

**REPORT OF THE BOARD OF DIRECTORS  
PJSC MMC NORILSK NICKEL**  
**including reasoned opinion of the Company's Board of Directors**  
**with regard to agenda items of the Annual General Meeting of the Shareholders of the Company**  
**June 10, 2019.**

**1. Approval of the 2018 Annual Report of PJSC MMC Norilsk Nickel**

Recommendations:

The Board of Directors recommends approval of the 2018 Annual Report of PJSC MMC Norilsk Nickel.

Opinion of the Board of Directors:

The Board of Directors reviewed and preliminarily approved the annual report.

The annual report was drafted in accordance with Federal Law 'On Joint Stock Companies' and complies with the Regulation on Information Disclosure by Securities Issuers, approved by the Bank of Russia on 30/12/2014 in Decree No 454-p concerning the content of the annual report and recommendations of the Corporate Governance Code (Corporate Governance Code). As required by Federal Law 'On Joint Stock Companies', Article 81, par. 1.1, the Annual Report includes report on related-party transactions entered into by PJSC MMC Norilsk Nickel in 2018. The Company's Audit Commission has confirmed the reliability of data contained in the Company's Annual Report, including those contained in the report on related-party transactions entered into by PJSC MMC Norilsk Nickel in 2018.

**2. Approval of the 2018 Annual Accounting (Financial) Statements of PJSC MMC Norilsk Nickel**

Recommendations:

The Board of Directors recommends approval of the annual financial statements including profit & loss statement of PJSC MMC Norilsk Nickel for 2018.

Opinion of the Board of Directors:

The Board of Directors reviewed and preliminarily approved the annual accounting (financial) statements of PJSC MMC Norilsk Nickel for 2018 (Russian Accounting Standards – RAS). The Board of Directors also reviewed the opinion of the Company's auditor, i.e. JSC KPMG, concerning the RAS-compliant financial statements of PJSC MMC Norilsk Nickel and the opinion of the Internal Audit Commission of PJSC MMC Norilsk Nickel with regard to the performance of PJSC MMC Norilsk Nickel in 2018.

Having analysed the information provided and based on the auditor's opinion, the Board of Directors believes that the RAS-compliant accounting (financial) statements were prepared according to applicable rules and give a true and fair view of the Company's financial position as of December 31, 2018, its performance and cash flows in 2018 in compliance with RAS.

**3. Approval of the 2018 PJSC MMC Norilsk Nickel Consolidated Financial Statements**

Recommendations:

The Board of Directors recommends approval of the consolidated financial statements of PJSC MMC Norilsk Nickel for 2018.

Opinion of the Board of Directors:

The Board of Directors reviewed and preliminarily approved the consolidated annual financial statements of PJSC MMC Norilsk Nickel for 2018. The Board of Directors also examined the opinion of the Company's auditor, i.e. JSC KPMG, concerning the consolidated financial statements of PJSC MMC Norilsk Nickel and the opinion of the Internal Audit Commission of PJSC MMC Norilsk Nickel on the performance of PJSC MMC Norilsk Nickel in 2018.

Having analysed the information provided and based on the auditor's opinion, the Board of Directors believes that the consolidated financial statements were prepared according to applicable rules and give a true and fair view of the Company's financial position as of December 31, 2018, its performance and cash flows in 2018 in compliance with IFRS.

**4. Distribution of the profit of PJSC MMC Norilsk Nickel for 2018, including payment (declaration) of dividends, based on the results of 2018**

Recommendations:

The Board of Directors recommends approval of the distribution of PJSC MMC Norilsk Nickel profit for 2018 as follows:

To declare dividends on ordinary shares of PJSC MMC Norilsk Nickel, based on the results of 2018, in the amount of RUB 125 413 million (which is equivalent to USD 1 939 million at the exchange rate of the Bank of Russia as of April 26, 2019), or RUB 792,52 per ordinary share.

Dividend payments shall be made in cash.

To recommend to the Annual General Meeting of Shareholders of the Company setting June 21, 2019 as the record date for determining list of persons eligible to receive dividend.

For reference (in accordance with

RAS accounts of PJSC MMC Norilsk Nickel as of 31/12/2018):

	<i>RUB million</i>
As of 31/12/2018, retained earnings amounted to that can be used to pay dividends, including:	146, 515
Net profit in 2018	164, 956

The amount of net profit allocated for the current dividend payment is RUB 125, 413 mln.

Opinion of the Board of Directors:

The Board of Directors analysed the production and financial results of PJSC MMC Norilsk Nickel for 2018, the current financial position, investment program, and priority directions of the production and social development of PJSC MMC Norilsk Nickel in the future. Having analysed the information provided and based on the auditor's opinion on the RAS-compliant financial statements, the Board of Directors believes that PJSC MMC Norilsk Nickel can distribute the net profit as described above.

