

## **APPENDIX TO THE 2015 ANNUAL REPORT**

### **REPORT ON COMPLIANCE WITH KEY PRINCIPLES AND RECOMMENDATIONS SET FORTH IN THE CORPORATE GOVERNANCE 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 the long term and sustainable development of the Company.

#### **Overview of the Company's corporate governance model and practices**

The Company's corporate governance model is based on the applicable law 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 nurture 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 Company's corporate governance model ensures:

- equitable and fair treatment of every shareholder exercising their right to take part in managing the Company;
- strategic governance of the Company as performed by the Board of Directors;
- control of the Board of Directors over the Company's executives, and accountability of directors and executives 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 Company's corporate governance model see Chapter 3 (*Corporate Governance*) of the Company's 2015 annual report.

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

For the purpose of this Report and with a reference to any given provision of the Corporate Governance Code, "Complied with" / "Not complied with" shall mean the Company's compliance / non-compliance 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 the Company.

- Pursuant to the Company's programme to improve its corporate governance framework as approved by the Corporate Governance, Nomination and Remuneration Committee of Norilsk Nickel's Board of Directors in December 2013, the Company developed internal regulations on the Committees of the Company's Board of Directors<sup>1</sup> in 2015, including:
- 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.

In 2016, the Company is planning to gradually implement the principles and procedures set out in the approved regulations in order to improve efficiency of the Company's Board of Directors and its Committees.

### Key principles and recommendations the Company complies with

No.	Key principles and recommendations	Note
<b>Shareholder rights and equitable treatment of shareholders</b>		
1.1.	The company should ensure equitable and fair treatment of every shareholder exercising their right to take part in managing the company.	The Company does not distinguish between minority and majority shareholders and treats them equally. Equitable and fair treatment of every shareholder exercising their right to take part in management of the Company is enforced by the applicable law, 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 conduct such general meetings.	On 6 June 2014, the Company's General Meeting of Shareholders approved Regulation on the General Meeting of Shareholders of MMC Norilsk Nickel setting forth procedures to convene, prepare for, and conduct 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 prior to the meeting date, unless the applicable law specifies a longer period.	In accordance with Clause 2.21 of Regulation on the General Meeting of Shareholders of MMC Norilsk Nickel, "a notice of the Meeting shall be published in "Rossijskaya Gazeta" and "Taimyr" newspapers and posted online at the Company's website – <a href="http://www.nornik.ru">http://www.nornik.ru</a> (the "Company's website") – at least 30 days before the date of the Meeting (ballot receipt 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. If and when required by Clauses 2 and 8 of Article 53 of the Federal Law on Joint Stock Companies, a notice of the Extraordinary Meeting shall be served <b>at least 70 days before the date of such Meeting.</b> "

<sup>1</sup> The regulations were approved by the Company's Board of Directors on 8 February 2016 (Minutes No. GMK/2-pr-sd).

