

# CONTROLS SYSTEM

## INTERNAL CONTROL FRAMEWORK

### The Company has an internal control system

in place intended to promote the achievement of the Company's goals and enhance investor confidence in its business and corporate bodies. The internal control system is aimed at improving the effectiveness and efficiency of activities, keeping reliable and accurate financial and management accounts, ensuring compliance with the requirements of applicable Russian laws and the Company's by-laws.

### The Company has the Internal Control Policy

adopted by resolution of the Board of Directors in October 2018. In addition, internal control requirements, procedures, and processes are covered by the procedure for "Internal Control Processes at MMC Norilsk Nickel", as well as by business unit regulations and other internal guidelines.

ICS components are also assessed annually as part of the audit of the financial statements.

The ICS effectiveness report is reviewed by the Board of Directors' Audit Committee.

All internal control processes, principles, mechanisms, means, and procedures make up a system of elements:

- control environment;
- assessment of risks to business processes;
- control procedures;
- information and communications;
- monitoring of the internal control system.

Entities that form the internal control system are structured on a number of levels, which comprise the Company's and subsidiaries' corporate bodies, business units and employees as well as dedicated control bodies:

- Audit and Sustainable Development Committee,
- Internal Audit Department,
- Audit Commission,
- Internal Control and Risk Management Unit, including the Internal Control Department, Risk Management Service, and Financial Control Service.

Depending on the risk level, the Company monitors the effectiveness of the internal control system through:

- routine monitoring of the business processes as part of the day-to-day operations;
- annual self-assessment of internal controls;
- internal audit.

The Financial Control Service audits the financial and business operations of the Company and its subsidiaries to report and issue recommendations to the President and directors of the Company. The head of the Financial Control Service is appointed by a resolution adopted by the Company's Board of Directors.

### Internal Control Department

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:

- developing and boosting efficiency of the 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 its 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 operations.

### Internal Audit Department

The Internal Audit Department was established to assist the Board of Directors and executive bodies in enhancing the Company's management efficiency and improving its financial and economic operations through a systematic and consistent approach to the analysis and evaluation of risk management and internal controls as tools to provide reasonable assurance that the Company will achieve its goals.

The Internal Audit Department conducts unbiased and independent audits, assessing how effective the internal controls and the risk management system are. Based on the audits, the department prepares reports and proposals for the management on how to improve internal controls, and monitors the development of action plans to eliminate violations.

In order to ensure independence and objectivity, the Internal Audit Department functionally reports to the Board of Directors through the Audit and Sustainable Development Committee and has an administrative reporting line to the Company's President. The Board of Directors' Audit and Sustainable Development Committee regularly reviews the department's work plan and audit reports.

In 2018, the Department conducted the following audits:

- occupational health and safety risk management;
- management of rarely used and non-liquid inventory;
- energy assets;
- IT;
- effectiveness of control procedures in preparation of the financial statements;
- non-industrial assets.

Based on these audits, the management developed action plans which provide for a range of activities aimed at improving internal control procedures and mitigating risks.

It continuously monitors the implementation of activities developed by the management. The monitoring analytics is regularly reviewed by the Audit and Sustainable Development Committee.

#### Audit Commission

The Audit Commission monitors the financial and business operations of the Company. The commission audits the Company's financial and business operations on an annual basis and at any time as decided by the commission, resolutions of the General Meeting of Shareholders and the Board of Directors or as requested by shareholders who hold collectively at least 10% of the Company's voting shares. Following the review of financial and business results, the Audit Commission issues an opinion. Business operations were last audited in April–May 2018.

The Audit Commission works in the shareholders' interests

and reports to the General Meeting of Shareholders, which elects members of the Audit Commission until the next Annual General Meeting of Shareholders. The Audit Commission is independent from the officers of the Company's governance bodies, and its members do not hold positions in the Company's governance bodies.

In the reporting year, the Audit Commission consisted of five people as prescribed by the resolution of the Annual General Meeting of Shareholders dated 28 June 2018.

Remuneration payable to the members of the Audit Commission was approved by the Annual General Meeting of Shareholders. Members of the Audit Commission employed by the Company are remunerated throughout the year as per their job description and employment terms.

#### Remuneration of the Audit Commission members in 2018

Remuneration type	Remuneration amount	
	thousand RUB	thousand USD
Remuneration for the membership in a control body	7,200	115
Salary	5,087	81
Bonus	0	0
Commissions	0	0
Benefits	0	0
Compensation	0	0
Other types of remuneration	0	0
<b>Total</b>	<b>12,287</b>	<b>196</b>

#### Members of the Audit Commission

Name	Primary employment and position
<a href="#">Vladimir Shilkov</a>	Chief Investment Officer at CIS Investment Advisers, Deputy Project Manager of the Financial Control Service at MMC Norilsk Nickel
<a href="#">Anna Masalova</a>	Chief Financial Officer, Moscow–McDonalds CJSC
<a href="#">Artur Arustamov</a>	Director of Price Control and Commercial Operations Department, En+ Management
<a href="#">Georgy Svanidze</a>	Head of Financial Department, member of the Management Board at Interros Holding Company
<a href="#">Elena Yanevitch</a>	Chief Executive Officer, Interpromleasing