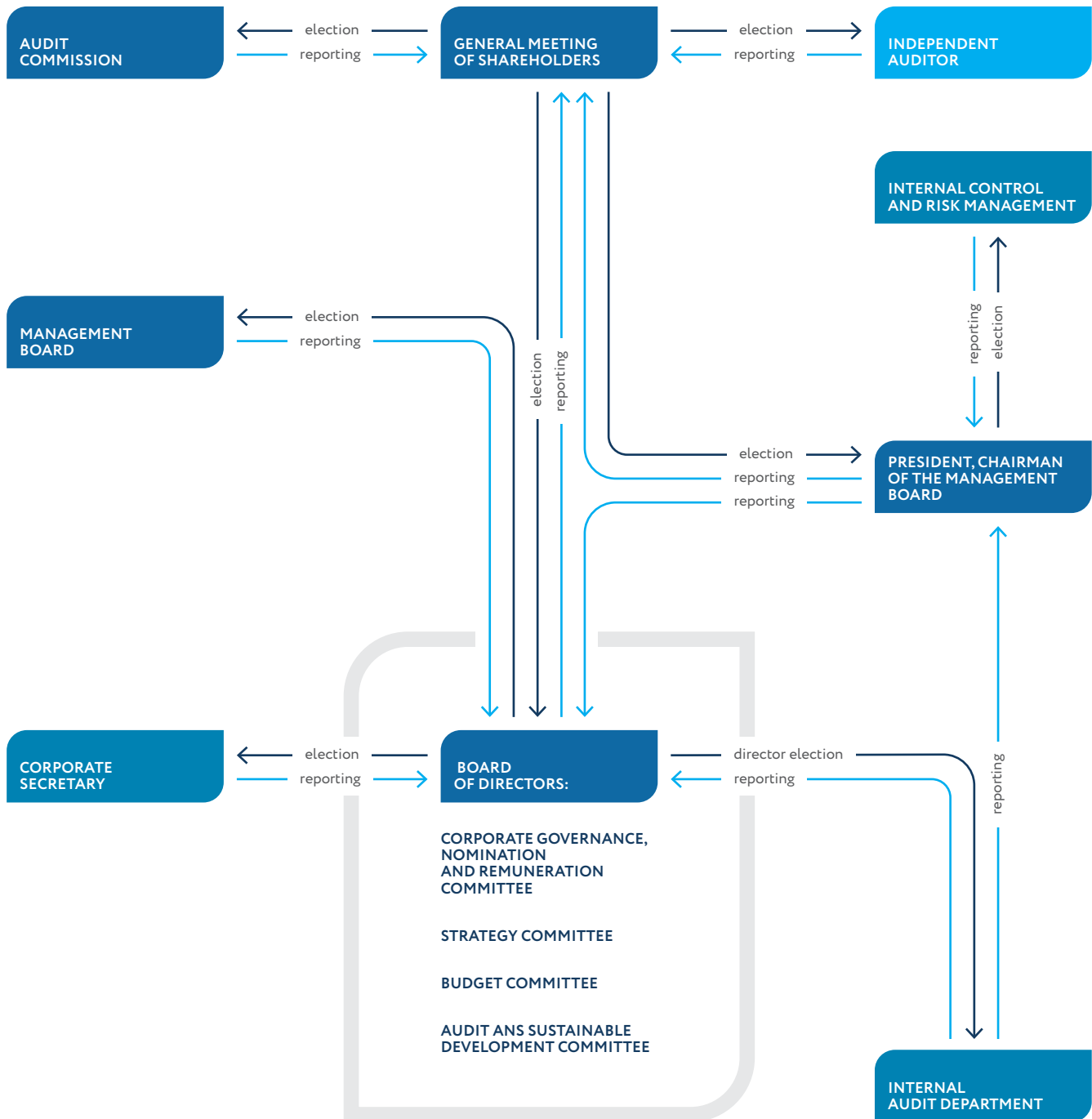


# GOVERNANCE STRUCTURE

## Governance chart



## CORPORATE GOVERNANCE FRAMEWORK

In its corporate governance practice, Nornickel is governed by applicable laws, listing rules, and recommendations of the Corporate Governance Code. Nornickel's corporate governance framework is designed to balance the interests of our shareholders, the Board of Directors, management and employees, as well as other stakeholders involved in Nornickel's activities. The approach, key principles and mechanisms underpinning Nornickel's efforts to build a robust corporate governance framework are based on the applicable Russian laws, including the Corporate Governance Code recommended by the Bank of Russia.

