

**REPORT OF THE BOARD OF DIRECTORS  
OF OJSC MMC NORILSK NICKEL**  
**including a reasoned viewpoint of the Company's Board of Directors**  
**on agenda items of the Annual General Meeting of the Shareholders of the Company**  
**May 13, 2015**

**1. Approval of the annual report of OJSC MMC Norilsk Nickel for 2014.**

Recommendation:

The Board of Directors recommends approving the annual report of OJSC MMC Norilsk Nickel for 2014.

Viewpoint of the Board of Directors:

The Board of Directors preliminarily reviewed the annual report.

The annual report was developed in accordance with Federal Law On Joint-Stock Companies and complies with the requirements of Regulation on information disclosure by the securities issuers, approved by Bank of Russia on 30.12.2014 Decree No 454-p concerning the content of the annual report and recommendations of the Corporate Governance Code (Corporate Governance Code).

**2. Approval of annual financial statements including profit & loss statement of OJSC MMC Norilsk Nickel for 2014.**

Recommendation:

The Board of Directors recommends approving the annual financial statements including profit & loss statement of OJSC MMC Norilsk Nickel for 2014.

Viewpoint of the Board of Directors:

The Board of Directors preliminarily studied the annual financial statements for 2014 (Russian Accounting Standards – RAS). The Board of Directors also examined the opinion of the Company's auditor, i.e. Rosexpertiza LLC, concerning RAS financial statements of OJSC MMC Norilsk Nickel and the opinion of the Internal Audit Commission of OJSC MMC Norilsk Nickel on the performance of OJSC MMC Norilsk Nickel in 2014.

Having analyzed the provided information and based on the auditor's opinion, the Board of Directors believes that the RAS financial statements were prepared according to applicable rules and give a true and fair view of the Company's financial position as of December 31, 2014, its performance and cash flows in 2014 in compliance with RAS.

**3. Approval of 2014 consolidated financial statements of OJSC MMC Norilsk Nickel, prepared in accordance with international financial reporting standards.**

Recommendation:

The Board of Directors recommends approving the consolidated annual financial statements of OJSC MMC Norilsk Nickel for 2014.

Viewpoint of the Board of Directors:

The Board of Directors preliminarily studied the consolidated annual financial statements for 2014, prepared in accordance with international financial reporting standards.

The Board of Directors also examined the opinion of the Company's auditor, i.e. CJSC KPMG, concerning consolidated IFRS financial statements of OJSC MMC Norilsk Nickel and the opinion of the Internal Audit Commission of OJSC MMC Norilsk Nickel on the performance of OJSC MMC Norilsk Nickel in 2014.

Having analyzed the provided information and based on the opinion of the Auditor and Internal Audit Commission, the Board of Directors believes that the consolidated financial statements give a true and fair view of the Company's financial position in 2014 as of December 31, 2014, and that its financial results and cash flow statements for 2014 were prepared in accordance with the international financial reporting standards.

**4. Distribution of profit and loss of OJSC MMC Norilsk Nickel for 2014, including payment (announcement) of dividends, based on the results of 2014 fiscal year.**

Recommendation:

The Board of Directors recommends approving the following distribution of profit and loss of OJSC MMC Norilsk Nickel for 2014:

Announce dividends on ordinary shares of OJSC MMC Norilsk Nickel, based on the results of fiscal year 2014, in the amount of USD 2 018 million or RUB 726.75 per ordinary share<sup>1</sup>. Dividend payments shall be carried out in cash. To propose that the Annual General Meeting of Shareholders set a record date for list of persons entitled to dividend payout at May 25, 2015.

For reference (in accordance with RAS accounts of OJSC MMC Norilsk Nickel as of 31.12.2014)

	<i>million RUB</i>
Retained earnings as of 31.12.2014 earmarked for dividend payout	218 584
Including:	
Net profit in 2014	34 057

The amount of net profit allocated toward current dividend payout amounts to RUB 115 006 million (incl. of retained earnings amounting to RUB 80 949 million).

Total amount of dividends for 2014 is fixed at RUB 235 643 million. It includes interim 9M 2014 dividend amounting to RUB 120 637 million (RUB 762.34 per ordinary share), the variance pending payout amounts to RUB 115 006 million.

Viewpoint of the Board of Directors:

The Board of Directors analyzed the production and financial results of OJSC MMC Norilsk Nickel for 2014, the current financial position, investment program, prioritized directions of the production and social development of OJSC MMC Norilsk Nickel in the future. Having analyzed the provided information and based on the auditor's opinion on the RAS financial statements, the Board of Directors believes that OJSC MMC Norilsk Nickel can distribute the net profit as described above.

