OUR MOST VALUABLE ASSET IS OUR PEOPLE

THEY SAW THE FUTURE. THEY BELIEVED IN THE FUTURE. THEY BUILT THE FUTURE...

YEARS HAVE PASSED AND NOW, AS MUCH AS BEFORE, OUR PEOPLE CONTINUE TO BE OUR KEY RESOURCE AND MOST VALUABLE ASSET. THEY SEEM TO HAVE BORROWED THE BEST PROPERTIES OF OUR METALS TO WITHSTAND THE HARSH CHALLENGES AND BECOME A REAL SYMBOL OF RELIABILITY.

OVER EIGHT DECADES OF OPERATIONS IN THE FAR NORTH, OUR ENGINEERS HAVE DEVELOPED GROUNDBREAKING TECHNOLOGIES AND UNIQUE SOLUTIONS WHICH ALLOW THE COMPANY TO LEVERAGE AVAILABLE RESOURCES AND MAINTAIN THE EXCELLENCE OF OUR PRODUCTS. AN EVEN GREATER HERITAGE IS OUR IDENTITY WHICH UNDERPINS OUR EFFECTIVENESS AND SOLIDARITY IN WORKING TOWARDS THE TARGET, NO MATTER THE DIFFICULTIES.

OVER DECADES, THEY HAVE BEEN DISCOVERING NEW LANDS, CONSTRUCTING MINES AND PLANTS, SMELTING METALS, BUILDING NEW CITIES AND RAISING CHILDREN.
THROUGH THE EFFICIENT USE OF NATURAL RESOURCES AND EQUITY
WE SUPPLY MANKIND WITH NON-FERROUS METALS, WHICH MAKE THE WORLD
A MORE RELIABLE PLACE TO LIVE AND HELP PEOPLE REALISE THEIR ASPIRATIONS
FOR DEVELOPMENT AND TECHNOLOGICAL PROGRESS.

RELIABILITY
Is an ability to address any challenges to ensure success for the business.
For us, reliability means that the Company and its team can fully and assuredly honour commitments to both each other and our partners, counterparties, government agencies and local communities, regardless of ongoing circumstances and market conditions.
Our reliability is underpinned by a high resource to production ratio, strategic planning, an absolute priority of health and safety issues, competitive social benefits to employees, and sustainable development in the regions of operation.

EFFICIENCY
Is delivering against our targets in due time and at minimum costs.
Efficiency is key to our strong competitive edge and investment appeal. It means excellence in all business areas through the leverage of an optimal strategy, advanced technologies and best practices, effective staff management, rational use of financial and HR resources, and mitigation of the Company’s environmental impacts.
To be efficient, our employees need to continuously develop their professional skills, gain new knowledge, and pursue personal growth.

RESPONSIBILITY
Is a desire to honour our commitments and take on responsibility for our decisions.
Responsibility is the main behavioural principle for each employee in their corporate and external relations, as it is regarded as a key to maintaining reliability. Responsibility is closely tied to the readiness to assume personal responsibility for the decisions made.
It also means grasping the need to strictly and reasonably comply with the corporate rules and standards, a permanent focus on health and safety, zero tolerance to corporate misconduct, negligence and breach of business ethics, as well as continuous and sincere aspiration of each employee to maximise the impact of their performance.

GROWTH
Is an effective production ramp-up and upgrade, leverage of ground-breaking technologies and development of our people.
Growth is key to our strong performance and continued leadership despite any market challenges.
Our ability to grow depends on the willingness to set and achieve strategic goals, understand and embrace changes quickly responding to the shifting operating environment, invest in the exploration and development of new promising deposits, and commit ourselves to the development and retraining of employees.

PROFESSIONALISM
Is the ability to ensure a sustainable strong performance.
To be professional means to achieve goals with due regard to health, safety and environment, commit oneself to continuous operating improvements and implementation of innovations and cutting-edge technologies.

COLLABORATION
Is the ability and desire of our employees to achieve goals and objectives through teamwork, respect and mutual assistance, the willingness to share experience, knowledge and resources, and actively develop horizontal communication as part of the effective interaction between the management and rank-and-file employees.
Collaboration can only be built through openness and consideration for the interests of all stakeholders.
STATEMENT OF THE PRESIDENT AND CHAIRMAN OF THE MANAGEMENT BOARD

In 2016, NorNickel once again reaffirmed its reputation of a sustainable company that stays up to date and is able to overcome the global financial turmoil. Our flexible financial and dividend policies enabled the Company to achieve a strong financial performance, sustain the drive for reconfiguration and upgrade of its production facilities, and hold firm to its obligations to customers and suppliers. Most importantly, NorNickel maintained trust of the investment community, which helped secure funding for the Company’s key projects.

However, this does not mean we can rest on our laurels. The Company has major tasks to achieve in terms of keeping costs under control and improving labour productivity. In 2016, we launched a long-term development programme that is expected to bring about a 1.5-fold increase in output and an almost 2-fold growth figure in concentration volumes by 2023. This is only possible through continuous upgrade of capital assets and technology.

As before, health and safety remain a top priority of our production policy. A set of measures introduced in 2016 helped bring down our overall injury rate. Our employees demonstrated a more responsible behaviour, with their proactive approach allowing us to identify more cases of workplace safety violations. New machinery, protection equipment, positioning and radio systems used underground have contributed to a decrease in injury rates. Still a lot needs to be done to guarantee safe labour. In particular, we have to focus on prevention and step up measures to avoid workplace accidents and injuries.

An important part of the modernisation plan is our commitment to solving decades-long legacy environmental issues. In 2016, NorNickel invested over RUB 25.7 bn in these solutions. We shut down nickel Plant, which was beyond modernisation, thus cutting sulphur dioxide emissions within Norilsk city limits. We upgraded and ramped up Talnakh Concentrator and Nadezhda Metallurgical Plant, commissioned a saline effluent disposal facility at Kola MMC, and prepared to introduce advanced metal leaching technology.

It is important to note that our modernisation projects caused no decline in output or major job cuts. NorNickel remains a leader in terms of social responsibility and fulfils its obligations to more than 80,000 employees every year. Along with traditional forms of social support, NorNickel introduces social programmes aimed at urban development, social entrepreneurship, charity, and volunteering.

NorNickel remains a reliable partner to regions of its presence, both as a major taxpayer and a contributor to important regional and federal programmes supporting social activities, sports, and infrastructure projects.

I am confident that the well-coordinated efforts of the management and professionalism of NorNickel employees will help the Company to retain its industry leadership and live up to the reputation of a reliability role model for the employees, community, and country in general.

Vladimir Potanin
President, Chairman of the Management Board
MMC Norilsk Nickel
**2016 HIGHLIGHTS**

**SAFETY**
- FTE - LTIFR and FIFR have been monitored since zero one three.
- Tax and non-tax payments include all taxes paid, net of VAT and dividend income tax, as well as insurance payments and customs duties.
- In accordance with the IFRS financial statements, net of social CAPEX.
- There were insignificant copper shipments to Asia.

**ENVIRONMENT**
- Total pollutant emissions, kt
- Environmental protection expenditures and investments, RUB bn

**SOCIETY**
- Group’s average headcount, FTEs
- Tax and non-tax payments to budgets of various levels, RUB bn
- Community investments and charity, RUB bn

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**THE COMPANY’S POSITION IN THE INDUSTRY**

<table>
<thead>
<tr>
<th>Location</th>
<th>Nickel</th>
<th>Palladium</th>
<th>Rhodium</th>
<th>Platinum</th>
<th>Copper</th>
<th>Cobalt</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Global Output</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>No. 2</td>
<td>12%</td>
<td>40%</td>
<td>8%</td>
<td>11%</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>No. 1</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>No. 4</td>
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</tr>
<tr>
<td>No. 12</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**KEY METAL SALES IN 2016 BY REGION**

<table>
<thead>
<tr>
<th>Region</th>
<th>Nickel</th>
<th>Palladium</th>
<th>Rhodium</th>
<th>Platinum</th>
<th>Copper</th>
<th>Cobalt</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Revenue</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Europe</td>
<td>13%</td>
<td>61%</td>
<td>44%</td>
<td>15%</td>
<td>25%</td>
<td>3%</td>
</tr>
<tr>
<td>Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North and South America</td>
<td>8%</td>
<td>42%</td>
<td>2%</td>
<td>39%</td>
<td>26%</td>
<td>43%</td>
</tr>
<tr>
<td>Russia and CIS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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1. LTIFR and FIFR have been monitored since 2013.
2. Tax and non-tax payments include all taxes paid, net of VAT and dividend income tax, as well as insurance payments and customs duties.
3. In accordance with the IFRS financial statements, net of social CAPEX.
**Key Events of 2016**

**Reliability**

MMC Norilsk Nickel completed an important phase of its large-scale, environment-focused programme for smelting capacities reconfiguration, with outdated Nickel Plant shut down in Norilsk in August, two months ahead of schedule. The project is unprecedented in terms of its environmental impact and social guidelines provided to the plant’s employees. Before the shutdown, the Company ramped up its nickel concentrate processing capacity at other production facilities (Kola MMC, Norilsk Nickel Harjavalta and Nadezhda Metallurgical Plant).

**Responsibility**

In December, one of the two treatment facilities for saline effluent from nickel refining operations was commissioned at Kola MMC to become a pre-eminent environmental initiative run by the Company on the Kola Peninsula. The new efficient treatment technology will minimise the environmental footprint of the local operations. In May, Kola MMC shut down its pelletisation and roasting section. The obsolete technology was excluded from the process and replaced with the briquetting of copper-nickel concentrate. The technology upgrade made the facility more environmentally friendly and efficient, reducing SO₂ emissions in Zapolyarny from 38,000 to 7,000 tonnes per annum.

**Efficiency**

Norilsk’s projects to reduce its environmental impact, worth RUB 1.3 bn, were included in the list of initiatives for Russia’s Year of the Environment in 2017. In June 2016, MMC Norilsk Nickel, Ministry of Natural Resources and Environment, Federal Service for Supervision of Natural Resources and Government of the Krasnoyarsk Territory signed an agreement setting out the Company’s obligations to carry out these projects.

**Professionalism**

In June, Norilsk Nickel organised the Time of Reliable Solutions, a corporate forum that became a venue to discuss the Company’s strategy progress, corporate culture and values, coordinate the vision of future development, and define tasks for the next three years. For the second year in a row, the Company turned the forum into an interactive event with a better involvement of employees and managers in the discussion of corporate activities.

**Growth**

According to the independent assessment of November 2016, the safety culture level at Norilnickel Group’s key production facilities stood at 2.5 compared to 1.4 in early 2014 when the first assessment took place. The safety culture improvement is driven by the implementation of risk mitigation standards, safety communication campaign and dedicated risk mitigation programmes. The assessment covered Polar Division, Kola MMC, NorilsknickelreMont and Polar Construction Company.

**Collaboration**

In October, Norilsk Administration, MMC Norilsk Nickel’s Polar Division and Vladimir Potanin Foundation signed a tripartite memorandum of cooperation. The document provides for the establishment of Norilsk Development Agency to become a foundation for economic, social and cultural development of Norilsk and creation of a favourable urban environment.

**About Norilnickel Group**

Norilsk Nickel is Russia’s leading metals and mining company, and the world’s largest producer of palladium and refined nickel and one of the biggest platinum and copper producers. The Group’s companies also produce cobalt, rhodium, silver, gold, indium, ruthenium, selenium, tellurium, and sulphur.

In 2016, the Company accounted for 0.8% of Russia’s GDP, 2.7% of the national industrial output, 9.8% of metals production, and 2.4% of Russia’s exports.

For the purposes of this Corporate Social Responsibility Report for 2016 (the “Report”), Norilsk Nickel Group shall refer to MMC Norilsk Nickel and the entirety of operations forming Norilsk Group. Unless otherwise specified or required by the context, the terms “Company”, “Group”, “Norilsk” or “the Group’s companies” shall mean Norilsk Group.

Quantitative indicators for certain areas of sustainable development pertain to the Group’s specific operations in accordance with Appendix 3.

The Group’s average headcount in 2016 was 82,000 employees, including 525 people employed by foreign subsidiaries.

In distribution and sales, the Company focuses on building long-term strategic relationships with key market players. Its customer base includes 436 companies, mostly industrial consumers. Norilsk sells its products on all the key markets, with its footprint spanning over 35 countries as at the end of 2016.

**Assets**

Production units of the Group are located in three countries – Russia, Finland and South Africa.

Its core businesses are based in Russia and have a vertically integrated structure. Two main production sites in Russia are: Polar Division of MMC Norilsk Nickel (“Polar Division”); Kola Mining and Metallurgical Company (“Kola MMC”).

The Company’s Polar Division is located on the Taimyr Peninsula (Krasnoyarsk Territory) beyond the Arctic Circle. It is linked to other regions by inland waterways (the Yenisey River), marine transport (the Northern Sea Route) and air transport.

Kola MMC is located on the Kola Peninsula beyond the Arctic Circle. It is the leading industrial facility of the Murmansk Region and is completely integrated into the transport infrastructure of the Northwestern Federal District.

In Finland, Norilsk Nickel operates Norilsk Nickel Harjavalta (part of the Group), the country’s only nickel refining plant.

In South Africa, the Company owns 50% of Nkomati, a nickel mine developed jointly with African Rainbow Minerals.

MMC Norilsk Nickel runs a global network of representative and sales offices in Russia, UK, China, USA, and Switzerland.

In addition to geology, energy, logistics, and support businesses, the Group comprises Gipronikel Institute, an R&D facility based in St Petersburg with branches in Norilsk and Monchegorsk. In total, the Group counts over 80 companies.
**Key Development Projects**

**Polar Division**

<table>
<thead>
<tr>
<th>Projects</th>
<th>Current Status</th>
<th>Capacity upon completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kola MMC</td>
<td></td>
<td></td>
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<tr>
<td>Severny-Gusky Mine</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electro-winning of Nickel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nickel from chlorine dissolved tube furnace nickel powder</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of saline effluent from nickel refining</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production of precious metal concentrates from the residue of chlorine dissolved tube furnace nickel powder</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taimyrsky Mine</td>
<td></td>
<td></td>
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<tr>
<td>Kamenskoye Mine</td>
<td></td>
<td></td>
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<tr>
<td>Oktyabrsky Mine</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Talnakh Concentrator</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upgrade and Retrofit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reconstruction of Nadezhda Metallurgical Plant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refurbishment at Nadezhda Metallurgical Plant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sulphur Production</td>
<td></td>
<td></td>
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<tr>
<td>Refurbishment at Nadezhda Copper Plant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nadezhda Metallurgical Plant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Anode Copper Capacity of 445 KTPA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleaner Air in Norilsk Residential Areas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to elimination of the main source of ground-level emissions at Copper Plant (an obsolete Copper Conversion Section) and a resulting decrease in sulphur emissions by 172 KTPA</td>
<td></td>
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</tbody>
</table>

**Chita PMO**

<table>
<thead>
<tr>
<th>Projects</th>
<th>Current Status</th>
<th>Capacity upon completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chita Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development of poly-metallic deposits in Trans-Baikal territory</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction of an open pit mine in order to utilize untapped reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key project features: 296 Kt of ore in reserves: output of 10 MTPA</td>
<td></td>
<td></td>
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</tbody>
</table>

**Kola MMC Projects**

<table>
<thead>
<tr>
<th>Projects</th>
<th>Current Status</th>
<th>Capacity upon completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severny-Gusky Mine</td>
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<tr>
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</tbody>
</table>

**Polar Division Projects**

<table>
<thead>
<tr>
<th>Projects</th>
<th>Current Status</th>
<th>Capacity upon completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skalisty Mine</td>
<td></td>
<td></td>
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<tr>
<td>Komsomolsky Mine</td>
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<td></td>
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<tr>
<td>Taimyrsky Mine</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oktyabrsky Mine</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Talnakh Concentrator</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upgrade and Retrofit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reconstruction of Nadezhda Metallurgical Plant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refurbishment at Nadezhda Metallurgical Plant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sulphur Production</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refurbishment at Nadezhda Copper Plant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nadezhda Metallurgical Plant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Anode Copper Capacity of 445 KTPA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleaner Air in Norilsk Residential Areas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to elimination of the main source of ground-level emissions at Copper Plant (an obsolete Copper Conversion Section) and a resulting decrease in sulphur emissions by 172 KTPA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
KEY SOCIAL AND ECONOMIC PROJECTS

- Norilsk Development Agency
- Reconstruction of Norilsk Airport
- Relocation Programme
- Norilsk Nickel Mini Football Club (Sponsorship)
- Integrated Emission Reduction Project
- Science Festival in Krasnoyarsk
- 29th International Winter Universiade in Krasnoyarsk in 2021 (Partnership)
- Russian Olympic Committee (Partnership)
- Football Union of Russia (Partnership)
- Novy Urengoysk Construction of a Fibre Optic Communication Line
-的基础上
- Novy Urengoysk Construction of a Fibre Optic Communication Line
- World of New Opportunities
- Social and Economic Partnership Agreement with Regional Authorities
- Cooperation with Nature Reserves
- Corporate Volunteer Programme
MMC Norilsk Nickel completed an important phase of its large-scale, environment-focused programme for smelting capacities reconfiguration, with outdated Nickel Plant shut down in Norilsk in August, two months ahead of schedule. The project is unprecedented in terms of its environmental impact and social guarantees provided to the plant’s employees. Before the shutdown, the Company ramped up its nickel concentrate processing capacity at other production facilities (Kola MMC, Norilsk Nickel Harjavalta and Nadezhda Metallurgical Plant).
3. PRIORITIES AND OBJECTIVES

Nornickel’s priority is its Tier-1 assets, as they secure robust returns on investments and are located in the high-potential regions where the Company has a competitive edge.

In 2013, the Company adopted a new corporate strategy focused on unlocking the potential of the Taimyr and Kola Peninsula’s resource base, improving operating efficiency, and raising the quality of investment and capital management.

Nornickel’s priority is its Tier-1 assets, as they secure robust returns on investments and are located in the high-potential regions where the Company has a competitive edge. Tier-1 assets must generate over RUB 1bn in revenue and have at least a 40% EBITDA margin and 20 years’ life. By focusing on the development of its Tier-1 assets, the Company will be able to make better use of the existing infrastructure and fully unlock its geological and technological potential to deliver the highest margins. In implementing its strategy, the Company factors in trends that shape the global commodity markets, and focuses on projects with a good safety buffer in terms of performance.

In 2014, the Company presented its production reconfiguration programme. The reconfiguration exercise seeks to achieve economies of scale and mitigate the environmental impact on the Norilsk Industrial District. The reconfiguration will deliver:
- Reduction of SO₂ emissions through the concentrator upgrade and the Nickel Plant shutdown;
- Substantially lower pollutant concentrations in Norilsk’s residential area;
- Higher metal recovery rates and optimisation of the Company’s production capacity utilization rates;
- Lower load on the energy infrastructure of the Norilsk Industrial District.

In 2016, the Company continued its strategic projects within the reconfiguration scope:
- Ore processing started at Stage 2 of the upgraded Talnakh Concentrator;
- Reconstruction completed at Nadezhda Metallurgical Plant to be used as a single nickel feedstock smelting facility;
- Nickel Plant shut down, thus cutting sulphur dioxide emissions within Norilsk city limits by more than a third.

In 2016, the Board of Directors’ Strategy Committee reviewed:
- The Company’s updated strategy*;
- Sales and marketing strategy;
- Transport and logistics strategy;
- Project services development strategy;
- Repair services development strategy;
- Progress in environmental projects;
- Progress in implementation of the fuel and energy development strategy;
- Progress in large investment projects of the Company*.

Since 2015, the Company has been implementing the New Norilsk concept, a vision of Norilsk as a city of sustainable development. Corporate priorities, such as health, safety and environment protection, social investments, accessibility of the region and support for new businesses, are viewed as a foundation to achieve the target vision.

In implementing the New Norilsk concept, the Company focuses on:
1. Promoting innovation and professional incentives by:
   - Improving corporate culture;
   - Introducing young talent development and retention programme.

2. Breaking the island mentality by:
   - Improving the region’s environment for new businesses to emerge;
   - Upgrading the Norilsk (Aykel) Airport’s runway.

3. Improving local infrastructure by:
   - Building a fibre optic communication line;
   - Upgrading the Norilsk (Aykel) Airport’s runway.

For more details, please see the Developing Local Communities section.

* Reviewed by the Board of Directors on an annual basis.
Priorities and Objectives

Key Principles of the Company's Strategy and Contribution to Sustainable Development

- Modernising and building capacities as part of the Tier-1 assets development, outsourcing to local construction, assembly and R&D businesses
- Economies of scale and advanced production technologies
- Maintaining and enhancing the Company’s key competitive edge – efficient geological exploration service and geology professionals with an extensive experience in the Taimyr Peninsula and Eastern Siberia
- Ensuring sustainable high margins throughout the asset development lifecycle
- Fulfilling all commitments to the government, employees and shareholders
- Securing sustainable development of the Group’s operations in a challenging macroeconomic environment

Responsibility for the capital and investments returns

- Laying a foundation for the community development across the Company’s regions of operations
- Achieving positive results in the Safety, Environment and Community areas
- For more details, please see the Goals and Objectives by CSR Focus Area section

Social responsibility

- Fulfilling all commitments to the government, employees and shareholders
- Ensuring sustainable high margins throughout the asset development life cycle
- Maintaining and enhancing the Company’s key competitive edge – efficient geological exploration service
- Modernising and building capacities as part of the Tier-1 assets development, outsourcing to local construction, assembly and R&D businesses

3.2. Goals and Objectives by CSR Focus Area

<table>
<thead>
<tr>
<th>Priorities and Focus Areas</th>
<th>Objectives</th>
<th>Goals</th>
<th>Progress in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Safety</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health and safety</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupational safety</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuous LTFR improvements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zero work-related fatalities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual reduction in the number of accidents</td>
<td>Completed</td>
<td></td>
<td>See Section 6.1</td>
</tr>
<tr>
<td>Completed in 2016, the number of accidents decreased by 39% compared to a planned reduction of 20%. The plan for 2017 is to reduce accidents by another 15%.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health and safety measures as per plan</td>
<td>Completed</td>
<td></td>
<td>See Section 6.1</td>
</tr>
</tbody>
</table>

| Improvements in social and working standards at the Company’s production sites | Completed | See Section 6.2 |
| Favourable social and working conditions for the Company’s employees | Completed | See Section 6.2 |
| Bringing social facilities in line with existing requirements | Completed | See Section 6.2 |
| Overhaul of social facilities | Completed | See Section 6.2 |

| Community |            |      |                 |
| Regulatory compliance and observance of human rights |            |      |                 |
| Development of the regulatory framework in line with the Company’s priorities | Completed | See Section 5.5 |
| Minimisation of breaches of law | Completed | See Section 5.5 |
| Expert review of draft regulations | Completed | See Section 5.5 |
| Preparation of amendments and proposals on draft federal regulations | Completed | See Section 5.5 |
| Identification of non-compliance risks associated with business processes, and risk governance based on the mitigation of such risks in line with the Company’s risk profile | Completed | See Section 4.4 |
| Introduction of an anti-trust compliance system | On the plan starting 2017 |

| Development of talents in the Company’s regions of operation | Recruitment of highly skilled employees, including those from the skills shortage list | Provision of competitive remuneration | Completed |
| Completed in 2016, the average salary in Norilsk Group increased by 7%. | See Section 8.1 |
| In progress | See Section 8.1 |

| Employment | Incentives for the employees to achieve best results under the business plan in line with the corporate strategy | Provision of competitive remuneration | Completed |
| Completed in 2016, the average salary in Norilsk Group increased by 7% | See Section 8.1 |
| In progress | See Section 8.1 |

| Employee incentives | Incentives for the employees to achieve best results under the business plan in line with the corporate strategy | Provision of competitive remuneration | Completed |
| Completed in 2016, the average salary in Norilsk Group increased by 7% | See Section 8.1 |
| In progress | See Section 8.1 |

| Development of talents and career | Maintenance of social stability for the workforce in the Company’s regions of operations | Construction and maintenance of social infrastructure | Completed |
| Completed | See Section 8.2 |
| In progress | See Section 8.2 |

| Community investments and charity in the Company’s regions of operations | Completed | See Section 8.2 |

| Support to vulnerable population groups | Completed | See Section 8.2 |
| In progress | See Section 8.2 |

| Payments to budgets and non-budget funds | Completed | See Section 8.2 |
| In progress | See Section 8.2 |

| Contribution to the professional and cultural development of employees | Direct compliance with staff training laws across the Group’s operations | Excellence in staff training, retraining, and professional development | Completed |
| Stabilisation of the employee churn rate | Completed | See Section 6.1 |
| Upgrade of the existing distance training system | In progress | See Section 6.1 |
| Implementation of corporate social programmes | Completed | See Section 6.1 |

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| Upgrade of the existing distance training system | In progress | See Section 6.1 |
| Implementation of corporate social programmes | Completed | See Section 6.1 |
## Priorities and Objectives

### ENVIRONMENT

- **Gradual reduction of air pollutant emissions:** Mitigation of the Company’s environmental impact through production reconfiguration and high-tech projects reducing air pollutant emissions and wastewater discharges.  
  - **No violation of current-year environmental impact limits in production operations:** Completed  
  - **Implementation of environmental, administrative and technical measures to minimize the environmental impact of the Company’s operations:** Completed  
  - **6.2% reduction of air pollutant emissions by Group companies:** See Section 7.3.

- **Consistent reduction of wastewater discharges into water bodies:** Implementation of environmental, administrative and technical measures to minimize the environmental impact of the Company’s operations.  
  - **6.6% reduction of pollutants in wastewater discharges of MMCh Norilsk Nickel in 2016:** Completed

- **Development of waste disposal sites:** Environmental management compliance with ISO 14001:2004, updates in the environmental management documents.  
  - **Completed** See Section 7.1.

- **Prevention of pollution resulting from sea freighting and vessel operation:** Participation in events staged under cooperation agreements signed by the Company and environmental protection authorities.  
  - **Completed** See Section 5.6.

- **Water consumption optimization:** Implementation of a programme to upgrade, revamp and replace the Norilsk Industrial District’s power transmission facilities.  
  - **In progress** See Section 7.7.

- **Biodiversity conservation:** Implementation of initiatives under the Company’s Fuel and Energy Development Strategy.  
  - **In progress** See Section 7.7.

- **Energy efficiency:** Implementation of initiatives to improve operating efficiency.  
  - **In progress** See Section 7.7.

- **Achievement of operating efficiency through resource-saving technologies:** Improvements in operating efficiency.  
  - **In progress** See Section 7.7.
One of the two treatment facilities for saline effluent from nickel refining operations was commissioned at Kola MMC to become a pre-eminent environmental initiative run by the Company on the Kola Peninsula. The new effluent treatment technology will minimise the environmental footprint of the local operations.

In May, Kola MMC shut down its pelletisation and roasting section. The obsolete technology was excluded from the process and replaced with the briquetting of copper-nickel concentrate. The technology upgrade made the facility more environmentally friendly and efficient, reducing SO₂ emissions in Zapolyarny from 38,000 to 7,000 tonnes per annum.
4. RESPONSIBLE OPERATIONS

The Company estimates its impact to be the most significant in three key areas of corporate social responsibility: safety, environment, and community.

