

2018 SUSTAINABILITY REPORT



**NORNICKEL**

# THE NEW NORNICKEL: STRATEGY IN ACTION



102-50 102-54

The 2018 Sustainability Report of Nornickel Group (the “Report”) has been prepared in accordance with the GRI Standards, Comprehensive option, and is a report on the progress of compliance with the United Nations (UN) Global Compact principles that discloses the policy of MMC Norilsk Nickel (the “Company” or “Nornickel”) towards achieving the UN Sustainable Development Goals up to 2030.

In producing the Report, the following documents were also used: GRI Mining and Metals Sector Supplement, Guidance on Social Responsibility ISO 26000:2010, Reference Performance Indicators of the Russian Union of Industrialists and Entrepreneurs (RSPP), AccountAbility Standards AA1000SES (2015) and AA1000AP (2018).

The Company has been publishing annual non-financial reports since 2003.

The Report covers activities of Norilsk Nickel Group (“Nornickel Group”), including MMC Norilsk Nickel and entities in the corporate structure.

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Information provided herein was collected via the corporate reporting framework and special information requests in line with the GRI requirements and with regard to the materiality analysis results. The Report contains updates of the data for previous years, which is indicated in the text.

Each year, the Company’s Report undergoes external assurance procedures, including independent professional assessment of the Report’s compliance with the GRI Standards and the RSPP public verification procedure.

As part of the United Nations Conference on Trade and Development intergovernmental body (UNCTAD) from the Russian side, Nornickel is pilot-testing performance indicators quantifying companies’ contribution to achieving the UN Sustainable Development Goals.

The Company’s Social Policy Department and a dedicated working group along with the key units supervised the preparation of the Report. The Report has also been approved by MMC Norilsk Nickel’s Management Board and Board of Directors.

Other sources of information about Nornickel Group:

- corporate website <https://www.nornickel.com/>;
- Nornickel’s ESG Strategy and ESG Databook at <https://www.nornickel.com/investors/esg/>;
- annual reports at <https://www.nornickel.com/investors/reports-and-results/>; [2018 AR](#)
- interactive version of the 2018 Sustainability Report at <http://csr2018.nornik.ru/home/>. [WEB](#)



**NORNICKEL**

## 2018 SUSTAINABILITY REPORT

# THE NEW NORNICKEL: STRATEGY IN ACTION

APPROVED

by the Board of Directors

of MMC Norilsk Nickel

Minutes No. GMK/14-pr-sd of 27 May 2019 [102-32](#)

APPROVED

by the Management Board

of MMC Norilsk Nickel

Minutes No. GMK/14-pr-sd of 27 May 2019

APPROVED

by the Audit and Sustainable

Development Committee of the Board of Directors

Minutes No. 4 of 21 May 2019

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## Statement of the President and Chairman of the Management Board 102-14

The year 2018 was in many ways important for Nornickel. First, we prepared for major production growth associated with the commissioning of new mining capacity, expansion of concentration facilities and greenfield development. Second, we launched a number of large-scale modernisation and environmental initiatives, the most important of which was the Sulphur Project at our Copper Plant.

I believe that we owe our last year's success to both favourable market for our metals and real progress achieved in labour productivity improvement. I am sure that Nornickel will continue enhancing production efficiency, while our best management practices, unique know-how, and digitalisation efforts will drive up the Company's value no less than our vast ore reserves do.

Last year we made great progress in developing human capital, our key resource. Similar to other business areas, we are working towards boosting staff performance and engagement and developing a safety culture. Nornickel maintains traditionally high social security standards guaranteed by a new collective bargaining agreement signed between the Company and its employees in 2018. The document preserves and standardises employees' rights and benefits, as well as enhances them by offering extended health insurance coverage and adding other companies of Norilsk Nickel Group to the agreement.

Nornickel's high social security benefits cement its leading position among the industry's most attractive employers. Wages and salaries, which the Company always pays in time, remain among the highest industry-wide and average over RUB 111,000.

Health and safety is another domain that saw some major changes. In 2018, we reinforced the trend towards reduction in the number of production-related accidents. For the first time in the Company's history, Polar Division saw zero fatalities in the reporting year. The lost time injury frequency rate (LTIFR) decreased by 48%, reaching

an all-time low. The management of the Company views occupational safety and zero workplace fatalities as its key strategic objective and keeps running dedicated health and safety programmes.

As for production, 2018 saw an increase in the output of our key metals, primarily copper, thanks to the overall improvement in production efficiency. After we reconfigured our production facilities, we were able to almost completely abandon the practice of low-margin third party feedstock processing and increase the output of nickel and copper from the Company's Russian feedstock. As a result, our revenue and EBITDA grew 28% and 56% to USD 11.7 bn and USD 6.2 bn respectively, making Nornickel one of the most profitable companies among global diversified mining majors. Strong performance in 2018 and current macroeconomic trends strengthen our robust position and secure investments in sustainable development, primarily in environmental initiatives.

In 2018, we launched the second stage of our ambitious environmental programme, which will help us to achieve a fourfold reduction of sulphur dioxide emissions in Norilsk by 2023. The Company plans to halve its emissions in the settlement of Nickel (Kola Peninsula) already by the end of 2019. To this end, we started constructing a concentrate separation facility in 2018 to reduce the throughput at our Smelting Shop.

All what is said above proves that after Nornickel joined the UN Global Compact in 2016 it has remained truly committed to the Ten Principles of the UN Global Compact in the areas of human rights, labour, environment and anti-corruption. Nornickel has always strived to keep pace with change and keeps looking to seize new development opportunities. With projects launched in 2018, Nornickel is well positioned to become a technology leader in the mining sector both nationally and internationally. The new strategic cycle we are currently entering will make Nornickel a growth story in the eyes of the investment community.

“

The new strategic cycle we are currently entering will make Nornickel a growth story in the eyes of the investment community.

**Vladimir Potanin**

President, Chairman of the Management Board

MMC Norilsk Nickel



# Highlights 102-7

## Environment

**32.5**  
RUB bn  
environmental expenditures and costs in 2018

**3,098**  
TJ  
fuel and energy savings resulting from energy consumption reduction and energy efficiency improvement initiatives in 2018

**457,000**  
m<sup>3</sup>  
increase in effluent volumes treated to standard quality at treatment facilities since 2017

## Development of local communities

**115.6**  
RUB bn  
payments to budgets of various levels<sup>1</sup>

**30.9**  
RUB bn  
spent on social programmes, charity, and social infrastructure in 2018

**410**  
social projects worth  
**389.1**  
RUB mln  
funded since 2014 as part of the World of New Opportunities programme



## Labour

**48%**  
improvement of LTIFR

**22%**  
increase in occupational health and safety expenses

**RUB 7,500**  
added to the average salary



## The Company's position in the industry<sup>2</sup>

**2,220** mt of ore  
measured and indicated resources

Nornickel supplies its products to **34** countries

**No. 1**  
palladium producer (39% market share)

**No. 1**  
refined nickel producer (23% market share)

**No. 4**  
platinum producer (10% market share)

**No. 4**  
rhodium producer (8% market share)

**No. 8**  
cobalt producer (3% market share)

**No. 11**  
copper producer (2% market share)

<sup>1</sup> Tax and non-tax payments include all taxes paid, net of VAT and dividend income tax, as well as insurance payments and customs duties.

<sup>2</sup> In terms of refined metals production for nickel, palladium, platinum and rhodium markets, and in terms of mining for copper and cobalt markets.

# About Norilsk Nickel Group

## Overview 102-1 102-2

**Norilsk Nickel Group is Russia's leading metals and mining company, the world's largest producer of palladium and refined nickel, and one of the biggest producers of platinum, copper and cobalt. On top of that, the Group produces rhodium, silver, gold, iridium, ruthenium, selenium, tellurium, and sulphur.**

In 2018, the Company accounted for 0.7% of Russia's GDP, 2.6% of the national industrial output, 11.4% of metals production, and 2.6% of Russia's exports.

Nornickel is the largest industrial player in the Russian region of the Arctic, generating over 5.7% of its GDP. Around 60,000 of the Company's employees permanently reside and work beyond the Arctic Circle.

For the purposes of the 2018 Sustainability Report (the "Report"), Norilsk Nickel Group shall refer to MMC Norilsk Nickel and the entirety of operations forming Norilsk Nickel Group. Unless otherwise specified or required by the context, the terms "Company", "Group", "Nornickel" or "the Group companies" shall mean Norilsk Nickel Group. Quantitative indicators for certain areas of sustainable development pertain to the Group's specific operations in accordance with the Scope of Data Collection appendix.

## Assets 102-4

Production units of the Group are located in three countries — Russia, Finland and South Africa.<sup>1</sup>

Its core businesses are based in Russia and have a vertically integrated structure. Three main production sites in Russia are:

- Polar Division of MMC Norilsk Nickel ("Polar Division");
- Kola Mining and Metallurgical Company ("Kola MMC");
- Bystrinsky Mining and Processing Plant ("Bystrinsky GOK"), which in 2018 started ramp-up towards the target parameters.

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.

Bystrinsky GOK is located in the Gazimuro-Zavodsky District of the Trans-Baikal Territory and is linked to other regions by rail.

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, China, the USA, and Switzerland.

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

<sup>1</sup> See also the 2018 IFRS financial results, page 47 at <https://www.nornickel.com/investors/disclosure/financials/>.

## Core companies and business units

### • PRODUCTION

- POLAR DIVISION
- KOLA MMC
- GRK BYSTRINSKOE
- MEDVEZHY RUCHEY

### • RESEARCH AND DEVELOPMENT

- GIPRONICKEL INSTITUTE

### • EXPLORATION

- NORILSKGEOLOGIYA
- VOSTOKGEOLOGIYA
- INTERGEOPROEKT

### • FUEL AND ENERGY

- TAIMYRENERGO
- NORILSKGAZPROM
- ARCTIC-ENERGO
- NORILSK-TAIMYR ENERGY COMPANY
- TAIMYRGAZ<sup>1</sup>
- NORILSKTRANSGAZ
- NORILSKENERGO (MMC NORILSK NICKEL'S BRANCH)

### • TRANSPORT AND LOGISTICS

- POLAR TRANSPORT DIVISION
- ARKHANGELSK TRANSPORT DIVISION
- MURMANSK TRANSPORT DIVISION
- KRASNOYARSK TRANSPORT DIVISION
- BYSTRINSKY TRANSPORT DIVISION
- NORDSTAR AIRLINES
- YENISEY RIVER SHIPPING COMPANY
- NORILSK AIRPORT
- LESOSIBIRSK PORT
- KRASNOYARSK RIVER PORT
- NORILSK AVIA

### • DISTRIBUTION AND SALES

- NORMETIMPEX
- METAL TRADE OVERSEAS AG
- NORILSK NICKEL ASIA LTD. (HONG KONG)
- NORILSK NICKEL USA, INC.
- NORILSK NICKEL METALS TRADING (SHANGHAI) CO., LTD.

### • SUPPORT FUNCTIONS

- PECHENGASTROY
- KOLABYT
- NORILSK SUPPORT COMPLEX
- NORILSKNICKELREMont
- POLAR CONSTRUCTION COMPANY
- NORNICKEL — SHARED SERVICES CENTRE
- PSMK
- TAIMYR FUEL COMPANY

### • FOREIGN ASSETS

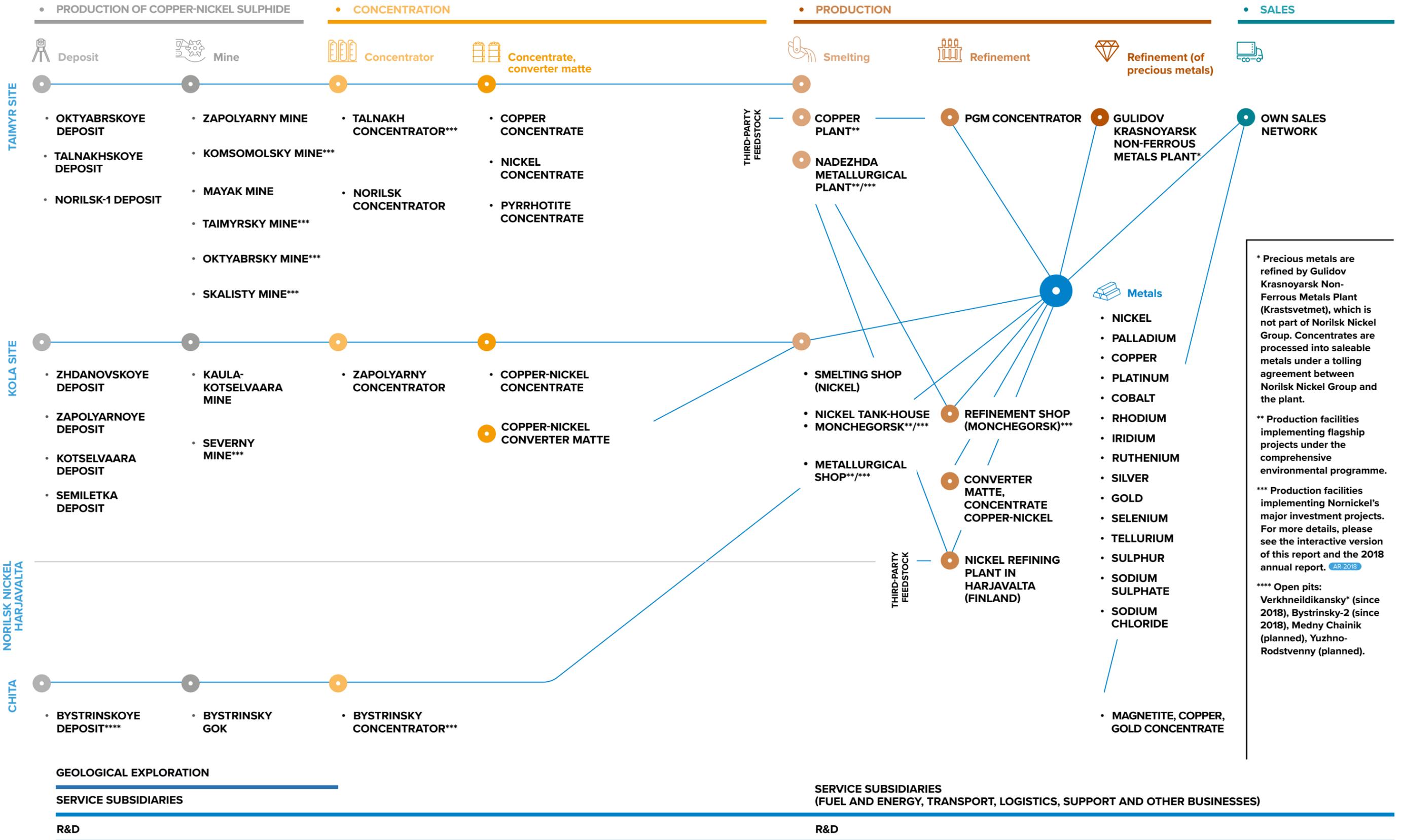
- NORILSK NICKEL HARJAVALTA
- NKOMATI

### • MMC NORILSK NICKEL'S HEAD OFFICE

- MMC NORILSK NICKEL'S HEAD OFFICE

<sup>1</sup> Taimyrgaz was reorganised and merged with Norilskgazprom on 1 March 2019.

# Production chart





# KRASNOYARSK TERRITORY

## REGION OVERVIEW

### Area

**2,366,800**  
km<sup>2</sup>

### Population

**2,876,360**  
people

### Industry

- Non-ferrous metallurgy
- Mining
- Solid fuel-based power and hydropower generation

## Mineral resources



## KEY AREAS OF COOPERATION WITH THE KRASNOYARSK TERRITORY

### Economic

- Cooperation on major investment projects in the Krasnoyarsk Territory
- Heat and power supply to the communities and companies of the Norilsk Industrial District
- Implementation of the Northern Supply Haul programme in the Arctic
- Development of transport and the telecommunication infrastructure

### Social

- Improvement of the existing sports infrastructure and construction of new state-of-the-art facilities in the Krasnoyarsk Territory
- Support for vocational and supplementary education
- Implementation of the World of New Opportunities programme, supporting and promoting regional public initiatives
- Construction of modern housing and utilities, city and village improvement initiatives

### Environmental

- Implementation of cutting-edge green technologies
- Reclamation and landscaping of urban territories
- Development of Taimyr's specially protected natural areas
- Organisation and backing of environmental campaigns

## NORNICKEL'S PERFORMANCE IN THE KRASNOYARSK TERRITORY



**55.9**  
RUB bn  
taxes and other  
payments



**54,286**  
people<sup>1</sup>  
headcount



**104,241**  
RUB  
average monthly  
salary



**2,480,681.7**  
RUB thousand  
employee-related social  
expenses

<sup>1</sup> The Krasnoyarsk Territory and the Norilsk Industrial District.

Photo: Stolby National Nature Sanctuary, Krasnoyarsk Territory

# MURMANSK REGION

## REGION OVERVIEW

### Area

**144,900**  
km<sup>2</sup>

### Population

**757,600**  
people

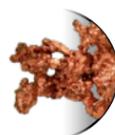
### Economy

- Mining industry
- Metallurgy
- Fishing industry

### Mineral resources



Iron ore



Copper ore



Nickel ore



Cobalt ore

## KEY AREAS OF COOPERATION WITH THE MURMANSK REGION

### Economic

- Implementation of investment projects in the region
- Development of production capacities
- Social and economic development of municipalities that are home to Kola MMC's production sites
- Development of the transport infrastructure in the Arctic

### Social

- Implementation of the World of New Opportunities programme, supporting and promoting regional public initiatives
- Ensuring heat supply to communities across Kola MMC's footprint
- Development of social entrepreneurship

### Environmental

- Cooperation on environmental protection, preservation of the Kola Peninsula's natural ecology and landscapes
- Development of ecotourism in the nature park of the Rybachy and Sredny Peninsulas
- Organisation and backing of environmental campaigns

## NORNICKEL'S PERFORMANCE IN THE MURMANSK REGION



**10.6**

**RUB bn**  
taxes and other payments



**12,579**

**people**  
headcount



**82,443**

**RUB**  
average monthly salary



**377,799.5**

**RUB thousand**  
employee-related social expenses

# TRANS-BAIKAL TERRITORY

## REGION OVERVIEW

### Area

**431,900**  
km<sup>2</sup>

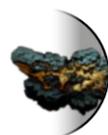
### Population

**1,072,800**  
people

### Industry

- Mining
- Production and distribution of electricity, gas and water
- Non-ferrous metallurgy
- Machinery and equipment manufacturing
- Food production

## Mineral resources



Uranium ore



Copper ore



Tungsten ore



Cobalt ore

## KEY AREAS OF COOPERATION WITH THE TRANS-BAIKAL TERRITORY

### Economic

- Bystrinskoye Deposit development. Over the first 10 years of Bystrinsky GOK operation, the Company plans to contribute around RUB 18 bn to the territory's budget in tax payments
- Improvement of Bystrinsky GOK's transport accessibility

### Social

- Training of mining industry employees
- Support and development of the volunteer movement
- Improvement of urban areas

### Environmental

- Development of the Relict Oaks State Reserve located in the region

## NORNICKEL'S PERFORMANCE IN THE TRANS-BAIKAL TERRITORY



**1.2**

**RUB bn**  
taxes and other payments



**3,382**

**people**  
headcount



**86,882**

**RUB**  
average monthly salary



**5,667.6**

**RUB thousand**  
employee-related social expenses

# 04

## STRATEGY

**24** Context

**26** Mission and values

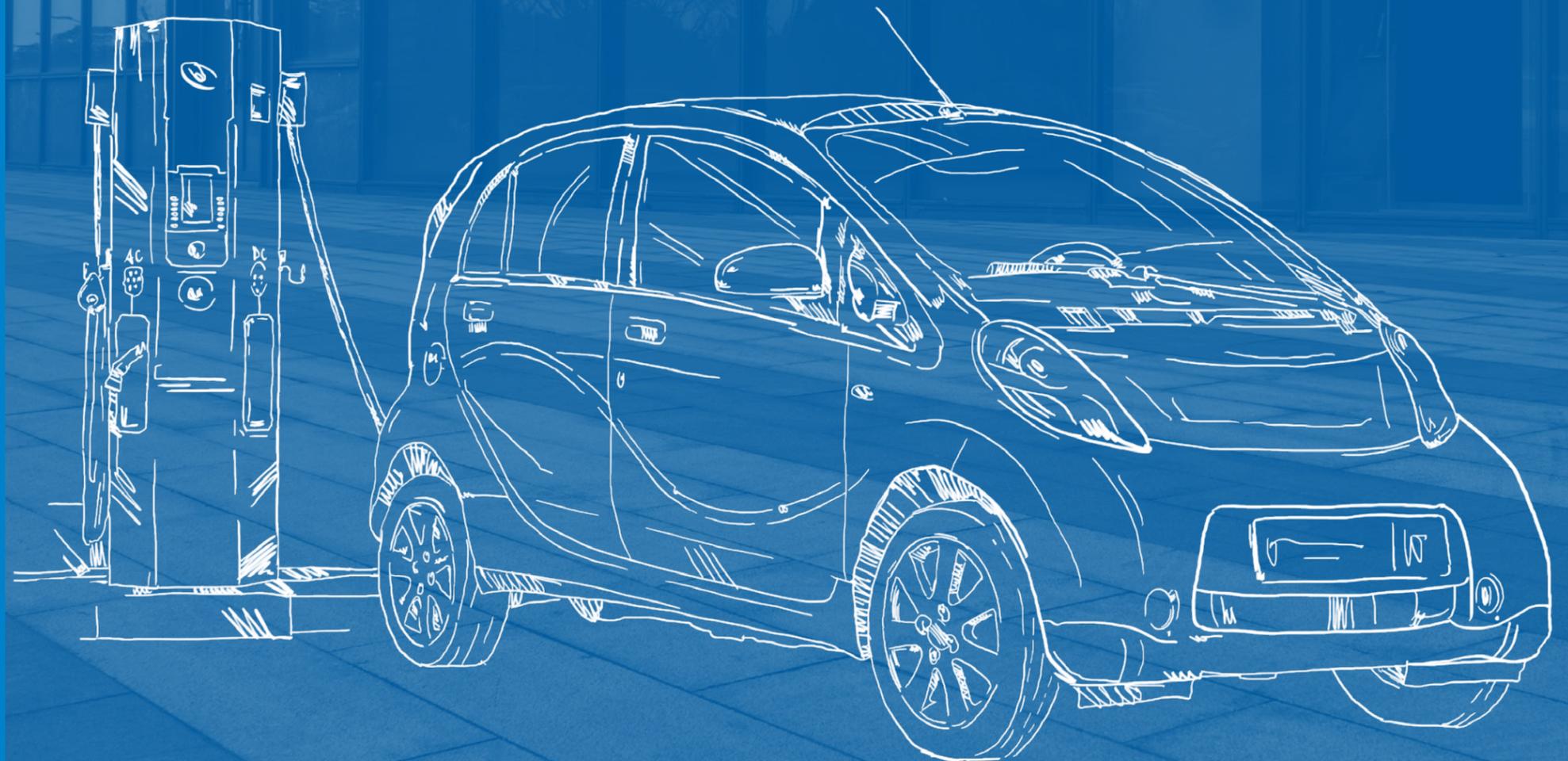
**26** Corporate strategy

**30** Sustainable development goals

## NEW GROWTH OPPORTUNITIES

October 2018. Dedicated to meeting the growing demand for battery materials used in electric vehicles, the strategic partnership between BASF and Nornickel became a landmark event for achieving sustainable development goals. As BASF's new production facility will be constructed adjacent to Nornickel's refining facility in Harjavalta, Finland, this will provide BASF with exclusive access to local nickel and cobalt supplies.

2020 will see about 300,000 electric vehicles per year using batteries with components produced as part of the partnership between Nornickel and BASF.



# Strategy

## Context

102-15

Significant impact of large companies on the development of regional and national industries, as well as their integration at the global level has made business a key player in addressing modern challenges.

Norilsk Nickel Group is a leader of Russia's metals and mining industry. The Company meets the Russian and global economy's growing demand for materials required to manufacture products that are vital for improving the quality of life.

The Company's products are supplied to 34 countries and are in high demand in power generation, electronics, transportation, mechanical engineering, construction, consumer goods, healthcare, food, chemical and other industries.

As one of the largest employers and taxpayers in Russia, Norinickel plays an important role in the social and economic development of the regions where it operates.

MMC Norilsk Nickel considers social responsibility and commitment to the principles of sustainable development as key operational priorities for business development, community and investor relations, and environmental impact management.

The Company became one of the first Russian companies to sign up, in 2005, to the Social Charter of the Russian Business adopted by the Russian Union of Industrialists and Entrepreneurs (RSPP). In 2016, Norilsk Nickel Group joined the UN Global Compact, which marked the transition to a new strategic development cycle.

Supporting the United Nations' Sustainable Development Goals and sharing the UN's call to transform the business to the benefit of society, environment and the future of the planet, Norinickel started implementing its Long-Term Development Strategy until 2023, which drives its ambition to grow further as an advanced, cost efficient and environmentally responsible company.

## NORNICKEL'S SUPPORT FOR SUSTAINABLE DEVELOPMENT INITIATIVES AND STANDARDS

102-12

102-13

Standard/initiative	Nornickel
UN and International Labour Organisation conventions	Declaring support and aligning its by-laws accordingly
UN Global Compact	Supporting officially
National Global Compact Network Association (Russia)	Member
Sustainable Development Goals of the UN 2030 Agenda	Declaring support and aligning governance practices accordingly
ISO 9001:2015	Compliance of Gipronickel Institute's management system with the standards
ISO 14001:2015 ISO 9001:2015	Compliance of MMC Norilsk Nickel, Kola MMC, and Norilsk Nickel Harjavalta management systems with the standards
OHSAS 18001:2007	Compliance of MMC Norilsk Nickel and Norilsk Nickel Harjavalta management systems with the standard
ISO 26000:2010	Declaring support and providing reports
GOST R ISO 26000-2012	Declaring support and providing reports
AA1000AP, AA1000SES	Declaring support and providing reports

Standard/initiative	Nornickel
International Platinum Group Metals Association	Member
International Information Security Research Consortium	Member
Nickel Institute	Member. Since 2017, Nornickel's Head of Marketing has been chairing the Institute's Board of Directors
World Wildlife Fund (WWF)	Ranking among the leading environmentally responsible mining companies in Russia according to the WWF
National Association of International Information Security	Member and supporter
Security Charter for Critical Industrial Facilities	Charter developer, member and signatory
FTSE4Good Index	Inclusion in the FTSE4Good Emerging Index
Sustainalytics	Assigned independent ESG ratings
MSCI	
Social Charter of the Russian Business adopted by the RSPP	Member and signatory
Anti-Corruption Charter of the Russian Business adopted by the RSPP	Member and signatory
RSPP Responsibility and Transparency index and Sustainable Development Vector index	One of the index leaders (in 2014, 2015, 2016, 2017, and 2018)
RSPP Committee on Corporate Social Responsibility and Demographic Policies	Member
Environmental Charter of the Krasnoyarsk Territory	Signatory
 GRI Gold Community	Organisational member

### Nornickel's products for better quality of life, environmental improvements and green economy

The Taimyr unique resource base seems to be made to respond to the challenges facing humanity in the 21st century.

Playing a vital part in contributing to the reduction of air pollutant emissions, platinum group metals (PGM) are used as catalysts for the production of key chemicals, including agricultural fertilisers, that are essential for providing the planet's growing population with foods. Platinum and palladium along with their co-metals are widespread in medicine, particularly in its forefront areas such as oncology and production of pacemakers and other implants.

The most common electronic products use nickel, copper, platinum, palladium, rhodium, iridium, ruthenium, cobalt, gold, silver and other metals produced by the Company.

It will be impossible to reduce air pollution in urban areas as planned or combat climate change as set out in the Paris Agreement unless hybrid cars with PGM catalysts are used extensively in the coming decades. In the long run, roads will be dominated by fully electric vehicles using lithium-ion batteries with high content of nickel and cobalt, as well as by hydrogen vehicles using platinum in their fuel cells. Electric vehicles will transform the global nickel and PGM industries. As the world's leading supplier of these metals, Nornickel is uniquely positioned to contribute to this change.

Development of renewable energy is also impossible without stainless steel, nickel alloys and fibreglass as key structural materials used in wind and solar farms or without special conductive pastes for solar cell surfaces. However, high-quality stainless steel cannot be made without nickel; fibreglass cannot be produced without equipment that uses platinum and rhodium, and no conductive paste for solar batteries is made without silver. Apart from renewable generation, metals produced by Norinickel are essential for environmentally friendly energy storage systems that use nickel- and cobalt-based batteries or gases (hydrogen or methane) which are stored and processed also using PGM.

The Company provides comprehensive support for the green economy both in Europe and worldwide and reaffirms its commitment to sustainable use of resources and its status as a responsible global supplier of materials for sustainability purposes.

**Mission and values** 102-16

The Company focuses on developing a group-wide corporate culture of mutual respect, trust and openness shared by its every employee. The corporate culture ensures effective implementation of the Company's strategy based on sustainable development principles.<sup>1</sup>

**Nornickel's corporate values**



<sup>1</sup> See also the Business Ethics Code at [www.nornickel.com/Investors/Internal Documents and Policies](http://www.nornickel.com/Investors/Internal Documents and Policies).

**Our mission**

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 in and help people realise their aspirations for development and technological progress.

**Corporate strategy**

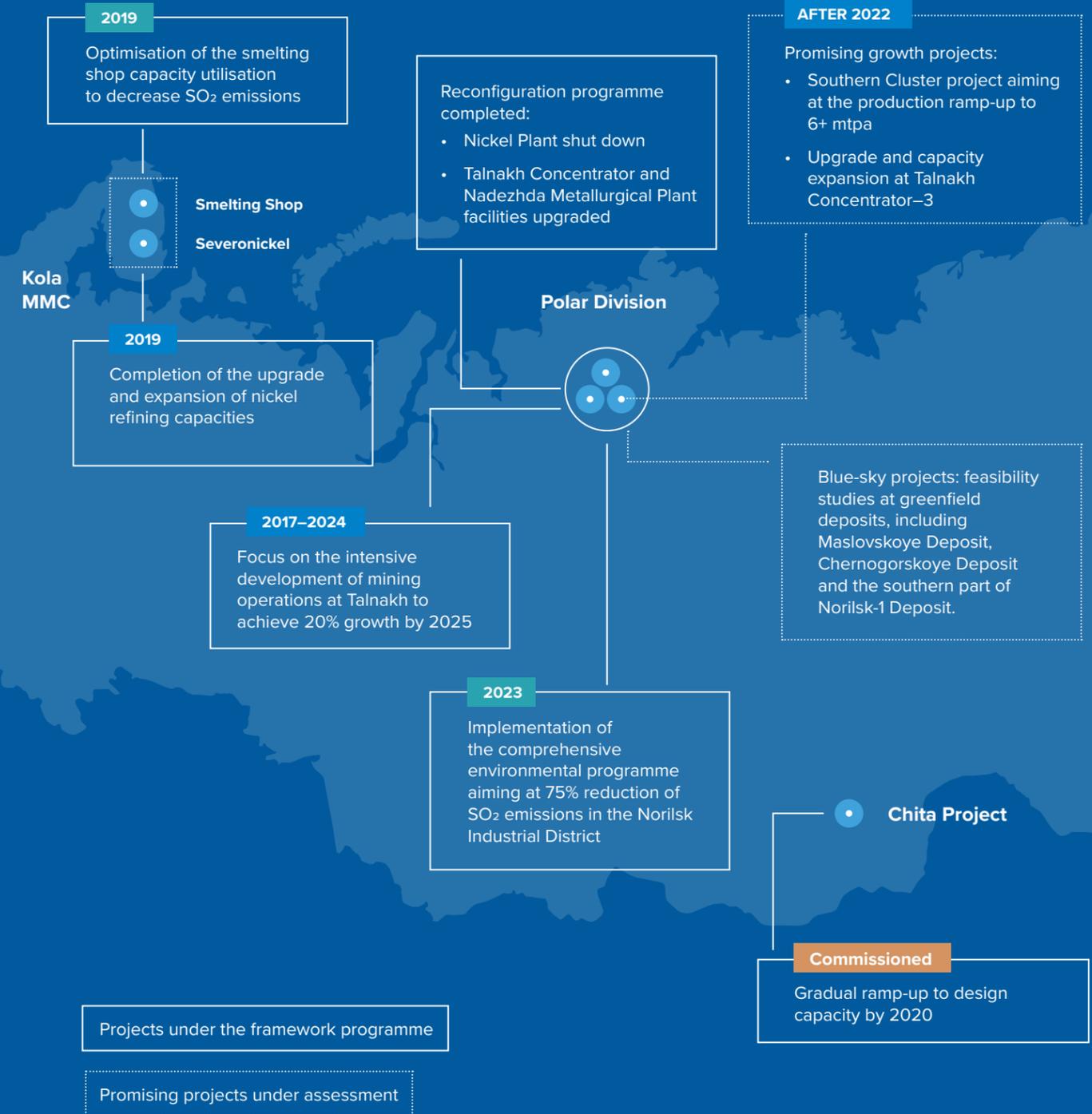
Adopted in 2013, Nornickel's corporate strategy primarily aims to unlock the resource potential of the Taimyr and Kola Peninsulas, improve the Company's operating efficiency and raise the quality of investment and capital management. In 2013–2017, MMC Norilsk Nickel ran a number of strategic initiatives that fundamentally changed the Company's technological landscape and can rightly be considered unique and pioneering. In 2017, the Company completed the first cycle of its development strategy. As a result, Polar Division upgraded dramatically its concentration facilities and reconfigured its metal production processes with Nickel Plant shut down. This significantly reduced environmental footprint of the Company in the region.

In 2018, the Company reaffirmed its ambition to grow further as an advanced, efficient and environmentally responsible company and presented Nornickel's strategic priorities in sustainable development and growth areas for the medium and long terms.

The next development cycle will be centred around an unprecedented RUB 150 bn environmental initiative focusing on the reduction of emissions and

environmentally friendly production. In 2018, the Company launched the large-scale Sulphur Project at Polar Division's Copper Plant as part of its environmental programme.

**Roadmap to advanced, efficient and environmentally friendly production**



# NORNICKEL'S STRATEGIC PRIORITIES

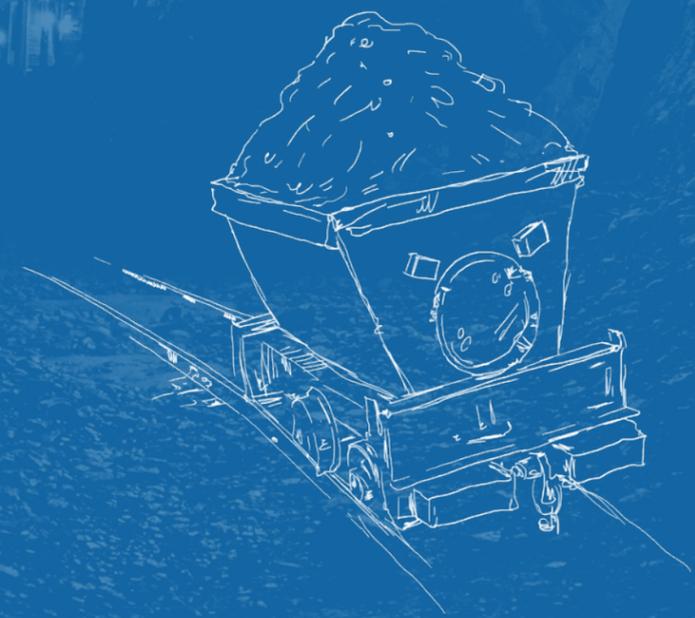


- 20% LTIFR reduction each year
- Zero work-related fatalities
- Implementation of the comprehensive environmental programme aiming at a 75% reduction in SO<sub>2</sub> emissions in the Norilsk Industrial District

## FOCUS ON SAFETY AND ENVIRONMENT



## LONG-TERM PRODUCTION GROWTH BASED ON THE EXISTING ASSETS



- 15–20% growth in metals output in the long term (2025+)
- Mining projects at the existing deposits of the Talnakh Ore Cluster, development of the Southern Cluster, and construction of Talnakh Concentrator-3

## EFFICIENCY IMPROVEMENT

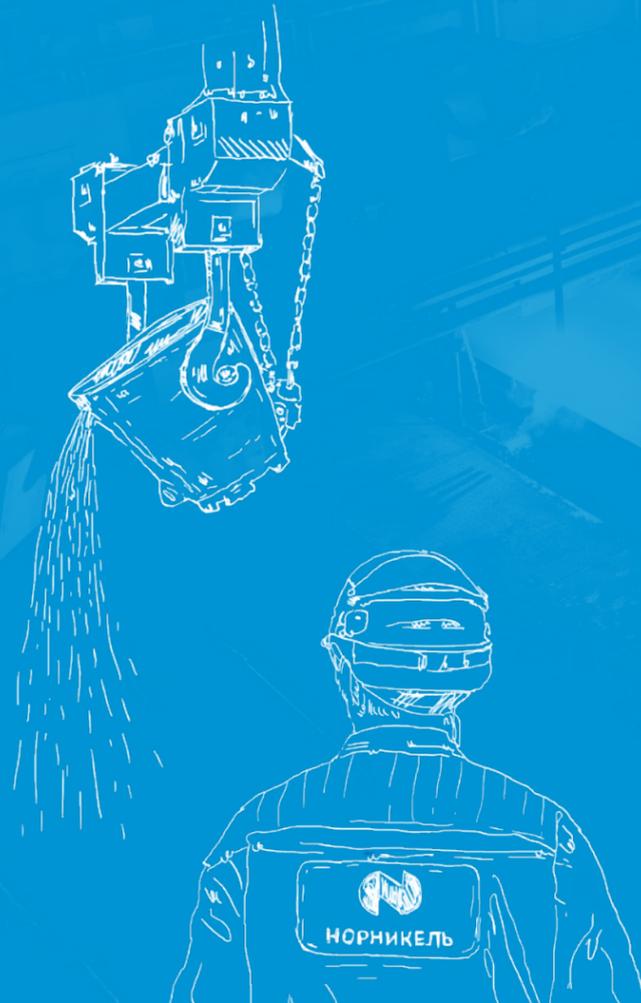


- 5–8% growth in metals output in the short term
- Strict cost control to keep cost growth below the inflation rate
- Up to 15% increase in labour productivity (2020 vs 2017)



## ANALYSIS OF NEW GROWTH OPPORTUNITIES

- Evaluation of potentially the world's largest greenfield PGM cluster, a unique blue-sky partnership project (Arctic Palladium)



The mid-term strategic priority for the Company is an efficiency improvement programme covering its entire production chain. Key focus areas of the programme are upgrade and reconfiguration of production facilities, introduction of new standards and processes, innovative management approaches, and comprehensive digitisation and automation of production processes. The programme aims at improving efficiency, increasing labour productivity, boosting industrial safety and transforming corporate culture. In 2018–2021, Nor Nickel plans to invest about RUB 5.3 bn in digital technology alone.

MMC Norilsk Nickel will continue increasing its share in new market segments and industries that are likely to generate demand for its products in the future. One of such fast growing industries is production of materials for electric vehicles and batteries.

103-2

When working towards its strategic development priorities, the Company factors in non-financial risks and principles of human rights and environment protection:

- unconditional respect for human rights;
- comprehensive measures to support indigenous peoples of the North;
- lower impact on the climate;
- alternative energy development (where applicable).

### Sustainable development goals

In 2015, the United Nations adopted the 2030 Agenda for Sustainable Development, setting 17 Sustainable Development Goals (SDG) for the global community and 169 associated targets as enablers of the SDG achievement. Since the SDGs cannot be achieved by the efforts of only governments or public organisations, the UN encourages businesses to focus on the SDGs in their operations. “Business is a vital partner in achieving the Sustainable Development Goals. Companies can contribute through their core activities, and we ask companies everywhere to assess their impact, set ambitious goals and communicate transparently about the results” (Ban Ki-moon, United Nations Secretary-General).

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Nornickel fully supports the 2030 Agenda for Sustainable Development and the UN SDGs, consistently integrating them into the Company’s strategy and everyday operations. In its public

### 2018 non-financial performance highlights:

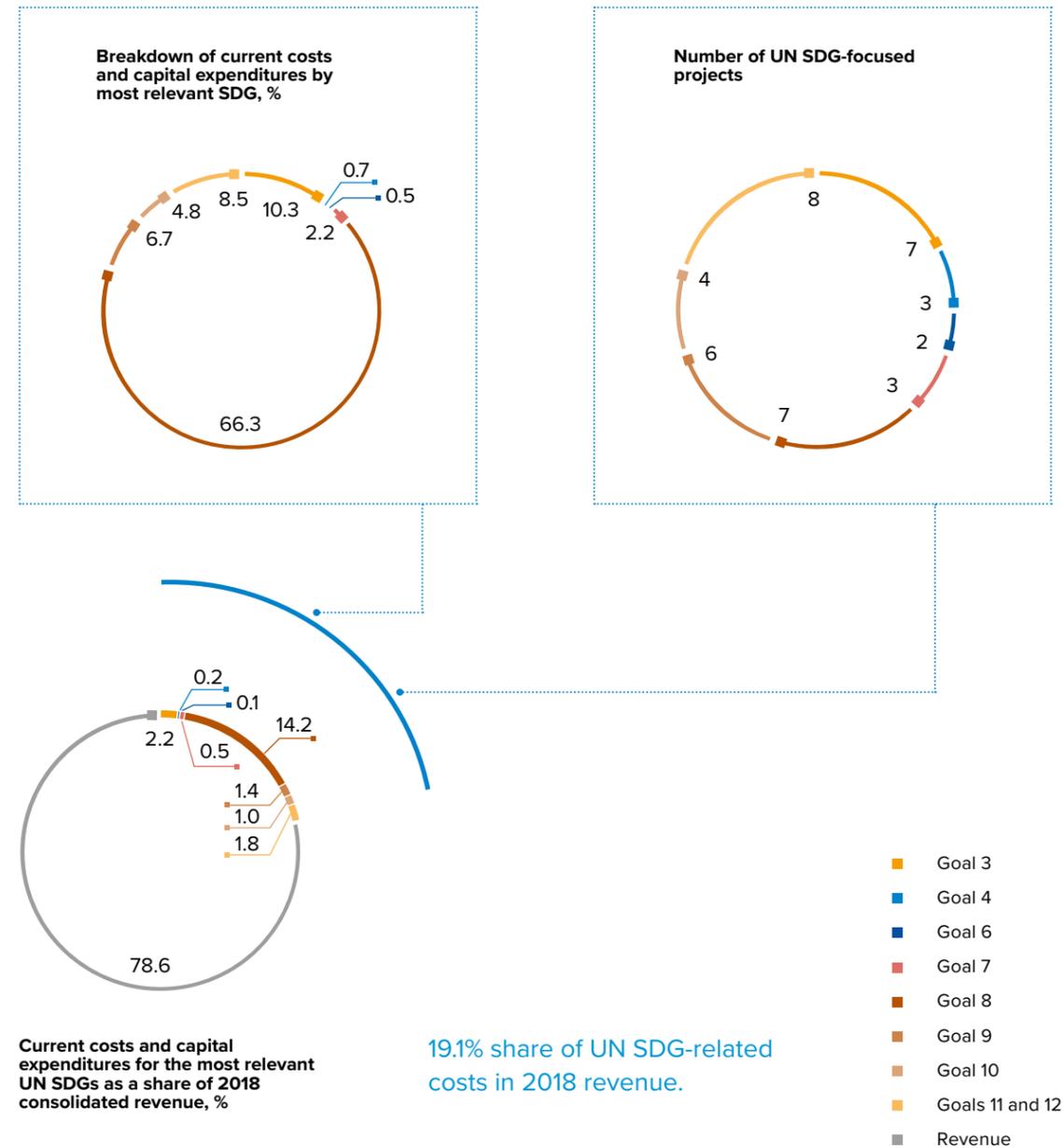
- dramatic improvements in industrial safety and health: in 2018, the lost time injury frequency rate (LTIFR) decreased from 0.44 to 0.23, down by 48% y-o-y, reaching the Company’s record low and remaining below the average across the metals and mining peers. Over 2013–2018, LTIFR dropped by 65%;
- production launch and phased capacity ramp-up at Bystrinsky GOK, a cutting-edge high-tech facility compliant with high environmental, technological and social standards;
- launch of the Sulphur Project at Polar Division’s Copper Plant, the Company’s most ambitious green initiative aimed at dramatic improvements in the regional environment.

non-financial reports for 2016 and 2017, the Company disclosed key sustainability targets and performance against relevant UN SDGs.

