

# CORPORATE GOVERNANCE STRUCTURE

Nornickel's corporate governance framework is designed to take into account and balance the interests of shareholders, the Board of Directors, managers and employees, as well as other stakeholders.

Nornickel's corporate governance framework is designed to take into account and balance the interests of shareholders, the Board of Directors, managers and employees, as well as other stakeholders.

The Company's approach to corporate governance, its key principles and mechanisms draw on the applicable Russian laws, including the Corporate Governance Code recommended by the Bank of Russia.

Nornickel's governance framework relies on the following principles:

- equitable and fair treatment of every shareholder;
- support for the shareholders to let them exercise their rights and lawful interests in the most reasonable and convenient manner;
- professionalism and leadership of the Board of Directors, and involvement of independent directors in governance;
- strategic management by the Board of Directors, its efficient control over executive bodies, and oversight of the risk management and internal control framework;
- sound, bona fide and efficient management of the Company's day-to-day operations by executive bodies accountable to the Board of Directors and the General Meeting of Shareholders;
- compliance with the Russian laws and the national laws of the countries of operation;
- corporate social responsibility;
- strong business ethics;
- zero tolerance to corruption, and effective anti-corruption measures;

- full, transparent, reliable and timely disclosure;
- robust internal controls, internal and external audits;
- active cooperation with investors, creditors, and other stakeholders in order to expand Company's assets and increase its market capitalisation.

These principles are reflected in Nornickel's official documents, including the Charter, Regulations on the Board of Directors, Information Policy Regulations, Anti-Corruption Policy, and other by-laws. All these documents are available on the Company's website.



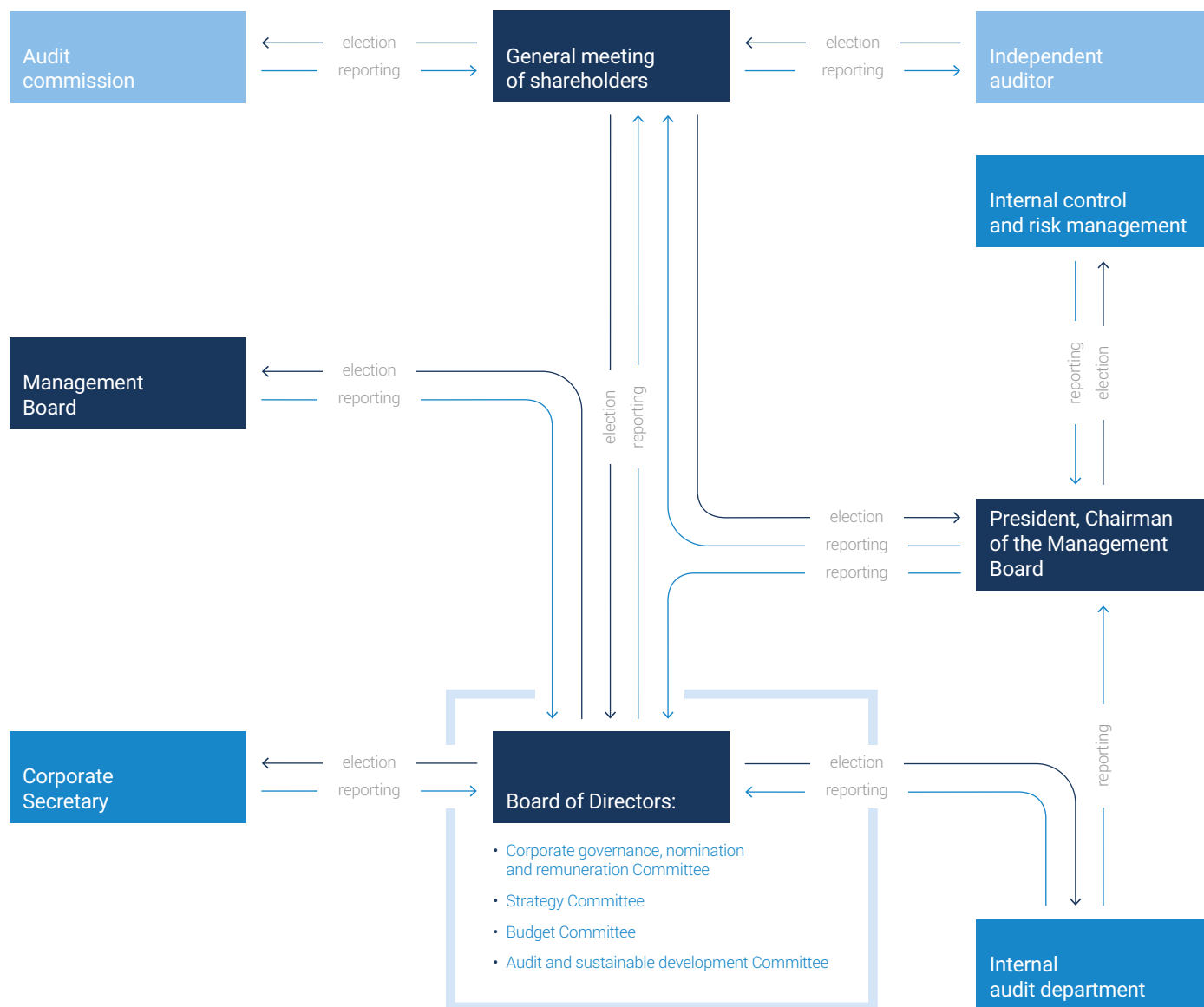
All Nornickel's by-laws are available on the Company's website at: <https://www.nornickel.com/investors/disclosure/corporate-documents/>