- **8.9%** increase in environmental expenses and investments
- **29.2%** increase in the financing of social, charitable, and social infrastructure programmes
- **3.2%** increase in tax and non-tax payments to budgets of various levels

4.1. SUSTAINABILITY MANAGEMENT

Corporate social responsibility is one of the strategic priorities of Norilsk Nickel Group. The Company estimates its impact to be most significant in three key areas of CSR: safety, environment, and community. Activities in these areas bring the biggest positive effect in terms of long-term sustainability and promoting social stability and comprehensive safety in the territories where the Company operates.

SUSTAINABILITY MANAGEMENT @ G4-56

OUR MISSION

THROUGH THE EFFICIENT USE OF NATURAL RESOURCES AND EQUITY WE SUPPLY HUMANKIND WITH NON-FERROUS METALS, WHICH MAKE THE WORLD A MORE RELIABLE PLACE TO LIVE, AND HELP PEOPLE REALISE THEIR ASPIRATIONS FOR DEVELOPMENT AND TECHNOLOGICAL PROGRESS

OUR VALUES

STRAATEGY PILLARS
- FOCUS ON TIER-1 ASSETS
- VALUE CHAIN OPTIMISATION
- RESPONSIBILITY FOR CAPITAL AND ROI
- SOCIAL RESPONSIBILITY

MANAGEMENT
- Health and Safety Strategy
- Health and Safety Policy
- Norilsk Nickel’s Corporate Social and Working Conditions Standard
- Corporate health and safety standards
- Environmental Policy
- Code of Business Ethics
- Risk Management Policy
- Quality Assurance Policy
- Human Capital Development Programme
- Anti-Corruption Policy
- Information Policy Regulation
- Charity Regulation

STAKEHOLDER ENGAGEMENT
The Company supports major domestic and international CSR and sustainable development initiatives that bring together businesses committed to responsible business practices and excellent reputation. NorNickel joined the Social Charter of the Russian Business in 2005 and the United Nations Global Compact in 2016. The Company sticks to the provisions of ISO 26000:2010 in its social and environmental policy-making and actively promotes the UN Sustainable Development Goals that are applicable to its business. 

The management and executive bodies of MMC Norilsk Nickel and its subsidiaries are in charge of developing and implementing the policy for various aspects of the Group’s corporate social responsibility and sustainable development, within the scope of their functions and in accordance with the legislation and internal regulations.

All executive efforts aimed at our CSR priorities are coordinated by the Management Board; the President, and following committees of the Company: the Budget Committee under the Management Board, the Charity Committee, the Health, Safety and Environment Committee, the Investment Committee, and the Nomination and Remuneration Committee.

The Company has developed and successfully implemented the Corporate Integrated Quality and Environmental Management System (CIMS).

Operational management of corporate social responsibility and sustainable development activities at the Group’s foreign enterprises is carried out by the specific units in line with their functional responsibilities and include development, adoption, and implementation of management decisions.

For three successive years, NorNickel has been among the leaders of the Responsibility and Transparency and Sustainable Development Vector indices made by the Russian Union of Industrialists and Entrepreneurs. Those indices measure the level of CSR reporting disclosure and the evolution of performance and commitment in this field.

At the international level, the appreciation of our efforts in the area of corporate social liability and sustainable development is attested by the inclusion of the Company’s stock in the FTSE4Good Emerging Index in 2016.

4.2. CORPORATE GOVERNANCE

The Company continuously improves its corporate governance framework to enhance efficiency and ensure compliance with global best practices. Since 2002, the Company has been following the recommendations of the Code of Corporate Conduct of the FCSM, and the Corporate Governance Code after its approval by the Board of Directors of the Bank of Russia on 21 March 2014.

The key internal regulations on corporate governance are available on MMC Norilsk Nickel’s website www.nornickel.ru in the Investor Relations section

Regulation on the General Meeting of Shareholders of MMC Norilsk Nickel

Regulation on the Board of Directors of MMC Norilsk Nickel; Directors’ Code of Corporate Conduct and Business Ethics; Directors’ Professional Development Policy of MMC Norilsk Nickel; Directors’ Performance Assessment Policy of MMC Norilsk Nickel; Policy for the Development and Approval of Voting Recommendations in respect of Candidates to the Board of Directors of MMC Norilsk Nickel; Directors’ Remuneration Policy of MMC Norilsk Nickel.

Regulation on the Management Board of MMC Norilsk Nickel

Regulations on the Committees of the Board of Directors of MMC Norilsk Nickel

The General Meeting of Shareholders is the Company’s supreme governing body and has the authority to elect members of the Board of Directors, approve the Company’s auditor, annual reports, and annual financial (accounting) statements. The Audit Commission, controlling the Company’s financial and business operations, reports to the General Meeting of Shareholders.

The Board of Directors is in charge of overseeing the Company’s business, with the exception of matters that fall within the scope of the General Meeting of Shareholders, as specified in the Federal Law On Joint Stock Companies and the Company’s Charter. It establishes priorities, the development strategy, plans and budgets, approves major and interested-party transactions pursuant to the Federal Law On Joint Stock Companies, defines key risks associated with the Company’s operations, and measures and procedures for managing such risks.

In overseeing the Company’s management, financial and business affairs, the Board of Directors may instruct the managers on individual matters. Such decisions and instructions are minuted at the BD meetings and subsequently followed up. Authorised executives are vested with powers and responsibilities to address economic, environmental and social issues and may delegate their powers to other employees based on their competences and functions.

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2 For details, please see the Product Responsibility and Environmental Performance sections.

3 The “Company” in this section is understood as MMC Norilsk Nickel.
In accordance with global corporate governance practices and recommendations of the Corporate Governance Code, no less than one third of the Board of Directors should consist of independent directors. Moreover, the Company believes that independent directors are key to efficient operation of the Board of Directors and thoughtful decision-making.

All independent directors meet the independence criteria recommended by the Corporate Governance Code and the requirements established by the current version of the Listing Rules of the Moscow Exchange, which state that an independent director is one who is not related to the Company; any of the substantial shareholders of the Company; any of the substantial counter-parties of the Company; any competitor of the Company; federal and regional (Russian Federation or its constituent entities) governments or municipal entities. 

The Company sees independent directors as very valuable contributors to the efficiency of the Board, in particular, in terms of ensuring that the matters on the agenda of the Board are treated fairly, and reinforcing shareholders’ and investors’ confidence in actions taken by the Board of Directors.

In the reporting year, the composition of the Board of Directors remained unchanged. The Board of Directors includes renowned global experts with many years of experience in mining. Five (38%) out of 13 directors are independent, including the Board’s Chairman. Two directors are the Company’s senior executives. One of the directors is female.

Number of years served on the Board of Directors:
1 to 3 years – Rushan Bogaudinov, Andrey Korobov
3 to 5 years – Sergey Barbashev, Alexey Bashkov, Sergey Bratkho, Andrey Bougoev, Marianna Zakharova, Stalbek Mishakov, Garey Peter Penny, Gerhardus Pirsiloo, Maxim Solakov, Vladislav Soloviev, Robert Edwards.

In 2015, the Company put in place the Directors’ Professional Development Policy based on global and national best practices for corporate governance.

In compliance with the Directors’ Performance Assessment Policy, the Board members conduct annual self-assessment based on annual results. The first of such self-assessments was for 2015, and the performance assessment for 2016 was conducted in February 2017.

The BD Performance Assessment Report for 2016 was drafted based on the questionnaires filled in by the directors. It was reviewed by the meeting of the Corporate Governance, Nomination and Remuneration Committee on 23 March 2017.

The Board of Directors meets as and when required, but at least once every six weeks. The meeting agenda is set by the BD Chairman based on a request to convene the meeting, which can be initiated by the BD Chairman or members, or by the Audit Commission, auditor, Management Board, President, and shareholders jointly holding at least 10% of ordinary shares.

In 2016, the BD met quarterly to review the Company’s financial results, strategy implementation progress, the management’s HSE reports, and operational performance reports. In 2016, the Board of Directors of MMC Norilsk Nickel considered 1,024 matters, including 858 deal approvals, 134 corporate governance matters, 12 economic and financial matters, 2 social and environmental matters, and 18 other matters.

The President and the Management Board are the Company’s sole and collegial executive bodies in charge of managing the Company’s day-to-day operations.

In the reporting period, the position of the Company’s sole executive body, the President, was held by Vladimir Potanin. He also performed the functions of the Chairman of the Company’s Management Board. On 27 April 2016, the Company’s Board of Directors approved the new make-up of the Management Board, which remained unchanged for the rest of the reporting year.

The Management Board consists of 13 members, including five women. G4–38

For more information on the members of the Board of Directors, Management Board, and on the President, please see the Corporate Governance section in the 2016 Annual Report.

### Employees Covered by Assessment in Russia

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>BLUE-COLLAR EMPLOYEES</th>
<th>WHITE-COLLAR EMPLOYEES</th>
<th>EXECUTIVES</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPETENCY ASSESSMENT</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Male</td>
<td>752</td>
<td>18</td>
<td>329</td>
<td>1,109</td>
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<tr>
<td>Female</td>
<td>45</td>
<td>12</td>
<td>87</td>
<td>144</td>
</tr>
<tr>
<td>Total</td>
<td>797</td>
<td>28</td>
<td>416</td>
<td>1,241</td>
</tr>
<tr>
<td>KPI-BASED ASSESSMENT</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>–</td>
<td>188</td>
<td>1,020</td>
<td>1,208</td>
</tr>
<tr>
<td>Female</td>
<td>–</td>
<td>339</td>
<td>332</td>
<td>671</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>527</td>
<td>1,352</td>
<td>1,879</td>
</tr>
</tbody>
</table>

### Assessment of Employees of the Group Companies in Russia, % of Average Headcount

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>BLUE-COLLAR EMPLOYEES</th>
<th>WHITE-COLLAR EMPLOYEES</th>
<th>EXECUTIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPETENCY ASSESSMENT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of staff covered by competency assessment</td>
<td>14</td>
<td>0.2</td>
<td>3.9</td>
</tr>
<tr>
<td>Share of male employees covered by competency assessment</td>
<td>17</td>
<td>0.9</td>
<td>41</td>
</tr>
<tr>
<td>Share of female employees covered by competency assessment</td>
<td>0.4</td>
<td>0.2</td>
<td>3.3</td>
</tr>
<tr>
<td>KPI-BASED ASSESSMENT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of staff covered by KPI-based assessment</td>
<td>14</td>
<td>0</td>
<td>3.9</td>
</tr>
<tr>
<td>Share of male employees covered by KPI-based assessment</td>
<td>0</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Share of female employees covered by KPI-based assessment</td>
<td>0</td>
<td>5</td>
<td>12</td>
</tr>
</tbody>
</table>

1 The ‘Company’ in this section is understood as MMC Norilsk Nickel
The Annual General Meeting of Shareholders for 2016 established remuneration for the Chairman of the Board of Directors, an independent director, in the amount of USD 1,000,000 per year, paid in equal instalments on a quarterly basis in rubles at the exchange rate of the Bank of Russia on the last business day of the reporting quarter.

According to the Company’s Charter, decisions on remuneration and reimbursement amounts payable to the members of the Company’s Management Board are reserved to the Board of Directors. The Company does not engage external consultants on remuneration matters. Remuneration of the Management Board members is linked to the Company’s financial (such as EBITDA and non-financial metrics (e.g. systematic measures to reduce workplace injury rates, interaction with stakeholders, updating and implementing the corporate strategy)) G4–52, G4–53.

Remuneration amounts payable to the members of the Management Board and to the President are set forth in their employment contracts approved by the Board of Directors.

The dismissal policy for top executive officers does not differ from the dismissal policy for other employees.

The total amount of remuneration paid to the members of governing bodies in 2016 under IFRS was RUB 3,533,398,000 (USD 52,709,828)².

EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM

Since 2014, the Company has been implementing the Employee Performance Management System based on a 360-degree assessment of the key performance indicators (KPI) and competencies (managerial, corporate and value related). The company’s KPIs cover safety, operating efficiency, capital management and organisational development and production metrics. For our production facilities, KPI sheets are developed down to the shop manager level.

The main focus in assessing KPI performance in 2016 was to improve their quality (the measurability and significance), as well as to train heads of units and functions how to provide feedback based on assessment results. In 2017, the KPI-based assessment will be extended to cover managers up to section heads at key production facilities.

4.4. RISK MANAGEMENT FRAMEWORK

The Company’s operations are associated with inherent risks that may adversely affect its strategic and operational goals, including financial performance. To ensure that all risks are managed in an efficient way, we have implemented and keep improving our corporate risk management framework (CRMF).

EVOLUTION OF THE CORPORATE RISK MANAGEMENT FRAMEWORK

The Company has been introducing new risk management methodologies and integrating them with key business processes and functions. Risk management training programmes take place on a regular basis to improve employees’ professional skills and competencies.

On a regular basis, the Audit Committee of the Board of Directors reviews the status report on the corporate risk management framework and provides recommendations for its further improvement.

In 2016, as part of the corporate risk management framework development, the Company’s Board of Directors adopted a Corporate Risk Management Policy, while the Company’s President endorsed the new policy in a declaration of commitment.

4.4.1. Risk experts, whose responsibility is to coordinate risk management activities and provide knowledge-based support to risk owners, were appointed in various departments of the Head Office; key risks affecting the Company were identified, reported, analysed and documented along with risk management procedures. The Management Board and the Audit Committee review risk-related reports on a regular basis; Norilnick’s Investment Project Risk Management Regulations were developed and approved.

4.4.2. Development of a quantitative model for key risks affecting the Company.

4.4.3. Key initiatives aimed at improving the corporate risk management framework include:

- creation of local risk management standards and guidelines for the Company’s units and business areas that are customised to fully fit their operations; integration of risk management practices into the core business processes of the Company, including strategic and operational planning and investment activities; phased deployment of IT systems and risk management automation tools in the Head Office, branches, and subsidiaries; continuing development of quantitative risk metrics and, in particular, creation of a quantitative model for key risks affecting the Company.

4.4.4. Key risks associated with corporate social responsibility:

- Workplace injury risk; technical and production risk; risk of escalating social tensions in the regions of operation and strained social and labour relations among the workforce; risk of disruptions in Norilsk Airport operations during the runway reconstruction in 2017; environmental risk; risks posed by climate change (insufficient water resources and soil thawing risk).

For details on risks and related mitigants see the following sections of the Report: 4.10, 6.1, 7.1, 7.3, 8.1, 8.2, 8.3.

4.4.5. Risk Insurance

Insurance is a key tool to manage risks and finances in the long-term perspective, and protect the assets of the Company and its shareholders against any unforeseen losses related to our operations, including due to external hazards.

The Group 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.

To mitigate risks, 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 Group make sure that its risks are underwritten by highly reputable international re-insurers.

¹ This amount is after taxes that are withheld in accordance with the applicable Russian law.
² The total amount of remuneration paid to the members of governing bodies in 2016 under IFRS was RUB 4.1 bn (USD 62 m).
Responsible Operations

CORPORATE SOCIAL RESPONSIBILITY REPORT

4.5. CORPORATE SECURITY

The comprehensive corporate security measures at Norilsk Group are aimed at ensuring safe and uninterrupted production, logistics, transportation and other operations and functioning of the critical infrastructures, as well as at preventing embezzlement and in-house corruption, and countering illicit trafficking of precious metals and metal-bearing materials.

The corporate security system is structured and managed based on a number of targeted programmes on economic, corporate, information, facility, and transportation security. Norilsk is actively engaged in public-private partnerships to maintain high security levels and enhance social stability at its facilities in the regions of operation.

Developing and implementing comprehensive corporate security measures across the Group is within the competence of the Corporate Security Unit, acting in line with Russian laws, applicable international regulations, internal standards and guidelines.

At Infoforum—2016, Norilsk Nickel took part in the InfoSecurity 2016 fair, one of the most significant events in IT security. The Company’s excellence in IT security was recognised by the Silver Dagge Award 4.5.2016. During the fair, Norilsk Nickel also proposed establishing the Club of Information Security in Industry, a cross-industry organisation to share practical experience in cyber threat protection and develop initiatives strengthening key elements of domestic IT infrastructure.

4.6. PREVENTING AND FIGHTING CORRUPTION

The Company’s strategic goals focus on maintaining the trust and interest of shareholders, investors, partners, employees, state and international business communities, and society with regard to the Company’s operations. Therefore, corruption of any nature is absolutely unacceptable.


The Company consistently implements the Management Board’s resolutions on the compliance framework focusing on anti-corruption priorities, key actions and the role of the management bodies.

To develop and monitor anti-corruption and prevention measures, the Company has assigned a dedicated unit – the Corporate Relations Department. Its areas of responsibility include identifying and documenting risks related to corruption, developing risk management measures and controlling their implementation.

The Company has developed a set of measures on mitigating and eliminating corruption risks for certain business processes with a high probability of corruption offences (procurement, relations with counterparties, business partners and other third parties, charity, sponsorship, etc.). The progress of anti-corruption measures is reviewed and the risk map is updated on a quarterly basis.

The Company joined the Anti-Corruption Charter of the Russian Business in January 2014. In late 2015, the Company submitted its Declaration on Compliance with the Regulations of the Anti-Corruption Charter to the Russian Union of Industrialists and Entrepreneurs, and its participation in the Charter’s Register was extended.
In November 2016, the Company joined the United Nations Global Compact. This major UN initiative in the area of corporate social responsibility and sustainable development unites entities committed to responsible business and good industry practice worldwide. Combating corruption is one of the principles of the UN Global Compact that its signatories undertake to adhere to.

The main focus areas of the Company’s anti-corruption activities are stated in the Anti-Corruption Policy approved by the Board of Directors on 17 November 2014. The Policy’s provisions, principles and requirements are mandatory for the governing bodies and all employees. It is applicable to all counterparties, the Company’s representatives, and other persons such as foreign public officials and international officials where respective obligations are stated in agreements signed with them, their internal regulations, or directly in applicable law. The Policy is recommended for implementation and observance in all Group entities.

In its government relations, the Company, its employees and corporate bodies comply with the applicable laws (including anti-corruption laws). The Company provides ongoing training on anti-corruption matters for its personnel. In August 2016, the Group launched the distance learning course On Preventing Corruption. The Company’s employees regularly participate in round tables, conferences, and expert group meetings addressing major challenges in corruption prevention. In 2016, trainings in the corruption prevention policy and methods covered 2,968 employees, which corresponds to 3.7% of the total year-end headcount. Over 80,000 employees were informed of the existing corruption prevention methods when signing the anti-corruption appendices to their employment contracts.

In December 2016, the Company held an anonymous survey among the employees in order to get their opinion on corruption in the Company and its anti-corruption performance.

All anti-corruption measures are implemented in the Company and its standalone business units, and are also recommended to the Group’s subsidiaries. The Company’s anti-corruption initiatives are regularly covered in corporate press releases. The Company ensures functioning of the Preventing and Fighting Corruption page on the corporate website www.nornik.ru and the relevant section on the Company’s intranet portal.

In 2016, corruption-related risk assessment was held in respect of MMC Norilsk Nickel and the Russian Group companies.

To further improve the existing compliance procedures, in 2017 the Company plans to update its corporate governance and sustainable development policies, including the anti-corruption policy, take measures to include the anti-corruption clause in contracts with counterparties, take measures on anti-corruption monitoring, internal document review, counterparty due diligence enhancement, employee training, and to further develop corporate culture.

4.7. Anti-Money Laundering and Counter-Terrorist Financing Initiatives

As required under Federal Law No. 115-FZ On Anti-Money Laundering and Combating the Financing of Terrorism dated 7 August 2001, the Company implements a set of anti-money laundering and counter-terrorist financing initiatives (‘AML/CTF’).

The main document regulating the Company’s procedures for AML/CTF monitoring is the Internal Control Rules on Anti-Money Laundering and Counter-Terrorist Financing developed in compliance with the Federal Law requirements.

The key principle underlying the Company’s AML/CTF monitoring practices is the engagement of all employees, within their competences, in identifying signs of money laundering and terrorist financing activities in counterparties’ operations, and also in identifying operations subject to mandatory control.

The Company runs due diligence on all potential counterparties before signing contracts with them in order to check their reliability and identify entities and persons involved in extremist or terrorist activities.

### Internal Anti-Corruption Documents Framework

**Anti-Corruption Policy**

- Procedure on the Corporate Trust Service of MMC Norilsk Nickel
- Regulation on the Prevention and Management of Conflicts of Interest
- Procedure for anti-corruption due diligence on internal documents at the Head Office of MMC Norilsk Nickel
- Regulation on Business Gifts
- Standard anti-corruption agreement – appendix to the employment contract
- Code of Business Ethics for Employees
- Directors’ Code of Corporate Conduct and Business Ethics

* The documents were approved by the Board of Directors

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<thead>
<tr>
<th>Number</th>
<th>Indicator</th>
<th>Number of 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1</td>
<td>Confirmation of corruption</td>
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</tr>
<tr>
<td>7.2</td>
<td>Confirmation of corruption-related breaches</td>
<td>0</td>
</tr>
<tr>
<td>7.3</td>
<td>Confirmed incidents of corruption-related penalties (criminal or administrative penalty or disciplinary action by employer on relevant grounds)</td>
<td>0</td>
</tr>
<tr>
<td>7.4</td>
<td>Confirmed incidents of corruption-related non-extension or termination of contracts with business partners</td>
<td>0</td>
</tr>
<tr>
<td>7.5</td>
<td>Pending corruption-related lawsuits filed against the company or its employees during the reporting period</td>
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</tr>
<tr>
<td>7.5</td>
<td>Adjustuated corruption-related lawsuits filed against the company or its employees during the reporting period</td>
<td>0</td>
</tr>
</tbody>
</table>
4.8. CORPORATE TRUST SERVICE

The Company’s Corporate Trust Service has operated since February 2010 to ensure prompt response to reported violations, abuses and embezzlement. To make a report, anyone is invited to call a toll-free hotline available 24/7: +7 800 700 1941, +7 800 700 1945, or e-mail to: skd@nornick.ru. The Service’s geography covers all business units of the Company and Group members.

The key principles underlying the Corporate Trust Service include:

- guaranteed confidentiality for the key principles underlying the Group members.
- business units of the Company and the service’s geography covers all 24/7: +7 800 700 1941, +7 800 700 to call a toll-free hotline available
- abuses and embezzlement.
- response to reported violations, February 2010 to ensure prompt
- service has operated since 24/7: +7 800 700 1941, +7 800 700 1945, or e-mail to: skd@nornick.ru.
- any interested person may contact the Service.
- an operator, the standard time 1
- reviewed by the head of service
- until the investigation results are
- a report is registered by the service.
- any interested person may contact the Service.
- the Company includes its logo
- awareness about the service,
- the Company’s intranet site
- the Russian law and to keep its
- disclosure requirements of
- obligation to go beyond mandatory
- the Company honors its voluntary
- annual growth in disclosure levels.
- transparency and committed to
- by the principle of increasing
- and committed to annual growth in disclosure levels.
- The Company honors its voluntary obligation to go beyond mandatory disclosure requirements of the Russian law and to keep its stakeholders and the general public fully informed about the Company’s strategy, key developments, and operating results.

Any interested person may contact the Service.

After a report is registered by an operator, the standard time until the investigation results are reviewed by the Head of Service is 21 days. The exceptions are reports that require immediate action or additional investigation. If the report is found substantiated, a set of control measures is taken, and if a violation is confirmed, measures are taken to correct the situation, eliminate any negative consequences, and inform stakeholders.

Report statistics (as broken down by the entity of origin and type of reported abuse) are submitted to the Audit Committee of the Board of Directors and the Company’s relevant internal units on a quarterly basis. The Service’s performance is monitored online by the Director of Internal Control Department and assessed annually by the Board’s Audit Committee. Employees in charge of the Service have report processing performance as their individual KPIs.

Information about the Corporate Trust Service is available on the Company’s intranet site and official webpage. To raise awareness about the Service, the Company includes its logo and all the relevant information into its corporate calendars, posters, and salary slips.

The shutdown of the outdated Nickel Plant in 2016 boosted the interest of experts and the general public in the Company’s environmental programmes and environmental impact reduction initiatives. More attention was also drawn to Our Home, My Home, and World of New Opportunities social programmes. Among cultural projects, most interest was shown for the Company’s collaboration with the Golden Mask Festival and the Multimedia Art Museum, while in sports, the most popular project was our sponsorship of the 2019 Winter Universiade in Krasnoyarsk, where the Company is the General Partner and works in close cooperation with the International University Sports Federation (FISU).

In 2016, national and local media published in aggregate more than 90,000 news items about the Company and about 50 interviews with our top executives.

The year 2016 saw further development of our multimedia project “Be Nornik”. The northernmost city in the world through the eyes of its inhabitants”, with more materials added to norilskfilm.com. The project received the Grand Prix at Digital Communications Awards 2016.

To observe the requirements of law, in 2016, Norilnick ceased to be a shareholder in any media outlets (the biggest of which were VK Telefarma, SIZ, and Severnaya Gorod Media Company), but maintained regional media presence due to its efficient outreach activities. #G4–13
**4.10. PRODUCT RESPONSIBILITY**

Nornickel Group is efficient in its operations to provide volumes, quality, and product range that meet the needs of society while fully complying with all applicable laws and HSE requirements.

Environmental and quality-related goals and objectives are in line with the Company’s strategic goals and are formulated in the management’s resolutions based on annual Corporate Integrated Management System performance reviews. To achieve the goals and objectives, the Company develops plans and programmes and then implements them, monitors the status of target parameters, and assesses performance.

In 2016, quality management training was provided to 155 employees, including 77 line managers and 78 other employees.

MMC Norilsk Nickel’s commercial products (electrolytic nickel as full-plate and uncut cathodes, primary nickel, copper cathodes, and metallic cobalt are certified in the GOST R certification system to demonstrate compliance with all applicable rules and regulations. The certification confirms that the products have stable properties set forth and tested during the GOST R voluntary certification process.

Copper cathodes produced by Polar Division are registered on the London Metal Exchange under the NORILSK COMBINE H-1 is registered on the Shanghai Futures Exchange.

Nickel branded as NORILSK COMBINE H-1Y and NORILSK COMBINE H-1, along with cobalt branded as NORILSK K1AY and NORILSK K1A, were also registered on the London Metal Exchange.

Kola MMC’s products (electrolytic nickel, carbonyl nickel powder, carbonyl nickel pellets, electrolytic copper, electrolytic cobalt, cobalt concentrate, precious metal concentrates, and sulphuric acid) do not require mandatory certification and are not certified against Russian regulatory standards. Products are labelled in accordance with GOST and TU standards. At the same time, Kola MMC’s cathode nickel brands of SEVERONICKEL COMBINE H-1Y and SEVERONICKEL COMBINE H-1 are registered on the London Metal Exchange and Shanghai Futures Exchange.

In 2016, Nornickel was awarded the Best Overseas Brand of Material for Plating at SF EXPO CHINA Chongqing 2016.