As the next step of integrating the UN SDGs, the Company grouped its major projects and programmes by SDG. For this purpose, 12 SDGs were selected on the basis of a survey conducted among stakeholders. The SDG-based grouping helped determine actual and budgeted costs per project/programme and assess the Company’s actual non-financial performance. The results achieved will be used in 2019 to analyse and prioritise SDGs and concentrate efforts on priority SDGs. National and international contexts of achieving such SDGs will also be analysed to assess their impact on business-related risks and opportunities.

The chart below presents current costs and capital expenditures for the most relevant SDG-related projects as a share of the Company’s consolidated revenue for 2018.

### CURRENT COSTS AND CAPITAL EXPENDITURES FOR THE MOST RELEVANT UN SDGS AS A SHARE OF 2018 CONSOLIDATED REVENUE



## Nornickel's contribution towards the achievement of the UN SDGs 103-2

UN SDG Strategic priority	SDG target	SDG integration in Nornickel's corporate governance framework	Key initiatives and projects implemented by Nornickel	Achievements of 2018	Plans for 2019
 	<p><b>3.4</b> By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being</p>	Occupational Health and Safety Policy	1. Implementation of health improvement and wellness programmes for employees and their families <sup>1</sup>	5. Air protection projects (activities) required by the Environmental Action Plan (EAP, section I) other than the Sulphur Project <sup>2</sup>	<b>24,631 employees</b> and their family members covered by the health improvement and wellness programmes
	<p><b>3.6</b> By 2020, halve the number of global deaths and injuries from road traffic accidents</p> <p><b>3.9</b> By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination</p>	Environmental Impact Assessment Policy Occupational Health and Safety Policy	2. Voluntary health insurance for employees and their families <sup>1</sup> 3. Comprehensive environmental programme for the Norilsk Industrial District (the Sulphur Project) integrated into the Roadmap to Reduce Air Pollutant Emissions in Norilsk (approved by Deputy Prime Minister of the Russian Federation on 28 December 2018) and the Fresh Air national project <sup>2</sup> 4. Implementation of current occupational safety measures (providing employees with individual and collective protective equipment, special food and milk, maintenance of health centres, first-aid posts, medical units, mandatory checkups, health and safety training and skills improvement, etc.) <sup>1</sup>	6. Water conservation projects (activities) required by the Environmental Action Plan (EAP, section II) <sup>2</sup> 7. Waste management projects (activities) required by the Environmental Action Plan (EAP, section III) <sup>2</sup>	<b>18,854 employees</b> of the Group companies and their family members covered by voluntary health insurance plans <b>24,485 employees</b> and their family members to be covered by health improvement and wellness programmes <b>50,510 employees</b> of the Group companies and their family members to be covered by voluntary health insurance plans
 	<p><b>4.4</b> By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</p>	Strategy Equal Opportunities Programme	1. Training and development of Norilsk Nickel Group's employees <sup>3</sup> 2. Corporate scholarships for university students and internships with Norilsk Nickel Group's companies <sup>3</sup>	3. The World of New Opportunities charity programme: grants for educational institutions and projects <sup>3</sup>	<b>87,462 employees</b> covered by training, including vocational training, retraining, and skills improvement <b>311 students</b> covered by Norilsk Nickel's corporate scholarship programmes <b>312 students</b> to be covered by Norilsk Nickel's corporate scholarship programmes <b>25 projects</b> supported under the World of New Opportunities programme

<sup>1</sup> Part of the Public Health domain (Russia's National Projects).

<sup>2</sup> Part of the Environment domain (Russia's National Projects).

<sup>3</sup> Part of the Education domain (Russia's National Projects).

UN SDG	SDG target	SDG integration in Nornickel's corporate governance framework	Key initiatives and projects implemented by Nornickel	Achievements of 2018	Plans for 2019
<p><b>Strategic priority</b></p>  	<p><b>6.3</b> By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally</p>	<p>Environmental Policy</p>	<p>1. Implementation of investment projects aimed to improve water management (water cycle optimisation, wastewater treatment etc.) and water supply<sup>1</sup></p> <p>2. Water conservation projects (activities) required by the Environmental Action Plan (EAP, section II)<sup>1</sup></p>		
 	<p><b>7.1</b> By 2030, ensure universal access to affordable, reliable and modern energy services</p> <p><b>7.3</b> By 2030, double the global rate of improvement in energy efficiency</p>	<p>Strategy</p> <p>Mission and values</p> <p>Renewable Energy Sources Policy</p>	<p>1. Rollout of the Automatic System for Commercial Accounting of Power Consumption (ASCAPC) across Polar Division (PD)<sup>1</sup></p> <p>2. Implementation of energy efficiency and energy saving projects (initiatives) required by the Energy Saving and Energy Efficiency Programme and/ or the Programme for Improving Performance and Reducing Per Unit Costs<sup>1</sup></p> <p>3. Delivery of investment projects aimed to develop power and heat generation, power grids and heat networks<sup>2</sup></p>	<p>ASCAPC design documents and cost estimates for the PD units developed and approved</p> <p><b>3,098 TJ</b> fuel and energy savings resulting from energy consumption reduction and energy efficiency improvement initiatives</p> <p><b>10 MW</b> increase in installed generation and transformer capacities</p>	<p>ASCAPC rollout at Copper Plant, Nadezhda Metallurgical Plant, Komsomolsky and Skalisty mines and Common Storage Facilities</p> <p><b>13 MW</b> increase in installed generation and transformer capacities</p>
    	<p><b>8.2</b> Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors</p> <p><b>8.4</b> Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead</p>	<p>Human Rights Policy</p> <p>Working Conditions Policy</p> <p>Occupational Health and Safety Policy</p> <p>Freedom of Association Policy</p> <p>Policy Regarding Support for Small and Medium Enterprises</p> <p>Environmental Policy</p> <p>Environmental Impact Assessment Policy</p>	<p>1. Ensuring decent compensation for labour<sup>3</sup></p> <p>2. Securing employees' involvement in social partnerships<sup>3</sup></p> <p>3. Programmes to improve the social and living conditions for employees of Norilsk Nickel Group</p> <p>4. Implementation of current occupational safety measures (providing employees with individual and collective protective equipment, special food and milk, maintenance of health centres, first-aid posts, medical units, mandatory checkups, health and safety training and skills improvement, etc.)</p> <p>5. Implementation of health and safety activities required by the Comprehensive Plan for Labour Conditions Improvement, Labour Protection, Health and Recreation Activities, and Occupational Safety</p> <p>6. Ensuring employees' involvement in improvement of the health and safety system<sup>3</sup></p> <p>7. Delivery of the Operating Unit's investment projects (concentration and downstream)</p>	<p><b>RUB 111,600</b> average monthly salary</p> <p><b>81%</b> employees covered by collective agreements</p> <p><b>25 social facilities</b> commissioned after renovation</p>	<p><b>28 social facilities</b> to be commissioned after renovation</p>

<sup>1</sup> Part of the Environment domain (Russia's National Projects).

<sup>2</sup> Part of the Housing & Urban Environment domain (Russia's National Projects).

<sup>3</sup> Part of the Labour Productivity and Employment Support domain (Russia's National Projects).

UN SDG	SDG target	SDG integration in Nornickel's corporate governance framework	Key initiatives and projects implemented by Nornickel	Achievements of 2018	Plans for 2019
<p><b>Strategic priority</b></p>	<p><b>8.5</b> By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p> <p><b>8.8</b> Protect labour rights and promote safe and secure working environments for all workers, including migrants, in particular women, and those in precarious employment</p>				
  	<p><b>9.1</b> Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all</p> <p><b>9.4</b> By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p> <p><b>9.5</b> Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending by 2030</p>	<p>Strategy</p> <p>Mission and values</p> <p>Local Community Relations Policy</p> <p>Policy Regarding Support for Small and Medium Enterprises</p>	<ol style="list-style-type: none"> <li>1. Upgrading and retooling Talnakh Concentrator to increase its total ore capacity to 18 mtpa</li> <li>2. Projects aiming to develop local communities' infrastructure (including transport accessibility improvement): <ul style="list-style-type: none"> <li>• projects implemented under public-private partnerships (PPP)<sup>1</sup></li> <li>• projects implemented under agreements with local administrations<sup>1</sup></li> </ul> </li> <li>3. Delivery of investment projects aimed to develop power and heat generation, electrical grids and heat networks</li> <li>4. Research and development (R&amp;D) and feasibility studies aimed to update Norilsk Nickel Group's Development Strategy, expand production and protect the environment<sup>2</sup></li> <li>5. Investments in the development of transportation and logistics assets</li> <li>6. Construction and reliability improvement of the fibre optic communication line (FOCL) in Norilsk<sup>1</sup></li> </ol>	<p><b>1,081 m</b> of Norilsk Airport's runway renovated</p> <p>On 21 September 2018, Norilsk Airport received a certificate of compliance from the Federal Air Transport Agency</p> <p>On 29 October 2018, the airport received a certificate of compliance with the Federal Aviation Requirements from the Federal Air Transport Agency</p> <p><b>10 MW</b> increase in installed generation and transformer capacities</p> <p><b>69</b> R&amp;D and feasibility studies completed</p> <p><b>318 hours/year</b> FOCL downtime</p>	<p>Norilsk Airport's infrastructure to be upgraded</p> <p><b>13 MW</b> increase in installed generation and transformer capacities</p> <p><b>38</b> R&amp;D and feasibility studies to be completed</p>

<sup>1</sup> Part of the Housing & Urban Environment domain (Russia's National Projects).

<sup>2</sup> Part of the Environment, Science, and Digital Economy domains (Russia's National Projects).

UN SDG	SDG target	SDG integration in Nornickel's corporate governance framework	Key initiatives and projects implemented by Nornickel	Achievements of 2018	Plans for 2019	
<b>Strategic priority</b>  	<b>10.7</b> Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies	Equal Opportunities Programme	<ol style="list-style-type: none"> <li>Implementation of the complementary corporate pension plan for former employees moving from the Norilsk Industrial District</li> <li>Relocation assistance to new employees<sup>1</sup></li> </ol>	<ol style="list-style-type: none"> <li>Implementation of the Cooperation Agreement between the Russian Ministry of Regional Development, Krasnoyarsk Territory, Norilsk Municipality and MMC Norilsk Nickel to relocate people living in Norilsk and Dudinka (Krasnoyarsk Territory) to Russian regions with better climate and socioeconomic conditions</li> <li>Implementation of the Our Home and My Home social programmes (purchase of apartments for employees in various Russian regions)</li> </ol>	<p><b>545 former employees</b> were paid complementary corporate pensions</p> <p><b>533 apartments</b> acquired to relocate people to regions with better climate and socioeconomic conditions</p> <p><b>316 people</b> covered by the new employee relocation assistance programme</p>	<p>Complementary corporate pensions to be paid to <b>667 former employees</b></p> <p><b>450 apartments</b> to be purchased to relocate people to regions with better climate and socioeconomic conditions</p>
 	<b>11.6</b> By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management	Environmental Policy	<ol style="list-style-type: none"> <li>Comprehensive environmental programme for the Norilsk Industrial District (the Sulphur Project) integrated into the Roadmap to Reduce Air Pollutant Emissions in Norilsk (approved by Deputy Prime Minister of the Russian Federation on 28 December 2018) and the Fresh Air national project<sup>2</sup></li> <li>Air protection projects (activities) required by the Environmental Action Plan (EAP, section I) other than the Sulphur Project<sup>2</sup></li> </ol>	<ol style="list-style-type: none"> <li>Waste management projects (activities) required by the Environmental Action Plan (EAP, section III)<sup>2</sup></li> <li>Other environmental protection activities required by the Environmental Action Plan (EAP, section IV)<sup>2</sup></li> </ol>		
  	<b>12.2</b> By 2030, achieve the sustainable management and efficient use of natural resources  <b>12.4</b> By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment  <b>12.5</b> By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	Information Policy Regulation Biodiversity Conservation Policy Environmental Policy	<ol style="list-style-type: none"> <li>Comprehensive environmental programme for the Norilsk Industrial District (the Sulphur Project) integrated into the Roadmap to Reduce Air Pollutant Emissions in Norilsk (approved by Deputy Prime Minister of the Russian Federation on 28 December 2018) and the Fresh Air national project<sup>2</sup></li> <li>Air protection projects (activities) required by the Environmental Action Plan (EAP, section I) other than the Sulphur Project<sup>2</sup></li> </ol>	<ol style="list-style-type: none"> <li>Waste management projects (activities) required by the Environmental Action Plan (EAP, section III)<sup>2</sup></li> <li>Other environmental protection activities required by the Environmental Action Plan (EAP, section IV)<sup>2</sup></li> </ol>		

<sup>1</sup> Part of the Labour Productivity and Employment Support domain (Russia's National Projects).

<sup>2</sup> Part of the Environment domain (Russia's National Projects).

UN SDG	SDG target	SDG integration in Nor Nickel's corporate governance framework	Key initiatives and projects implemented by Nor Nickel	Achievements of 2018	Plans for 2019	
Strategic priority	<p><b>12.6</b> Encourage companies, especially large and transnational ones, to adopt sustainable practices and integrate sustainability information into their reporting cycle</p>					
	<p><b>15.1</b> By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements</p>	<p>Environmental Policy Environmental Impact Assessment Policy Biodiversity Conservation Policy</p>	<p>1. Cooperation with nature reserves (support for research and educational projects at the Pasvik, Lapland, and Relict Oaks nature reserves, Joint Directorate of Taimyr Nature Reserves, etc.)<sup>1</sup></p>			
	<p><b>15.5</b> Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and protect and prevent the extinction of threatened species by 2020</p>					
	<p><b>16.5</b> Substantially reduce corruption and bribery in all their forms</p>	<p>Anti-Corruption Policy</p>	<p>1. Implementation of anti-corruption measures in operating Russian subsidiaries of the Group</p>	<p>2. Raising awareness of its anti-corruption practices among of Norilsk Nickel Group's employees</p>	<p><b>100% of operating business units</b> are implementing anti-corruption activities</p>	<p><b>100% of operating business units</b> will be implementing anti-corruption activities</p>
					<p><b>100% employees</b> of Norilsk Nickel Group's employees are made aware of its anti-corruption practices</p>	<p><b>100% employees</b> of Norilsk Nickel Group's employees will be aware of its anti-corruption practices</p>
	<p><b>17.16</b> Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries</p>	<p>Environmental Policy Environmental Impact Assessment Policy</p>	<p>1. Cooperation with federal legislative and executive authorities, civil society institutions, and the business community 2. Support for volunteering: activities implemented under agreements with local administrations</p>	<p>3. Reporting on the Company's contribution towards the achievement of the UN SDGs in line with the UNCTAD guidance 4. UN Global Compact (UNGC) membership and related reporting 5. Support for corporate volunteering</p>	<p><b>21</b> working bodies (committees, expert and working groups, etc.) established by civil society organisations and public authorities where Norilsk Nickel Group is represented</p>	<p>Reporting on the progress resulting from accession to the UNGC</p>
					<p><b>3,700 volunteers</b> supported by Norilsk Nickel Group Reporting on the progress resulting from accession to the UNGC</p>	

<sup>1</sup> Part of the Environment domain (Russia's National Projects).

# 05

## MANAGEMENT

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## LEADERSHIP IN INNOVATION

Nornickel is on Forbes' Top 100 Most Innovative Companies list. The Company is committed to digitisation of every production stage. Most of the Company's processes will be digitised and automated by 2020.



# Management

## Sustainability management



### Corporate governance

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

The Company's approach to corporate governance, its key principles and the by-laws serving as a basis for an effective governance framework draw on the applicable Russian laws, including the Corporate Governance Code recommended by the Bank of Russia.

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Nornickel's governance framework relies on the following principles:

- equitable and fair treatment of every shareholder;
- support for the shareholders to let them exercise their rights and lawful interests in the most reasonable and convenient manner;
- professionalism and leadership of the Board of Directors, and involvement of independent directors in governance;
- strategic management by the Board of Directors, its efficient control over executive bodies, and oversight of the risk management and internal control framework;

- sound, bona fide and efficient management of the Company's day-to-day operations by executive bodies accountable to the Board of Directors and the General Meeting of Shareholders;
- compliance with the Russian laws and the national laws of the countries of operation;
- corporate social responsibility;
- strong business ethics;
- zero tolerance to corruption and effective anti-corruption measures;
- full, transparent, reliable and timely disclosure;
- robust internal controls, internal and external audits;
- active collaboration with investors, creditors, and other stakeholders in order to increase Company's assets and market capitalisation.

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These principles are reflected in Nornickel's official documents, including the Charter, Regulations on the Board of Directors, Information Policy Regulations, Anti-Corruption Policy, and other by-laws. All these documents are available on the Company's website.<sup>1</sup>

Pursuant to MMC Norilsk Nickel's Charter, its governing bodies are:

- the General Meeting of Shareholders, the Company's supreme governing body;
- the Board of Directors, a collegial governing body in charge of strategic management of the Company and oversight of its executive bodies' activities;
- the Management Board and the President that represent the collegial and sole executive bodies of the Company, respectively, and manage its daily operations.

## STATEMENT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS' AUDIT AND SUSTAINABLE DEVELOPMENT COMMITTEE 102-20 102-21



At Nornickel, sustainability is at the core of our business. Our commitment to this cause means that we pursue our business goals in a socially responsible manner, making sure our footprint leaves a positive impact on the community.

Nornickel's sustainability goals are advanced through a range of initiatives and programmes designed to enhance corporate governance practices, further upgrade production, mitigate environmental impact and drive social development. In our efforts, we focus on projects that will benefit the well-being of communities across our operations.

The Company's sustainability agenda is steered by the Board of Directors and the Audit and Sustainable Development Committee (the Committee). The Committee is responsible for overseeing environment, social and governance (ESG) matters, risk management and internal control systems, and annual reporting. It also reviews the Group's quarterly risk reports, along with those of the Corporate Trust Service on human rights and other violations reported by the employees.

Nornickel has a set of internal regulations in place that address such areas as human rights, environment protection, industrial safety, stakeholder and local community engagement, and corruption prevention. Our activities are aligned with the best global practices and standards, including ISO 14001, ISO 9001, ISO 26000 and OHSAS 18001.

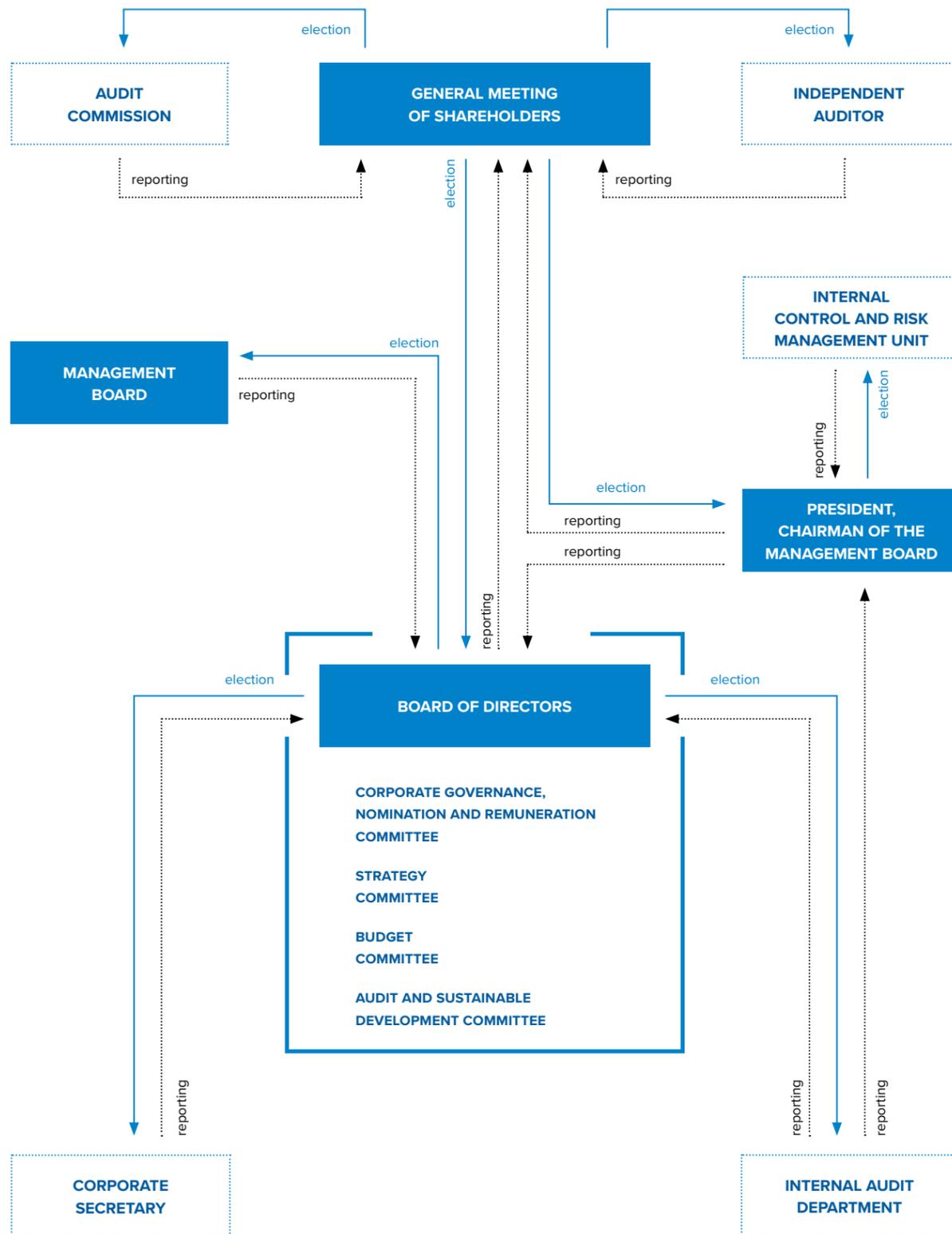
We regularly inform our stakeholders and the general public about all aspects of our operations. We have been reporting on our sustainability performance since 2004, with both recent and historical data available on our website.

Nornickel's Long-Term Development Strategy until 2023 drives our ambition to grow further as an advanced, efficient and environmentally responsible company. With these goals being the key deliverables for the Company and the Committee going forward, we will also ensure a continued focus on transparency of our business, keeping our stakeholders duly informed of all sustainability-related aspects of our operations. At the same time, we will keep reinforcing our sustainability governance by embedding more efficient practices and tools.

Roger Munnings  
Chairman of the Board of Directors' Audit  
and Sustainable Development Committee

<sup>1</sup> <https://www.nornickel.com/investors/disclosure/corporate-documents/>.

GOVERNANCE STRUCTURE 102-18 102-20



The Board of Directors has four committees: Audit and Sustainable Development Committee, Strategy Committee, Budget Committee, and the Corporate Governance, Nomination and Remuneration Committee.

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 In overseeing the Company's management, financial and business affairs, the Board of Directors may instruct the executives on individual matters and monitor implementation of resolutions and tasks. 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.

The Board of Directors meets as and when required, but at least once every six weeks. In 2018, the Board

of Directors met on a quarterly basis to review the Company's financial results, strategy implementation progress, the management's HSE reports, and operational performance reports. In 2018, the Board of Directors of MMC Norilsk Nickel considered 175 matters, including 79 transaction approvals, 70 corporate governance matters, 11 economic and financial matters, 2 social and environmental matters, and 13 other matters.

The President and the Management Board are the Company's executive bodies. In the reporting period, the position of the Company's President was held by Vladimir Potanin who concurrently chaired the Company's Management Board. As at end of 2018, Vladimir Potanin held the position of the President (CEO before 2015) for 6 years and 13 days.

Committees of the Board of Directors	Directors	Chairman		Share of directors	
		Independent	Non-executive	Independent	Non-executive
Audit and Sustainable Development Committee	5	+	+	60%	40%
Budget Committee	5		+	60%	40%
Strategy Committee	5		+	60%	40%
Corporate Governance, Nomination and Remuneration Committee	5	+	+	60%	40%

Operational sustainability management

The governing and executive bodies of MMC Norilsk Nickel and its subsidiaries are in charge of implementing the Company's sustainability goals and objectives within the scope of their functions and in accordance with the legislation and internal regulations.<sup>1</sup>

The Company has created an extensive regulatory framework of over 20 internal documents to help integrate sustainability aspects into the Company's management practices and day-to-day operations of its functional units.

All executive efforts are coordinated by the Management Board, the President and the following executive committees: the Budget Committee under the Management Board; the Charity Committee, Health, Safety and Environment Committee, Investment Committee, and the Nomination and Remuneration Committee.

Nornickel's management systems are aligned with best international practices and standards. For many years, the Company has been successfully running the Corporate Integrated Quality and Environmental Management System (CIMS). In 2017, Nornickel kicked off an efficiency improvement programme seeking, among other things, to introduce innovative management approaches.

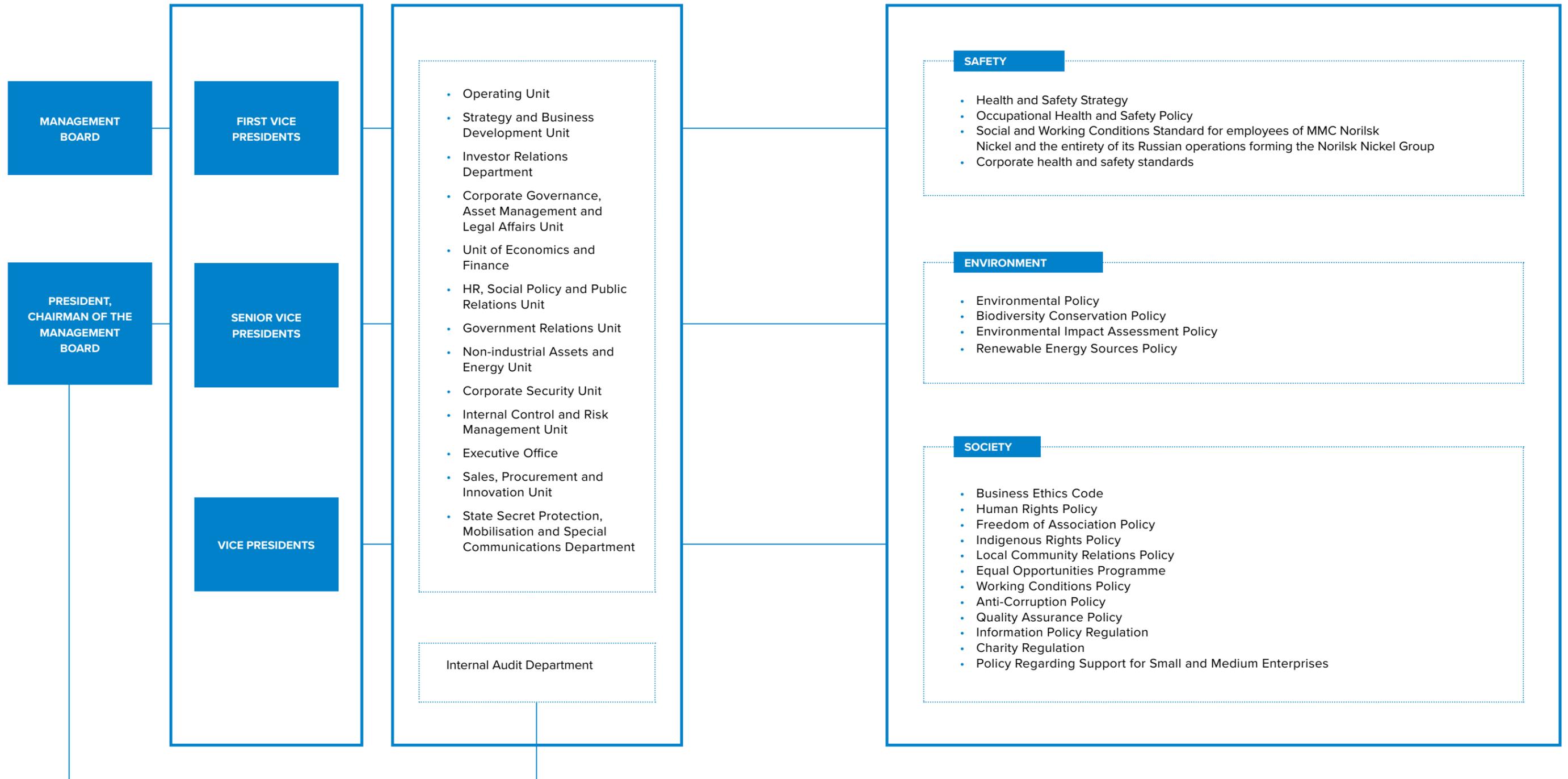
<sup>1</sup> Please see the corporate website at <https://www.nornickel.com/investors/disclosure/corporate-documents/>.

OPERATIONAL MANAGEMENT 102-18 102-20

SENIOR EXECUTIVES

UNITS

SUSTAINABILITY BY-LAWS



Company	Compliance of the management system with international standards	External audits in 2018	Certification body	Certification area
PJSC MMC Norilsk Nickel	ISO 9001:2015, ISO 14001:2015	Surveillance audit	Bureau Veritas Certification (BVC)	Production, project management, storage, delivery, including by sea, and sales (nickel, copper, cobalt, precious materials, sulphur, selenium, tellurium)
Kola MMC	ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007	Surveillance audit	Bureau Veritas Certification (BVC)	Mining and processing of ore, production of nickel, copper, cobalt, their compounds, precious metal concentrates, sulphuric acid
Gipronickel Institute	ISO 9001:2015	Recertification audit	Societe Generale de Surveillance (SGS)	R&D, design, engineering surveys, engineering and environmental activities, project management in mining, concentration and smelting, and relevant inspection methods; 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
Norilsk Nickel Harjavalta	ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007	Recertification audit	DQS GmbH (DQS&UL)	Manufacturing of nickel and cobalt products
Murmansk Transport Division of MMC Norilsk Nickel	ISO 27001:2013	Certification audit	British Standards Institution (BSI)	Freight transport by sea

## Remuneration

### Remuneration of members of the supreme governing body

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Principles and mechanics of remunerations due to executives are set out in the Charter, Regulations on the Management Board, and other by-laws of the Company.<sup>1</sup> The system of remunerations applicable in the Company is continuously and directly monitored by the Board of Directors.

The Board of Directors' annual remuneration is set out in the Remuneration Policy for Members of the Board of Directors<sup>1</sup> approved by the General Meeting of Shareholders. The annual remuneration for non-executive directors includes:

- base remuneration of USD 120,000 for the Board membership;

- additional remuneration of USD 50,000 for membership in a committee of the Board of Directors;
- additional remuneration of USD 150,000 for chairing a committee of the Board of Directors;
- reimbursement of expenses incurred by directors in discharge of their duties.

The Annual General Meeting of Shareholders for 2018 established remuneration for the Chairman of the Board of Directors, an independent director, in the amount of USD 1,000,000 per year, paid on a quarterly basis in equal instalments in roubles at the exchange rate of the Bank of Russia on the last business day of the reporting quarter.<sup>2</sup>

<sup>1</sup> <https://www.nornickel.com/investors/disclosure/corporate-documents/>.

<sup>2</sup> This amount is after taxes withheld in accordance with the applicable Russian laws.

According to the Company's Charter, decisions on remuneration and reimbursement payable to the Company's President and members of the Management Board are reserved to the Board of Directors. The total remuneration of the President<sup>1</sup> and members of the Management Board<sup>2</sup> consists of the base salary and bonuses (a variable part). Bonuses are linked to the Company's performance, including both financial (EBITDA, free cash flow) and non-financial indicators (workplace injury rates, labour productivity).

### Employee performance management system

#### Performance management

103-3 404-3

The Company put in place the performance management system five years ago, with assessment relying on a variety of key performance indicators (KPIs), including occupational safety, operating efficiency and capital management. In 2018, the KPI-based assessment covered 9,800 employees.

The system helps streamline evaluation criteria, enables the management and employees to align the current year's priorities with performance

indicators of the Company/divisions/subsidiaries and link an employee's performance to their pay level.

The reporting year saw the Company continue implementing the performance assessment subsystem of the automated enterprise management system. By the year-end, the system ran at 19 Nornickel's divisions and subsidiaries. In 2019, the Company expects to roll it out across its energy assets and transport divisions.

#### Competency management

In 2018, the corporate competencies model was used to assess candidates at the recruitment stage, evaluate employee performance and potential, and add them to talent pool. The outcome of evaluating the managerial and leadership potential served as a key criterion for selecting managers with strong career growth prospects.

103-3

In 2018, the Company continued to train the Head Office's executives and high-potential managers from its facilities based on their individual development plans, with 50 of the latter completing the operating efficiency training at Moscow's Skolkovo School of Management. [WEB](#)

## COMPETENCY ASSESSMENT IN 2018

Competencies	Participants	Outcome
Assessment of potential, current performance and development prospects of middle and top managers	Managers from a number of the Group's key organisations	455 managers listed as those with a high career growth potential
A 360-degree competency review using an updated model	270 unit heads of the Head Office	Development activities, tools and methods selected for the participants
Assessment of professional competencies for line managers employed at mining operations	722 managers	Areas for personal and professional development identified

<sup>1</sup> Total annual remuneration of the highest-paid officer (President) is not disclosed due to the confidential nature of information.

<sup>2</sup> For the remuneration amount, please see the 2018 Annual Report.

In 2019, the Company will proceed with the diagnostics and management of professional skill development across its facilities, building a professional competency model for a number of functional and production divisions, defining knowledge and skills requirements for each position, and developing a set of test questions to assess professional competencies of employees.

### Risk management framework

102-30 102-15

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

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

Its approach to risk management is outlined in its Corporate Risk Management Policy, Corporate Risk Management Framework Regulations, Risk Management Regulations, and other by-laws. The Company holds training sessions on risk management for its employees and managers at various levels.

102-30

Nornickel continuously manages its risks in all business areas and at all governance levels. Strategic risks are the responsibility of the Company's Board of Directors and senior executives who are also in charge of key operational risks, while other significant operational risks are managed by heads of business units and subunits. The corporate risk management framework (CRMF) implementation and improvement initiatives are spearheaded by the Company's Vice President and Head of Internal Controls and Risk Management and its Risk Management Service. The latter submits its quarterly reports to the Board of Directors' Audit and Sustainable Development Committee for review.

### KEY RISKS OF NORICKEL 102-15

#### STRATEGIC RISKS

- Price risk
- Market risk
- Risk of toughened environmental requirements
- FX risk
- Investment risk

#### OPERATIONAL RISKS

- Workplace injury risk
- Information security risk
- Technical and production risk
- Compliance risk
- Risk of power blackouts at production and social facilities in the Norilsk Industrial District (NID)
- Social risk
- Risks related to changes in legislation and law enforcement practices
- Climate risks
  - risk of insufficient water resources
  - soil thawing risk

Nornickel was one of the first metals companies in Russia to start using the business continuity management system and develop relevant plans. The Group companies drafted more than 20 continuity plans for catastrophic production risks to describe interaction procedures for business units, measures to support or resume production, rehabilitate or reconstruct the affected assets in case of adverse events with an extremely low probability.

When it comes to risk management development in 2019, the Company plans to expand the continuity management scope to cover non-production risks, such as IT, security and staffing risks, and improve risk management components in strategic and operational planning, as well as in other areas. [WEB](#)

### Corporate security

Nornickel is a global metals and mining leader and a strategically important company in most regions where it operates. This makes corporate security a priority area for the Company that seeks to ensure safe and smooth operation of its facilities.

Development and implementation of group-wide security measures fall under the remit of the Corporate Security Unit, acting in line with the Russian laws, applicable international regulations, internal standards and guidelines.

The corporate security system is structured and managed based on a number of targeted programmes to maintain economic, corporate, information, facility and transportation security along with transparency in procurement and contractor selection. The Company pays special attention to supporting socially significant investment and environmental projects.

205-3

A landmark achievement in 2018 was no confirmed incidents of corruption, which was attained through a comprehensive approach to corporate security and a zero tolerance policy towards corruption.

Nornickel is actively engaged in public-private partnerships to maintain high security levels and enhance social stability at its facilities in the regions of operation.

Also, the Company is enhancing cooperation with law enforcement and supervisory authorities. Nornickel representatives participate in public and advisory boards of the Ministry of Internal Affairs, Investigative Committee, Transport Prosecutor's Office and the Federal Security Service, and in interagency working groups.

- The Company helped stage the Regional Transport Security Forum attended by the representatives of the Krasnoyarsk Territory Government and Krasnoyarsk Transport Prosecutor's Office.
- In 2018, the Company held four drills and 123 training exercises together with the Federal Security Service, EMERCOM and the Russian Ministry of Defence.
- The Company implemented a comprehensive security framework at the all-weather Bobrov Log Fun Park (Krasnoyarsk), the main venue of the Winter Universiade 2019.
- Ongoing is the project to set up a system of analytical situation centres to be further integrated with regional Secure City systems.

The reporting year's milestones include the creation of the National Association of International Information Security actively backed by Nornickel.

In April 2018, Nornickel presented its in-house developed Information Security Charter for Critical Industrial Facilities at the information security forum in Germany and the OSCE's cyber security conference in Rome. The document was approved by 13 countries.

Going forward, Nornickel plans to set up and finance research grants in international information security.

The reporting year saw the Company adopt a number of key regulations on the information security of Nornickel's assets and operations:

- Freedom of Association Policy;
- Regulation on the Personal Data Protection Commission;
- Regulation on the Commission for Critical Information Infrastructure Categorisation. [WEB](#)

## Information technologies

Nornickel leverages information technologies (IT) to continuously improve its production and business processes. While constructing new capacities and expanding the existing ones, the Company introduces advanced automatic systems to boost process efficiency, safety and manageability, optimise costs and increase productivity. Overall, the reporting year saw the Company implement over 40 IT projects, including:

- the Technology Breakthrough operating excellence initiative;
- Mining Control projects to allow for the online control of mining operations;
- the Economics and Finance Unit's strategic IT initiatives.

In 2018, the Company launched the SAP operations control centre to support the systems running at the Company's facilities. [WEB](#)

The Company's cutting-edge IT platform facilitates the introduction of advanced technologies and opens up new digitalisation opportunities. Nornickel runs pilot projects to implement potentially effective digital tools and solutions. 2018 saw the launch of Nornickel Digital Lab, a platform that helped test more than 10 technologies, including simulation modelling, optical

**Nornickel won the 16th National IT Leader Award 2018 in the Non-Ferrous Metallurgy category for introducing personnel and machinery positioning and radiocommunications systems at Zapolyarny Mine.**

**The automation system installed at the mine scans individual tags of employees and self-propelled machinery and allows for wireless communication with each employee via their personal phones. It also features an anti-collision technology informing the driver of getting close to the deployed staff or equipment.**

**The staff or equipment location data is continuously transmitted to the control room ensuring real-time coordination of actions in case of emergencies.**

character recognition, big data and internet of things. In 2019, the lab will expand its scope of work to add new projects to the pipeline and pilot launch the designed solutions.

of investment projects, this helped reduce our CAPEX by 22% to USD 1.6 bn. In 2019, the Company will make investment decisions on a number of promising growth projects. We also expect to see further positive effects from our programme to increase labour productivity. We estimate our CAPEX for 2019 at USD 2.2–2.3 bn.

Thanks to higher output and metal prices, the Company's consolidated revenue went up by 28% to USD 11.7 bn, while EBITDA rose by 56% to USD 6.2 bn driven by stronger revenues, the launch of Bystrinsky GOK and a decrease in operating costs as a result of our ongoing efforts to improve operating efficiency. EBITDA margin stood at 53%, which is one of the best results among global diversified metals and mining companies.

The Company honoured its commitments, providing timely and full payments to the budgets of all levels. Tax and non-tax payments<sup>1</sup> to budgets of various levels totalled RUB 115.6 bn, increasing by RUB 15.3 bn y-o-y.

The Company's stable financial position is confirmed by investment grade ratings from Moody's, and S&P Global and Fitch.

In January 2018, Moody's upgraded Nornickel's credit rating to Baa3 (investment grade) and raised its outlook from stable to positive following an increase in Russia's country ceilings for foreign currency debt to the same Baa3 level and a change in the outlook on Russia's rating from stable to positive.

Also, Nornickel received the highest creditworthiness rating according to the Russian national scale (ruAAA, outlook stable) from the RAEX (Expert RA) rating agency.

As at the year-end, the Company had credit ratings from the three leading international rating agencies and the Russian RAEX:

- Fitch Ratings: BBB-/Stable;
- Standard & Poor's: BBB-/Stable;
- Moody's: Baa3/Positive;
- Expert RA: ruAAA/Stable.

In February 2019, Moody's upgraded Nornickel's credit rating to Baa2, outlook stable, following an increase in Russia's country ceilings for foreign currency debt to the same Baa2 level and an upgrade in Russia's sovereign credit rating to Baa3 (investment grade), outlook stable.

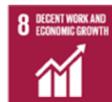
## FINANCIAL HIGHLIGHTS

Indicator	2014	2015	2016	2017	2018
Revenue, RUB bn	456.0	506.1	548.6	536.8	728.9
Gross profit, RUB bn	238.0	277.0	270.8	268.6	406.3
EBITDA, RUB bn	218.2	247.3	257.3	236.4	389.2
EBITDA margin, %	48	50	47	44	53
Net profit, RUB bn	93.4	104.0	167.4	127.4	187.8
Dividends paid, <sup>2</sup> RUB bn	159.9	154.2	86.7	176.2	218.9
Assets, RUB bn	739.8	974.5	998.3	958.3	1,059.5
Total CAPEX, <sup>3</sup> RUB bn	49.9	103.3	113.6	116.7	99.2

<sup>1</sup> Includes all taxes paid, net of VAT and dividend income tax, as well as insurance payments and customs duties.

<sup>2</sup> Dividends paid during the periods, excluding payouts on quasi-treasury stock.

<sup>3</sup> 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.



## Economic efficiency

103-2

Economic efficiency is essential for the Company to meet its strategic goals and deliver on its commitments to shareholders, employees, local communities and other stakeholders.