### DEVELOPMENT AND FURTHER IMPROVEMENT OF THE CORPORATE GOVERNANCE FRAMEWORK

To support shareholder value creation and ensure robust protection of shareholder rights and interests, in 2019 Nornickel continued to focus on its strategy and business priorities, and improve its corporate governance and social responsibility framework, seeking to achieve excellence in governance so as to mitigate investment risks.

In the reporting year, Nornickel paid significant attention to innovative development and the use of new technology as part of its operational excellence drive. Nornickel's dedicated programme covered initiatives to step up operational



Nornickel's corporate governance framework relies on key principles that imply effective leadership and control of the Company and equal treatment of all shareholders. For more details on the principles formalised in Nornickel's by-laws, please see [the Disclosure subsection, Investors section of the Company's website](#).

efficiency, cut operating costs, and improve HSE performance across the Company's footprint. A smart strategy and an in-depth analysis of market developments helped propel Nornickel to an entirely new level of efficiency, reaffirming its status as one of the most compelling investment cases in Russia.

Nornickel continuously improves its corporate governance framework and adopts global best practice, keeping in mind their significant impact on the Company's sustainable development and valuation. Corporate governance improvement

is seen as an integral part of Nornickel's overall efforts to achieve operational excellence. The process is constantly supervised by Nornickel's Board of Directors and executive bodies. The Bank of Russia's Corporate Governance Code serves as the main benchmark for improving Nornickel's corporate governance framework.

Comparison of Nornickel's 2017<sup>1</sup>, 2018, and 2019 reports on compliance with the Corporate Governance Code demonstrates positive progress on the implementation of the Code's principles and recommendations. The number of the Code's principles fully complied with has increased from 55 in 2017 to 61 in 2019, or 77% of the total.

The biggest progress was made on the standards set out in Chapter 2, Board of Directors, and Chapter 5, Risk Management and Internal Control Framework, of the Code.

Nornickel fully complies with the standards outlined in Chapter 3, Corporate Secretary, Chapter 4, Disclosures, and Chapter 5, Risk Management and Internal Control Framework, of the Code.

Nornickel's efforts to improve corporate governance have been acknowledged by international ESG score providers. Their scores are a direct evidence

### Compliance with the Corporate Governance Code principles and recommendations

Corporate governance principles	Number of principles recommended by the Code	2017			2018			2019		
		Full compliance	Partial compliance	No compliance	Full compliance	Partial compliance	No compliance	Full compliance	Partial compliance	No compliance
	79%	55	22	2	59	19	1	61	17	1
	100%	70%	28%	2%	75%	24%	1%	77%	22%	1%
Rights and equal opportunities for shareholders in exercising their rights	13	12	1	-	12	1	-	12	1	-
Board of Directors	36	24	11	1	27	9	-	27	9	-
Corporate Secretary	2	2	-	-	2	-	-	2	-	-
Remuneration system for members of the Board of Directors and senior management	10	3	6	1	4	5	1	4	5	1
Risk management and internal control system	6	4	2	-	4	2	-	6	-	-
Company disclosures	7	7	-	-	7	-	-	7	-	-
Material corporate actions	5	3	2	-	3	2	-	3	2	-

■ Full compliance ■ Partial compliance ■ No compliance

<sup>1/</sup> In 2017, Nornickel prepared its inaugural report on compliance with the Corporate Governance Code using the template recommended by the Bank of Russia's Letter No. IN-06-52/8.

of Nornickel's corporate governance quality and business efficiency.

In line with the recommendations of the Bank of Russia's Corporate Governance Code, Nornickel collaborated with the registrar to introduce e-voting through shareholder's personal accounts. By using this service, shareholders may attend meetings remotely. The service was first made available to the Extraordinary General Meeting of Shareholders as early as in September 2017. Since then, the service has functioned well and undergone further development: as of 2019, shareholders have been able to use the national Unified Identification and Authentication System to log into their personal accounts via the registrar's mobile app.

In 2019, Nornickel actively promoted e-voting among its shareholders (including via text messages). As a result, shareholders widely used e-voting at General Meetings throughout the year. Nornickel will continue to use and develop e-voting as an efficient tool for engaging its shareholders in corporate activities and helping them exercise their governance rights.