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</thead>
<tbody>
<tr>
<td>Nickel production, kt</td>
<td>300</td>
<td>285</td>
<td>274</td>
<td>266</td>
<td>236</td>
</tr>
<tr>
<td>Copper production, kt</td>
<td>364</td>
<td>371</td>
<td>368</td>
<td>369</td>
<td>360</td>
</tr>
<tr>
<td>Palladium production: 100 oz or t</td>
<td>2.731</td>
<td>2.661</td>
<td>2.749</td>
<td>2.689</td>
<td>2.618</td>
</tr>
<tr>
<td>Platinum production: 1000 oz or t</td>
<td>683</td>
<td>651</td>
<td>657</td>
<td>656</td>
<td>644</td>
</tr>
</tbody>
</table>

**CORPORATE INTEGRATED MANAGEMENT SYSTEM (CMS)**

**OBJECTIVES OF CMS**
- Continuous enhancement of operational excellence
- Competitive products and services
- Alignment with consumer needs and expectations related to product safety, quality, and reliability of supplies

**REGULATIONS**
- Quality Assurance Policy
- Environmental Policy
- Health and Safety Policy
- Nornickel Group’s internal standards

**KEY RUSSIAN AND INTERNATIONAL STANDARDS**
- GOST R

**COMPANY**
- Nornickel Nickel
- Kola MMC, JSC
- Gipronickel Institute
- Norilsk Nickel Harjavalla

**COMPLIANCE OF THE MANAGEMENT SYSTEM WITH INTERNATIONAL STANDARDS**

<table>
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</thead>
<tbody>
<tr>
<td>Nornickel Nickel</td>
<td></td>
<td>Second surveillance audit</td>
<td>Bureau Veritas Certification (BVC)</td>
<td>Compliant</td>
<td>Production, project management, storage, delivery, including by sea, and sales (nickel, copper, cobalt, precious metals, sulphur, selenium, tellurium)</td>
</tr>
<tr>
<td>Kola MMC, JSC</td>
<td></td>
<td>Recertification audit</td>
<td>Bureau Veritas Certification (BVC)</td>
<td>Compliant</td>
<td>Mining and processing of one production of nickel, copper, cobalt, their compounds, precious metal concentrates, sulphuric acid</td>
</tr>
<tr>
<td>Gipronickel Institute</td>
<td></td>
<td>First surveillance audit</td>
<td>Societe Generale de Surveillance (SGS)</td>
<td>Compliant</td>
<td>R&amp;D, design, engineering and environment conservation activities, mining, concentration and smelting, project management, development of standards for non-ferrous metal industry products and their inspection methods, development of reference standards for the composition of non-ferrous metal industry products</td>
</tr>
<tr>
<td>Norilsk Nickel Harjavalla</td>
<td></td>
<td>Recertification audit</td>
<td>DQS GmbH (DQSGAU)</td>
<td>Compliant</td>
<td>Manufacturing of nickel and cobalt products</td>
</tr>
</tbody>
</table>

**FACTORS ENSURING RELIABILITY AND CONTINUITY OF NORNICKEL’S DELIVERIES**
- Efficient self-developed product delivery planning and monitoring system
- Close coordination between marketing, production and delivery units
- Corporate cargo fleet
- Feedback loop with customers that enables prompt response to their proposals, inquiries, and complaints
- ISO certified management system in Nornickel Group
- Talented staff

THROUGHOUT THE HISTORY OF NORNICKEL GROUP, IT NEVER ONCE FAILED TO MEET ITS OBLIGATION TO DELIVER PRODUCTS TO CONSUMERS...

1. The Company’s products, when used as intended, fall in the category of those that change their properties almost completely: nickel is used in alloys; copper is mostly used in construction and manufacturing of electric and electronic devices; platinum and palladium as chemical compounds are mostly used in autocatalysts; and nickel salts are used in a variety of industries.
CUSTOMER SATISFACTION MONITORING

Consumers of our key products are surveyed to assess their satisfaction on an annual basis, and those of sulphuric acid, once every three years. Compliance with contract terms is regularly audited and analysed to make sure all contract terms and conditions are met in full.

The main criterion for customer satisfaction is maintaining or exceeding the target satisfaction level (2.50 points or above). In the reporting year, the Company received 45 complaints about its product or service quality, achieving out of court settlement for all of them taking into account the interests of consumers (21 complaints were deemed unfounded). For all legitimate complaints (23 cases), and also partially for complaints that were turned down (4 cases), the Company developed remedial actions. One complaint is pending.

In 2016, the Company received no major fines for failure to comply with regulatory rules and requirements related to product supplies.

4.11. RESEARCH AND DEVELOPMENT

Norilsk Nickel Group’s R&D activities are focused on research, technological development, feasibility studies, design and survey work to support the Company’s strategy. The main strategy implementation activities relying on R&D are development and implementation of the environmental programme, operating efficiency improvement, redefinition of the upstream project portfolio.

The Group’s main R&D facility is Gipronickel Institute, one of Russia’s largest research and engineering centres for mining, metallurgy, concentration and processing of minerals. Besides, we use dozens of domestic and foreign research and engineering companies along with Russian universities.

To improve the quality of decisions related to research and technology, the Company has an R&D Panel.

4.12. ENSURING ECONOMIC EFFICIENCY

Economic efficiency ensures the Company’s development, sustainability, and investor appeal.

In 2016, despite several adverse factors (metal prices dropping to multi-year lows, high price and exchange rate volatility), the Company maintained a leading position in the global mining sector with a 47% EBITDA margin. That high performance was driven by favourable exchange rates, efforts to control operating cost inflation, and the disposal of foreign and non-core assets.

The Company’s CAPEX in 2016 was in line with the three-year average. The large scale production capacity reconfiguration programme launched in 2014 entered its most active phase in 2016. Our CAPEX was largely centred on the Bystinsky Mining and Processing Plant project.
Nickel Plant shutdown-related projects, Talnakh Concentrator expansion, and Nadezhda Metallurgical Plant upgrade. We continued the development of an efficient solution for the Sulphur Project, which is the next step of our environmental programme after the Nickel Plant shutdown.

The Company remains among industry leaders in terms of dividend yield. NorNickel paid ca. USD 1.2 bn of interim dividends for 9 months of 2016, which translates into USD 7.4 per share. As at the end of 2016, our net debt to EBITDA ratio remained one of the lowest in the industry at 1.2x. The Company’s stable financial position is confirmed by investment grade ratings from Standard & Poor’s and Fitch.

In 2016, the Group’s companies paid RUB 42.3 m in administrative fines to budgets of various levels. There was a total of 400 orders issued by regulatory authorities (which is a notable reduction as compared to 608 orders in 2015), including 15 for environmental impact, 46 for non-compliance with labour and health and safety laws, and 339 on other grounds.

For more details on economic performance see the Financial Overview section (MD&A) in the 2016 annual report.

### Financial Highlights

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>Revenue, RUB billion</td>
<td>384.5</td>
<td>366.2</td>
<td>456.0</td>
<td>506.1</td>
<td>548.6</td>
</tr>
<tr>
<td>Gross profit, RUB billion</td>
<td>185.5</td>
<td>159.0</td>
<td>238.0</td>
<td>277.0</td>
<td>270.8</td>
</tr>
<tr>
<td>EBITDA, RUB billion</td>
<td>153.3</td>
<td>133.6</td>
<td>218.2</td>
<td>247.3</td>
<td>257.3</td>
</tr>
<tr>
<td>EBITDA margin, %</td>
<td>40</td>
<td>37</td>
<td>48</td>
<td>50</td>
<td>47</td>
</tr>
<tr>
<td>Net profit, RUB billion</td>
<td>67.4</td>
<td>23.5</td>
<td>93.4</td>
<td>104.0</td>
<td>107.4</td>
</tr>
<tr>
<td>Dividends paid, RUB billion</td>
<td>31.0</td>
<td>98.4</td>
<td>159.9</td>
<td>154.2</td>
<td>86.7</td>
</tr>
<tr>
<td>Assets, RUB billion</td>
<td>637.0</td>
<td>614.7</td>
<td>739.8</td>
<td>974.5</td>
<td>998.3</td>
</tr>
<tr>
<td>Total CAPEX, RUB billion</td>
<td>84.4</td>
<td>63.4</td>
<td>49.9</td>
<td>103.3</td>
<td>112.3</td>
</tr>
</tbody>
</table>

### Direct Economic Value Generated and Distributed

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Direct economic value generated</td>
<td>394.9</td>
<td>397.8</td>
<td>470.8</td>
<td>521.2</td>
<td>554.9</td>
</tr>
<tr>
<td>2. Economic value distributed, including:</td>
<td>334.7</td>
<td>414.4</td>
<td>444.9</td>
<td>554.2</td>
<td>557.7</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>158.0</td>
<td>169.5</td>
<td>162.0</td>
<td>175.7</td>
<td>194.6</td>
</tr>
<tr>
<td>Community investments and charity</td>
<td>5.7</td>
<td>3.6</td>
<td>2.7</td>
<td>7.0</td>
<td>7.4</td>
</tr>
<tr>
<td>Payroll and other employee remuneration and benefits</td>
<td>74.4</td>
<td>87.3</td>
<td>87.4</td>
<td>104.5</td>
<td>114.2</td>
</tr>
<tr>
<td>Payments to providers of capital (interest, dividends)</td>
<td>38.3</td>
<td>108.3</td>
<td>165.2</td>
<td>222.0</td>
<td>133.4</td>
</tr>
<tr>
<td>Gross tax payments</td>
<td>58.3</td>
<td>45.7</td>
<td>47.6</td>
<td>45.0</td>
<td>63.1</td>
</tr>
<tr>
<td>3. Economic value retained (1–2)</td>
<td>50.2</td>
<td>(46.5)</td>
<td>5.9</td>
<td>(32.9)</td>
<td>42.2</td>
</tr>
</tbody>
</table>

1. Includes costs paid in Russia for new construction projects, expansion, retrofit or upgrade of existing facilities, acquisition of machinery and equipment, R&D and other expenses, as well as housing and amenity construction.
2. Calculated on an accrual basis under the IFRS. The Company used its in-house calculation methodology developed in line with GRI G4 Guidelines.
3. Excluding CAPEX.
Nornickel organised the Time of Reliable Solutions, a corporate forum that became a venue to discuss the Company’s strategy progress, corporate culture and values, coordinate the vision of future development, and define tasks for the next three years. For the second year in a row, the Company turned the forum into an interactive event with a better involvement of employees and managers in the discussion of corporate activities.
5.

EFFECTIVE RELATIONSHIPS

The Company honours its voluntary obligation to go beyond mandatory disclosure requirements of the Russian law and to keep its stakeholders and the general public fully informed about the Company’s strategy, key developments, and operating results.

5.1. STAKEHOLDERS AND INTERACTION MECHANISMS

MMC Norilsk Nickel’s key stakeholders are employees, shareholders, investors, business partners, national authorities, local communities and Russian and international non-profit organisations. Norilsk Nickel identifies stakeholders based on the extent to which they interact, share interests and communicate with the Company.

Stakeholder engagement principles and procedures are set out in the Code of Business Conduct approved by the Company in 2012.

The Transparency Policy of MMC Norilsk Nickel seeks to provide stakeholders with complete and accurate information about the Company’s operations, as well as ensure proper feedback.

5.2. DIALOGUE WITH EMPLOYEES

Norilsk Group companies run an effective social partnership framework aimed at reconciling interests of employees and employers on matters pertaining to the regulation of social and labour relations.

Over 47,000 reports reviewed by the offices for operating, social and labour relations

923 reports received by the Corporate Trust Service

Over 9,000 news items about the Company published by national and local media
### EFFECTIVE RELATIONSHIPS

#### Stakeholders

<table>
<thead>
<tr>
<th>FEDERAL AUTHORITIES</th>
<th>LOCAL COMMUNITIES</th>
<th>RUSSIAN AND INTERNATIONAL NON-PROFIT ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian Federation Council</td>
<td>Regional government authorities</td>
<td>Business associations</td>
</tr>
<tr>
<td>Russian State Duma</td>
<td>Local authorities</td>
<td>Industry unions</td>
</tr>
<tr>
<td>Russian Government</td>
<td>Territorial offices of federal government authorities</td>
<td>Russian and international sports organisations</td>
</tr>
<tr>
<td>Federal ministries, agencies and services</td>
<td>State-run educational institutions in the Company’s regions of operation</td>
<td>Information exchange</td>
</tr>
<tr>
<td>Russian Trilateral Commission on the Regulation of Social and Labour Relations</td>
<td>Local communities and civil society organisations across the Company’s footprint</td>
<td>Support for domestic producers</td>
</tr>
</tbody>
</table>

#### Mechanisms

<table>
<thead>
<tr>
<th>FEDERAL AUTHORITIES</th>
<th>LOCAL COMMUNITIES</th>
<th>RUSSIAN AND INTERNATIONAL NON-PROFIT ORGANISATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory improvement in different areas</td>
<td>Stability in taxes</td>
<td>Joint projects</td>
</tr>
<tr>
<td>Environmental impact regulation</td>
<td>Environmental protection</td>
<td>Events (meetings, round table discussions, conferences and competitions)</td>
</tr>
<tr>
<td>Support for domestic producers</td>
<td>Social stability support across the Company’s geographies</td>
<td>Membership in governing bodies and committees</td>
</tr>
<tr>
<td>Stability in taxes</td>
<td>Social and Economic Partnership Agreement signed between MMC Norilsk Nickel and the Government of the Murmansk Region</td>
<td>Options, proposals, applications</td>
</tr>
<tr>
<td>Social stability support across the Company’s geographies</td>
<td>Cooperation agreements</td>
<td>Joint projects, drills and training exercises</td>
</tr>
<tr>
<td>Working and expert groups, commissions and committees</td>
<td>Development plans for the Company’s regions of operation</td>
<td>Social and Economic Partnership Agreement signed between MMC Norilsk Nickel and the Government of the Murmansk Region</td>
</tr>
<tr>
<td>Public events</td>
<td>Corporate and partnership programmes and projects</td>
<td>Implementation of the agreement to shut down Nickel Plant</td>
</tr>
<tr>
<td>Parents and licensees</td>
<td>Forums, conferences, fairs, and round table discussions</td>
<td>Memorandum signed to establish the Norilsk Development Agency</td>
</tr>
<tr>
<td>Intergovernmental commissions</td>
<td>Company joined the UN Global Compact</td>
<td></td>
</tr>
<tr>
<td>Cooperation agreement signed (Russia’s Year of the Environment – 2015) by MMC Norilsk Nickel, Ministry of Natural Resources and Environment, Federal Service for Supervision of Natural Resources and Government of the Krasnoyarsk Territory</td>
<td>Round table discussion in the Russian State Duma on results of the Company’s large-scale project to shut down Nickel Plant in Norilsk in August 2016</td>
<td></td>
</tr>
</tbody>
</table>

#### Interaction Events in 2016

- **FEDERAL AUTHORITIES**
  - Working and expert groups, commissions and committees
  - Public events
  - Parents and licensees
  - Intergovernmental commissions
  - Cooperation agreement signed (Russia’s Year of the Environment – 2015) by MMC Norilsk Nickel, Ministry of Natural Resources and Environment, Federal Service for Supervision of Natural Resources and Government of the Krasnoyarsk Territory
- **LOCAL COMMUNITIES**
  - Working and expert groups, commissions, committees and councils
  - Development plans for the Company’s regions of operation
  - Corporate and partnership programmes and projects
  - Forums, conferences, fairs, and round table discussions
  - Joint inspections, drills and training exercises
  - Social and Economic Partnership Agreement signed between MMC Norilsk Nickel and the Government of the Murmansk Region
  - Implementation of the agreement to shut down Nickel Plant
  - Memorandum signed to establish the Norilsk Development Agency
- **RUSSIAN AND INTERNATIONAL NON-PROFIT ORGANISATIONS**
  - Joint projects
  - Company joined the UN Global Compact
  - Norilsk joined the Institute of Information System and Research Centre as a full- fledged member
  - Partnership agreement signed between the Russian Olympic Committee and MMC Norilsk Nickel
  - Partnership agreement signed between MMC Norilsk Nickel and the International University Sports Federation

### SOCIAL PARTNERSHIP FRAMEWORK IN NORNICKEL GROUP #G4–11

#### Social and Labour Councillors in All Major Companies of Nornickel Group

-MMC Norilsk Nickel employees (Interregional trade union)

**Represent 86% of the average headcount in the Group’s Russian operations**

1. **Trade union of MMC Norilsk Nickel employees (interregional trade union)**
   - MMC Norilsk Nickel and its subsidiaries, Kola MMC and its subsidiaries, NorthStar and Zapolyarye Health Resort
   - 8% of employees of Norilsk Group companies located in Norilsk Taimyrsky District
   - 17% of employees of Kola MMC and its subsidiaries
   - 33% of Zapolyarye Health Resort employees
   - 47% of Krasnoyarsk River Port employees, 46% of Lesosibirsk Port employees, and 50% of Yenisey River Shipping Company employees
   - 13% of Krasnoyarsk Shipyards employees, 8% of Gipronickel Institute employees, and 16% of NorthStar employees

#### Trade Union Members: 11.5% of Nornickel Group Employees

- Representatives of the collective bargaining agreement

**Represent 86% of the average headcount in the Group’s Russian operations**

1. **Trade union of MMC Norilsk Nickel employees (interregional trade union)**
   - MMC Norilsk Nickel and its subsidiaries, Kola MMC and its subsidiaries, NorthStar and Zapolyarye Health Resort
   - 8% of employees of Norilsk Group companies located in Norilsk Taimyrsky District
   - 17% of employees of Kola MMC and its subsidiaries
   - 33% of Zapolyarye Health Resort employees
   - 47% of Krasnoyarsk River Port employees, 46% of Lesosibirsk Port employees, and 50% of Yenisey River Shipping Company employees
   - 13% of Krasnoyarsk Shipyards employees, 8% of Gipronickel Institute employees, and 16% of NorthStar employees

### On-Site Collective Decision Making Bodies

- Collective Bargaining Commission
- Labour Dispute Commission
- Social benefits commissions and committees
- Social insurance commissions
- Health and safety commissions and committees
- Social and labour relations committees, etc.

**The Collective Barging Agreement** covers 78% of employees #G4–11

* Including companies that have no collective bargaining agreements in place but have approved local regulatory documents making MMC Norilsk Nickel’s Collective Bargaining Agreement effective in these companies.
S.3. DIALOGUE WITH SHAREHOLDERS AND INVESTORS

The authorised capital of MMC Norilsk Nickel is made up of 158,245,476 ordinary shares with an aggregate market value of USD 26.6 bn as at 31 December 2016. The Company’s ordinary shares are traded mostly on the Moscow Exchange, while ADRs are traded on the London and New York stock exchanges. (#4–7)

The Company’s major shareholders are Olderfrey Holding Limited, UC Rusal Plc and Crispian Investments Ltd owning collectively 62% of the Company’s share capital, while the remaining 38% is free float owned by institutional and private investors from Russia, Europe, Asia and the USA.

MMC Norilsk Nickel takes great care in engaging with its shareholders and provides equal access to significant information in accordance with the Russian law and international best practices. In 2016, the Investor Relations Department continued working on the acquisition of new investors. As part of this effort, the Department held 386 meetings with investors and organised the Investor Day in London, followed by massive road shows in Europe and the USA. An annual independent study of investor perception towards MMC Norilsk Nickel by the leading international investment funds showed continued improvement in communications, disclosure and presentation materials, as well as an increase in management availability and visibility, which benefits the Company’s investment case.

In 2016, public reports of the Company were very much appreciated by international and Russian experts.

In 2016, some of Russia-based Nornickel Group companies (Yenisey River Shipping Company, Gipro nickel Institute, Norilsktransgaz) made new collective bargaining agreements or extended the expired ones. Some of the agreements were amended by collective bargaining commissions in the reporting year. These amendments were mostly necessitated by adjustments in wage rates arising from legislative changes, organisational structure transformation and introduction of a new automated HR system. In general, Nornickel Group’s Russian operations comply with the applicable laws and substantially meet employee expectations.

There were no strikes or lock-outs at the Group’s entities in the reporting year.

OFFICES FOR OPERATING, SOCIAL AND LABOUR RELATIONS

Offices for operating, social and labour relations are primarily tasked with fast response to employee queries (including those from retirees and veterans) and solving operating, labour and social conflicts in a timely manner, as well as communicating employee concerns to the management of relevant business units and management of the Company. They monitor the staff’s social status on a monthly basis, making it possible to solve reported problems in a timely manner and always tend to the needs and reasonable requests of employees. Offices for operating, social and labour relations has been in place since 2003, and their number keeps growing. In 2016, there were 24 offices, including offices in the Polar Division, Norilsknickel mont, Polar Construction Company, Norilsk Support Complex, Gipro nickel Institute, Polar Transportation Branch, and Norilskpromtransport. Over 47,000 queries and applications were considered by the offices in the reporting year. (#4–LAI)

EVOlution of INVESTor ENGAGEMENT INITIATIVES

<table>
<thead>
<tr>
<th>INITIATIVE</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment conferences</td>
<td>16</td>
<td>22</td>
<td>25</td>
</tr>
<tr>
<td>Investor road shows</td>
<td>7</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>
PARTICIPATION IN INTERNATIONAL, NATIONAL AND REGIONAL EVENTS

In 2016, MMC Norilsk Nickel acted as a partner to (sponsor of) the following major economic forums and events:

- Krasnoyarsk Economic Forum (general partner)
- 6th St Petersburg International Legal Forum (general partner)
- 20th St Petersburg International Economic Forum (SPIEF, partner)
- Eastern Economic Forum (partner)
- 5th Murmansk International Business Week (partner)
- Arctic Days in Moscow Forum (partner)
- Arctic: Today and the Future Forum (partner).

PARTICIPATION IN DRAFTING REGULATIONS

In 2016, Norilnickel took part in drafting Norilsk 2030, a strategy for the social and economic development of the Norilsk Municipality. This work will be continued in 2017.

The Company provides operational information about Group companies, analytics on long-term prospects and development priorities, and takes part in setting long-term priority goals and mission of the city.

The Company has set up a dedicated function to monitor the draft laws and regulations on a regular basis, to analyse them in depth, to inform the Company’s relevant units about the developed drafts, to assess the potential impact of draft laws and regulations on the operations of the Norilnickel Group, rights and duties of employees, interests of the regions of the Group’s operations.

On 1 March 2016, Elena Bazdenezhzhyn, the Company’s Vice-President, State Secretary and Head of the Government Relations, as a delegate took part in the 7th Congress of the Chamber of Commerce and Industry of Russia, which, among other things,
discussed the development of laws and regulations set to solve urgent issues. The Congress, which takes place every five years, was attended by the President of Russia, members of the Government of the Russian Federation, representatives of the Presidential Executive Office, the Federal Assembly of the Russian Federation, and authorities at all levels.

The Company is an active participant in the process of assessing the regulatory impact of draft laws and regulations developed in Russia. On 28 August 2016, the Company took part in the Doors Open Day at the Regulatory Impact Assessment Department of Russia’s Ministry of Economic Development. After the event, the Ministry expressed acknowledge of the Company “for active participation in public discussions of draft laws and regulations undergoing regulatory impact assessment, as well as for proposals submitted to improve mechanisms and methods of participation in the assessment procedure, specifically, to upgrade the regulation.gov.ru website.”

On 10 May 2016, an order of the Ministry of Economic Development established an interagency working group to develop Russia’s Public Non-Financial Reporting Concept, which includes a representative of the Company. The working group has developed a draft Concept recommended for submission to the Government.

COOPERATION AGREEMENTS

In 2016, the Company signed a number of agreements with federal and regional authorities, as well as major Russian and international non-profit organisations. The agreements covered a wide range of social and economic issues, including large sports projects.

For more details on agreements with federal and regional authorities that were effective as of the beginning of 2016, see the interactive version of this Report.

For more details on cooperation agreements subject of agreement, please see the Developing Local Communities section.

For more details on opinions polls and updating the map of material aspects, please see the About the Report section.

For more details on cooperation agreements subject of agreement, please see the Supply Chain Responsibility section.

DIalogues in public reporting

Each year, the Company engages in dialogues with stakeholders and organises opinion polls for external and internal stakeholders on preparation of the corporate social responsibility (CSR) report.

In early 2017, dialogues were held to discuss the 2015 CSR Report. This year’s dialogues took place on 4 March 2017 in Zadymy and 18 March 2017 in Norilsk during the annual We Are The City social forum. The discussions were centred on Norilsk nickel’s corporate values, compliance with the UN Sustainable Development Goals and their relevance for the Company’s activities and regions of operation, and how implementation of the UN Goals is presented in the CSR report.

Dialogue minutes are included in the interactive version of this Report.

Key areas of interaction with indigenous northern minorities

Support for indigenous northern minorities is an integral part of the Company’s general strategy to improve the life of Taigmy residents. The Company supports construction, maintenance and social projects in small and remote settlements on the Taigmy Peninsula, and transports social aid to remote villages.

Some of Norilsk nickel Group companies, including Polar Transportation Branch, Noytsgazprom, Taigmygaz, Norilsktorgsaz and Taigmytorgsaz, operate in traditional settlement areas of indigenous northern minorities. The Group does not have any formal arrangements with indigenous northern minorities. Representatives of the Company are members of indigenous minority commissions organised by local authorities.

The Company did not participate in collective bodies to manage indigenous peoples’ land use and legal matters. In 2016, MMC Norilsk Nickel registered no disputes in this regard, and there were no breaches of indigenous peoples’ rights by the Company.

For more details on agreements subject of agreement, please see the Non-Financial Reporting Concept, see the interactive version of this Report.

The Company recognises the rights of indigenous minorities residing across the Company’s regions of operation and provides patronage assistance as part of the initiatives preserving and promoting the culture and traditions of the peoples in the Far North.

Perspective relationships

NorNickel Group

Corporate Social Responsibility Report 2016

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NorNickel Group
EVENTS IN THE COMPANY’S REGIONS OF OPERATION

In 2016, the Company took part in organising several events for local communities: the Norilsk City Day, the 60th Anniversary of Zapolyarny, and preparing for the celebration of the 350th anniversary of Dudinka (to be celebrated in September 2017).

The Company provides financial aid for the Krasnoyarsk Federation of Northern Multisport Races to hold a northern multi-sport race championship in Russia.

Financial aid was also provided to the Top League Krasnoyarsk Public Organisation for Sports and Leisure Activities to hold the Spring Cup rhythmic gymnastics championship in association with the Company, the town of Nickel (Murmansk Region) hosted the 6th Russia-Norway Cross-Border Cooperation Days. This annual event captures much interest of the business community involved in joint Russian-Norwegian projects and initiatives.

In 2016, the key environmental initiatives were: Environmental Effects of Polar Division Nickel Plant Shutdown (a round table discussion during site visits to Polar Division companies, Norilsk, 10 November 2016); Industrial Production Modernisation in the Far North: Environmental and Economic Effects (a round table discussion in the Russian State Duma on 6 December 2016); round table discussion with representatives of the Organisation for Economic Cooperation and Development (OECD) member states on the inclusion of OECD standards in Russian environmental regulations (Moscow, 17 February 2016); environmental Problems in the Metals Industry (MMC Norilsk Nickel’s corporate workshop, Moscow, 20–24 November 2016), visit of the Russian-Norwegian Expert Group for Cross-Border Air Pollution Monitoring to Kola MMC production facilities on 20 October 2016. The visit was organised at the Company’s initiative. Experts praised results of environmental projects carried out in the Pechenga District, including transition to the copper-nickel concentrate briquetting technology and retrofit in the smelting and conversion department; meeting between Kola MMC managers and members of the Working Group on Environment with the Barents Euro-Arctic Council to discuss the Company’s environment protection policy. The meeting was attended by Russian representatives of Finland’s Ministry of Environment, Finnish Environment Institute, Norwegian Ministry of Climate and Environment, Norwegian Environment Agency, Sweden’s Ministry of the Environment and Energy, Russian Ministry of Natural Resources and Environment, research institutions, and local authorities of the Barents Region; cooperation agreement signed in June 2016 by MMC Norilsk Nickel, Ministry of Natural Resources and Environment, Federal Service for Supervision of Natural Resources and Government of the Krasnoyarsk Territory. The agreement provides for a series of projects to be implemented by Norilsk Nickel in 2017 to gradually reduce the Company’s environmental footprint in the Murmansk Industrial District. These projects are included in the list of key initiatives approved by the Russian Government for the 2017 Year of the Environment. Investments in the projects covered by the agreement will total RUB 1.3 bn in 2017 alone.