In 2018, the Company embarked on the second stage of its ambitious environmental programme, launching initiatives to upgrade infrastructure, accelerate digitalisation, etc. A year before, we had completed the construction of Bystrinsky GOK and reconfigured production capacities. Coupled with shifting deadlines for a number



DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED<sup>1</sup> 201-1

Indicator, RUB bn	2014	2015	2016	2017	2018
<b>1. Direct economic value generated</b>	470.8	521.2	554.9	541.0	734.6
<b>2. Economic value distributed, including:</b>	464.9	554.2	512.7	519.0	684.6
Operating expenses	162.0	175.7	194.6	194.1	228.5
Community investments and charity <sup>2</sup>	2.7	7.0	7.4	17.7	12.9
Payroll and other employee remuneration and benefits, including payroll taxes	87.4	104.5	114.2	120.4	128.8
Payments to providers of capital (interest, dividends)	165.2	222.0	133.4	128.6	243.1
Gross tax payments, excluding payroll taxes	47.6	45.0	63.1	58.3	71.3
<b>3. Economic value retained (1-2)</b>	5.9	- 32.9	42.2	22.0	50.0

307-1 419-1 103-2

In 2018, budgets of various levels saw the Group companies pay RUB 39.6 mln in fines under 334 imposed sanctions, including 29 for environmental impact, 22 for breach of labour laws, and 283 imposed on other grounds. [WEB](#)

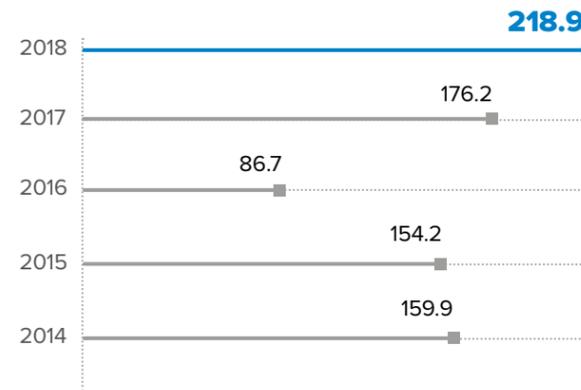
Dividend policy

MMC Norilsk Nickel's Dividend Policy aims to balance the interests of the Company and its shareholders, enhance the Company's investment case and market capitalisation, and ensure respect of shareholder rights.

The Company put in place the Regulations on the Dividend Policy approved by its Board of Directors to ensure transparency on how dividends are calculated and paid out.

When calculating dividends, MMC Norilsk Nickel accounts for the cyclical nature of the metals market and for the need to maintain a high level of creditworthiness. As a result, the amount of dividends may change depending on the Company's operating profit and leverage.

DIVIDENDS PAID, RUB BN



<sup>1</sup> Calculated on an accrual basis under the IFRS. The Company used an in-house calculation methodology developed in line with the GRI Standards.

<sup>2</sup> Excluding CAPEX.

Stakeholder engagement

Stakeholders and interaction mechanisms

102-42 102-43 102-40 102-21

MMC Norilsk Nickel bases its interaction with stakeholders around making an ongoing dialogue with various groups a part of the Company's day-to-day operations, all in accordance with the AA1000AP<sup>1</sup>, AA1000SES<sup>2</sup> and GRI standards. Nornickel's key stakeholders are employees, shareholders, investors, business partners, national and local

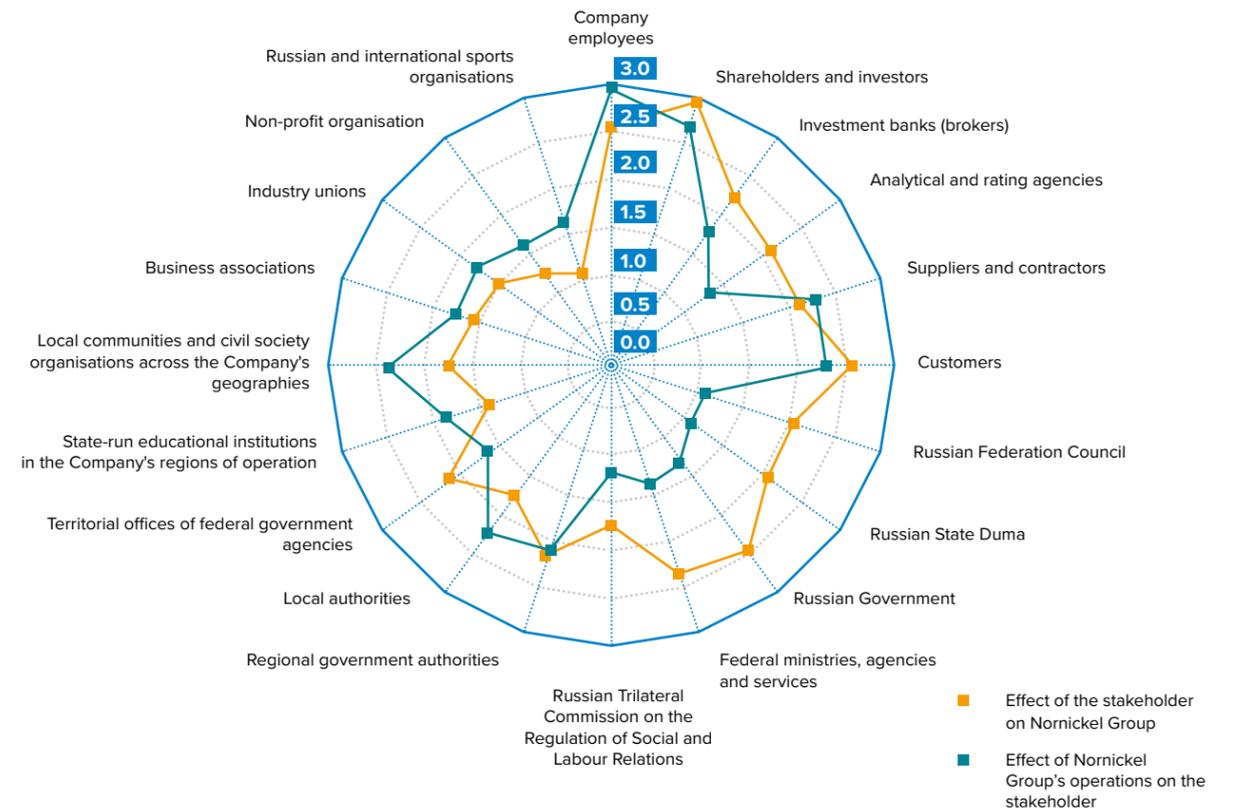
government authorities, local communities, Russian and international non-profit organisations. The Company identifies stakeholders based on the extent to which they interact, share interests and communicate with Nornickel.

Stakeholder engagement principles and procedures are set out in MMC Norilsk Nickel's Business Ethics Code.<sup>3</sup>

The Transparency Policy of MMC Norilsk Nickel aims to provide stakeholders with complete and accurate information about the Company's activities and ensure proper feedback.



STAKEHOLDER MAP<sup>4</sup>



<sup>1</sup> AA1000 AccountAbility Principles Standard.

<sup>2</sup> AA1000 AccountAbility Stakeholder Engagement Standard.

<sup>3</sup> Please see the corporate website at <https://www.nornickel.com/investors/disclosure/corporate-documents/>.

<sup>4</sup> The map was put together based on surveying 78 of the Company's managers and employees, as well as external stakeholders.

Stakeholders	Key interests of stakeholders	Interaction mechanisms	Key interaction events in 2018
<b>Personnel</b>			
<ul style="list-style-type: none"> <li>Company employees</li> </ul>	<ul style="list-style-type: none"> <li>Social benefits and guarantees</li> <li>Favourable working conditions</li> <li>Decent salaries</li> <li>The Company's stability as an employer</li> </ul>	<ul style="list-style-type: none"> <li>Joint commissions, committees and working groups</li> <li>Discussions with trade unions and labour councils</li> <li>Offices for operating, social and labour matters</li> <li>Opinion polls</li> <li>Corporate media, booklets, information screens and boards</li> <li>Corporate intranet portals</li> </ul>	<ul style="list-style-type: none"> <li>Signing a new Collective Agreement with the Company's employees for 2018–2021</li> <li>The Leadership and Management of Team Motivation corporate workshop</li> <li>Participating in the Youth Economic Summit during the Krasnoyarsk Economic Forum</li> </ul>
<b>Shareholders and investors</b>			
<ul style="list-style-type: none"> <li>Shareholders and investors</li> <li>Investment banks (brokers)</li> <li>Analytical and rating agencies</li> </ul>	<ul style="list-style-type: none"> <li>Capitalisation growth</li> <li>Dividend payments</li> <li>Transparency of information and timely disclosure of key facts</li> <li>The Company's sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>Meetings (including one-on-one meetings) and conference calls</li> <li>Phone calls</li> <li>Emails</li> </ul>	<ul style="list-style-type: none"> <li>Strategy Day on 19 November 2018 in London</li> <li>Conference calls and a road show following the disclosure of IFRS financial statements</li> <li>An analytical review of the nickel and PGM markets prepared in alliance with ICBC Standard Bank</li> </ul>
<b>Business partners</b>			
<ul style="list-style-type: none"> <li>Suppliers and contractors</li> </ul>	<ul style="list-style-type: none"> <li>Streamlining of procurement procedures</li> <li>Accessibility of procurement procedures</li> </ul>	<ul style="list-style-type: none"> <li>Meetings, conferences, exhibitions, hosting negotiations</li> <li>Automation of procurement using SAP</li> <li>Procurement announcements</li> <li>Corporate Trust Service</li> <li>Joint workshops</li> </ul>	<ul style="list-style-type: none"> <li>Staging a conference for Norilsk Nickel Group's suppliers and contractors</li> <li>Building a single database of contractors from all regions of the Company's operation</li> </ul>
<ul style="list-style-type: none"> <li>The Company's customers</li> </ul>	<ul style="list-style-type: none"> <li>Product quality</li> <li>Packaging and labelling</li> <li>Delivery terms</li> <li>Information support of transactions</li> <li>Sustainable growth of sales markets</li> </ul>	<ul style="list-style-type: none"> <li>Organising meetings throughout the year</li> <li>Annual customer surveys</li> <li>Working with customers on matters of product quality</li> <li>Processing customer complaints and grievances</li> <li>Meetings, conferences, fairs, exhibitions</li> <li>Working with customers in connection with the consumption and market growth prospects analysis</li> </ul>	<ul style="list-style-type: none"> <li>Participation in the SFCHINA 2018 industry exhibition</li> <li>Production audits at Kola MMC's sites to confirm compliance with sustainability policies as per customer requests</li> </ul>

Stakeholders	Key interests of stakeholders	Interaction mechanisms	Key interaction events in 2018
<b>Federal authorities</b>			
<ul style="list-style-type: none"> <li>Russian Federation Council</li> <li>Russian State Duma</li> <li>Russian Government</li> <li>Federal ministries, agencies and services</li> <li>Russian Trilateral Commission on the Regulation of Social and Labour Relations</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory improvement in different areas</li> <li>Environmental impact regulation</li> <li>Support for domestic producers</li> <li>Stability in taxes</li> <li>Social stability support across the Company's geographies</li> <li>Strengthening enterprises' economic security</li> </ul>	<ul style="list-style-type: none"> <li>Working and expert groups, commissions and committees</li> <li>Public events</li> <li>Permits and licenses</li> <li>Intergovernmental commissions</li> </ul>	<ul style="list-style-type: none"> <li>Signing an agreement with the Federal Agency for Ethnic Affairs (FAEA) on cooperation aimed at providing support to the indigenous peoples of the North</li> <li>Creation of the National Association of International Information Security with Nor Nickel's backing</li> </ul>
<b>Regional government authorities and local communities</b>			
<ul style="list-style-type: none"> <li>Regional government authorities</li> <li>Local authorities</li> <li>Territorial offices of federal government agencies</li> <li>State-run educational institutions in the Company's regions of operation</li> <li>Local communities and civil society organisations in the Company's regions of operation</li> </ul>	<ul style="list-style-type: none"> <li>Stability in taxes</li> <li>Environmental protection</li> <li>Social stability support across the Company's geographies</li> <li>Support for domestic producers</li> </ul>	<ul style="list-style-type: none"> <li>Working and expert groups, commissions, committees and councils</li> <li>Cooperation agreements</li> <li>Development plans for the Company's regions of operation</li> <li>Corporate and partnership programmes and projects</li> <li>Forums, conferences, fairs, and round table discussions</li> <li>Joint inspections, drills and training exercise</li> </ul>	<ul style="list-style-type: none"> <li>Government support for the Kola MMC upgrade</li> <li>Signing of the agreement to support SMEs between MMC Norilsk Nickel and the Government of the Trans-Baikal Territory</li> <li>The agreements to support the volunteer movement were signed in 2018 with the administrations of Norilsk, Monchegorsk, and Chita</li> <li>Launch of the Social Portrait of a City Resident analytical survey in the Krasnoyarsk Territory and Murmansk Region</li> </ul>
<b>Russian and international non-profit organisations</b>			
<ul style="list-style-type: none"> <li>Business associations</li> <li>Industry unions</li> <li>Non-profit organisation</li> <li>Russian and international sports organisations</li> </ul>	<ul style="list-style-type: none"> <li>Information exchange</li> <li>Removal of administrative barriers</li> <li>Support for domestic producers</li> <li>Stability in taxes</li> <li>Environmental protection and industrial ecology</li> <li>Improvement of safety and reliability of precious metals supply chains</li> </ul>	<ul style="list-style-type: none"> <li>Joint projects</li> <li>Events (meetings, round table discussions, conferences and competitions)</li> <li>Membership in governing bodies and committees</li> <li>Opinions, proposals, requests</li> </ul>	<ul style="list-style-type: none"> <li>Development of the Information Security Charter for Critical Industrial Facilities</li> <li>Participation in the development of the draft UN resolution for combating illegal production and trafficking of precious metals</li> <li>Extension of the term in office as chair of the International Nickel Institute for Nor Nickel's Head of Marketing</li> </ul>

**Dialogue with shareholders and investors**

102-5 102-10

The authorised capital of MMC Norilsk Nickel is made up of 158,245,476 ordinary shares with an aggregate market value of USD 29.7 bn as at 31 December 2018. The Company's ordinary shares are traded mostly on the Moscow Exchange, while ADRs are traded in the electronic trading system of OTC markets of the London Stock Exchange.

The reporting year saw minor changes in the shareholding structure. Olderey Holdings Ltd, the Company's major shareholder, increased its holding by 4.2% to 34.6% as at the year-end. The shares of the other major shareholders – UC Rusal Plc and Crispian Investments Ltd – remained unchanged at 27.8% and 4.2%, respectively. The shares and ADRs in free float accounted for 33.4%, owned by institutional and private investors from Europe, Asia, the USA, Russia and elsewhere.

In 2018, the Investor Relations Department kept diversifying the shareholder base and attracting new shareholders, organising over 350 meetings with institutional investors and an Investor Day in London followed by a road show in Europe and the USA.

**Responsible investment**

In recent years, the sustainable development agenda has been gaining ground, with an increasing number of investors and asset managers focusing on responsible investment. In 2018, the Company held around 20 target meetings with investors whose investments were primarily driven by environmental, social and governance (ESG) factors. In order to improve relations with responsible investors and agencies that evaluate companies using ESG criteria, the Company created a separate section on the corporate website with all pertinent information: <https://www.nornickel.com/investors/esg/>.

**ESG ASSESSMENT: THE LARGEST RATINGS AND INITIATIVES**



Our key ESG achievements in 2018:

- in December 2018, the Company's score in Sustainalytics' ESG rating went up to 69 against 58 in 2017;
- in December 2018, ISS affirmed Nornickel's Environmental and Corporate Governance ratings at 4, and Social – at 3 (1 and 10 standing for low and high risk, respectively);
- in June 2018, the FTSE index score was confirmed at 3.1 out of 5.

**Dialogue with employees**

**Social partnership framework**

103-2 103-3

Nornickel's companies run a social partnership framework aimed at reconciling interests of employees and employers on matters pertaining to the regulation of social and labour relations. The Company performs its obligations in compliance with the Labour Code of the Russian Federation, collective bargaining agreements, and joint resolutions. It has in place the Freedom of Association Policy approved by the Board of Directors.

In regulating labour relations, employee interests are represented by social and labour councils and trade union organisations. The Company has collective decision-making bodies representing the employer, employees and trade unions, including collective bargaining commissions, labour dispute commissions, social benefits commissions/committees, social insurance commissions, health and safety commissions/committees, social and labour relations committees, etc.

Trade Union of MMC Norilsk Nickel Employees, an interregional public organisation that includes territorial trade unions and trade unions of the Group companies, represents the Group's employee interests on an interregional level. The trade unions of transport and logistics divisions are members of the Yenisey Basin Trade Union of Water Transport Workers (Krasnoyarsk, Russia).

All the Group's major facilities located in the Norilsk Industrial District and Murmansk Region have put in place social and labour councils that represent the employees who are not trade union members. Chairs of the local councils make up the Social and Labour Council of MMC Norilsk Nickel and the Social and Labour Council of Kola MMC.

102-41

The Group companies have signed 21 collective bargaining agreements covering 81% of Nornickel's average headcount. As at the end of 2018, 10.8% of Nornickel's total headcount were members of trade unions, while 78% joined social and labour councils.

The absence of strikes and lockouts involving the Company's employees highlights the effectiveness of interactions and Nornickel's social policy, in general.

In order to develop interregional social partnership, Interregional Cross-Industry Association of Employers "Union of Entities of the Copper and Nickel and Supporting Industries" involving six of the Group's Russian companies was established in 2018. In November 2018, the Association of Employers and the Trade Union of MMC Norilsk Nickel Employees interregional public organisation initiated collective negotiations to develop and sign an interregional cross-industry agreement for the key players of the copper and nickel and supporting industries for 2019–2022. The signing is slated to take place in 2019.

**Employee engagement survey**

In 2018, for a second consecutive year, Norilsk Nickel Group organised a series of activities to manage employee engagement. The core initiative is a survey called "Let Everyone Be Heard. What Do You Think?" that includes questionnaires and focus groups, covering around 75,000 employees and 32 businesses of Nornickel. Its results are subject to review, action planning and implementation at all governance levels, from facilities to the Group as a whole.

Based on the completed survey, the Company compiled a series of initiatives to increase employee engagement and motivate staff to boost their performance. These initiatives are grouped as follows: top management, the employer's brand value, success factors, performance management, and career opportunities.

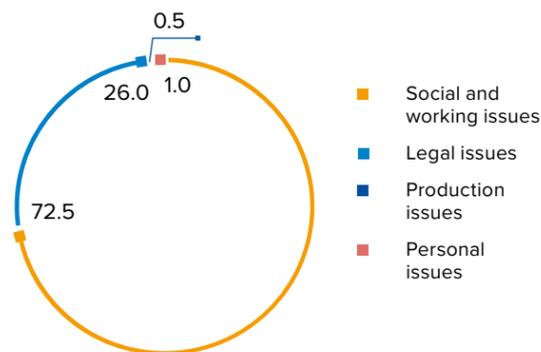
**INITIATIVES TO INCREASE EMPLOYEE ENGAGEMENT**

Top management	The employer's brand value	Success factors	Performance management	Career opportunities
Initiatives to increase engagement				
Corporate dialogues	Positive Life Experience project	Nornickel's Leaders programme	360-degree review	New comprehensive training system for employees in the talent pool
Communication training sessions	Corporate volunteer programme	IamHR programme	Training sessions for managers on providing feedback	Training course for mentors
Direct line with the Company's vice presidents	Guidebook for New Employees	New collective bargaining agreement	Keeping employees aware of the Company's priorities	
Interactions on personal matters	Onboarding programme	Interregional cross-industry agreement		
Engagement workshops at unit forums	National conferences	Social and working conditions at the facilities		

### Offices for operating, social and labour relations

In addition to the Corporate Trust Service, the Company launched offices for operating, social and labour relations back in 2003. They are primarily tasked with response to employee queries, control of their processing, and prompt resolving of conflicts. The offices regularly monitor the staff's social status, enabling us to solve reported issues in a timely manner. In 2018, the Group's units in the Norilsk Industrial District ran 24 offices that received over 52,000 queries and requests mostly from employees (78%), former employees (21%) and local communities (1%).

### QUERIES BY TOPIC IN 2018, %



### Dialogue with authorities and non-profit organisations

103-2

Norilsk Nickel Group's guiding principles in cooperating with government bodies, local authorities and non-profit organisations are strict compliance with Russian laws, regional and municipal regulations and the social responsibility principle, collaboration, and mutual respect of interests.

Following the information transparency principle, Norilsk Nickel maintains an open dialogue with the authorities to build constructive and effective cooperation. The Company is represented in 21 committees, commissions, expert and working groups established by government bodies in association with the business community, thus

supporting socially important projects. Representatives of the Company take part in parliamentary sessions and round table discussions organised by the Federation Council and State Duma of the Federal Assembly of the Russian Federation, Government of the Russian Federation, Russian Union of Industrialists and Entrepreneurs, Chamber of Commerce and Industry of the Russian Federation, Association of Managers interregional public organisation, etc.

Nornickel is an active participant of conferences, forums and business events involving policymakers and government officials, and drafts hands-on proposals to optimise and develop the legal framework.

Starting 2017, the Company's top management attends regional authorities' public meetings to report on the results and plans of Nornickel. In January 2018, the Company presented its results and plans on implementing investment projects to the Economic Council headed by the Murmansk Region's Governor.

Over the past year, the Company backed large international and domestic conferences and forums:

- International Forum "The Arctic: Territory of Dialogue" (Arkhangelsk, official partner);
- Krasnoyarsk Economic Forum (Krasnoyarsk, general partner);
- Nevsky International Ecological Congress (St Petersburg, partner);
- St Petersburg International Economic Forum (St Petersburg, partner);
- Eastern Economic Forum (Vladivostok, business programme partner);
- ECOTECH International Exhibition and Forum (Moscow, official partner);
- Murmansk International Business Week (Murmansk, partner).

### Cooperation agreements

In 2018, Nornickel signed a number of agreements with regional and local authorities as well as major Russian companies. The agreements covered a wide range of social and economic issues, including infrastructure projects.

Partners	Goals of the agreement
Federal Agency for Ethnic Affairs	Interaction and cooperation aimed at preserving the traditions and lifestyle of the indigenous peoples of the North, Siberia and Far East of Russia living in the regions of the Company's operations
Rosatom State Atomic Energy Corporation	Interaction and cooperation to implement strategic projects in the Russian region of the Arctic
Government of the Trans-Baikal Territory	Support for small and medium-sized enterprises, development of partnerships with industrial organisations
Chita Administration	Cooperation as part of the Year of Volunteer
Krasnoyarsk Administration	Interaction and cooperation on projects to improve Krasnoyarsk city landmarks; cooperation as part of the Year of Volunteer
Norilsk Administration	Cooperation as part of the Year of Volunteer
Monchegorsk Administration	Cooperation as part of the Year of Volunteer

### Relocation programme

Since 2011, the Company has been contributing to a long-term targeted federal programme to relocate people living in Norilsk and Dudinka to other Russian regions with favourable climate conditions.

The programme envisages relocation, in the span of 10 years, of over 11,000 families. The Company participates in the programme as a benefactor, with its donation totalling RUB 8.3 bn. Since the launch of the programme, the Company has contributed a total of RUB 6,991 bn to the Krasnoyarsk Territory budget, including RUB 0.830 bn in 2018.

During 2011–2018, 7,107 families purchased apartments on the "mainland" and moved there, including 5,847 families from Norilsk and 1,260 families from Dudinka.<sup>1</sup>

### Public-private cooperation on corporate security

As part of its responsibilities, the Company's Corporate Security Unit actively liaises with government agencies. One of the key forms of interaction is the Unit's participation in industry conferences, forums, and business meetings with direct involvement of the legislative and executive authorities.

Also, the Company is enhancing cooperation with law enforcement and supervisory authorities. Nornickel representatives participate in public and advisory boards of the Ministry of Internal Affairs, Investigative

Committee, Transport Prosecutor's Office and the Federal Security Service, and in interagency working groups.

In 2018, the Company systematically collaborated with:

- the Federal Security Service of the Russian Federation on anti-terrorism and anti-sabotage security of the Company's critical infrastructures (fuel and energy utilities, transport infrastructure, etc.);
- the Ministry of Internal Affairs of the Russian Federation to prevent stealing of products and materials containing precious and non-ferrous metals, maintain security at public events and take addiction prevention measures;
- the Federal Customs Service of Russia to prevent cross-border smuggling of metal-bearing materials;
- the Ministry of the Russian Federation for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters (EMERCOM) to drill emergency response plans and disaster relief operations;
- the Federal Security Service and the Ministry of Defence of the Russian Federation to organise multi-service tactical training sessions on the Taimyr Peninsula;
- the Ministry of Foreign Affairs of the Russian Federation to foster international information security.

<sup>1</sup> As of January 2019.

**Environmental dialogue**

Measures for reducing MMC Norilsk Nickel's environmental footprint are constantly on the agenda of the Company and its stakeholders. In the course of the year, both internal and public events feature environmental discussions.

In 2018, the following items were on the agenda of various forums and platforms:

- sustainable development of regions;
- preservation of ecosystems across the footprint of production sites;
- improvement of environmental laws and regulations;
- promotion of best practices in environmental protection;
- the Company's environmental programmes and initiatives;
- industrial ecology problems.

At Norinickel's milestone event for the year — Investor Day 2018 in London on 19 November — the Company presented its long-term development programme, which sets out environmental protection as one of the strategic priorities.

Ecology was also at the top of the agenda at multiple international and domestic forums backed by Norinickel and attended by government representatives, captains of industry, investors, experts, and analysts:

- Environment Protection and Sustainable Development in the North VII environmental forum;
- VIII International Forum Arctic: Today and the Future;
- Arctic Days in Moscow federal forum.

MMC Norilsk Nickel maintains active dialogue with various levels of the government and the professional community on matters of application and improvement of the regulatory framework governing environmental protection. In 2018, the most significant venues for this dialogue were:

- parliamentary sessions of the State Duma Committee on Ecology and Environmental Protection devoted to Improvement of the Government Policy on Air Protection;
- meetings of the joint working group made up of the Federal Service for the Oversight of Consumer Protection and Welfare (Rosпотребнадзор) and the Russian Union of Industrialists and Entrepreneurs (RSPP) representatives to discuss draft regulations on establishing and changing sanitary protection zones;

- the Environmental Aspects of Industrial Development international conference devoted to law enforcement in regard to approved informational and technical reference books on the best available technologies;
- the Environmental Legislation: Problems and Implementation Practices workshop.

Over the years, Norinickel has successfully used volunteer movements to promote dialogue on environmental protection with its employees and local communities. Russia declared 2018 the Year of Volunteer, and the Company launched its third Let's Do It environmental marathon. It spanned Norilsk, Monchegorsk, the Pechengsky District, and Moscow, as well as the Trans-Baikal Territory that hosted the marathon for the first time.

**Nornickel's awards and achievements:**

- **Certificate of Honour from the Federation Council for the Company's environmental achievements;**
- **first place in the Business Leaders: Environmental Expenses category of a RAEX rating agency ranking;**
- **top 10 position in an ESG ranking by RAEX.**

In June 2018, Norinickel held an environmental campaign to mark the World Environment Day as a way to reduce the plants' environmental footprint. The smelting capacities of Nadezhda Metallurgical Plant were suspended for 60 minutes, and Kola MMC idled its smelting and conversion department of the Metallurgical Shop at the Monchegorsk site for the same amount of time. In the town of Nickel, one-hour shut downs were arranged on three ore-thermal furnaces and two converters of Kola MMC's smelting shop.

In late 2018, Norinickel's two main production sites Polar Division and Kola MMC joined the Zero Negative Environmental Impact campaign, with Kola MMC idling the operation of the smelting and conversion section and three ore-thermal furnaces on 29 November. Polar Division joined the environmental campaign on 1 December. Nadezhda Metallurgical Plant's smelting shop idled its second processing line for three days, and the operation of slag cleaning furnace No. 3 was suspended for seven days.

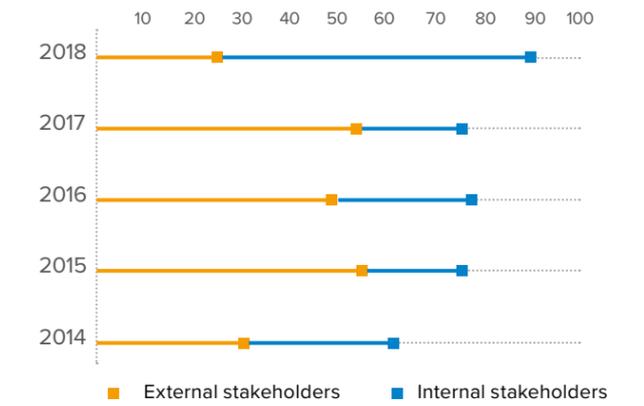
**Dialogue in public non-financial reporting** 102-43 102-46

Each year starting from 2003, the Company has been engaging in dialogues with stakeholders while drafting sustainability reports. Since 2014, these dialogues have been staged as part of the We Are the City! social technologies forum.

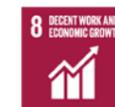
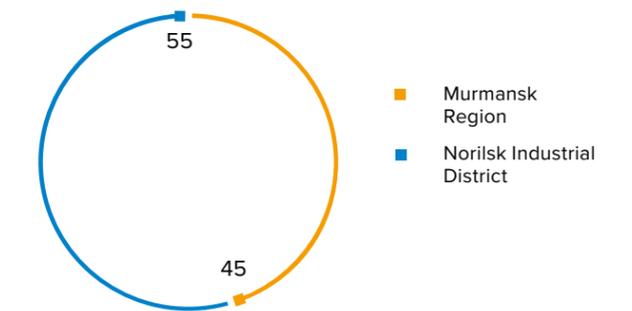
The dialogues held during the preparation of the 2018 Sustainability Report included discussion points related to identifying the goals and targets within the UN's 2030 Sustainable Development agenda that were most relevant for the Company's operations and non-financial reporting.

These dialogues took place in Norilsk and Monchegorsk and were attended by Norinickel employees, local authorities and members of the general public. The forum helped identify the UN Sustainable Development Goals and targets most relevant for the Company and the regions where it operates.

NUMBER OF DIALOGUE PARTICIPANTS, PPL<sup>1</sup>



DIALOGUE PARTICIPANTS BY TERRITORY, %

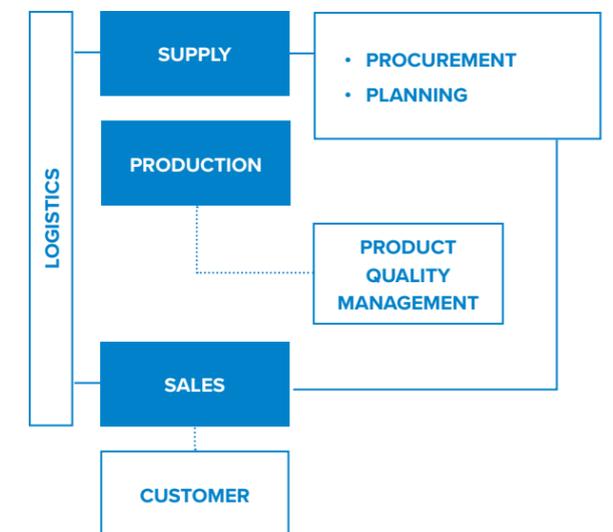


**Supply chain management** 102-9

Supply chain is a set of interrelated resources and processes leveraged by Norinickel to create value all the way from obtaining goods, materials and services to delivering end products to the consumers. Supply chain management at Norinickel seeks to ensure continuous operation of the Group companies, high product quality and reliability of shipments to customers.

The Company continuously improves the efficiency of its supply chain by adopting best practices and standards and through business process automation.

KEY ELEMENTS OF NORINICKEL'S SUPPLY CHAIN



<sup>1</sup> External stakeholders are representatives of regional and local authorities, communities, and non-profit organisations, while internal stakeholders refer to managers of various levels from the Head Office, Polar Division, and Kola MMC.

Supply

Given the diverse businesses and geography of operations of Norilsk Nickel Group, the supply management function is designed to fully cater to the Company's resource needs in a timely and efficient manner securing seamless operation of all production units and negotiating the best available procurement terms.

The importance of supply management at Nornickel is dictated by the impact it has on:

- achievement of the Company's strategic goals. The supply function plays a crucial role in the programme to enhance efficiency and cut costs;
- occupational health and safety. The quality of sourced products and timely supplies have a material impact on occupational health and are directly linked to the workplace safety;
- <sup>103-2</sup> environment. An environmental impact is exerted throughout the life cycle of sourced products (production, transportation, storage, use and disposal) and is directly linked to demand planning, inventory management and logistics;
- financial performance of Nornickel across the footprint. As Nornickel is the only or key customer for many local businesses, partnership with the Group

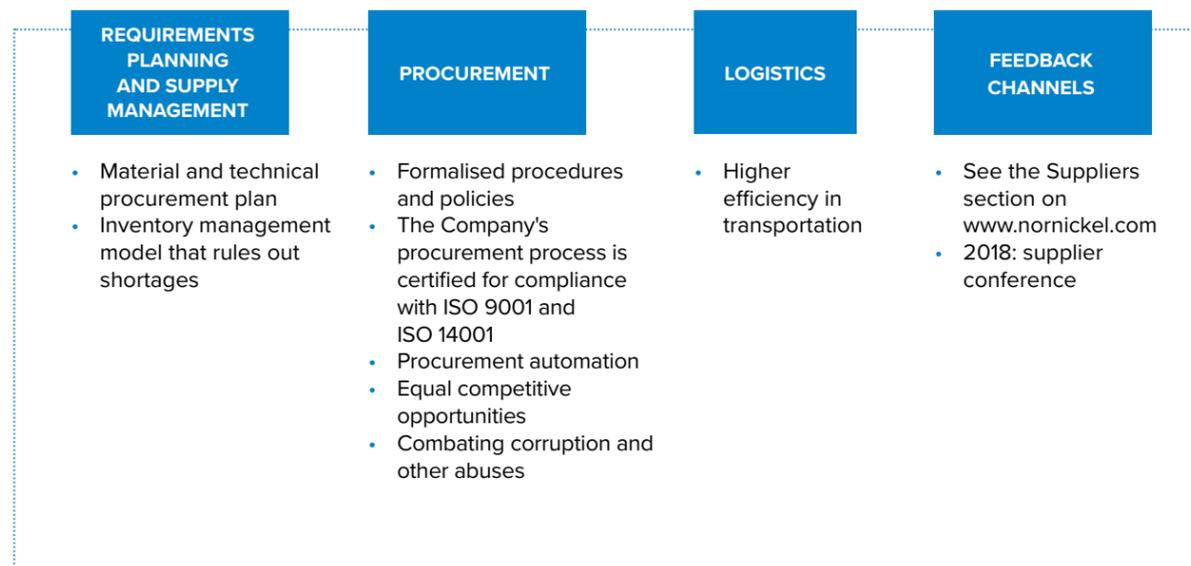
In 2018, based on an independent survey by the RAEX rating agency and the Association of Procurement Directors, the Head of MMC Norilsk Nickel's Procurement Department was included in the list of the most prominent heads of procurement according to the professional community.

does not only give suppliers an opportunity to ensure seamless operation of their enterprises, but also provides incentives for further growth.

Nornickel pays close attention to developing relations with manufacturers of equipment and materials, as they ensure the Company's ability to meet its strategic targets. Nornickel is committed to working with more local suppliers. To this end, it developed a centralised pilot testing procedure enabling it to phase out imported equipment with that manufactured locally. As at the end of 2018, Nornickel had 57 ongoing and 15 completed pilot tests. The Company established cross-functional commissions to determine promising directions for scheduled pilot tests aimed at achieving import substitution.

As at the end of 2018, the Company had 457 domestic and 35 foreign suppliers.

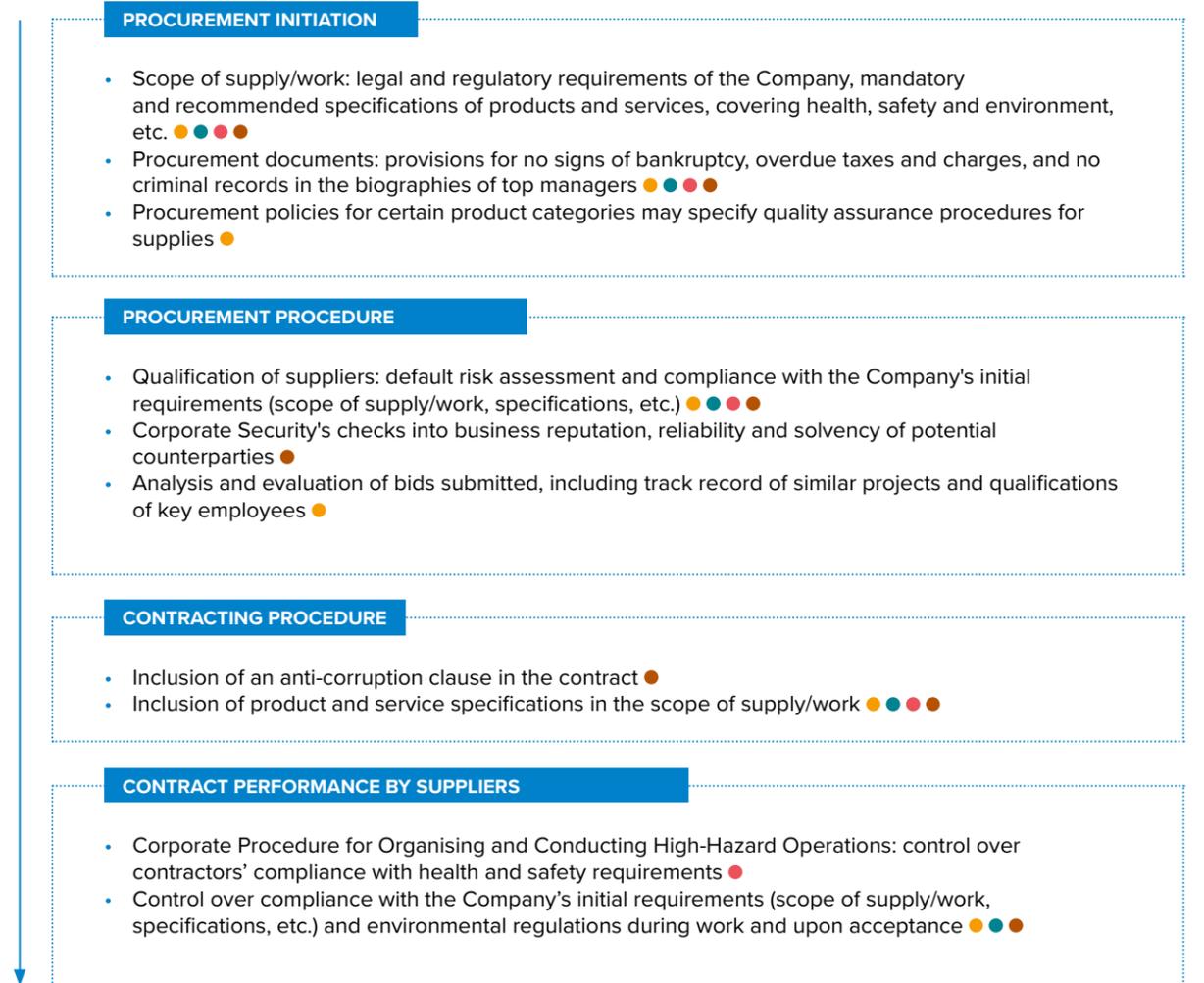
SUPPLY MANAGEMENT



Nornickel strives to create an environment of shared culture, visions and values in its relationships with suppliers. An ESG clause is incorporated into the standard agreement with suppliers and contractors. The Company adheres to a number of codes of conduct applied by its business partners and devised by foreign manufacturers. There is also ongoing work to develop Nornickel's Charter for Suppliers that is expected to be signed by the Company's suppliers and contractors.

Our procurement team together with experts from other departments are looking into alternative technologies (alternative fuel and energy sources) that can reduce the Company's environmental footprint and cut costs. The results of this can already be used in procurement. The current tender procedure, in particular, includes a criterion of the supplier's readiness to participate in the Company's alternative energy initiatives. <sup>WEB</sup>

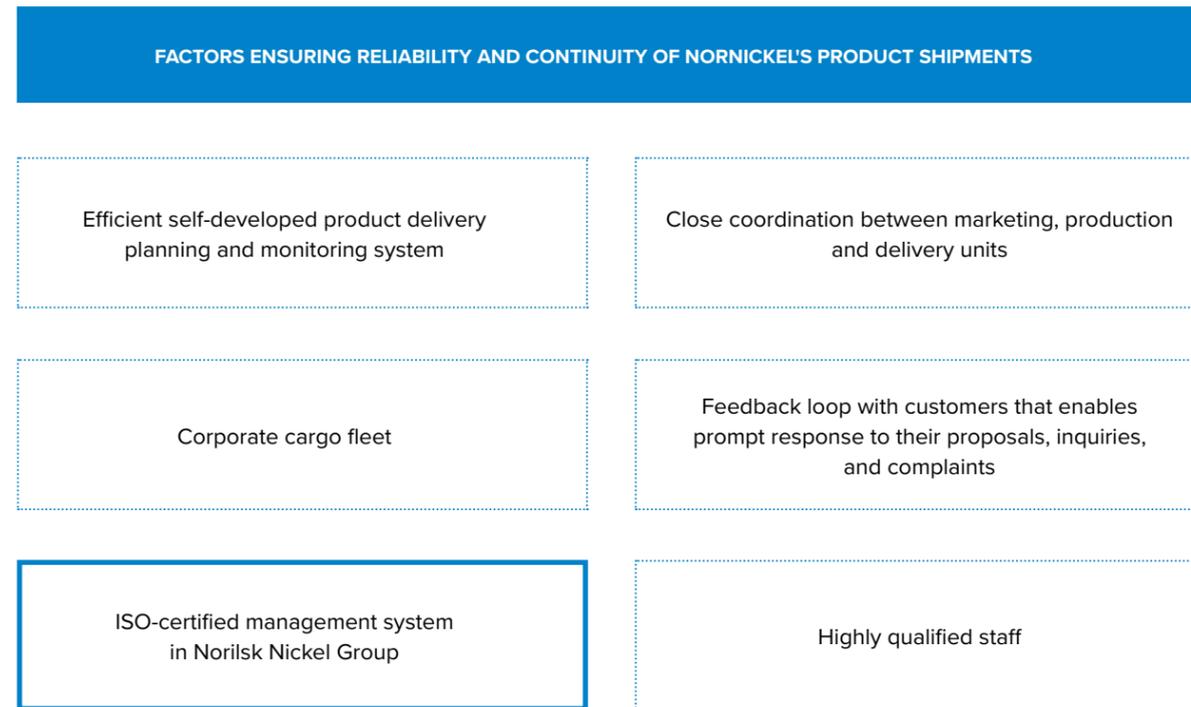
CONTROL OF NON-FINANCIAL FACTORS IN SUPPLIER RELATIONS <sup>103-2</sup>



Key non-financial factors

- Quality of products, works and services
- Occupational health and safety
- Environmental protection
- Legal compliance

## Product quality and supply reliability



Norilsk Nickel Group has achieved utmost efficiency in its production operations to provide the volumes, quality, and product range<sup>1</sup> that meet the needs of society while also fully complying with all applicable laws and HSE requirements.