Awards received by Nornickel's managers are another evidence of its robust corporate governance: in 2019, they were among the business leaders listed in the Top 1000 Russian managers rating released annually by the Russian Managers Association and the Kommersant Publishing House. Such awards acknowledge executives' leadership in the Russian business community and the recognition of their professional achievements by industry experts and peers. Vladimir Potanin, President of Nornickel, was recognised as one of Russia's top business leaders. Sergey Malyshev, Nornickel's Senior Vice President – Chief Financial Officer, was listed among the Top 100 CFOs in the metals and mining industry. Andrei Bougrov, Nornickel's Senior Vice President, was ranked among the Top 50 GR officers. Marianna Zakharova, Nornickel's First Vice President for Corporate Governance,

Shareholder Matters and Legal, was among the Top 50 CLOs. Sergey Batekhin, Nornickel's Senior Vice President for Sales, Procurement and Innovation, was one of the Top 25 logistics directors in the metals industry. Larisa Zelkova, Nornickel's Senior Vice President for HR, Social Policy and Public Relations, was one of the Top 100 PR and corporate communication directors in the metals and mining sector. Svetlana Ivchenko, Head of the Social Policy Department, was among the Top 25 CSR directors.

A special category award was also given to Roger Munnings, Chairman of the Audit and Sustainable Development Committee of Nornickel's Board of Directors, who was named the Best Independent Director, while Pavel Platov, Nornickel's Corporate Secretary, was named the winner of the Director of the Year national award in the Corporate Governance Director/Corporate Secretary category.

## STAKEHOLDER ENGAGEMENT IN CORPORATE GOVERNANCE

To achieve operational excellence and further improve corporate governance, Nornickel focuses on engaging its stakeholders in corporate governance, thus enhancing support and minimising resistance from stakeholders while boosting our prospects for success.

In 2019, the Nornickel 5+ Forum was held in the Moscow Region with a key focus on Nornickel's commitment to building employee engagement. The forum was the fifth such meeting of top leaders from across Nornickel's branches, with the top managers engaging in frank dialogues, debating and jointly seeking solutions, summing up progress and sharing outlooks on Nornickel's further development.

Another highlight of the year was the Company's first-ever videoconference between Nornickel's senior management and employees. Employees had the chance to ask their questions directly

to Nornickel's top leaders – First Vice President Sergey Dyachenko, Senior Vice President Larisa Zelkova, and Senior Vice President Sergey Malyshev.

Nornickel's continued focus on expanding the horizons of sustainable growth was highlighted during its annual Capital Markets Day in November 2019 which involved Nornickel's Board members and senior management. Thanks to senior management's well-coordinated and well-placed efforts, the investment community received up-to-date information on Nornickel's operational and financial performance, and gained an insight into an outlook for the metals market, and the Company's strategic vision to 2030.

Nornickel reiterates its commitment to follow global best practice in corporate governance and acknowledges that the Company's long-term success stems from teamwork involving senior management alongside frontline staff, investors, bankers, and other partners. By building mutually beneficial relationships with each stakeholder, Nornickel drives its sustainable growth and strong competitive edge.

## LIABILITY INSURANCE

In line with best practice and recommendations of the Corporate Governance Code, Nornickel provides liability insurance for members of its Board of Directors and Management Board. The insurance covers potential damages arising from errors in the course of managing the Company. The policy terms and conditions and the amount of insurance coverage are consistent with international best practice in insuring such risks. Material terms and conditions of the insurance policy are subject to approval by the General Meeting of Shareholders.

## MANAGING CONFLICTS OF INTEREST

Nornickel has implemented measures to prevent potential conflicts of interest involving Board members and senior managers. As of December 2016, Board members have filed annual disclosure forms providing information about their relatives and family members. Nornickel also has in place procedures

for identifying interested party transactions. Nornickel's efforts to identify and prevent conflicts of interest help minimise the probability of adverse impact on the Company.

## GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the supreme governance body of MMC Norilsk Nickel responsible for making decisions on matters most crucial to the Company. A full list of matters within the remit of the General Meeting of Shareholders is detailed in the Company's Articles of Association. Nornickel has in place the Regulations on the General Meeting of Shareholders detailing the procedures for convening, preparing and holding general meetings.