In 2016, the Company received a number of awards, including V. I. Vernadsky National Environmental Award for its Nickel Plant shutdown project in Norilsk and Green Development and Evolution Awards 2016 from the Ministry of Natural Resources and Environment. The Company made it to the Top-3 ranking of environmental initiatives by the Modern Media Institute and Live Planet TV Channel among Russian metals and mining companies.

Norilsk Nickel takes great care in working with the nature reserves that are adjacent to the production sites of Kola MMC (Pavlov and Lapland Reserves) and Polar Division (Putoransky Reserve).

For more details on cooperation with nature reserves, see the Biodiversity Conservation subsection of the Environment section.

5.7 SUPPLY CHAIN RESPONSIBILITY

The main objective of MMC Norilsk Nickel’s procurement activities is timely, efficient, cost-effective and complete supply of resources to ensure stable operation of all production facilities.

The Company’s procurement priorities:

- providing legal entities (including small and medium-sized businesses) with more opportunities to engage in procurement for the Company;
- fostering fair competition;
- selecting suppliers through bidding;
- developing standardised procurement approaches and processes;
- increasing centralised procurement volumes;
- ensuring transparent procurement procedures through automation and independent bidding platforms;
- developing supplier feedback mechanisms;
- preventing corruption and other abusive practices;
- streamlining inventories.

MMC Norilsk Nickel pays close attention to developing relations with Russian suppliers and contractors, as they ensure the Company’s ability to meet its strategic targets. International suppliers are mainly engaged for delivering unique equipment or systems that do not currently have Russian equivalents.

For more details on development of cooperation with the Krasnoyarsk Territory and Murmansk Region based companies in the procurement process, please see the Development of Local Communities section.

In 2016, Norilsk Nickel and the Omsk Region Government signed a road map for the project to use high-tech products of Omsk-based manufacturers at the Company’s facilities till 2020. The road map provides for measures to compile a list of relevant products and their application areas/projects; assessment of compliance of Omsk products with specifications and import substitution requirements of Norilsk Group companies; competitive selection of vendors and suppliers, post-qualification of vendors and suppliers.

All procurement activities in the Company are based on the regulated procedures and policies and are in full compliance with Federal Law No. 223-FZ On Procurement of Goods, Work and Services By Certain Types of Legal Entities dated 18 July 2011.
Procurement activities can be either centralised or organised individually by the Head Office, branches or Group enterprises. Depending on the supplies required and the purchase price expected, procurement can be organised either as a bidding (tender), simple procurement, simplified procurement or single-source procurement. Procurement procedures may involve collective procurement bodies, such as the Tender Committee, tender commissions of the Head Office, procurement and tender commissions of the Group companies.

Despite macroeconomic fluctuations in 2016, the Company improved procurement efficiency, having decreased the average price of materials and equipment by 5% against the targets. The price reduction was achieved through:

- Procurement policies in each product category;
- The policies specify a set of mandatory principles and approaches to organising procurement in certain product categories. As at the end of 2016, the Company’s Tender Committee approved 24 procurement policies, which were used to purchase nearly 40% of all supplies for the core operations in the reporting year, higher transparency of, and easier access to, procurement procedures, expansion and improvement of the bidder base, including by way of inviting bids via independent bidding platforms, such as Fabrikant.Ru or B2B-Centre;
- Direct contracts with suppliers;
- Direct contracts accounted for 65% of all contracts made by the Company in 2016 development and implementation of procurement guidelines, harmonisation of the regulatory procurement framework across the Company’s Russian subsidiaries and branches, including procurement of services; pilot test of a SAP SRM/SLC-based automated system for supplier relationship management, which helped improve the transparency and competitiveness of the procurement procedures.

All employees of Nornickel’s Procurement are members of the Association of Procurement Directors, a professional association for the development of corporate procurement practices. Its mission is to develop and implement best practices in procurement activities. [G4-16]

For more details on the Group’s contractor safety requirements for personal protective equipment and hazardous operation procedures, please see the Occupational Health and Safety section.

### Breakdown of Procurement in 2016, %

- Byatomskoye Mining Company: 6.35%
- Polar Division: 3.76%
- Kolyma MMC: 2.36%
- Logistics Center: 2.20%
- Norilskgazprom: 1.50%
- Murmansk Transportation Branch: 1.39%
- Tamyr Branch of Norilskenergo: 1.35%
- Tarmyry Fuel Company: 1.35%
- Other: 1.35%
- IT Department of MMC's Head Office: 1.35%

### Procurement, RUB bn

- 15.0

### Non-resident suppliers: 85.2
- Resident suppliers: 540

### Control of Non-Financial Factors in Supplier Relations

- Scope of supply/scope of work: legal and regulatory requirements of the Company, mandatory and recommended specifications of products and services, including certificates, licences, permits, etc.
- Procurement documents: provisions for no bankruptcy, no overdue taxes and charges, and no criminal records in the biography of top managers
- Procurement policies for certain product categories may specify quality assurance procedures for suppliers

### Procurement Initiation

- Qualification of suppliers: default risk assessment and compliance with initial requirements (scope of work/supply, specifications, etc.)
- Corporate Security’s checks into business reputation, reliability and solvency of potential customers and suppliers
- Analysis and evaluation of bids submitted, including track record of similar projects and qualifications of key employees

### Procurement Procedure

- Inclusion of an anti-corruption clause in the contract
- Control over contractors’ compliance with health and safety requirements
- Control over compliance with the Company’s initial requirements (scope of work/supply, specifications, etc.) and environmental regulations during work and upon acceptance

### Contract Performance by Suppliers

- Quality of products and services
- Environmental protection
- Legal compliance
According to the independent assessment of November 2016, the safety culture level at Nornickel Group’s key production facilities stood at 2.5 compared to 1.4 in early 2014 when the first assessment took place. The safety culture improvement is driven by the implementation of risk mitigation standards, safety communication campaign and dedicated risk mitigation programmes. The assessment covered Polar Division, Kola MMC, Norilsknickelremont and Polar Construction Company.
6. SAFETY

Zero work-related fatalities is the Company’s key strategic priority in OHS

0.33

LTIFR

106,000

RUB

Occupational health and safety expenses per employee

39%

Decrease in production-related accidents

SAFETY

6.1. OCCUPATIONAL HEALTH AND SAFETY

Ensuring the occupational health and safety of the employees is one of the core aspects of Nor nickel Group’s corporate social responsibility work.

HEALTH AND SAFETY MANAGEMENT G4–36

The highest governance body in charge of health and safety matters is the Board of Directors, which each quarter reviews management reports on the results of health and safety activities. The First Vice-President – Chief Operating Officer, who controls the Company’s Health, Safety and Environment Committee, is responsible for development of the activities and monitoring of compliance with the applicable health and safety legislation.

Under the Committee’s instruction, the HSE Department has organised ongoing monitoring of planned and in-progress activities aimed at improving the health and safety management system.

The Company’s health and safety policy, including investigation and reporting of accidents, is governed by applicable laws of the Russian Federation and technical regulations of the Customs Union on security.

All production processes at the enterprises are supported by relevant regulations and guidelines; maintenance, construction and installation works are carried out in accordance with the project implementation plans and specifications containing health and safety sections. The companies have developed health and safety guidelines for various professions and types of work.

Investigation and registration of production accidents and occupational diseases are carried out in accordance with the Labour Code of the Russian Federation, industry regulations, and the Accident Investigation corporate standard.

**SEAMLESS COORDINATION AND SAFETY**

precedence of the life and health of employees over operational performance;
commitment to creating a safe and healthy environment for all employees;
commitment to fostering sustainable employee motivation for safe workplace behaviour.

**HEALTH AND SAFETY STRATEGY**

creating a safe and healthy environment through introducing scientific and technological innovations to the production processes;
fostering sustainable employee motivation for safe workplace behaviour and training employees in anticipation and prevention of workplace incidents.

**OCCUPATIONAL HEALTH AND SAFETY GOALS**

Creating a safe and healthy environment through introducing scientific and technological innovations to the production processes;
Fostering sustainable employee motivation for safe workplace behaviour and training employees in anticipation and prevention of workplace incidents.

The document was approved by the Company’s Management Board and signed by the CEO

The document was approved by the Company’s Board of Directors
The occupational health and safety management system is certified against OHSAS 18001 for Kola MMC, against GOST R 12.0.230-2007 (OHSAS 18001) for Norilsknickelremont (the Group’s core repair company), and against GOST R 54934-2012 / OHSAS 18001 for the Polar Division. In 2016, all these units demonstrated positive results on the recertification and surveillance audits.

ENGAGEMENT OF EMPLOYEES IN SAFETY MANAGEMENT

The Company and most of the Group’s subsidiaries run official joint health and safety committees composed of management, employee and trade union representatives in their enterprises, branches and production units. The Russian companies of the Group that have joint committees employ around 73,200 people (over 91% of Norilsk Nickel’s total headcount), and new joint committees are being established in the Group’s companies and their branches. Norilsk Nickel Harjavalta has two joint committees.

Authorised representatives of trade unions and staff for health and safety (1,186 employees) have been elected to participate in preventive health and safety activities across the production units of the Group’s companies. In 2016, they took part in over 28,000 audits and submitted around 7,800 health and safety improvement proposals.

SAFETY MANAGEMENT IN CONTRACTORS

Contractors’ operations (repair, construction and installation works at the existing facilities) are classified as high-risk operations and governed by the respective corporate standards. Work permits or operations certificates, as well as work execution plans (project implementation plans, guidelines, etc.), contain safety requirements to be met in the process of organisation and conduct of work. Prior to commencement of work, contractors’ workers undergo induction and target briefings on health and safety, including security measures as per the work execution plans.

KEY INDUCTION INDICATORS

The Company takes all possible measures to mitigate the risk of occupational injuries and diseases. The Group implements measures for mitigating the risks of the impact with moving parts of equipment, energy sources, vehicle and pedestrian collisions, and for preventing rockfalls and falling from a height. For details, please see the interactive version of this Report.

Health and safety indicator details for 2012–2015 in line with the GRI Guidelines are included in the interactive version of this Report.

CORPORATE HEALTH AND SAFETY STANDARDS

Prevention and Control Activities with regard to Health and Safety Processes
Safety Behaviour Audit
Power Source Insulation
High Altitude Operations
Provision of Personal Protective Equipment
Safety Requirements for Boarding and Alighting Company’s Motor Vehicles during Intercity Facility Transportation
Procedure for Organising and Conducting High-Hazard Operations
Accident Investigation
Safety Requirements for Interaction of Vehicles and Pedestrians at Production Sites and Facilities
Requirements for Arranging Demarcation of Hazardous Areas and Visualisation of the Working Space* *
Hazard Identification, Assessment and Management of Occupational Health and Safety Risks

IMPLEMENTATION OF CORPORATE STANDARDS

Test on the Corporate Health and Safety Standards

Over 3,200 employees were tested, including managers of various levels

Monitoring the Implementation of Standards

HSE Department monitors the implementation of standards; the results are discussed with heads of the Group’s departments and subsidiaries, and reviewed by the HSE Committee.

Risk Control Project

Teams are established to create hazard and risk identification registers; training for project participants (over 7,000 people); development of registers for key activities; training for employees in dynamic risk assessment and its implementation at production units; dedicated information boards at production units; preparation of six issues of Line Manager Notebook with educational materials; independent audit of Risk Control project initiatives.

* In 2016, the Company set out new design requirements for work supervision in the standard and additional addendums for high-altitude operations.

** The standard was developed and put into effect in 2016.

The indicators are given for Norilsk Nickel Group’s Russian operations.
In 2016, occupational health and safety expenses of Norilsk Nickel Harjavalta amounted to EUR 1.2 m (EUR 4,400 per employee).

**SPECIAL ASSESSMENT OF WORKING CONDITIONS**

In 2016, in accordance with the Federal Law On Special Assessment of Working Conditions, the Company carried out a special assessment of working conditions at the Polar Division, Polar Transportation and Murmansk Transportation Branches, Polar Construction Company, NTEK, Nonilsgazprom, and at a number of the Group’s other production operations. The special assessment of working conditions covered 10,420 working places and over 18,620 employees in 2016, which amounted to RUB 13.3 m in expenses for the Group’s Russian operations.

In 2016, the Group carried out certification at 3,400 working places at the production units of its branches and companies.

**OCCUPATIONAL HEALTH AND SAFETY EXPENSES**

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</thead>
<tbody>
<tr>
<td>Occupational health and safety expenses (RUB m)</td>
<td>6,442</td>
<td>4,095</td>
<td>7,446</td>
<td>10,148</td>
<td>8,536</td>
</tr>
<tr>
<td>Including per employee (RUB ‘000)</td>
<td>77</td>
<td>51</td>
<td>85</td>
<td>134</td>
<td>106</td>
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**KEY INJURY INDICATORS**

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</thead>
<tbody>
<tr>
<td>FPR</td>
<td>–</td>
<td>0.10</td>
<td>0.07</td>
<td>0.12</td>
<td>0.11</td>
</tr>
<tr>
<td>LTIFR1</td>
<td>–</td>
<td>0.80</td>
<td>0.48</td>
<td>0.62</td>
<td>0.15</td>
</tr>
<tr>
<td>Total number of production-related accidents in accordance with the labour laws of the Russian Federation</td>
<td>103</td>
<td>106</td>
<td>64</td>
<td>88</td>
<td>53</td>
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<tr>
<td>Fatal production-related accidents</td>
<td>8</td>
<td>12</td>
<td>8</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>Minor injuries2</td>
<td>–</td>
<td>50</td>
<td>305</td>
<td>411</td>
<td>719</td>
</tr>
<tr>
<td>Potentially dangerous incidents3</td>
<td>–</td>
<td>–</td>
<td>340</td>
<td>916</td>
<td>1,845</td>
</tr>
</tbody>
</table>

**PROVISION OF PERSONAL PROTECTIVE EQUIPMENT**

Shop area employees of the Group’s production units are exposed to hazardous and harmful workplace factors (underground work, operation and maintenance of mining equipment and heavy self-propelled vehicles, extreme climate, etc.). For that reason, in addition to implementing technical and organisational security measures, the Company also provides employees with free of charge personal protective equipment as per the standard rules and regulations on working conditions. The Company continuously implements measures on disease prevention, arranges compulsory initial (upon employment) and regular health examinations and check-ups. The employees working in contaminated conditions are compensated for wash-off and decontaminating agents. (G4–LA7)

In accordance with the Provision of Personal Protective Equipment Corporate standard, the Company’s units and the Group’s production facilities run preliminary tests on the personal protective equipment.

To facilitate ultimate control over the safe working behaviour, employees with a track record of up to three years wear red helmets with the word “Warning” on them and protective clothing with “Warning” chevrons that make them stand out.

In 2016, the Russian companies of the Group covered by the CSR report purchased personal protective equipment for a total amount of RUB 2.2 bn, or RUB 30,300 per employee, including RUB 870.7 m spent by MMC Norilsk Nickel (RUB 36,200 per employee). Medical examination expenses amounted to RUB 396.9 m.

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1 The indicators are given for Norilnickel Group’s Russian operations.
2 LTIFR and FPR have been monitored since 2013.
3 The indicator has been recorded since 2013.
4 The indicator has been recorded since 2014. The increase in the number of Minor injuries and Potentially Dangerous incidents is due to the introduction of the corporate Accident Investigation Standard, awareness raising activities, and better understanding among employees of how reporting minor injuries and potentially dangerous incidents help eliminate their causes and, therefore, prevent incidents with more severe implications.
5 Lower workplace injury rates in 2016 were due to safety culture improvements driven by the introduced corporate standards, safety communication campaign and dedicated risk mitigation programmes.
In 2016, Polar Division completed renovation of 739 Workplace Safety Information boards.

Occupational safety helplines are available at Kola MMC and Norilsknickelremont (Polar Division). Any Group’s company employee has a right to address the Company’s Corporate Trust Service, which reviews matters related to occupational safety.

SAFETY CULTURE ASSESSMENT
From October to December 2016, DuPont Science and Technologies assessed the current situation and determined priorities for further improvement of the health and safety management framework and for mitigating injury and accident risks at Norilsknickelgroup’s key companies (Polar Division, Kola MMC, Norilsknickelremont and Polar Construction Company). Independent experts reported, that in November 2016 the industrial safety culture level (Bradley Curve indicator) amounted to 2.5 (compared to 2.3 in December 2015, 2.1 in March 2015, and 1.4 in March 2014). The safety culture improvement is driven by the implementation of risk mitigation standards, safety communication campaign and dedicated risk mitigation programmes.

EMERGENCY PREPAREDNESS
Norilsknickel Group companies take great care in maintaining emergency preparedness, as the Group embraces mining, concentration and smelting operations, operates over 300 hazardous production facilities, and uses various hazardous substances (toxic, explosive, oxidising, etc.) in its processes.

For information on emergency preparedness, please see the interactive version of this report.

### 6.2. Improvement of Social and Working Conditions

Improvement of working conditions is a key aspect of the Company’s corporate social responsibility. The Group’s companies operate more than 2,000 sanitary, amenity, sports and fitness, catering, healthcare and recreation facilities with a total area of over 300,000 sq m. Comfortable working conditions materially contribute to the employees’ satisfaction and motivation to perform.

#### Breakdown of Social Facilities Overhauled in 2003-2016

- **Sanitary and amenity**: 154
- **Sports and wellness**: 10
- **Catering service**: 28
- **Other**: 5

#### Programme for Improvement of Social and Living Conditions of Workers

For 2017, the programme was launched in 11 Nornickel branches and units located in Norilsk, Taymyr Dolgan-Nenets Municipal District, Murmansk Region and St Petersburg.

- **Overhaul of 20 social facilities**: 52 relocatable buildings purchased.
- **The total area of the renovated facilities amounted to 6,346 sq m; the social and working conditions of 2,818 employees were improved**.
- **Works for a total of RUB 543.2 m were performed, including project and comprehensive repair works for a total of RUB 419.2 m**.
- **Equipment purchased for RUB 124.0 m**.

**Plan for 2017**

- **Overhaul of 41 social facilities, including four catering and four sports and fitness facilities**.

**Programme’s budget for 2017 is planned at RUB 672.6 m**.

#### Actual Costs of the Programme

<table>
<thead>
<tr>
<th>Year</th>
<th>Sanitary and amenity</th>
<th>Sports and wellness</th>
<th>Catering service</th>
<th>Other</th>
</tr>
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<tbody>
<tr>
<td>2003</td>
<td>28</td>
<td>5</td>
<td>10</td>
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<td>2004</td>
<td>17</td>
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<td>159</td>
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<td>2016</td>
<td>334</td>
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</table>

*Data are given on an accrual basis.*
Nornickel’s projects to reduce its environmental impact, with a total budget of RUB 1.3 bn, were included in the list of initiatives for Russia’s Year of the Environment – 2017. In June 2016, MMC Norilsk Nickel, Ministry of Natural Resources and Environment, Federal Service for Supervision of Natural Resources and Government of the Krasnoyarsk Territory signed an agreement that set out the Company’s obligations to carry out these projects.
7. ENVIRONMENT

In 2016, Nornickel ranked 4th in the World Wildlife Fund’s Environmental Responsibility Rating of Metals and Mining Companies in Russia

- For details on Corporate Integrated Quality and Environmental Management System, please see the Product Responsibility section.
- For details on development of the environmental management system in 2016, please see the interactive version of this Report.

7.1. ENVIRONMENTAL MANAGEMENT SYSTEM

MMC Norilsk Nickel’s Environmental Management System is a component of the Corporate Integrated Quality and Environmental Management System (CIMS). This enables the Company to harmonise environmental and quality management initiatives with production management, finance, health and safety operations.

The Company’s vision of its key environmental commitments and priority environmental goals and objectives are stated in the Environmental Policy adopted by MMC Norilsk Nickel’s Management Board.1

Based on the annual CIMS analysis, a report is prepared for senior management to assess performance of the management system and decide on corrective measures.

7.2. ENVIRONMENTAL PROTECTION EXPENDITURES

The Group’s total environmental protection expenditures stood at RUB 25.7 bn in 2016, up 8.9% vs 2015. The largest spending items were current environmental protection expenditures (RUB 15.4 bn) and capital investments to ensure environmental protection and sustainable use of natural resources (RUB 9.6 bn).

Expenditures also included charges for permissible and surplus emissions (effluents) and disposal of production and consumption waste, and charges paid by the Company to remedy damages arising from non-compliance with environmental laws.2

In 2016, the Company paid a total of RUB 1,429,000 in environmental fines (down 15.2% y-o-y) and received 15 improvement notices from regulators.2


KEY RISKS ASSOCIATED WITH CORPORATE SOCIAL RESPONSIBILITY

- ENVIRONMENTAL RISK
  - SURPLUS ENVIRONMENTAL IMPACT RELATED TO PRODUCTION ACTIVITIES, UNFAVOURABLE WEATHER CONDITIONS OR EMERGENCY ACCIDENTS AND INCIDENTS
  - Risk Mitigants:
    - Develop, approve and implement procedures to reduce pollutant emissions and discharges;
    - Establish maximum permissible environmental impact and its limits;
    - Factor in established limits and maximum permissible environmental impact in planning to comply with them in production operations;
    - Implement action plan to reduce emissions during unfavourable weather conditions;
    - Develops and implements preventative and remedial action plans.

7.3. ENVIRONMENTAL PERFORMANCE

The Company strictly complies with:
- the Federal laws on the Protection of Atmospheric Air and on the Protection of the Environment with respect to inventory, control and management of air emissions;
- the Federal law on the Protection of the Environment and the Water Code of the Russian Federation with respect to water use and water body protection;
- the Federal law on Production and Consumption Waste with respect to waste management.

The Company’s operations are planned with reference to statutory environmental limits. In 2016, the Company did not exceed limits for key pollutant emissions.

The Company has in place an integrated environmental reporting system to monitor progress in achieving environmental objectives and prepare quarterly, annual and ad-hoc reports. The Company submits annual statistical reports to regulating authorities as and when required.

In 2016, the Company ranked 4th in the World Wildlife Fund’s Environmental Responsibility Rating of Metals and Mining Companies in Russia. According to the rating methodology, metals and mining companies are assessed by three indicators: environmental policies, environmental impacts, and disclosures and transparency.

To communicate its environmental efforts to the people of Norilsk, Polar Division has been running an automatic toll-free enquiry service since 2012. By dialling 007, anyone can hear short-term environmental forecasts for the city.

In 2015, the Company developed and approved a roadmap to reduce air pollutant emissions at MMC Norilsk Nickel’s Polar Division up to 2020. In August 2016, as planned, outdated Nickel Plant was shut down, with Polar Division’s nickel feedstock melting transferred to Nadezhda Metallurgical Plant. As a result, some 600 sources of emissions were eliminated in the Norilsk residential area.

The Company continued the sulphur projects at Copper Plant and Nadezhda Metallurgical Plant, with the project design documents approved by Russia’s State Expert...
Review Board. MMC Norilsk Nickel and SNC-Lavalin Inc. (Canada) signed a contract to prepare engineering documents and implement the sulphur dioxide recovery project at Nadezhda Metallurgical Plant.

In 2016, the Group’s pollutant emissions decreased by 6.2%, with Polar Division’s emissions down by 5.1% and Kola MMC’s emissions down by 21.7% (22.8% for sulphur dioxide). Such a significant reduction was achieved because Kola MMC shut down its pelletisation and roasting section, excluding the obsolete technology from the feedstock treatment process. In 2016, Kola MMC completed the construction of the copper-nickel concentrate briquetting section and is now bringing the technology up to the required volume and quality performance. The full-fledged roll-out of the briquetting technology will additionally reduce sulphur dioxide emissions.

For more details on our air emission reduction initiatives, please see the interactive version of this report.

GREENHOUSE GAS (GHG) EMISSIONS
In 2016, the Group’s direct GHG emissions totalled 10,031,386 tonnes of CO₂ equivalent, with the estimates for Polar Division, Kola MMC and Norilsk Nickel’s fuel and energy operations based on the Guidelines and Instructions approved by Order of the Russian Ministry of Natural Resources No. 300 dated 30 June 2015. GHG emissions intensity equals 18.287 tonnes of CO₂ equivalent per RUB 1 m of consolidated revenue. #G4–EN15, G4–EN18

USE OF OZONE-DESTROYING SUBSTANCES
The Group neither produces nor uses ozone-depleting substances, except for small amounts used as a chemical agent for laboratory-based chemical analysis as well as for filling and topping of compressors in various air conditioning units and carbonated water machines, which produce water used as a cooling agent for medium- and low-temperature refrigerating equipment. #G4–EN20

PROTECTION OF WATER BODIES
The Group uses water from surface and underground sources (see Appendix 4) for its drinking, production and process supply needs as well as for community and shipping needs. The water is withdrawn in compliance with the approved limits, without any major impacts on water bodies. No water is withdrawn from either the Ramsar Wetlands or from other protected natural territories. #G4–EN10

The Group’s wastewater effluents do not exceed the approved limits, including admissible impact limits, or have any major impact on biodiversity of water bodies and related habitats. #G4–EN26

In 2016, the Group’s total water withdrawal decreased by 5.7% primarily owing to lower withdrawal from water storage reservoir Kharaelakh as the turbines at NTEK’s TPP-2 worked fewer hours. Polar Division reduced water withdrawal as Nickel Plant was shut down, while mine and pit water inflows and third-party wastewater volumes fluctuated. Kola MMC increased water withdrawal as mine water inflows fluctuated.

Key Risks Posed by Climate Change

Soil Thawing Risk

Risk Description
Active man-made impact on the Norilsk Industrial District’s permafrost soils over the past 80 years, thawing of soils, ice bands and lenses, increased depth of seasonal thawing leading to loss of bearing capacity of pile foundations, deformation of buildings and structures resulting in their destruction

Risk Mitigants
- routinely monitor the condition of foundation beds for buildings and structures built on permafrost;
- run geodetic control of changes in buildings’ positions;
- monitor soil temperature at buildings’ foundations;
- monitor the facilities’ compliance with operational requirements for crawlspaces;
- develop recommendations and corrective action plans to ensure safe operating conditions for buildings and structures;
- cooperate with Roshydromet to organise constant hydrological and meteorological monitoring stations to improve the accuracy of water level forecasts in the Norilsk Municipality territory;
- supervise a hydrological monitoring system to forecast water level in rivers and water bodies in the Norilsk Municipality territory, including a set of measures introduced jointly with Srednesibirsk Hydrometeorology and Environmental Monitoring Administration to classify and analyse hydrological data;
- dredge the Norilskaya river and reduce energy consumption at the production facilities should the risk materialise.
Polar Division posted a significant change in water consumption as Nickel Plant was shut down. NTEK’s increased water consumption was due to a greater volume of recycled water used to cool the equipment. The percentage of reused and recycled water in the Group’s total water consumption stood at 85.8% in 2016. The total volume of reused and recycled water in the Group’s water withdrawal came in at 382.6%. This percentage is largest for Polar division (495.0%) and 382.6%. This percentage is largest for Polar division and Nornickelenergo and other business units of the Group include the water withdrawn from NTEK network.