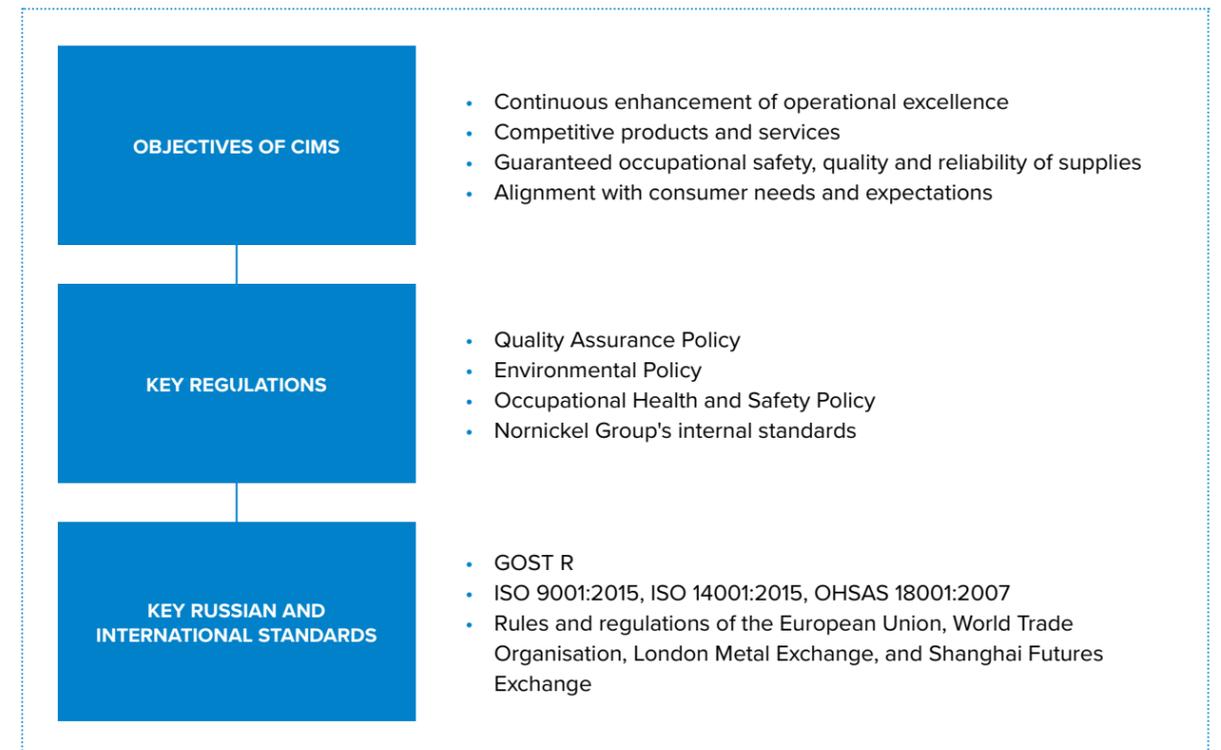
Environmental and quality-related goals and objectives are in line with the Company's strategic goals and formulated in the management's resolutions based on annual Corporate Integrated Management System performance reviews. To achieve the goals and objectives, the Company develops plans and programmes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

In 2018, Nornickel's management systems successfully passed a surveillance audit, while the systems of GiproNickel Institute and Norilsk Nickel Harjavalta were subjected to recertification audits. As part of the second surveillance audit, Kola MMC migrated to the new ISO 9001:2015 and ISO 14001:2015 standards. A total of 104 employees (14 in the Head Office and 90 in the Group companies) underwent training in quality management.

The Company has in place the Corporate Integrated Quality and Environmental Management System (CIMS).

<sup>1</sup> 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; **cobalt** is used in electrical engineering and chemical industries as well as alloy production; **platinum** and **palladium** as chemical compounds are mainly used in autocatalysts; **selenium** is used in metallurgy, chemical, electrical engineering and glass industries; **tellurium** is used in solar batteries and photovoltaics and thermoelectrical materials; **nickel** and **cobalt** salts are used in a variety of industries.

## CORPORATE INTEGRATED MANAGEMENT SYSTEM (CIMS)



### 102-2

Saleable products offered by MMC Norilsk Nickel's Polar Division include copper cathodes, technical selenium (powder), platinum group metal concentrates (powder), crude silver (powder), commercial lump sulphur, tellurium for thermoelectrical materials (bars) and copper-nickel converter matte (bars). M00k copper cathodes (GOST 859-2014 and GOST 546-2001) are certified in the GOST R certification system for compliance with the applicable product regulations and are registered on the London Metal Exchange under the NORILSK brand.

Kola MMC's commercial 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 the GOST and TU requirements. 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 the reporting year, nickel cathodes were registered on the London Metal Exchange under the NORILSK brand.

By 2020, around 300,000 electric vehicles per year will be using batteries with components manufactured as part of the strategic partnership between Nornickel and BASF.

Commercial products offered by Norilsk Nickel Harjavalta Oy include nickel cathodes, nickel briquettes, nickel powder, nickel salts, cobalt salts, and ammonium sulphate. Nickel brands of NORILSK NICKEL HARJAVALTA CATHODES and NORILSK NICKEL HARJAVALTA BRIQUETTES are registered on the London Metal Exchange.

In terms of sustainable development, the prospective application areas for Nornickel metals include lithium-ion batteries, electric engines for vehicles, autocatalysts, electronics industry, hydrogen fuel cells and healthcare.

In 2018, the Company faced no fines for failure to comply with product supply rules and requirements. [WEB](#)

Sales policy

102-4 102-6

In sales, the Company focuses on building long-term strategic relationships with key market players. The Company's customer base includes 434 companies, mostly industrial consumers. Nor nickel sells its products on all key markets, with its footprint spanning 34 countries as at the end of 2018.

When it comes to nickel products, the sales strategy focuses on achieving a balance between supplies to stainless steel manufacturers and to other industry stakeholders.

As the world's largest producer of palladium, the Company continues to implement the strategy of entering into direct long-term contracts with end consumers to ensure sustainable and strong demand for platinum group metals.<sup>1</sup>

Customer satisfaction monitoring

Consumers of the Company's key products are surveyed to assess their satisfaction on an annual basis, while

Customer satisfaction has improved by 6% compared to 2017.

buyers of sulphuric acid are asked to complete relevant questionnaires once every three years. Compliance with contractual obligations is audited and analysed on an ongoing basis.

The main criterion for customer satisfaction is maintaining or exceeding the target satisfaction level at 2.5 points (out of 3 points). Key customer satisfaction surveys must cover at least 50% of the Company's total product sales. According to the 2018 survey, the customer satisfaction level stood at 2.73 points.

In 2018, the Company received 38 complaints and grievances about its product or service quality and achieved out of court settlement for 36 of them by meeting the demands of consumers (18 complaints were deemed unfounded). As at 31 December 2018, two grievances were being processed, with remedial action plans developed to address all 18 well-grounded and 10 rejected grievances. [WEB](#)

MARKETS AND PRODUCTION VOLUMES<sup>2</sup>

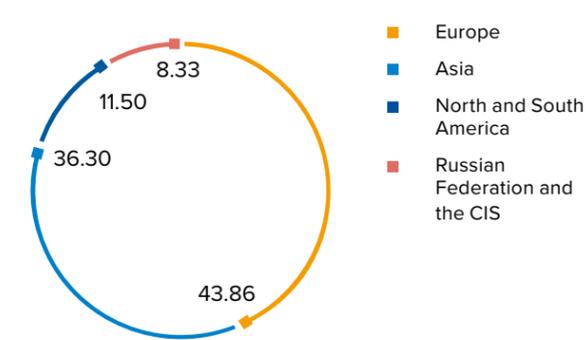
	2018		2019	
	Market description	Price evolution	Company's production volume	Market outlook
Nickel market	growing deficit	growth	218.8 kt	neutral reducing deficit
Palladium market	deficit	growth	2,729 koz	positive deficit
Platinum market	surplus	decline	653 koz	cautiously positive surplus
Copper market	slight deficit	volatility	473.7 kt	neutral continued slight deficit

<sup>1</sup> For more details on the Company's sales policy, see the 2018 Annual Report.

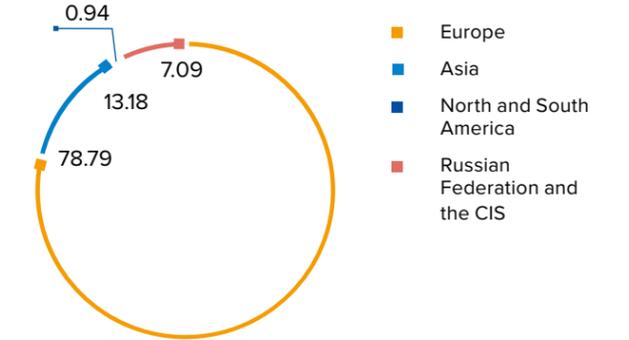
<sup>2</sup> For more details on the Company's key metal markets, see the 2018 Annual Report.

REVENUE FROM KEY METAL SALES IN 2018 BY REGION, %

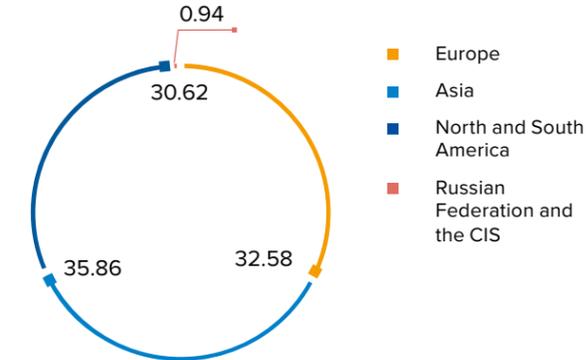
NICKEL



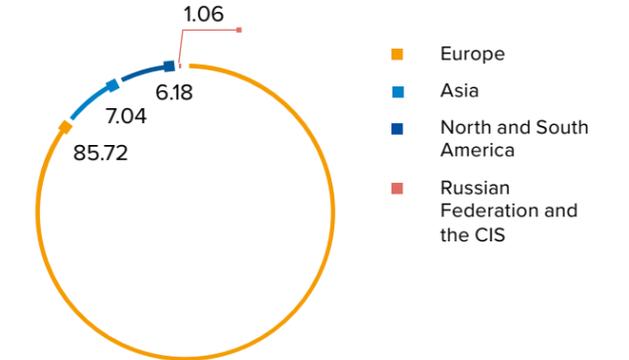
COPPER



PALLADIUM



PLATINUM



Dialogue with business partners

Nornickel has always paid close attention to building effective cooperation with business partners both in the course of joint projects and at various economic and industry forums.

The Company's expertise and solid track record in creating powerhouse industrial businesses that leverage cutting-edge technologies have laid the groundwork for successful implementation of projects with partners in both traditional and emerging industries.

In 2018, Nornickel and Russian Platinum signed a framework agreement on strategic partnership to set up a joint venture (JV) for developing disseminated ore deposits in the Norilsk Industrial District. The JV aims to establish one of the world's largest PGM producers with the output of 70–100 t of PGMs per year.

Dedicated to meeting the growing demand for battery materials used in electric vehicles, the strategic partnership between BASF and Nornickel became a landmark event for achieving SDGs and supporting green economy. As part of the long-term agreement, the Company will supply nickel and cobalt feedstock for battery production in Europe.

Nornickel forms a key link in creating a global mechanism to ensure reliability of precious metals supplies. In this area, the Company successfully collaborates with the International Platinum Group Metals Association (IPA), where it chairs the Security Committee, and with the United Nations Interregional Crime and Justice Research Institute (UNICRI). In particular, the Company's cooperation with UNICRI and IPA yielded a draft UN resolution on combating illegal production and trafficking of precious metals.

Developed by the Company's Office for Chemical Forensic Analysis, the procedure for identifying the origin of precious metals in any product crossing the border gained international recognition. In the future, these unique identification methods can become an international best practice (following appropriate validation by the European Network of Forensic Science Institutes).

In terms of both infrastructure and methodology, Nor nickel makes a significant contribution to the

promotion of responsible consumption in the segment of precious metals and metal-bearing products. In 2018, as part of the International Nickel Institute's programme, Nor nickel and other producers jointed efforts to systematically update the data on the nickel and nickel-containing products life cycles.

As a member of the International Information Security Research Consortium, Nor nickel can participate in crafting of the global information security agenda.



## Innovations

R&D plays a key role in implementing Nor nickel's strategic priorities such as reducing the environmental impact, improving production efficiency and setting stage for the Company's sustainable development in medium and long run.

Today, Nor nickel operates two business units responsible for the production development and upgrade. These are Gipronickel Institute, one of Russia's largest research and engineering centres for mining, metallurgy, concentration and processing of minerals, and Nor nickel Digital Lab established in 2018 to focus on research in information technologies. The Company also hires Russian and foreign R&D and engineering companies and Russian universities to carry out its projects.

To improve the quality of decisions related to research and technology, the Company established an R&D Panel back in 2013.

Gipronickel Institute comprises four divisions in St Petersburg, Nor ilsk, Monchegorsk and Chita. In terms of facilities and equipment, the Institute is on a par with the most technologically advanced international peers. In 2018, updated design documents drafted by the Institute for Bystrinsky GOK were approved by Russia's State Expert Review Board (Glavgosexpertiza). The draft provides for the plant to be constructed in 49 steps.

In its everyday activities, Gipronickel Institute concentrates on the development of standard operating procedures for key shop areas, such as ore mining, concentration, pyrometallurgy and hydrometallurgy.

Nor nickel Digital Lab set up in 2018 has already delivered a number of projects and created prototypes for digital systems. These include a copper electrolysis short circuit detection system, a digital twin of Copper Plant's main aisle to streamline in-shop logistics, and others. Currently, there are about one hundred initiatives in the lab's pipeline.

On 16 October 2018, Nor nickel and Skolkovo Foundation signed a partnership agreement providing for Nor nickel Digital Lab to be housed in the Skolkovo Innovation Centre. The lab will track new technologies and business models, collect, classify and analyse digital initiatives, and prototype solutions based on digital technologies. According to the agreement, the Company will invest RUB 350 mln in the laboratory over 2019–2021.

## Transparency

Enhanced transparency and information availability are the key guiding principles of MMC Nor ilsk Nickel in all of its pursuits. The Company has put in place the Information Policy Regulations and Procedure for the Interaction between MMC Nor ilsk Nickel's Officers and Russian and International Mass Media (updated in 2018), which govern its material disclosures to stakeholders and serve as a testament to Nor nickel's commitment to go beyond the mandatory disclosure requirements of the Russian law and regularly inform the public about its strategy and mission, policies, key events and performance, as well as make clear the Company's position on certain topics.

In its application of the information policy, the Company is guided by the principles of regularity, timeliness, accessibility, reliability, completeness, balance, and impartiality, all the while taking appropriate measures to ensure protection of its information resources. The key annual disclosure events aimed at the target audiences are publication of the sustainability and annual reports and presentation of Nor nickel's updated strategy and its implementation progress at Investor Day.

The key channels used to relay information to the public, investment and expert communities are publications on the Company's official website [www.nornickel.com](http://www.nornickel.com), press conferences, briefings,

conference calls, and meetings with stakeholders. Nor nickel takes care with its media relations, making sure to provide the Company's position on events (including emergencies) that call for comments from the Company's representatives, press conferences, briefings, or press releases.

Over the past year, the number of media publications about Nor nickel increased by over 27% compared to 2017. In total, Russian outlets mentioned the Company 95,820 times. This rise in coverage was spread out across all of the Group's geographies, with the outlets focusing mainly on the social and production activities of the Company, its environmental and sporting initiatives, as well as charitable projects and support for local communities.

Media coverage peaked in February, April and September of 2018. Throughout the year, Russian outlets reported on the Company's investing activities, agreements with the Murmansk Region and Trans-Baikal Territory, support of Universiade-2019, and the launch of the Sulphur Project, as well as social and charitable programmes and initiatives of Nor nickel.

An important focus area of 2018 was the continued enhancement of the Company's social media presence in light of the step-up in coverage of Nor nickel's social and charitable projects and especially the 2019 Winter Universiade in Krasnoyarsk, where the Company acted as the general partner.

# 06

## COMPLIANCE WITH THE UN GLOBAL COMPACT

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## PEOPLE MAKE ALL THE DIFFERENCE

Nornickel received the international Randstad Award as the best employer in the metals and mining sector. The recognition came as a result of Nornickel's successful HR strategy.



# Compliance with the UN Global Compact



## Human rights

### Human Rights Policy

#### UN GLOBAL COMPACT PRINCIPLES

**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.

Respect for human rights is one of fundamental principles of Nornickel's operations. Being a socially responsible business, a major employer and a taxpayer operating in the territories with a mature legal culture, the Company promotes human rights. No operations are run in and nor raw materials procured from areas involved in military conflicts.

The Company complies with the applicable laws of the Russian Federation and other countries of its presence and respects both international standards for human rights protection and labour standards set out in the International Bill of Human Rights, the International Labour Organisation Declaration on Fundamental Principles and Rights at Work and the UN Guiding Principles on Business and Human Rights.

Nornickel takes steps to prevent and remedy any human rights violations, if any, across its assets and operations, including those engaged in exploration, production, concentration, refinement, output of end products, marketing and sales of

non-ferrous and precious metals, as well as upon shut down of the Company's mining operations, various production units and divisions across its locations. The Company expects its contractors to uphold human rights as well, which is formalised in a number of internal policies.

The protection of human rights is reflected in the Company's by-laws governing the HR, environmental, social and other matters.

The Company's President is responsible for ensuring that Nornickel respects human rights. The Company's employees are committed to respecting human rights and complying with the Russian and international laws and the Company's by-laws on human rights. The Company has a clear management structure alongside escalation and reporting lines to address human rights.

All of the Company's new projects are screened for compliance with national and international legislation and, by extension, human rights laws. These checks span over ten of Nornickel's functional divisions. The Company is mindful of human rights risks, so in addition to ensuring full compliance with the applicable requirements it also implements best practices: signs employment contracts and collective bargaining agreements, creates favourable work and rest conditions for its employees, including through carrying out new social infrastructure projects (housing, transport infrastructure, cultural and recreational facilities).

Information on alleged human rights violations is collected via Nornickel's Corporate Trust Service, employee questionnaires, and sentiment surveys among local population. The Company guarantees confidentiality for whistle-blowers and respondents. Report statistics are reviewed by the Audit and Sustainable Development Committee of the Board of Directors on a quarterly basis.

In 2018, there were no incidents involving human rights violations. No disputes with the local population over land use were recorded. The Company does not plan any ramp-up in works related to acquiring land from the population and forced relocation.

## NORNICKEL'S HUMAN RIGHTS PROTECTION PROCEDURES<sup>1</sup>



### Interaction with indigenous northern minorities

103-2 103-3

Nornickel respects the rights, traditions, long-standing values and interests of indigenous northern minorities inhabiting the Company's regions of operation. Nornickel's operations and companies located in traditional settlement areas of indigenous northern minorities include the Polar Transportation Branch, Norilskgazprom, Taimyrgaz and Norilsktransgaz. Nornickel's key commitments to further strengthen and develop relations with indigenous northern minorities that benefit both parties are set out in the Indigenous Rights Policy,<sup>2</sup> which is aligned with the Indigenous and Tribal Peoples Convention of the International Labour Organisation.

MM6

Representatives of the Group companies are members of indigenous northern minority commissions organised by local authorities.

### Key areas of interaction with indigenous northern minorities

Nornickel's key projects in the Arctic are focused on reducing air emissions, coastal cleanup and restoration of ecosystems, biodiversity preservation (including aquatic bioresources), development of transport infrastructure and Arctic shipping, ensuring transport accessibility of the Arctic, and implementing the Northern Supply Haul programme. Nornickel is active in promoting renewable energy sources in the Arctic, with the Taimyr HPP Cascade upgrade being one of the Company's major investment projects.

The Company has been supporting initiatives to improve living standards of the Taimyr Peninsula's indigenous people. The initiatives cover housing

construction, maintenance and social projects in small and separated settlements on the Taimyr Peninsula, along with delivery of social aid for indigenous northern minorities and food for children of reindeer herders, and other projects.

To preserve national traditions and culture of indigenous northern minorities, the Company participates in staging the Big Agrish ethnic celebration, as well as annual professional festivals for tundra inhabitants on the occasion of Reindeer Herder's Day and Fisherman's Day.

Since 2017, Nornickel has been implementing the Comfortable Taimyr project as per its agreement with the Taymyrsky Dolgano-Nenetsky Municipal District authorities. Under the project, the Company is to fund the building of 2,500 sq m of housing in the Tukhard settlement, where housing stock disrepair was a serious issue. Pursuant to the agreement, Nornickel will build new and modern housing, as well as a utilities and social infrastructure with a school, kindergarten, hospital, boiler, power plant, and local treatment facilities. The location for the new housing was determined by a residents meeting based on their lifestyle.

In 2018, Nornickel and the Federal Agency for Ethnic Affairs (FAEA) signed an agreement on cooperation aimed at providing support to the indigenous peoples of the North who live in areas where the Company operates. Nornickel is supporting the Siberian Federal University's work to revive the written language of the indigenous peoples of the North as part of the International Year of Indigenous Languages (2019).

In 2018, there was no record of the Company violating the rights of indigenous minorities. 411-1

<sup>1</sup> For more details, please see the Human Rights Policy approved by the Board of Directors at <https://www.nornickel.com/investors/disclosure/corporate-documents/#corporate-codes-and-policies>.

<sup>2</sup> Approved by the resolution of the Board of Directors in February 2018.

RESPECT FOR HUMAN RIGHTS ACROSS NORNICKEL'S OPERATIONS

Key human rights <sup>1</sup>	Nornickel's by-laws													Nornickel's contribution		
	Business Ethics Code	Human Rights Policy	Equal Opportunities Programme	Working Conditions Policy <sup>2</sup>	Occupational Health and Safety Policy	Personal Data Policy	Freedom of Association Policy	Policy Regarding Support for Small and Medium Enterprises	Local Community Relations Policy <sup>2</sup>	Environmental Policy	Environmental Impact Assessment Policy	Biodiversity Policy	Renewable Energy Sources Policy		Indigenous Rights Policy <sup>2</sup>	
Right to life, freedom, and privacy, freedom from arbitrary arrest																In 2018, the Company's health and safety indicators were some of the best in the metals and mining industry, with LTIFR standing at 0.23
Right to health and medical assistance																
Right to protection from discrimination																The Company does not tolerate discrimination on any grounds
Right to freedom of association and collective bargaining																The Company runs a social partnership framework, with collective agreements covering 80% of the workforce
Right to work and to fair and adequate remuneration																The average salary paid to Nornickel's employees is well above Russia's average. The Company takes steps to secure jobs for vulnerable population groups and people with disabilities
Other labour rights (fair and favourable working conditions, social support, reasonable work schedule, ban on forced labour, regular paid vacations)																The Company complies with the Russian Federation employment laws that are in line with the UN documents ratified by Russia. In 2018, Randstad Award recognised Nornickel as the most attractive employer in the Russian metals and mining industry. Forced labour is forbidden
Right to education																The Company runs a wide range of training courses for all of its personnel categories, providing career guidance and targeted support to educational institutions across its geographies
Protection of family, maternity and childhood																Child labour is forbidden. The Company respects and protects the rights of mothers and pregnant women. Its social programmes in the fields of housing, healthcare and culture aim to support and provide leisure opportunities for families

<sup>1</sup> According to the International Bill of Human Rights, the Indigenous and Tribal Peoples Convention of the International Labour Organisation, and the Constitution of Russia.

<sup>2</sup> The Company expects its contractors to also adhere to these documents.

Key human rights <sup>1</sup>	Nornickel's by-laws													Nornickel's contribution	
	Business Ethics Code	Human Rights Policy	Equal Opportunities Programme	Working Conditions Policy <sup>2</sup>	Occupational Health and Safety Policy	Personal Data Policy	Freedom of Association Policy	Policy Regarding Support for Small and Medium Enterprises	Local Community Relations Policy <sup>2</sup>	Environmental Policy	Environmental Impact Assessment Policy	Biodiversity Policy	Renewable Energy Sources Policy		Indigenous Rights Policy <sup>2</sup>
Freedom of movement															The Company does not restrict the freedom of movement of its employees. It reimburses round trip travel expenses and baggage fees as part of the benefits package
Right to shelter, right to own property															The Company does not implement or plan to implement projects related to taking land from the population and forced relocation
Right to a healthy environment															The Company continuously works to reduce its environmental footprint and implements a comprehensive environmental policy
Rights of indigenous peoples															The Company supports projects aimed at preserving the traditional lifestyle and culture of Taimyr's indigenous peoples while fostering their economic and social development



### Labour relations



#### UN GLOBAL COMPACT PRINCIPLES

**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 labour.

**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.



### Employees and social policy

103-2

Human capital is a key driving force behind the Company's growth. In recognising this, the management of Norilsk Nickel Group seeks to create conditions that would boost employee performance and engagement, and exercises a comprehensive approach to HR management.

Respect for employees and their rights lies at the heart of the Group's business. The protection of human rights is guaranteed in a number of the Company's documents, including the Business Ethics Code, Personal Data Policy, Anti-Embezzlement Regulation and Human Rights Policy. [WEB](#)

### HR management assessment

103-3

To assess HR management and make efficient decisions, the Company continuously monitors HR metrics, analyses the structure of staff costs, labour productivity, and performance of social, adaptation and other programmes. The Company plans to introduce continuous monitoring of staff engagement and satisfaction.

#### Staff composition

Nornickel received the international Randstad Award as the best employer in the metals and mining sector. The recognition came as a result of Nornickel's successful HR strategy.

This was not the first time that Nornickel won this prestigious award. In 2016, the Company received Randstad's Grand Prix as the Best Employer in the Russian metals and mining industry.

<sup>1</sup> According to the International Bill of Human Rights, the Indigenous and Tribal Peoples Convention of the International Labour Organisation, and the Constitution of Russia.

<sup>2</sup> The Company expects its contractors to also adhere to these documents.

## HR MANAGEMENT

## REGULATION

- Principles and provisions of the international law, standards of the International Labour Organisation, national laws of the countries of operation
- The Constitution and Labour Code of the Russian Federation
- Equal Opportunities Programme
- Freedom of Association Policy
- Working Conditions Policy
- Nornickel's Personal Data Policy
- Talent Pool Regulation
- Procedure for Assessing Employee Performance

## RESPONSIBILITY

- Board of Directors' Corporate Governance, Nomination and Remuneration Committee: approval of priorities and policies and monitoring of the Company's performance
- President: implementation of the HR strategy
- Senior Vice President for HR, Social Policy and Public Relations: development and implementation of the HR strategy
- HR Department: development and implementation of the HR strategy and the social policy
- Social Policy Department: development and implementation of the social policy, social and charitable programmes
- HR functions of the Group companies: implementation of HR and social policies

## PRIORITIES

- Building a skilled and balanced team
- Creating a talent pool
- Improving the incentive system
- Training and developing the staff
- Implementing the social policy

The Group's average headcount in 2018 was 74,926 employees in Russian companies, and 975 employees in foreign subsidiaries.

The headcount decrease across the Russian operations by 3.9% y-o-y was due to the programme to improve labour productivity and reduce costs.

102-8

The headcount<sup>1</sup> of the Group's Russian companies as at the year-end stood at 74,960. Most of employees work full time (>99%) and on the basis of unlimited employment contracts (>96%). As at the end of 2018, there were 541 employees working under civil contracts.

## GROUP PERSONNEL STRUCTURE BY TERRITORY, %

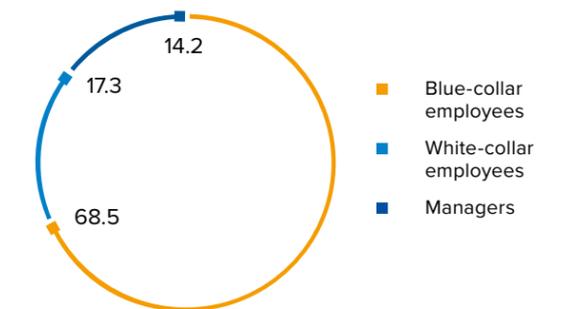
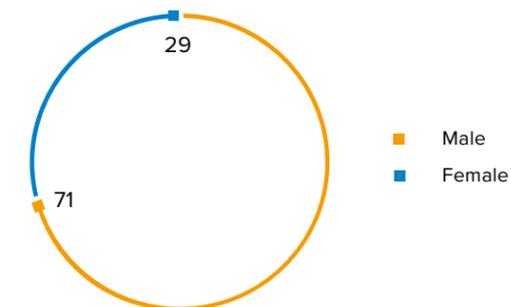
66.9	Norilsk Industrial District (NID)
16.6	Kola Peninsula Industrial District (Murmansk Region)
4.647	Krasnoyarsk Territory (excluding NID)
4.456	Trans-Baikal Territory
6.164	Moscow and other regions of Russia
1.284	Outside Russia

<sup>1</sup> Including salaried employees and external part-timers.

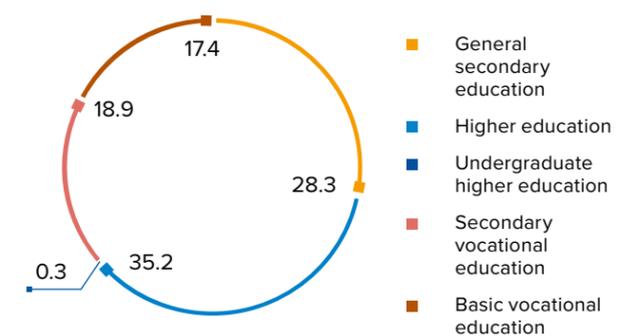
## HEADCOUNT OF THE GROUP'S FOREIGN OPERATIONS, EMPLOYEES

Europe	330
Asia	13
North America	10
Australia	5
Africa (South Africa)	605
Africa (Botswana)	12

## PERSONNEL STRUCTURE BY CATEGORY, %

PERSONNEL STRUCTURE BY GENDER,<sup>1</sup> %

## PERSONNEL STRUCTURE BY EDUCATION, %

KEY PERSONNEL TURNOVER INDICATORS<sup>2</sup> 401-1

Indicator	2013	2014	2015	2016	2017	2018
Employments	10,103	13,220	15,607	15,166	11,262	14,901
Employee inflow ratio, <sup>3</sup> %	12.2	16.5	19.1	18.8	14.6	19.9
Separations	13,738	12,812	14,277	15,413	15,232	16,918
Employee turnover, <sup>4</sup> %	12.1	11.3	10.7	10.5	10.3	10.2
Employee outflow ratio, <sup>5</sup> %	16.7	15.6	17.1	19.2	20.0	22.6

103-2

The Company is a major employer in the Norilsk Industrial District and the Kola Peninsula and as such has a significant impact on these regions' labour markets. The Company has no policies in place providing for the preferential hiring of locals; staff selection takes into account candidates' skills, qualifications, and education.

In 2018, the Company employed 509 new permanent staff members from other regions of Russia.

202-2

The share of top executives representing local communities stood at 98.0%. Russian citizens accounted for 99.6% of the Russian operations' total headcount. [WEB](#)

<sup>1</sup> Unless otherwise specified, the indicators are hereinafter provided for the Group's Russian operations.

<sup>2</sup> Russian companies of the Group.

<sup>3</sup> The ratio of new employments to total employments as at the end of the period.

<sup>4</sup> The ratio of resignations, dismissals for breach of labour discipline, and negotiated terminations, to the average annual headcount.

<sup>5</sup> The ratio of all separations to total employments as at the end of the period.

## Personnel development

The Company views its people as its key asset and keeps investing in their professional and personal development. Our personnel development policy focuses on creating an environment that helps fully unlock the professional and creative potential of each employee while also fostering team spirit and commitment to the Company's goals. With this in mind, the Company plans the professional and career growth of its people, builds a talent pool for managerial positions, trains and promotes pool members.

### Training

103-2 404-2

With our reconfigured production cycle, modernised operations, new technologies and approaches, we need to make sure our employees meet the new expertise, skill and competency requirements. This is why training plays an important role in Norilsk Nickel's personnel development.

In 2018, 54 key employees, heads of production units and the Head Office of Norilsk Nickel completed an innovative operating efficiency training programme organised jointly with Moscow's Skolkovo School of Management. The programme aims to make production management more efficient, among other things, by developing key managerial competencies, looking into the latest technologies, approaches and best practices in the area, and identifying ways to apply them.

## KEY PERSONNEL TRAINING INDICATORS 404-1

Indicator	2014	2015	2016	2017	2018
Employees covered by professional training, retraining and skill improvement, thousand	54.1	63.1	70.0	95.0	87.5 <sup>1</sup>
• including blue-collar employees	31.5	35.3	37	54	43.3
• including managers	13.8	18.2	22	26	27.4
• including white-collar employees	8.8	9.5	11	15	16.8

Nornickel launched the lamHR development programme for HR professionals. The programme seeks to improve their professional skills, strengthen interactions between business and HR, and educate the staff about state-of-the-art solutions and available practices in HR management.

The Company introduced staff training programmes across all functional areas and staff categories – from top managers to workers. Training is an ongoing process that takes place throughout an employee's career.

MMC Norilsk Nickel has the Model Regulation on Professional Training in place, which the Group companies use a basis to develop their internal training regulations.

The Group's employees can benefit from free staff training, retraining, skills improvement, and internship programmes funded by the Group companies. The Company engages external education providers (universities, professional development institutions, research institutes, training centres, and consultants), and trains employees at its own corporate training centres. The Group's key training hubs are the Norilsk Nickel Corporate University (Norilsk) and the Kola Staff Development Centre (Monchegorsk), which provide training to more than 52,000 employees a year.

Indicator	2014	2015	2016	2017	2018
Total training man-hours, thousand	5,079.2	5,824.1	5,666	6,630	4,508.7
Average annual hours per employee trained	93.8	92.2	80.8	70	51.6
Average annual training hours per employee (based on average headcount)	63.5	71.2	69.8	85	60.2
• including blue-collar employees	-	-	77.9	95	62.2
• including managers	-	-	72.4	83	76.7
• including white-collar employees	-	-	31.9	44	38.7
Professional training costs, RUB mln	661.5	669.1	760	896	1,022.2
Costs per employee trained, RUB	12,220	10,589	10,841	9,459	11,687

### Talent pool

The reporting year saw the Company continue to roll out the talent pool management programme at its Norilsk site. We launched a training and development programme for talent pool members and their mentors based on cutting-edge education technologies and a combination of classroom and online sessions.

On top of that, we provided the pool members with a roadmap of development activities and recommendations on how to strengthen competencies covered by the corporate model.

Over the year, Polar Division and the Kola Peninsula facilities introduced an SAP HCM-powered system to automate and boost the efficiency of talent pool management, among other things, through the consolidation of relevant data into a shared database.

## DEVELOPMENT PROJECTS FOR TARGET PERSONNEL CATEGORIES

Target category	Project	Priorities	Coverage in 2018, thousand employees
Highly qualified workers	Mentor Academy	<ul style="list-style-type: none"> <li>Professional skills competitions</li> <li>Mentor training</li> <li>Recognition, corporate forum of mentors</li> <li>Participation of Norilsk Nickel's best workers in WorldSkills Russia</li> </ul>	7.6
Line managers (foremen)	Foreman University	<ul style="list-style-type: none"> <li>The Foreman of the Year contest and mind sport tournaments for foremen</li> </ul>	4
Young employees aged 18 to 35	Leader, movement of young professionals	<ul style="list-style-type: none"> <li>NIKoNN (mind sports and quests)</li> <li>Creativity (contests, festivals and KBNN)</li> <li>Induction and Career Guidance (support for young employees, meetings with school students)</li> <li>Initiatives (projects to address social issues)</li> <li>The Leader of the Year annual competition for the most promising young talent teams</li> </ul>	18

<sup>1</sup> The y-o-y decrease in 2018 is due to large-scale training held in the previous year to improve employee skills and grades of the blue-collar staff. In the reporting year, no such training was needed.

### Career guidance, cooperation with educational institutions

The Company runs an array of programmes to attract and train staff. The major ones are the Career Start-Up internship programme, Conquerors of the North internal case competition, and the First Arctic leadership programme. The Company's career guidance initiatives are integrated into the relevant regional programmes and target children and youths aged below 35.

The Company prioritises the following training areas:

- underground (subsurface) ore mining;
- mine surveying;
- mineral processing;
- mining electrification and automation;
- mine and underground construction;
- industrial and civil construction;
- ground vehicles, hoisting/conveying and road machinery;
- mining machinery and equipment;
- power and electrical engineering;
- operation of transportation vehicles and systems.

The Company has established close cooperation with educational institutions. Its facilities invite students to

take part in the Career Start-Up programme of pre-graduation internships and work placements. The programme cooperates with 25 Russian universities. In 2018, 311 students joined the programme, with 118 top-performing ones awarded Nor Nickel's corporate scholarship and 88 hired by the Company after graduation. In 2019, the Company's facilities will offer internships to 312 students.

In summer 2018, more than 200 students took part in the Conquerors of the North team business game to try and tackle some of the Company's real tasks. Nor Nickel was the first metals and mining company in Russia to use this methodology with students.

The Company places a strong emphasis on engineering education in Russia, contributing to the promotion of relevant professions. In 2018, we supported Cup Technical and Metal Cup Championship 2018, case-solving championships among students of Russian technical universities. During the contest, students dealt with cases related to Nor Nickel's operations, gaining insight into the Company's business processes.

Also, we run a number of career guidance events for schools, such as the Arctic.PRO R&D marathon, ARCTIC WAVE festival of R&D discoveries, I Make competition for young inventors, and the School of Urban Competencies, attended by over 4,000 school children annually.

### Incentives and rewards

#### Remuneration policy goals

- Recruitment
- Retention
- Encouragement of productive attitude to work
- Administrative efficiency and transparency
- Compliance with legal requirements

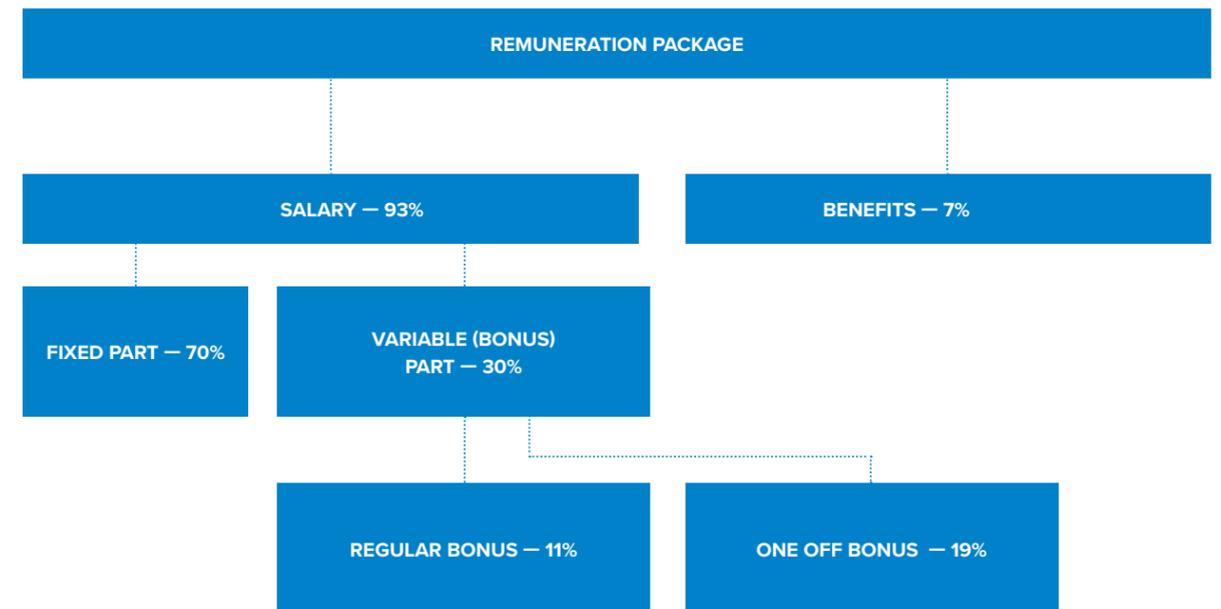
#### Remuneration policy principles

- Internal equity — remuneration management is based on the job description and grading methodology. The Company has a unified grade system across all functions
- External competitiveness — remuneration is determined based on the labour market data, with adjustments made for the company's focus area, business location and job grades
- Performance-based incentives — pay level is reviewed subject to the annual performance assessment outcome
- Simplicity of the remuneration system — pay level calculation and review procedures are transparent, and every employee knows how to improve their remuneration

In 2018, the Company implemented the job grading framework linking each job and related remuneration to its significance for business processes. This is a key tool that should help the Company to secure maximum return on investment in human capital, engage and retain the

best talent. Grading relies on the points factor method of job evaluation that takes into account knowledge and skills, the complexity of tasks, and the level of responsibility.

### REMUNERATION PACKAGE ACROSS THE GROUP'S RUSSIAN OPERATIONS IN 2018, %



### KEY COMPENSATION INDICATORS <sup>202-1</sup>

Region	Remuneration package, RUB thousand	Average monthly salary, RUB thousand	Regional payroll percentage of the aggregate payroll, %	Minimum monthly compensation to statutory minimum wage, <sup>1</sup> %	Statutory minimum wage
Group average	-	111.6	-	-	-
Kola Peninsula Industrial District (Murmansk Region)	89.1	82.4	12.3	1.00	25,675
Krasnoyarsk Territory (excluding NID)	56.2	54.1	2.3	1.0	10,592
Moscow and other regions of Russia	316.3	293.5	16.6	1.82	18,781

<sup>1</sup> Minimum wages paid by the Company are gender neutral.

Region	Remuneration package, RUB thousand	Average monthly salary, RUB thousand	Regional payroll percentage of the aggregate payroll, %	Minimum monthly compensation to statutory minimum monthly wage, <sup>1</sup> %	Statutory minimum wage
Norilsk Industrial District (NID)	118.0	107.7	65.2	1.02	29,024
Trans-Baikal Territory	90.2	86.9	3.5	1.02	16,745

#### AVERAGE MONTHLY SALARY IN NORNICKEL GROUP, RUB THOUSAND

Year	RUB
2014	75.4
2015	84.9
2016	94.2
2017	104.1
2018	111.6

#### Employee awards

To motivate and financially incentivise its employees to work efficiently and productively, and deliver the highest operational results, the Company has put in place a structured system of incentives and rewards of various categories and levels: government awards, ministry and agency awards, regional and municipal awards, corporate Norilsk Nickel awards, and internal awards granted by Norilsk Nickel Group companies.

In 2018, MMC Norilsk Nickel approved its Award Policy, which sets out the goals, principles, rules, requirements and limitations of the Company's awarding activities.

The Company recognises employees for their outstanding professional achievements and contribution, innovations that drive growth, add economic value or boost the operating efficiency of a specific facility or the Group in general, efforts going beyond formal agreements with the Company,

and business improvement initiatives. The Company praises and distinguishes employees showing exceptional production, engineering and managerial competencies by awarding those who delivered remarkable operational or management performance and contributed a lot to advancing production.

The best employees may be nominated for agency (industry) and government awards. The Company welcomes the recognition of its employees' accomplishments by the government and its agencies, while also distributing its own accolades for prodigious operational and management achievements, and significant contribution to production growth.

In 2018, 4,304 Company's employees were awarded for outstanding production results and many years of diligent service, including 83 and 286 honoured with government and ministry/ agency awards, respectively, 1,664 who received awards from regional and municipal authorities, 275 and 1,996 who were granted corporate and local awards of the Group companies. [WEB](#)

#### Social policy

The social policy of Norilsk Nickel Group is implemented in a consistent manner based on the feedback principle. To make changes to the existing programmes, develop new ones and close those that have achieved their goals and objectives, the Company conducts an in-depth comprehensive review and selects the best solutions in terms of social interests, economics of the Company, and the interests of its employees. We are constantly monitoring the performance of our programmes to ensure timely identification of possible weaknesses.

The social package includes the following benefits and compensations:

- health resort treatment and vacation to employees and their families at subsidised prices;
- payment of return travel and baggage costs to a place of vacation to employees in the Far North and

equivalent areas, and their families;

- one-off financial aid in the face of certain life events, or hardships;
- additional employee pensions and other types of social guarantees under the existing collective bargaining agreements and local regulations.