The Annual General Meeting of Shareholders is held on an annual basis not earlier than three months before and not later than six months after the end of the financial year. General meetings other than Annual General Meeting of Shareholders are deemed Extraordinary General Meetings of Shareholders and are convened as per resolution of the Board of Directors at its discretion or at the request of the Audit Commission, the Company's auditor, or shareholders who hold at least 10% of Nornickel's voting shares as of the date of the request.

The notice of a General Meeting of Shareholders is published in the Rossiyskaya Gazeta and Taimyr



Articles  
of Association



Regulations  
on the General Meeting  
of Shareholders

newspapers, and posted on Nornickel's website at least 30 days prior to the date of the general meeting. If a general meeting is held in the form of absentee voting, the notice is given in the above mentioned newspapers at least 30 days prior to the deadline set for the collection of voting ballots.

**Holders of MMC Norilsk Nickel shares who are registered in the shareholder register** receive a ballot directly from the Company and are entitled to exercise their voting right by sending the ballot to the Company or by attending the General Meeting of Shareholders (in person or by proxy).

**Shareholders of MMC Norilsk Nickel who own the Company shares via nominal holders** receive the voting ballot from the nominal holder. They are entitled to vote at the meeting in the same way as the holders registered in the shareholder register or instruct the nominal holder to do the same as prescribed by the Russian securities law. Nominal holders duly instructed by their clients communicate the voting instructions to the registrar. The receipt of instructions by the registrar shall be equivalent to voting by ballot.

**ADR holders** do not receive voting ballots directly from the Company. According to the depository agreement, Nornickel notifies the depository, which as soon as possible, and provided it is not prohibited by the Russian law, notifies ADR holders about the general meeting and encloses voting materials and a document describing the voting procedure for ADR holders. To exercise their voting rights, ADR holders instruct the depository accordingly.

Except for the cumulative voting to elect members of the Board of Directors, each voting share represents one vote at the General Meeting of Shareholders.

Three General Meetings of Shareholders were held in 2019, and a high level of shareholders' attendance was maintained. A General Meeting of Shareholders shall be considered properly convened (having a quorum) if the shareholders who hold collectively more than 50% of the votes granted by the Company's outstanding voting shares are present at the meeting.

Continued successful use of e voting at the meetings held in 2018–2019 enabled shareholders to participate in the voting regardless of their location. Evoting is available both on the gosuslugi.ru website accessible to general public and via the Shareholder's Personal Account, a dedicated online resource for Nornickel's shareholders. The number of shareholders taking advantage of evoting has increased noticeably since the service was introduced.

## BOARD OF DIRECTORS

The Board of Directors is responsible for the general management of Nornickel's operations, excluding matters reserved to the General Meeting of Shareholders. The Board of Directors plays a crucial role in designing and developing the corporate governance system, ensures the protection and exercise of shareholders rights, and supervises executive bodies. The Board of Directors sets the fundamental principles of business conduct and is responsible for nurturing Nornickel's business and social culture.

The Board's authority and formation process, as well as procedures for convening and holding Board meetings are determined by the Articles of Association and Regulations on the Board of Directors.

According to Nornickel's Articles of Association, the Board of Directors has 13 members. Members



the Shareholder's  
Personal Account

of the Board are elected at the Annual General Meeting of Shareholders for a period until the next Annual General Meeting of Shareholders. The Board of Directors may recommend that the General Meeting of Shareholders amends the Articles of Association by changing the number of Board members, and may only be elected after the relevant amendments to the Articles of Association are approved by the General Meeting of Shareholders and their state registration is completed. Until a new Board of Directors with the new number of members is elected, the decision-making rights and process of the then active Board remain unchanged, with the Board making its recommendations as to nominee Board members including independent directors. The current size of the Board of Directors is best aligned with Nornickel's goals and objectives, and its appropriate independence mix ensures that decision making considers the interests of various stakeholders and enhances the quality of managerial decisions. The current Board of Directors comprises seven independent directors, beyond the minimum requirement set out in the Listing Rules and the Corporate Governance Code, which enables highly professional, independent judgements on matters on the agenda.