		<p>In accordance with Clause 2.24 of the Regulation, "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 an issue of the Company's reorganisation, within 30 days before the date of the said Meeting.</p> <p>The above information (materials) shall be made available to the persons taking part in the Meeting during the proceedings thereof. It is required that the information (materials) to be made available to prepare for the Meeting be posted at the Company's website."</p> <p>Where possible, the Company seeks to make the General Meeting materials available prior to the deadline specified in the applicable law and the Company's by-laws.</p>
1.4.	The record date should be disclosed <b>no later than seven days prior to such record date.</b>	<p>In accordance with Clause 2.28 of Regulation on the General Meeting of Shareholders of MMC Norilsk Nickel, Clause 6.9 of the Company's Charter and MICEX Listing Rules, the record date shall be disclosed "at least five days prior to such date."</p> <p>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.</p>
1.5.	It is recommended that the company amend its charter extending the deadline for shareholders to propose items for the agenda of the forthcoming annual general meeting from 30 (as per the applicable law) to <b>60 days</b> following the close of a calendar year.	<p>With respect to the Code's recommendation, the Company opted for a more conservative solution. In accordance with Clause 2.2 of Regulation on the General Meeting of Shareholders of MMC Norilsk Nickel, "proposals on the items for the agenda of the Annual Meeting and nominees to the Board of Directors and Audit Commission shall be submitted to the Company <b>within 90 days</b> after the close of a fiscal year."</p>
1.6	<p>During the preparation for and running of the general meeting, the shareholders should have an unrestricted opportunity to put questions to the members of the company's executive bodies, directors, chief accountant, members of the audit committee, the company's auditors, and prospective members of the company's management and supervisory bodies.</p> <p>It is recommended that the company invite the said persons to attend general meetings of shareholders.</p>	<p>In accordance with Regulation on the General Meeting of Shareholders of MMC Norilsk Nickel,</p> <p>"the Meeting shall be attended by the Company's CEO, Chief Accountant, members of the Audit Commission, Chairperson or any other members of the Board's Audit Committee, and the Company's External Auditor" (Clause 5.16);</p> <p>"if the Meeting is convened to elect the Company's directors, CEO, members of the Management Board and/or Audit Commission, or to approve the Company's External Auditor, nominees to the Company's bodies and representatives of the External Auditor proposed for approval by the Meeting shall be invited to attend such Meeting" (Clause 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>In accordance with the dividend policy approved by the Board of Directors (Board Minutes No. GMK/18-pr-sd of 4 June 2002), the annual dividend amount recommended for approval by the General Meeting of Shareholders of MMC Norilsk Nickel shall stand at 20–25% of the net consolidated profit after taxes as reported under the IFRS.</p> <p>On top of that, the Board of Directors approved targets under the Company's 2014–2018 Development Strategy (Minutes No. GMK/50-pr-sd of 1 October 2013), including but not limited to dividend payout targets. The latter provide that the basic dividend amount shall total 50% of the previous</p>

		year's EBITDA.
1.8	The company should refrain from any and all actions that will or may result in the artificial redistribution of corporate control.	The Company does not take any actions that may result in the 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.
1.9	The shareholders should have on hand reliable and effective ways to record their title to shares and an opportunity to dispose of such shares freely and without hindrance.	The Company has selected a prominent firm as the Company's Registrar. It has reliable tools fine-tuned to effectively record ownership titles and ensure free exercise of shareholder rights.
<b>2.</b>	<b>The Company's Board of Directors</b>	
2.1.	The board of directors should be responsible for the strategic governance of the company defining key principles and approaches to risk management and internal controls, exercising control over the company's executive bodies and delivering on other core responsibilities.	<p>According to the Charter of MMC Norilsk Nickel, the Company's Board of Directors is authorised to:</p> <ul style="list-style-type: none"> <li>- 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.);</li> <li>- oversee the Company's management and its financial and economic operations, assess performance of the Company's President and members of the Company's Management Board, control 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.);</li> <li>- identify key risks associated with the Company's operations, and implement relevant risk management initiatives and procedures (Clause 9.3.34.).</li> </ul>
2.2.	The board of directors should define the company's policy on remunerating and (or) reimbursing (compensating) its directors, executives and other key managers.	<p>According to the Charter of MMC Norilsk Nickel, the Company's Board of Directors is authorised to:</p> <ul style="list-style-type: none"> <li>- determine the size of 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.);</li> <li>- determine of the size of remuneration and compensation payable to the 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.).</li> </ul> <p>The Board of Directors approved Regulation on the Long-Term Incentive Programme for Certain Categories of Employees at MMC Norilsk Nickel and Norilsk Nickel Group (Minutes No. GMK/4-pr-sd of 26 February 2009). When it comes to the Remuneration Policy for the Board of Directors of MMC Norilsk Nickel, the Company has opted for a more conservative solution. The Annual General Meeting of Shareholders approved the respective document on 6 June 2014.</p>
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</p>	<p>Pursuant to Clause 8.5 of the Company's Charter, in exercising their rights and performing their duties, members of the Board of Directors shall act in the interests of the Company and exercise such rights and perform such duties reasonably and in good faith.</p> <p>Recommendations on the basic competence requirements imposed on the nominees to the Company's Board of Directors are set out in the Company's Policy for Development and Approval of Voting Recommendations in respect of Candidates to the Board of Directors of MMC Norilsk Nickel,</p>