In 2016, the discharge of wastewater pollutants did not exceed the maximum discharge rates or limits.

For more details on the Group’s water body impact reduction initiatives effected in 2016, please see the interactive version of this report.

WASTE MANAGEMENT

Over 90% of the Group’s production waste is classified as hazard class 5 (practically non-hazardous waste), including rock and overburden, tailings, and metallurgical slags. To reduce technogenic impacts on the environment, waste is stored and disposed of in an environmentally safe way at the Group’s special waste disposal sites or used at the Group’s facilities. Waste is used for preparation of filling compounds, as flux for melting metal in melting furnaces, construction and strengthening of tailing dumps, railroad groundwork, road filling, etc. Over the last eight years (2009–2016), the Group has been steadily using some 50% of all waste produced.

All of the Group’s waste disposal sites are listed on the national disposal site register. The Group manages waste and monitors special sites in accordance with applicable permits. Tailings pits are monitored additionally as required by safety standards for hydraulic structures.

As part of the Tahanik Concentrator upgrade and retrofit project to increase its total ore capacity to 16 mt/a, the Group continued the construction of a new tailings pit which should meet all environmental requirements and ensure that up to 6 mt of tailings per annum is stored and disposed of in an environmentally safe way.

### WASTE GENERATION AND DISPOSAL IN 2012–2016

<table>
<thead>
<tr>
<th>Year</th>
<th>Polar Division</th>
<th>Kola MMC</th>
<th>Waste use at own facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>23.09</td>
<td>13.22</td>
<td>26.62</td>
</tr>
<tr>
<td>2013</td>
<td>22.27</td>
<td>12.13</td>
<td>25.44</td>
</tr>
<tr>
<td>2014</td>
<td>22.57</td>
<td>12.11</td>
<td>26.39</td>
</tr>
<tr>
<td>2015</td>
<td>15.18</td>
<td>11.97</td>
<td>24.47</td>
</tr>
<tr>
<td>2016</td>
<td>15.18</td>
<td>11.87</td>
<td>25.44</td>
</tr>
</tbody>
</table>

Polar Division and Nornickelenergo Branch posted a decrease in pollutants discharged as part of the wastewater as no effluents came from Nickel Plant after it was shut down. Kola MMC showed an increase in pollutants discharged as part of the wastewater due to higher water withdrawal for Monchegorsk process needs and excess concentrations of some pollutants in the nickel electrolysis shop’s saline effluent.

In 2016, the discharge of wastewater pollutants did not exceed the maximum discharge rates or limits.
An upgrade and retrofit project was completed with regard to the tailings pipes at Nadezhda Metallurgical Plant in 2016. Started in 2013, the project included a replacement of some 13 km of the existing pipes with leak-proof polymer piping. In the course of replacement, the pipes were cleaned of the mud contents that underwent two-stage treatment and did not pose a life hazard, and then washed through with water. At the same time, precautions were taken to prevent pollution from these mud contents. In September 2016, the works were performed in heavy rain, which washed off some iron hydroxide into the Dolykhan river and caused a temporary change in the colour of the river water. The Company fully paid the fine and environmental damages, taking measures to clean up the area near the tailings pipes and prevent contamination.

In 2016, Norilskgazprom piloted a solid domestic and industrial waste landfill in the Tukhard settlement, updating engineering surveys for the construction of a landfill in the Mesyatsky natural gas field, with the project design documents sent for review to the Krasnoyarsk Branch of Russia’s State Expert Review Board.

In 2016, the Group decreased the total volume of waste by 0.38 mt y-o-y, or 1.1%, due to waste reductions at Kola MMC by 0.76 mt y-o-y, or 71%. Meanwhile, Polar Division increased the total volume of waste by 0.3 mt y-o-y, or 1.3% as the Talnakh Concentrator upgrade and retrofit project was still in progress.

The Group’s total waste utilisation rose by 1.34 mt y-o-y, or 6.6%, due to higher utilisation at Polar Division.

### 7.A. BIODIVERSITY CONSERVATION

**COOPERATION WITH NATURE RESERVES**

Kola MMC is located 15 km from the Pasvik Nature Reserve and 10 km from the Lapland Biosphere Reserve, while Polar Division’s sites are some 80–100 km away from the buffer zone of the Putoransky Nature Reserve. At present, the Company’s operations do not produce any significant impact on areas adjacent to the nature reserves. [G4-EN21, G4-MM2, G4-EN11]

**Taimyr Peninsula**

The Putoransky State Nature Reserve was included in the UNESCO world heritage list in 2010. It covers a total area of over 1,887,100 ha. The reserve is part of the Joint Directorate of Taimyr Nature Reserves, which also includes the Putoransky, Taimyrsky and Big Arctic reserves, as well as the Punrynsk and Severozemelsk natural protected areas.

In 2016, the Joint Directorate of Taimyr Nature Reserves continued implementing three projects selected under MMC Norilsk Nickel’s World of New Opportunities charitable programme to support socially important initiatives. Those are:

- Save the Brighorn Together (research and protection of this endangered species of the Putorana Plateau);
- Hatanga Crafts Festival (a space for demonstration, experience sharing and knowledge transfer in order to revive the northern indigenous peoples’ forgotten crafts);
- Environmental Camp (a summer field camp set up in the protected area of the Putoransky Nature Reserve).

Following the Socially Important Initiatives Competition held under the World of New Opportunities charitable programme in September 2016, the Joint Directorate of Taimyr Nature Reserves received funding to implement the Crafts Workshops project in 2017. The initiative is aimed at promoting the crafts practised by the indigenous people of the North.

In 2016, the Company also helped Taimyr’s nature reserves to put in place reliable satellite communication infrastructure for the reserves’ employees and guests, and assisted in transporting their research groups to the outer field locations.

**Kola Peninsula**

The Company cooperates with the Lapland and Pasvik Nature Reserves in several areas. The key ones are environmental monitoring and vegetation restoration in the vicinity of Kola MMC’s production sites.

The Pasvik Nature Reserve is featured as one of the Wetlands for the Shadow List of Ramsar Sites under the name of Fjærland – Scharnnungs Field Base. It covers a total area of over 14,000 ha.

In 2016, the construction of a visitor centre in the settlement of Nickel was completed with the support from the Company. The state-of-the-art centre with an area of over 800 sq m was opened on 17 January 2017, when Russia was launching the Year of Ecology, and aimed to promote environmental awareness among communities from the cross-border regions of Russia, Norway and Finland. Since 2006, the Pasvik Nature Reserve has been carrying out an ecological assessment of the natural environment in the area of Pechenganickel Plant (including Zapolyarny, Nickel and their suburbs, as well as the Pasvik State Nature Reserve), and developing a long-term environmental monitoring programme. The reserve is also working on several projects that received grants under MMC Norilsk Nickel’s World of New Opportunities charitable programme. For example, in 2016, it started the implementation of a project to develop the Pasvik Reserve’s research database and promote an effective dialogue at the Russia-Norway border, encouraging the launch of new R&D projects in the Pechengsky District of the Murmansk Region.

With an area of 278,000 ha, the Lapland State Nature Biosphere Reserve is one of the largest protected areas in Europe and also one of Russia’s oldest nature reserves (founded in 1939). In 1985, it was included in the UNESCO Network of Biosphere Reserves.

In 2002, Kola MMC and the Lapland Biosphere Reserve signed contracts for the development of a methodology to reclaim disturbed natural environments in the areas affected by permanent emissions from Severonickel Plant and monitoring of the Monchegorsk District and the Lapland Biosphere Reserve. The scientific research data provided a basis for further rehabilitation of disturbed lands and for sanitary and fire-protection improvements in the forest areas.

In 2016, the Company also provided financial aid for the Lapland Biosphere Reserve to make a new nature trail and publish books about Oleg Semyonov-Tyany-Shansky and Herman Kipets, the reserve founders.

### DISTURBED AND REHABILITATED LAND AREA

<table>
<thead>
<tr>
<th>ITEM</th>
<th>TOTAL</th>
<th>DURING MINDING</th>
<th>DURING CONSTRUCTION</th>
<th>DURING DESTRUCTION</th>
<th>DURING DISPOSAL</th>
<th>DURING OTHER ACTIVITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total disturbed area, beginning of period</td>
<td>13,735.18</td>
<td>12,049.46</td>
<td>139.00</td>
<td>65.00</td>
<td>1,481.72</td>
<td></td>
</tr>
<tr>
<td>Total rehabilitated area</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Total disturbed area, in the reporting period</td>
<td>1,371.88</td>
<td>1,071.35</td>
<td>227.52</td>
<td>1.34</td>
<td>11.67</td>
<td></td>
</tr>
<tr>
<td>Total disturbed area, end of period</td>
<td>15,047.06</td>
<td>13,120.81</td>
<td>366.52</td>
<td>66.34</td>
<td>1,493.39</td>
<td></td>
</tr>
</tbody>
</table>

*Disturbed area of disturbed land is as at the beginning of 2016 differs from the total area of disturbed land at the end of 2015, as stated in the 2015 CSR Report, which is due to the realignment of the pipeline selection boundaries; the considerable increase in the disturbed land area in 2016 is due to more intensive operations at Khibinsky MM.*

**REPRODUCTION OF AQUATIC BIORESOURCES**

The Company’s Polar Division develops Oktjabryskoye, Talnakh and Norilsk 1 Fields; Kola MMC develops Zhdanovskoye, Zapolyarnoye, Kotsevaara and Semiletka Fields.

Pursuant to the Russian laws, design documents on field development and capital construction projects, both for business and non-business purposes, must have a section describing the company’s environmental protection and control (monitoring) initiatives to track changes across the ecosystem resulting from ongoing development, construction, or accidents.

The Company has field development, mine liquidation and land rehabilitation projects in place for all of its fields, with special reserves set up for rehabilitation activities.
The Company traditionally takes part in urban greening projects in Norilsk, Dudinka, Monchegorsk, Zapolyarny, and Nichel. The programme for urban greening and restoration of public spaces and surrounding territories is implemented in cooperation with the municipal authorities and seeks to clean up and improve public spaces and areas adjacent to the roads, protect water bodies and water reserves, and revamp tourist camping sites. In 2016, the Company’s volunteers joined the programme. Monchegorsk hosted the environmental Let’s Do It festival, while Norilsk organised an ecological marathon for greening the Zapolyarny stadium territory.

Upon the recommendation from nature reserves, in 2003, Kola MMC started implementing a land rehabilitation programme. In just 13 years, Kola MMC had over one million trees and bushes planted over an area of about 100 ha, including as part of a pilot project to restore damaged land adjacent to the Company’s production site in Monchegorsk implemented jointly with Kola Science Centre of the Russian Academy of Sciences.

Both Norilsk Group’s companies and other parties engaged in transportation ensure multi-stage monitoring of compliance with the standards and rules of transporting goods. Most of Polar Division’s metal products are transported from Murmansk and Arkhangelsk to Europe, and all of Kola MMC’s metal products are transported from St Petersburg to Europe by third-party fleet charted by Metal Trade Overseas, one of the Group’s companies. Third-party fleet environmental parameters comply with the requirements of international environmental conventions.

For more details about the environmental initiatives of the transport and logistics units, see the interactive version of this Report.
7. ENERGY CONSERVATION AND EFFICIENCY

The fuel and energy business block is an integral link in the production chain and a key element in supporting the households across the Company’s footprint. Most of the Company’s production facilities and workforce operate or live in the harsh Arctic climate.

The Company’s fuel and energy assets include:

- NTEK. The company is responsible for power and heat generation, transmission and sale using the facilities of Nornikelenergo (MMC Norilsk Nickel’s branch) and Taimyrtransgaz. The company holds a licence for gas and condensate production, and follow-up exploration in Pelaytkinskoye Field; the Taimyr Peninsula’s largest hydrocarbon deposit. Currently, the field is being developed by the company; Taimyrtransgaz. The company transports natural gas and condensate to consumers in the Norilsk Industrial District; Norilskgazprom. The company produces and treats gas and gas condensate, and sells raw hydrocarbons to NTEK and MMC Norilsk Nickel’s Polar Division; Norilskgazprom produces gas in the following fields: Severo-Soleninskoye Gas Condensate Field; Yuzhno-Soleninskoye Gas Condensate Field; and Meissoyakhtskoye Gas Field; Norilsktransgaz. The company transports natural gas and condensate from the Norilskgazprom fields to consumers in the Norilsk Industrial District; Bystroinsk Electric Grid Company. The company was set up in 2015 as a construction management company under the investment project to build an overhead Kharaokorskaya GRES (power plant) – Bugdainskaya – Bystroinskaya – Autotransformer at the Opornaya substation to increase the intake of power and capacity from Ust-Khantayskaya and Kureyskaya HPPs for the Norilsk Industrial District across the 110 kV network to 350 MW and 500 MW in normal and emergency conditions, respectively (the project was successfully completed in 2016).

For more details about key investments in the fuel and energy capacities, please see the interactive version of this Report.

For the purposes of Federal Law No. 261-FZ On Energy Conservation and Improvements in Energy Efficiency, in 2016, MMC Norilsk Nickel launched a mid-term programme, approved by the Company’s First Vice-President (CEO), to improve energy efficiency at the industrial facilities of the Norilsk Industrial District and the Murmansk Region.

Major investment projects aiming to increase the use of renewable energy include:

- the replacement of obsolete hydropower units at Ust-Khantayskaya HPP to make better use of water resources, increase HPP generation volumes, and improve the reliability of energy supplies to the Norilsk Industrial District (as at 31 December 2016, two out of seven hydropower units were commissioned); installation of an additional autotransformer at the Oporohnaya substation to increase the intake of power and capacity from Ust-Khantayskaya and Kureyskaya HPPs for the Norilsk Industrial District across the 110 kV network to 350 MW and 500 MW in normal and emergency conditions, respectively (the project was successfully completed in 2016).

In 2016, the Company continued running out energy efficient equipment across its business units, having replaced incandescent lights with LED and other energy saving bulbs and installed RPM controllers in ventilation systems, pump stations and other variable load systems. Each year, the Company develops and implements organisational and technical actions to save fuel, heat, power and water.

MMC Norilsk Nickel and NTEK are members of industrial non-commercial organisations (Energy Consumers Association and Energy Producers Association, respectively). These organisations work towards creating a competitive and transparent power and capacity market in Russia, as well as ensuring a favourable investment climate in the industry.

In 2016, the Company’s fuel and energy assets provided a stable energy supply for the Group’s operations and other consumers, including the residents of towns and settlements of the Norilsk Industrial District.

There were no significant changes in the structure of primary power consumption in 2012–2016. Natural gas is the primary energy source used for generating about 90% of total energy. The peak values of gas consumption in 2013 and 2016 were driven by lower water levels at NTEK’s HPP water storage reservoirs, which led to increased TPP generation and lower HPP volumes in order to achieve long-time average annual levels to coincide with the peak load of the heating season. The decrease in coal consumption was due to the reconfiguration of cone production facilities. In 2016, the Company’s HPPs generated 38% of total power produced by the Company’s fuel and energy assets.

Due to the Nickel Plant shutdown, there were significant changes in the patterns of electricity, heat and steam consumption by the Group’s facilities in 2016. Of the total consumption, electricity represents the highest percentage – 49.9% (vs 55.5% in 2015), followed by heating and cooling energy – 45.8% (vs 33.3% in 2015), and steam and low-grade heat used in production processes – the remaining 4.3.

A G4–en6
Kola MMC accounts for the consumption of nearly all energy (around 99%) purchased from third-party suppliers. The Group’s total energy supply to external consumers stands at 19,882 T J, with NTEK’s share amounting to 86.4%, or 17,178 T J.

In 2016, the Group’s Russian operations saved 930 T J of energy on the back of multiple energy saving initiatives (against 1,290 T J in 2015).  

**PRIMARY ENERGY CONSUMPTION, T J #G4–EN3**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>4,209</td>
<td>4,250</td>
<td>4,417</td>
<td>4,170</td>
<td>2,132</td>
<td>1.2</td>
</tr>
<tr>
<td>Natural gas</td>
<td>152,095</td>
<td>151,351</td>
<td>146,205</td>
<td>145,265</td>
<td>150,081</td>
<td>87.5</td>
</tr>
<tr>
<td>Diesel fuel and fuel oil</td>
<td>12,441</td>
<td>11,888</td>
<td>11,684</td>
<td>12,274</td>
<td>15,640</td>
<td>9.1</td>
</tr>
<tr>
<td>Gasoline and aviation fuel</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,789</td>
<td>2.2</td>
</tr>
<tr>
<td>Total</td>
<td>148,835</td>
<td>167,489</td>
<td>162,301</td>
<td>161,710</td>
<td>172,643</td>
<td>100.0</td>
</tr>
</tbody>
</table>

1 Kola MMC buys energy through Arctic-Energo, its default supplier.
2 The adjustment (as compared to 1,209 Т J specified in the 2015 report) is due to the update of the calculation methodology for NTEK. The new methodology does not factor in the difference between the target and actual energy consumption.
3 Since 2016, including the consumption by the Company’s transport and logistics operations; in 2016, total consumption, excluding transport and logistics operations, stood at 160,568 T J.

**INTERMEDIATE ENERGY CONSUMPTION, T J #G4–EN3**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>50,434</td>
<td>44,499</td>
<td>45,100</td>
<td>42,943</td>
<td>32,530</td>
<td>49.9</td>
</tr>
<tr>
<td>Heating and cooling</td>
<td>22,886</td>
<td>21,152</td>
<td>28,230</td>
<td>25,721</td>
<td>29,888</td>
<td>45.8</td>
</tr>
<tr>
<td>Steam, low-grade heat</td>
<td>9,948</td>
<td>9,568</td>
<td>9,648</td>
<td>8,692</td>
<td>2,803</td>
<td>4.3</td>
</tr>
<tr>
<td>Total</td>
<td>82,248</td>
<td>75,729</td>
<td>82,978</td>
<td>77,356</td>
<td>65,221</td>
<td>100.0</td>
</tr>
</tbody>
</table>

1 Kola MMC buys energy through Arctic-Energo, its default supplier.
2 The adjustment (as compared to 1,209 T J specified in the 2015 report) is due to the update of the calculation methodology for NTEK. The new methodology does not factor in the difference between the target and actual energy consumption.
3 Since 2016, including the consumption by the Company’s transport and logistics operations; in 2016, total consumption, excluding transport and logistics operations, stood at 160,568 T J.
4 Net of losses.
Norilsk Administration, MMC Norilsk Nickel's Polar Division and Vladimir Potanin Foundation signed a tripartite memorandum of cooperation. The document provides for the establishment of Norilsk Development Agency to become a foundation for economic, social and cultural development of Norilsk and creation of a favourable urban environment.

Collaboration

Ability of our employees to achieve goals and objectives through teamwork
### 8. SOCIETY

**Nornickel’s social policy focuses on maintaining social stability in teams engaged in the Group’s operations**

- **91.5** RUB BN Tax and non-tax payments to budgets of various levels
- **23.6** RUB BN Financing of social, charitable and social infrastructure programmes
- **94,200** RUB Average monthly salary paid to the Company’s employees

#### 8.1. EMPLOYEES AND SOCIAL POLICY

Human capital is one of the key factors contributing to the Company’s successful development. Recognising its importance, the management of Nornickel Group is committed to creating conditions that would contribute to employees’ performance and engagement, and exercises a transparent approach to HR practices.

The legal basis of the Company’s approach to labour and other HR relations is consistent with widely recognised principles and rules of international law, standards of the International Labour Organisation, and national laws of the countries of the Company’s operations.

The business of Nornickel is based on respect for each employee and their rights. The Company’s position on human rights is set forth in the Code of Business Conduct, Personal Data Policy, Anti-Embezzlement Regulation, In-House Investigation Regulation, and Regulation on the Prevention and Management of Conflicts of Interest in Nornickel.

Nornickel’s social policy focuses on maintaining social stability in teams engaged in the Group’s operations.

The responsibility for the HR and social policy of the Nornickel Group is borne by:
- Corporate Governance, Nomination and Remuneration Committee of MMC Nornickel’s Board of Directors;
- Ms. L. Zelkova, Senior Vice President for HR, Social Policy and Public Relations, a member of the Public Council under the Ministry of Labour and Social Protection of the Russian Federation; Departments of Personnel and Social Policy of the Company’s Head Office; personnel services of the Group’s companies.

#### Key Risks Associated with Corporate Social Responsibility

**Risk Description**

- Escalating tensions among the workforce due to deterioration of social and economic conditions in the Company’s regions of operation.

**Risk Mitigants**

- Strict adherence by the collective bargaining agreements made between the Group’s companies and employees;
- Fulfilment of social obligations under public-private partnership agreements;
- Active liaison with regional and local authorities, and civil society institutions;
- Public meetings to facilitate constructive dialogue between the private sector, public authorities and local communities in the Company’s regions of operation;
- Implementation of the World of New Opportunities charitable programme aimed at supporting and promoting regional public initiatives;
- Implementation of the Norilsk Upgrade project to introduce innovative solutions for sustainable social and economic development of the region;
- Regular social monitoring across the Group’s operations;
- Implementation of programmes to retain released employees and retrain them for other jobs at the Company’s production facilities;
- Opinion polls in the regions of operation on quality of life, employment levels, migration attitudes, social well-being and areas of concern;
- Social projects and programmes aimed at supporting employees and their families, as well as the Company’s former employees.

Personnel structure by gender, %
- Male: 29.2%
- Female: 70.8%

Personnel structure by category, %
- Blue-collar employees: 16.9%
- White-collar employees: 70.0%
- Executives: 13.1%

Personnel structure by type of contract, %
- Fixed-term employment contracts: 5.6%
- Unlimited employment contracts: 94.4%

Average headcount and actual headcount as at the end of the year, '000

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Headcount</th>
<th>Real Headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>88.3</td>
<td>86.2</td>
</tr>
<tr>
<td>2013</td>
<td>82.0</td>
<td>82.2</td>
</tr>
<tr>
<td>2014</td>
<td>81.9</td>
<td>82.3</td>
</tr>
<tr>
<td>2015</td>
<td>81.9</td>
<td>83.2</td>
</tr>
<tr>
<td>2016</td>
<td>82.0</td>
<td>81.4</td>
</tr>
</tbody>
</table>

Headcount of the Group’s foreign operations, employees
- Europe (Finland): 273
- Europe (other countries): 31
- Asia: 30
- North America: 30
- Australia: 30
- Africa (SAR): 10

Personnel structure by education, %
- Higher education: 18.8%
- Secondary vocational education: 8.1%
- Primary vocational education: 4.8%
- Undergraduate education: 30.6%

Personnel structure by territory, %
- Kola Peninsula industrial district (Murmansk Region): 16.9%
- Moscow and other regions of Russia: 70.0%
- Krasnoyarsk territory (except for the NID): 13.1%

Russian citizens, %
- Share of total headcount: 99.5%
- Share of senior executives: 97.8%

1 Unless otherwise specified, the indicators are hereby given for the Group’s Russian operations.
Over 99% of the staff employed by the Group’s Russian companies are full-time employees.
In 2016, there were 1,329 employees working under civil contracts and external part-timers not on the Company’s payroll, including 766 males and 563 females.
**PROSPECTIVE RECRUITMENT OF SKILLED PERSONNEL**

The Company applies a wide range of advanced recruitment technologies. In particular, we use a specialised NorNickel Nickel – Jobs and Careers website www.hr.nornickel.ru and a free employment hot line (8-800-700-19-43).

The Company also implements corporate programmes to recruit white- and blue-collar employees from among young people that are completing their training at professional schools. The Company has ongoing relations with colleges and universities and offers internships to students majoring in much-sought after professions and qualifications.

Students from dedicated Russian universities are invited to take part in the Career Start-Up programme of pre-graduation internships and work placements. The Programme cooperates with 38 Russian universities. In 2015, NorNickel Nickel was the first company in the Russian metals and mining sector to start mentoring students and graduates by engaging them in solving actual business tasks. The method served as the basis for the Conquerors of the North, a business game held as part of the Career Start-Up programme that took place in Norilsk in summer 2015. In 2016, Kola MMC joined the business game. For two summer months, the programme participants were offered to take a hands-on training and a multi-stage business game with a focus on team work to try and tackle some of the Company’s real tasks. In 2016, the business game was attended by 215 students.

For its efforts in guiding the young in their career development, the Company has received awards in several nominations of the Community Professional Engagement competition held in the Krasnoyarsk Territory. The Conquerors of the North project won the All-Russian Graduate Award 2016.

For more details on the Company’s career development programmes, please see the Developing Local Communities section.

The Company has taken efforts to assist new employees with their living arrangements by launching the dedicated programme in the Norilsk Industrial District and Tyumen and other Municipal Districts. Experts with professional skills in high demand on the local labour market invited from other Russian regions and neighbouring countries are provided with adequate living conditions and compensated for the costs of relocation and resettlement.

**OUTPLACEMENT, RETRAINING AND RELOCATION OF NICKEL PLANT EMPLOYEES**

All outplacement proceedings in respect of the Nickel Plant employees have been conducted by the Company in compliance with statutory procedures, with the relevant notices duly sent to the local employment agency, the trade union, the Social and Labour Council, and other stakeholders.

As at the end of 2016, the Company has outplaced 1,680 employees to various positions in Polar Division and other operations. The Company has signed agreements with 569 employees under the Metallurgy Veterans Programme, as at 31 December 2016, all its participants have received a one-off redundancy payment. Certain categories of the Nickel Plant redundant employees (vulnerable categories, or women who could not be offered an outplacement) have received additional benefits and severance guarantees. As at the end of 2016, the relevant agreements under these programmes have been signed with 65 employees.

The outplaced employees have been offered development courses to master new professional skills, or to upgrade their qualification category and get clearance for specific types of work. More than 1,158 employees have undergone the training during 2016.

The total cost of social support measures undertaken by the Company in 2016 in connection with the closure of Nickel Plant has amounted to RUB 1,382 m.
PERSONNEL DEVELOPMENT

In 2014, the Company launched its long-term HR strategy – the Human Capital Development Programme. The Programme sets out the priority areas of human capital development required to facilitate the implementation of the Company’s strategy.

The main objectives of the Human Capital Development Programme are as follows:

- To introduce staff segmentation and apply a targeted approach to social benefits in various segments;
- To implement appropriate models in deploying manpower;
- To focus increasingly on the proactive approach and personnel segmentation;
- To enhance the talent pool;
- To help personnel grow;
- To change the HR focus towards supporting the Company’s strategy and acting as a business partner.

Training is one of the key tools of personnel development. Training is an ongoing process and an everyday part of the employee’s daily work enabling them to consistently expand and deepen their knowledge and skills, and to enhance professional excellence to meet the Company’s development needs. 

