

**REPORT OF THE BOARD OF DIRECTORS
PJSC MMC NORILSK NICKEL**
**including a reasoned viewpoint of the Company's Board of Directors
on agenda items of the Annual General Meeting of the Shareholders of the Company
June 28, 2018**

1. Approval of 2017 Annual Report of PJSC MMC Norilsk Nickel

Recommendations:

The Board of Directors recommends approving the annual report of PJSC MMC Norilsk Nickel for 2017.

Viewpoint of the Board of Directors:

The Board of Directors preliminarily reviewed the annual report.

The annual report was developed in accordance with Federal Law 'On Joint-Stock Companies' and complies with Regulation on Information Disclosure by Securities Issuers, approved by the Bank of Russia on 30/12/2014 in Decree No 454-p concerning the content of the annual report and recommendations of the Corporate Governance Code (Corporate Governance Code).

2. Approval of 2017 Annual Accounting (Financial) Statements of PJSC MMC Norilsk Nickel.

Recommendations:

The Board of Directors recommends approving the annual financial statements including profit & loss statement of PJSC MMC Norilsk Nickel for 2017.

Viewpoint of the Board of Directors:

The Board of Directors preliminarily reviewed the annual accounting (financial) statements of PJSC MMC Norilsk Nickel for 2017 (Russian Accounting Standards – RAS). The Board of Directors also examined the opinion of the Company's auditor, i.e. JSC KPMG, concerning RAS-compliant financial statements of PJSC MMC Norilsk Nickel and the opinion of the Internal Audit Commission of PJSC MMC Norilsk Nickel on the performance of PJSC MMC Norilsk Nickel in 2017.

Having analysed the provided information and based on the auditor's opinion, the Board of Directors believes that the RAS-compliant accounting (financial) statements were prepared according to applicable rules and give a true and fair view of the Company's financial position as of December 31, 2017, its performance and cash flows in 2017 in compliance with RAS.

3. Approval of 2017 PJSC MMC Norilsk Nickel Consolidated Financial Statements.

Recommendations:

The Board of Directors recommends approving the consolidated financial statements of PJSC MMC Norilsk Nickel for 2017.

Viewpoint of the Board of Directors:

The Board of Directors recommends approving the consolidated annual financial statements of PJSC MMC Norilsk Nickel for 2017. The Board of Directors also examined the opinion of the Company's

auditor, i.e. JSC KPMG, concerning consolidated financial statements of PJSC MMC Norilsk Nickel and the opinion of the Internal Audit Commission of PJSC MMC Norilsk Nickel on the performance of PJSC MMC Norilsk Nickel in 2017.

Having analysed the provided information and based on the auditor's opinion, the Board of Directors believes that the consolidated financial statements were prepared according to applicable rules and give a true and fair view of the Company's financial position as of December 31, 2017, its performance and cash flows in 2017 in compliance with IFRS.

4. Distribution of profit of PJSC MMC Norilsk Nickel for 2017, including payment (declaration) of dividends, based on the results of 2017 year

Recommendations:

The Board of Directors recommends approving distribution of the PJSC MMC Norilsk Nickel profit for 2017 as follows.

To declare dividends on ordinary shares of PJSC MMC Norilsk Nickel, based on the results of 2017, in the amount of RUB 96,211 million (which is equivalent to USD 1,562 million at the exchange rate of the Bank of Russia as of 24/05/2018), or RUB 607.98 per ordinary share.

Dividend payments shall be carried out in cash.

To recommend to the Annual General Meeting of Shareholders of the Company to set July 17, 2018 as the record date.

For reference (in accordance with

RAS accounts of PJSC MMC Norilsk Nickel as of 31/12/2017):

	<i>RUB million</i>
Retained earnings as of 31/12/2017 earmarked for dividend payout	200,571
which can be used to pay dividends, including:	
Net profit in 2017	130,039

The amount of net profit allocated for the current dividend payment is RUB 96,211 mln.

Viewpoint of the Board of Directors:

The Board of Directors analysed the production and financial results of PJSC MMC Norilsk Nickel for 2017, the current financial position, investment program, and priority directions of the production and social development of PJSC MMC Norilsk Nickel in the future. Having analysed the provided information and based on the auditor's opinion on the RAS-compliant financial statements, the Board of Directors believes that PJSC MMC Norilsk Nickel can distribute the net profit as described above.