	<p>and settlement of internal conflicts between 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>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 Code of Corporate Conduct and Business Ethics for Norilsk Nickel's Board of Directors (as adopted by a resolution of the Board of Directors dated 11 September 2014, Minutes No. 27-pr-sd) (the "Code"), "the Company's Board of Directors is committed to the highest standards of corporate conduct and business ethics. The Board 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"> <li>- integrity and loyalty;</li> <li>- honesty and fairness;</li> <li>- professionalism.</li> </ul> <p>In line with the declared objectives, the Code seeks to:</p> <ul style="list-style-type: none"> <li>- help foster the highest ethical standards, integrity and accountability;</li> <li>- draw attention of the Board and each director to potential ethical risks and conflicts of interest;</li> <li>- provide ethical guidance to directors.</li> </ul> <p>The Code obliges directors (Clause 4) to adopt resolutions ensuring compliance of the Company's employees, officers and other directors with the applicable law, rules and regulations, and corporate policies.</p> <p>The Code's Clause 5 ("Conflicts of interest") sets out typical conflicts of interest, which 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 Company's Charter (Clause 6.7), details about the candidates 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 the run-up to such Meeting.</p> <p>Pursuant to the Company's Charter (Clause 6.8), the above candidate details shall include:</p> <ul style="list-style-type: none"> <li>- full name;</li> <li>- date of birth;</li> <li>- education;</li> <li>- employment record for the last five years;</li> <li>- 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;</li> <li>- number of shares in the Company held by the candidate;</li> <li>- 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);</li> <li>- compliance with the independent director requirements.</li> </ul> <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 Candidates 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:  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>	<p>Pursuant to Clause 8.3 of the Company's Charter, the Board shall consist of 13 directors.</p> <p>As at 31 December 2015, 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 MICEX Listing Rules.</p>
2.6.	<p>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.</p>	<p>Gareth Peter Penny, an independent director, was elected as the Chairman of the Company's Board of Directors.</p>
2.7.	<p>It is recommended that the company's by-laws stipulate the procedure to prepare for and conduct board meetings, so that directors have an opportunity to make proper preparations.</p>	<p>On 30 June 2009, the Annual General Meeting of Shareholders approved Regulation on the Board of Directors of MMC Norilsk Nickel ensuring that the procedure to prepare for and conduct Board meetings provides directors with an opportunity to make proper preparations for such meetings.</p>
2.8.	<p>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.</p>	<p>Pursuant to Clause 5.9 of Regulation on the Company's Board of Directors, a notice of the meeting shall be served on each of the directors by any means necessary to furnish documentary evidence of the sending within 5 (five) calendar days prior to the date of the meeting.</p> <p>The notice shall be accompanied by information (materials) about the meeting's agenda.</p>
2.9.	<p>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.</p>	<p>Pursuant to Clause 5.9 of Regulation on the Company's Board of Directors, if the Board resolves to hold absentee voting on agenda items, the board meeting notices shall "provide the ballot receipt deadline (both time and date) along with the address and other contact details for the dispatch of completed voting ballots."</p>
2.10.	<p>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.</p>	<p>Pursuant to Clause 5.18 of Regulation on the Company's Board of Directors, a director absent, for any given reason, from an in-person meeting may participate in deliberations and vote on the agenda items through a written opinion served by any means necessary to furnish documentary evidence of the sending. 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.</p>
2.11.	<p>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</p>	<p>Pursuant to Clause 5.17 of Regulation on the Company's Board of Directors, directors may participate in meetings held in the form of joint presence by phone, video conference or any other means allowing to identify a respective director and hold real-time deliberations on the agenda items.</p> <p>Such participation shall be deemed equivalent to presence in person.</p>

