the President (or the authorised representative) and the Company's Board of Directors. As part of its activities, the Service drafts reports, recommendations, and other documents and submits those to the Company's President and Board members.</p> <p>In 2015, the Company launched its Risk Management Service reporting to the Vice-President, who is also Head of the Internal Control and Risk Management Unit (Order of the President No. GMK/100-p dated 29 September 2016) and whose main risk management responsibilities are:</p> <ul style="list-style-type: none"> ● ensuring methodology support and a consistent approach to the design, operation and development of the internal control framework; ● supervising the development and improvement of the corporate risk management framework, including: improving risks communications, integrating the risk management process into the Company's key business processes, and developing business continuity management processes; ● supervising the collection, review, consolidation and storage of information on risks; Preparing an expert opinion on risk-related information. Drafting reports on the key risks and monitoring the progress of the key risk mitigants.
5.3.	The company's risk management framework should include the compliance control function.	<p>The Company implements a systematic approach to developing an efficient governance model that helps structure and set up an efficient function to ensure compliance with regulations, standards, internal policies and guidelines through compliance efforts, which include compliance control.</p> <p>Compliance control is an integral component of the Company's corporate governance and a vital element of its risk management framework.</p> <p>MMC Norilsk Nickel's Board of Directors resolved to adopt:</p> <ul style="list-style-type: none"> ● Internal Control Policy (Minutes No. GMK/32-pr-sd dated 25 August 2016); ● Risk Management Policy (Minutes No. GMK/17-pr-sd dated 26 May 2016). <p>The Corporate Relations Department ensures a uniform comprehensive approach to compliance risk management pursuant to the Regulation on the Department (Order of the President No. GMK/50-p dated 24 May 2016).</p> <p>As part of the compliance control implementation, the Department is responsible for:</p> <ul style="list-style-type: none"> ● coordinating and helping develop internal measures and procedures to identify and manage compliance risks in a timely and efficient manner; ● coordinating the process of identifying the Company's inherent compliance risks; ● developing compliance risk mitigation methodologies.

No.	Key principles and recommendations	Note
5.4.	<p>The company is recommended to prepare an action plan for preventing corruption, mitigating reputational risks and risks of sanctions for bribery that might be imposed on the company, approve the anti-corruption policy specifying measures to develop anti-corruption elements of the corporate culture and organisational structure, as well as respective rules and regulations.</p>	<p>Having joined the Anti-Corruption Charter of the Russian Business (the “Charter”), the Company introduces dedicated anti-corruption programmes based on the Charter and set forth in the Company’s Anti-Corruption Policy. In January 2016, the Company confirmed compliance with the Charter and secured its position on the Charter’s Register.</p> <p>In November 2016, the Company joined the United Nations Global Compact, which aims to promote recognition and practical application of ten basic principles of human rights, labour, environment and anti-corruption by businesses worldwide.</p> <p>In order to effectively combat corruption, the Company has developed and approved the following anti-corruption regulations:</p> <ul style="list-style-type: none"> ● Code of Business Ethics; ● Directors’ Code of Corporate Conduct and Business Ethics; ● Anti-Corruption Policy; ● Regulation on Procurement Procedures; <p>Standard anti-corruption agreement – appendix to the employment contract;</p> <ul style="list-style-type: none"> ● Regulation on Information Security; ● Regulation on the Prevention and Management of Conflicts of Interest; ● Regulation on Business Gifts; ● Procedure of Anti-Corruption Due Diligence on Internal Documents. <p>To develop anti-corruption measures and preventive procedures, the Company has assigned a dedicated business unit – the Corporate Relations Department.