The Board of Directors of OJSC MMC Norilsk Nickel believes that the Company has a reason to

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<sup>1</sup> As of 03.04.2015 exchange rate of 56.9902 RUB/USD

declare dividend on the Company's shares for 2014 and pay the dividend in accordance with Article 43 of the Federal Law 'On Joint-Stock Companies' assuming that as of the date of the decision on payment of the dividend and the date of dividend payment:

- OJSC MMC Norilsk Nickel does not show any signs of insolvency (bankruptcy) in accordance with applicable laws on insolvency (bankruptcy) of the Russian Federation and will not acquire the signs as a result of the dividend payment;
- the value of net assets of OJSC MMC Norilsk Nickel is not less than its authorized capital and reserve fund and does not become less than the mentioned capitals as a result of adopting of the decision to pay the dividend and the dividend payment (as of 31.12.2014 the value of net assets of OJSC MMC Norilsk Nickel is 266 954 million rubles and exceeds the authorized capital and reserve fund by 266 772 million rubles).

## **5. Election of members of the Board of Directors of OJSC MMC Norilsk Nickel.**

### Recommendation:

The Board of Directors recommends the shareholders to vote for candidates that meet the requirements set for independent directors of the Board of Directors.

### Viewpoint of the Board of Directors:

The Company is interested in having as members of the Board of Directors independent directors who have both knowledge and skills in the area of finance, production and strategy of holdings and can assist in the development of OJSC MMC Norilsk Nickel as one of the leaders of the global mining industry.

## **6. Election of members of the Internal Audit Commission of OJSC MMC Norilsk Nickel.**

### Recommendation:

The Board of Directors recommends supporting the election to the Internal Audit Commission of five candidates listed in the bulletin including: Voziyanova Ekaterina Evgenyevna, Svanidze Georgiy Eduardovich, Shilkov Vladimir Nikolaevich, Masalova Anna Viktorovna, Yanevich Elena Alexandrovna.

### Viewpoint of the Board of Directors:

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

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

## **7. Approval of the Auditor of RAS statements of OJSC MMC Norilsk Nickel.**

### Recommendation:

The Board of Directors recommends approving LLC Rosexpertiza to the position of the Auditor of 2015 RAS financial statements of OJSC MMC Norilsk Nickel.

Viewpoint of the Board of Directors:

LLC Rosexpertiza has been an auditor of OJSC MMC Norilsk Nickel and enterprises that form the Group of OJSC MMC Norilsk Nickel from in 2009 - 2014.

LLC Rosexpertiza specializes in providing services to major strategic companies involved in basic areas of the Russian economy including oil and gas extraction, mining production and metallurgy, power economy, nuclear production, machine and instrument engineering (including defense industry), transportation and communications, commerce and credit and finance industry.

LLC Rosexpertiza has accumulated considerable experience in providing audit and consulting services to customers involved in metallurgy and instrument engineering.

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

Recommendation:

The Board of Directors recommends approving CJSC KPMG to the position of the Auditor of 2014 IFRS consolidated financial statements of OJSC MMC Norilsk Nickel.

Viewpoint of the Board of Directors:

CJSC KPMG has been conducting IFRS consolidated financial statements audits for OJSC MMC Norilsk Nickel in 2009-2014.

CJSC KPMG is one of the leading international auditing organizations included in the “Big Four”. CJSC KPMG has accumulated considerable experience in providing audit services to leading mining and metallurgy companies.

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

Recommendation:

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

Viewpoint of the Board of Directors:

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

**10. Remuneration of the Internal Audit Commission of OJSC MMC Norilsk Nickel.**

Recommendation:

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

Viewpoint of the Board of Directors:

In accordance with par. 1 art.85 of the Federal Law on Joint-Stock Companies and art.6 of the Regulation on Internal Audit Commission of OJSC MMC Norilsk Nickel approval of remuneration of Internal Audit Commission members lies within the authority of a General Meeting of Shareholders. Therefore it is hereby proposed that the General Meeting of Shareholders approve the remuneration amount of the Internal Audit Commission members.

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

Recommendation:

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

Viewpoint of the Board of Directors:

In accordance with the Corporate Codes of Conduct it is recommended for a joint-stock company to use its own funds to insure the liability of the members of the Board of Directors so that if the Company or third parties incur any losses through a fault of the members of the Board of Directors, the losses could be indemnified using the funds of an insurance company. Based on estimates of Russia's Federal Commission for the Securities Market and global practices, insuring the liability of the members of the Board of Directors will not only help improve the effectiveness of the civil liability but also convince competent experts of becoming members of the Board of Directors.