	conferencing.	
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 2015 was elected by the Company's Board of Directors on 8 October 2015 (Minutes No. GMK/35-pr-sd of 9 October 2015).
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 2015 was elected by the Company's Board of Directors on 8 October 2015 (Minutes No. GMK/35-pr-sd of 9 October 2015). 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 be set up for preliminary consideration of any matters related to the board's HR 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 2015 was elected by the Company's Board of Directors on 8 October 2015 (Minutes No. GMK/35-pr-sd of 9 October 2015).
2.15.	It is recommended that the company set up other board committees taking in 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.
2.16.	The board of directors should be responsible for the assessment of its own – along with its committees' and individual members' – performance. 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.	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: - 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 the 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 the engagement of independent consultants (Clause 4.1.2).
<b>3.</b>	<b>The Company's Corporate Secretary</b>	
3.1.	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.	The Company's Board of Directors has 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 responsibilities of the Corporate Secretary, as well as the status and responsibilities of the Secretariat. Pursuant to Clause 6.2 of the Regulation, the Corporate Secretary is also Head of the Secretariat. The Company's Corporate Secretary was elected by the Board of Directors on 11 December 2015 (Minutes No. GMK/43-pr-sd of 22 April 2015).
3.2.	The corporate secretary should be sufficiently independent of the company's executive bodies and have the necessary authority and resources to perform their duties.	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). The Board of Directors may terminate the powers of the Corporate Secretary prior to their expiration (Clause 3.2). The terms and remuneration of the Corporate Secretary including the bonus for meeting KPIs shall be determined by the Board of Directors and stated in the Corporate Secretary's employment contract (Clause 9.1).

3.3.	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.	Pursuant to Clause 2.1 of the Regulation on the Corporate Secretary of MMC Norilsk Nickel: "A person eligible for appointment to the position of the Corporate Secretary shall: 2.1.1 have impeccable reputation; 2.1.2. have a university degree in Law, Economics, or Business Administration; 2.1.3. be fluent in Russian and English; 2.1.4. have at least two (2) years of experience in corporate governance or in a management position; 2.1.5. have knowledge of the applicable legislation, disclosure standards, rules applied to public companies, etc. 2.1.6. be familiar with international best practices in corporate governance; 2.1.7. have no record of conviction or disqualification under the Russian Code of Administrative Offences.
<b>4.</b>	<b>Remuneration of directors, executive body members and other key managers</b>	
4.1.	The company's remuneration policy should be developed by the remuneration committee and approved by the board of directors. Supported by the remuneration committee, the board of directors should oversee that the remuneration policy is introduced and duly implemented in the company, and review and amend it where necessary.	Pursuant to Clauses 2.1.5.1 and 2.1.6.1 of the Regulation on the Corporate Governance, Nomination and Remuneration Committee of 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 and Management Board and the Company's President, as well as control over adoption and implementation of the Policy and its regular revision. The Committee shall also draft recommendations for the Board of Directors on the Corporate Secretary's remuneration and bonus payment principles (Clause 2.1.6.4).
4.2.	A fixed annual compensation should be the preferred form of cash remuneration for directors. The fixed compensation amount shall 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.	The Remuneration Policy for the Board of Directors of Norilsk Nickel approved at the Annual General Meeting of Shareholders on 6 June 2014 (Clause 3) sets forth the annual compensation 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.
4.3.	No forms of short-term or additional financial incentives for directors are recommended.  It is not recommended that the company provide any extra payments or compensations for directors in the event of early termination of office resulting from a transfer of control or any other reasons whatsoever.	Pursuant to Clause 3 of the Remuneration Policy for the Board of Directors of Norilsk Nickel, the following components shall not be included in the compensation for non-executive members of the Company's Board of Directors: - bonuses linked to the Company's operating results; - options; - additional benefits, including any insurance forms other than the directors' liability insurance; - severance pay and any payments related to the change of the Company's owner; - pension benefit schemes and plans;
4.4.	Remuneration of executive body members and other key managers should be linked to the company's results and their personal contribution to those.	Remuneration of executive body members and other key managers depends the Company's results and their personal contribution to those.  Order of the CEO No. GMK/127-p dated 3 December 2013 approved the Implementation Plan for the Employee Performance Management System, which involves: - approving and adopting documents regulating procedures for employee performance assessment;