</p> <p>Following the laws and voluntary obligations, the Company is introducing dedicated anti-corruption programmes focusing on both Norilsk Nickel internal affairs and its relations with business partners and the government, ensuring:</p> <ul style="list-style-type: none"> ● timely detection and prevention of conflicts of interest, including through making candidates applying for vacant positions or the Company’s employees fill a declaration form for reporting conflicts of interest whenever required; ● recording and monitoring hospitality expenses. The Company has established criteria for acceptable business gifts and implements uniform requirements for all employees on presenting and accepting business gifts; ● anti-corruption due diligence on internal documents to verify compliance with anti-corruption requirements and eliminate any corruption drivers; ● effective work of the Corporate Trust Service (CTS), which provides prompt response to reports of violations, abuses and embezzlement; ● counterparty due diligence to confirm their reliability, solvency and financial stability; ● transparent procurement procedures. The Company runs Tender and Investment Committees whose main focus is to make the Group’s procurement and investment more efficient and transparent; ● implementation of actions to prevent unauthorised use of insider information. The Company maintains an insider list, reviews transactions, internal documents and events in order to ensure compliance with the domestic and international laws; ● ongoing staff training on anti-corruption matters. In August 2016, the Group launched the On Preventing Corruption distance learning course; ● anti-corruption monitoring. In December 2016, the Company held an anonymous survey among the employees in order to get their opinion on corruption in the Company and its anti-corruption performance. ● corruption prevention measures to make employees aware of the possible consequences and the “inevitability of penalty” not only for those who engage in corruption, but also for those who become aware of corruption and do not report (conceal) it. All Company employees sign an agreement setting out their respective obligations. ● functioning of the Preventing and Fighting Corruption page on the corporate website and the Company’s intranet portal. The page contains information on the Company’s anti-corruption policies and efforts. <p>In its government relations, the Company, its employees and corporate bodies comply with the applicable laws (including anti-corruption laws).</p> <p>All of the above measures are implemented in the Company and its standalone business units, and are also recommended to its subsidiaries.</p>
5.5.	<p>It is recommended to set up a safe, confidential and easily accessible communication channel (hotline) for informing the members of the board (the board’s audit committee) and the internal audit department of any breaches of law, the company’s internal procedures or code of ethics by any employee and/or member of the management body or an authority performing control over the company’s business and financial operations.</p>	<p>In February 2010, the Company launched its Corporate Trust Service (CTS), which provides prompt response to reported violations, abuses and embezzlement; Employees, shareholders and other stakeholders have an opportunity to report any actions that will or might result in financial damages or be detrimental to the business reputation of the Company. The key principles underlying the Corporate Trust Service include guaranteed confidentiality for whistleblowers and timely and unbiased consideration of all reports. To make a report, anyone is invited to call a toll-free hotline available 24/7: +7 800 700 1941, +7 800 700 1945, or e-mail to: skd@nornik.ru. CTS functions in compliance with the Procedure on the Corporate Trust Service of MMC Norilsk Nickel, which was approved by the President’s Order No. GMK/21-p dated 14 March 2016. Directors’ Code of Corporate Conduct and Business Ethics approved by the Board of Directors (Minutes No. 27-pr-sd dated 11 September 2014) sets forth the channels for informing the Service of the identified and potential violations of ethical standards. Pursuant to Clause 11 of the Code, “retaliation in any form against an individual who reports a suspected violation in good faith, even if the report is mistaken, or who assists in the investigation of a reported violation, is not permitted”.</p>

No.	Key principles and recommendations	Note
5.6.	The company should have a board-approved internal audit policy (regulation on internal audit) specifying internal audit goals, objectives and functions.	<p>The Board of Directors approved the Regulation on the Internal Audit Department (Minutes No. GMK/49-pr-sd dated 26 December 2016), which complies with the the Corporate Governance Code recommendations for the Internal Audit Policy.</p> <p>In order to ensure unbiased approach and independence of the Department Director, they are administratively subordinate to the Company's President and functionally subordinate to the Company's Board of Directors via the Audit Committee (see 1.3).