The Group’s entities organise their personnel training process in accordance with their local internal regulations based on the Model Regulation on Professional Training at MMC Norilsk Nickel.

The professional training process may include training, retraining, skills improvement, and internship. Training takes place at corporate training centres in Norilsk and Monchegorsk (more than 70% of all courses), and independent institutions.

In 2017, the Company intends to transform its corporate training system by enhancing and developing the distance learning option. It also plans to roll out the talent pool management programme for the Norilsk Group facilities in the Norilsk Industrial District. The comprehensive talent pool development programme is to be finalised, with the first version of the industrialised talent pool management process to be tested in production environment. The Company plans to launch its Talent Nurturing project focused on the concept of selection and development of promising employees. Executive professional skills assessment will be extended to cover line managers employed at mining operations.

SYSTEM OF INCENTIVES AND REWARDS

In 2016, the Company approved its remuneration policy, which seeks to retain and retain employees, promote productive attitude to work, administrative efficiency and simplicity, and compliance with legal requirements.

The key principles that underlie the Company’s remuneration system include:

- Progressive remuneration system in line with the job grading framework (single approach to salaries and wages);
- Single approach to salaries and wages;
- Incentivising employees to achieve their goals and objectives by improving individual, business unit and Group performance;
- Competitive salary; promotion of the Company’s image as a responsible and reliable employer.

In 2016, the Company continued its efforts in the introduction of the grading framework, whereby each job and level of remuneration are ranged by reference to the value the Company attaches to the relevant position. Grading framework seeks to ensure that the Company delivers on its business objectives and implements its strategy, secures maximum return on investment in human capital, and engages and retains the best professionals.

Executives and white-collar employees are compensated on the basis of the time actually worked by applying the relevant tariffs and wages in accordance with the time-based remuneration system, or the time worked and performance demonstrated in accordance with the time plus bonus remuneration system. Blue-collar employees are remunerated in accordance with the time-based, time plus bonus, or piecework plus bonus remuneration systems. Bonuses are paid to the employees who have met the bonus award criteria and have scored to achieve the relevant threshold values calculated to factor in the overall performance of the Company, and the relevant unit, as well as the employee’s personal contribution. Types of bonuses: for overall operating performance in a given month; for outstanding individual performance; for completion of critical assignments, and other types of one-off awards in accordance with the local regulations.

The average annual training volume per employee trained (hours) 115.7 109.6 93.8 92.2 80.8

The average annual training volume per employee trained (hours) 15.7 10.9 9.3 8.2 0.8

Training costs (RUB m) 600.7 608.9 661.5 669.1 760.0

ney Compensation Indicators # G4–EC5

<table>
<thead>
<tr>
<th>REGION</th>
<th>REMUNERATION PACKAGE (RUB '000)</th>
<th>AVERAGE MONTHLY SALARY (RUB '000)</th>
<th>REGIONAL PAYROLL, PERCENTAGE OF THE AGGREGATE PAYROLL</th>
<th>SENIORIUM MONTHLY COMPENSATION TO STATUTORY MINIMUM MONTHLY WAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kola Peninsula Industrial District (Murmansk Region)</td>
<td>76.6</td>
<td>72.1</td>
<td>12.2</td>
<td>1.0</td>
</tr>
<tr>
<td>Kirenoyarsk Territory (except for NID)</td>
<td>47.9</td>
<td>46.9</td>
<td>2.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Moscow and other regions of Russia</td>
<td>155.0</td>
<td>151.7</td>
<td>15.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Norilsk Industrial District (NID)</td>
<td>103.4</td>
<td>94.5</td>
<td>70.4</td>
<td>1.7</td>
</tr>
</tbody>
</table>
**Employee Awards**

In 2016, 4,980 employees of the Group received various awards for their outstanding performance, and long-standing and diligent work, including 55 employees honored with government awards; 303 employees – with ministry and agency awards; 1,338 employees who received awards from regional and municipal authorities; 271 and 3,013 employees who were granted corporate and internal awards, respectively.

**Social Policy**

The social policy of the Norilsk Group is implemented in a consistent manner in accordance with its approved regulations. To make changes to the existing programmes, develop new ones and close the programmes that have remained inactive, the Company monitors prompt identification of gaps in the programme implementation mechanism, the Company monitors such implementation on an ongoing basis.

The social package includes the following benefits and compensations:
- Payment of return travel and baggage costs to a place of vacation to employees in the Far North and equivalent areas, and their families;
- Health resort treatment and vacations to employees and their families at subsidised prices, one-off financial aid in the face of certain life events, or hardships; additional pensions to employees and other types of social guarantees under the existing collective bargaining agreements and local regulations.

For more details on employee benefits and remuneration, please see Appendix 4 hereto.

**Employee-Related Social Expenses in 2016, RUB m**

<table>
<thead>
<tr>
<th>2016</th>
<th>2016A</th>
<th>2017A</th>
</tr>
</thead>
<tbody>
<tr>
<td>288</td>
<td>255</td>
<td>257</td>
</tr>
<tr>
<td>3,323</td>
<td>3,190</td>
<td>3,124</td>
</tr>
<tr>
<td>2,272</td>
<td>2,272</td>
<td>2,145</td>
</tr>
<tr>
<td>457</td>
<td>457</td>
<td>1,173</td>
</tr>
<tr>
<td>1,194</td>
<td>1,044</td>
<td>1,173</td>
</tr>
<tr>
<td>3,233</td>
<td>3,124</td>
<td>3,141</td>
</tr>
<tr>
<td>457</td>
<td>457</td>
<td>1,173</td>
</tr>
<tr>
<td>1,194</td>
<td>1,044</td>
<td>1,173</td>
</tr>
<tr>
<td>3,233</td>
<td>3,124</td>
<td>3,141</td>
</tr>
</tbody>
</table>

- Health resort treatment and vacations to employees and their families at subsidised prices;
- Relocation assistance to new employees;
- Expenses for voluntary medical insurance;
- Pension plans;
- Housing programmes;
- Corporate social projects;
- Financial aid and additional benefits paid to pensioners, former employees and their families;
- Other social expenses.

**Co-Funded Pension Plan Programme**

In 2016, the Group entities continued implementing its Co-Funded Pension Plan, a corporate private pension programme. The programme targets employees of 20 entities, including the Company’s branches and Group entities in the Norilsk Industrial District and Kola Peninsula, as well as the Head Office in Moscow.

The programme has been in place since 2007; at the end of 2016, more than 17,000 of the Group employees have joined the programme. The terms of the Programme provide for two pension plans: Party and Corporate. The Party Plan is the basic plan where pension savings are co-funded by the employee and the Company on a par (equal) basis. The Company’s contribution is equal to that of the employee but may not exceed 7% of the employee’s salary. The Corporate Plan is designed for highly skilled employees and/or employees with highly sought-after occupations; within this plan, the Company finances private pension plans for such employees. In 2016, an average participant contribution amounted to 2.79% of the employee’s salary, or the Company’s average of RUB 2,500.

The significance of the programme is explained by special working conditions at the Group’s facilities, and harsh climate of the Far North where the Company’s main operations are located.

**Participants of the Co-Funded Pension Plan in 2016**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total participants</td>
<td>17,322</td>
<td>18,958</td>
</tr>
<tr>
<td>Kola Peninsula Industrial District (Murmansk Region)</td>
<td>2,867</td>
<td>3,201</td>
</tr>
<tr>
<td>Moscow and other regions of Russia</td>
<td>18</td>
<td>25</td>
</tr>
<tr>
<td>Norilsk Industrial District (NID)</td>
<td>14,437</td>
<td>15,732</td>
</tr>
</tbody>
</table>

**Vacation Programmes**

<table>
<thead>
<tr>
<th>Programme</th>
<th>Number of Participants in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zapolyarye Health Resort (Sochi)</td>
<td>10,301</td>
</tr>
<tr>
<td>Krylky Health and Spa Centre (Marchegorsk)</td>
<td>1,689</td>
</tr>
<tr>
<td>Non-corporate health resorts, incl.:</td>
<td>7,958</td>
</tr>
<tr>
<td>Rosa Puteshestvii, Sevastopol health resort</td>
<td>509</td>
</tr>
<tr>
<td>Rosy Khosta, Ilmenostrovsk health resort</td>
<td>7,736</td>
</tr>
<tr>
<td>Rosy Sputniki Health Resort (jointly with the Ilmenostrovsk health resort)</td>
<td>5,232</td>
</tr>
<tr>
<td>Rosy Tour, Sochi</td>
<td>1,573</td>
</tr>
<tr>
<td>Primor’ye Holiday Centre (Gelendzhik)</td>
<td>601</td>
</tr>
<tr>
<td>other non-corporate health resorts</td>
<td>43</td>
</tr>
<tr>
<td>Vacation for children (incl. Anapa and Bulgaria)</td>
<td>1,508</td>
</tr>
<tr>
<td>International vacation programme</td>
<td>5,160</td>
</tr>
<tr>
<td>Total participants</td>
<td>26,616</td>
</tr>
</tbody>
</table>

As at the end of 2016, the Co-Funded Pension Plan has been made available to more than 5,600 persons.

**Health Improvement Programmes**

The Company’s programme of health improvement and health resort treatment that it offers its employees and their families is one of the key priorities in its social policy. The significance of the programme is explained by special working conditions at the Group’s facilities, and harsh climate of the Far North where the Company’s main operations are located.

<table>
<thead>
<tr>
<th>Programme</th>
<th>Number of Participants in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-Funded Pension Plan Programme</td>
<td>10,301</td>
</tr>
<tr>
<td>Kolsky health and spa Centre (Monchegorsk)</td>
<td>1,689</td>
</tr>
<tr>
<td>Non-corporate health resorts, incl.:</td>
<td>7,958</td>
</tr>
<tr>
<td>Rossiya Health Resort (Kolyma)</td>
<td>509</td>
</tr>
<tr>
<td>Rossy Khosta, Ilmenostrovsk health resort</td>
<td>7,736</td>
</tr>
<tr>
<td>Rosy Sputniki Health Resort (jointly with the Ilmenostrovsk health resort)</td>
<td>5,232</td>
</tr>
<tr>
<td>Rosy Tour, Sochi</td>
<td>1,573</td>
</tr>
<tr>
<td>Primor’ye Holiday Centre (Gelendzhik)</td>
<td>601</td>
</tr>
<tr>
<td>other non-corporate health resorts</td>
<td>43</td>
</tr>
<tr>
<td>Vacation for children (incl. Anapa and Bulgaria)</td>
<td>1,508</td>
</tr>
<tr>
<td>International vacation programme</td>
<td>5,160</td>
</tr>
<tr>
<td>Total participants</td>
<td>26,616</td>
</tr>
</tbody>
</table>
Our Home and My Home Programmes

Our Home programme has been implemented since 2010 and is offered at Polar Division, Polar Transportation Branch, and Kola MMC. My Home programme was launched in 2011 and includes 13 Group entities operating in Norilsk, Taimyrsky Dolgano-Nenetsky Municipal District and Murmansk Region.

Both programmes seek to address the shortage of strategically important critical and key personnel and to create stable core staff at the Group entities located in the Far North. Preference is given to line managers and highly skilled blue-collar employees.

The Company purchases ready-for-residence flats located in Russian regions with comfortable living conditions and provides those eligible employees under co-financing terms: the Company pays up to a half of the flat price and the rest is paid by the employee during a specified period of the employment term (5 to 10 years). The flat is registered as the employee’s property upon completion of their participation in the programme. Employees can use the flat immediately after receiving it. The flat price remains unchanged throughout the term of the programme.

Since the start of the programmes, the Company has purchased 3,404 flats.

The Company’s obligations to annually purchase up to 550 flats for its employees are stipulated by the Collective Bargaining Agreement of MMC Norilsk Nickel. In 2016, the flats were provided in the Murmansk Region and Krasnoyarsk Territory.

Temporary Assistance Programme for Employees of Polar Division and Kola MMC in Acquiring Residential Property

In September 2016, the Company piloted the Temporary Assistance Programme for Employees of Polar Division and Kola MMC in Acquiring Residential Property, a new housing programme aimed at social support and employee retention. It is designed to give the Company’s employees a greater choice in determining their future region of residence and quality of housing, and encourage them to make responsible decisions. To this end, the Company provides employees with interest-free loans to make a down payment due in up to ten years and partially repays mortgage loan interest. In 2016, 122 people joined the programme.

Sporting and mass public events programme

The programme of sporting and mass public events seeks to foster the corporate team spirit, develop corporate culture, promote a healthy lifestyle and maintain a favourable psychosocial climate within teams. For this purpose, the Company has set up the Physical Fitness and Sports Promotion Council.

The Company welcomes regular fitness sessions of its employees, organisors, and holds annual corporate sporting events and competitions attended by dozens of thousands employees, their families, and local community.

The events include the annual Polar Division Olympics, Kola MMC, Olympic Games, Norilsk Nickel Ski Track, health marathon, “Dad, Mum and I – a Sporty Family” corporate competition, swimming, futsal, volleyball, basketball, alpine skiing, snowboarding competitions, and sport events dedicated to the Metallurgist Day and other high days and holidays. The annual Polar Olympics, a winter family competition, brings together the Group’s corporate and municipal teams.

The corporate competitions encompass 10 sports.

Programmes supporting former employees and their families

The ongoing post-retirement support of its former employees is part of the Company’s corporate social policy.

The Company’s Veterans programme has been designed to support unemployed pensioners who permanently reside in Norilsk.

The conditions for programme participation depend on the employee’s length of service or permanent disability status. Financial aid is paid by the Social Security Fund of the Norilsk Industrial District from the charitable contribution made by the Company.

The former employee financial aid programme establishes the amount of the benefit paid upon retirement by reference to the employment period.

The Pensioner Financial Aid Fund provides financial aid to former employees who retired prior to 10 July 2001 provided they had been employed by the Company’s units for more than 25 years and permanently reside outside of the Norilsk Industrial District. The Fund relies on voluntary monthly contributions from employee salaries and equal charitable contributions from the Company’s budget.

The Company also provides targeted assistance to its former employees and their families to pay for health improvement and medical care services, fuel, and helping in financial distress.

The Company’s Awards as a Responsible Employer

In 2016, the Company was honoured by a number of significant awards attesting to the high opinion shared by its employees and expert community in respect of its personnel management practices.

The Company received the Randstad Award 2016 as one of the most attractive employers in the Russian metals and mining sector.

Norilsk Nickel took the 3rd prize in the All-Russian Creating the Future competition that promotes best talent engagement practices. The competition was sponsored by the Ministry of Education and Science of the Russian Federation and held every year.

In 2016, Norilsk Nickel was included in the Russia’s top employer rating by the Head-Hunter portal. The contest brought together 233 companies representing all industries and regions of the country. The rating was based on the scores from job seekers and employees, and took into account the performance of the contenders’ HR departments.

Norilsk Nickel with its integrated communication programme Creating the Future has won the Silver Archer award for the Best Corporate Communication and Corporate Media Project.

7.2. Developing Local Communities

Norilsk Nickel is one of the major employers and taxpayers in Russia. The Company makes significant contribution to the development of local communities by implementing a range of social programmes that address current and future objectives taking into account stakeholder opinions and the results of the comprehensive analysis of the current situation and potential impact.

Norilsk Nickel’s key regions of operation in Russia include the cities of Norilsk and Monchegorsk, Taimyrsky Dolgano-Nenetsky Municipal District of the Krasnoyarsk Territory, Pechengsky District of the Murmansk Region, Tazovsky District of the Yamal-Nenets Autonomous

CONTRIBUTIONS TO LOCAL COMMUNITIES #G4–ECB

The Group’s Operations as a Backbone of Local Economies

Making tax payments to local budgets

Facilitating employment in local communities

Promoting cooperation with local businesses

Developing local social infrastructure

Organising regular charitable programmes

Operating socially oriented assets and assets essential for local community support

Company’s Contribution to the Development of Local Communities #G4–ECB

The Group’s Operations as a Backbone of Local Economies

Making tax payments to local budgets

Facilitating employment in local communities

Promoting cooperation with local businesses

Developing local social infrastructure

Organising regular charitable programmes

Operating socially oriented assets and assets essential for local community support

1 The information presented in this section refers to the Company’s Russian operations.
EMPLOYING LOCAL POPULATION

As the major employer across its footprint, the Company implements a set of initiatives to provide jobs and career guidance to local communities, including to younger population groups.

The career guidance events staged by the Company focus on children and young people under 35 y. o. and constitute part of the regional and municipal interagency initiatives to implement the 2020 Occupational Guidance Strategy in the Krasnoyarsk Territory and the City of Norilsk.

<table>
<thead>
<tr>
<th>MMC Norilsk Nickel costs to finance its social, charitable and social infrastructure in 2016, RUB H</th>
<th>Total costs for social projects and benefits for employees</th>
<th>Sponsorship (sports projects)</th>
<th>Investments in social projects and infrastructure development (construction of fibre optic lines, innovation and power lines to Bystrinsky Mining and Processing Plant)</th>
<th>Investments in social projects and infrastructure development (construction of fibre optic lines, innovation and power lines to Bystrinsky Mining and Processing Plant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>23,616</td>
<td>4,114</td>
<td>11,407</td>
<td>2,343</td>
</tr>
<tr>
<td>2017</td>
<td>23,426</td>
<td>4,061</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>23,236</td>
<td>4,012</td>
<td>2,343</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>23,046</td>
<td>4,012</td>
<td>2,343</td>
<td></td>
</tr>
</tbody>
</table>

UNEMPLOYMENT IN KEY COMMUNITIES, %

<table>
<thead>
<tr>
<th>Key communities</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Murmansk Region</td>
<td>2.2</td>
<td>2.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Novik</td>
<td>1.6</td>
<td>1.3</td>
<td>1.1</td>
</tr>
<tr>
<td>Zaypalyry</td>
<td>2.2</td>
<td>2.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Monchegorsk</td>
<td>1.3</td>
<td>0.8</td>
<td>0.5</td>
</tr>
<tr>
<td>Krasnoyarsk Territory</td>
<td>0.8</td>
<td>0.5</td>
<td>0.3</td>
</tr>
<tr>
<td>Tamansk</td>
<td>1.3</td>
<td>0.8</td>
<td>0.5</td>
</tr>
<tr>
<td>Chukotskiy autonomous district</td>
<td>1.3</td>
<td>0.8</td>
<td>0.5</td>
</tr>
</tbody>
</table>

1. As at the end of the reporting year.
**Key career guidance events:**
career conferences (Add Colours to your Town, My Parents’ Job is Safe, I Would Become a Worker, Dreaming of a Future Career),
additional education programmes for students of dedicated universities, Conquerors of the North,
a business career guidance game for interns, schoolchildren and student work brigades,
social skills training programmes for high school students, intellectual quizzes (What? Where? When?),
Arctic Wave festival of R&D discoveries, Arctic PRO R&D marathon.

In 2016, the target audience of the Company’s career guidance events exceeded 25,000 people.

**COOPERATION DEVELOPMENT**

As part of its social and economic partnership agreements entered into in 2009 and 2016, the Company has been cultivating cooperation with the companies of the Krasnoyarsk Territory and the Murmansk Region. By implementing these agreements the Company has managed to make significant contributions to the development of local communities not only through its investment projects, but also by providing assistance to regional companies, creating local jobs, and paying local taxes.

For social infrastructure development, please see the interactive version of this Report.

**ACROSS**

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>THE KRASNOYARSK TERRITORY</th>
<th>THE MURMANSK REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement tenders for goods and services held by the Company</td>
<td>1573</td>
<td>937</td>
</tr>
<tr>
<td>Locally awarded procurements in the aggregate tenders held by the Company, %</td>
<td>61.79%</td>
<td>54.54%</td>
</tr>
<tr>
<td>Group’s procurement costs in the region, RUB m, incl.</td>
<td>18,384.6</td>
<td>1487.1</td>
</tr>
<tr>
<td>for services</td>
<td>2,684.0</td>
<td>1487.1</td>
</tr>
<tr>
<td>for physical resources</td>
<td>14,757.3</td>
<td>0</td>
</tr>
<tr>
<td>for food supplies</td>
<td>943.3</td>
<td>0</td>
</tr>
</tbody>
</table>

**PROGRAMME**

Since 2011, the MMC Norilsk Nickel has contributed to a long-term target programme to relocate people living in Norilsk and Dudinka (the Krasnoyarsk Territory) to other Russian regions with favourable climate conditions.

The programme envisages relocation, over the span of 10 years, of 11,265 families (1,126 families per year) registered with the respective municipalities as those entitled to housing subsidies under Federal Law No. 125-FZ On the Housing Subsidies for Citizens Migrating from the Far North Regions and Equated Territories dated 25 October 2002.

The Company participates in the programme as a benefactor, with its donation to the programme totalling RUB 8.3 bn. Since the launch of the programme, the Company has contributed a total of RUB 5.331 m to the Krasnoyarsk Territory budget, including RUB 830 m in 2016.

During 2011–2016, 5,786 families’ purchased apartments and moved to the “mainland” including 4,796 families from Norilsk and 990 families from Dudinka.

In 2016, a total of 648 home purchase certificates were issued.

The project is funded by MMC Norilsk Nickel, with organisational support provided by the Krasnoyarsk Territory authorities. The total project costs are estimated at RUB 2.5 bn.

In 2016, the Company held tenders and selected contractors, with materials procured and supplied.

In February 2016, the construction and installation of the communications line started.

**CONSTRUCTION OF A NOVY URENGOY–NORILSK FIBER OPTIC COMMUNICATION LINE**

In late 2014, the Company made a decision to build a fibre optic communication line between Novy Urengoy and Norilsk. This significant project was launched in line with the Company’s development strategy to meet the Norilsk Industrial District’s need for high-speed internet connection and state-of-the-art mobile services.

The line will be 956 km long, with approximately 460 km using the existing power lines, 190 km running through a pine forest zone with no infrastructure, and 3.5 km beneath the Yenisey River with a radio relay link as a backup.

The project is funded by MMC Norilsk Nickel, with organisational support provided by the Krasnoyarsk Territory authorities. The total project costs are estimated at RUB 2.5 bn.

In 2016, the Company held tenders and selected contractors, with materials procured and supplied.

In February 2016, the construction and installation of the communications line started.

**RELOCATION PROGRAMME**

Since 2011, MMC Norilsk Nickel has implemented an important phase of a large-scale, environment-focused programme for smelting capacities reconfiguration as outdated Nickel Plant was shut down in Norilsk two months ahead of the schedule. The project has been implemented in accordance with the agreement entered into in 2014 among the Company, the relevant ministries, and regional and local authorities. Prior to the shutdown, the Company ramped up its nickel concentrate processing capacities at its other production facilities (Kola MMC, Norilsk Nickel Harjavatta and Nadzobda Metallurgical Plant), and initiated an unprecedented programme of upplacement, retraining and relocation of the plant’s employees.

The plant shutdown has allowed to substantially decrease SO2 ground-level concentrations in the residential area of Norilsk.

The SKU range of the chain includes 31 types of socially significant goods (vegetables, fruit, grains, dairy products, meat, canned foods, eggs, sugar, etc.) that are offered at prices significantly lower than in other stores of the Norilsk Industrial District. 2016 witnessed a twofold increase of the socially significant goods sold in the Podsolnukh store chain (from 10% to 23% of the total turnover).
The Podolnush store chain welcomes 10,000 to 13,000 people daily. The annual consumer traffic in 2016 increased by 4% as compared with 2015, with the absolute figure exceeding 4 million people. The average retail prices in the Podolnush store chain appreciated a fraction over 1% in 2016, which is notably less than the official inflation rate.

CHARITABLE PROGRAMMES
The main objective of the Company's charitable programmes is to improve the overall business environment and mitigate social problems across the regions of Norilsk Nickel's operations.

Nonnickel's new charitable strategy first launched in 2014 has been since then deployed in the following three directions:
1. Comprehensive charity transition from one-off donations to a more efficient grant-based social investments scheme, development of social infrastructure, and establishment of local partnerships through cooperation agreements and joint projects.
2. Support and donations targeting specific organisations, provision of aid in the aftermath of natural calamities and catastrophes.
3. Socially oriented business: inclusion of socially oriented assets and social infrastructure in the Group's assets.

The Company's charity mechanisms seek to improve the effect of charitable initiatives and to support local communities' social improvement projects. The Company places a high emphasis on development of civil institutions and improvement of the region's reputation both locally and nationwide.

PARTNERSHIP

Objective
Support public initiatives, impart new skills to the participants, and develop local expertise.

Grant competition
The annual socially responsible initiatives competition with free grants for winners.

Project geography: Norilsk; the Taimyrsky Dolgano-Nenetsky Municipal District; Monchegorsk; and the Pechengsky District.

Participate competing non-profit organisations and associations, government and municipal bodies.

Participants may submit their projects in one of the following 8 nominations: POLe OF GOODNESS (volunteer movement, social support of vulnerable population); POLe OF THE FUTURE (new methods and technologies in engaging children, teenagers, young people; R&D creativity, vocational counseling, spiritual guidance and patriotic education); POLe OF THE CITY (development and redevelopment of public spaces and courtyards); POLe OF RENAISSANCE (maintaining and recovering cultural heritage); POLe OF ENERGY (promotion of healthy lifestyle); POLe OF NORTH (nurturing environmental awareness); POLe OF GROWTH (organisational development of non-profit entities); NEW POLe (a special nomination for proactive and ambitious secondary school students).

Participant training
Academy for social partnership and development: workshops, meetings, presentations and round tables on social projects, management, expertise and project promotion, analysis of application process mistakes. A new topic introduced in 2016 is monetisation of social projects.

Social engineering workshop: a three-day learning session that takes participants all the way through from idea generation to the project implementation in the form of a city-wide campaign.

The proactive attitude of the participants has seen noticeably in 2016, the Company held as many training sessions, workshops and round tables as during the period of 2006–2015. The programme involved approximately 1,800 people.

1 All training is free for the participants under the World of New Opportunities programme.

INNOVATIONS

Objective
Facilitate the implementation of advanced technologies, foster R&D potential and encourage innovation in engineering.

Arctic R&D R&D marathon
 Held since 2014.

Target audience – schoolchildren of Norilsk, the Taimyrsky Dolgano-Nenetsky Municipal District, Monchegorsk and the Pechengsky District.

Three stages: an online quiz, a personal invention contest, and a winter R&D school for finalists (Kazan in 2015, Krasnoyarsk in 2015, and St. Petersburg in 2014).

In 2016, a total of approximately 600 children participated in the marathon.

FabLab, an innovation and creativity laboratory
FabLab-Norilsk and FabLab-Monchegorsk were launched in 2015.

The laboratories feature cutting-edge equipment (3D scanners and printers, laser and milling machines, plotters, lathes, moulding machines, etc.) enabling experiments, 3D printing, robot engineering, creation of unique designer items and interior decorations, programming, and inventions.

The FabLab laboratories host training courses and workshops for schoolchildren, university students, IT professionals, engineers and other keen participants.

In 2018, the Monchegorsk laboratory hosted a foresight session with the view to further expanding the FabLab project, and to defining avenues for development, including establishment of an autonomous non-profit organization and involvement of local communities in the laboratory's efforts.

Arctic Wave festival of R&D discoveries
The festival took place in Norilsk and Monchegorsk in 2015 and 2016; drawing over 8,000 participants each time.

Objective: to promote science and technology among the youth, support creative engineering and innovative thinking in schoolchildren, and demonstrate development potential of global and domestic R&D.