		<ul style="list-style-type: none"> <li>- approving key performance indicators (KPIs);</li> <li>- preparing individual development plans;</li> <li>- assessing the achievement of team and individual KPIs.</li> </ul> <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 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>
4.5.	It is recommended that publicly-traded companies introduce a long-term incentive programme for the company's executives and other key managers, involving the company's shares (options or other derivatives with the company's shares as the underlying asset).	The Board of Directors approved the Regulation on the Long-Term Incentive Programme for Certain Categories of Employees at MMC Norilsk Nickel and Norilsk Nickel Group (Minutes No. GMK/4-pr-sd of 26 February 2009).
<p><b>5. Risk management and internal controls</b></p>		
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"> <li>- identify key risks associated with the Company's operations, and implement relevant risk management initiatives and procedures;</li> <li>- approve the internal control system and procedures and the management information system.</li> </ul> <p>The risk management processes in the Company are regulated by the Corporate Risk Management Concept approved by the Board of Directors (Minutes No. GMK/72-pr-sd of 16 December 2005).</p> <p>The Concept regulates risk management procedures that involve the following components:</p> <ul style="list-style-type: none"> <li>- risk identification and classification;</li> <li>- methodology for identifying and classifying risks;</li> <li>- risk tolerance levels;</li> <li>- risk management methods;</li> <li>- distribution of risk management responsibilities;</li> <li>- monitoring and reporting.</li> </ul>

		The key principles and approaches to internal control processes in the Company are listed in the Regulation on Internal Control over Financial and Business Performance of MMC Norilsk Nickel approved by the Board of Directors (Minutes No. GMK/18-pr-sd of 14 July 2006).
5.2.	To ensure effective performance of the risk management and internal controls system, it is recommended to establish a separated business unit (units) dedicated to risk management and internal control.	<p>Pursuant to Order of the Board of Directors (Minutes No. GMK/20-pr-sr of 17 April 2013), the Company established the Financial Control Service. The key functions of the Service, its 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. 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 prepares reports, recommendations, and other documents and submits those to the Company's President and Board members.</p> <p>Pursuant to Order of the CEO No. GMK/40-p On Amending MMC Norilsk Nickel's Head Office Organisational Structure dated 9 April 2015, the Company established the Risk Management Service. Pursuant to Order of the President No. GMK/93-p dated 1 October 2015, the key functions of the Risk Management Service are:</p> <ul style="list-style-type: none"> <li>• improving the Company's risk management system;</li> <li>• creating a consolidated risk register and preparing a map of the key risks reflecting the aggregate impact of the risks on the Company's results;</li> <li>• consolidating information on planned risk management and risk response activities and monitoring their implementation.</li> </ul>
5.3.	The company's risk management system should include the compliance control function.	<p>Development of activities aimed at ensuring the Company's compliance with laws, regulations, standards, the Company's guidelines, ethical standards and rules (compliance control system implementation) is within the remit of the Department of Equity Capital, Compliance, and Prevention of Unauthorised Use of Insider Information pursuant to the Regulation on the Department (Order of the CEO No. GMK/121-p dated 21 November 2013).</p> <p>As part of the compliance control system implementation, the Department is responsible for:</p> <ul style="list-style-type: none"> <li>- identifying and documenting compliance risks;</li> <li>- developing and controlling compliance risk management activities;</li> <li>- informing the Company's business units of new laws and regulations, providing consults and developing recommendations</li> </ul>
5.4.	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>Having joined the Anti-Corruption Charter of the Russian Business and adopted the Anti-Corruption Policy, the Company introduces dedicated anti-corruption programmes based on the Charter and set forth in the Company's Anti-Corruption Policy. To extend participation in the Charter, at the end of 2015 the Company submitted the Declaration on Compliance with the Regulations of the Anti-Corruption Charter to the Russian Union of Industrialists and Entrepreneurs.</p> <p>.</p> <p>By the Board of Directors' resolution, the Company adopted:</p> <ul style="list-style-type: none"> <li>- Anti-Corruption Policy (Minutes No. GMK/34-pr-sd of 17 November 2014);</li> </ul>