</p> <p>The Department aims to:</p> <ul style="list-style-type: none"> ● maintain and increase the Company's value by conducting impartial and unbiased audits, which also assess the performance of internal control and risk management at the Company and its subsidiaries, <p>The Internal Audit Department is charged with:</p> <ul style="list-style-type: none"> ● checking whether the goals of business units, projects and transactions correspond with the Company's goals; ● assessing the efficiency, reliability and integrity of business processes and information systems, including the reliability of procedures for combating fraudulent behaviour, abuses and corruption; ● verifying compliance with the laws, Charter and internal regulations; ● checking whether resources are used effectively and appropriately; ● checking whether the internal control framework mitigates business process risks to an acceptable level. ● assessing the adequacy of the risk management framework, checking whether the risks are identified adequately and correctly, and assessing the performance of risk management measures; ● identifying development areas for the Company's units; ● developing proposals for improving performance and mitigating risks. <p>The Internal Audit Department issues reports, recommendations and other documents submitted to the heads of the Company's business units and departments, and to the President of MMC Norilsk Nickel. The Internal Audit Department regularly submits performance reports to the Board's Audit Committee.</p>
6. DISCLOSURE OF INFORMATION ABOUT THE COMPANY AND ITS INFORMATION POLICY		
6.1.	The company should develop and implement an information policy that ensures effective exchange of information between the company, its shareholders, investors, and other stakeholders.	The Board of Directors approved (Minutes No. GMK/11-pr-sd of 21 May 2009) the Information Policy Regulation of MMC Norilsk Nickel, which defines the key principles of the Company's Information Policy, lists information and documents to be disclosed to all stakeholders within the scope required to make a well-informed decision on participating in the Company or performing other actions that can affect the Company's financial and business operations, and sets forth the procedure for providing information and documents, which ensures effective information exchange between the Company and its stakeholders.
6.2.	The company's information policy should be implemented by corporate executive bodies. Control over compliance with the information policy should be exercised by the company's board of directors.	<p>Pursuant to Clause 6.6 of the Company's Information Policy Regulation, "business units responsible for information disclosure, as well as the Company's employees authorised to comment on the disclosed information, shall be appointed by the Company's CEO".</p> <p>Pursuant to Clause 9.3.35 of the Charter, approving the policy on the public and investor relations is within the competence of the Company's Board of Directors.</p>
6.3.	<p>Along with the information required by the applicable law, the company should additionally disclose:</p> <ul style="list-style-type: none"> ● information on the mission, strategy, corporate values, company objectives and adopted policies; ● additional information on the company's financial performance and financial position; ● information on the company's capital structure; ● information on the company's social and environmental responsibility. 	<p>The Company reflects the most significant information in its annual reports, corporate social responsibility reports and sustainability reports prepared in accordance with the GRI guidelines.</p> <p>The Company also discloses information on its mission and strategy, adopted Policies, additional information on the Company's financial position, and information on the its social and environmental responsibility on the corporate website (www.nornik.ru).</p>
6.4.	The company should disclose information on its corporate governance, including the details on its compliance with the principles and recommendations set out in the Code.	Information on the Company's executive bodies, Board of Directors and its committees, as well as the corporate governance overview is disclosed on the Company's website (www.nornik.ru). Information on compliance with the key principles and recommendations of the Corporate Governance Code is disclosed in the Company's annual reports (starting from the 2014 Annual Report).

No.	Key principles and recommendations	Note
6.5.	If foreign investors hold a substantial share of the company's capital, the company should, along with disclosure of information in Russian, disclose this information (including notices of general meetings, annual reports, and financial (accounting) statements) in a foreign language generally accepted in the financial market, and provide free access to such information.	All relevant information on the Company's operations is disclosed in English on the Company's website (www.normik.ru).