#### SOCIAL EXPENSES, RUB MLN

Indicator	2018		2019
	Plan	Actual	Plan
Health resort treatment and vacations of employees and their families	2,040	1,947	1,818
Reimbursement of round trip travel expenses and baggage fees to employees and their families	3,186	3,355	3,269
Pension plans	1,186	961	1,220
Housing programmes	6,760	6,252	3,113
Relocation assistance to new employees	345	209	322
Social projects for employees (development of target categories, sporting events and holiday celebrations)	600	630	657
Voluntary health insurance	238	347	826
Financial aid and additional benefits to retired and former employees and their families	255	201	260
Other payments and social expenses (healthcare services, severance pay, etc.). Social payments (excluding travel expenses)	1,476	1,791	1,371
<b>Expenses related to social programmes and benefits for employees</b>	<b>16,086</b>	<b>15,693</b>	<b>12,855</b>

#### Health improvement programmes

For many years, Norilsk Nickel Group has been running a programme of rehabilitation and health resort treatment for its employees and their families. The harsh climate of the Far North and the nature of the Group's operations

require special care of the employee health, which makes health improvement and wellness a priority of the corporate social policy.

Key health improvement programmes	Participants in 2018
Zapolyarye Health Resort (Sochi)	11,026
Kolsky Health and Spa Centre (Monchegorsk)	1,693
Non-corporate health resorts, including:	4,341
Rossiya and Belokurikha health resorts (Altai Territory)	582
Rosa Springs Health Resort (Sochi)	3,450
other non-corporate health resorts	309

Key health improvement programmes	Participants in 2018
Vacation for children (including Anapa and Bulgaria)	1,391
International vacation programme (Bulgaria, Greece)	6,180
<b>Total participants</b>	<b>24,631</b>

## Co-Funded Pension Plan programme

2013

Co-Funded Pension Plan, a corporate private pension programme, has been running since 2007. As at the end of 2018, it saw 13,900 participants from among employees of 22 companies, with over 6,000 receiving pensions.

The programme provides for two pension plans: Parity and Corporate. Under the Parity Plan, pension savings are co-funded by the employee and the Company on a par (equal) basis. 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 2018, an average participant contribution amounted to 2.9% of the employee's salary or the Group's monthly average of RUB 3,000. [WEB](#)

## Housing programmes

In the reporting period, the Company continued with its Our Home and My Home corporate social programmes launched back in 2010 and 2011, respectively.

The programmes now run as a single Our Home/My Home programme covering the employees of Polar Division, Polar and Murmansk Transport Divisions, Kola MMC and 18 more Group companies operating in Norilsk, the Taimyrsky Dolgano-Nenetsky Municipal District and the Murmansk Region. Since the start of the programme, 3,804 apartments have been granted to the Company's employees. In total, the Company has purchased 4,348 ready-for-living apartments, including 522 in 2018. As part of the programmes, the Company purchases ready-for-living apartments in various Russian regions at its own expense and provides them to eligible employees under co-financing agreements. The Company pays up to a half of the apartment cost (but in any case no more than USD 54,000), with the rest paid

by the employee within a certain period of employment with Nor Nickel Group (from five to ten years). The cost of housing remains unchanged for the entire period of the employee's participation in the programmes. Ownership rights are registered at the end of the programmes, but the employee may move in immediately after receiving the apartment.

In 2014–2018, the apartments were purchased in Moscow and Tver regions, as well as in the Krasnodar Territory, with the Company seeking to buy properties located in close proximity to enhance the employees' living standards by developing additional infrastructure and optimising the scope of maintenance tasks assigned to the property management company.

## Assistance to employees in acquiring housing

The Company also runs the Corporate Social Subsidised Loan Programme for Employees of Nor Nickel that was phased from a pilot to an ongoing project. This programme was developed primarily as a tool to retain highly qualified staff, with employees at Polar Division and Kola MMC entitled to an interest-free loan to make a down payment and to reimbursement of a certain share of interest on their mortgage loan. Overall, more than 200 employees took part in the programme.

## Support to new employees

Nor Nickel provides financial support to newly employed staff relocating to Norilsk and the Taimyrsky Dolgano-Nenetsky Municipal District, including young specialists, workers, engineering staff and managers.

The Company reimburses the following expenses of newly employed staff:

- travel expenses;
- baggage transportation;
- living costs for the first three years.

On top of that, the Company also pays a one-time relocation allowance to support the employee at the new place of work.

With 379 employees joining the relocation support programme in 2018, it now boasts 1,520 participants.

## Sporting and mass public events programme

The Company promotes sports and healthy lifestyle to solidify the corporate team spirit and maintain a positive work environment. It organises sporting events and competitions attended by its employees, their families, and the local community.

The events include the annual Polar Division Olympics, Kola MMC Olympics in 16 sports, Norilsk Nickel Ski Track health marathon, "Dad, Mum and I – a Sporty Family" corporate competition, swimming, ice hockey, futsal, volleyball, basketball, alpine skiing, snowboarding competitions, and sport events dedicated to the Metallurgist Day and other high days and holidays.

To promote amateur hockey, Norilsk hosted the Night Hockey League (Northern Conference) in 2018, with 11 teams comprising Nor Nickel employees among the participants.

The reporting year saw some 27,000 people take part in Nor Nickel's sports events. Also, the Company's facilities in Norilsk feature gyms.

## Programmes supporting former employees and their families

The ongoing 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 terms of participation depend on the employee's length of service or permanent disability status. Financial aid is paid from the charitable contributions made by the Company.

Under the programme of financial aid to retiring employees, benefits are provided to employees at the time of retirement, with the amount linked to their employment period.

The Pensioner Financial Aid Fund extends financial aid to former employees who retired prior to 10 July 2001 provided they had been employed at the Company's divisions 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 medications, funeral services, and helping in financial distress.

## Support of employees with disabilities

The Company fully complies with the legislation regarding employment of people with disabilities. As per the employment quotas that vary depending on the region and company size, the share of such employees may come up to 2% of the average headcount.

The Company takes steps to secure jobs for people with disabilities and ensure necessary working conditions, including work and rest schedule, annual and additional paid leaves, and specialised workspace equipment.

## Occupational health and safety

103-2

Occupational health and safety is one of Nor Nickel's strategic priorities. The Company is aware of its responsibility for ensuring health and safety of all employees engaged in its operations, both its own and third party.

Nornickel's Occupational Health and Safety Policy gives precedence to the life and health of employees over operational performance while also demonstrating the Company's commitment to creating a safe and healthy environment and fostering sustainable employee motivation for safe workplace behaviour.

**Zero work-related fatalities and an ongoing reduction in overall workplace injuries are the Company's key strategic priorities in OHS.**

## HEALTH AND SAFETY MANAGEMENT

### REGULATION

- Applicable Russian laws aligned with international laws
- Occupational Health and Safety Policy
- Occupational Health and Safety Strategy
- 15 Corporate OHS standards
- OHS sections in collective bargaining agreements for the Group's Russian operations
- Regulations and guidelines for all production processes
- Project implementation plans and specifications for repair, construction and installation works
- Health and safety guidelines for specific jobs and types of work at all Company's facilities

### RESPONSIBILITY 103-3 403-1

- Board of Directors: monitoring the Company's performance on a quarterly basis and identifying areas for improvement
- First Vice President and COO: overseeing the development of initiatives and compliance with the OHS legislation, reporting to the Board of Directors
- HSE Committee: review and improvement of the OHS management system, assessment of OHS initiatives
- HSE Department: development of OHS initiatives and monitoring compliance with the relevant legislation
- Joint OHS committees (councils) made up of management, employees, and trade union representatives: >67,900 employees of relevant Group companies, or 90% of the Company's headcount
- Authorised trade unions and staff representatives in OHS: >1,000 representatives, >27,000 inspections, >7,200 improvement proposals

### CERTIFICATION

- Polar Division and Pechengastroy: GOST R 54934-2012 (OHSAS 18001)
- Kola MMC: OHSAS 18001
- Norilsknickelremont: GOST 12.0.230-2007 (ILO-OSH 2001)

### PRIORITIES

- Implementation of corporate standards
- OHS training: over 34,300 employees of the Group companies trained in 2018, including 3,600 new employees and those with less than three years of experience
- Special assessment of working conditions held annually; 7,800 workplaces of over 14,000 employees assessed in 2018
- Provision of necessary personal protective equipment and its preliminary testing: average Group's costs of around RUB 40,000 per employee in 2018
- Safety communication campaign
- Prevention of occupational diseases
- Safety management in contractors

Nornickel put in place 15 corporate occupational health and safety (OHS) 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 Inter-Facility Transportation;
- OHS Communication, Accounting and Reporting Procedures;
- Accident Investigation;
- Procedure for Organising and Conducting High-Hazard Operations;
- Safety Requirements for Interaction of Vehicles and Pedestrians at Production Sites and Facilities;
- Hazard Identification, Assessment and Management of Occupational Health and Safety Risks;
- Management of Technical, Technological, Organisational and HR Changes;
- Requirements for Demarcation of Hazardous Areas and Visualisation of the Working Space;
- Contractor OHS Management;
- OHS Contest Arrangements.

### 103-2

The Company continues to improve OHS management processes, among other things, by drafting and implementing corporate standards. In 2018, the Company proceeded with the projects to control risks and implement the framework to manage technological and organisational changes. The projects seek to build an effective system to continuously identify and control significant OHS risks and changes within the Group.

The reporting year saw the Company start implementing an automated system for OHS management monitoring, with its first stage put on stream at Kola MMC, Pechengastroy, and the Head Office.

Nornickel regularly takes preventive and control measures, including:

- second-party OHS management audits (cross-company audits of the Group companies involving the OHS heads and experts from other Group companies). There were 45 audits in 2018;

- internal OHS management audits;
- activities as part of the OHS monitoring system at each facility, including:
  - multi-stage control;
  - ad hoc, targeted and comprehensive OHS inspections;
- safety behaviour audits;
- compliance and certification audits as part of the OHSAS management system;
- independent external audits of the corporate OHS management system and occupational safety culture.

### Prevention of occupational diseases

The Company implements measures to prevent occupational diseases. Employees undergo compulsory pre-employment, regular and ad hoc medical examinations and check-ups organised at the Company's expense. Those that have contact with hazardous materials are subject to additional examinations held at least once in five years by occupational pathology centres or other organisations authorised to conduct pre-employment and regular check-ups. These serve to assess occupational health fitness and determine if the disease is job-related. In 2018, the Group's costs related to medical examinations and maintenance of medical aid posts amounted to RUB 437.1 mln and RUB 221.5 mln, respectively.

The Company's facilities have their own medical aid posts to perform pre-shift and pre-trip checks and provide medical assistance to employees.

To automate the process, the Company started introducing an electronic health check-up system in 2018, piloted at Kola MMC and GRK Bystrinskoe.

The Company provides employees working in harmful and hazardous conditions with free foods, milk, and other equivalent food products for therapeutic purposes in compliance with the applicable Russian legislation and corporate policies. In 2018, foods and milk costs across the Group amounted to RUB 1,247.9 mln.

In case of hazardous production factors identified by the special assessment of working conditions, the Company provides employees with personal protective equipment (PPE).

In 2018, the Company put in place Alcoframes, contactless breath alcohol screening devices, to prevent intoxicated employees from accessing production facilities. The devices are running at Polar Division (Copper Plant), Medvezhy Ruchey, GRK Bystrinskoe and Norilsk Support Complex. The Company continues to work in this area.

#### Contractor safety management

Contractor operations (repair, construction and installation works at the existing facilities) are classified as high-hazard and governed by the respective corporate standard. Work permits, operations certificates and work execution plans (process sheets,

guidelines, etc.) must contain safety requirements to be met when organising and performing work. The Company checks compliance with these requirements during each shift. Prior to commencement of work, contractors' staff receive pre-job and ad hoc health and safety briefing, including security measures set forth in work execution plans.

In 2018, Nornickel developed and introduced the STO KISM 121-222-2018 standard to improve control and safety of work performed by contractors at its facilities. The standard sets out relevant requirements applicable to contractors at the selection stage and onwards.

#### KEY INJURY INDICATORS [403-2](#)

Indicator	UoM	2014	2015	2016	2017	2018
FIFR		0.07	0.12	0.11	0.07	0.05
LTIFR		0.48	0.62	0.35	0.44	0.23
Total workplace injuries in accordance with the Russian labour laws	pcs	64	88	56	60	32
Fatal workplace injuries	pcs	8	14	13	8	6
Minor injuries	pcs	305	411	719	719	1,043 <sup>1</sup>
Potentially dangerous incidents <sup>2</sup>	pcs	349	976	1,845	1,711	2,270
Occupational diseases	pcs	226	271	339	361	318
Total work-related accidents among the contractors' employees engaged at the Group's sites, in accordance with the Russian labour laws <sup>2</sup>	pcs	13	19	17	16	19
• including fatalities	pcs	5	5	7	1	2
Occupational health and safety expenses	RUB mln	7,446	10,748	8,515	8,708	10,563
• including per employee	RUB thousand	95	134	106	114	141

<sup>1</sup> The increase in the number of minor injuries and potentially dangerous incidents was 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 helps eliminate their causes and, therefore, prevent incidents with more severe implications.

<sup>2</sup> The indicator has been recorded since 2014.

In 2018, the Company registered one fatality that took place in 2017. The fatality was further investigated and recorded on the basis of a court ruling.

Fatalities breakdown in 2018 by type of accident: exposure to hazardous substances – two incidents, injuries caused by falling from heights, rockfalls in mines, impact of vehicles on pedestrians and other injuries — one incident each.

All workplace accidents are investigated in accordance with the applicable Russian laws. Investigation results serve as a basis for developing measures to be taken promptly to eliminate the root causes. [WEB](#)

In 2018, the lost time injury frequency rate (LTIFR) decreased from 0.44 to 0.23, down by 48% y-o-y, reaching the Company's record low and remaining below the industry average. The number of lost time injuries halved, from 52 to 26, while fatalities fell by 25%, from 8 to 6, on the back of initiatives to ensure compliance with core occupational safety requirements and improve safety standard management.

#### HEALTH AND SAFETY PERFORMANCE INDICATORS FOR ACCIDENT PREVENTION

Indicator	2013	2014	2015	2016	2017	2018
Audits conducted:						
by health and safety committees (thousand)	> 35	> 33	> 33	> 31.5	> 30.8	> 30.9
Target audits conducted by managers, senior specialists and committees of the Group's facilities and business units (thousand)	16	7.7	8.4	6.8	8.7	9.7
Ad hoc audits (thousand)	21	6.3	8.1	8.8	15.3	15.7
Comprehensive audits of health and safety and relevant management systems	157	160	163	167	221	149
Coupons removed from the books of employees violating health and safety requirements <sup>1</sup> (thousand)	6.4	4.4	3.9	3.4	2.9	2.2
Employees subject to disciplinary action for the violation of health and safety requirements (thousand)	7.6	6.9	8.3	8.8	7.9	6.8
Employees with reduced bonus payments (thousand)	> 17	> 14	> 15	> 15	> 13.6	> 13
Total (RUB mln)		> 67	> 56	> 55	> 74	> 70
Employees incentivised for health and safety involvement and lower workplace injury rate as per the audit results (thousand)	> 7	> 5	> 9	> 5	> 5.6	> 6.4
Total (RUB mln)	> 42	> 35	> 78	> 51	> 41	> 52

<sup>1</sup> Removal of coupons is a preventive measure that enables the Company to register the number of gross health and safety violations which did not cause accidents, and subject the culprits to disciplinary actions and financial penalty.

**Engagement of employees in safety management**

403-1

Most of the Group companies (including subsidiaries, divisions and structural production units) put in place official joint health and safety committees (councils) made up of the management, employee and trade union representatives. The Group companies running such joint committees employ over 67,800 people (around 90% of the Group's total headcount).

Authorised representatives of trade unions and staff in occupational health and safety (1,146 employees) were elected to participate in preventive activities across the Group's production units. In 2018, they took part in over 27,000 audits and submitted more than 7,200 health and safety improvement proposals.

**Health and safety topics covered in formal agreements with trade unions**

403-4

The Company and most of its production units, including Kola MMC, Norilsknickelremont, Polar Construction Company, NTEK, Yenisey River Shipping Company, Norilskpromtransport and Norilsk Support Complex,

entered into collective bargaining agreements with employee representatives (including trade union organisations). The collective bargaining agreements contain occupational health and safety provisions and are in place at the companies that employ some 81% of the Group's staff. [WEB](#)

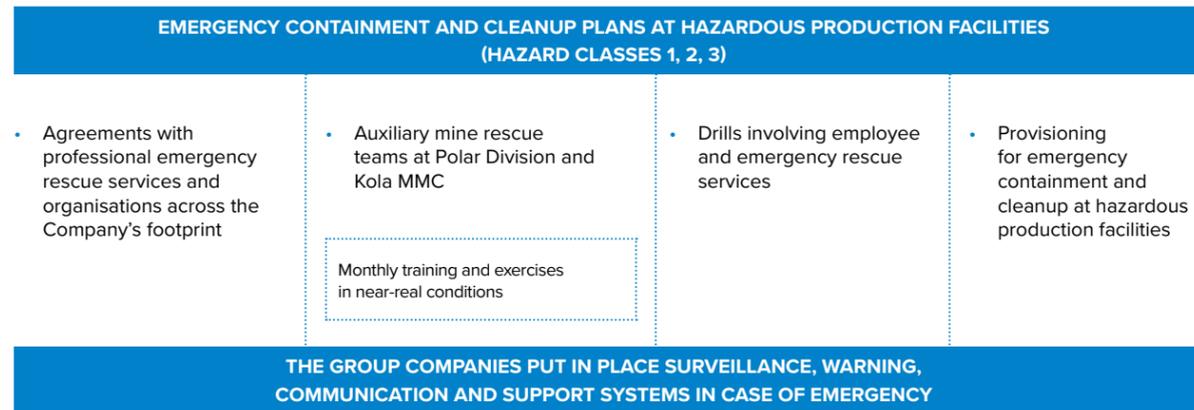
**Emergency preparedness**

403-3 103-2

The 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.

The Company complies with Federal Law No. 116-FZ On Industrial Safety of Hazardous Production Facilities dated 21 July 1997, and ensures preparedness for emergency containment and response at hazardous production facilities. [WEB](#)

**EMERGENCY PREPAREDNESS SYSTEM AT HAZARDOUS PRODUCTION FACILITIES**



**Improvement of social and working conditions**

The Group companies operate more than 2,100 sanitary, amenity, sports and fitness, catering, healthcare, and recreational facilities with a total area of over 340,000 sq m. The Company is committed to providing comfortable social and working conditions.

From 2003, the Group has been implementing the programme to improve social and working conditions. Since its launch, we have overhauled 253 social facilities and purchased 408 relocatable buildings, investing a total of RUB 4,876.2 mln.<sup>1</sup>

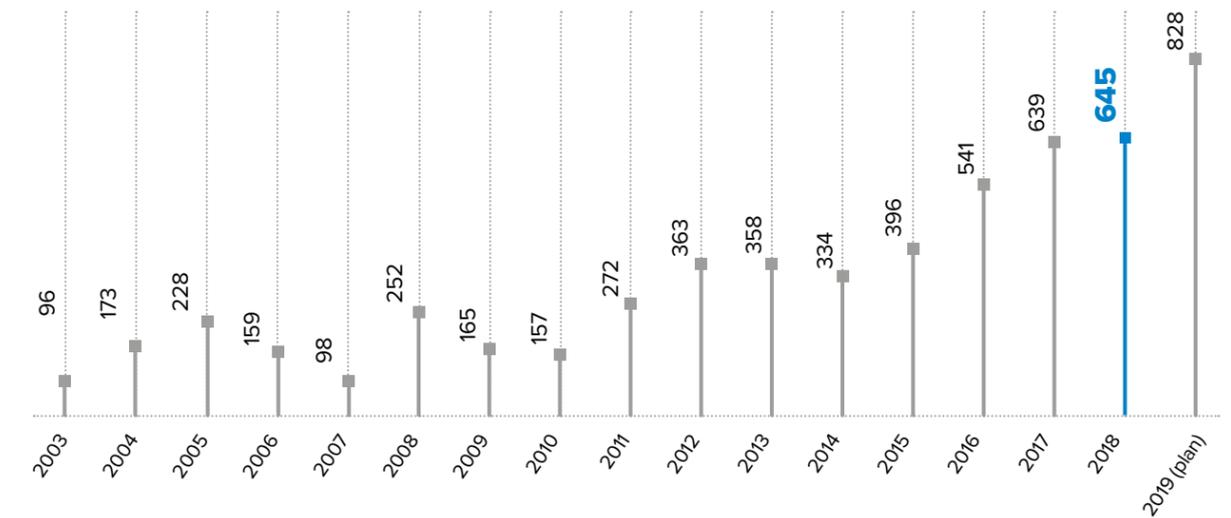
In 2018, the programme covered ten divisions and Group's Russian companies located in Norilsk, the Taimyrsky Dolgano-Nenetsky Municipal District, and

the Murmansk Region. They completed the overhaul of 25 social facilities and purchased 14 relocatable buildings to be used by employees to change, warm up and take meals. The Company renovated a total of 7,285 sq m and improved social and working conditions for 2,698 employees.

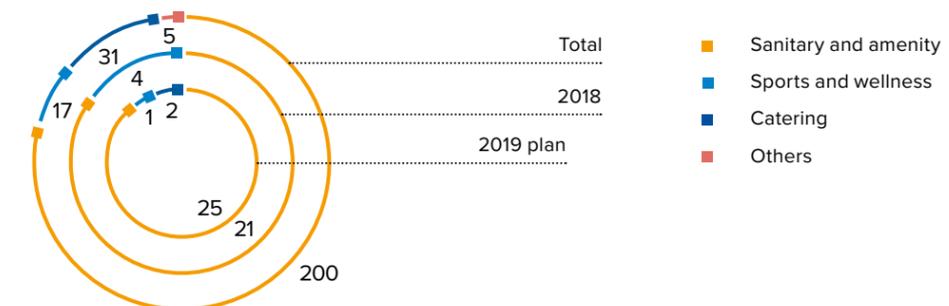
Total costs amounted to RUB 645.3 mln, including RUB 514.3 mln invested in design and overhaul, and RUB 131.0 mln spent on equipment.

The programme will be running over a mid-term horizon of three years, with investments in 2019–2021 to exceed RUB 2,000 mln. During this time, the Company expects to repair and equip over 80 social facilities.

**ACTUAL COSTS FOR THE PROGRAMME TO IMPROVE SOCIAL AND WORKING CONDITIONS, RUB MLN**



**REPAIRS OF SOCIAL FACILITIES IN 2003–2018, 2019 (PLAN)**



<sup>1</sup> Hereinafter inclusive of VAT.

## Anti-corruption

### UN GLOBAL COMPACT PRINCIPLES

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

### Preventing and fighting corruption

103-2

Nornickel's delivering on strategic goals is based on the trust and engagement of shareholders, investors, partners, employees, state, Russian and international business communities, and society in the Company's operations. Therefore, corruption of any nature is unacceptable.

The Company consistently builds the compliance framework focusing on priority anti-corruption areas, key actions and the role of the governing bodies.

Starting 2017, MMC Norilsk Nickel implements a revised Anti-Corruption Policy that applies to the Company's representatives and contractors, including foreign public officials and officials of international public organisations. The respective responsibilities are stipulated in agreements made with contractors or expressly provided for by the applicable laws.

Through the efforts of its representatives, Nornickel takes active part in developing and implementing domestic and international policies on combating corruption.

Andrey Bugrov, the Company's Senior Vice President, is a member of a number of top-level organisations that supervise this area, in particular:

- Expert Council of the Presidential Anti-Corruption Directorate;
- B20's anti-corruption task forces;
- Expert Council on Corporate Governance at the Russian Ministry of Economic Development;
- representative of the Russian Union of Industrialists and Entrepreneurs engaged in groups and committees of the Business and Industry Advisory Committee to the OECD (BIAC); the Anti-Corruption Task Force and the Corporate Governance Committee.

Anti-corruption matters are an integral part of the functions of other entities where Andrey Bugrov serves as a member.

Russian companies in Norilsk Nickel Group adopt and implement their own anti-corruption regulations that are in line with the Company's anti-corruption policy.

The Company takes all the necessary and reasonable steps to cause organisations in the corporate structure and located outside Russia to comply with the key principles and requirements of the anti-corruption policy.

205-1

The Company assesses corruption risks on an annual basis, conducting quarterly risk monitoring. In 2018, corruption risk assessments were performed across all the Group's business units and companies. No confirmed incidents of corruption were identified.

205-2

When recruited, all of the employees are familiarised with the corporate Anti-Corruption Policy and related regulations, and starting 2015, sign addenda to their employment contracts that set out anti-corruption responsibilities. The Company has the e-learning course On Preventing Corruption in place for new employees. As at the end of 2018, the share of employees informed about the Group's existing corruption prevention policy is 100%. In 2018, the dedicated training on the requirements and provisions of the corporate anti-corruption regulations was received by 3,505 people (4.72% of the Group's employees as at the end of 2018).

## PREVENTING AND FIGHTING CORRUPTION AT NORNICKEL

### REGULATION

- Anti-corruption laws of the Russian Federation and other countries where the Company operates
- Applicable international laws
- Anti-Corruption Charter of the Russian Business
- Anti-Corruption Policy of MMC Norilsk Nickel
- Business Ethics Code
- Directors' Code of Corporate Conduct and Business Ethics
- Regulation on the Prevention and Management of Conflicts of Interest in the Company
- Regulation on the Conflict of Interest Commission
- Regulation on Business Gifts
- Standard anti-corruption agreement (appendix to the employment contract)
- Procedure for Anti-Corruption Due Diligence on Internal Documents at the Head Office of MMC Norilsk Nickel Information Policy Regulation, etc.

### RESPONSIBILITIES

- Board of Directors — determining key strategic priorities in countering corruption and following up related activities
- President — organising measures set to meet the requirements and principles of the anti-corruption policy
- Corporate Relations Department — identifying and documenting risks related to corruption, developing and controlling risk management measures
- Corporate Trust Service — providing prompt response to reports of violations, abuses and embezzlement
- HR Services — organising staff training on combating corruption
- Corporate Security Unit — checking counterparties and candidates to vacancies, responding to corruption incidents
- Heads of the Group's branches and companies — ensuring compliance with the principles and requirements of the Anti-Corruption Policy

### FOCUS AREAS

- Prevention and management of conflicts of interest
- Anti-corruption due diligence of by-laws
- Counterparty due diligence to confirm their reliability, solvency and financial stability; anti-corruption clauses in contracts
- Procurement procedure
- Government cooperation, promotion of justice and the rule of law
- Recording and monitoring hospitality expenses, establishing criteria for acceptable business gifts
- Staff training in preventing and fighting corruption
- Awareness of the Company's corruption management policy among stakeholders

Nornickel's anti-corruption initiatives are regularly covered in corporate press releases. The Company maintains the Preventing and Fighting Corruption page on the corporate website [www.nornickel.com](http://www.nornickel.com) containing information on anti-corruption regulations adopted, measures taken, preventive procedures introduced, legal training sessions organised and law-abidance awareness among staff and counterparties. [WEB](#)

### Corporate Trust Service

103-2

The Corporate Trust Service was established at Nornickel back in 2010 to ensure prompt response to reported violations, abuses and embezzlement. The Service's scope of responsibility covers all business units of the Company and Group companies. The Service is governed by the Procedure on the Corporate Trust Service of MMC Norilsk Nickel approved by the

Company's President. Report statistics are submitted to the Audit and Sustainable Development Committee of the Board of Directors and the Company's operations on a quarterly basis.

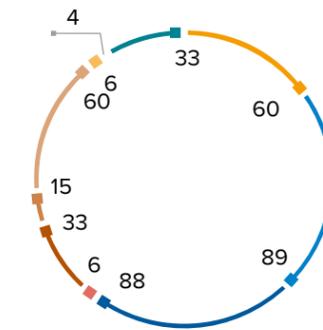
The principles underlying the Corporate Trust Service include guaranteed confidentiality for whistle-blowers, independent consideration of reports, and timely and unbiased consideration of all reports irrespective of the position and employment period of the person mentioned therein.

**Nornickel's Corporate Trust Service: toll-free hotline available 24/7: +7 800 700 1941 and +7 800 700 1945, email: [skd@nornik.ru](mailto:skd@nornik.ru).**

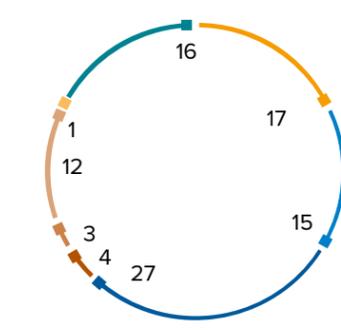
Information about the Corporate Trust Service is posted on the Company's official website: [www.nornickel.com](http://www.nornickel.com), intranet site, salary slips, calendars, posters with the Service's logo.

Persons in charge of the Service have processing performance of incoming reports as their individual KPIs.

REPORTS RECEIVED IN 2018, ITEMS (394 ITEMS IN TOTAL)

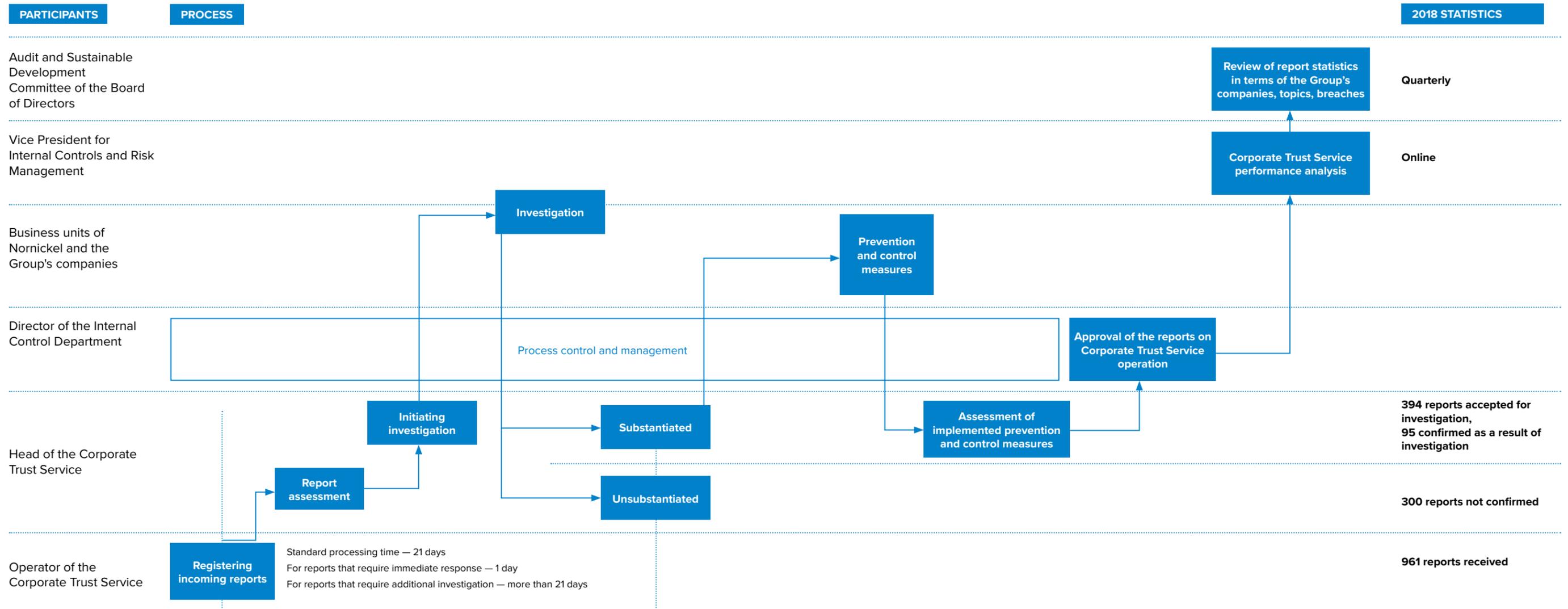


REPORTS CONFIRMED IN 2018, ITEMS (95 ITEMS IN TOTAL)



- Payroll abuses
- Production related abuses
- Technology and safety abuses (excluding environment)
- Corruption
- Commercial and contractual abuses
- Breaches of job descriptions
- Labour disputes
- Social issues
- Conflict of interest
- Embezzlement

**FRAMEWORK FOR REGISTERING AND REVIEWING REPORTS BY THE CORPORATE TRUST SERVICE**





## Environment

### UN GLOBAL COMPACT PRINCIPLES

**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.

### 2018–2023 strategic cycle

Targets	2020 <ul style="list-style-type: none"> <li>Reduction of SO<sub>2</sub> emissions in Nickel by 50%</li> <li>Significant reduction in effluents containing sulphates, sodium chloride and boron/boric acid</li> </ul> 2023 <ul style="list-style-type: none"> <li>Reduction of SO<sub>2</sub> emissions in Polar Division by 75%</li> </ul>
Environmental expenditures, RUB bn	CAPEX for the Sulphur Project around RUB 150 bn by 2023
Projects	<ul style="list-style-type: none"> <li>Sulphur Project (Polar Division, emissions)</li> <li>Upgrade of smelting equipment, discontinuation of low-grade concentrate processing at Kola MMC (Kola MMC, emissions)</li> <li>Upgrade and expansion of refining capacity and migration to chlorine dissolved tube furnace nickel powder technology (Kola MMC, emissions)</li> <li>Treatment of salt effluents from nickel refining operations (Kola MMC, effluents)</li> </ul>

### Environmental Management System

Nornickel's management considers environmental protection an integral part of the production process. The Company complies with the applicable laws and international agreements and is committed to reducing emissions, on a phased basis, and sustainable use of natural resources.

The Environmental Management System is part of the Group's integrated quality and environmental management system, which enables the Group to harmonise environmental and quality

management initiatives with operations of other functions (production management, finance, health and safety, etc.). This approach is beneficial both for environmental security and for overall performance across the Company.

During 2018, the Company carried out internal audits within the framework of CIMS. In line with international standards and Nornickel's by-laws, internal audits were conducted by specially trained and competent personnel.

The Company has drafted and keeps updating a register of corporate and internal auditors. [WEB](#)

## ENVIRONMENTAL MANAGEMENT AT NORNICKEL 102-30 201-2

### REGULATION

- Environmental legislation: Federal Laws on Protection of the Environment and on Protection of Atmospheric Air, the Water Code, etc.
- Nornickel's Environmental Policy
- Environmental Impact Assessment Policy
- Biodiversity Conservation Policy
- Renewable Energy Sources Policy
- Established maximum permissible environmental impact and its limits
- Plans for reducing pollutant emissions
- Plans for reducing pollutant effluents

### RESPONSIBILITIES

- Board of Directors** approves environmental policies
- First Vice President and COO** oversees preparation of initiatives and compliance with environmental laws, prepares reports for the Board of Directors, and assesses effectiveness of the environmental management system
- HSE Department** ensures compliance of the Company's operations with the applicable environmental laws, environmental policy and ISO 14001:2015 and mitigates administrative and financial risks related to environment protection
- Production units** implement environmental initiatives and prepare federal statistical and corporate reports (immediate, quarterly and annual)
- Health, Safety and Environment Committee** analyses and improves the environmental management system and assesses effectiveness of initiatives
- Sulphur Project office**

### CERTIFICATION

- MMC Norilsk Nickel: **ISO 14001:2015**
- Kola MMC: **ISO 14001:2015**
- Norilsk Nickel Harjavalta: **ISO 14001:2015**

### ENVIRONMENTAL MANAGEMENT PRIORITIES

- Phased reduction of pollutant air emissions, primarily sulphur dioxide and solids
- Progressive reduction of effluents into water bodies
- Development of waste disposal sites to reduce human impact on the environment
- Zero pollution in maritime cargo transportation and vessel operation
- Sustainable use of natural resources and introduction of eco-friendly technologies
- Involvement with environmental public-private partnership projects
- Biodiversity conservation across regions of operations

**Precautionary approach**

102-11

In accordance with its Investment Project Risk Management Regulations, Nor nickel analyses risks and assesses impacts and potential consequences using qualified expert review during both project initiation and implementation. In the event material risks are identified, mitigation initiatives are developed, and a decision may be taken to abandon the project. During state expert review, FEED documents for all the projects being implemented by the Company undergo mandatory assessment for compliance with the applicable law.

When planning its operations, the Company ensures compliance with the requirements of the applicable Russian environmental laws and regulations.

**Environmental protection expenditures**

103-2 307-1

The Group's total environmental protection expenditures stood at RUB 32.5 bn in 2018, up 117.9% year-on-year. The largest spending items were current environmental protection expenditures (RUB 19.2 bn) and capital investments to ensure environmental protection and sustainable use of natural resources (RUB 12.6 bn).

**ENVIRONMENTAL COSTS AND EXPENDITURES, RUB MLN**

Expenditure item	2016	2017	2018
Current environmental protection expenditures	15,405.17	20,907.06	19,161.00
Capital investments to ensure environmental protection and sustainable use of natural resources	9,567.83	4,981.95	12,607.28
Charges for permissible and surplus emissions (effluents) and disposal of production and consumption waste	745.77	626.79	695.18
Charges paid by the Company to remedy damages arising from non-compliance with environmental laws (excluding environmental fines)	4.19	244.31	1.53
<b>Environmental expenditures and costs</b>	<b>25,722.96</b>	<b>26,760.22</b>	<b>32,464.99</b>

In 2018, the Company paid a total of RUB 3,187,000 in environmental fines and received 35 improvement notices from regulators.

**Performance indicators**

**Air protection**

103-2 413-2

Norilsk is the primary area affected by multifaceted operations of Polar Division. 54 pollutants are emitted into the air in this area. The key pollutant is sulphur dioxide accounting for 98% of all emissions.

Kola MMC's operations have environmental implications mostly for Monchegorsk and Zapolyarny towns and Nickel settlement. The key pollutants resulting from copper and nickel feedstock processing are sulphur compounds and dust containing heavy non-ferrous metals such as nickel and copper.

Reduction of air emissions (especially those of sulphur dioxide and dust containing non-ferrous metals) is the key objective pursued by the Company's operational units in terms of environmental management.

To communicate its environmental efforts to the people of Norilsk, Polar Division has been running an automatic toll-free enquiry service offering short-term forecasts on the environmental situation in the city.

To raise the stakeholders' awareness of its large-scale environmental initiative, the Company opened a Sulphur Project showroom in 2017. The showroom functions at Nadezhda Metallurgical Plant and uses the latest exhibition technology. The exhibits include:

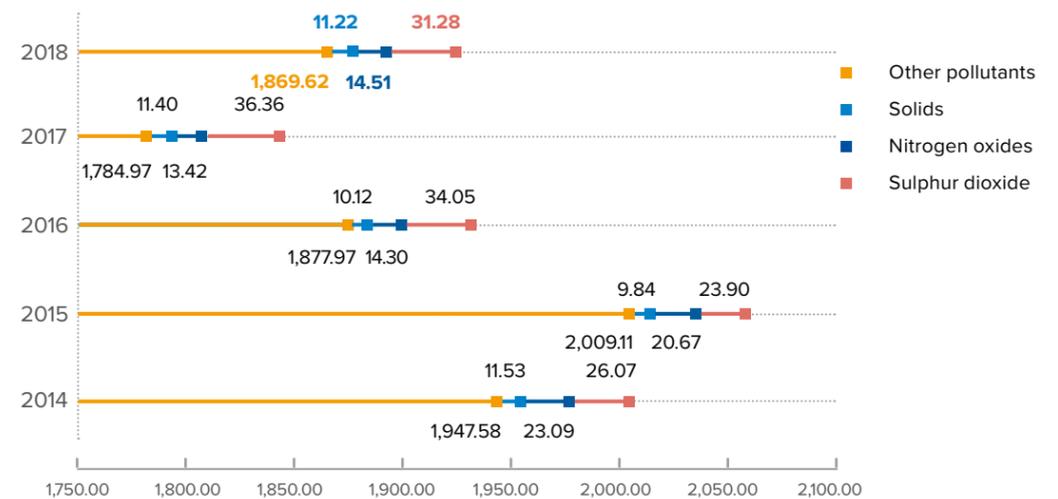
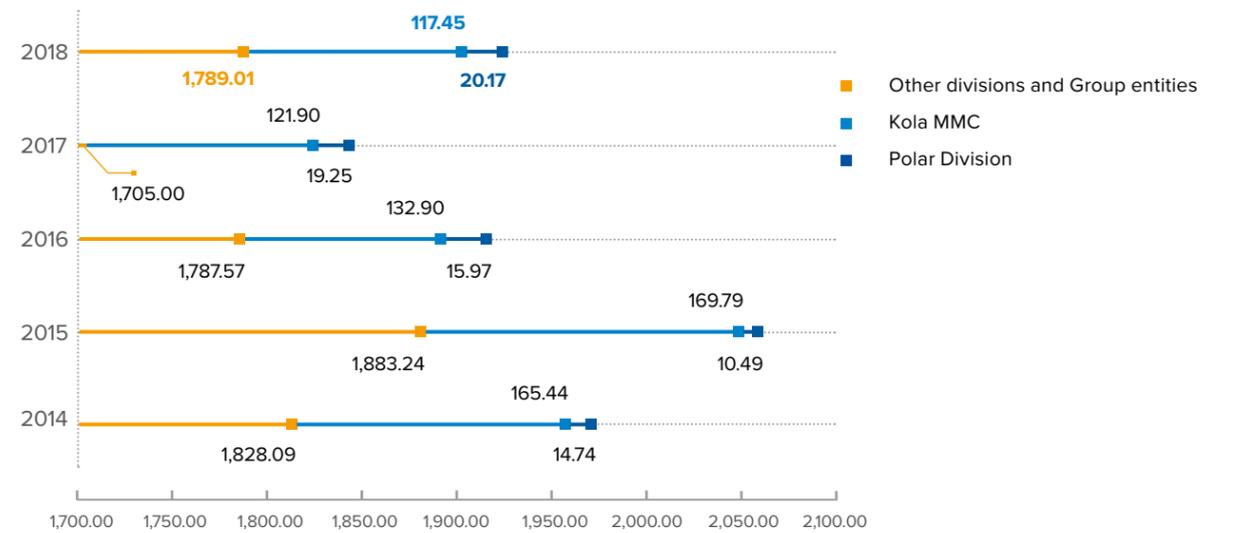
- architectural models of the facilities to be used to utilise sulphur dioxide emissions at the plant;
- building models with augmented reality elements to demonstrate solutions and technology;
- interactive stands providing information about the existing projects, Polar Division, Nadezhda Metallurgical Plant and the Company's environmental initiatives;
- screens with information videos about the projects.

In 2017, a roadmap to reduce air pollutant emissions at Polar Division in 2018–2023 was developed, with Rosprirodnadzor's approval obtained. The roadmap takes into account the current state of emission sources following the shutdown of Nickel Plant and completion of reconfiguration at Polar Division's production facilities. It covers major projects (sulphur projects at Copper Plant and Nadezhda Metallurgical Plant, and the conversion

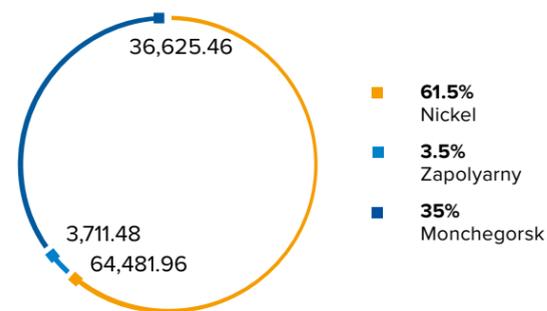
shop area upgrade at Copper Plant), timely progress on which will allow Nor nickel to keep emissions down to maximum permissible rates.