		<p>- Code of Business Conduct (Minutes No. GMK/62-pr-sd of 29 December 2012);;</p> <p>- Code of Corporate Conduct and Business Ethics for the Board of Directors (Minutes No. 27-pr-sd of 11 September 2014)..</p> <p>The Company has approved a standard agreement form setting forth anti-corruption obligations of the Company's employees (Order No. GMK/105-p dated 19 December 2014).</p> <p>One of the key anti-corruption measures is timely detection of possible conflicts of interest and prevention of those. Procedures for assessing and settling conflicts of interest are set forth in the Regulation on the Prevention and Management of Conflicts of Interest at MMC Norilsk Nickel, approved by the Order of the Company's President in December 2015. As part of the Regulation on the Prevention and Management of Conflicts of Interest, the Company has approved the Standard Declaration form for reporting conflicts of interest, to be filled in by candidates applying for vacant positions or by the Company's employees whenever required.</p> <p>The Company has established uniform requirements for all employees on presenting and accepting business gifts, which are set forth in the Regulation on Business Gifts Exchange approved by the Order of the Company's President in December 2015.</p> <p>To develop anti-corruption measures and preventive procedures, the Company has assigned a dedicated business unit, the Department of Equity Capital, Compliance, and Prevention of Unauthorised Use of Insider Information.</p> <p>Following the laws, listed regulations, and voluntary obligations, MMC Norilsk Nickel is introducing dedicated anti-corruption programmes focusing on both Norilsk Nickel internal affairs and its relations with business partners and the state.</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>The Company has adopted the Procedure on the Corporate Trust Service approved by Order of the CEO No. GMK/10-p dated 1 February 2010 for receiving and processing reports from employees, counterparties and other individuals and legal entities on possible violations (involving the use of interactive channels for communicating with informers, such as the Corporate Trust Service's phone, mail, personal appointment, etc.).</p> <p>The Code of Corporate Conduct and Business Ethics for the Board of Directors approved by the Board of Directors (Minutes No. 27-pr-sd of 11 September 2014) defines 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>

5.6.	It is recommended that internal audits be performed by a dedicated business unit (internal audit department) to be established by the company, or by an independent external entity. To ensure independence of the internal audit department, it is recommended that its functional and administrative reporting lines be separate. It is recommended that functional reporting be made to the board of directors, while administrative reporting should be made directly to the sole executive body of the company.	Pursuant to Order of the CEO No. GMK/90-p On MMC Norilsk Nickel's Head Office Organisational Structure dated 12 August 2005, the Company established the Internal Control Department. Pursuant to Order of the President No. GMK/57-p On MMC Norilsk Nickel's Head Office Organisational Structure dated 2 June 2015, the Internal Control Department was renamed the Internal Audit Department.
<b>6.</b>	<b>Disclosure of information about the company and its information policy</b>	
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 executive bodies should be in charge of implementing its information policy. Control over compliance with the information policy should be exercised by the company's board of directors.	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." Pursuant to Clause 9.3.35 of the Charter, approving the policy on the public and investor relations refers to the competence of the Company's Board of Directors.
6.3	Along with the information required by the applicable law, the Company should additionally disclose: - 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.	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. 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 ( <a href="http://www.nornik.ru">www.nornik.ru</a> ).
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( <a href="http://www.nornik.ru">www.nornik.ru</a> ). 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). Before 2014, the Company disclosed information on compliance with the Code of Corporate Conduct as recommended by the Federal Commission for Securities Market.
6.5	If foreign investors hold a substantial share of the company's capital, the company should, along with disclosure	All relevant information on the Company's operations is disclosed in English on the Company's website ( <a href="http://www.nornik.ru">www.nornik.ru</a> ).

	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.	
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 <b>equality</b>, ensuring equal rights and opportunities to receive information for all stakeholders, unless otherwise provided by the applicable laws of the Russian Federation.</p> <p>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 the request of shareholders and other stakeholders is published on the Company's website <a href="http://www.nornik.ru">www.nornik.ru</a> in the Internal Documents section.</p>
<b>7.</b>	<b>Material corporate actions</b>	
7.1.	<p>Material corporate actions shall include:</p> <ul style="list-style-type: none"> <li>- reorganisation of the company;</li> <li>- acquisition of at least 30% of the company's voting shares (takeover);</li> <li>- material transactions entered into by the company;</li> <li>- increase or reduction in the company's authorised capital;</li> <li>- listing and delisting of the company's shares;</li> <li>- other actions which may result in material changes in the rights of shareholders or be against their interests.</li> </ul> <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, which the Corporate Governance Code qualifies 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 to 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	<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, <b>be adopted at a board meeting by at least ten votes (i.e. by a three-quarter majority of votes)</b>.</p> <p>Among others, such transactions shall include:</p> <ul style="list-style-type: none"> <li>- transactions involving acquisition, disposal, or encumbrance of any securities (including the Company's shares), if their market value</li> </ul>