Over 20 interactive sites hosting science battles and team games, quests and contests, experiments and tests, lectures by young scientists and educational R&D shows.

6th All-Russian Science Festival in Krasnoyarsk
MMM Norilsk Nickel became general partner of the festival in 2015.

Educational R&D lectures, science shows, workshops and contents.

In 2016, over 40 R&D organisations, universities, innovation centres, plants and enterprises of the Krasnoyarsk Territory and other Russian regions took part to showcase their most advanced products.

The Company initiated and sponsored participation of a delegation representing supplementary education facilities for children and cultural institutions from Norilsk and Dudinka that focus predominantly on R&D projects.

School of Urban Competences
Held since 2014.

A joint project by MNC Norilsk Nickel and the Kazun Fund for Supporting Civil Initiatives.

The goal is to raise financial awareness, foster social activism and encourage new projects.

The target audience includes high school students and teachers from Norilsk, the Taimyrsky Dolgano-Nenetsky Municipal District, Monchegorsk and the Pechengsky District of the Murmansk Region.

In 2016, the School hosted workshops for teachers and schoolchildren and staged the Our City educational festival: 50 senior school students who succeeded in the project went to Anapa to take part in a training expedition conducted in form of a business game that sought to nurture leaders and activists for children's community organisations and project groups, as well as student self-government practices.
The Company’s charity efforts centre around the World of New Opportunities programme. In 2016, it was recognised as the Best Charity Promotion Programme as part of the 9th annual review of Leaders of Corporate Charity. Polis undertaken by Polar Division and Kola MMC demonstrate that the programme is positively viewed by local population, non-commercial organisations, and authorities.

The programme covers three focus areas: Partnership, Innovations, Development.

In 2016, the funding for the World of New Opportunities programme amounted to RUB 144.3 m.

Target assistance

The Company continued providing targeted charitable donations in response to special requests from organisations. In 2014, the Polar Division and Kola MMC set up dedicated charity committees to review organisations’ applications.

Certain donations also get approved by the Company’s management. In 2016, the Company helped construct outdoor swing sets, supported entities dealing with vulnerable demographics (veterans of the Great Patriotic War, invalids, multi-child families, special needs children, financially disadvantaged citizens), and financed participation of local non-profit organisations and entities in various sports competitions, creativity contests, etc.

In 2016, Polar Division and Kola MMC donated a total of RUB 370.7 m in response to requests from organisations.

CORPORATE VOLUNTEER PROGRAMME

Norilskii launched the Plant of Goodness corporate volunteer programme in December 2015. Over the year, Moscow, Norilsk and the Kola Peninsula topped more than 60 various charitable campaigns, which lasted over 60,000 hours and engaged 5,000 employees.

The corporate volunteer programme helps the Company achieve its business goals as volunteers’ mobility, responsibility and leadership represent the very qualities required by the Company to boost its performance and underpinning its personnel development model.

The Company provides organisational and financial support to its employees’ volunteer initiatives. One of the significant events in 2016 was the launch of the Employees’ Personal Donation Programme with the matching contributions committed by the Company. Any employee of the Head Office (and, in future, of Kola MMC) who has a personal account on the intranet portal can take part in the programme. In 2016, the donations exceeded RUB 3 m.

In the reporting year, the Company for the first time joined the Good-Hearted Bazaar, a New Year charitable fair. Moscow’s most known charitable event held at the Gostiny Dvor welcomed 13,000 guests.

The corporate regions of operation hosted a Let’s Do It corporate volunteer environmental marathon engaging local activists, participants of the Plant of Goodness programmes and caring town residents.

The Engineers of the Future intellectual forum held in Moscow brought together the best regional Plant of Goodness volunteers.

The most exciting events of the volunteer programme in Norilsk were: Norilsk, Run with Mel and the Cinderella amateur show. The Kola Peninsula hosted a DobroNikel in Zapolyarny family fest, Orange Ball of Friendship and Warm-Hose charitable initiatives.

Another interesting event titled Engineers of Goodness was held as part of the Company’s annual social technology forum where, within one day, Norilskii employees developed and presented their socially important projects and ideas. The Company awarded grants to the best projects.

In December 2016, Norilskii revealed the findings of Russia’s first ever research named Corporate Volunteering in Russia: Status and Recommendations. The research was initiated by the National Corporate Volunteering Council and the Company. Its findings may be used as a tool to foster corporate volunteering and boost the efficiency of programmes managers and coordinators.

As at the end of 2016, Norilskii became one of the three winners of the Champions of Goodness national contest, receiving an award in the Environment nomination for its environmental volunteer programme in the Krasnoyarsk Territory, Murmansk Region and Moscow.

The Company received two awards at the all-Russian Competition: 2014–2015 Business leaders: dynamics and responsibility; 2015–2016 Business leaders: social innovation. The research was named Corporate Social Responsibility 2016 held as part of the 10th Russian Business Week. One of these awards celebrated the research was named Corporate Social Responsibility 2016 held as part of the 10th Russian Business Week.

The financial support targets long-term projects implemented in conjunction with the Norilsk Polytechnic College, Norilsk Industrial Engineering and Service College, and Norilsk Industrial Institute.

After the Norilsk Industrial Engineering and Service College had been provided with a full upgrade of its infrastructure with the support of the Company’s Polar Division, it won the Best Industrial Partnership College award in the Educational Establishment of the 21st Century Leaders League – 2016 All-Russian competition.

In 2016, the Polytechnic College of the Norilsk State Industrial Institute opened the Electric Drive, Machines and Apparatuses and TPS Boiler Equipment laboratories after the previously purchased equipment was assembled and installed.

In 2016, the Company and the Siberian Federal University entered into a cooperation agreement to build a new sci-tech centre, which will operate as a laboratory for the development of a dynamic QC system to monitor the extraction and processing of mineral resources.
SUPPORTING SPORTS PROJECTS
Norilsk Nickel sponsors strategic Russian and international sports organisations.

In accordance with the agreement entered into by the Company in 2016, Norilsk Nickel obtained the status of General Partner of the Russian Olympic Committee and the Russian Olympic team. This would enable the Company to provide support to youth and high performance sports for up to 2021, including to assist with the implementation of Olympic educational programmes of the Russian International Olympic University for a total amount of over RUB 1 bn.

The Company obtained the status of official partner of the Russian Olympic Committee in 2016, entered into by the Company in 2016, nornickel obtained the status of General Partner of the Russian Olympic Committee and the Russian Olympic team. This would enable the Company to provide support to youth and high performance sports for up to 2021, including to assist with the implementation of Olympic educational programmes of the Russian International Olympic University for a total amount of over RUB 1 bn.

In April 2016, the Company signed a partnership agreement with the International University Sports Federation (FISU), under which the Company as an official partner of FISU will be promoting the international university sports movement. FISU is the main body to supervise international universiades and university championships, including the upcoming XXIX International Winter Universiade to be held in 2019 in Krasnoyarsk.

Norilsk continues providing support to CSKA professional basketball club. In 2016, the team won the EuroLeague Final Four over the strongest European basketball clubs.

In 2015, Norilsk Nickel became an official partner of the Russian Football Union in promoting youth and grassroots football, and an official partner of Russia’s national football team.

The Company provides sponsor support to the Norilsk Nickel futsal club. Located in Norilsk since 2016, the club participates in the Russian Super League Championship and Russian Futsal Cup. Its relocation gave a powerful push to the development of mini-football in the local community, as the team members and coaching staff are now directly involved in the promotion of children’s sports in polar regions, putting the club’s motto Playing for the City – Playing for the Region into practice.

Starting from 2015, Norilsk Nickel becomes an active partner of the Futsal to Schools national project, which seeks to include this sport into health and fitness engagement programmes offered by Russian educational institutions as part of extra-curriculum activities. The Company supervises the Futsal to Polar Region Programme.

For the eighth year running, the Company has been sponsoring the Russian Cross-Country Skiing Championship in Monchegorsk. This championship is currently the only nationwide sports competition held in Monchegorsk. Around 200 people from 26 regions participate in the marathon, including leading Russian athletes.

For more details on support of corporate sports, please see the Employees and Social Policy section.

XXIX International Winter Universiade 2019 in Krasnoyarsk
The Company, acting as general partner of the XXIX International Winter Universiade that will take place in 2019 in Krasnoyarsk, has been honouring the obligations it assumed in 2015 to prepare the venue for the upcoming worldwide sports event.

The Bobrov Log Fun Park, one of the investment projects of Norilsk, has become a construction site for a new athletic training complex to be equipped with a broadcasting system and an integrated security system, expanded ski trails, an ambulance helicopter pad, new equipment, etc.

Seven trails of the Bobrov Log Fun Park will welcome the athletes of the XXIX International Winter Universiade 2019, who will compete for nine sets of medals in five disciplines – slalom, giant slalom, super giant, alpine skiing combined, and PSL.

The Company’s participation in the Winter Universiade will help create the most advanced sports infrastructure in compliance with global standards, designed for professional sportsmen training, provide more comfortable and safer conditions for participants at the start point on the trail, and broadcast the alpine competitions using the most up-to-date equipment.

The Company has arranged for training of highly skilled personnel and volunteers who will be involved in the Winter Universiade 2019. The funding provided by Norilsk will pay for the training of sports facilities’ administrators, heads of functional divisions and sports top managers, as well as leaders of volunteering teams which will be organised in 2017–2019 on the basis of the Russian International Olympic University and the Siberian Federal University.

The Company was officially announced general partner of the XXIX International Winter Universiade on 15 February 2016.

With a view to promoting sports among different audiences and expanding the target area of presentation for the Krasnoyarsk XXIX International Winter Universiade 2019, Norilsk Nickel is supporting various engagement and cultural events, assisting with the branding of three NorStar aircraft running both domestic and international flights with the symbol of the Winter Universiade 2019, to be followed by the branding of other transport means and art objects in various locations.

SUPPORT FOR CULTURAL PROJECTS
Supporting cultural projects is part of the general strategy the Company pursues in the sphere of charity, which includes two major directions.

Federal cultural projects
In 2016, Norilsk Nickel acted as a general partner of the Golden Mask in the Cinema project. Golden Mask in the Cinema is a unique nationwide theatre project making stage productions of the best Russian theatres available to a broader audience. The Company has supported cinema-based online broadcasting of winning productions of the famous festival across the country.

Norilsk Nickel sponsored the Russia – My History exposition held in the historical park at the Exhibition of Economic Achievements in Moscow. The Company’s participation in this project has become a natural follow-up to the educational projects raising awareness of the national history, including those connected with the exploration of the Arctic Region and the Russian North (Arctic Days in Moscow forum, VI International Forum Arctic: the Present and the Future, etc.).

In 2016, after the reconstruction financed by the Company, the Russian Salon at the United Nations Office in Geneva held its opening ceremony. The Company’s efforts have been appreciated personally by S.V. Lavrov, Head of the Ministry of Foreign Affairs of the Russian Federation.

Local cultural projects
The Company has supported the following most talked about cultural events that took place in its local communities:

- an exhibition of local modern art Cosmic Descent organised to celebrate the 55th anniversary of the first human space flight, and the Space Exploration Day (Norilsk);
- the IX International Documentary Cinema Festival Nordic Charac- ter (Norilsk, Murmansk);
- the Big Arjish festival that demonstrates social, cultural, tourist, and business potential of the Russian North (Norilsk).

The Company annually holds the Star Corporation creativity contest among its employees, proposing to compete in musical and artistic, and ornamental areas. In 2016, the festival celebrated its 11th anniversary.

The Company holds corporate festive events with popular Russian and local music bands and performers as a must-have; employees’ kids are invited to theatrical performances. The annual audience of such festive events exceeds 20,000 people, half of which are employees’ children.
In 2016, the Company was named the winner of the IABS’ Gold Quill Awards, an international professional award, in two nominations: Special Event, and Audio/Visual Communications for its Go show project, the northernmost 3D show, and the northernmost flashmob, organised as part of the previous year’s celebration of its 80th anniversary.

One of the nominations in the World of New Opportunities Socially Responsible Initiatives Competition is the Renaissance Pole. It serves to support projects designed to preserve and give new life to cultural heritage, tap into creative potential, develop various forms of art, and offer new leisure activities for the local communities.

Under the programme, which has been in place since 2014, MMC Norilsk Nickel sponsored 57 cultural projects in Norilsk, the Taimyrsky Dolgano-Nenetsky Municipal District, Myncheisk, and the Pechenyisk District, with 20 of them in 2016.

Norilsk Development Agency

Key objectives of the Agency: launching projects for economic diversification and urban space transformation, creating a favourable investment climate in the city, providing support for small and medium-sized businesses, and promoting local employment and self-employment. In addition, there are plans to develop a tourism cluster based on local natural and production facilities, hold training sessions and promote branded businesses and entrepreneurial initiatives. The Agency is scheduled to start its operation in 2017.

The Norilsk Development Agency project is being implemented in conjunction with the educational project for introduction of the best urban development practices throughout the Company’s regions of operation. Russian Municipal Map: Points of Growth. In 2016, in conjunction with the Kudrin Fund for Supporting Civil Initiatives, the Company held a series of workshops and hands-on sessions for representatives of the Administration of Norilsk and Taimyrsky Dolgano-Nenetsky Municipal District, with subsequent visits to Perm and Cherepovets to share experience in urban development. Norilsk businessmen and tourist experts were welcomed to share their thoughts at a special venue at the big Argish festival.

8.3. TRANSPORT ACCESSIBILITY

The essential role of our transport and logistics operations for communities across the Group’s operations is due to remote location of Norilsk Nickel’s key production facilities, their position as a mainstay of local economies, and the severe Arctic climate.

The Company’s own cargo fleet includes 6 reinforced ice class vessels (AFC 7 according to RMRS). The technological capacities of the vessels allow overcoming polar ice up to 1.5 m thick without icebreakers. Five Norilsk Nickel container vessels, and the Yenisey tanker ensure year-round service between Dudinka, Murmansk, Arkhangelsk, Rotterdam and Hamburg seaports, and also offer commercial voyages to other destinations.

The Company’s own river fleet consists of 163 self-propelled vessels, and 392 non-self-propelled vessels.

Yenisey River Shipping Company transports socially important cargos to various destinations across the Krasnoyarsk Territory. During the short period of spring floods, it ensures delivery of fuels and lubricants, food and other goods to locations with limited transport accessibility on the Podkamennaya and Nizhnyaya Tonguska rivers and in other areas. The shipping company operates its own search and rescue fleet and takes part in emergency response missions on internal water routes of the Yenisey Basin. In 2016, the Yenisey River Shipping Company was named the best among Russian river shipping companies in the Industry Leader contest held by the Federal Agency for Sea and River Transport.

Local shipping between different locations along the Yenisey river is carried out by dry cargo vessels of MMC Norilsk Nickel’s Krasnoyarsk Transportation Branch. They deliver socially important goods from Dudinka shipping agricultural products as their return cargo and carry cargoes for the Russian Emergency Situations Ministry to deal with emergencies.

Norilsk Nickel’s Transport and Logistics Assets

- Own Cargo Fleet of Reinforced Ice-Class Vessels
- Own River Fleet
- Own Rail Car Fleet
- Nordavia, Norilsk Avia, Nordstar Air Carriers
- Port Terminals in Dudinka, Murmansk, Krasnoyarsk, and Lesosibirsk
- Norilsk Airport
The destinations covered by the NordStar air carrier include more than 30 Russian and CIS cities. The airline offers regular and charter flights, and transports passengers to interregional budget subsidised destinations selling tickets at reduced tariffs. Following the end of 2016, NordStar was named the most punctual air carrier at the Domodedovo airport of the Moscow Air Cluster.

Norilsk Avia is the only air operator that is capable of responding to both industrial and social emergencies in the region (the Norilsk Industrial District and Taimyrsky Dolgano-Nenetky Municipal District of the Taymyr Peninsula). The Company satisfies the demand for regional traffic, including emergency ambulance flights as part of search and rescue operations.

As part of the 2010–2020 Federal Russian Transport Development Programme and the Memorandum of Intent signed between the Federal Air Transport Agency and MMC Norilsk Nickel, the project for reconstruction of the Norilsk Airport (“Alykel”) reached its principal stage in 2016. The agreement provides that the Norilsk Airport will be used not only by cargo, passenger and special aircraft, but by special aircraft, including owned by the Russian Emergencies Ministry. The airport is expected to become the centrepiece of the Russia’s Arctic Zone development project. A distinctive feature of this project is the reconstruction being conducted without closing the airport, or interrupting flight connections. In 2016, the first stage of the reconstruction of its 720 m long paved runway was completed.

For more details on operating results and the projects implemented in the sphere of Norilsk Nickel’s transport and logistics operations, please see the Transport and Logistics section of the Group’s 2016 annual report.
9. ABOUT THE REPORT

Nornickel is one of the companies that pioneer public non-financial reporting in Russia. The Company has been publishing annual Corporate Social Responsibility reports since 2003, with GRI Gold Community membership attained in 2016. Nornickel is a participant of the GRI Standard Pioneers programme.  

The 2016 Corporate Social Responsibility Report has been prepared in accordance with the extended version of the GRI G4 Sustainability Guidelines, and the GRI Mining and Metals Sector Supplement. The Report reflects the Company’s performance for the period from January 2016 to 31 December 2016 and provides mid-term and long-term outlook for a number of positions. The 2015 CSR Report was published in June 2016. Traditionally, the Report aims to inform a wide range of stakeholders on the Company’s strategy and mission, its sustainable development principles, key highlights and results of the reporting period, and the Group’s material impact on stakeholders.

Information provided herein was obtained from corporate reports and special information requests based on the recommendations contained in the GRI G4 Guidelines and the GRI Mining and Metals Sector Supplement. In 2016, the Company launched the project to standardise and automate the CSR preparation business process. The system developed as a result permits to collect information meeting the requirements of the GRI G4 Guidelines; it is being gradually adapted to comply with the new GRI standards. The project included the update of disclosure methods and data collection scope for a number of indicators, in particular in respect of land rehabilitation, energy consumption and the number of employees covered by collective bargaining agreements. The Company adjusted historical energy saving data and updated the calculation methodology for a number of health and safety indicators required by the GRI Guidelines. In general, there have been no restatements or corrections of historical data that could significantly affect the decisions or opinions of the addressers of this Report.

The preparation of the Corporate Social Responsibility Report, including mapping out essential topics to be covered and selecting an independent entity to certify (audit) the Report is coordinated by the Social Policy Department. The independent auditor of the CSR Report is approved by the Senior Vice President for HR, Social Policy and Public Relations, whom the Social Policy Department is accountable to. The information included in the Report is collected and confirmed by a special working group consisting of representatives of the Company’s key divisions.

In order to upgrade the map of material disclosures, the Company’s employees and representatives of external stakeholders were invited to take part in the poll which ultimately involved 23 representatives of the external stakeholders and 47 representatives of the internal ones.

In addition to polling, the concept was also developed on the basis of the Company’s mass media profile in 2016, stakeholder dialogues in 2016–2017, recommendations offered by the investment community in respect of the previous CSR Report, comments of the independent auditor and the Russian Union of Industrialists and Entrepreneurs’ Council for Non-Financial Reporting, as well as by benchmarking comparable reports.

In addition to the GRI G4 Guidelines, the Company has used the following in preparation of the Report:

- UN Global Compact;
- UN Sustainable Development Goals up to 2030;
- G4-17, G4-21
- Guidance on Social Responsibility ISO 26000:2010;
- RSPP Reference Performance Indicators.

The updated map of material disclosures (aspects) presented in a new format became the outcome of the efforts undertaken. The highest scoring aspects have been recognised material by the working group. The material aspects are fully disclosed in the Report with details of respective management approaches and performance indicators provided. Aspects from the blue area were deemed relevant (intermediate between material and non-material aspects), with respective management approaches disclosed in the Report.

The collection scope for material aspects (see Appendix 3) is set in such a way as to describe all Nornickel Group’s material impacts. The collection scope has not undergone any significant changes compared to the previous reporting period. The Report provides results for all the companies within the scope against each aspect. For some companies, however, the information is disclosed separately based on the materiality principle. In addition to the companies covered by the CSR Report, the consolidated IFRS financial statements include Nkomati Nickel Mine classified as an asset held for sale, and a number of the Group’s other foreign companies that do not have a material economic, environmental and social impact.

The working group has adjusted the scope of some material aspects beyond the Group. In addition to the Occupational Health and Safety, the working group has classified the following aspects beyond the Group as material: Anti-Corruption, Product and Service Quality, Compliance, Emergency Preparedness. These have been described in the Report by disclosing the Company’s approaches to implementation of responsible practices in its supply chain. The Report discloses the injury rate among the employees of the contractors involved in the Group’s operations.

The CSR Report has been approved by the RSPP’s Council on Non-Financial Reporting and verified by a professional auditor and Global Reporting Initiative SDS Mapping Service. The Report has been also approved by the MMC Norilsk Nickel’s Board of Directors.

The interactive version of the Report published on www.nornik.ru contains additional information on the Report’s sections, an extended GRI index, dialogue minutes, a table of comments and proposals prepared by stakeholders in respect of the Report.

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### MAP OF MATERIAL ASPECTS (G4-19, G4-20)

<table>
<thead>
<tr>
<th>Economic</th>
<th>Environmental</th>
<th>Social</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic performance</td>
<td>Energy</td>
<td>Employment**</td>
</tr>
<tr>
<td>Market presence</td>
<td>Water</td>
<td>Occupational health and safety**</td>
</tr>
<tr>
<td>Indirect economic impacts</td>
<td>Biodiversity</td>
<td>Training and education</td>
</tr>
<tr>
<td>** New description of the Emissions aspect as compared with the one used in 2015 CSR Report.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>** The materiality of the disclosure has been increased following the polling of internal and external stakeholders.</td>
<td></td>
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### SET OF DISCLOSURES (ASPECTS)

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</table>

### Materiality of the Group’s Impacts

** Material aspect with the highest priority
** Material aspect
** Relevance aspect
** Integral assessment of materiality for stakeholders to materiality of impacts by the Group’s companies
** Economic aspect
** Environmental aspect
** Social aspect
** Aspect materiality increased following the poll

---

* New description of the GI - Emissions aspect as compared with the one used in 2015 CSR Report.
** The materiality of the disclosure has been increased following the polling of internal and external stakeholders.
Appendix 1: Compliance with the UN Global Compact Principles (G4-15)

**Global Compact Principle** | **Section of the Annual Report**
--- | ---
Human Rights | Goals and Objectives by CSR Focus Area Employees and Social Policy
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights | |
Principle 2: Businesses should make sure that they are not complicit in human rights abuses | |
Labour | Dialogue with Employees Employees and Social Policy
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining | |
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor | |
Principle 5: Businesses should uphold the effective abolition of child labour | |
Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation | |
Environment | Risk Management Framework
Principle 7: Businesses should support a precautionary approach to environmental challenges | |
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility | |
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies | |
Anti-Corruption | Goals and Objectives by CSR Focus Area Preventing and fighting corruption
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery | |

*The interactive version of this Report provides a table demonstrating how the Company’s corporate social responsibility priorities (safety, environment and community) and activities relate to key international and domestic corporate social responsibility and sustainable development standards, including ISO 26000:2010, GRI G4 aspects, UN Global Compact principles, UN Sustainable Development Goals, and RSPP Reference Performance Indicators.*

Appendix 2: GRI G4 Content Index (G4-32)

**General Standard Disclosures** | **Page** | **Excluded Information/Comments** | **UN Sustainable Development Goal**
--- | --- | --- | ---
**Strategy and Analysis** | | | |
G4-1 | 7 | – | –
G4-2 | 23, 39, 48, 49, 72, 87, 101, 124 | – | –
**Organisational Profile** | | | |
G4-3 | 11 | – | –
G4-4 | 9 | – | –
G4-5 | 152 | – | –
G4-6 | 9 | – | –
G4-7 | 58 | – | –
G4-8 | 9 | – | –
G4-9 | 8, 11, 50, consolidated financial statements for the year 2016 | – | –
G4-10 | 8, 152 | – | 8
G4-11 | 57 | – | –
G4-12 | 65 | – | –
G4-13 | 16, 65, consolidated financial statements for the year 2016 | – | –
G4-14 | 40 | – | –
G4-15 | 23, 34, 126, 130 | – | –
G4-16 | 60, 61, 66 | – | –
**Identified Material Aspects and Boundaries** | | | |
G4-17 | 12 | – | –
G4-18 | 97 | – | –
G4-19 | 128 | – | –
G4-20 | 128, 136, Appendix – The collection scope for material aspects GRI G4 in the interactive version of the Report | – | –
G4-21 | 127 | – | –
G4-22 | 126 | – | –
G4-23 | 126 | – | –

*For the report’s External Assurance Statement, see a similarly named Appendix to the Report.*
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### APPENDICES

#### Norilsk Nickel Group

**Corporate Social Responsibility Report 2016**

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<th>EXCLUDED INFORMATION/COMMENTS</th>
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<td>There are no such waste or waste transportation</td>
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<td><strong>Overall</strong></td>
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<td><strong>Environmental Grievance Mechanisms</strong></td>
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<td>No environmental grievances were filed with the Corporate Trust Service in 2016</td>
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<td>142</td>
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<td>No data on return to work and retention rates after parental leave (by gender) due to the lack of centralised records</td>
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<td>72</td>
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<td>74</td>
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**Category: Human Rights**

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<td>GH-SO1</td>
<td>111</td>
<td>Such programmes are implemented in 4 out of 72 (5.6%) Group entities operating in Russia (the Company’s Head Office, Kola MMC, Polar Division, and Norilsk Nickel – Shared Services Centre) within the report boundaries</td>
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<td><strong>Grievance Mechanisms for Impacts on Society</strong></td>
<td>DMA</td>
<td>44</td>
<td>–</td>
</tr>
<tr>
<td>GH-SO11</td>
<td>44</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Product Responsibility</strong></td>
<td><strong>Product and Service Compliance</strong></td>
<td>DMA</td>
<td>46</td>
</tr>
<tr>
<td>GH-PD9</td>
<td>46</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Sector Disclosures (Aspects)</strong></td>
<td><strong>Emergency Preparedness</strong></td>
<td>DMA</td>
<td>77</td>
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<tr>
<td>G4-MM3</td>
<td>88</td>
<td>–</td>
<td>–</td>
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<tr>
<td><strong>Shut Down Plans</strong></td>
<td>DMA</td>
<td>115</td>
<td>–</td>
</tr>
<tr>
<td>G4-MM10</td>
<td>115</td>
<td>The IFRS financial statements reflect a decommissioning provision for Polar Division, Kola MMC and Norilsk Nickel Harjavalta (3% of the Group’s operations within the report boundaries) As at 31 December 2016, this provision stood at RUB 25,764 m</td>
<td>–</td>
</tr>
</tbody>
</table>
## APPENDIX 3
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES (GRI G4) #G4-20

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>GRI ASPECT</th>
<th>ASPECT MATERIALITY OUTSIDE THE GROUP</th>
<th>MMC NIKELNIY NICKEL’S HEAD OFFICE</th>
<th>EXPLORATION</th>
<th>METALLURGY</th>
<th>RESEARCH</th>
<th>FUEL AND ENERGY</th>
<th>TRANSPORTATION AND LOGISTICS</th>
<th>SUPPORT</th>
<th>FOREIGN ASSETS</th>
<th>SALES</th>
<th>OTHER BUSINESS UNITS OF THE GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Economic performance</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td></td>
<td>Market presence</td>
<td>–</td>
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<tr>
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<td>Indirect economic impacts</td>
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<td></td>
<td>Water</td>
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<td></td>
<td>Effluents and Waste</td>
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<td>Overall</td>
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<tr>
<td>Social</td>
<td>Employment</td>
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<tr>
<td></td>
<td>Occupational health and safety</td>
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<tr>
<td></td>
<td>Training and education</td>
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<td>–</td>
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<tr>
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<td>Labour practices grievance mechanisms</td>
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<td></td>
<td>Freedom of Association and Collective Bargaining</td>
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<tr>
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<tr>
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<td>Local Communities</td>
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<tr>
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<td>Anti-corruption</td>
<td>+</td>
<td>–</td>
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<tr>
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<td>–</td>
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</tr>
<tr>
<td></td>
<td>Grievance mechanisms for impacts on society</td>
<td>–</td>
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</tr>
<tr>
<td></td>
<td>Product and service quality compliance</td>
<td>+</td>
<td>–</td>
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<td>Closure planning</td>
<td>–</td>
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<tr>
<td></td>
<td>Emergency preparedness</td>
<td>+</td>
<td>–</td>
<td>–</td>
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</tr>
</tbody>
</table>

1 As regards pension plans, the boundaries include only business units benefiting from the Co-Funded Pension Plan.
2 As regards nationality, the boundaries include all business units of the Group.
3 As regards energy saving, the boundaries include Polar Division, Kola MMC and NTMK.
4 As regards benefits offered to employees, the boundaries include only Polar Division and Kola MMC.
5 As regards staff assessment, the boundaries include only the Head Office, Polar Division, Kola MMC and Pechegazprom.

