

**REPORT OF THE BOARD OF DIRECTORS OF  
PJSC MMC NORILSK NICKEL**  
**including a motivated resolution of the Company's Board of Directors**  
**on the items of the Agenda of the Annual General Meeting of the Shareholders of the Company**  
**on June 9, 2017**

**1. Approval of the annual report of PJSC MMC Norilsk Nickel for 2016.**

Recommendations:

The Board of Directors recommends approving the annual report of PJSC MMC Norilsk Nickel for 2016.

Resolution of the Board of Directors:

The Board of Directors preliminarily reviewed the annual report.

The annual report was drafted in accordance with the 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 the Annual Accounting (financial) Statements of PJSC MMC Norilsk Nickel for 2016.**

Recommendations:

The Board of Directors recommends approving the annual financial statements including profit & loss statement of PJSC MMC Norilsk Nickel for 2016.

Resolution of the Board of Directors:

The Board of Directors preliminarily reviewed the annual accounting (financial) statements of PJSC MMC Norilsk Nickel for 2016 (Russian Accounting Standards – RAS). The Board of Directors also examined the opinion of the Company's auditor, i.e. JSC KPMG, concerning RAS 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 2016.

Having analyzed the provided information and based on the auditor's opinion, the Board of Directors believes that the RAS-compliant accounting (financial) statements were prepared according to applicable rules and give a true and fair view of the Company's financial position as of December 31, 2016, its performance and cash flows in 2016 in compliance with RAS.

**3. Approval of the consolidated financial statements of PJSC MMC Norilsk Nickel for 2016.**

Recommendations:

The Board of Directors recommends approving the consolidated financial statements of PJSC MMC Norilsk Nickel for 2016.

Resolution of the Board of Directors:

The Board of Directors recommends approving the consolidated annual financial statements of PJSC MMC Norilsk Nickel for 2016. The Board of Directors also examined the opinion of the Company's auditor, i.e. JSC KPMG, concerning consolidated financial statements of PJSC MMC Norilsk Nickel and the opinion of the Internal Audit Commission of PJSC MMC Norilsk Nickel on the performance of PJSC MMC Norilsk Nickel in 2016.

Having analyzed the provided information and based on the auditor's opinion, the Board of Directors believes that the consolidated financial statements were prepared according to applicable rules and give a true and fair view of the Company's financial position as of December 31, 2016, its performance and cash flows in 2016 in compliance with IFRS.

**4. Distribution of profits of PJSC MMC Norilsk Nickel for 2016, including payment (declaration) of dividends, based on the results of 2016 year.**

Recommendations:

The Board of Directors recommends approving the distribution of profits and losses of PJSC MMC Norilsk Nickel for 2016 as follows.

To declare dividends on ordinary shares of PJSC MMC Norilsk Nickel, based on the results of fiscal year 2016, in the amount of USD 1,239 mln. or RUB 446.10 per ordinary share.

Dividend payments shall be carried out in cash.

To recommend to the Annual General Meeting of Shareholders of the Company to set June 23, 2017 as the record date.

For reference (in accordance with

RAS accounts of OJSC MMC Norilsk Nickel as of 31.12.2016)

	<i>million RUB</i>
Retained earnings as of 31.12.2016 earmarked for dividend payout which can be used to pay dividends	176,499
including:	
Net profit in 2016	122,770

The amount of net profit allocated for the current dividend payment is RUB 70,594 mln.

Resolution of the Board of Directors:

The Board of Directors analyzed the production and financial results of PJSC MMC Norilsk Nickel for 2016, the current financial position, investment program, prioritized directions of the production and social development of PJSC MMC Norilsk Nickel in the future. Having analyzed the provided information and based on the auditor's opinion on the RAS-compliant financial statements, the Board of Directors believes that PJSC MMC Norilsk Nickel can distribute the net profit as described above.

The Board of Directors of OJSC MMC Norilsk Nickel believes that the Company has a reason to declare dividend on the Company's shares for 2016 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.

- PJSC MMC Norilsk Nickel does not show any signs of insolvency (bankruptcy) in accordance with applicable laws on insolvency (bankruptcy) of the Russian Federation and will not acquire the signs as a result of the dividend payment;
- the cost of net assets of PJSC MMC Norilsk Nickel will not fall below the value of its authorized capital and reserve fund and will not fall below their value as a result of resolution to pay dividends and dividend payments (as of 31.12.2016 the cost of net assets of PJSC MMC

Norilsk Nickel amounted to RUB 224,893 mln. and exceeded its authorized capital and reserve fund by RUB 224,711 mln.).

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

Recommendations:

Corporate Governance, Nomination and Remuneration Committee of the Board of Directors of PJSC MMC Norilsk Nickel (hereinafter referred to as the Committee) assessed nominees for the Board of Directors of the Company for their compliance with the independence criteria specified in paragraph 8.15 of the Company's Articles of Association, as well as independence criteria established by PJSC Moscow Stock Exchange.