### INDUCTION OF NEW MEMBERS OF THE BOARD OF DIRECTORS

Since 2014, Nornickel has in place the Professional Development Policy for Members of Board of Directors. To comply with the Policy's requirements as well as to maintain good governance at Nornickel and ensure its continuous improvement, newly elected Board members get immersed into the business processes through a series of meetings with executives and key employees where they discuss key aspects of Nornickel's business. In September 2019, an off-site session was arranged for members of the Board of Director in Norilsk to make site visits to production facilities operated by Nornickel's Polar Division and have working meetings with Nikolay Utkin, Director of the Polar Division, and heads of production units. The meetings focused primarily on production development, environment (including the implementation status of the Sulphur Project), as well as occupational health and safety. In 2020, members of the Board of Directors also plan

In 2019, Nornickel's Board of Directors held 34 meetings, including 10 meetings in person, and reviewed

# 129

## matters

a number of site visits to Nornickel's production facilities.

### BOARD OF DIRECTORS' PERFORMANCE

At its meetings in 2019, the Board focused on Nornickel's corporate governance, financial and business operations, operations of controlled entities, approval of interested-party transactions, as well as aspects of priority business lines.

### QUALITY ASSESSMENT OF THE BOARD OF DIRECTORS

Since 2014, Nornickel has run annual internal assessments (self-assessments) of the Board of Directors' performance using the methodology developed by independent consultants in line with global best practice. Directors are invited to fill in an online questionnaire in accordance with the current Performance Evaluation Policy for the Board of Directors following the schedule approved by the Board of Directors.

The questionnaire contains 76 questions, divided into three parts and 15 sections. All questions are graded on a scale from 1 to 10. Each questionnaire features a text field where directors may enter open-text comments. Answering all questions is mandatory.

Based on the evaluation results, the Corporate Governance, Nomination and Remuneration Committee prepares a statement (Report) on the Board of Director's performance in the reporting year and makes improvement

**Directors' attendance at Board meetings during 2019<sup>1</sup>**

In 2019, attendance at Board meetings was 100%.

Directors	Status	Board of Directors			Strategy Committee	Budget Committee	Audit and Sustainable Development Committee	Corporate Governance, Nomination and Remuneration Committee
		Total	In person	In absentia				
Gareth Penny	Independent Director	34/34	10/10	24/24	7/7	–	–	–
Andrei Bougrov	Executive Director	34/34	10/10	24/24	–	–	–	–
Sergey Barbashev	Executive Director	34/34	10/10	24/24	–	–	–	–
Alexey Bashkirov	Non-Executive Director	33/34	9/10	24/24	7/7	4/4	8/8	12/12
Sergey Bratukhin	Independent Director	34/34	10/10	24/24	7/7	4/4	8/8	12/12
Marianna Zakharova	Executive Director	34/34	10/10	24/24	–	–	–	–
Roger Munnings	Independent Director	34/34	10/10	24/24	–	4/4	8/8	–
Stalbek Mishakov	Non-Executive Director	34/34	10/10	24/24	–	3/4	4/8	12/12
Robert Edwards	Independent Director	34/34	10/10	24/24	–	–	8/8	12/12
<b>New Directors after the Annual General Meeting of Shareholders (10 June 2019)</b>								
Sergey Volk	Independent Director	20/34	7/10	13/24	–	3/4	–	–
Maxim Poletaev	Independent Director	20/34	7/10	13/24	5/7	–	–	–
Vyacheslav Solomin	Non-Executive Director	20/34	7/10	13/24	–	–	4/8	–
Evgeny Shvarts	Independent Director	20/34	7/10	13/24	5/7	–	–	–
<b>Directors before the Annual General Meeting of Shareholders (10 June 2019)</b>								
Artem Volynets	Independent Director	14/34	3/10	11/24	2/7	1/4	–	–
Vladislav Soloviev	Non-Executive Director	14/34	3/10	11/24	–	–	–	–
Andrey Likhachev	Independent Director	14/34	3/10	11/24	–	–	–	6/12
Maxim Sokov	Non-Executive Director	14/34	3/10	11/24	2/7	1/4	–	–

<sup>1/</sup> The attendance by Board members is represented as X/Y, where X is the number of meetings attended by the Director, and Y is the number of meetings held.



recommendations for areas where the Board scores were below average. The Report is approved by Nornickel's Board of Directors taking into account the recommendations of the Corporate Governance, Nomination and Remuneration Committee. Information on the performance assessment is published in the Annual Report and on Nornickel's corporate website.