The Board of Directors of PJSC MMC Norilsk Nickel believes that the Company has reason to declare dividend on the Company's shares for 2018 and pay the dividend in accordance with Federal Law 'On Joint-Stock Companies', Article 43, assuming that, as of the date of the decision for payment of dividends and the date of dividend payment:

- PJSC MMC Norilsk Nickel does not show any signs of insolvency (bankruptcy) in accordance with applicable laws on insolvency (bankruptcy) of the Russian Federation and the dividend payment will not result in such sign;

- the value of the net assets of PJSC MMC Norilsk Nickel will not fall below the value of its authorized capital and reserve fund and will not fall below their value as a result of the decision to pay dividends and dividend payments (as of December 12, 2018 the cost of net assets of PJSC MMC Norilsk Nickel amounted to RUB 194,906 mln. and exceeded its authorized capital and reserve fund by RUB 194,724 mln.).

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

### Recommendations:

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

The Board of Directors has also resolved to recognize Sergey Nikolaevich Volk and Maxim Vladimirovich Poletaev, nominee members of the Board of Directors, as independent, despite their nominal relation to the Company's contractor, as this relation does not affect their capability of making independent, objective and honest judgements.

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

### Opinion of the Board of Directors:

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

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

### Recommendations:

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

### Opinion of the Board of Directors:

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

All candidates for membership of the Internal Audit Commission are recognized experts whose business experience and accounting, financial and auditing knowledge and skills will assist the Internal Audit Commission in performing its functions more effectively.

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

Recommendations:

The Board of Directors recommends the approval of JSC KPMG as the Auditor of RAS-compliant accounting (financial) statements of PJSC MMC Norilsk Nickel for 2019.

Opinion of the Board of Directors:

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

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

Recommendations:

The Board of Directors recommends the approval of JSC KPMG as the Auditor of consolidated financial statements of PJSC MMC Norilsk Nickel for 2019 and interim consolidated financial statements for the first half of 2019.

Opinion of the Board of Directors:

JSC KPMG has been conducting IFRS-compliant consolidated financial statements audits for PJSC MMC Norilsk Nickel in 2009-2018. JSC KPMG is one of the leading international auditing organizations included into the 'Big Four'.

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

Recommendations:

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

The proposed amounts of remuneration and reimbursement of the Chairman of the Board of Directors are determined based on global corporate practice, taking into account the experience of major companies operating in various economic sectors the opinions of reputable consultants with regard to the current market practices for the remuneration of non-executive members of the Board of Directors.

Opinion of the Board of Directors:

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

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

Recommendations:

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

Opinion of the Board of Directors:

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

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

Recommendations:

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

Opinion of the Board of Directors:

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

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

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

Recommendations:

The Board of Directors recommends that transactions that are related party transactions be authorised for all members of the Board of Directors and the Management Board of PJSC MMC Norilsk Nickel, with regard to liability insurance of the members of the Board of Directors and the Management Board of PJSC MMC Norilsk Nickel, who are the beneficiaries of the transaction, provided by a Russian insurance company; the effective period of liability insurance is one year; total liability limit is no less than USD

200 000 000 with a liability limit of no less than USD 25,000,000 for extended coverage to the primary contract, as well as an insurance premium of not exceeding USD 1,000,000.

Opinion of the Board of Directors:

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

**13. Participation of PJSC MMC Norilsk Nickel in the Inter-Regional Cross-Industry Association of Employers ‘Union of Copper and Nickel Producers and Production Support Providers’**

Recommendations:

The Board of Directors recommends that participation of PJSC MMC Norilsk Nickel in the Inter-Regional Cross-Industry Association of Employers ‘Union of Copper and Nickel Producers and Production Support Providers’ be approved.

Opinion of the Board of Directors:

In accordance with Federal Law ‘On Joint Stock Companies’, Article 48, par. 1.18, and the Articles of Association of PJSC MMC Norilsk Nickel, par. 7.1.16, the participation of PJSC MMC Norilsk Nickel in associations falls within the purview of the General Meeting of Shareholders of the Company.

In order to comply with the requirements of the Russian labour law and achieve more flexible management of operating costs associated with the additional guarantees that are stipulated by the labour law, the management of MMC Norilsk Nickel resolved to become a party to the Interregional Cross-Industry Agreement on the Entities of the Copper and Nickel and Supporting Industries for 2019–2022 (the ‘Agreement’) concluded between the Interregional Cross-Industry Association of Employers ‘Union of Copper and Nickel Producers and Production Support Providers’ (hereinafter, IRCIE Union of CNPPSP) and the Trade Union of MMC Norilsk Nickel Employees, an interregional public organisation (the ‘Trade Union’).

The Company’s management considers it appropriate for MMC Norilsk Nickel to join the IRCIE Union of CNPPSP in order to enable full participation in collective negotiations with other employers – members of the IRCIE Union of CNPPSP and the Trade Union on matters of the Agreement’s structure, content, amendments and extension terms, as well as representation of the Company’s interests as a member of the association of employers in communicating with federal and local government authorities.