Official deadlines for reaching maximum permissible emission rates at Polar Division were set forth in a decree of the government of the Krasnoyarsk Territory.

**AIR POLLUTANT EMISSIONS, KT** 305-7



## REDUCTION OF SO<sub>2</sub> EMISSIONS AT KOLA MMC, TONNES



In 2018, the Group's pollutant emissions increased 5%, while Kola MMC's emissions went down 3.6%.

### Implementation of emission reduction initiatives in 2018

#### Polar Division

In 2018, the Company continued bringing emissions gradually down to below the maximum permissible concentration levels set for MMC Norilsk Nickel's Polar Division.

One of the projects aimed at achieving this goal was completed at Copper Plant's Smelting Shop. The flue gas extraction process was rearranged to bring gas from holding furnaces, slag siphons and charging doors of Vanyukov's furnaces 2 and 3 to DT-1 flue gas stack. With the new process introduced in 2018, nearly 11 ktpa of emissions from shut-down low-height sources at Copper Plant (gas bleeders of matte and slag holding baths of Vanyukov's furnaces) were eliminated and redirected to DT-1 flue-gas stack. Estimated ground level concentrations of pollutants in Norilsk residential areas were reduced by 2.65 permissible limit values for sulphur dioxide and by 0.36 permissible value for lead.

During 2018, much work was done at Polar Division's facilities to overhaul and repair gas cleaning units, dust exhausting units and dust collectors, which resulted in the reduction of dust emissions from stationary emission sources:

- Copper Plant (Smelting Shop, Drying Shop, and PGM Concentrator): routine repair of dust exhausting units at Converters 2–7;
- Nadezhda Metallurgical Plant (Smelting Shop 1, Feedstock and Charge Makeup Shop, Elemental Sulphur Production Shop 1).

In 2018, the Company continued its efforts to control pollutant emissions during unfavourable weather conditions. During the reporting period, a total of 140 emission control interventions were made at Norilsk's metallurgical operations.

On 28 December 2018, Deputy Prime Minister Aleksey Gordeyev approved the Integrated Action Plan to Reduce Air Pollutant Emissions in 2019–2024 that requires Polar Division to invest a total of RUB 123.2 bn to cut its gross emissions by at least 75% by 2023. Additionally, the action plan provides for the Federal Budget and the Krasnoyarsk Territory Consolidated Budget to allocate RUB 210 mln in 2019–2024 to finance Rosprirodnadzor's and Rosgidromet's air monitoring activities in Norilsk and Rospotrebnadzor's social hygiene monitoring system.

#### Kola MMC

An upgrade project started at Zapolyarny Concentrator. The project provides for the construction of a facility to separate low-grade (marketable quality) concentrate and high-grade concentrate and construction of a new building to dehydrate and ship low-grade concentrate to third-party consumers. High-grade concentrate will go through a new high-performance thickener and will be further processed at the Concentrator's briquetting line and at Kola MMC's smelting facilities using the existing technology. The project has environmental implications. When it is completed, the utilisation rate of Smelting Shop in Nickel will decrease substantially enough to decommission one of its ore-thermal furnaces and bring sulphur dioxide emissions in Nickel down to the maximum permissible level (31 ktpa).

In Monchegorsk, the Company continued working on the project named Nickel Electrowinning from Chlorine Dissolved Tube Furnace Nickel Powder with 145 ktpa Electrolytic Nickel Output. The project provides for the redesign of cathode nickel production in Nickel Tankhouse and replacement of the existing soluble anode electrorefining technology with nickel electrowinning from chlorine solutions. The new technology will reduce air emissions thanks to the elimination of anode smelting.

#### Climate risk management

Climate change risks are increasingly gaining attention of the investment and financial community. They are subject to government regulation in many countries. Russia is in the process of developing its regulatory framework in this area. As it evolves, the Company will additionally integrate these requirements into its CAPEX plans.

To minimise its impact on the climate, the Company implements a long-term strategy providing for the upgrade of its production facilities using the best available technologies, improving energy efficiency, and implementing measures that encourage energy saving and lower energy consumption. The Company's strategy already addresses key non-financial risks, including climate risks, and factors in recent trends in this area.

Nornickel has adopted a proactive approach in responding to GHG regulatory risks in Russia and abroad by:

- keeping record of GHG emissions;
- developing and implementing a corporate GHG emission management system;
- disclosing information on GHG emissions on a voluntary basis;
- monitoring domestic and international climate regulations;
- assessing the prospects of GHG reduction.

The Board's Audit and Sustainable Development Committee examines climate change risk data published in Norilsk Nickel Group's quarterly risk reports. The Board of Directors reviews climate risks while discussing the Company's Environmental Development Framework and progress reports on major investment projects and treats them as a priority in setting Nornickel's targets and development strategy. Climate change matters are overseen by the First Vice President and Chief Operating Officer.

305-1 305-4

Direct GHG emissions of Norilsk Nickel Group total about 10 mt of CO<sub>2</sub> equivalent.<sup>1</sup>

The direct GHG emission intensity is 13.7 tonnes of CO<sub>2</sub> equivalent per RUB 1 mln of consolidated revenue.

The Group uses mostly low-carbon fuels in its production and power generation processes, with natural gas accounting for about 90% of fuels used. The Company also generates renewable energy at its Taimyr HPP Cascade. In 2018, the Company's HPPs generated 51% of total power consumed in the Norilsk Industrial District. Electricity produced by the HPPs account for 44% of the Group's total power consumption.

#### Use of ozone-depleting substances

305-6

The Group neither produces nor uses ozone-depleting substances (ODS), except for extremely limited amounts used as a chemical agent for laboratory-based chemical analysis as well as for filling and topping compressors in air conditioning units and carbonated water machines that produce water used as a cooling agent for medium- and low-temperature refrigerating equipment. The Company reports on the use of ODS to the Russian Ministry of Natural Resources as required.

#### Protection of water bodies

103-2 306-5

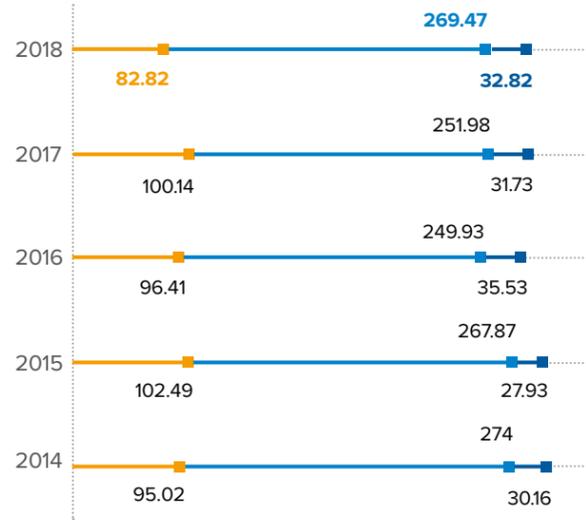
The Group uses water from surface and underground sources for its drinking, production and process supply needs as well as for community and shipping needs. Water is withdrawn in compliance with the pre-approved limits, without any major impacts on water bodies. No water is withdrawn either from the Ramsar Wetlands or from other protected natural areas.

The Company's wastewater effluents generally do not exceed the pre-approved limits, including admissible impact limits, or have any major impact on biodiversity of water bodies and related habitats.

<sup>1</sup> An estimate that includes carbon dioxide (CO<sub>2</sub>) and methane (CH<sub>4</sub>) emissions.

The Company holds stakes in many subsidiaries so that most production processes emitting greenhouse gases fall within the Company's perimeter, i.e. part of direct emissions from the fuel and energy assets will be considered indirect emissions of the production assets in so far as energy is supplied for production needs, etc. Also, when calculating its emissions, the Company takes into account its transport and logistics units that ship cargoes and commercial products for the Company's benefit (e.g. Murmansk Transport Division). Therefore, the entire Group produces approximately the same amount of Scope 1 and 2 GHG emissions in terms of the Greenhouse Gas Protocol.

**TOTAL WATER WITHDRAWAL,<sup>1</sup> MCM** 303-1

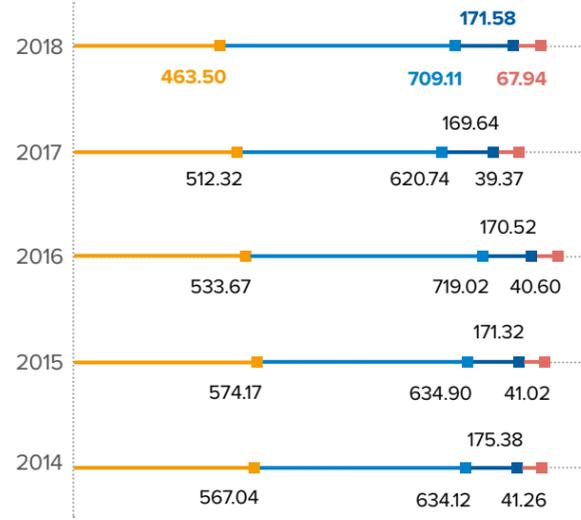


- Polar Division and Norilskenergo
- NTEK
- Kola MMC

In 2018, the Group's water withdrawal<sup>2</sup> grew 6.3% year-on-year and totalled 356.8 mcm. This was mostly associated with an increase in power generation and resulting growth of water consumption to cool turbine generating units at NTEK's TPP 2.

Besides, the natural inflow of mine water increased by 2.3 mcm at Polar Division and Medvezhy Ruchey and by 1.3 mcm at Kola MMC.

**TOTAL WATER CONSUMPTION, MCM**



- Polar Division
- NTEK
- Kola MMC
- Other business units and subsidiaries

Group-wide use of recycled water increased by 73 mcm (6.6%) due to enhanced water recycling at NTEK's TPP 2 and Kola MMC.

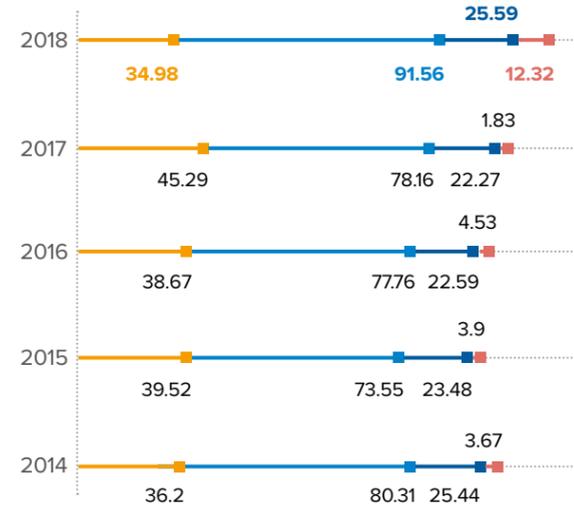
Water consumed by Polar Division decreased by 48 mcm because Zapolyarny Mine and Norilsk Concentrator were transferred to the Medvezhy Ruchey mine.

Reused and recycled water makes 85.7% of total water consumed by the Group.

<sup>1</sup> The total for Polar Division, Norilskenergo Branch and other operations of the Group includes water withdrawal from NTEK.

<sup>2</sup> Water withdrawal is measured with flow metering instruments.

**TOTAL EFFLUENTS, MCM**



- Polar Division and Norilskenergo
- NTEK
- Kola MMC
- Other business units and subsidiaries

306-1

In 2018, the Group's effluents grew by 17 mcm (11.4%) year-on-year and reached 164.4 mcm. This was mainly due to a 13.4 mcm increase in the discharge of standard-quality treated water used to cool turbine generating units at NTEK's TPP 2.

The amount of effluents treated to standard quality at treatment facilities grew by 457,000 m<sup>3</sup> (7.5%).

Pollutants in effluents discharged by Polar Division and Norilskenergo (branch of MMC Norilsk Nickel) decreased by 0.3 kt to 72.7 kt.

In 2018, Kola MMC's effluents grew 16.45% year-on-year, mainly due to an increase in wastewater discharge at the Monchegorsk site where water intake for its production needs increased. At Zapolyarny and Nickel sites, effluents increased on the back of growing discharge of mine drainage and wastewater. Pollutants discharged grew by 5 kt as effluents increased.

In 2018, the Company continued implementing its plan to bring effluents in Norilsk gradually down to maximum permissible discharge rates for each controlled pollutant:

- local treatment plants were built at wastewater outlets 61 and 62 of United Motor Transport Enterprise;
- multiple activities are in progress to optimise water utilisation and disposal at Talnakh Concentrator;
- a wastewater treatment technique was developed to treat industrial effluents in the mixed storm water collector and utility tunnel of Nadezhda Metallurgical Plant;
- design documents were developed to upgrade Copper Plant's Cooling Tower 2;
- pilot tests on the technology developed by Srednyaya Volga to treat Mayak Mine's drained water delivered positive results; it was decided to use this technology as a basis for the Mayak Mine Water Treatment Project;
- search for an appropriate technique is in progress to treat water from Kayerkansky Open Pit and Limestone mine and utility effluents from Copper Plant; work is in progress to develop an alternative treatment method for drained water from Anhydride mine.

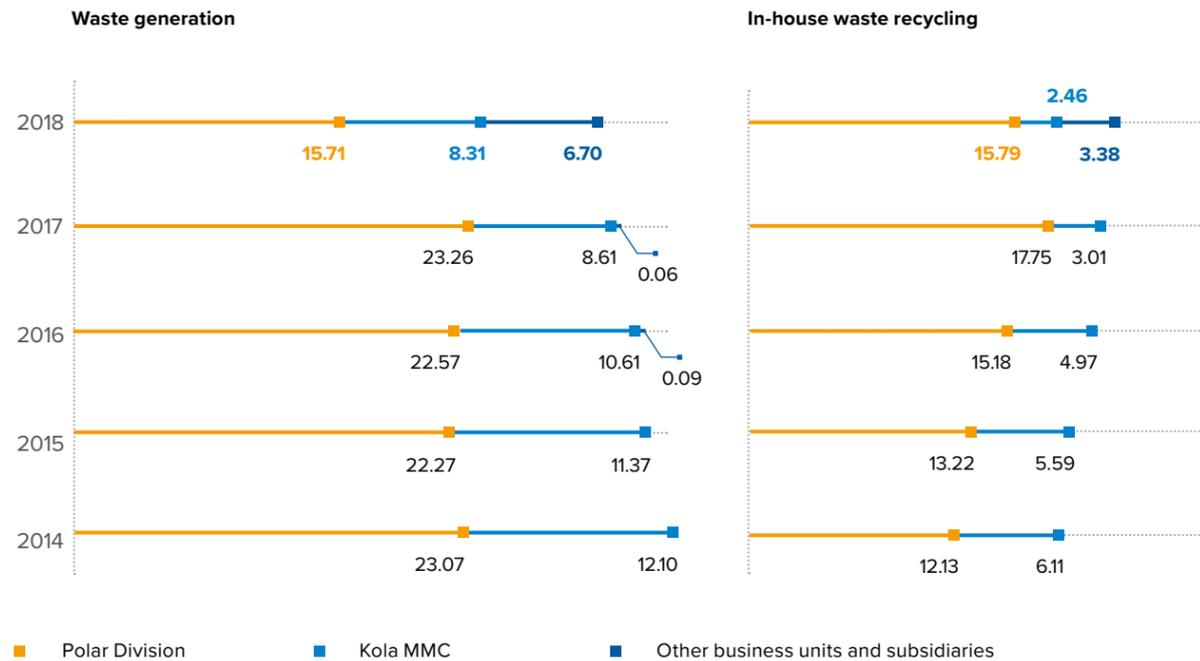
**Waste management**

MM3 103-2

Over 90% of the Group's production waste is classified as hazard class 5 waste (almost non-hazardous waste). This includes rock and overburden, tailings, and metallurgical slags. To minimise the environmental impact, mining waste and tailings are stored at special waste disposal sites and are used (utilised) at the Group's facilities or by other licensed specialist companies. Mining waste and tailings are used to make filling compounds or smelting fluxes, construct and reinforce tailing dumps or railroad groundwork, as road filling, etc.

All of the Group's waste disposal sites are listed on the national disposal site register. The sites are regularly monitored in line with designated environmental programmes. Tailings pits are monitored additionally as required by safety standards for hydraulic structures.

Production and consumption waste is treated in accordance with waste generation standards and waste disposal limits.

WASTE GENERATION AND RECYCLING, MT 306-2

In 2018, the Group generated 1.2 mt less waste than in 2017. The 7.55 mt reduction of waste generation at Polar Division and 1.96 mt decrease in waste recycling is explained by the spin-off of Zapolyarny Mine (both the underground and open-pit mines) and Norilsk Concentrator, which were transferred to Medvezhy Ruchey.

The year-on-year reduction of waste generation at Kola MMC in 2018, specifically the 0.3 mt decrease in overburden generation and the 0.5 mt decline in waste reuse, was due to the shutdown of open-pit operations

and decreased utilisation of overburden rock to rehabilitate depleted open pits.

In 2018, Norilsk Nickel Group re-used 70% of all produced waste and is committed to increasing this share. [WEB](#)

**Per-unit indicators of environmental impact**

Most per-unit environmental impact indicators of the Group show consistent downward trends.

Indicator	UoM	2014	2015	2016	2017	2018
Per-unit air emissions	t/RUB mln	4.404	4.077	3.530	3.438	2.643
Per-unit water withdrawal	thousand m <sup>3</sup> /RUB mln	0.772	0.689	0.599	0.625	0.489
Per-unit water consumption	thousand m <sup>3</sup> /RUB mln	3.109	2.808	2.668	2.500	1.937
Per-unit effluents	thousand m <sup>3</sup> /RUB mln	0.319	0.277	0.262	0.275	0.226

Indicator	UoM	2014	2015	2016	2017	2018
Pollutants in effluents, per unit	t/RUB mln	0.308	0.302	0.352	0.404	0.319
Per-unit waste generation	kt/RUB mln	0.077	0.066	0.061	0.059	0.042

All RUB mln figures are hereinafter given per RUB mln of consolidated revenue.

**Biodiversity conservation**

103-2 Nor Nickel recognises the importance of biodiversity and seeks to minimise any potential negative environmental impact of its operations. The Company's approach is documented in its Biodiversity Conservation Policy approved by the Board of Directors.

Its focus areas include land rehabilitation, cooperation with nature reserves, and reproduction of aquatic bioresources. The Let's Do It environmental marathon plays an increasingly important role and brings together thousands of Company employees and local community members to support nature reserves, clean up certain areas, transplant young trees, and carry out other environmental initiatives.

Nornickel supports programmes aimed to study and preserve rare and endangered species listed on Russia's Red Data Book, including Siberian bighorn sheep, polar bears, lesser white-fronted geese and others.

**Land rehabilitation**

The Company is developing Oktyabrskoye, Talnakhskoye and Norilsk-1 Deposits on the Taimyr Peninsula, Zhdanovskoye, Zapolyarnoye, Kotselvaara and Semiletka Deposits on the Kola Peninsula, and Bystrinskoye Deposit in the Trans-Baikal Territory.

Pursuant to the Russian laws, design documents for capital construction projects, including field development, must have a section describing environmental protection and monitoring initiatives to track changes across the ecosystem resulting from ongoing development, construction or accidents.

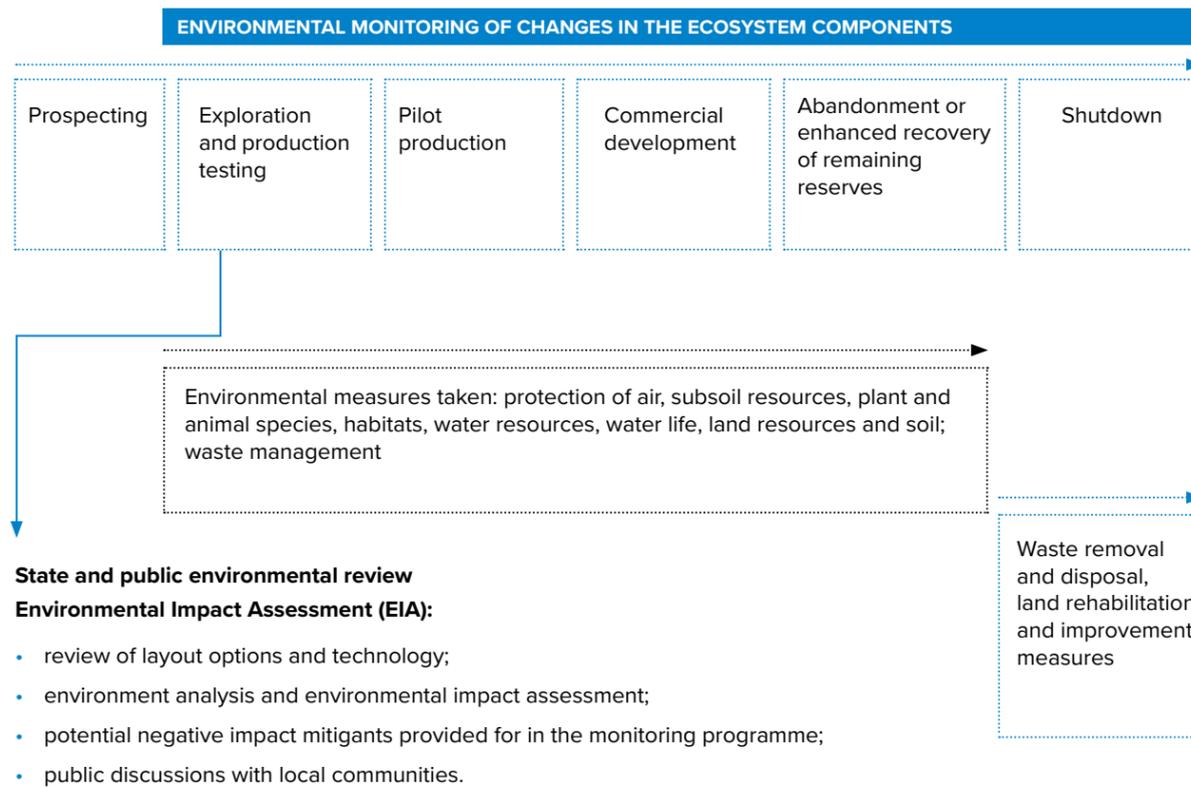
The Company has field development, mine liquidation and land rehabilitation project documents in place for all of its deposits, with special provisions made for rehabilitation activities. The project design documents provide for layouts, slopes, hydraulic and irrigation structures, and other technical measures. Importantly, the Company's deposits are in commercial development, exploration or production test stages with liquidation or abandonment not expected until 2050.

The Company complies with all applicable regulations for land rehabilitation and other environmental protection initiatives associated with field development, construction and other operations.

DISTURBED AND REHABILITATED LAND AREA IN 2018, HA<sup>1</sup> MM1

Indicator	Total	Including			
		during mining	during construction	during disposal of solid domestic and industrial waste	during other activities
Total disturbed area, beginning of period	14,889.43	13,225.82	428.95	66.34	1,168.32
Total rehabilitated area	31.70	31.70	0.00	0.00	0.00
Total disturbed area in the reporting period	0.10	0.10	0.00	0.00	0.00
Total disturbed area, end of period	14,915.33	12,724.32	430.75	591.84	1,168.40

ENVIRONMENTAL PROTECTION AND MONITORING MEASURES TAKEN DURING THE DEPOSIT LIFE CYCLE 304-3 MM1



<sup>1</sup> Medvezhy Ruchey was included in the reporting perimeter in 2018.

Nornickel traditionally takes part in urban greening projects in Norilsk, Dudinka, Monchegorsk, Zapolyarny, and Nickel. The disturbed area reclamation programme is implemented in cooperation with local authorities and volunteers and seeks to clean up and improve public spaces and areas around motorways, protect water bodies and water reserves, and revamp tourist camping sites.

In 2003, Kola MMC started implementing a land rehabilitation programme as advised by nature reserves. In just 14 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.

**Cooperation with nature reserves**

304-1 304-2

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. Bystrinsky GOK is located 160 km away from the Relict Oaks State Reserve (the Trans-Baikal Territory). At present, the Company's operations do not produce any significant impact on areas that are in relative vicinity to the nature reserves and areas of high biodiversity value outside protected areas. The Company's cooperation with nature reserves focuses on developing research and technology and supporting their social, volunteering and environmental awareness programmes.

**Taimyr Peninsula**

The **Putoransky State Nature Reserve** has been on the UNESCO world heritage list since 2010. It is one of the biggest nature reserves in Russia with a total area of over 1,887,000 hectares. The reserve is part of the Joint Directorate for Taimyr Nature Reserves, which also includes the Taimyrsky and Big Arctic reserves, as well as the Purinsky and Severozemelsky natural protected areas.

The Joint Directorate for Taimyr Nature Reserves implements environmental projects selected under Nornickel's World of New Opportunities charitable programme to support socially important initiatives. The projects focus on raising environmental awareness, environmental protection, engagement of local communities, land improvement, and landscaping.

In 2018, the Company helped Taimyr's nature reserves to organise environmental raids and transport research groups to remote locations.

**Kola Peninsula**

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

The Pasvik State Nature Reserve is featured as one of the Wetlands for the Shadow List of Ramsar Sites under the name of Fjarvann — Schaanning's Field Base. It covers a total area of over 14,000 ha. **Pasvik** is the only Russian nature reserve holding the EUROPARC Federation's certificate, which is awarded to the best protected areas worldwide. Such certification is an important condition for international cooperation with foreign nature reserves.

Since 2006, the Pasvik Nature Reserve has been carrying out an 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 the World of New Opportunities charitable programme. The projects seek to reach out to Russian and Norwegian audiences and cover a variety of topics, including traditional use of natural resources, raising environmental awareness among schoolchildren, and promoting research. In 2018, the Company donated a mobile environmental laboratory that is based on a four-wheel drive KAMAZ vehicle and fully adapted to work in the Arctic conditions.

Pasvik's Visitor Centre, which was built with support of the Company, is an international platform for academic forums and educational activities focused on environmental protection issues.

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 1930). 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. Research results provided a basis for further rehabilitation of disturbed lands and for sanitary and fire protection improvements in forest areas.

The Company supported creation of multiple ecotrails, including the first ecotrail for children called "A Curious Child out in the Woods," and publication of books on the reserve founders.

In the **Rybachy and Sredny Peninsulas Natural Parks**, environmental routes and information facilities are developed on the territory covering over 83,000 ha under an agreement between the Company and the Murmansk Region Government.

#### Trans-Baikal Territory

The oak grove in the Gazimuro-Zavodsky District is Siberia's only grove of natural origin that has survived to the present day. The grove spans 30,000 ha and is located along the Argun River. As part of the agreement with the region's government, Nor Nickel provides financial aid in effectively protecting and exploring the ecosystems within the Relict Oaks State Reserve. The Company financed the acquisition of video monitoring devices and camera traps for the reserve. It also plans to help put in place research facilities and run educational programmes for children and adults. [WEB](#)

#### Impacts from transport operations [WEB](#)

Fleet	Transported products	Social and environmental responsibility	Outcome
Group's own fleet	Products of the Group companies Products procured to meet the Group's internal needs Commercial and social cargo	Compliance with international conventions, codes, guidelines, Russian laws, regulations and requirements Four freight-forwarding licences, all environmental permits in place Multi-stage control from the Group companies, other transportation participants and supervisory bodies Security and industrial health and safety management systems in place at facilities	No significant environmental impact produced by the Company's freight and personnel transportation
Fleet chartered by the Group's Metal Trade Overseas	Norilsk Nickel Group's products	Compliance of the fleet's environmental parameters with the requirements of international environmental conventions	

#### Reproduction of aquatic bioresources

The Company provides annual financing for the measures to breed valuable fish species, including those listed on Russia's Red Data Book, and release them into natural water bodies. Every year, certain populations of juvenile Siberian sturgeon and grayling are released into the Yenisey River in the Krasnoyarsk Territory; Atlantic salmon is released into the Uмба River in the Murmansk Region. Specialised fish farms and research institutions are engaged in taking these measures. Another "green" project to restore and preserve the fish population will be implemented in the Trans-Baikal Territory.

#### Impacts from foreign operations

Norilsk Nickel Harjavalta has necessary environmental permits and an integrated management system certified to ISO 9001, ISO 14001, and OHSAS 18001.

Norilsk Nickel Harjavalta's main environmental impact consists in the emissions of ammonia (NH<sub>3</sub>) and nickel (Ni), and discharges of nickel, sulphates (SO<sub>4</sub><sup>2-</sup>) and ammonia ions (NH<sub>4</sub><sup>+</sup>)

#### ENVIRONMENTAL IMPACT METRICS OF NORILSK NICKEL HARJAVALTA

Indicator	2016	2017	2018
Industrial wastewater (thousand m <sup>3</sup> )	771	899	988
Pollutants in industrial wastewater (t)			
• Ni	0.4	0.5	0.6
• SO <sub>4</sub> <sup>2-</sup>	22,457	25,853	30,189
• NH <sub>4</sub> <sup>+</sup> (rebased to nitrogen)	49.5	60.3	70
Total water consumption (mcm)*	10.9	11.1	11.8
Total air pollutant emissions (t)	71.6	70.7	85.2
• Ni	1.6	1.7	1.2
• NH <sub>3</sub>	70	69	84
Waste generation (kt)	7.0	5.5	2.8
Waste disposal (kt)	0.8	0.8	1.1
Power consumption (GWh)	180	182	209
Power consumption for heating/cooling (GWh)	130	145	150
Steam consumption (GWh)	225	235	327
Environmental expenses, USD mln	2.7	1.0	0.7

\* Over 95% is water withdrawn from surface sources (Kokemäenjoki River).

In 2018, Norilsk Nickel Harjavalta met all permit requirements for emissions, discharges and waste disposal volumes. Lower waste volumes resulted from switching to the Company's feedstock that is less contaminated with impurities as compared to third-party materials. The increase in effluents and pollutant emissions was driven by the growing output.

#### Energy saving and energy efficiency

[103-2](#)

The Company's distinguishing feature is that most of its production facilities and workforce operate and live in the harsh Arctic climate. Nor Nickel uses an integrated approach to the energy infrastructure development, combining goals of reliability

improvement with those of low-carbon economy. Nor Nickel makes continuous efforts to reduce consumption of such fuels as diesel fuel, coal and natural gas, as well as to provide its subsidiaries with reliable and efficient energy sources in the long term.

The Company's priority renewable source of energy is hydropower generated at the Ust-Khantayskaya and Kureyskaya HPPs (481 MW and 600 MW of installed capacity respectively). These unique HPPs are among the world's northernmost ones constructed in the Arctic. The use of other renewables such as

solar, geothermal and wind energy is constrained by geographic factors, such as long polar night and unsteady wind intensity.

Development of the fuel and energy assets is governed by the Fuel and Energy Development Strategy and the Programme to Upgrade, Revamp and Replace the Norilsk Industrial District's Power Facilities through 2025. For the purposes of implementing a uniform R&D policy and meeting the targets of the Fuel and Energy Development Strategy, the Company established an energy section with its R&D Council.

#### NORNICKEL'S FUEL AND ENERGY ASSETS

- **NTEK** supplies electric power, heat and water to Norilsk and all facilities in the Norilsk Industrial District
- **Taimyrgaz** develops the Pelyatkinskoye Gas Condensate Deposit
- **Norilskgazprom** develops the Severo-Soleninskoye Gas Condensate Field, Yuzhno-Soleninskoye Gas Condensate Field, and Messoyakhskoye Gas Field
- **Norilsktransgaz** transports natural gas and condensate produced by Norilskgazprom and Taimyrgaz
- **Arctic-Energ** is Kola MMC's default supplier based in Monchegorsk

#### ELECTRICITY AND FUEL RESOURCES THROUGHPUT AND CONSUMPTION BY THE GROUP, TJ 302-1 302-3

No.	Indicator	2014	2015	2016	2017	2018
1	Fuel consumption	162,301	161,710	172,425	156,569 <sup>1</sup>	148,910
2	Energy from renewable sources (HPPs)	11,900	17,027	11,856	12,414	14,877
3	Electricity and heat procurement from third parties	15,547	15,528	8,968	10,483	10,931
4	Electricity and heat sales to third parties	20,440	17,918	19,882	19,503	18,926
<b>5</b>	<b>Group's total energy consumption (1 + 2 + 3 - 4)</b>	<b>169,308</b>	<b>176,347</b>	<b>173,367</b>	<b>159,962</b>	<b>155,792</b>
	Energy intensity, GJ/RUB mln <sup>2</sup>	371	348	316	298	214

<sup>1</sup> The 2017 figures were revised due to adjustments in the calculation methodology and actual data on diesel fuel and fuel oil consumption.

<sup>2</sup> RUB mln of consolidated revenue.

#### FUEL CONSUMPTION BY THE GROUP, TJ

Indicator	2014	2015	2016	2017	2018
Fuel consumption	162,301	161,710	172,425	156,568	148,910
Natural gas	146,200	145,266	151,081	134,709	129,335
Coal	4,417	4,170	2,132	1,460	1,660
Diesel fuel and fuel oil	11,684	12,274	15,423	15,221	13,788
Gasoline and aviation fuel <sup>1</sup>	–	–	3,789	5,178	4,127

To achieve its energy development goals and targets, the Company runs investment projects approved by the Investment Committee. In 2018, the Company continued to enhance the reliability of generating equipment, grid and gas transportation infrastructure and boost gas output.

The Ust-Khantayskaya HPP is implementing a large-scale project to replace equipment in hydroelectric units. The fourth unit was commissioned in 2018. In 2012, the Company made a decision to replace adjustable blade hydroelectric units that had been

operating for over 40 years. The new units boast better reliability and a service life of at least 50 years.

The Company was also implementing its Polar Division Energy Saving and Energy Efficiency Programme for 2013–2018, which was approved by Polar Division's First Deputy Director and Chief Engineer.

Each year, the Company develops and implements organisational and technical action plans to save fuel, heat, power and water.

#### FUEL AND ENERGY SAVINGS RESULTING FROM ENERGY CONSUMPTION REDUCTION AND ENERGY EFFICIENCY IMPROVEMENT INITIATIVES, TJ 302-4

No.	Indicator	Polar Division	NTEK	Kola MMC
1.	Total savings	1,674	378	1,046
	including			
1.1.	Electric power	315	8	206
1.2.	Heat in water and steam	220	217	25
1.3.	Fuels	1,138	152	815
	including			
1.3.1.	Coal	0	22	22
1.3.2.	Natural gas	1,138	130	0
1.3.3.	Diesel fuel and fuel oil	0	0	793

<sup>1</sup> Consolidated data has been reported since 2016.

# 07

## REGIONAL DEVELOPMENT

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## SUPPORT AND DEVELOPMENT OF SPORTS

For many years, MMC Norilsk Nickel has provided support to the international university sports movement. Since 2015, the Company has been a general partner to the 2019 International Winter Universiade in Krasnoyarsk. In total, Norilsk Nickel contributed in excess of RUB 2.1 bn to the 2019 Winter Universiade.





# Regional development 103-2



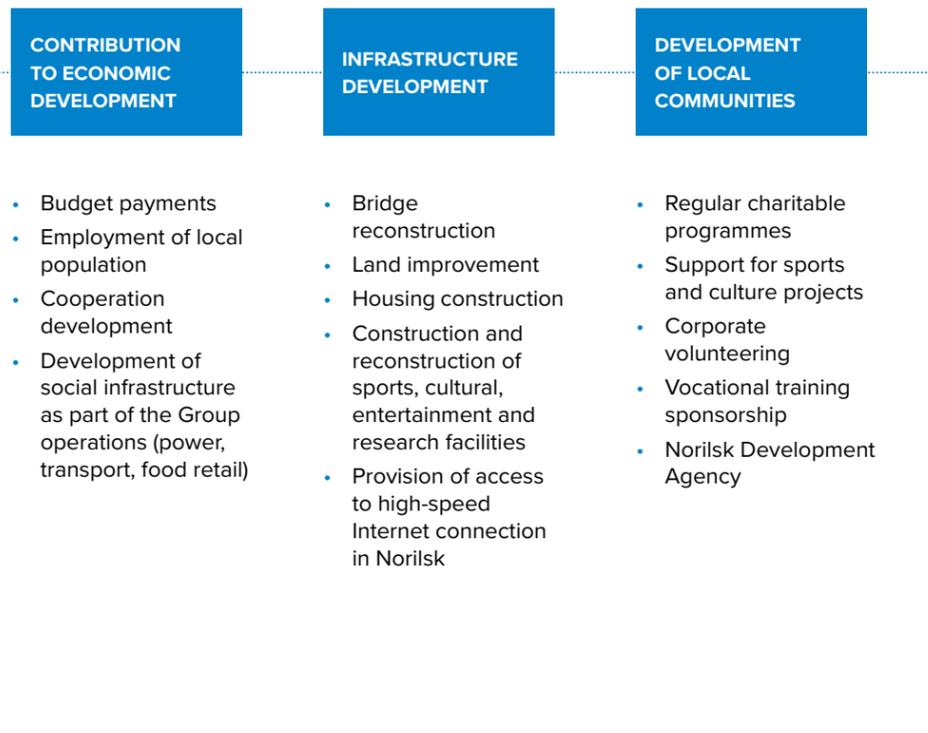
Nornickel is one of the major employers and taxpayers in Russia.<sup>1</sup>

The Company makes a significant contribution to the development of local communities by implementing a range of social programmes that address current and potential future issues.



## THE COMPANY'S CONTRIBUTION TO THE DEVELOPMENT OF LOCAL COMMUNITIES

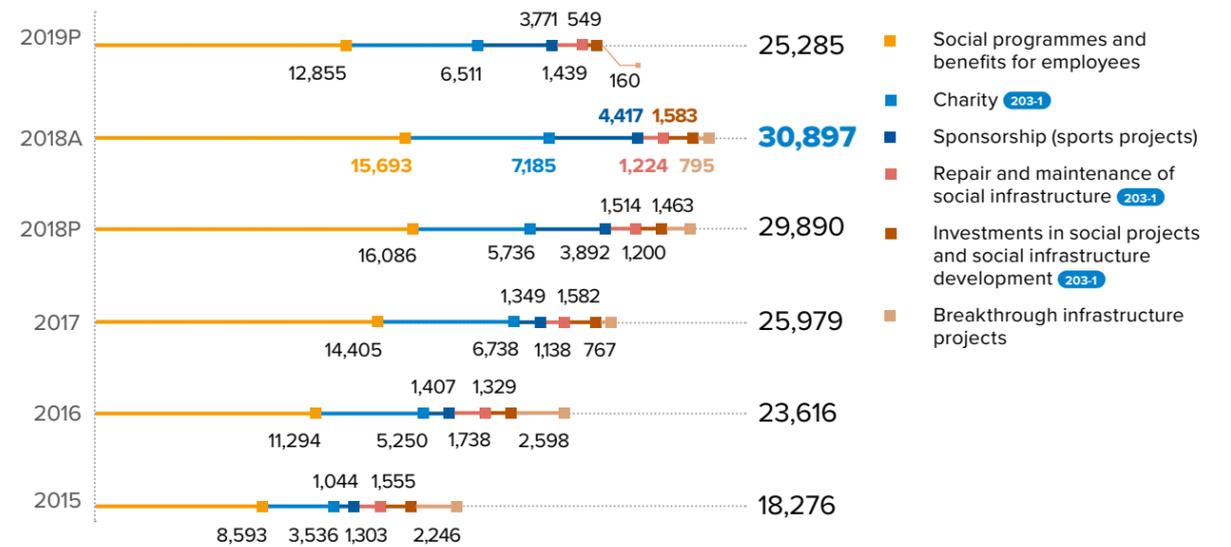
### The Group's operations as a backbone of local economies 203-2



The Company's key regions of operation in Russia include the cities of Norilsk and Monchegorsk, the Taimyrsky Dolgano-Nenetsky Municipal District of the Krasnoyarsk Territory, the Pechengsky District of the

Murmansk Region, the Tazovsky District of the Yamal-Nenets Autonomous Area, and the Gazimuro-Zavodsky District of the Trans-Baikal Territory. Saratov hosts Nornickel's Shared Services Centre. In the Tver Region, the Company is engaged in the construction of housing for its employees under My Home and Our Home programmes.

## SPENDING ON SOCIAL, CHARITABLE AND SOCIAL INFRASTRUCTURE PROGRAMMES, RUB MLN 203-1



### Budget payments

## TAX AND NON-TAX PAYMENTS<sup>1</sup> TO LOCAL, REGIONAL AND FEDERAL BUDGETS, RUB BN

Budget	2014	2015	2016	2017	2018
Total tax and non-tax payments, including	79.2	88.7	91.5	100.3	115.6
Federal budget	13.5	11.9	14.1	14.3	18.3
Krasnoyarsk Territory consolidated budget	37.1	43.6	41.6	47.8	55.9
Norilsk budget	4.1	5.5	4.7	5.0	5.2
Murmansk Region budget	7.0	8.2	7.8	8.2	10.6
Trans-Baikal Territory budget <sup>2</sup>	-	-	-	0.9	1.2

Changes in the tax and non-tax payments for 2018 were due to the higher income tax (on the back of increased revenue) and property tax (as a result of growing CAPEX), as well as the planned payroll budget increase.

### Employment of local population

As the major employer across its footprint, the Company provides ample career guidance and job opportunities for local communities, including younger population groups.

The main target audience of career guidance events are children and young people under 35 years old. The Company builds partnerships with educational organisations and engages young workers, while also providing robust support for talented teachers, engineering training and whipping up interest in engineering and blue-collar jobs.

To reduce unemployment, MMC Norilsk Nickel and Norilsk Employment Centre signed an agreement aimed at retraining those out of work for the most needed blue-collar jobs.

<sup>1</sup> The information presented in this section refers to the Company's Russian operations.

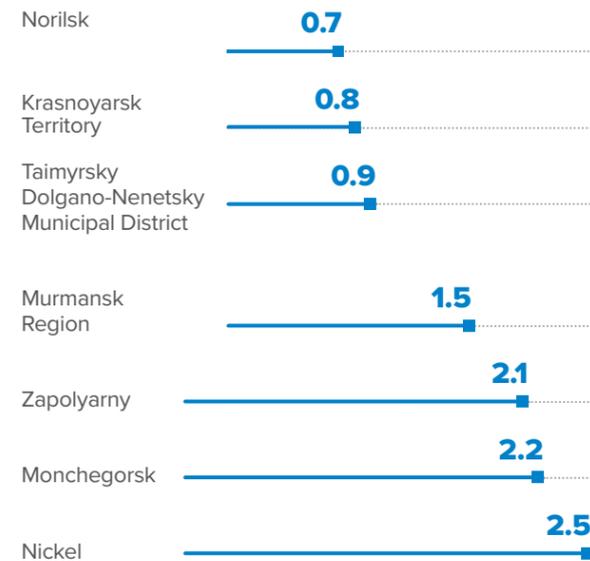
<sup>1</sup> Tax and non-tax payments include all taxes paid, net of VAT and dividend income tax, as well as insurance payments and customs duties.

<sup>2</sup> Payments to the Trans-Baikal Territory budget have been presented separately since 2017.

## Cooperation development

As part of its social and economic partnership agreements signed in 2009 and 2016, the Company has been cultivating cooperation with the companies of the Krasnoyarsk Territory and the Murmansk Region. Integration of local businesses into the Group's production chain (mainly through long-term contracts) makes a sizeable contribution to the development of the regions of operation, particularly by supporting small and medium-sized businesses.