In line with best corporate governance practices, the Board of Directors will continue performing annual self-assessments while also engaging an independent expert to evaluate its performance at least once every three years. No independent performance assessment of the Board of Directors was carried out in 2019. To view the results of the 2018 independent performance assessment of the Board of Directors, please see the 2018 Annual Report.

## COMPOSITION OF THE BOARD OF DIRECTORS

Following the Annual General Meeting of Shareholders on 10 June 2019, Sergey Volk, Maxim Poletaev, Vyacheslav Solomin, and Evgeny Shvarts were elected, succeeding Artem Volynets, Vladislav Soloviev, Andrey Likhachev, and Maxim Sokov.

As of 31 December 2019, the Board of Directors had 13 members, of which:

- seven independent directors: Gareth Peter Penny, Sergey Bratukhin, Sergey Volk, Roger Munnings, Maxim Poletaev, Evgeny Shvarts, and Robert Edwards
- three non-executive directors: Alexey Bashkirov, Stalbek Mishakov, and Vyacheslav Solomin
- three executive directors: Sergey Barbashev, Andrei Bougrov, and Marianna Zakharova.

## CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors organises the Board's work, convenes and chairs meetings, and chairs the General Meetings of Shareholders. The key responsibilities of the Chairman of the Board of Directors are to ensure high levels of trust at Board meetings and constructive cooperation between the Board members and corporate management.

Since March 2013, the Board of Directors has been chaired by Gareth Peter Penny, who in line with global best practice is an independent director. Gareth Penny's external non-executive directorships enable Nornickel's Board of Directors to better



Professional  
Development  
Policy for Members  
of Board  
of Directors

keep abreast of global best practice in corporate governance.

## INDEPENDENT DIRECTORS

Nornickel complies with the international standards as well as the recommendations of the Corporate Governance Code of the Bank of Russia regarding an adequate number of independent directors. Independent directors play an important role in effective performance of the Board's duties by helping it make balanced decisions that consider the interests of various stakeholder groups, as well as ensuring a higher quality of decision making.

As of the end of the reporting year, the Board of Directors had five independent members fully meeting the requirements of the Listing Rules of the Moscow Exchange and recommendations of the Corporate Governance Code, i.e., they were not related to the Company, its substantial shareholder, substantial counterparty or competitor, or to the government. Gareth Peter Penny, Sergey Bratukhin, Roger Munnings, Robert Edwards, and Evgeny Shvarts satisfy these independence requirements. Two other directors, Sergey Volk and Maxim Poletaev, were determined to be independent despite being related to a substantial counterparty as the relation does not affect their ability to make independent, unbiased judgements in good faith.



Performance  
Evaluation Policy  
for the Board  
of Directors

Thus, as of the end of 2019, 7 out of the 13 Directors, or 53.8%, were independent.

The Board of Directors considered matters of compliance with the independence criteria and assessed the independence of Nor Nickel's Directors twice during 2019:

- 1/ when assessing nominees to the Board of Directors in preparation for the Annual General Meeting of Shareholders
- 2/ based on their performance as members of the current Board of Directors.

### The Board's skill mix

Board member	Tenure on the Board of Directors	Key skills				
		Strategy	Law and corporate governance	Finance and audit	Metals and mining/engineering	International economic relations
As of 31 December 2019, the average tenure on the Board of Directors was six years		5	6	8	8	5
Gareth Peter Penny	2013–present	+			+	+
Andrei Bougrov	2002–present		+		+	+
Sergey Barbashev	2011–present		+			
Alexey Bashkirov	2013–present	+		+		+
Sergey Bratukhin	2013–present	+	+	+	+	
Marianna Zakharova	2010–present		+		+	
Roger Munnings	2018–present			+	+	
Stalbek Mishakov	2012–present		+	+	+	+
Robert Edwards	2013–present		+	+	+	
<b>New Directors after the Annual General Meeting of Shareholders (10 June 2019)</b>						
Sergey Volk	2019–present			+		
Maxim Poletaev	2019–present	+		+		
Vyacheslav Solomin	2019–present			+		+
Evgeny Shvarts	2019–present	+			+	
<b>Directors before the Annual General Meeting of Shareholders (10 June 2019)</b>						
Artem Volynets	2018	+		+		
Vladislav Soloviev	2008–2011, 2013		+		+	
Andrey Likhachev	2018		+	+		
Maxim Sokov	2008		+	+		+