## Letter from the Board of Directors

Aware of its key role in the corporate governance framework, the Board of Directors of MMC Norilsk Nickel highlights the Company's commitment to the highest relevant standards and best practices.

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.

# Corporate governance framework



# Governance structure

## General Meeting of Shareholders

This is the supreme corporate body of the Company.

Competencies:

- amending the Charter;
- restructuring and liquidating the Company;
- changing the authorised capital;
- splitting or consolidating the Company's shares;
- electing the Company's President and members of the Board of Directors and Audit Commission and approving the auditor;
- approving annual reports and by-laws regulating the Company's corporate bodies;
- distributing annual profit;
- paying dividends.

It takes place no sooner than three and no later than six months following the end of the preceding financial year.

Extraordinary general meetings of shareholders may be convened by the Board of Directors or at the request of the Audit Commission, the independent auditor, or shareholders owning at least 10% of the Company's voting shares.

Except for the cumulative voting to elect members of the Board of Directors, each voting share is counted as one vote at the General Meeting of Shareholders.

## Board of Directors

This is a collegial governance body in charge of strategic management of the Company and oversight of its executive bodies' activities.

**Pursuant to the Charter, the Board consists of 13 directors.**

Members of the Board are elected at the Annual General Meeting of Shareholders for a period extending until the next Annual General Meeting of Shareholders.

>>> *For more details on members of the Board of Directors, please see*  
**p. 166–171**

## Chairman of the Board of Directors

The Chairman is responsible for day-to-day operation of the Board of Directors, convening and chairing its meetings, making arrangements for minute-taking, and chairing the General Meetings of Shareholders.

**For the last five years, the Board has been chaired by Gareth Peter Penny, an independent director.**

>>> *For more details on the Chairman of the Board of Directors, please see*  
**p. 166**

## Independent directors

Independent directors are those having sufficient professional skills, experience and independence to act on their own and make impartial and reasonable decisions that are not influenced by the Company's executive bodies, particular groups of shareholders or other stakeholders.

The Company adheres to international standards and recommendations set out in the Corporate Governance Code of the Bank of Russia relating to the required number of independent directors. As at 31 December 2018, five of the Company's Board members met the director's independence criteria as defined by the Moscow Exchange, and one director was deemed independent by resolution of the Board of Directors.

**Hence, independent directors make up 46.2% of the Company's Board of Directors.**

>>> *For more details on independent directors, please see*  
**p. 166, 168–170, 172**

## Committees of the Board of Directors

Committees are ancillary bodies set up by the Board of Directors. Their function is to provide preliminary review of critical matters and advice to facilitate the Board's decision-making.

The Board of Directors has set up four committees:

- Audit and Sustainable Development Committee;
- Strategy Committee;
- Budget Committee;
- Corporate Governance, Nomination and Remuneration Committee.

>>> *For more details on the committees' activities, please see*  
**p. 172–174**

## President

The President is the sole executive body in charge of the day-to-day operations of the Company. The President is elected at a General Meeting of Shareholders for an indefinite period and acts as the Chairman of the Management Board.

The President reports to the Board of Directors and the General Meeting of Shareholders.

**Since 2015, this position has been held by Vladimir Potanin (CEO of the Company in 2012–2015).**

>>> *For more details on the President, please see*  
**p. 176**

## Management Board

This is a collegial executive body in charge of the day-to-day management of the Company within its scope of authority as set out in the Charter and the implementation of resolutions adopted by the General Meeting of Shareholders and the Board of Directors.

Members of the Management Board are elected by the Board of Directors for an indefinite period. **As at 31 December 2018, the Management Board consisted of 13 members.**

>>> *For more details on the Management Board, please see*  
**p. 175, 176–182**

## Corporate Secretary

This is a corporate officer whose duties include managing shareholder relations, making the necessary arrangements to protect their rights and interests, and providing efficient operating support to the Board of Directors. The Corporate Secretary reports to the Board of Directors.