### UNEMPLOYMENT IN KEY COMMUNITIES,<sup>1</sup> %



## COOPERATION DEVELOPMENT IN FIGURES

Indicator	Across	
	the Krasnoyarsk Territory	the Murmansk Region
Procurement tenders for goods and services held by the Company	1,516	673
Locally awarded procurements as a share of tenders held by the Company, %	57.7	49.5
The Group's spending on local procurements, RUB mln	12,503.8	1,792.8
including		
services	9,434.8	1,579.8
materials	2,209.7	213
food supplies	859.3	0

### Podsolnukh store chain

The Podsolnukh store chain, a part of Norilsk Nickel Group, takes its fair share of the retail market in the Norilsk Industrial District with nine stores, including one hypermarket. The SKU range of the chain includes socially significant goods (vegetables, fruit,

cereals, dairy products, meat, canned foods, eggs, sugar, etc.) that are offered at substantially lower prices than in other regional stores. The average retail prices in the Podsolnukh store chain grew notably slower than the official inflation rate.

<sup>1</sup> As at the end of the reporting year.

## Infrastructure development

The Company is actively involved in the development and renovation of social infrastructure, looking to create accessible and comfortable environments for working and living in the regions. Nor Nickel sponsors improvement of public areas, supports construction and renovation of sports facilities, transport infrastructure and housing, and promotes

development of educational infrastructure. While delivering these initiatives, the Company is committed to creating a barrier-free environment for individuals with mobility impairments, including physically challenged and elderly people, pregnant women, etc.

The Company's expenses on social infrastructure development projects totalled RUB 3.6 bn in 2018.

### KEY SOCIAL INFRASTRUCTURE DEVELOPMENT PROJECTS IN 2018

Region	Focus area	Projects
Krasnoyarsk Territory	Land improvements	Architectural lighting at the Kommunalny Bridge over the Yenisey River, a landmark structure in Krasnoyarsk
		Improvement of left embankments of the Yenisey River and Kacha River and adjacent territories
		Installation of smart bus stops fitted out with safety and surveillance systems, mobile chargers, Wi-Fi hotspots and other capabilities in Krasnoyarsk
	Sports	Landscaping of the Dolgoye Lake embankment in Norilsk
		Construction of a multi-purpose sports and recreation centre for team sports in Norilsk
		Development of a golf field in Krasnoyarsk
Education	Supporting the Development Laboratory for Dynamic Mining and Processing QC System with the Siberian Federal University	
Transportation	Reconstruction of road bridges in Norilsk	
	Reconstruction of Norilsk airport	
Housing	Implementation of the Comfortable Taimyr project to construct housing in Tukhard, Taimyrsky Dolgano-Nenetsky Municipal District	
Trans-Baikal Territory	Land improvements	Reconstruction of Dekabristov Square in Chita
		Improvement of public areas in the Trans-Baikal Territory

## Development of local communities

### Charitable programmes

Since 2014, the Company has been implementing World of New Opportunities, a charitable programme to encourage and promote sustainable development of local communities. The programme is designed to develop soft skills in local communities, demonstrate and introduce new social technologies, support and promote public initiatives, and encourage cross-sector partnerships.

In 2018, after the commissioning of Bystrinsky GOK in the Trans-Baikal Territory, the World of New Opportunities geography expanded to cover the Gazimuro-Zavodsky District, which now hosts Nor Nickel's Socially Responsible Initiatives Competition, Arctic.PRO R&D marathon and School of Urban Competencies.

Partnership, Innovations and Development are three focus areas of the World of New Opportunities programme.

**Partnership** focuses on supporting volunteer initiatives of local activists, fostering new skills and developing local expertise.

Its key initiatives comprise:

- workshops on social design, expert review and assessment of projects/programmes, creative thinking, and social engineering;
- a socially responsible initiatives competition;
- School of Urban Competencies for schoolchildren;
- We Are the City! social technologies forum;
- School of Urban Event Managers for local activists;
- We Are the City! PicNick urban event. [WEB](#)

All events arranged by the Company served to raise charity awareness in local communities and encourage public-private partnerships. In 2017, the Socially Responsible Initiatives Competition, which aims to support public initiatives, received 426 project bids, 116 of which were approved for funding. The pool of grants totalled RUB 125 mln.

Another focus area, **Innovations**, centres around the implementation of advanced technologies, R&D potential and innovations in engineering. Its target audience are schoolchildren, university students and adult activists interested in science and frontier technologies.

Its key initiatives comprise:

- Arctic.PRO R&D marathon;
- FabLab R&D creativity laboratories;
- Science 0+ festival in Krasnoyarsk and Murmansk;
- I Make young inventors competition. [WEB](#)

The third focus area, **Development**, targets active citizens and SMEs with the goal of addressing local communities' social issues with the benefit of business processes.

Its key initiatives comprise:

- Social Entrepreneurship training course;
- Convention of Social Entrepreneurs from the North. [WEB](#)

**The World of New Opportunities programme had the following social impact:**

- local communities became the driving forces of social activity and change;
- more young people were involved in community affairs;
- new services emerged in education, culture, physical

activity and sports, and so did new forms of recreation for both children and adults;

- strong partnerships were established;
- a pool of local social engineering and project assessment experts was formed;
- travel grants were established for community leaders to participate in regional and national conferences and forums and grow professionally;
- social technologies.

The World of New Opportunities charitable programme shows the Company's commitment to migrating from the paternalistic model to social partnerships and active community involvement. A competition-based approach helps selecting the most interesting projects, achieving specific results in social issues and using social investments in the most efficient way. Along with providing financial assistance, the Company shares knowledge with the programme participants and creates an environment for the development of community initiatives and support of innovative ideas.

**Targeted charitable support**

The Company continued providing targeted charitable donations in response to special requests from organisations. In 2014, Polar Division and Kola MMC set up dedicated charity committees to review such requests. Certain donations are also approved by the Company's management. The Company supports entities dealing with vulnerable groups of population (veterans of World War II, disabled people, multi-child families, children with special needs, financially disadvantaged citizens) and finances the participation of local non-profit organisations and institutions in various sports competitions, creativity contests, etc.

**Vocational training sponsorship**

Every year Polar Division provides financial support to Norilsk's institutions of secondary and higher vocational education by buying books and specialised equipment for students, contributing to the maintenance works, and thus improving the quality of training. The Company primarily focuses on the training of specialists for the most in-demand jobs.

**Corporate volunteer programme**

Volunteering is a vital part of the Company's corporate culture as it unites employees based on shared values and helps identifying and developing employee competencies that are essential for the purposes of sustainable development, particularly mobility, responsibility and leadership.

In 2018, about 400 initiatives were carried out in Moscow, Norilsk, the Kola Peninsula, and Chita as part of the Plant of Goodness corporate volunteer programme. Volunteers participate in environmental activities, such as clean-up campaigns, master classes and other training events, hospital clowning, charitable runs, performances and fairs. In addition, the Company launched an employee personal donation programme that collected nearly RUB 4.3 mln in 2018.

In 2018, Andrey Urgant presented his volunteer play entitled Travel Notes about Norilsk Volunteers. Income from ticket sales was donated to the House with Tail animal shelter in Monchegorsk and the Giving

Hope charity foundation helping stray animals. Leading roles were played by the volunteers who participated in Let's Do It, Norilsk's environmental marathon.

Started as a local movement in Monchegorsk in 2015, the Let's Do It environmental marathon transformed into a large year-round event uniting thousands of employees, local volunteers and concerned citizens from across the regions where the Company operates. As part of the marathon, the Company organises clean-up days, shoreline garbage collection initiatives, bush and tree planting, support of natural reserves, and eco-friendly lifestyle workshops.

The Plant of Goodness programme won prizes at several prominent Russian and international competitions, receiving acclaims from the expert community. [WEB](#)

**Norilsk Development Agency<sup>1</sup>**

Activities of the Norilsk Development Agency are yet another example of how the regional social policy is implemented and how the government and businesses collaborate in social impact areas.

The Agency's mission is to lay the foundation for accelerated development of the city's service economy as a way of improving Norilsk's living standards and promoting local products and services on external markets. The Norilsk Development Agency is a long-term partnership project of Norilsk, Norilsk municipal authorities and Vladimir Potanin Foundation.

**CORPORATE VOLUNTEER PROGRAMME: 2018 HIGHLIGHTS**

Initiatives	Results/participants
Andrey Urgant's Travel Notes about Norilsk Volunteers	50 corporate volunteer actors RUB 361,540 collected for charity
Let's Do It environmental marathon	375 environmental campaigns and initiatives 43 corporate environmental teams 25,000 trees planted 12,000 local residents participated
Personal donations	RUB 4,295,303 collected for charity
Catch the Eco Wave environmental quest	450 participants 78 environmental teams
Dobronickel festival	1,500 employees and their family members participated
Norilsk, Run with Me! charity run	3,300 participants RUB 930,000 collected for charity

<sup>1</sup> For more details on the Norilsk Development Agency activities, please visit [www.arnorilsk.ru](http://www.arnorilsk.ru).

The Agency's key focus areas are as follows:

- Business (Norilsk as a city of developed service economy);
- Development (Norilsk as a city of modern selling spaces);
- Tourism (Norilsk as a city attractive for tourists);
- Social and Cultural Projects (Norilsk as a city of rich social and cultural life).

In 2018, the Agency carried out a total of 21 projects and 35 initiatives that involved 46,470 people. The Norilsk Development Agency is a partner to more than 100 organisations.

Among its 2018 achievements were a spatial development concept for the city of Norilsk, a website for the Ready-Made Business and Franchising Centre, and a survey entitled the City Resident's Social Portrait.

The Agency also developed the first-ever municipal programmes for the promotion of tourism in Norilsk and the Taimyrsky Dolgano-Nenetsky Municipal District in 2019–2025.

The plans for 2019 are to launch an SME Business Navigator website, organise training courses for entrepreneurs, develop a sketch design of the Arctic Museum of Contemporary Art, establish a vocational training infrastructure for the tourism industry personnel, assist in the establishment of tourist information centres, etc.

**Support for sports projects<sup>1</sup>**

As an active supporter of sports, Norinickel sponsors major Russian and international sports organisations and provides financing for the upgrade of sports facilities, construction of sports schools and playgrounds.

**SUPPORT OF SPORTS ORGANISATIONS AND COMPETITIONS**

	Russian Olympic Committee	Partner
	International University Sports Federation (FISU)	Partner
	Football Union of Russia	Official partner
	Russian Futsal Association	General partner
	Norilsk Nickel Futsal Club	General sponsor

<sup>1</sup> For more details please see the online version of the Report at [www.nornickel.com](http://www.nornickel.com).

	Ice Hockey Federation of Russia	General partner
	Night Hockey League	General sponsor
	CSKA professional basketball club	General sponsor
	Russian Curling Federation	General partner
	WCT Arctic Curling Cup international competition	General partner
	All Russian Federation of DanceSport and Acrobatic Rock'n'Roll	Partner
	Rosgonki and Sochi Autodrom	Partner



**29th International Winter Universiade in Krasnoyarsk (2–12 March 2019)**

For many years, MMC Norilsk Nickel has provided extensive support to the international university sports movement. Since 2015, Norinickel has been a general partner to the 2019 International Winter Universiade in Krasnoyarsk.

According to current estimates, the Company will spend over RUB 2.1 bn to organise and hold the 2019 Winter Universiade.

In 2018, several large projects were implemented by the Company in the run-up to the 2019 Winter Universiade in Krasnoyarsk:

- a large-scale upgrade of the Bobrov Log Fun Park, including a comprehensive renovation of its security systems;
- establishment of a landscaped park along the Bazaikha River in Krasnoyarsk;
- sponsorship of training courses for mid- and top-level managers and volunteers involved in the preparation for the Winter Universiade;
- promotion of the 2019 Winter Universiade in the media. [WEB](#)

**Support for cultural projects**

Cultural projects are an integral part of the Company's general strategy to improve the quality of life across the regions of operation. Consistent efforts in this area are integrated into the World of New Opportunities programme, activities of the Norilsk Development Agency and other initiatives.

The Follow up Siberia! project was short-listed by the Eventiada IPRA Golden World Awards, the largest communications award in Eastern Europe. This cross-cultural initiative was launched by Norinickel in the run-up to the 29th International Winter Universiade 2019 in Krasnoyarsk.

Along with holding corporate events and competitions attracting tens of thousands of employees and their families each year, the Company also supports prominent all-Russian cultural projects. In 2018, such projects were:

- Follow up Siberia! international cross-cultural initiative in support of the 29th International Winter Universiade 2019;
- Golden Mask festival, the main annual theatrical event in Russia, held in Chita for the first time. The Zabaikalsky Regional Drama Theatre hosted famous directors, scriptwriters, theatre and cinema stars. The festival programme also included workshops;
- Dancing Sky pan-Russian dancing competition (Norilsk);
- Intermuseum 2018 international festival (Moscow);
- Nordic Character: Green Screen international environmental and social cinema festival (Nickel, the Murmansk Region);
- Living Classics young readers competition;
- a series of meetings with prominent art professionals from Europe, the USA and Russia as part of the Culture Unlimited. Dialogues with Present-Day Cultural Leaders programme (Moscow);
- 3rd Taburetka International Literature Festival (Monchegorsk, the Murmansk Region);
- Centres for Social Innovation in Culture, a competition aimed at finding and promoting successful social and cultural models (Russia);
- Museum for Everyone!, a pan-Russian inclusive initiative aimed at creating a comfortable museum environment for each visitor. This is the second

large-scale event arranged as part of the Inclusive Museum project (Russian cities);

- Museum 4.0 Competition to support national museums (Russia);
- Museum Leaders professional development programme as part of the Museum. Power of the Place initiative. The event was attended by 30 representatives from 16 Russian cities (Moscow).

In 2018, Andrey Urgant presented his Travel Notes about Norinickel Volunteers, a unique play featuring volunteers as leading actors. The play became a link between the Year of Volunteers and the Year of Theatre in Russia.

**Assessment of social programmes**

103-2 103-3

The Company has a comprehensive assessment system for social programmes and projects in place. The key criterion used to select social projects for implementation is their social impact, i.e. effects they have on various aspects of life and society. The social impact is assessed throughout the lifecycle of the programme or project implemented and upon their completion. Assessment tools vary from targeted stakeholder surveys and opinion studies to actual performance indicators, including those set out in the programme specifications or social and economic cooperation agreements.

Nornickel's strong social and environmental commitment involves a framework of social programmes and benefits going far beyond the minimal statutory programmes required by law. When developing and implementing its social policy, the Company carries out the following:

- assessment of social climate in teams through designated meetings on social and labour issues;
- annual employee engagement surveys;
- annual polls among social programme participants (health resort treatment, children's vacation, corporate gifts programmes, cultural, entertainment and sports events);
- quarterly surveys and annual assessment of My Home/Our Home and Corporate Subsidised Loan housing programmes;
- regular performance assessment of the World of New Opportunities charitable programme;
- performance assessment of the social projects financed with the Company's grants (at the financing decision stage, during the monitoring and implementation).

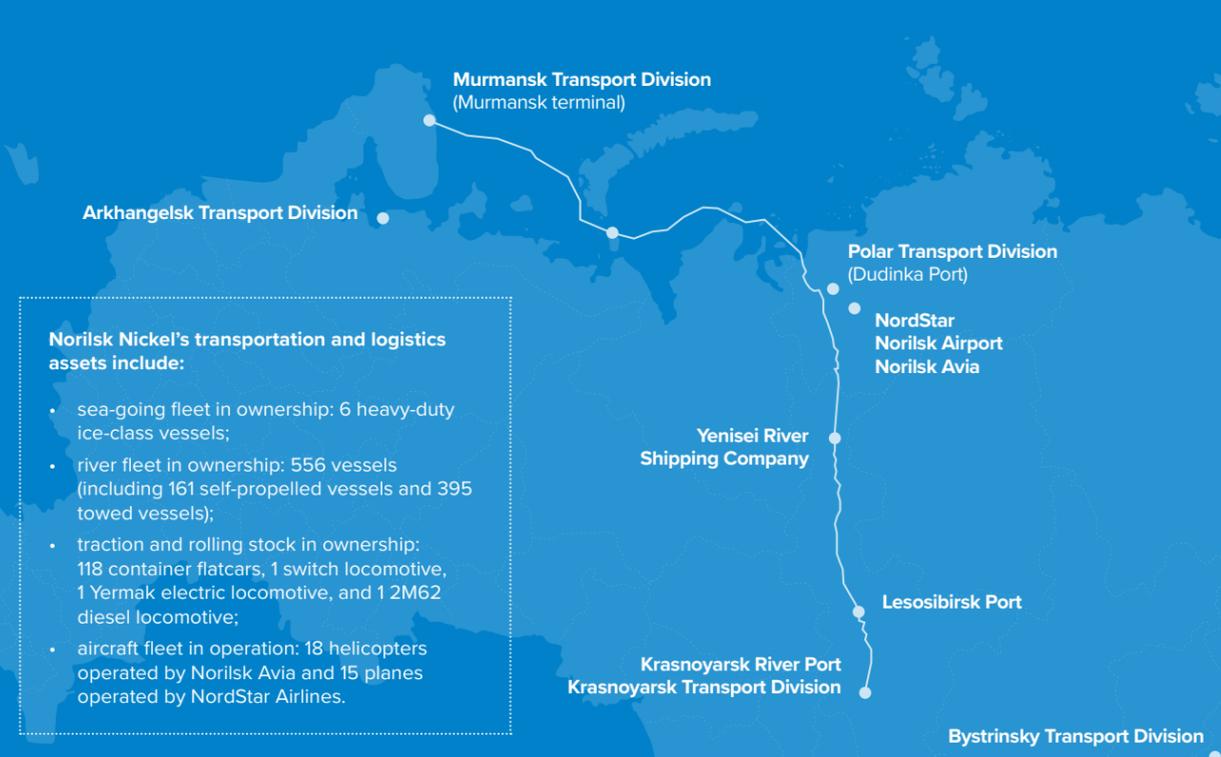
The Company also makes a monthly report on the social climate in the regions of its operations and participates in competitions to have its initiatives independently assessed and publicly recognised.

Public-private partnerships are assessed at different management levels to support optimal sustainability decisions in the regions where the Company operates.

**ASSESSMENT OF PUBLIC-PRIVATE PARTNERSHIP PROJECTS**

	Project/agreement lifecycle stage			
	Strategy	Planning	Implementation	Follow-up
Social impact	✓	✓	✓	✓
Efficiency for the Company	✓	✓	✓	✓
Top management involvement in impact assessment	Review by the Board of Directors and the Management Board	Review by the Management Board's Budget Committee	Annual reporting	Report by the Management Board on implementation and impact
Assessment of regional-level impact	✓	✓	✓	✓
Assessment of project-level impact	✓	✓	✓	✓
Integration in KPIs	✓		✓	

**Transport accessibility**



With its reliable state-of-the-art transport infrastructure, Nor nickel is capable of meeting any freight logistics challenges and ensures continuity and sustainability of operations and well-being of local communities.

The Company's **dry cargo fleet** provides year-round freight shipping services between Dudinka, Murmansk, Arkhangelsk, Rotterdam, and Hamburg sea ports while also covering other destinations.

The **Yenisey tanker** is used to transport gas condensate from the Pelyatkinskoye Gas Condensate Deposit to European ports and other destinations.

Dry cargo transported by the Company's fleet amounted to 1.4 mt in 2018, up 7.7% year-on-year. Transportations by the Yenisey tanker rose to 222 kt, a 37.2% increase year-on-year.

The Company and other companies of the Group handle cargo in the ports of **Dudinka, Murmansk, Lesosibirsk and Krasnoyarsk**.

**Dudinka Port** (Polar Transport Division) is the world's only port flooded every year during spring high water and accessible by both sea and river vessels. Its cargo turnover in 2018 increased 9.3% year-on-year.

**Bystrinsky Transport Division** is responsible for the operation and maintenance of the 227 km Naryn (Borzya) — Gazimursky Zavod railway line (Trans-Baikal Territory).

**Yenisey River Shipping Company** transports socially important cargoes to destinations across the Krasnoyarsk Territory. During the short period of spring floods, it delivers fuels and lubricants, food and other goods to locations with limited transport accessibility on the Podkamennaya and Nizhnyaya Tunguska rivers and in other areas, including Dikson, Russia's northernmost settlement. 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.

**Murmansk Transport Division** is responsible for local shipments in the lower reaches of Yenisey, to the north of Dudinka Port. Dudinka Port receives foods and delivers socially important cargoes for local residents, including indigenous peoples of the North, ships cargoes for the Russian Emergency Situations Ministry and transports residents of remote coastal areas.

Destinations covered by NordStar Airlines include more than 30 Russian and CIS cities. With passenger traffic in excess of 1 million people per year, **NordStar** operates year-round direct flights from Norilsk to over 10 destinations in Russia and annually reaffirms its status of Russia's major air carrier. In 2018, the air carrier transported 1.44 million passengers. It offers regular and charter flights and transports passengers to interregional budget subsidised destinations, with tickets sold at reduced tariffs.

**Norilsk Avia** is the only air operator capable of responding to both industrial and social emergencies in the region (the Norilsk Industrial District and the Taimyrsky Dolgano-Nenetsky Municipal District). The Company meets regional demand for passenger and commercial traffic, including emergency ambulance flights as part of search and rescue operations spanning up to 280 km from Norilsk Airport. According to regulations, emergency flights are a mandatory condition for all air transportation services in the region, including long-haul flights.

In 2018, the third construction season, the upgrade of **Norilsk (Alykel) Airport's** runway was finally completed. Today, the runway meets the latest flight safety requirements. It was reconstructed while the airport continued its operations, which had never been done before either in Russia or abroad.

## Awards and accolades 103-3

### Awards of MMC Norilsk Nickel

#### Safety and security:

- letter of gratitude from the Russian Union of Industrialists and Entrepreneurs (RSPP) for a significant contribution to improving industrial safety regulations and creating a favourable investment climate;
- 16th National IT Leader Award 2018 in the Non-Ferrous Metallurgy category for introducing personnel and machinery positioning and radiocommunication systems at Zapolyarny Mine.

#### Environment:

- letter of recognition from the Russian President for the contribution to the Year of the Environment in Russia;
- certificate of honour from the Federation Council for a major contribution to reducing the environmental impact;
- ranked by RAEX rating agency as the winner of the Business Leaders: Environmental Expenses nomination;
- Best Environmental Volunteer Team (Let's Do It environmental marathon award).

#### Society:

- Vladimir Putin, President of the Russian Federation, honoured Nor nickel's employees with government awards for the construction of a fibre optic communication line between Novy Urengoy and Norilsk;
- Annual Innovation Time 2018 award (Follow Up Siberia! international communication initiative won the Project of the Year in the Mass Media and Mass Communications category);
- grand prize of the Skolkovo Trend Award 2018 for corporate educational initiatives;
- HR Brand of the Year award by HeadHunter and RBC Media Group (the corporate volunteering programme won the Big Heart nomination);
- Russia's Best Employers ranking by HeadHunter and RBC Media Group (winner in the Best Employer in the Russian metals and mining industry category);
- GRADUATE AWARDS 2018 (the Company's School of Urban Competencies project won the nationwide competition as the Best Schoolchildren Engagement Programme);
- ranked fifth by RAEX rating agency in the Business Leaders: Social Partnership category;
- Leaders of Corporate Charity (special award for the efficient management of charitable programmes);
- Leaders of Corporate Charity in Siberia regional competition award (ranked first for the consistent approach to corporate charity management);

- Leaders of Corporate Charity in Siberia regional competition award (the Company's Convention of Social Entrepreneurs from the North project won the Best Programme to Promote Local Communities category);
- Leaders of Corporate Charity in Siberia regional competition award (Kola MMC won the Evaluation of Charity Approach special category);
- letter of gratitude from the Russian Cerebral Palsy Football Federation for supporting athletes with disabilities.

#### Non-financial reporting:

- RSPP's 2017 Leaders of Russian Business: Dynamics and Responsibility contest (winner in the High Quality of Reporting on Sustainable Development nomination);
- winner of the 21st Annual Report Competition held by the Moscow Exchange and RCB Media Group in the Best CSR and Sustainability Report category;
- MarCom international public reporting award (the Company's Sustainability Report received the Platinum Awards Statuette in the Best Report and the Best Design nominations);
- RAEX rating agency's award (the Sustainability Report won the Best Design of CSR Report category);
- Deloitte's Green Frog Award for the Sustainability Report;
- 2017 Sustainability Report short-listed for Corporate Register Reporting Awards 2019 (CRRA 2019).

#### Corporate governance and innovations:

- Nor nickel is on Forbes' Top 100 Most Innovative Companies list;
- Nor nickel is a Top 10 company in the ESG ranking by RAEX;
- 8th All-Russian Corporate Governance Forum award (Roger Munnings, Chairman of the Audit and Sustainable Development Committee, won the Chairman of the Audit Committee nomination);
- Extel Survey 2018 award (Sergey Malyshev, Nor nickel's Senior Vice President, recognised as the best CFO in the European metals and mining industry);
- Extel Survey 2018 award for the Best Corporate IR among European and Russian metals and mining companies;
- Best Corporate Website winner at the 2018 Corporate & Financial Awards.

## 09

## APPENDICES

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## Appendix 1

### GRI Content Index <sup>102-55</sup>



GRI standard	Indicator number	Page	Excluded information/comments	UN sustainable development goal
<b>GRI 101: Foundation (2016)<sup>2</sup></b>				
<b>GRI 102: General Disclosures (2016)</b>	<b>Organisational profile</b>			
	102-1	8	–	–
	102-2	8, 69	–	–
	102-3	168	–	–
	102-4	9, 70	–	–
	102-5	60	–	–
	102-6	70	–	–
	102-7	6	2018 Consolidated Financial Statements: <a href="http://www.nornickel.com/Investors/Reports and Results">www.nornickel.com/Investors/Reports and Results</a>	–
	102-8	82, <sup>WEB</sup>	–	8
	102-9	65	–	–
	102-10	60	2018 Consolidated Financial Statements (page 47): <a href="http://www.nornickel.com/Investors/Reports and Results">www.nornickel.com/Investors/Reports and Results</a>	–
	102-11	104	–	–
	102-12	24	–	–
	102-13	24	–	–
<b>Strategy</b>				
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102-15	24, 52	–	–	

<sup>1</sup> For the SDG Mapping Service, GRI Services reviewed that the disclosures included in the content index are appropriately mapped against the SDGs. The service was performed on the Russian version of the report.

<sup>2</sup> See the About the Report section.

GRI standard	Indicator number	Page	Excluded information/comments	UN sustainable development goal
<b>Ethics and integrity</b>				
	102-16	26	–	16
	102-17	–	Code of Business Conduct of MMC Norilsk Nickel (page 13): www.nornickel.com/Investors/Internal Documents and Policies	–
<b>Corporate governance</b>				
	102-18	46, 48	–	–
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	102-24	–	2018 Annual Report (page 158): www.nornickel.com/Investors/Reports and Results/2018 Policy for Development and Approval of Voting Recommendations in respect of Candidates to the Board of Directors of MMC Norilsk Nickel (pages 3–5): www.nornickel.com/Investors/Internal Documents and Policies	5, 16
	102-25	44	2018 Annual Report (pages 186 and 190): www.nornickel.com/Investors/Reports and Results/2018	16
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	102-33	47	–	–
	102-34	47	–	–
	102-35	50	–	–
	102-36	50	–	–
	102-37	50	–	16
	102-38	–	Not disclosed for personal data protection reasons	–
	102-39	–	–	–

GRI standard	Indicator number	Page	Excluded information/comments	UN sustainable development goal
<b>Stakeholder engagement</b>				
	102-40	57	–	–
	102-41	61	–	8
	102-42	57	–	–
	102-43	57, 65	–	–
	102-44	<a href="#">WEB</a>	–	–
<b>Reporting practice</b>				
	102-45	–	2018 Consolidated Financial Statements (page 63): www.nornickel.com/Investors/Reports and Results	–
	102-46	65, 142, 144	2017 Sustainability Report (pages 128 and 130): www.nornickel.com/Sustainability/Reporting on Sustainability	–
	102-47	145	–	–
	102-48	Back of the front page	–	–
	102-49	–	There are no changes in the reporting	–
	102-50	Back of the front page	–	–
	102-51	–	June 2018	–
	102-52	–	Annual	–
	102-53	168	–	–
	102-54	Back of the front page	–	–
	102-55	133	–	–
	102-56	161, 166	–	–
<b>Economic performance</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 54	–	1, 5, 8, 16
	103-3	51, 131	–	–
<b>GRI 201: Economic Performance (2016)</b>	201-1	56	–	2, 5, 7, 8, 9
	201-2	<a href="#">WEB</a> , 103	Risks posed by climate change are not measured financially	13
	201-3	90	–	–
	201-4	–	The Group did not receive significant government grants for the 12 months ended 31 December 2018	–

GRI standard	Indicator number	Page	Excluded information/comments	UN sustainable development goal
<b>Market presence</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30	–	1, 5, 8, 16
	103-3	51	–	–
<b>GRI 202: Market Presence (2016)</b>	202-1	87	–	1, 5, 8
	202-2	83	–	8
<b>Indirect economic impacts</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 120	–	1, 5, 8, 16
	103-3	51, 131	–	–
<b>GRI 203: Indirect Economic Impacts (2016)</b>	203-1	121	–	2, 5, 7, 9, 11
	203-2	120	–	1, 2, 3, 8, 10, 17
<b>Anti-corruption practices</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 98, 99	–	16
	103-3	51, 131	–	–
<b>GRI 205: Anti-corruption (2016)</b>	205-1	98	–	16
	205-2	98	–	16
	205-3	53	None	16
<b>Energy</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 99, 115	–	16
	103-3	51, 131	–	–
<b>GRI 302: Energy (2016)</b>	302-1	116, 153	–	7, 8, 12, 13
	302-2	–	Reporting not required by law	7, 8, 12, 13
	302-3	116	–	7, 8, 12, 13
	302-4	117	2018 Annual Report (page 133): <a href="http://www.nornickel.com/investors/reports-and-results/#2018">www.nornickel.com/investors/reports-and-results/#2018</a>	7, 8, 12, 13
	302-5	–	Not applicable to the Company's products	7, 8, 12, 13

GRI standard	Indicator number	Page	Excluded information/comments	UN sustainable development goal
<b>Water</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 107	–	16
	103-3	51, 131	–	–
<b>GRI 303: Water (2016)</b>	303-1	108, 146	–	6
	303-2	147	–	6
	303-3	148	–	6, 8, 12
<b>Biodiversity</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 99, 111	–	16
	103-3	51, 131	–	–
<b>GRI 304: Biodiversity (2016)</b>	304-1	113	–	6, 14, 15
	304-2	113	–	6, 14, 15
	304-3	112	–	6, 14, 15
	304-4	<a href="#">WEB</a>	–	6, 14, 15
–	MM1	112	–	3, 12, 14, 15
–	MM2	–	There are no such sites	6, 14, 15
<b>Emissions</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 99, 111	–	16
	103-3	51, 131	–	–
<b>GRI 305: Emissions (2016)</b>	305-1	107	–	3, 12, 13, 14, 15
	305-2	–	The Company did not assess indirect energy-related GHG emissions.	3, 12, 13, 14, 15
	305-3	–	Regular GHG emission reporting to authorities is not required by law	3, 12, 13, 14, 15
	305-4	107	–	13, 14, 15
	305-5	–	The Company did not assess indirect energy-related GHG emissions. Regular GHG emission reporting to authorities is not required by law	13, 14, 15
	305-6	107	Emissions negligible	3, 12, 13
	305-7	105, 150	–	3, 12, 13, 14, 15

GRI standard	Indicator number	Page	Excluded information/comments	UN sustainable development goal
<b>Effluents and waste</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 99, 109, 115	–	16
	103-3	51, 131	–	–
<b>GRI 306: Effluents and Waste (2016)</b>	306-1	109, 149	–	3, 6, 12, 14
	306-2	110, 151	–	3, 6, 12
	306-3	–	There are no significant spills	3, 6, 12, 14, 15
	306-4	–	There are no such waste or waste transportation	3, 12
	306-5	107, 147	–	6, 15
<b>Environmental compliance</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 99, 104, 108	–	16
	103-3	51, 131	–	–
<b>GRI 307: Environmental Compliance (2016)</b>	307-1	56, 104	–	16
<b>Environmental compliance</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 66, 67, 99	–	16
	103-3	51, 131	–	–
<b>Employment</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 60, 81, 83, 99, 128	–	5, 8, 16
	103-3	51, 60, 81, 128, 131	–	–
<b>GRI 401: Employment (2016)</b>	401-1	83, <a href="#">WEB</a>	–	5, 8
	401-2	154	–	8
	401-3	<a href="#">WEB</a>	Information is provided about employees on maternity leave and/or child care leave	5, 8

GRI standard	Indicator number	Page	Excluded information/comments	UN sustainable development goal
<b>Occupational health and safety</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 91, 93	–	16
	103-3	51, 92, 131	–	–
<b>GRI 403: Occupational Health and Safety (2016)</b>	403-1	92, 96	–	8
	403-2	94, 96	No breakdown of injury rates by gender due to the lack of centralised records	3, 8
	403-3	96, <a href="#">WEB</a>	–	3, 8
	403-4	96	–	8
<b>Training and education</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 81, 84	–	16
	103-3	51, 128, 131	–	–
<b>GRI 404: Training and Education (2016)</b>	404-1	84	No breakdown by gender due to the lack of centralised records	4, 5, 8
	404-2	84	–	8
	404-3	51	–	5, 8
<b>Freedom of association and collective bargaining</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 60, 99	–	5, 8, 16
	103-3	60, 131	–	–
<b>GRI 407: Freedom of Association and Collective Bargaining (2016)</b>	407-1	–	There are no violations	8
<b>Rights of indigenous peoples</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 77, 99	–	1, 5, 8, 16
	103-3	77, 131	–	–
<b>GRI 411: Rights of Indigenous Peoples (2016)</b>	411-1	77	There are no violations	2
–	MM5	–	The Group does not have any formal arrangements with indigenous northern minorities	1, 2

GRI standard	Indicator number	Page	Excluded information/comments	UN sustainable development goal
<b>Local communities</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 99, 120	–	1, 5, 8, 16
	103-3	51, 131	–	–
<b>GRI 413: Local Communities (2016)</b>	413-1	–	Such programmes are implemented in 4 out of 74 (5.4%) Group entities operating in Russia (the Company's Head Office, Kola MMC, Polar Division, and Nor Nickel – Shared Services Centre) within the reporting perimeter	–
	413-2	104	–	1, 2
–	MM6	77	None	1, 2
–	MM7	–	No disputes	1, 2
<b>Supplier social assessment</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 66, 67	–	5, 8, 16
	103-3	51, 131	–	–
<b>Public policy</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 62	–	5, 8, 16
	103-3	51, 131	–	–
<b>GRI 415: Public Policy (2016)</b>	415-1	–	No contributions were made to political goals	16
<b>Socioeconomic compliance</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 56	–	5, 8, 16
	103-3	51, 131	–	–
<b>GRI 419: Socioeconomic Compliance (2016)</b>	419-1	56	–	16

GRI standard	Indicator number	Page	Excluded information/comments	UN sustainable development goal
<b>Emergency preparedness</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32, 96	–	16
	103-3	51, 131	–	–
–	MM3	109, 152	–	3, 6, 12
<b>Closure planning</b>				
<b>GRI 103: Management Approach (2016)</b>	103-1	142, 144	See also the Scope of Data Collection appendix in the interactive version of the Report	–
	103-2	30, 32	–	1, 5, 8, 16
	103-3	51, 131	–	–
–	MM10	–	The IFRS financial statements reflect a decommissioning provision for 9% of the operations within the reporting perimeter. As at 31 December 2018, this provision stood at RUB 23,415 mln	–

**Appendix 2**  
**Scope of data collection<sup>1</sup>** 102-46 103-1

GRI topics	MMC Norilsk Nickel's Head Office	Foreign assets <sup>2</sup>	Exploration	Production	Research and development	Support functions	Fuel and energy	Transport and logistics	Distribution and sales	Other business units of the Group
Economic performance <sup>3</sup>	■			■	■	■	■	■	■	■
Market presence <sup>4</sup>	■		■	■	■	■	■	■	■	■
Indirect economic impacts	■		■	■	■	■	■	■	■	■
Energy <sup>5</sup>			■	■	■	■	■	■	■	■
Water			■	■	■	■	■	■	■	■
Biodiversity			■	■	■	■	■	■	■	■
Emissions			■	■	■	■	■	■	■	■
Effluents and waste			■	■	■	■	■	■	■	■
Environmental compliance	■		■	■	■	■	■	■	■	■
Supplier environmental assessment	■		■	■	■	■	■	■	■	■
Employment <sup>6</sup>	■		■	■	■	■	■	■	■	■
Occupational health and safety	■		■	■	■	■	■	■	■	■
Training and education <sup>7</sup>	■		■	■	■	■	■	■	■	■
Freedom of association and collective bargaining							■	■	■	■
Rights of indigenous peoples	■		■	■	■	■	■	■	■	■
Local communities	■		■	■	■	■	■	■	■	■
Anti-corruption practices	■		■	■	■	■	■	■	■	■
Assessment of suppliers and contractors by social criteria	■		■	■	■	■	■	■	■	■
Socioeconomic compliance	■		■	■	■	■	■	■	■	■
Closure planning		■	■	■	■	■	■	■	■	■
Emergency preparedness	■		■	■	■	■	■	■	■	■

<sup>1</sup> The scope of data collection is set in such a way as to describe all of the Group's material impacts. The 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. 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.

<sup>2</sup> For the purposes of data collection, foreign assets mean Norilsk Nickel Harjavalta.

<sup>3</sup> As regards pension plans, the reporting perimeter includes only the Group's business units benefiting from the Co-Funded Pension Plan.

<sup>4</sup> As regards nationality, the reporting perimeter includes all business units of the Group.

<sup>5</sup> As regards energy conservation, the reporting perimeter includes Polar Division, Kola MMC and NTEK.

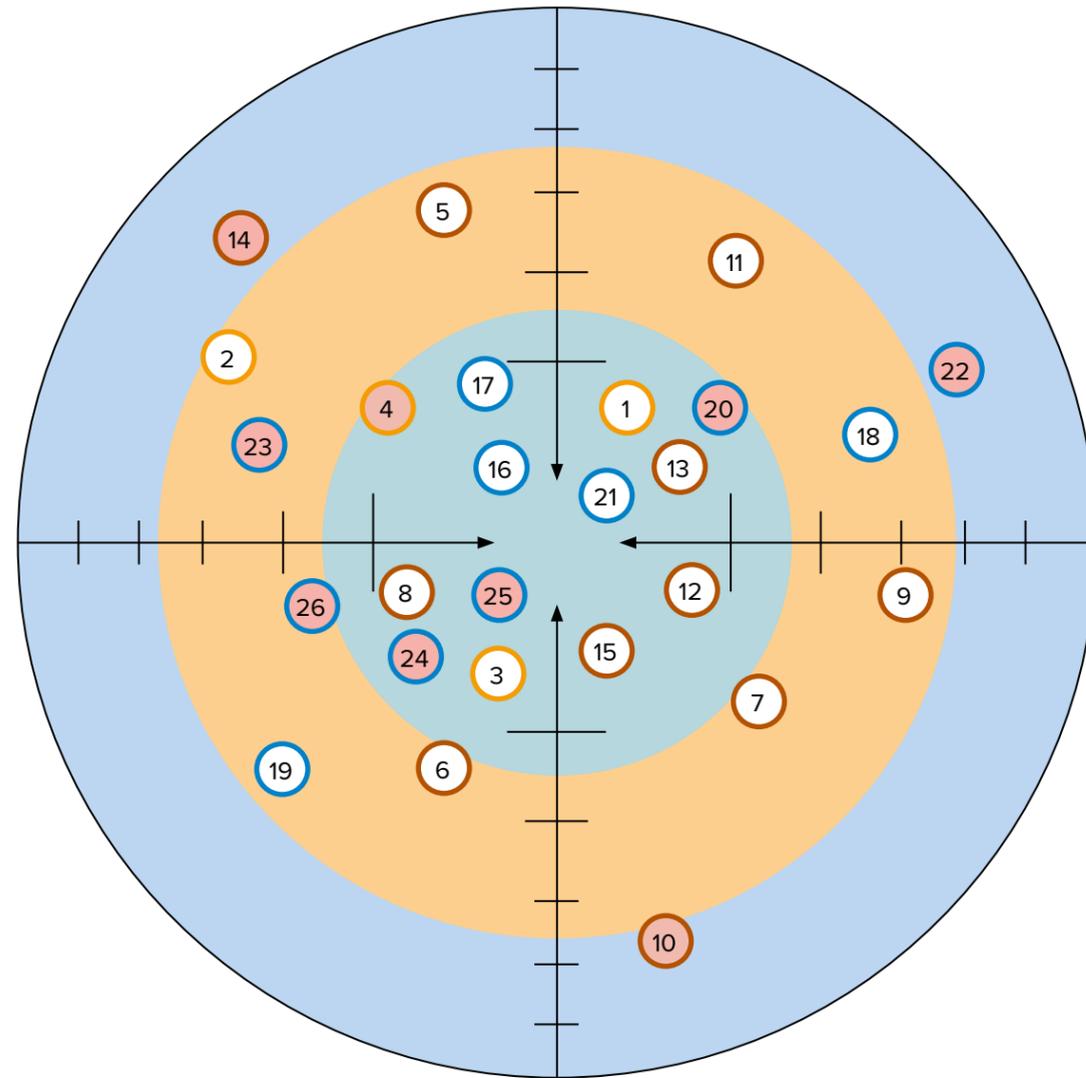
<sup>6</sup> As regards benefits offered to employees, the reporting perimeter includes only Polar Division and Kola MMC.

<sup>7</sup> As regards staff assessment, the reporting perimeter includes only the Head Office, Polar Division, Kola MMC and Pechengastroy.

■ 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 companies and branches can be found in the interactive version of this Report. [WEB](#)

**Appendix 3**  
**Map of material GRI topics (aspects)<sup>1</sup>** 102-46 103-1



Integral assessment of materiality for stakeholders and materiality of impacts by the Group companies

- Immaterial but relevant topic
- Material topic
- Material topic with the highest priority
- Economic aspect
- Environmental aspect
- Social aspect
- Aspect materiality increased following the poll

102-47

1. Economic performance
2. Market presence
3. Indirect economic impacts
4. Anti-corruption practices
5. Energy
6. Water
7. Biodiversity
8. Sulphur dioxide and solid emissions<sup>2</sup>
9. Greenhouse gas (GHG) emissions
10. Emissions of ozone-depleting substances (ODS)
11. Emissions of other substances
12. Effluents<sup>3</sup>
13. Waste
14. Supplier environmental assessment
15. Environmental compliance
16. Employment
17. Occupational health and safety
18. Training and education
19. Freedom of association and collective bargaining
20. Human rights: Rights of indigenous peoples<sup>4</sup>
21. Local communities
22. Supplier social assessment
23. Public policy
24. Socioeconomic compliance
25. Emergency preparedness
26. Closure planning

<sup>2</sup> Topics 8–11 are covered by the GRI Emissions standard.

<sup>3</sup> Topics 12–13 are covered by the GRI Effluents and Waste standard.

<sup>4</sup> Topic 20 is covered by the GRI Rights of Indigenous Peoples standard.

<sup>1</sup> In order to update the materiality matrix, the Company polls external and internal stakeholders, monitors mass media coverage and stakeholder dialogues, and holds interviews with top executives. Stakeholders were polled in 2018 (as part of the 2017 Sustainability Report preparation process).