6.6.	The company should provide information and documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.	<p>One of the key principles of the Company's information policy is equality, ensuring equal rights and opportunities to receive information for all stakeholders, unless otherwise provided by the applicable laws of the Russian Federation. As prescribed by the applicable legislation, the Company seeks to provide stakeholders with free, easy and simple access to disclosed information and documents.</p> <p>The shareholders' access to information (documents) and the procedure for providing them with copies of the documents are set forth in Clause 7 of the Company's Information Policy Regulation.</p> <p>Information on the procedure for providing copies of Norilsk Nickel's documents upon request of shareholders and other stakeholders is published on the Company's website www.normik.ru in the Internal Documents section.</p>
7. MATERIAL CORPORATE ACTIONS		
7.1.	<p>Material corporate actions shall include:</p> <ul style="list-style-type: none"> ● reorganisation of the company; ● acquisition of at least 30% of the company's voting shares (takeover); ● material transactions entered into by the company; ● increase or reduction in the company's authorised capital; ● listing and delisting of the company's shares; ● other actions which may result in material changes in the rights of shareholders or be against their interests. <p>It is recommended that the company's charter include a list (criteria) of transactions or other actions deemed to be material corporate actions and refer them to the remit of the board of directors.</p>	<p>Pursuant to the Company's Charter, the Board of Directors shall be authorised to consider most of the matters related to the corporate actions and qualified by the Corporate Governance Code as material.</p> <p>Pursuant to Clause 7.4 of the Company's Charter, the General Meeting of Shareholders shall only pass resolutions to reorganise the Company, increase or reduce its authorised capital, and approve major or related-party transactions at the behest of the Board of Directors.</p> <p>Pursuant to Clause 9.3.28 of the Company's Charter, the adoption of resolutions seeking to list the Company's shares and/or convertible issue-grade securities shall be referred to the remit of the Board of Directors.</p> <p>Pursuant to Clause 7.1.15 of the Company's Charter, the adoption of resolutions seeking to delist the Company's shares shall be referred to the remit of the General Meeting of Shareholders.</p> <p>The Company's Charter (Clauses 9.3.15, 9.3.21, 9.3.30, 9.3.33 and 9.3.39) sets out transaction criteria which refer certain transactions (subject to their materiality to the Company) to the remit of the Board of Directors.</p>
7.2.	It is recommended that the company's charter formalise a procedure to refer transactions that do not meet the statutory major transaction criteria but are nonetheless material for the company to the remit of the board of directors. Such transactions should be subject to the statutory requirements imposed on the company's other major transactions and/or referred to the remit of the board of directors and approved by at least a three-quarter majority or an absolute majority of votes held by all the elected directors (save for the former ones).	<p>The Company's Charter (para. 2 of Clause 8.10) sets out a procedure to refer transactions that do not meet the statutory major transaction criteria to the remit of the Board of Directors. Resolutions on such transactions shall, due to their materiality to the Company, be adopted at a Board of Directors meeting by at least ten votes (i.e. by a three-quarter majority of votes).</p> <p>Among others, such transactions shall include:</p> <ul style="list-style-type: none"> ● transactions involving acquisition, disposal, or encumbrance of any securities (including the Company's shares), if their market value exceeds the equivalent of USD 5 m at the exchange rate announced by the Bank of Russia on the transaction approval date (Clause 9.3.15); ● transactions involving the Company's shareholder who holds, independently or jointly with their affiliates, at least 5 % of the Company's voting shares (Clause 9.3.21); ● any transactions (except for those entered into in the normal course of the Company's business) with a total value or value of the acquired or disposed property exceeding the equivalent of USD 20 m at the exchange rate announced by the Bank of Russia on the transaction approval date (Clause 9.3.30); ● any transactions (including those entered into in the normal course of the Company's business) with a total value or value of the acquired or disposed property exceeding the equivalent of USD 200 m at the exchange rate announced by the Bank of Russia on the transaction approval date (Clause 9.3.33); ● any transactions involving acquisition and/or disposal of enterprises and any other businesses (except for securities or stakes) incorporated and/or located outside of the Russian Federation, if the market value of such property exceeds the equivalent of USD 5 m at the exchange rate announced by the Bank of Russia on the transaction approval date (Clause 9.3.39).