Pursuant to Policy on development and approval of recommendations re voting on nominees for the Board of Directors of PJSC MMC Norilsk Nickel and taking into account opinion of the Committee the Board of Directors recommends the shareholders to vote for candidates that meet the requirements set for independent directors of the Board of Directors.

Resolution of the Board of Directors:

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

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

Recommendations:

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

Resolution of the Board of Directors:

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

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

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

Recommendations:

The Board of Directors recommends approving JSC KPMG as Auditor of RAS-compliant accounting (financial) statements of PJSC MMC Norilsk Nickel for 2017;

Resolution of the Board of Directors:

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

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

Recommendations:

The Board of Directors recommends to approve JSC KPMG as Auditor of Consolidated financial statements of PJSC MMC Norilsk Nickel for 2017 and the first half of 2018;

Resolution of the Board of Directors:

JSC KPMG has been conducting IFRS-compliant consolidated financial statements audits for PJSC MMC Norilsk Nickel in 2009-2016. JSC KPMG is one of the leading international auditing organizations included in the “Big Four”.

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

Recommendations:

In accordance with Policy on remuneration of the members of the Board of Directors of PJSC MMC Norilsk Nickel to pay remuneration and reimburse expenses to the members of the Board of Directors and associated with performance of their duties,  
Proposed amounts of remuneration and reimbursement of expenses 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.

Resolution of the Board of Directors:

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

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

Recommendations:

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

Resolution 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 PJSC 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: RUB 1,800,000 per annum, payable in equal amounts twice per year. Mentioned amount of before taxes in accordance with applicable Russian legislation.

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

Recommendations:

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

Resolution 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.

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

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

Recommendations:

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

Resolution 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 the new version of the Articles of Association of PJSC MMC Norilsk Nickel.**

Recommendations:

Board of Directors recommends approving new version of the Articles of Association of PJSC MMC Norilsk Nickel:

Resolution of the Board of Directors:

New version of the Articles of Association of PJSC MMC Norilsk Nickel is approve to bring to compliance with the current legislation, to add issues which are currently considered by Board of Directors and the Management Board in the course to established practice to the competences of these bodies.

**14. Participation of PJSC MMC Norilsk Nickel in Association ‘National Global Compact Network’.**

Recommendations:

Board of Directors recommends to approve Company’s participation in Association ‘National Global Compact Network’ aimed to involve business circles in sustainable development activities (Association ‘National Global Compact Network’).

Resolution of the Board of Directors:

November 17, 2016, PJSC MMC Norilsk Nickel joined the UN Global Compact the world's largest initiative in the area of corporate social responsibility and sustainable development.

After joining the UN Global Compact the activities of participants are carried out within the framework of local networks. Since 2016, the Russian network of the Global Compact has been operating in the format of the Association ‘National Global Compact Network’ aimed to involve business circles in sustainable development activities. The Association is the legal successor of the UN GC in the Russian Federation representing interests of Russian participants at the international level and official mediator between the UN GC’s head office and all its Russian members. Global Compact Network Russia operates since 2008. It includes 77 companies, commercial and academic institutions, including representatives of big business (Lukoil, Rosneft, RZhd, Rusal, AFK Sistema, Vnesheconombank, etc.), as well as small, medium-sized companies and non-profit organizations.

The UN Global Compact recommends its participants to be members of the Association if they plan to continue participating in projects, promote ideas and principles, participate in the activities of the UN Global Compact.

**15. Participation of PJSC MMC Norilsk Nickel in Transportation Security Association.**

Recommendations:

Board of Directors recommends approving Company's participation in Transportation Security Association, an association of entities engaged in the transport security activities (Transportation Security Association).

Resolution of the Board of Directors:

In accordance with the requirements of Federal Law No. 16-FZ dated 09.02.2007 "On Transport Security", the workforce (personnel) ensuring transport security are to be mandatorily trained and reviewed and certified accordingly by the certification authorities pursuant to the procedure established by the Government of the Russian Federation.

In order to fulfill these requirements and minimize costs for training and certification of transport infrastructure workers, the management of PJSC MMC Norilsk Nickel (the "Company") considers it expedient that the Company, represented by its divisions, specifically: the Polar Transport Division and the Murmansk Transport Division, should join the Transportation Security Association (association of entities engaged in the transport security activities).

The Transportation Security Association is a voluntary association of corporate entities engaged in the activities that are related to ensuring transport security in the Russian Federation, and those interested in enhancing the security of the transport complex and the development of the transportation sector in the Russian Federation. Currently, it has 57 companies as members, including both large businesses corporations and small and medium-sized companies engaged in the transport security operations.