The Board of Directors of PJSC MMC Norilsk Nickel believes that the Company has a reason to declare dividend on the Company's shares for 2017 and pay the dividend in accordance with Federal Law 'On Joint-Stock Companies', Article 43, assuming that as of the date of the dividend payment decision and the date of dividend payment:

- PJSC MMC Norilsk Nickel does not show any signs of insolvency (bankruptcy) in accordance with applicable laws on insolvency (bankruptcy) of the Russian Federation and will not acquire the signs as a result of the dividend payment;
- the cost of net assets of PJSC MMC Norilsk Nickel will not fall below the value of its authorized capital and reserve fund and will not fall below their value as a result of resolution to pay dividends and dividend payments (as of 31/12/2017 the cost of net assets of PJSC MMC Norilsk Nickel amounted to RUB 248,970 mln. and exceeded its authorized capital and reserve

fund by RUB 248,788 mln.).

5. Election of members of the Board of Directors of PJSC MMC Norilsk Nickel

Recommendations:

Based on recommendations of the Corporate Governance, Nomination and Remuneration Committee (hereinafter referred to as the Committee), the Board of Directors assessed nominees for the Board of Directors of the Company for their compliance with the independence criteria established by the Company's Articles of Association and PJSC Moscow Stock Exchange Listing Rules, and resolved to recognize the following nominees for the Board of Directors as independent: Sergey Borisovich Bratukhin, Artem Olegovich Volynets, Roger Llewelyn Munnings, Gareth Peter Penny, and Robert Willem John Edwards.

The Board of Directors also resolved to recognize Andrey Nikolaevich Likhachev, a nominee to members of the Board of Directors, as independent, despite his nominal relation to the Company's contractor, as this relation does not affect his capability of making independent, objective and honest judgements.

Pursuant to Policy on Development and Approval of Recommendations Regarding Voting on Nominees for the Board of Directors of OJSC MMC Norilsk Nickel, and taking into account the Committee's opinion, the Board of Directors recommends the shareholders to vote for independent nominees.

Viewpoint of the Board of Directors:

The Company is interested in having a sufficient number of independent directors in the Board of Directors who are independent to form their own position, capable of making objective and honest judgements independent of the Company's executive bodies, certain groups of shareholders or other stakeholder and who have both knowledge and skills in the area of finance, production and strategy of holdings. Independent Directors serve to significantly contribute to discussions and decision makings, enhance the Board of Directors performance, and can assist in the development of PJSC MMC Norilsk Nickel as one of the leaders of the global mining industry.

6. Election of members of the Internal Audit Commission of PJSC MMC Norilsk Nickel.

Recommendations:

The Board of Directors recommends supporting the election to the Internal Audit Commission of the following candidates: Arthur Gagikovich Arustamov, Georgiy Eduardovich Svanidze, Vladimir Nikolaevich Shilkov, Anna Viktorovna Masalova, and Elena Alexandrovna Yanevich.

Viewpoint of the Board of Directors:

In accordance with the Articles of Association of PJSC MMC Norilsk Nickel, paragraph 12.2, the Internal Audit Commission consists of 5 members.

All candidates for the member of the Internal Audit Commission are recognized experts whose business experience and accounting, financial and auditing knowledge and skills will help the Internal Audit Commission to fulfil its tasks more effectively.

7. Approval of the Auditor of RAS-compliant accounting (financial) statements of PJSC MMC Norilsk Nickel

Recommendations:

The Board of Directors recommends to approve JSC KPMG as the Auditor of RAS-compliant accounting (financial) statements of PJSC MMC Norilsk Nickel for 2018.

Viewpoint of the Board of Directors:

JSC KPMG has accumulated considerable experience in providing audit services to leading mining and metallurgical companies. KPMG views its mission as transformation of professional knowledge into a real economic benefit in the interests of its customers, employees and international capital markets.

8. Approval of the Auditor of IFRS consolidated financial statements of PJSC MMC Norilsk Nickel

Recommendations:

The Board of Directors recommends to approve JSC KPMG as the Auditor of consolidated financial statements of PJSC MMC Norilsk Nickel for 2018.

Viewpoint of the Board of Directors:

JSC KPMG has been conducting IFRS-compliant consolidated financial statements audits for PJSC MMC Norilsk Nickel in 2009-2017. JSC KPMG is one of the leading international auditing organizations included into the 'Big Four'.

9. Remuneration and reimbursement of expenses of members of the Board of Directors of PJSC MMC Norilsk Nickel

Recommendations:

In accordance with Policy on Remuneration of Members of the Board of Directors of OJSC MMC Norilsk Nickel, it is proposed to remunerate members of the Board of Directors and reimburse their expenses related to the performance of their duties.

Proposed amounts of remuneration and expense reimbursement of the Chairman of the Board of Directors are determined based on global corporate practice, accounting for the experience of major companies operating in various sectors of economics and taking into consideration opinions of reputable consultants, concerning current market practices for remuneration of non-executive members of the Board of Directors.