Principles and recommendations that are not complied with or complied with in part

No.	Corporate governance principle(s) or key criterion (recommendation)	Brief description of non-compliance with the corporate governance principle or key criterion	Explanation of the key reasons, factors and circumstances due to which the principle or key criterion is not complied with or is complied with in part, the description of corporate governance alternative mechanisms and instruments
1	The board of directors should establish an audit committee made up of independent directors. Its responsibilities should be set forth in the company's procedures and be compliant with recommendations of the Corporate Governance Code.	Out of the five elected Audit Committee members, three are independent directors.	The current version of the Listing Rules of the Moscow Exchange for issuers whose shares are included in the First Level quotation list says that the audit committee and the remuneration committee must be composed of independent directors, and if compliance with this requirement is reasonably impossible, then independent directors should make up a majority of the committee, while the rest of the positions are to be filled by members of the board of directors who are not the sole executive bodies and/or members of the company's collegial executive body. These requirements are reflected in the current versions of the Company's by-laws: Regulation on the Audit Committee and Regulation on the Corporate Governance, Nomination and Remuneration Committee. Having only independent directors on those committees is reasonably impossible due to the following.
2	The board of directors should establish a compensation committee made up of independent directors, which may be combined with the nomination/HR committee. Its responsibilities should be set forth in the company's procedures and be compliant with recommendations of the Corporate Governance Code.	Out of the five elected Corporate Governance, Nomination and Remuneration Committee members, three are independent directors.	In accordance with the Company's by-laws, the Board of Directors must consist of 13 people. The Board of Directors elected by the Annual General Meeting of Shareholders on 10 June 2016 includes five independent directors. The Company has four committees of the Board of Directors, each of them consisting of five members. In accordance with the Regulations on the committees, each committee must have independent directors, which makes it impossible to have the Corporate Governance, Nomination and Remuneration Committee and the Audit Committee composed solely of independent directors. A number of corporate governance mechanisms developed and implemented by the Company ensure that the committees remain efficient, and their recommendations are impartial and independent. These mechanisms, among other things:
3	The corporate secretary should hold no concurrent positions in the company. Their responsibilities should be compliant with recommendations of the Corporate Governance Code. The corporate secretary should have sufficient resources to discharge their duties.	The Corporate Secretary holds concurrent positions in MMC Norilsk Nickel.	<ul style="list-style-type: none"> ● set strict shortlisting criteria for nominees to the Board of Directors (including requirements for impeccable professional and personal reputation); ● hold all members of the Board of Directors to the highest standards of corporate conduct and professional ethics; ● instruct to avoid situations that put (or may put) the personal interest of the Board of Directors member at odds with the Company's interests; ● set forth a transparent mechanism for assessing both the members and the entirety of the Board of Directors. <p>These corporate governance mechanisms and instruments have been implemented in the Company through the Board of Directors approving the following internal documents:</p> <ul style="list-style-type: none"> ● Policy for Development and Approval of the Voting Recommendations in Respect of the Nominees to the Board of Directors; ● Directors' Code of Corporate Conduct and Business Ethics; ● Policy for assessing the Board of Directors performance. <p>Pursuant to Clause 3.6 of the Regulation on the Management Board of MMC Norilsk Nickel: "The Management Board Secretary provides organisational and information support to the Management Board. The duties of the Management Board's Secretary are carried out by the Corporate Secretary."</p> <p>Pursuant to Clause 3.5 of the Regulation on the Audit, Budget and Strategy Committee and Clause 3.4 of the Regulation on the Corporate Governance, Nomination and Remuneration Committee, "the Corporate Secretary shall carry out the duties of the Committee's Secretary".</p> <p>In practice, concurrently holding the above-mentioned positions does not create conflict of interest, nor does it affect the Corporate Secretary's overall efficiency.</p>