## Appendix 4 GRI indicators

### Environmental performance

#### Total water withdrawal 303-1

Indicator, mcm	Total water withdrawal:	Including						
		from surface water bodies	from under-ground sources	effluents from third parties	natural water inflow	from municipal and other water utilities (excluding Norilsk-Taimyr Energy Company)	from Norilsk-Taimyr Energy Company <sup>1</sup>	
Group's total	2018	356.79	254.28	28.275	21.28	44.15	8.84	96.70
	2017	335.64	233.46	31.88	20.67	40.59	9.04	93.58
	2016	328.44	230.45	33.24	15.42	40.82	8.51	98.99
	2015	348.52	254.92	28.66	21.15	34.84	8.94	96.44
	2014	351.96	258.93	31.16	21.07	31.84	8.96	94.08
Including: Polar Division and Norilskenergo	2018	82.82	0.02	0.00	15.68	22.41	0.00	44.71
	2017	100.14	0.02	0.00	15.07	29.44	0.00	55.61
	2016	96.41	0.02	0.00	9.78	26.15	0.001	60.46
	2015	102.49	0.02	0.00	15.48	28.60	0.00	58.39
	2014	95.02	0.02	0.00	15.38	23.57	0.00	56.05
Norilsk-Taimyr Energy Company	2018	269.47	241.23	28.24	0.00	0.00	0.00	0.00
	2017	251.98	220.42	31.57	0.00	0.00	0.00	0.00
	2016	249.93	216.68	33.24	0.00	0.00	0.00	0.00
	2015	267.87	239.21	28.66	0.00	0.00	0.00	0.00
	2014	274.00	242.84	31.16	0.00	0.00	0.00	0.00
Kola MMC	2018	32.82	11.75	0.00	0.03	12.39	8.65	0.00
	2017	31.73	11.60	0.30	0.04	11.11	8.68	0.00
	2016	35.53	12.39	0	0.11	14.63	8.40	0.00
	2015	27.93	12.84	0	0.12	6.19	8.79	0.00
	2014	30.16	13.04	0	0.13	8.22	8.77	0.00

<sup>1</sup> Included in water withdrawal from Norilsk-Taimyr Energy Company.

#### Water sources 306-5 303-2

Branches and subsidiaries	Scale of impact associated with the Group companies' water withdrawals	Scale of impact associated with the Group companies' effluents
Polar Division of MMC Norilsk Nickel	Water withdrawals from the Yenisei River, water bodies of the Norilo-Pyasinskaya water system and the Kara Sea do not affect the environment and cannot change the ability of the ecosystem to perform its functions	Water bodies of the Yenisei River and Norilo-Pyasinskaya water system are used to discharge wastewater
Polar Transport Division of MMC Norilsk Nickel		
Krasnoyarsk Transportation Branch of MMC Norilsk Nickel		
Norilsknickelremont		
Polar Construction Company		
Norilsk Support Complex		
Norilskgeologiya		
Taimyr Fuel Company		
Taimyrgaz <sup>1</sup>		
Yenisey River Shipping Company		
Norilsk Airport		
Norilsk-Taimyr Energy Company		
Norilskpromtransport		
Norilsk Trading and Production Association		
Murmansk Transport Division of MMC Norilsk Nickel	Withdrawals do not affect the water sources (water bodies of the Barents Sea basin)	Effluents are discharged into the water bodies of the Barents Sea basin
Kola MMC		

<sup>1</sup> Taimyrgaz was reorganised and merged with Norilskgazprom on 1 March 2019.

Water recycled and reused 303-3

Indicator, mcm	Total water used	Including				Water recycled and reused as percentage of total water used, %	
		utility water	production	including			
				water reused	water recycled		
Group's total	2018	1,412.13	20.08	1,392.04	31.46	1,178.47	85.7
	2017	1,342.07	18.53	1,323.54	32.64	1,105.40	84.8
	2016	1,463.81	20.72	1,443.09	36.73	1,219.70	85.8
	2015	1,421.41	21.29	1,400.12	40.13	1,275.62	92.6
	2014	1,417.80	25.02	1,392.75	39.41	1,269.55	92.3
Including: Polar Division	2018	463.50	12.13	451.37	29.25	389.50	90.4
	2017	512.32	11.81	500.51	30.49	426.18	89.1
	2016	533.67	12.09	521.58	34.43	442.82	89.4
	2015	574.17	12.51	561.66	37.7	478.07	89.8
	2014	567.04	11.41	555.63	37.38	473.59	90.1
Norilsk-Taimyr Energy Company	2018	709.11	1.00	708.12	1.11	578.17	81.7
	2017	620.74	1.00	619.74	1.05	503.43	81.3
	2016	719.02	1.79	717.24	1.03	607.85	84.7
	2015	634.9	2.34	632.56	0.89	537.68	84.8
	2014	634.12	6.96	627.15	0.93	525.9	83.1
Kola MMC	2018	171.58	1.75	169.82	0.00	158.59	92.4
	2017	169.64	1.79	167.85	0.00	157.47	92.8
	2016	170.52	1.9	168.62	0.17	150.72	88.5
	2015	171.32	1.79	169.53	0.00	146.67	85.6
	2014	175.38	1.93	173.45	0.00	150.48	85.8

The Group's total reused and recycled water is 339.1% of its water withdrawal. This percentage is the largest for Polar Division (505.6%) and Kola MMC (483.3%), and stands at 215.0% for Norilsk-Taimyr Energy Company.

Total effluents<sup>1</sup> and pollutants discharged 306-1

Indicator, mcm or kt	Total effluents, mcm	Including				Pollutants in effluents, kt	
		insufficiently treated	contaminated untreated	treated to standard quality at treatment facilities	standard clean (without treatment)		
Group's total	2018	164.45	30.96	34.26	6.59	92.60	232.367
	2017	147.55	28.63	33.52	6.13	79.26	216.63
	2016	143.55	29.81	26.94	5.26	81.54	192.99
	2015	140.45	29.71	27.73	5.92	77.1	153.1
	2014	145.62	30.90	28.55	5.47	84.0	140.52
	Including: Polar Division and Norilskenergo	2018	34.98	3.69	28.69	1.86	0.72
2017		45.29	6.28	33.40	4.96	0.66	73
2016		38.67	6.42	26.83	4.71	0.73	71.83
2015		39.52	6.01	27.54	5.18	0.78	76.92
2014		36.20	5.94	25.43	4.13	0.70	67.47
Norilsk-Taimyr Energy Company		2018	91.56	0.00	0.00	0.00	91.55
	2017	78.16	0.00	0.00	0.01	78.15	0.392
	2016	77.76	0.00	0.00	0.003	77.76	1
	2015	73.55	0.00	0.00	0.00	73.55	0.48
	2014	80.31	0.00	0.00	0.00	80.31	0.27
	Kola MMC	2018	25.59	25.47	0.13	0.00	0.00
2017		22.27	22.25	0.02	0.00	0.00	142.925
2016		22.59	22.59	0.00	0.00	0.00	119.32
2015		23.48	23.48	0.00	0.00	0.00	75.62
2014		25.44	24.60	0.84	0.00	0.00	72.68

<sup>1</sup> Effluents are measured instrumentally with certified gauges and also based on the Calculation of Water Consumption and Water Discharge Guidelines and other indirect indicators as approved by the territorial office of the Federal Water Resources Agency.

**NOx, SOx and other significant air emissions, including their type and weight<sup>1</sup>** 305-7

Indicator, kt		Group's total	Polar Division	Norilsk-Taimyr Energy Company	Kola MMC
Total amount	2018	1,926.63	1,789.01	11.69	117.45
	2017	1,845.55	1,705.00	11.51	121.88
	2016	1,936.44	1,787.57	8.2	132.9
	2015	2,063.52	1,883.24	6.33	169.79
	2014	2,008.27	1,828.09	9.74	165.44
Including: NOx	2018	11.22	0.61	8.02	1.76
	2017	11.40	1.56	7.88	1.23
	2016	10.12	1.52	6.89	1.12
	2015	9.84	1.64	6.32	1.18
	2014	11.53	1.61	8.11	1.12
SO <sub>2</sub>	2018	1,869.62	1,764.65	0.002	104.82
	2017	1,784.97	1,675.85	0.003	109.07
	2016	1,877.97	1,758.18	0.003	119.72
	2015	2,009.11	1,853.92	0.008	155.05
	2014	1,947.58	1,797.18	0.044	150.20
Solids	2018	14.51	5.55	0.003	7.57
	2017	13.42	6.06	0.004	6.87
	2016	14.3	6.18	0.006	7.38
	2015	20.67	8.95	0.006	10.61
	2014	23.09	9.68	0.007	11.76

<sup>1</sup> Air pollutant emissions are determined on the basis of the Environmental Monitoring and Industrial Control data: emissions are calculated as per the applicable methodologies using data on feedstock and equipment running time, through sampling and analysing flue gases, direct measurements with gas analysers, etc.

**Total weight of waste by type and disposal method, mt** 306-2

Indicator		Total, mt	Including		
			Polar Division	Kola MMC	
Waste-related activity	Generation	2018	30.72	15.71	8.31
		2017	31.93	23.26	8.61
		2016	33.27	22.57	10.61
		2015	33.64	22.27	11.37
		2014	35.17	23.07	12.1
	Waste input from third parties <sup>1</sup>	2018	3.07	3.04	0
		2017	0.03	0.03	0
		2016	0.04	0.03	0
	In-house waste recycling	2018	21.63	15.79	2.46
		2017	20.76	17.75	3.01
2016		20.15	15.18	4.97	
2015		18.81	13.22	5.59	
In-house waste treatment <sup>1</sup>	2018	0.0062	0.0001	0.0060	
	2017	0.0005	0.0001	0.0003	
	2016	0.0003	0.0001	0.0002	
	2015	0.0003	0.0001	0.0002	
Waste transfer to third parties (for recycling or treatment)	2018	1.52	0.03	0.01	
	2017	0.07	0.04	0.02	
	2016	0.09	0.03	0.01	
	2015	0.041	0.024	0.017	
	2014	0.044	0.027	0.017	
Waste transfer to third parties (for disposal)	2018	1.64	0.08	0.00	
	2017	0.11	0.07	0	
	2016	0.11	0.07	0.0002	
	2015	0.049	0.049	0.0003	
	2014	0.04	0.04	0	
Waste disposal at in-house waste disposal sites	2018	10.97	3.72	5.83	
	2017	12.67	7.08	5.59	
	2016	13.54	7.88	5.66	
	2015	14.75	8.99	5.76	
	2014	16.81	10.84	5.97	

<sup>1</sup> Calculated since 2016.

Waste management in 2018 by hazard class and waste type, t <sup>MM3</sup>

Indicator, t	Hazard class 1	Hazard class 2	Hazard class 3	Hazard class 4	Incl. mining waste and tailings	Hazard class 5	Incl. mining waste and tailings	Total	Incl. hazard classes 1–4 waste (% of total)
Generation	62.704	1,125.651	15,235.915	1,190,610.718	0.000	29,517,073.601	25,026,726.550	30,724,108.589	3.93
Waste input from third parties	0.000	14.109	1,426.789	18,071.807	0.000	3,054,711.069	2,965,332.940	3,074,223.774	0.63
In-house waste recycling	0.000	1,100.176	2,852.541	1,487.927	0.000	21,627,645.963	16,533,911.770	21,633,086.607	0.03
In-house waste treatment	0.000	18.714	5,991.824	94.062	0.000	59.097	0.000	6,163.697	99.04
Waste transfer to third parties (for recycling or treatment)	63.835	23.157	2,840.073	724.468	0.000	1,518,368.434	1,464,683.000	1,522,019.967	0.24
Waste transfer to third parties (for disposal)	0.000	0.771	2.841	55,402.776	0.000	1,586,162.267	1,500,649.936	1,641,568.655	3.38
Waste disposal at in-house waste disposal sites	0.000	0.000	282.052	1,150,554.404	0.000	9,818,987.367	9,594,798.654	10,969,823.824	10.49

Total energy consumption by Norilsk Nickel Group, TJ <sup>302.1</sup>

No.	Indicator	2016	2017	2018, total	Incl	
					electric power	heat (hot water and steam)
1	<b>Fuel used to generate heat and electric power<sup>1</sup> and for other purposes,<sup>2</sup> TJ</b>	<b>172,425</b>	<b>156,569</b>	<b>148,910</b>	x	x
	(1) including				x	x
	Polar Division	27,816	26,021	24,429	x	x
	Norilsk-Taimyr Energy Company	123,075	107,514	103,203	x	x
	Kola MMC	9,677	9,794	8,932	x	x
	(2) including				x	x
	coal	2,132	1,460	1,660	x	x
	natural gas	151,081	134,709	129,335	x	x
	diesel fuel and fuel oil	15,423	15,221	13,788	x	x
	gasoline and aviation fuel	3,789	5,178	4,127	x	x
2	<b>Energy from renewable sources (Group's HPPs)</b>	<b>11,856</b>	<b>12,414</b>	<b>14,877</b>	<b>14,480</b>	<b>396</b>
3	<b>Electric power and heat procured from third parties</b>	<b>8,968</b>	<b>10,483</b>	<b>10,931</b>	<b>10,688</b>	<b>243</b>
4	<b>Electric power and heat sold to third parties</b>	<b>19,882</b>	<b>19,503</b>	<b>18,926</b>	<b>3,572</b>	<b>15,355</b>
5	<b>Total energy consumption by the Group (line 1 + line 2 + line 3 – line 4)</b>	<b>173,367</b>	<b>159,962</b>	<b>155,792</b>	<b>x</b>	<b>x</b>

## Electric power and heat consumption by the Group companies, TJ

Indicator	2016	2017	2018, total	Including	
				electric power	heat (hot water and steam)
<b>Electric power and heat consumption by the Group companies</b>	<b>65,221</b>	<b>61,963</b>	<b>63,691</b>	<b>33,242</b>	<b>30,449</b>
including					
Polar Division	41,684	35,936	34,040	14,954	19,085
Norilsk-Taimyr Energy Company	6,887	6,489	6,446	4,245	2,201
Kola MMC	9,990	12,528	12,112	9,189	2,923
<b>HPP share in total electric power consumption in the Norilsk Industrial District</b>	<b>38.0%</b>	<b>43.6%</b>	–	<b>51.4%</b>	–
<b>HPP share in total electric power consumption by the Company</b>	<b>35.7%</b>	<b>37.6%</b>	–	<b>43.6%</b>	–
<b>HPP share in total energy consumption by the Company</b>	<b>18.2%</b>	<b>19.6%</b>	<b>22.7%</b>	–	–

<sup>1</sup> Including fuel used to generate electric power for Norilsk.<sup>2</sup> All the Group companies, including transportation, logistics and support functions.

## Social performance

### Benefits for employees of Polar Division 401-2

Benefits	Full-time work		Temporary work <sup>1</sup>		Seasonal work		Part-time work
	full-time work	part-time work	full-time work	part-time work	full-time work	part-time work	
reimbursement of vacation travel expenses (incl. return fare)	+	+	+ <sup>2</sup>	+ <sup>2</sup>	+ <sup>2</sup>	+ <sup>2</sup>	- <sup>3</sup>
All kinds of financial aid	+	+	+	+	+	+	+
Health resort treatment and vacations	+	+	-	-	-	-	-
Vouchers for children's wellness recreation tours	+	+	-	-	-	-	-
Pension plans	+	+	-	-	-	-	-
Termination benefits (apart from those prescribed by the applicable law)	+	+	+ <sup>4</sup>	+ <sup>4</sup>	+ <sup>4</sup>	+ <sup>4</sup>	+ <sup>4</sup>

### Benefits for employees of Kola MMC

Benefits	Full-time work		Temporary work <sup>5</sup>		Seasonal work <sup>6</sup>		Part-time work
	full-time work	part-time work	full-time work	part-time work	full-time work	part-time work	
reimbursement of vacation travel expenses (incl. return fare)	+	+	+	+	-	-	-
All kinds of financial aid	+	+	+	+	-	-	- <sup>7</sup>
Health resort treatment and vacations	+	+	+	+	-	-	- <sup>7</sup>
Vouchers for children's wellness recreation tours	+	+	+	+	-	-	- <sup>7</sup>
Pension plans	+	+	+	+	-	-	- <sup>7</sup>
Termination benefits (apart from those prescribed by the applicable law)	+	+	+	+	-	-	-

<sup>1</sup> Work under a fixed-term employment contract.

<sup>2</sup> 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.

<sup>3</sup> According to the local regulations such categories of employees are excluded from the reimbursement of expenses associated with relocation.

<sup>4</sup> 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.

<sup>5</sup> Work under a fixed-term employment contract.

<sup>6</sup> At Kola MMC, there is no seasonal work; employees do not work seasonally.

<sup>7</sup> In-house employees doing bywork can be granted benefits by their primary employer.

## Appendix 5 UNCTAD indicators

UNCTAD indicator		Page	Disclosure status	Information/comments													
<b>A Economic indicators</b>																	
A.1 Revenue and/or (net) added value	A.1.1: revenue	56	Disclosed	-													
	A.1.2: added value	-	Disclosed	RUB 506,162 mln													
	A.1.3: net added value	-	Disclosed	RUB 462,808 mln													
A.2 Payments to the Government	A.2.1: taxes and other payments to the Government	121	Disclosed	VAT is not included in taxes since this tax is indirect and actually paid by end consumers of products and services rather than by the reporting entity. VAT is also excluded from the calculation of profit (loss) and is not disclosed in the Income Statement													
				<table border="1"> <thead> <tr> <th colspan="2">RUB bn</th> </tr> <tr> <th></th> <th>Total for 2018</th> </tr> </thead> <tbody> <tr> <td>Income tax</td> <td>49.9</td> </tr> <tr> <td>Insurance contributions</td> <td>25.9</td> </tr> <tr> <td>Property tax</td> <td>6.1</td> </tr> <tr> <td>Others</td> <td>33.7</td> </tr> <tr> <td>Total</td> <td>115.6</td> </tr> </tbody> </table>	RUB bn			Total for 2018	Income tax	49.9	Insurance contributions	25.9	Property tax	6.1	Others	33.7	Total
RUB bn																	
	Total for 2018																
Income tax	49.9																
Insurance contributions	25.9																
Property tax	6.1																
Others	33.7																
Total	115.6																
A.3 New investment/expenditures	A.3.1: green investment	104	Disclosed	The expenditures in question make 4.45% of the Company's consolidated revenue for 2018													
	A.3.2: community investment	121	Disclosed	The expenditures in question make 4.2% of the Company's consolidated revenue for 2018													
	A.3.3: total expenditures on research and development	-	Disclosed	RUB 204.9 mln The expenditures in question make 0.03% of the Company's consolidated revenue for 2018													
A.4 Local supplier/purchasing programmes	A.4.1: percentage of local procurement	-	Partially disclosed	Data is collected for materials and supplies only. As for other procurement categories, there is no centralised data collection broken down by the location of suppliers. Materials and supplies procured from Russian suppliers make 82.8% of total procurements in this category													
<b>B Environmental indicators</b>																	
B.1 Sustainable use of water	B.1.1: water recycling and reuse	148	Disclosed	-													
	B.1.2: water use efficiency	146	Disclosed	The ratio between water withdrawal and net added value is 0.771 thousand cu m/RUB mln													
	B.1.3: water stress	146	Disclosed	No water is withdrawn in water-scarce areas													
B.2 Waste management	B.2.1: reduction of waste generation	151	Disclosed	In 2018, waste generation decreased by 1.21 mt y-o-y from 31.93 mt to 30.72 mt. The ratio between waste generation and net added value went down from 0.103 kt to 0.066 kt/RUB mln													

UNCTAD indicator	Page	Disclosure status	Information/comments	
B.2.2: waste reused, re-manufactured and recycled	151	Disclosed	In 2018, the amount of waste recycled increased by 0.87 mt y-o-y from 20.76 mt to 21.63 mt. The ratio between waste recycling and net added value went down from 0.067 kt to 0.045 kt/RUB mln	
B.2.3: hazardous waste	152	Disclosed	In 2018, hazard classes 1–4 waste generation increased by 1,915.24 t y-o-y from 1,205,119.75 t to 1,207,034.99 t. The ratio between such waste generation and net added value went down from 3.91 t to 2.61 t/RUB mln	
B.3 Greenhouse gas emissions	B.3.1: greenhouse gas emissions (scope 1)	107	Disclosed	While the absolute value of the indicator remained flat, the relative amount of scope 1 greenhouse gas emissions decreased from 32.54 t to 21.68 t of CO <sub>2</sub> equivalent per RUB mln of net added value
	B.3.2: greenhouse gas emissions (scope 2)	–	Not disclosed	The Company did not assess indirect energy-related GHG emissions. Regular GHG emission reporting to authorities is not required by law
B.4 Ozone-depleting substances and chemicals	B.4.1: ozone-depleting substances and chemicals	107	Not disclosed	Emissions negligible
B.5 Energy consumption	B.5.1: renewable energy	153	Partially disclosed	The Report discloses the amount of electric power generated by HPPs and its share in total energy consumption. The current metering system does not allow for the disclosure to be made in full compliance with UNCTAD guidelines. Along with in-house generation, Norilsk Nickel Group purchases electric power from third parties connected to Russia's unified energy system (the share of electric power purchased on the wholesale electricity market is 27.5%) The Company accounts for 72.5% of total electric power consumption in the Norilsk Industrial District For more details please see the Energy Conservation and Efficiency section and the Electric Power and Heat Consumption by the Group Companies table on page 153 of the Report Share of renewable energy in total energy consumption: Total: 6,954,031 thousand kWh HPP-generated: 3,587,627 thousand kWh (51.6%) Electric power sold to retail consumers and third parties: Total: 837,224 thousand kWh HPP-generated: 431,929 thousand kWh
	B.5.2: energy efficiency	–	Disclosed	In 2018, the ratio between total energy consumption by the Group and net added value was 0.337 TJ/RUB mln
<b>C Social area</b>				
C.1 Gender equality	C.1.1: proportion of women in managerial positions	–	Partially disclosed	HR records are not broken down by category or gender The proportion of women on the Management Board is 31% (4 out of 13 members)
C.2 Human capital	C.2.1: average hours of training per year per employee	84	Disclosed	–

UNCTAD indicator	Page	Disclosure status	Information/comments	
C.2.2: expenditure on employee training per year per employee	–	Disclosed	Expenditure on employee training per year per employee: Total: RUB 13,643 per employee Blue-collar employees: RUB 6,549 Managers: RUB 42,675 White-collar employees: RUB 17,862	
C.2.3: employee wages and benefits with breakdown by employment type and gender	86, 87	Partially disclosed	Data is disclosed on wages and remuneration package (excluding insurance contributions); the data disclosed is broken down by region. There is no statistics on wages and benefits broken down by labour contract type, employment type, age or gender	
C.3 Employee health and safety	C.3.1: expenditures on employee health and safety	94	Disclosed	Expenditures on employee health and safety make 1.45% of the Group's consolidated revenue
	C.3.2: frequency/incident rates of occupational injuries	94	Partially disclosed	The Report discloses information about the occupational injury rate and lost day rate in accordance with the GRI requirements. The lost day rate is calculated on the basis of days, not hours, lost (as required by the GRI)
C.4 Coverage of collective agreements	C.4.1: percentage of employees covered by collective agreements	61	Disclosed	–
<b>D Institutional area</b>				
D.1 Corporate governance disclosures	D.1.1: number of Board meetings and attendance rate		Disclosed	Number of the Board of Directors meetings: 45 Attendance rate: 100%
	D.1.2: number and percentage of female Board members		Disclosed	The proportion of women on the Board of Directors is 7.69% (1 out of 13 members)
	D.1.3: Board members by age range		Disclosed	2018 Annual Report (page 158): www.nornickel.com/Investors/Reports and Results/2018
	D.1.4: number of meetings of the audit committee and attendance rate		Disclosed	Number of meetings of the Audit and Sustainable Development Committee: 18 Attendance rate: 97%
	D.1.5: compensation: total compensation per Board member (both executive and non-executive directors)	50	Partially disclosed	The Report discloses the total amount of compensations paid to the members of the Board of Directors. Personal compensations are not disclosed for confidentiality reasons
D.2 Anti-corruption practices	D.2.1: amount of fines paid or payable due to settlements	<a href="#">WEB</a>	Disclosed	–
	D.2.2: average hours of training on anti-corruption issues per year per employee	<a href="#">WEB</a>	Partially disclosed	No records are kept on the length (in hours) of anti-corruption training. Reporting in the Company is based on the GRI standards; it means the Report discloses the number and proportion of employees trained in anti-corruption policies and practices

## Appendix 6 List of abbreviations

ADRs	American depository receipts
JSC	Joint-stock company
GDP	Gross domestic product
PMRU	Paramilitary mine rescue unit
FOCL	Fibre optic communication line
TJ	Terajoule
UNGC	UN Global Compact
MMC	Mining and metallurgical company
GOK	Mining and processing plant
GOST	State standard
GRK	Exploration company Mining company
Group	Norilsk Nickel Group
HPP	Hydropower plant
PPP	Public-private partnership
VHI	Voluntary health insurance
EU	European Union
PD	Polar Division
IT	Information technology
CIMS	Corporate Integrated Quality and Environmental Management System
KPI	Key performance indicators
CSR	Corporate social responsibility
IPA	International Platinum Group Metals Association
PGM	Platinum group metals
IUCN	International Union for Conservation of Nature
IFRS	International Financial Reporting Standards

EMERCOM	Ministry of the Russian Federation for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters
VAT	Value added tax
NID	Norilsk Industrial District
OJSC	Open joint-stock company
UN	United Nations
LLC	Limited liability company
OECD	Organisation for Economic Cooperation and Development
PJSC	Public joint-stock company
OHS	Occupational health and safety
MPE	Maximum permissible emissions
KPID	Kola Peninsula Industrial District
AML/CTF	Anti-money laundering/counter-terrorism financing
RBC	RosBusinessConsulting
RSPP	Russian Union of Industrialists and Entrepreneurs
RF	Russian Federation
BoD	Board of Directors
PPE	Personal protective equipment
MM	Mass media
CIS	Commonwealth of Independent States
JSC	Joint-stock company
USA	United States of America
EMS	Environmental Management System
CHPP	Combined heat and power plant
FZ	Federal law
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICRI	United Nations Interregional Crime and Justice Research Institute

BVC	Bureau Veritas Certification
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ERP	Enterprise resource planning
ESG	Environmental, social and governance
FIFR	Fatal injury frequency rate
FISU	International University Sports Federation
HCM	Human capital management
ISO	International Organization for Standardization
GRI	Global Reporting Initiative
LTIFR	Lost time injury frequency rate
OHSAS	Occupational Health and Safety Assessment System
R&D	Research and development
SDG	Sustainable Development Goal
SGS	Societe Generale de Surveillance
SLA	Service Level Agreement
UNCTAD	United Nations Conference on Trade and Development

## Appendix 10 Opinion of RSPP Council on Non-Financial Reporting 102-56

Opinion of the RSPP Council on Non-Financial Reporting on Norilsk Nickel Group's 2018 Sustainability Report for the purposes of public verification



The Council on Non-Financial Reporting of the Russian Union of Industrialists and Entrepreneurs (the "Council") established as per the Management Bureau's Resolution dated 28 June 2007, reviewed, at the request of MMC Norilsk Nickel (the "Company", the "Group", "Norilsk Nickel") Norilsk Nickel Group's 2018 Sustainability Report (the "Report").

The Company requested the RSPP to arrange for the public verification of the Report, with the Council on Non-Financial Reporting providing an opinion on the materiality and completeness of the Report's information about the Company's operations from the perspective of the Social Charter of the Russian Business. The Charter sets out key principles of responsible business conduct aligned with those of the UN Global Compact, as well as domestic and international CSR standards.

From 29 April to 20 May 2019, the Council members reviewed the content of the Company's Report and issued 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 below-listed criteria of information completeness and 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](http://www.rspp.ru)).

Completeness implies that 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 Company is responsible for the information and statements provided in the Report. The accuracy of the Report's information is beyond 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.

**Norilsk Nickel Group's 2018 Sustainability 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 Norilsk Nickel Group's 2017 Report were largely implemented in the 2018 Report. In particular, the report offers more detailed comments on changes in indicators and provides additional references to information sources, including the annual report. The report also addresses the performance of the Norilsk Development Agency, covers the sustainability efforts of the Board of Directors' dedicated committee, and provides more information on the alignment of the Company's activities with the UN 2030 Agenda for Sustainable Development.**

The Company's 2018 Report contains relevant information relating to the below-listed aspects of responsible business conduct.

**Economic freedom and responsibility.** The Report presents the Company's operational and financial results, highlighting its contribution to Russia's economy and its engagement in the Arctic. It notes the rise in the output of key metals and revenue driven by greater production efficiency across the board. Information is provided on the commissioning of advanced Bystrinsky GOK and the launch of the Sulphur Project at Polar Division's Copper Plant. Other highlights include a significant improvement in health and safety performance. The Report outlines the Company's strategic priorities. It states that Nornickel embarked on the second stage of its environmental programme, launching initiatives to upgrade infrastructure, accelerate digitalisation, and other projects. The Report discloses the Company's corporate governance structure and approaches to sustainable development management. It highlights Nornickel's contribution to

achieving the UN Sustainable Development Goals. Information is presented on recertification audits for compliance with international standards of the quality and environmental management system. Also included is information on the employee performance management and competence assessment systems, and the risk management system. The Report informs that the Company has adopted a number of regulations on the information security of Nornickel's assets and operations. It also identifies focus areas and outlines the Company's efforts in preventing and combating corruption, including the corruption risk assessment performed across the Group's business units.

**Business partnerships.** The Report presents a stakeholder map together with the description of key stakeholder engagement mechanisms and initiatives. It specifies the details of meetings with institutional and target investors focused on responsible investment, and the launch of a dedicated section of the corporate website with a view to improving investor relations and those with ESG assessment agencies. The Report prioritises personnel development and describes respective management approaches and programmes implemented in employees' interests, as well as health and safety strategy and performance. It also covers social partnership framework across the Group and discloses information on feedback channels for employees. The Report provides information on supplier relations with a focus on equal competition, corruption control, and feedback channels. It states that ESG requirements are incorporated into standard master agreements with suppliers and contractors, and presents information on the monitoring of contractors' compliance with health and safety requirements when carrying out the work, as well as on incorporating a binding anti-corruption clause into supplier agreements. It also provides information on quality assurance measures, customer satisfaction monitoring, new formats of interaction with regional authorities, continuous engagement in expert and consulting working groups established by government authorities to implement socially important projects, as well as on close interaction with business associations and NPOs. It describes strategic partnerships with Russian and foreign organisations set up with a view to achieving sustainable development goals and promoting green economy, and covers cooperation in creating a global mechanism to ensure reliability of precious metals supplies and addressing the global information security agenda.

**Human rights.** The Report covers regulatory and managerial aspects of the Company's respect of human rights, noting that Nornickel has a Human Rights Policy in place and that the principle of respecting human rights is set out in the Company's by-laws governing

the HR, environmental, social and other matters. The Report also focuses on the respect of employees' social and labour rights, offering them a competitive salary, social benefits, decent working conditions, professional development, and career growth. It describes the procedures in place for identifying human rights violations, stating that no such violations were recorded in the reporting period. It covers key areas of Nornickel's interaction with indigenous northern minorities and the Company's relevant commitments set forth in its Indigenous Rights Policy. In 2018, Nornickel and the Federal Agency for Ethnic Affairs (FAEA) signed a cooperation agreement to provide support to indigenous northern minorities who reside in the areas where the Company operates.

**Environmental protection.** The Report includes information on starting the second stage of the Company's environmental programme, approving the Integrated Action Plan to Reduce Air Pollutant Emissions at Polar Division in 2019–2024, and launching a concentrator upgrade project at Kola MMC. It presents details on the environmental management system and efforts to manage the climate impact, reduce greenhouse emissions, save energy, improve energy efficiency and develop the Company's energy infrastructure. It traces changes in quantitative indicators associated with the Company's environmental impact, broken down by key facilities, including its foreign asset Norilsk Nickel Harjavalta, as well as environmental expenditures and costs. The Report evaluates the impact of the Company's vehicle fleet as insignificant and describes Nornickel's approaches to biodiversity conservation, land rehabilitation and other environmental protection initiatives associated with field development, construction and other operations. It offers insights into cooperation with nature reserves, employee involvement in environmental initiatives, and environment-related interaction between the Company and broader community.

**Contribution to the development of local communities.** The Report highlights the Company's contribution to the development of local communities as the largest taxpayer and employer and also as participant of important regional and federal programmes and major infrastructure projects. It specifies the key focus areas of implementing social and economic agreements with government authorities in five regions across the Group's footprint (Krasnoyarsk Territory, Murmansk Region, Trans-Baikal Territory, Tver Region and Saratov Region). It presents information on key socially important economic and environmental projects implemented in these regions and covers the details of fostering cooperation with local businesses. The Report notes the Company's career guidance focus seeking to facilitate the employment

of population, including young people. It discloses the performance results of the Norilsk Development Agency and provides the list of key social infrastructure development projects of 2018. It details the results of the World of New Opportunities charitable programme across three focus areas — Partnership, Innovations, and Development, along with major projects implemented by the Company as the General Partner of the 29th International Winter Universiade 2019 in Krasnoyarsk. It also addresses the Plant of Goodness corporate volunteer programme, describes approaches to the assessment of social programmes and public-private partnerships, and discloses information on social spending.

### Final provisions

Information in the Report generally reflects the Company's consistent work towards the integration of corporate social responsibility and sustainable development principles into its business practices. The Report contains a significant amount of information about the Company's impact on the society and environment, its strategy and policies in the key focus areas, and the effect of the related programmes. It covers the main focus areas and formats of stakeholder engagement, including those used as part of the reporting process.

The Report was prepared using internationally and domestically recognised reporting tools (e.g. the GRI Standards, Comprehensive option, GRI Sector Disclosures and the RSPP Reference Performance Indicators), which ensures comparability of the Group's information with that of other Russian and international companies. The Report is also in line with the UN Global Compact and the UN 2030 Agenda for Sustainable Development.

The 2018 Report is the Company's fifteenth 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). This reflects the Company's commitment to keeping stakeholders informed and maintaining the high quality of disclosures.

### RECOMMENDATIONS

While acknowledging the Report's strengths, the Council calls attention to some aspects of disclosures' materiality and completeness, which should be addressed in the future reporting cycles.

The Report outlines Nornickel's strategic priorities and we regard this data as material for the stakeholders. However, the Company's strategy deserves a more detailed disclosure in the sustainability report, and it is therefore recommended to use more references to the sources where the relevant information is presented in more detail (e.g. the annual report). Cross-references in the Company's public reports ensure a more complete disclosure of material information without a significant increase in the size of reports, while also enabling comparability of information contained in different sources.

The Report reflects the results of the inventory of significant projects and programmes in line with the UN 2030 Agenda for Sustainable Development. Nornickel is advised to continue disclosing information on the progress towards the UN 2030 Agenda for Sustainable Development, using it among other criteria for assessing implementation of the goals and objectives of the Company's strategic priorities.

The Report states that the Company's by-laws provide for the control over compliance with the anti-corruption clause in agreements with suppliers and contractors, as well as their implementation of the work safety recommendations. It is advised that future reports describe the Company's impact on their business ethics, and social and environmental responsibility practices in more detail. It would be useful to provide examples of how ESG aspects are monitored as part of assessing the reliability of business partners, and how the latter implement relevant policies and standards into their business practices. Taking into account the new practice of the Company's adherence to the codes of conduct devised by foreign manufacturers, it seems reasonable to describe the Company's experience in this area going forward.

The Report highlights the Company's high degree of transparency and the use of various formats of stakeholder engagement. It would be appropriate to add a description of how feedback from stakeholders is used in management practices, namely in improving business processes and refining social programmes. In particular, this also applies to disclosing the results of the Company's Social Portrait of a City Resident analytical survey in the Krasnoyarsk Territory and the Murmansk Region.

The Company's reports generally provide full information on energy consumption and environmental impact across all key divisions. To improve this area of disclosure, it is further advised to report on the relevant performance of support functions (transportation, gas

production, electricity generation) and smaller units, such as Bystrinsky GOK.

The Report contains information on Nornickel's efficiency improvement programme seeking, among other things, to introduce innovative management solutions. In future reporting cycles, it is advisable to give more detailed information on the achievements in this area, including the set of KPIs related to sustainable development.

Taking into account the Company's active role in implementing national priorities as stated in the Report, it would be useful to provide more details on

its further participation in national projects, such as the Environment, the Digital Economy, and the Smart City initiatives, going forward. This would enable a more complete understanding of the Company's social and environmental impact as one of the major players in the Russian business market.

The RSPP Council on Non-Financial Reporting hereby takes a positive view of this Report, supports the Company's commitment to responsible business practices, notes consistency in developing the reporting process, and confirms that Norilsk Nickel Group's 2018 Sustainability Report has passed the public verification procedure.

RSPP Council on Non-Financial Reporting



## Appendix 11 Independent assurance report<sup>1</sup>

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### INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT [TRANSLATION FROM RUSSIAN ORIGINAL]

*To the management of Public Joint Stock Company "Mining and Metallurgical Company "Norilsk Nickel".*

We have undertaken a limited assurance engagement of nature and level of Public Joint Stock Company "Mining and Metallurgical Company "Norilsk Nickel" (hereinafter referred to as MMC Norilsk Nickel) compliance with the principles of the AA1000 Accountability Principle (2018) (hereinafter referred to as AA1000 AP 2018) in the process of stakeholder engagement in sustainability activities as well as compliance of the accompanying Norilsk Nickel Group's 2018 Sustainability Report (hereinafter referred to as the Report)<sup>1</sup> with the requirements of GRI Sustainability Reporting Standards to the report prepared in accordance with the Comprehensive option.

#### Responsibility of MMC Norilsk Nickel

MMC Norilsk Nickel is responsible for its compliance with the principles of the AA1000 AP 2018 in the process of stakeholder engagement in sustainability activities as well as preparation of the Report in compliance with the requirements of GRI Sustainability Reporting Standards to the report prepared in accordance with the Comprehensive option. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error.

#### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Rules of Independence of the Auditors and Audit Organizations and The Code of Professional Ethics of the Auditors, which are in accordance with Code of Ethics for Professional Accountants issued by the International Ethics Standards

Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior, and we have fulfilled our other ethical responsibilities in accordance with these requirements

The firm applies International Standard on Quality Control 1, Quality Control for Firm that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, 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.

#### Our Responsibility

Our responsibility is to express a limited assurance conclusion on nature and level of MMC Norilsk Nickel compliance with the principles of the AA1000 AP 2018 in the process of stakeholder engagement in sustainability activities as well as compliance of the Report with the requirements of GRI Sustainability Reporting Standards to the report prepared in accordance with the Comprehensive option based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, as well as in accordance with AA1000 Assurance Standard 2008 (type 2, as defined by AA1000AS 2008). These standards require that we plan and perform this engagement to obtain limited (moderate as defined by AA1000AS 2008) assurance about whether MMC Norilsk Nickel complies with the principles of the AA1000 AP 2018 in the process of stakeholder engagement in sustainability activities and whether the Report is free from material misstatement.

A limited assurance engagement undertaken in accordance with these standards involves assessing the following criteria (hereinafter referred to as Criteria):

- Nature and level of MMC Norilsk Nickel compliance with the principles of the AA1000 Accountability Principle 2018 – inclusivity, materiality, responsiveness and impact – in the process of stakeholder engagement in sustainability activities;
- Compliance of the Report with the requirements of GRI Sustainability Reporting Standards to the report prepared in accordance with the Comprehensive option.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we have performed the following procedures:

- Study and selective testing of systems and processes implemented by MMC Norilsk Nickel to ensure and analyze the compliance of the activities with the AA1000 AP 2018 principles; collection of evidence confirming practical implementation of these principles.
- Interviewing the management and employees of MMC Norilsk Nickel and obtaining documentary evidence.

<sup>1</sup> The Report includes information on MMC Norilsk Nickel, its Russian subsidiaries and Norilsk Nickel Harjavalta. Information on the total number of employees and revenue (within consolidated revenue) of other abroad subsidiaries is also included in the Report

TRANSLATION NOTE: Our report has been prepared in Russian and in English. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version.

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- Attending the 'We Are the City' social technologies forum in Norilsk (on February 15, 2019) and in Monchegorsk (on March 2, 2019), including dialogues with stakeholders.
- Study of information available on the websites of companies of Norilsk Nickel Group related to their activities in the context of sustainable development.
- Study of public statements of third parties concerning economic, environmental and social 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 companies working in the similar market segment for benchmarking purposes.
- Selective review of documents 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 collection, processing, documenting, verification, analysis and selection of data to be included into the Report.
- Analysis of information in the Report for compliance with the requirements of Criteria.

The procedures were performed only in relation to data for the year ended 31 December 2018.

The evaluation of reliability of the information on performance in the Report was conducted in relation to compliance with the requirements of Standards to the report prepared in accordance with the Comprehensive option and information referred to in the annex to the Report "GRI Content Index". In respect to the quantitative performance indicators the conformity assessment to external and internal reporting documents provided to us was performed.

The procedures were not performed in relation to forward-looking statements; statements expressing the opinions, beliefs and intentions of MMC Norilsk Nickel as the parent company of Norilsk Nickel Group to take any action relating to the future; as well as statements based on expert opinion.

The procedures were performed 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 on the MMC Norilsk Nickel website.

We had no chance to verify that the report was published on the MMC Norilsk Nickel website as well as that Global Reporting Initiative was notified of the use of the Standards in the Report preparation, due to the fact that the date of signing this Assurance Report preceded the planned dates of these procedures completion.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about MMC Norilsk Nickel adherence to the principles of the AA1000 AP 2018 as well as about compliance of the Report, in all material respects, with the Criteria.

#### Limited Assurance Conclusion

##### **Nature and extent of compliance of MMC Norilsk Nickel with AA1000 AP 2018 principles**

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that MMC Norilsk Nickel stakeholder engagement in sustainability activities has not complied, in all material aspects, with the criteria of AA1000 AP 2018 in respect to adherence of MMC Norilsk Nickel to the principles (Inclusivity, Materiality, Responsiveness and Impact).

##### **Compliance of the Report with the GRI Sustainability Reporting Standards (Comprehensive option)**

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Report has not complied, in all material aspects, with requirements of GRI Sustainability Reporting Standards to the report prepared in accordance with the Comprehensive option.

#### Recommendations

Based on the results of the limited assurance engagement we recommend:

- It is reasonable to disclose GRI indicators in relation to target values and plans for the future.
- Increase the extent of disclosure of indicators in relation to which requirements of GRI Standards is not fully taken into account (disclosures with omissions).
- In case of disclosure with omissions due to absence of a recording system, provide more specific information about plans to obtain data in future.

The recommendations are not intended to detract from the practitioner's conclusion. Our conclusion is not modified in respect of the matters referred to in the recommendations.



FBK, LLC  
Practitioner  
Partner

acting under Power of Attorney No. 76/18 of December 17, 2018  
The Russian Federation, Moscow, May 20, 2019

V.Y. Skobarev

TRANSLATION NOTE: Our report has been prepared in Russian and in English. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version.

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<sup>1</sup> The auditor of the Sustainability Report was approved by the Senior Vice President for HR, Social Policy and Public Relations.

# Contacts

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## Nornickel on social media

<https://www.facebook.com/NornickelRU/>  
<https://twitter.com/NornikOfficial>  
[https://vk.com/nornickel\\_official](https://vk.com/nornickel_official)  
<https://www.youtube.com/user/NornikOfficial>  
[https://www.instagram.com/nornickel\\_official](https://www.instagram.com/nornickel_official)  
[feeds.feedburner.com/nornik/AIDB](https://feeds.feedburner.com/nornik/AIDB)

## Norilsk through the eyes of its residents

<http://norilskfilm.com/>