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

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

Recommendation:

The Board of Directors recommends approving the transaction that is a related party transaction for all members of the Board of Directors and the Management Board of OJSC MMC Norilsk Nickel the subject matter of which is the insuring by a Russian insurance company of the liability of the members of the Board of Directors and the Management Board of OJSC MMC Norilsk Nickel who are beneficiaries for the purposes of the transaction for a term of one year with a limit of liability in the amount of 200 000 000 US Dollars, and a limit of liability under an additional extension of the coverage for the master agreement in the amount of 25 000 000 US Dollars and with payment of an

insurance premium that does not exceed 1,000,000 US Dollars.

Viewpoint of the Board of Directors:

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

**13. Approval of a new revision of the Company's Charter.**

Recommendation:

The Board of Directors recommends approving the new revision of the Company's Charter.

Viewpoint of the Board of Directors:

Need to approve new edition of the Charter of OJSC MMC Norilsk Nickel arises due to changes in Civil Code of the Russian Federation and introduction of a notion of a Public Joint-Stock Company and the change of the name of the Sole Executive Body of the Company.

**14. Norilsk Nickel's participation in Energy Consumers Community Non-Profit Partnership.**

Recommendation:

The Board of Directors recommends that the Company join the Energy Consumers Community Non-Profit Partnership.

Viewpoint of the Board of Directors:

Energy Consumers Community aims to promote the interests of consumers in the development of models of the wholesale and retail electricity markets, limiting the growth of prices and tariffs of the electric grid complex, facilitating the establishment of transparent rules for the functioning of the power market and, lowering costs and reducing the share of transmission services in the final the price of power, minimizing the potential consequences of the introduction of paid redundant AC power, ensuring response to customers, with the possible extension of the timelines of PDM capacity delivery from 10 to 15 years, promoting the decommissioning of inefficient generation, minimization of financial and organizational implications for consumers arising from the adoption and application of Regulations on technological operation of electric power systems.

Current participants are the companies operating in all sectors: from industry to agriculture, 27 companies, including UC Rusal, Rosneft, Metalloinvest Management Company LLC, OJSC UMMC, OJSC Sibur, JSC NLMK, Evrazgroup S.A., OJSC Transneft, Rusenergoby LLC and others.

OJSC MMC Norilsk Nickel is to join the Partnership to promptly and efficiently address issues arising from interaction with the federal executive bodies and organizations governing administrative and legal relations in the electricity sector. In due course, this topic shall become topical and can help to minimize financial losses and correct strategic decision-making of OJSC MMC Norilsk Nickel in the energy sector.

**15. Related party transaction between the Company and JSC NORMETIMPEX (Order to Commission Agreement No NN/1001-2009 dd. 21.12.2009 between OJSC MMC Norilsk Nickel and CJSC NOTMETIMPEX).**

Recommendation:

The Board of Directors recommends that approval of the related party transaction between the Company and JSC NORMETIMPEX (Order to Commission Agreement No NN/1001-2009 dd. 21.12.2009 between OJSC MMC Norilsk Nickel and CJSC NOTMETIMPEX) be submitted to the Annual General Meeting of Shareholders.

Viewpoint of the Board of Directors:

Current domestic (Russian Federation) and export sales of products held by OJSC MMC Norilsk Nickel are effected through JSC NORMETIMPEX acting sui juris within the framework of Commission Agreement No NN/1001-2009 dd. 21.12.2009 concluded with the Company.

The Company has resolved to use Russian feed (nickel converter matte in concentrate) to load the production facilities of NN Harjavalta, whereby in pursuance of Commission Agreement the Company shall issue an order to JSC NORMETIMPEX validating 2016-2020 sales of nickel converter matte at a volume of 555 000 dry metric tons.

**16. Related party transactions, which may be entered in the course of regular operations of OJSC MMC Norilsk Nickel.**

Recommendation:

The Board of Directors deems it advisable to submit the following related party transactions which may be entered in the course of regular operations of OJSC MMC Norilsk Nickel before the annual General Meeting of Shareholders.

Viewpoint of the Board of Directors:

In accordance with par 2 item 6, Article 83 of the Federal Law On Joint Stock Companies, the General Meeting of Shareholders of OJSC MMC Norilsk Nickel can approve of transactions with related parties which may be entered in the course of regular operations of the Company. Such rulings shall remain in force until the next Annual General Meeting of Shareholders of the Company.

Related party transactions between the Company (divisions) and affiliates are submitted for approval of the Annual General Meeting of Shareholders in accordance with par 6 art. 83 of the Federal Law on Joint-Stock Companies:

The above transactions are submitted to the Annual General Meeting of Shareholders of the Company in order to optimize the activities of the Company's Board of Directors and current operations of the Company.

In accordance with par. 3 art. 49 of the Federal Law On Joint-Stock Companies and par. 7.4 and 9.3.5 of the Company Charter approval of transactions with related parties lies within the authority of the General Meeting of Shareholders on the proposal of the Board of Directors of the Company.