Pursuant to the Charter, the Corporate Secretary is appointed by the Board of Directors for a three-year term.

**Since 2011, this position has been held by Pavel Platov** (Company's Secretary before 2017).

>>> *For more details on the Corporate Secretary, please see*  
**p. 183**

## Audit Commission

The Audit Commission controls the Company's financial and business transactions.

It performs annual internal audits of the Company's financial and business operations, as well as other internal audits as it may see fit or as requested by the General Meeting of Shareholders, the Board of Directors or any shareholders owning at least 10% of the Company's stock.

Members of the Audit Commission are elected at an Annual General Meeting of Shareholders for a period extending until the next Annual General Meeting of Shareholders. Members of the Audit Commission shall not simultaneously serve on the Company's Board of Directors or hold other positions in the Company's corporate bodies.

>>> *For more details on the Audit Commission, please see*  
**p. 184–185**

## Independent auditor

This is an audit firm commissioned to audit accounting/financial statements of the Company and provide an independent opinion regarding their accuracy.

The auditor is approved by the Annual General Meeting of Shareholders.

In 2018, the Annual General Meeting of Shareholders approved **JSC KPMG** as an independent auditor for both IFRS and Russian accounting standards.

>>> *For more details on the independent auditor, please see*  
**p. 191**

## Internal Control and Risk Management Unit

This unit is in charge of improving the risk management and internal control framework, detecting and preventing

any waste, misuse or misappropriation of funds or assets of the Company and its subsidiaries, as well as any other wrongdoings and theft, ensuring accuracy of metrics and measurement standards and combating illegal activities, such as money laundering and terrorism financing.

>>> *For more details on the Internal Control and Risk Management Unit, please see*  
**p. 184–191, 196–197**

## Internal Audit Department

This department is in charge of independent audits, including assessment of the risk management and internal control framework of the Company and its subsidiaries.

>>> *For more details on the Internal Audit Department, please see*  
**p. 196–197**

# Achieving excellence in corporate governance

## Nornickel continuously improves its corporate governance framework

and adopts best global practices, keeping in mind their significant impact on the Company's sustainable development and valuation. Strengthening of corporate governance is seen as an integral part of the Company's effort to achieve operating excellence. The process is under constant supervision of the Board of Directors and executive bodies. The Bank of Russia's Corporate Governance Code serves as the main benchmark for improving the corporate governance framework. In the reporting year, the Company sought broader implementation of the Code's principles and recommendations:

- the Board of Directors assessed independent directors listed in the annual report for compliance with independence criteria;
- measures were taken to enhance risk management and internal controls;
- the Company invited an external independent consultant to assess the Board of Directors performance.

In 2018, the Company invited an independent consultant to evaluate the performance of its Board of Directors.

The following documents saw updates to reflect changes in the applicable laws on preventing unauthorised use of insider information and market manipulation:

- Regulation on the Procedure to Access Insider Information, Confidentiality Protection, and Supervision of Compliance with Laws on Preventing Unauthorised Use of Insider Information and Market Manipulation;
- list of insider information.

To streamline and bring internal audits up to date with international standards for the practice of internal auditing, the Board of Directors drafted and approved following documents:

- Guidelines for Assessing the Corporate Risk Management Framework;
- Guidelines for Assessing Internal Controls.

Corporate governance improvements had a positive effect on Nornickel's ESG scores assigned by MSCI and Sustainalytics, and placed the Company among Top 20 in the TopCompetence's National Corporate Governance Index 2018 for adherence to best practices.

**>>>** *For more details on the Company's sustainable development ratings, please see p. 13, 218*

Pursuant to the recommendations set out in the Bank of Russia's Corporate Governance Code, the Company jointly with the Registrar introduced e-voting using the Shareholder's Personal Account to allow remote participation in the meetings of shareholders. The service was first available at the Extraordinary General Meeting of Shareholders in September 2017. In 2018,

the Company actively promoted e-voting among its shareholders. At the Extraordinary General Meeting of Shareholders in September 2018, over 30% of votes were collected through the service. Nornickel will be further developing e-voting to engage the shareholders in corporate activities and help them exercise their governance rights.

## The Company reiterates its commitment to improving corporate governance

to boost its efficiency and competitive edge. In doing so, it will rely primarily on principles and practices that are valued most by the investment community and have proved effective for large companies.

### 2018 milestones

The Company sought broader implementation of the Code's principles and recommendations.

The Company made it to the Top 20 of the TopCompetence's National Corporate Governance Index 2018.

 September 2018

Over 30% of shareholders participated in the Extraordinary General Meeting of Shareholders through e-voting.