	<p>least a three-quarter majority or an absolute majority of votes held by all the elected directors (save for the former ones).</p>	<p>exceeds the equivalent of USD 5 million at the exchange rate announced by the Bank of Russia on the transaction approval date (Clause 9.3.15);</p> <ul style="list-style-type: none"> <li>- transactions involving the Company's shareholder entitled, independently or jointly with their affiliates, to at least 5% of the Company's voting shares (Clause 9.3.21);</li> <li>- 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 million at the exchange rate announced by the Bank of Russia on the transaction approval date (Clause 9.3.30);</li> <li>- 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 million at the exchange rate announced by the Bank of Russia on the transaction approval date (Clause 9.3.33);</li> <li>- 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 million at the exchange rate announced by the Bank of Russia on the transaction approval date (Clause 9.3.39).</li> </ul>
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### 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.	<p>The board of directors should establish an audit committee <b>made up of independent directors. Its responsibilities</b> should be set forth in the company's procedures and <b>be compliant with recommendations of the Corporate Governance Code.</b></p>	<p>Out of the four elected Audit Committee members half are independent directors.</p>	<p>In accordance with the Company's Regulations on the Audit Committee and the Corporate Governance, Nomination and Remuneration Committees, the Committees should only be made up of independent members (compliant with the independence criteria set out in the MICEX Stock Exchange Listing Rules) of the Board of Directors.</p>
2.	<p>The board of directors should establish a compensation committee <b>made up of independent directors</b>, which may be combined with the nomination/HR committee. <b>Its responsibilities should be set forth in the company's procedures and be compliant with recommendations of the Corporate Governance Code.</b></p>	<p>Out of the four elected Corporate Governance, Nomination and Remuneration Committee members, half are independent directors.</p>	<p>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.</p>
3.	<p>The board of directors should establish a nomination/HR committee <b>predominantly made up of independent directors</b>, which</p>		<p>Actually independent and non-executive members of the Board of Directors are equally represented in the Committees.</p> <p>A number of corporate governance mechanisms developed and implemented by</p>

	<p>may be combined with the remuneration committee. <b>Its responsibilities should be compliant with recommendations of the Corporate Governance Code.</b></p>		<p>the Company ensure that the Committees remain efficient, and their recommendations are impartial and independent. These mechanisms, among other things:</p> <ul style="list-style-type: none"> <li>- set strict shortlisting criteria for candidates to the Board of Directors (including the requirements for impeccable professional and personal reputation);</li> <li>- hold all members of the Board of Directors to the highest standards of corporate conduct and professional ethics;</li> <li>- instruct to avoid situations that put (or may put) the personal interest of the BD member at odds with the Company's interests;</li> <li>- set forth a transparent mechanism for assessing both the members and the entirety of the Board of Directors.</li> </ul> <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"> <li>- Policy for Development and Approval of the Voting Recommendations in Respect of the Candidates to the Board of Directors;</li> <li>- Code of Corporate Conduct and Business Ethics of the Board of Directors' members;</li> <li>- Policy for assessing the Board of Directors performance.</li> </ul>
<p>4.</p>	<p><b>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.</b></p>	<p>The Corporate Secretary holds concurrent positions in the Company.</p>	<p>Pursuant to Clause 3.6 of the Regulation on the Company's Managing Board: "The Managing Board Secretary provides organisational and information support to the Managing Board. The duties of the Managing 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 Company's 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> <p>A significant number of matters up for consideration by the Board of Directors are first reviewed by the Board's Committees and the Company's Managing Board.</p>