Viewpoint of the Board of Directors:

In accordance with paragraph 2 of article 64 of the Federal Law 'On Joint-Stock Companies' the approving of remuneration payable members of the Board of Directors and of expenses associated with execution of their duties as members of the Board of Directors are reserved matters of the General Meeting of the Shareholders. Accordingly, it is recommended to approve amounts of remuneration and reimbursement of expenses incurred by the Chairman of the Company's Board of Directors.

10. Remuneration of the Internal Audit Commission of PJSC MMC Norilsk Nickel

Recommendations:

The Board of Directors recommends approving remuneration amount of members of the Internal Audit Commission not employed by the Company.

Viewpoint of the Board of Directors:

In accordance with Federal Law ‘On Joint-Stock Companies, Article 85, par. 1, and Regulations on the Internal Audit Commission of OJSC MMC Norilsk Nickel, Article 6, approval of remuneration of the Internal Audit Commission members falls within the authority of the General Meeting of Shareholders. Therefore, it is hereby proposed that the General Meeting of Shareholders approve the remuneration amount of the Internal Audit Commission members, as follows: RUB 1,800,000 (one million eight hundred thousand roubles) per annum, payable in equal amounts twice per year. The above amount is shown before taxes, in accordance with applicable laws of the Russian Federation.

11. Approval of related party transactions for reimbursement of members of the Board of Directors and the Management Board of PJSC MMC Norilsk Nickel for incurred losses

Recommendations:

The Board of Directors recommends to authorize conclusion of associated transactions that are related party transactions for all members of the Board of Directors and the Management Board of PJSC MMC Norilsk Nickel the subject matter of which implies the obligation of PJSC MMC Norilsk Nickel to indemnify the members of the Board of Directors and the Management Board of PJSC MMC Norilsk Nickel for any and all losses that the mentioned persons may incur as a result of their election to the mentioned positions in the amount of no more than USD 115,000,000 (one hundred fifteen million) per transaction;

Viewpoint of the Board of Directors:

In accordance with the Corporate Governance Code, a joint-stock company is recommended to use its own funds to insure the liability of members of the Board of Directors so that if the company or a third party incur any losses through a fault of a member of the Board of Directors, the losses could be indemnified using the funds of an insurance company. Based on estimates of the Bank of Russia and global practices, insuring the liability of the members of the Board of Directors will not only allow improving the effectiveness of the civil liability but also convince competent experts of becoming members of the Board of Directors.

The procedure of insuring the liability of officials envisions the negotiation of an Indemnity Agreement between PJSC MMC Norilsk Nickel and each member of the Board of Directors and of the Management Board. The mentioned agreements provide for the obligation of PJSC MMC Norilsk Nickel to reimburse members of the Board of Directors and the Management Board for any and all losses that they may incur as a result of being elected to corresponding positions.

12. Approval of a related party transaction for insurance of the liability of members of the Board of Directors and the Management Board of PJSC MMC Norilsk Nickel

Recommendations:

The Board of Directors recommends to authorize conclusion of transactions that are related party transactions for all members of the Board of Directors and the Management Board of PJSC MMC Norilsk Nickel and which concerns liability insurance of the members of the Board of Directors and the Management Board of PJSC MMC Norilsk Nickel, who are the beneficiaries of the transaction, provided by Russian insurance company; the effective period of liability insurance is one year, total liability limit is not less than USD 200 000 000 and liability limit of not less than USD 25,000.000 for extended coverage to the primary contract as well as insurance premium of not exceeding USD 1,000,000.

Viewpoint of the Board of Directors:

In accordance with the Corporate Governance Code, a joint-stock company is recommended to use its own funds to insure the liability of members of the Board of Directors so that if the company or a third party incur any losses through a fault of a member of the Board of Directors, the losses could be indemnified using the funds of an insurance company. Based on estimates of the Bank of Russia and global practices, insuring the liability of the members of the Board of Directors will not only allow improving the effectiveness of the civil liability but also convince competent experts of becoming members of the Board of Directors.

13. Membership of PJSC MMC Norilsk Nickel in Krasnoyarsk Constructors Self-Regulating Association.

Recommendations:

The Board of Directors recommends approving the participation in Krasnoyarsk Constructors Self-Regulatory Association.

Viewpoint of the Board of Directors:

In accordance with the Town Planning Code of the Russian Federation (Article 1, paragraphs 16 and 22, and Article 52, parts 2 and 3.1), in order to act as the constructor and technical customer in agreements for capital facilities construction, reconstruction, and overhaul, PJSC MMC Norilsk Nickel must be a member of Krasnoyarsk Constructors Self-Regulatory Association (Principal State Registration Number (OGRN): 1082400002563; Taxpayer Identification Number (INN): 2460085960), which is a self-regulatory organization based on membership of entities carrying out the construction activities.