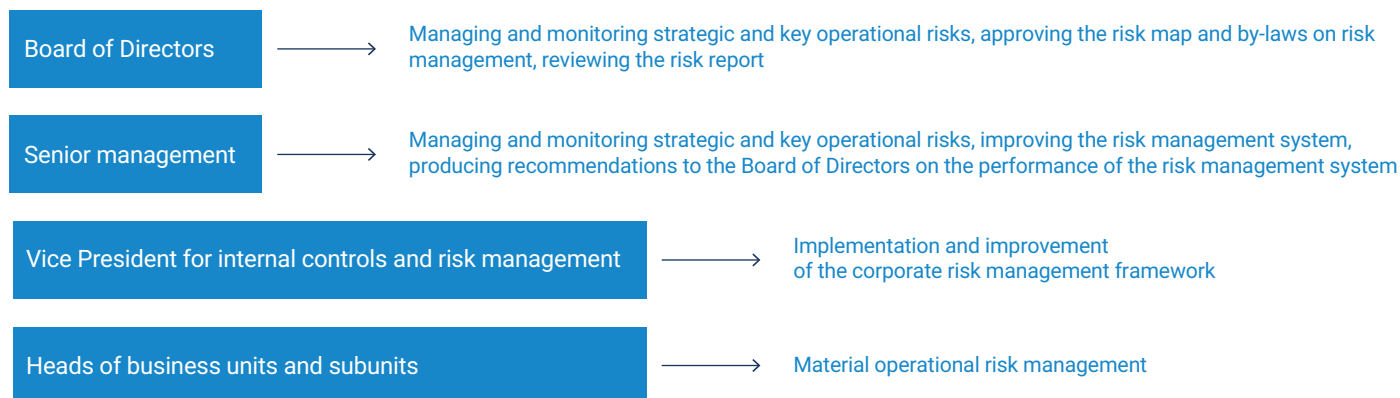


# RISK MANAGEMENT



**The Company continuously manages risks** that affect its strategic and operational goals. These efforts include identification and assessment of external and internal risks in terms of their impact on key financial and non-financial metrics along with the development and implementation of response and minimisation measures.

The Company has developed and adopted all relevant risk management documents, including:

- Corporate Risk Management Policy;
- Corporate Risk Management Framework Regulations;
- Risk Management Regulations;
- Investment Project Risk Management Regulations;
- risk management regulations for specific processes (management of tax, health and safety and market risks);
- Guidelines for development of business continuity plans.

Risk management embraces all business areas and governance levels:

- strategic risks are managed by the Board of Directors and the Company's senior management;
- key operational risks are managed by the Company's senior management;
- other material operational risks are managed by heads of business units and subunits.

The corporate policy sets out the following key risk management objectives:

- increase the likelihood of achieving the Company's goals;
- improve the resource allocation efficiency; and
- boost the Company's investment case and shareholder value.

The risk management framework relies on the principles and requirements of Russian and international laws, and professional standards, including the Corporate Governance Code recommended by the Bank of Russia, ISO 31000 (Risk Management) and COSO ERM (Enterprise Risk Management – Integrated Framework).

To manage catastrophic production risks, the Company develops and approves business continuity plans that in case of emergency set out:

- interaction procedure for business units;
- operations support or resumption plan;
- rehabilitation or reconstruction plan for affected assets.

The corporate risk management framework (CRMF) implementation and improvement initiatives are spearheaded by the Company's Vice President and Head of Internal Controls and Risk Management and its Risk Management Service.

**In 2019, key initiatives aimed at improving the CRMF will include:**

- continued improvement of risk management practices in strategic and operational planning;
- use of simulation modelling for investment risk assessment;
- methodology enhancement to analyse and manage various categories/types of technical and production risks;
- development of online learning programmes on risks for the Company's employees;
- broadening of the business continuity management perimeter to non-production risks: information technology, security, staffing, etc.

# Insurance

Insurance is one of the most important tools for managing risks and finances and protecting the assets of the Company and its shareholders against any unforeseen losses related to our operations, including due to external hazards.

Nornickel has centralised its insurance function to consistently implement uniform policies and standards supporting a comprehensive approach to managing insurance policies and fully covering every risk at all times. The Company annually approves a comprehensive insurance programme that defines key parameters by insurance type and key project.

We have implemented a corporate insurance programme that covers assets, equipment failures and business interruptions across the Group. Our corporate insurance policies are issued by major Russian insurers in cooperation with an international broker. This helps the Company make sure that its risks are underwritten by highly reputable international re-insurers.

The same principles of centralisation apply to our freight, construction and installation, aircraft and ship insurance arrangements. The Group, as well as its directors and officers, carry business and third-party liability insurance.

To optimise terms of coverage and better manage covered risks, we follow the best mining industry practices.

## KEY RISKS

## Strategic risks

### Price risk (decrease in market prices for Nornickel metals)

Potential decrease in revenues due to lower prices for metals (nickel, copper, platinum, palladium, etc.) subject to the actual or potential changes in demand and supply on certain metal markets, global macroeconomic trends, and the financial community's interest in speculative/investment transactions in the commodity markets.

Key risk factors	Mitigants
<ul style="list-style-type: none"> <li>• Lower demand for metals produced by the Company;</li> <li>• inventory liquidation by market participants;</li> <li>• speculative price decrease;</li> <li>• supply and demand imbalance in metal markets</li> </ul>	<p>To manage this risk, the Company:</p> <ul style="list-style-type: none"> <li>• continuously monitors and forecasts changes in key metals supply and demand; safeguards feedstock supplies for key customers through long-term contracts to supply metals in fixed volumes;</li> <li>• as a member of the global Nickel Institute and the International Platinum Group Metals Association, works with other nickel and PGM producers to maintain and increase the demand for these metals.</li> </ul> <p>Should the price risk materialise, the Company will consider cutting capital expenditures (revising the investment programme for projects that do not have a material impact on the Company's development strategy)</p>