Information is collected on all companies of the business block.
Information is collected on key companies of the business block.
The detailed table including the names of the Group’s companies and branches can be found in the interactive version of this report.
## TOTAL WATER WITHDRAWAL @ G4–EN8

<table>
<thead>
<tr>
<th>Indicator, mc3</th>
<th>GROUP’S TOTAL</th>
<th>INCLUDING</th>
<th>POLAR DIVISION AND NORILSKENERGO</th>
<th>NTEK</th>
<th>KOLA MMC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total water withdrawal, incl</td>
<td>332.40</td>
<td>352.78</td>
<td>351.96</td>
<td>348.52</td>
<td>328.44</td>
</tr>
<tr>
<td>from surface water bodies</td>
<td>244.35</td>
<td>267.33</td>
<td>258.93</td>
<td>254.92</td>
<td>230.45</td>
</tr>
<tr>
<td>from underground sources</td>
<td>26.10</td>
<td>27.02</td>
<td>31.15</td>
<td>28.66</td>
<td>33.24</td>
</tr>
<tr>
<td>wastewater from other organisations</td>
<td>15.96</td>
<td>15.22</td>
<td>21.07</td>
<td>21.15</td>
<td>15.42</td>
</tr>
<tr>
<td>natural water inflow</td>
<td>37.76</td>
<td>33.71</td>
<td>31.84</td>
<td>34.84</td>
<td>40.82</td>
</tr>
<tr>
<td>municipal water supplies and other water utilities (excluding NTEK)</td>
<td>8.25</td>
<td>9.51</td>
<td>8.96</td>
<td>8.94</td>
<td>8.51</td>
</tr>
<tr>
<td>from NTEK</td>
<td>92.14</td>
<td>94.01</td>
<td>94.08</td>
<td>94.44</td>
<td>104.45</td>
</tr>
</tbody>
</table>

1 Included into the volume of water withdrawn by NTEK.

## WATER SOURCES @ G4–EN9, G4–EN26

<table>
<thead>
<tr>
<th>BRANCHES AND SUBSIDIARIES</th>
<th>SCALE OF IMPACT ASSOCIATED WITH THE GROUP COMPANIES’ WATER WITHDRAWALS</th>
<th>SCALE OF IMPACT ASSOCIATED WITH THE GROUP COMPANIES’ WATER DISCHARGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polar Division of MMC Norilsk Nickel</td>
<td>Withdrawals from water systems (the Yenisei River, water bodies of the Norilsk-Pyasnaya water system and Kara Sea) do not affect the environment and cannot change the ability of the ecosystem to perform its functions</td>
<td>Water bodies of the Yenisei River and Norilsk-Pyasnaya water system are used to discharge wastewater</td>
</tr>
<tr>
<td>Polar Transportation Branch of MMC Norilsk Nickel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Krasnoyarsk Transportation Branch of MMC Norilsk Nickel</td>
<td></td>
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<tr>
<td>Norilsknickelremit</td>
<td></td>
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</tr>
<tr>
<td>ZSK</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norilsk Support Complex</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norilskgeologiya</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TTK</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tamnygar</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ERD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norilsk Airport</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NTEK</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norilskpromtransport</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NITPO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Murmansk Transportation Branch of MMC Norilsk Nickel</td>
<td>Withdrawals do not affect the water sources (water bodies of the Barents Sea)</td>
<td>Wastewater is discharged into the water bodies of the Barents Sea</td>
</tr>
<tr>
<td>Kola MMC</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

APPENDIX A. GRI G4 SPECIFIC STANDARD DISCLOSURE ENVIRONMENTAL PERFORMANCE

TOTAL WATER WITHDRAWAL @ G4–EN8

1 Included into the volume of water withdrawn by NTEK.
### NOx, SO2 and Other Significant Air Emissions, Including Their Type and Weight

Below is a table showing the NOx, SO2, and other significant air emissions for different branches and subsidiaries of the group, along with the volume of water discharge.

#### Table: NOx, SO2 and Other Significant Air Emissions

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>SO2</td>
<td>1.03</td>
<td>1.21</td>
<td>1.21</td>
<td>1.04</td>
<td>1.04</td>
</tr>
<tr>
<td>Solids</td>
<td>1.12</td>
<td>1.65</td>
<td>1.65</td>
<td>1.16</td>
<td>1.16</td>
</tr>
</tbody>
</table>

**Note:** Emission values are calculated using the Environmental Monitoring and Industrial Control Centre data.

### Water Discharge

The volume of water discharge is measured instrumentally by certified gauges and is based on the Calculation of Water Consumption. Pollutants discharged as part of the wastewater include nitrogen oxides, sulphur oxides, and other significant air emissions, including their type and weight.

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Polar Division</td>
<td>1338.49</td>
<td>1292.08</td>
<td>1282.09</td>
<td>1293.42</td>
<td>1477.57</td>
</tr>
<tr>
<td>NTEK</td>
<td>7.88</td>
<td>10.54</td>
<td>9.74</td>
<td>6.33</td>
<td>8.2</td>
</tr>
<tr>
<td>Kola MMC</td>
<td>94.58</td>
<td>164.62</td>
<td>185.44</td>
<td>189.76</td>
<td>132.9</td>
</tr>
</tbody>
</table>

**Note:** Water discharge data for the Group is calculated using measurements with gas analysers, etc.

### Percentage and Total Volume of the Water Recycled and Reused

The percentage and total volume of water reused and recycled are calculated as per the applicable methodologies using data on feedstock and equipment running time, through sampling and analysing fuel gases, direct measurements with gas analysers, etc.

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>GROUPS TOTAL</td>
<td>2,097.03</td>
<td>2,088.27</td>
<td>2,053.52</td>
<td>1,936.44</td>
<td>2,012.78</td>
</tr>
<tr>
<td>POLAR DIVISION</td>
<td>1,922.08</td>
<td>1,883.24</td>
<td>1,787.57</td>
<td>1,908.01</td>
<td>1,890.06</td>
</tr>
<tr>
<td>NTEK</td>
<td>7.88</td>
<td>10.54</td>
<td>9.74</td>
<td>6.33</td>
<td>8.2</td>
</tr>
<tr>
<td>KOLA MMC</td>
<td>94.58</td>
<td>164.62</td>
<td>185.44</td>
<td>189.76</td>
<td>132.9</td>
</tr>
</tbody>
</table>

**Note:** The percentage and total volume of the water reused and recycled in the water withdrawal is 382.6%. This percentage is largest for the Polar Division (495.0%) and Kola MMC (404.7%), and stands at 240.6% for NTEK and 38.1% for the Group's other units.

### Total Wastewater and Pollutant Discharge

The total value of wastewater and pollutant discharge is calculated as per the applicable methodologies.

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>GROUPS TOTAL</td>
<td>1,319.50</td>
<td>1,479.86</td>
<td>1,479.86</td>
<td>1,479.86</td>
<td>1,479.86</td>
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<tr>
<td>POLAR DIVISION</td>
<td>563.94</td>
<td>604.32</td>
<td>607.04</td>
<td>574.17</td>
<td>523.67</td>
</tr>
<tr>
<td>NTEK</td>
<td>510.57</td>
<td>510.84</td>
<td>525.63</td>
<td>561.06</td>
<td>573.68</td>
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<tr>
<td>KOLA MMC</td>
<td>38.11</td>
<td>38.11</td>
<td>38.11</td>
<td>38.11</td>
<td>38.11</td>
</tr>
</tbody>
</table>

**Note:** The percentage and total volume of the water reused and recycled in the water withdrawal is 382.6%. This percentage is largest for the Polar Division (495.0%) and Kola MMC (404.7%), and stands at 240.6% for NTEK and 38.1% for the Group's other units.

### Total Weight of Waste by Type and Disposal Method

The total weight of waste by type and disposal method is calculated as per the applicable methodologies.

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>POLAR DIVISION</td>
<td>20.89</td>
<td>19.36</td>
<td>18.24</td>
<td>18.81</td>
<td>20.15</td>
</tr>
<tr>
<td>NTEK</td>
<td>0.05</td>
<td>0.060</td>
<td>0.048</td>
<td>0.047</td>
<td>0.046</td>
</tr>
<tr>
<td>KOLA MMC</td>
<td>5.52</td>
<td>6.11</td>
<td>6.11</td>
<td>6.11</td>
<td>6.11</td>
</tr>
</tbody>
</table>

**Note:** Waste data are reported in accordance with the methodology established by the Federal Service for the Regulation of Informational Activities (Roskomnadzor).
<table>
<thead>
<tr>
<th>ITEM</th>
<th>WASTE GENERATION</th>
<th>USE</th>
<th>WASTE TRANSFER TO THIRD-PARTY CONTRACTORS (FOR USE OR TREATMENT)</th>
<th>WASTE TRANSFER TO THIRD-PARTY CONTRACTORS (FOR STORAGE OR DISPOSAL)</th>
<th>WASTE STORAGE AT OWN DISPOSAL SITES</th>
<th>TREATMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazard class 1</td>
<td>71.9</td>
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<td>2.0</td>
<td>69.0</td>
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<td>Hazard class 2</td>
<td>5,813.5</td>
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<td>5,791.0</td>
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<tr>
<td>Hazard class 3</td>
<td>29,801</td>
<td>1,426.4</td>
<td>28,374.7</td>
<td>2,503.9</td>
<td>18.1</td>
<td>5.72</td>
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<tr>
<td>Hazard class 4</td>
<td>1,73,548.0</td>
<td>16,095.5</td>
<td>2,689.4</td>
<td>238.9</td>
<td>54,038.0</td>
<td>1,090,048.1</td>
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<td>incl. mining waste and tailings</td>
<td>1,004,449.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>1,004,449.0</td>
</tr>
<tr>
<td>Hazard class 5</td>
<td>32,118,369.1</td>
<td>17,876.1</td>
<td>20,114,973.6</td>
<td>85,694.8</td>
<td>59,932.7</td>
<td>12,446,749.7</td>
</tr>
<tr>
<td>incl. mining waste and tailings</td>
<td>27,195,659.1</td>
<td>0.0</td>
<td>14,953,842.7</td>
<td>0.0</td>
<td>0.0</td>
<td>12,241,816.4</td>
</tr>
<tr>
<td>Total</td>
<td>33,267,663.6</td>
<td>35,288.8</td>
<td>20,151,650.7</td>
<td>88,524.0</td>
<td>174,986.0</td>
<td>13,536,369.8</td>
</tr>
</tbody>
</table>

incl. hazard class 1–4 waste (% of the total volume) 3.5

### SOCIAL PERFORMANCE G4–LA2

**BENEFITS FOR FULL-TIME, TEMPORARY AND PART-TIME EMPLOYEES**

<table>
<thead>
<tr>
<th>BENEFITS FOR EMPLOYEES OF POLAR DIVISION</th>
<th>FULL-TIME WORK</th>
<th>TEMPORARY WORK</th>
<th>SEASONAL WORK</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FULL-TIME WORK</td>
<td>PART-TIME WORK</td>
<td>FULL-TIME WORK</td>
</tr>
<tr>
<td>Reimbursement of vacation travel expenses (incl. return fare)</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>All kinds of financial aid</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Health resort treatment and vacations</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Vouchers for children’s wellness recreation tours</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Pension plans</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Termination benefits (apart from those prescribed by the applicable law)</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

1 Work under a fixed-term employment contract.
2 According to the collective bargaining agreement and local regulations, such categories of employees are not excluded from benefits; however, in practice, travel expenses are not reimbursed since no vacation is granted to such employees.
3 According to the collective bargaining agreement and local regulations, such categories of employees are not excluded from the reimbursement of expenses associated with relocation, it is practically possible. No severance pay is provided by mutual agreement.

### BENEFITS FOR EMPLOYEES OF KOLA MMC

<table>
<thead>
<tr>
<th>BENEFITS FOR EMPLOYEES OF KOLA MMC</th>
<th>FULL-TIME WORK</th>
<th>TEMPORARY WORK</th>
<th>SEASONAL WORK</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FULL-TIME WORK</td>
<td>PART-TIME WORK</td>
<td>FULL-TIME WORK</td>
</tr>
<tr>
<td>Reimbursement of vacation travel expenses (incl. return fare)</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>All kinds of financial aid</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Health resort treatment and vacations</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Vouchers for children’s wellness recreation tours</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Pension plans</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Termination benefits (apart from those prescribed by the applicable law)</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

1 Work under a fixed-term employment contract.
2 At Kola MMC, no seasonal work is carried out; employees do not work seasonally.
3 In-house employees doing bywork can be granted benefits by their primary employer.
APPENDIX 5.
LIST OF ABBREVIATIONS

AML/CTF Anti-money laundering / counter-terrorism financing
ASEAN Association of Southeast Asian Nations
BRICS Five countries: Brazil, Russia, India, China and the Republic of South Africa
CHPP Combined heat and power plant
CMS Corporate Integrated Quality and Environmental Management System
CIS The Commonwealth of Independent States
CIMF Corporate Risk Management Framework
CSR Corporate and Social Responsibility
DMA Disclosure on Management Approach
EBITDA Earnings Before Interest, Taxes, Depreciation and Amortisation
EMERCOM The Ministry of the Russian Federation for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters
EMS Environmental Management System
EU European Union
FCSM Federal Commission for the Securities Market
FFMS Federal Financial Markets Service
FIFR Fatal-Injury Frequency Rate
FISU International University Sports Federation
FZ (FL) Federal Law
GOST State standard
GRES District thermal power plant
GRI Global Reporting Initiative
Group Norilsk Group
HPP Hydropower plant
IBRS International Financial Reporting Standards
ISIRC International Information Security Research Consortium
IPA International Platinum Group Metals Association
ISO International Organisation for Standardisation
IT Information Technology
IUCN International Union for Conservation of Nature
JSC Joint-stock company
Kola MMC Kola Metals and Mining Company JSC
Kola MMC JSC
KPI Key performance indicators
KPID Kola Peninsula Industrial District
LTIFR Lost Time Injury Frequency Rate
MMC Metals and Mining Company
NIR Norilsk Industrial Region
NPOs Non-profit organisations
NTEC Norilsk-Taimyr Energy Company
OECD Organisation for Economic Cooperation and Development
OHSAS Occupational Health and Safety Assessment System
OJSC Open joint-stock company
OOO Russian limited liability company
OSCE Organisation for Security and Co-operation in Europe
PGM Platinum group metals
PJSC Public joint-stock company
PPE Personal Protective Equipment
RMS Russian Maritime Register of Shipping
RSPP (RUE) Russian Union of Industrialists and Entrepreneurs
SCO Shanghai Cooperation Organisation
SDG Sustainable Development Goal
TJ Terspol
UN The United Nations
UNESCO United Nations Educational, Scientific and Cultural Organization
UNICRI United Nations Interregional Crime and Justice Research Institute
VAT Value added tax

Click here to access the interactive version of this Report
The Council on Non-Financial Reporting of the Russian Union of Industrialists and Entrepreneurs (the "Council"), established as per the Management Board’s Resolution dated 28 June 2007, reviewed at the request of MMC Norilsk Nickel (the "Company", the "Group", "Nornickel"), Nornickel Group’s 2016 Corporate Social Responsibility Report (the "Report").

The Company requested the RSP to arrange for the public verification of the Report, with the Council on Non-Financial Reporting providing an opinion on the completeness and materiality of the Report’s information about the Company’s operations from the perspective of the Social Charter of the Russian Business, which sets out key principles of responsible business conduct.

From 15 May to 5 June 2017, the Council members reviewed the content of the Company’s Report and passed this Opinion in accordance with the Council’s Procedure for Public Verification of Corporate Non-Financial Reports.

The Council members possess all the required competencies in corporate responsibility, sustainable development and non-financial reporting, comply with the ethical requirements for independence and impartiality, and provide their personal expert opinion rather than the opinion of organisations they represent.

The Report was assessed based on the following criteria of information completeness and materiality:
- Materiality: Information is considered to be material if it reflects the company’s efforts to implement the principles of responsible business conduct set out in the Social Charter of the Russian Business (see www.rspp.ru).
- Completeness: The company provides a comprehensive overview of its operations, including the underlying values and strategic benchmarks, governance systems and structures, accomplishments and key results, and the stakeholder relationship framework.

The procedure for the public verification of the Report factors in the Company’s application of international reporting frameworks; this Opinion does not, however, purport to assess the Report’s compliance with such international frameworks.

The Council is responsible for the information and statements included in the Report. The accuracy of the Report’s information is a matter of the scope of the public verification procedure.

This Opinion has been prepared for MMC Norilsk Nickel. The Company may use it for both corporate and stakeholder communication purposes by publishing the original version without any changes.

CONCLUSIONS
Based on the review of the Report and the information publicly available on the Company’s official website, and following a collective discussion of the results of the Report’s independent assessment undertaken by the members of the Council on Non-Financial Reporting, the Council confirms as follows:

Nornickel Group’s 2016 Corporate Social Responsibility Report covers the key areas of responsible business conduct in accordance with the principles set out in the Social Charter of the Russian Business, and provides sufficient information about the Company’s operations in relation thereto.

The recommendations made by the Council following the public verification of Nornickel Group’s 2015 Report were duly noted and incorporated into the 2016 Report. For example, the Company provided a more detailed coverage of occupational health, safety and stakeholder engagement in preparing the Report.

The Company’s 2016 Report contains material information relating to the following aspects of responsible business conduct:

- Economic freedom and responsibility
- The Report discloses information about the Nornickel Group’s core business segments, products, footprint, and position in the domestic and foreign markets. The Report dwells on the Company’s development strategy updated in 2016, and sets out its strategic goals for ensuring sustainable development. It presents the Company’s financial and operational results, along with key development projects. The Report contains information on the progress of the smelting capacity reconfiguration, including the full shutdown of Nickel Plant in 2016, to boost their environmental safety.

- stakeholder engagement, including regular anti-corruption training for the personnel and employee surveys related to the efficiency of the relevant measures.

- Business partnerships
- The Report discloses information about the key areas, tools and results of stakeholder engagement, including dialogues with stakeholders held by the Company while preparing public reports. It describes the initiatives to engage shareholders and foreign investors, while also giving details on a number of agreements signed with federal and regional authorities, as well as large Russian and international non-profit organisations. These pertain to a variety of matters concerning the social and economic development of the regions where the Group operates. The Report pays special attention to the Company’s efforts in ensuring employee health, safety, and professional development, and implementing corporate social programmes. Additionally, it describes the measures to support employees of Nickel Plant due to its shutdown in the reporting year, while also dwelling on the social partnership framework and collective bargaining practices. The Report gives a description of staff communication and feedback channels in place at the Company; including surveys, offices for operating, social and labour relations, the Corporate Trust Service, and the annual corporate
Appendices

provides data on environmental expenses, environmental protection priorities, and the report presents the Company's position on human rights in line with the UN Global Compact and 17 sustainable development Goals of the UN 2030 Agenda. The report's structure, key topics and material disclosures were defined based on the contributions from stakeholders, with the relevant selection criteria included in the Report.

The 2016 Report is the Company's thirteenth non-financial report, which demonstrates its determination to consistently develop reporting processes and enhance transparency. The Company uses various forms of independent assessment and confirmation of disclosed information (professional audit and public verification) that reflects the Company's commitment to keeping stakeholders informed and maintaining the high quality of disclosures.

RECOMMENDATIONS

While acknowledging the Report's strong points, the Council calls attention to some aspects of disclosures' materiality and completeness, which should be addressed in the future reporting cycles. The Council notes that the previous non-financial report recommendations remain valid and good for going-forward.

The Report features the Company's goals and objectives for its CSR activities. It is recommended that in the next reporting cycle, the Group disclose specific plans for the mid-term and the next reporting period, focusing on non-financial performance.
APPENDIX 7
EXTERNAL ASSURANCE STATEMENT

INDEPENDENT ASSURANCE REPORT ON THE CORPORATE SOCIAL RESPONSIBILITY REPORT OF NORILSK NICKEL GROUP FOR 2016

Introduction
The Independent Assurance Report is addressed to the management of Public Joint Stock Company "Mishling Metallurgical and Metallurgical Complex "Norilsk Nickel" (hereinafter referred to as MNC Norilsk Nickel). The purpose of assurance in the Report on Corporate Social Responsibility of Norilsk Nickel Group for 2016 (hereinafter referred to as the Report including information on MNC Norilsk Nickel, its Russian subsidiaries and Norilsk Nickel Torpex) is to ensure that the information contained therein is not materially misstated, in accordance with Russian requirements.

Responsibilities
The management of MNC Norilsk Nickel bears full responsibility for the preparation and accuracy of the Report. We are responsible for the results of independent assurance of the Report only to MNC Norilsk Nickel within the engagement and do not assume any responsibility to any third party.

Scope, criteria and level of assurance
The Report was evaluated considering compliance with the requirements to the comprehensive "in accordance" option of GRI G4. The engagement was planned and performed in accordance with A1000 Assurance Standard 2008 (consideration level of assurance and International Standard on Assurance Engagement ISAE 3000 (revised) "Assurance engagements other than audits or reviews of historical financial information" (limited level of assurance)). The statement corresponds to Type 1 as defined by AA1000AS 2008, in accordance with the instructions specified in section "Limitations of the engagement" of this statement.

Methodology of assurance
In our engagement, we have performed the following procedures:
- Interviewing the management and personnel of the Management Board of MNC Norilsk Nickel and obtaining documentary evidence.
- Attending the "We Are the City" social technologies forum in Norilsk (on 14 March 2017) and in Norilsk (on 18 March 2017), including participation in dialogues with stakeholders.
- Visiting the Paatsa State Nature Reserve (and other areas of natural beauty) and interviewing the staff.
- Studying information available on the websites of companies of the Norilsk Nickel Group related to their activities in the context of sustainable development and social aspects.
- Study of public statements of third parties concerning economic, environmental, social and economic aspects of the Norilsk Nickel Group activities, in order to check validity of the declarations made in the Report.
- Analysis of non-financial reports of foreign companies working in the same market segment for benchmarking purposes.
- Review of managed processes and data on the efficiency of the management systems of economic, environmental and social aspects of sustainable development in Norilsk Nickel Group.
- Study of the existing processes of identification, processing, documenting, verification, analysis and monitoring of risks and potential impact into the Report.
- Analysis of information in the Report for compliance with the requirements to the comprehensive "in accordance" option of GRI G4.

Limitations of the engagement
The engagement was performed solely in relation to data for the year ended 31 December 2016. The evaluation of reliability of the information on performance in the Report was conducted in relation to the criteria to be applied to prepare sustainability report "in accordance" with the GRI G4 and information referred to in the Report for the year ended 31 December 2016. In respect to the quantitative performance indicators the conformity assessment to internal and external reporting documents provided to us is performed.

Assurance does not apply to forward-looking statements, as well as statements expressing the opinions, beliefs and intentions of MNC Norilsk Nickel as the parent company of Norilsk Nickel Group to take any action relating to the future. The assurance on the statements which are based on expert opinions is not performed.

Assurance is performed only in relation to the Russian version of the Report which includes information to be published in a hard copy form as well as in digital form.

This statement is the translation of the Russian original. The Russian version prevails.

Conclusions
The following conclusions are based on the assurance work performed within the limitations of the engagement specified above:

Compliance of the Report with the GRI Sustainability Reporting Guidelines G4 (Comprehensive option)
- Analysis of compliance to the GRI Standards requirements

In order to form a position on this issue, we have performed an analysis of compliance to the GRI G4 requirements concerning principles and standard standards for the column "in accordance".
- General standard disclosures are reported in compliance with the requirements of GRI G4 for the column "in accordance" option.
- The Report contains the information on aspects that make the report meaningful, for the company’s approach to managing the material aspects, as well as evaluation of the management approach for some material aspects.
- Indicators required for the Comprehensive option are reported in accordance with guidance contained in GRI G4. If it is not possible to disclose required information, the Report identifies the information that has been omitted and explains reasons for omissions.

Overall assessment of the Report
- As a result of and within the scope of our work, we did not identify material non-compliance with requirements to the Report prepared in "in accordance" with the Comprehensive option of the G4 Guidelines including requirements of the Mining and Natural Values Disclosures. The conclusion is stated taking into account aforementioned analysis of compliance to the GRI Standards requirements.

Recommendations
1. It is reasonable to disclose GRI indicators in relation to target values and plans for the future.
2. Increase the extent of disclosure of indicators in relation to which GRI guidance is not fully taken into account (disclosures with extensions).
3. In case of disclosure technical reservations due to absence of a receiving system provide more specific information about plans to obtain data in future.
4. When disclosing performance indicators with breakdowns by region, consider the possibility of splitting the list of regions of operations, taking into account the significance of the companies of the Norilsk Nickel Group.
5. Extend disclosure of information on how the organization evaluates the management approach to all material aspects.

Statement of competence and independence
"NF Consult" LLC, an independent audit firm, professionally monitoring assurance services, is a licensed provider of assurance services in accordance with AA1000 Assurance Standard. "NF Consult" LLC is a member of the International Standard for Accountants, which is founded on fundamental principles of objectivity, integrity, professional competence and due care, confidentiality and professional behavior. "NF Consult" LLC applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. "NF Consult" LLC employs a system of quality control of audit services, including control of compliance to ethical norms.

"NF Consult" LLC states that the present assurance report is in independent auditing processes of "NF Consult" LLC complies with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Standard for Accountants, which is founded on fundamental principles of objectivity, integrity, professional competence and due care, confidentiality and professional behavior. 

General Director
LLC "NF Consult"
MOSCOW, June 7, 2017

V.Y. Slavinsky

Independent Assurance Provider 000-99
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