

Management remuneration system

KEY PERFORMANCE INDICATORS (KPIs)

The KPIs adopted by the Company serve to build a transparent incentive and performance assessment system.

The Company's KPIs embrace achievements in corporate social responsibility, safety, operating efficiency, capital management and organisational development at production sites.

Norilsk Nickel's Implementation Plan for the Employee Performance Management System approved by a CEO order involves:

- review and approval of documents governing employee performance assessment procedures;
- approval of individual KPIs;
- preparation of individual development plans;
- assessment of performance by team and individual KPIs.

To improve the performance of the Head Office employees, the CEO issued an order approving the Procedure for Assessing Employee Performance and the Regulation on Annual Performance Bonuses for Head Office Employees. The Procedure primarily aims to establish a link between the results of performance assessment and remuneration, development, and promotion of employees, whereas the Regulation is used to assess employee performance in the reporting period based on team and individual KPIs.

To boost employee performance across its Russian subsidiaries, the Company has developed the Procedure for Assessing Performance of the Group's Management. The Procedure prescribes that management performance be managed by establishing KPIs and assessing achievement thereof.

MANAGEMENT REMUNERATION SYSTEM

Balance of interests is the key principle behind the remuneration of the Board of Directors and Management Board members.

The remuneration paid to the directors is determined by the General Meeting of Shareholders and includes:

- base remuneration paid to the BD members;
- additional remuneration paid to the committee members and chairs;
- reimbursement of expenses incurred by the directors in discharge of their duties.

Subject to a special resolution adopted by the General Meeting of Shareholders, the Chairman of the Board of Directors may be entitled to additional remuneration and benefits.

To clearly differentiate the principles and structure of remuneration payable to non-executive and executive directors, the following items are excluded from the remuneration payable to non-executive directors:

- bonuses linked to the Company's operating results;
- stock options;
- additional benefits, including all forms of insurance other than directors' liability insurance;
- severance pay and any payments related to change of ownership;
- pension plans and schemes.

As an additional benefit, the directors are entitled to certain insurance protections, such as:

- liability insurance;
- reimbursement of losses incurred due to the election to the Board of Directors.

The total remuneration payable to the President and members of the Management Board consists of the base salary set forth in their employment contracts approved by the Board of Directors, and bonuses. Bonuses are linked to the Company's performance, including both financial metrics (EBITDA, free cash flow) and non-financial indicators (lower workplace injury rates, stakeholder involvement, etc.).

During the year, members of the Management Board received bonuses based on their annual performance and achievement of relevant KPIs.

The total remuneration paid out to the corporate governance bodies in 2016 (including salaries, bonuses, commissions, benefits and/or reimbursement of expenses, as well as any other remuneration in kind) was RUB 3,533,398,000 (USD 52,709,828)¹.

RUB 3,533 mln

The total remuneration paid out to the corporate governance bodies in 2016

¹ The total amount of estimated fees to corporate governance bodies in 2016 according to IFRS statements amounted to RUR 4.1 bn (USD 62 mln).

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Board of Directors remuneration in 2016

Remuneration types	thousand RUB	thousand USD
Remuneration for membership in a governance body	250,735	3,740,365
Salary	0	0
Bonus	0	0
Commissions	0	0
Benefits	0	0
Reimbursement	1,621	24,181
Other types of remuneration	0	0
Total	252,356	3,764,547

Management Board remuneration in 2016

Remuneration types	thousand RUB	USD
Remuneration for membership in a governance body	3,330	49,676
Salary	1,949,891	29,087,699
Bonus	1,327,821	19,807,906
Commissions	0	0
Benefits	0	0
Reimbursement	0	0
Other types of consideration	0	0
Total	3,281,042	48,945,281