

# Corporate Governance

## Corporate governance principles

Nornickel's unwavering priority in corporate governance is balancing the interests of shareholders, the Board of Directors, management, employees, and other stakeholders.

The existing corporate governance framework is integrated into all of the Company's processes. It is underpinned by the applicable Russian laws and the Bank of Russia's Corporate Governance Code, which we are guided by in building our corporate governance practices at Nornickel. The

key principles of corporate governance are reflected in Nornickel's Articles of Association, Regulations on the Board of Directors, Anti-Corruption Policy and other by-laws<sup>1</sup>.



### Our key corporate governance principles:

1. Equitable and fair treatment of every shareholder;
2. Support for the shareholders to let them exercise their rights and lawful interests in the most reasonable and convenient manner;
3. Professionalism and leadership of the Board of Directors, and involvement of independent directors in governance;
4. Strategic management by the Board of Directors, its efficient control over executive bodies, and oversight of the risk management and internal control framework;
5. 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;
6. Strong business ethics;
7. Zero tolerance to corruption;
8. Full, transparent, reliable and timely disclosure;
9. Robust risk management and internal controls;
10. Commitment to sustainability principles.

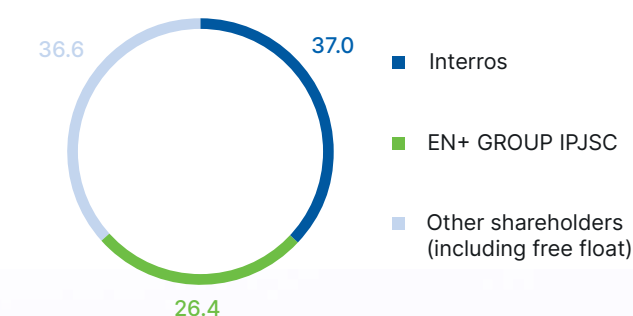
## Share capital structure

In the reporting year, following respective resolution by the General Meeting of Shareholders, the Company's authorised capital was reduced to RUB 152,863,397 through the cancellation of 791,227 treasury shares repurchased in June 2021. The stakes held by the key shareholders reflect changes in the authorised capital.

As at the end of 2022, the authorised capital of Nornickel was made up of 152,863,397 ordinary shares with an aggregate market value of RUB 2,339 bn.

The Company's ordinary shares have been trading on the Russian market since 2001. Since 2014, the shares have been on the First Level quotation list of the Moscow Exchange (ticker: GMKN). American depositary receipts (10 ADRs represent one share) were also issued in 2001 and were traded on the LSE OTC market (ticker: MNOD) and over the counter in the US (ticker: NILSY). Trading in depositary receipts of Russian issuers on international stock exchanges has been suspended since March 2022.

Shareholding structure as at 31 December 2022 (%)



**152,863,397** ordinary shares

the authorised capital of Nornickel as at the end of 2022 with an aggregate market value of

**RUB 2,339** bn



<sup>1</sup> The full versions of the documents are available on [the Company's website](#).

## Governance bodies

GRI 2-9, 2-10, 2-11, 2-12, 2-13

Nornickel has four key governance bodies.

Non-executive bodies		Executive bodies	
General Meeting of Shareholders, the Company's supreme governance body	Board of Directors, a collegial governance body in charge of strategic management of the Company and oversight of its executive bodies	Management Board, a collegial body that manages the Company's day-to-day operations	President, the sole executive body that manages the Company's day-to-day operations

### Board of Directors

The key documents governing the Board of Directors are [the Articles of Association](#) and [the Regulations on the Board of Directors](#), which set out the procedure for convening and holding Board meetings and outline the Board's authority and formation process.

The Board of Directors has 13 members, who are elected at the Annual General Meeting of Shareholders for a period extending until the next Annual General Meeting of Shareholders. The current size of the Board of Directors is aligned with Nornickel's goals and objectives.

The Policy on Development and Approval of Vote Recommendations on Candidates Nominated to the Board of Directors contains qualifications that nominees are to meet to be nominated and selected<sup>1</sup>.

### Key qualifications for nominees to the Board of Directors

- Impeccable professional and personal reputation, excellent professional qualifications and understanding of the key principles underpinning the Company's business
- Professional qualification, experience and skills aligned with the Company's current and expected needs
- Interest in serving on the Company's Board of Directors, including availability of sufficient time to dedicate to their role as directors
- Knowledge and understanding of all legal responsibilities related to Board service
- No conflict of interest in any form
- Service on the board of directors of no more than five other public companies at the same time



As at 31 December 2022, the Board had six independent directors. They ensure efficient decision-making in line with the interests of all stakeholders and improve the quality of

adopted managerial decisions. Independent directors provide professional unbiased opinion on all agenda items.

**6** independent directors  
the Board had As at 31 December 2022



### Composition of the Board of Directors as at 31 December 2022<sup>2</sup>

#### Independent directors

- Denis Alexandrov
- Alexey Germanovich
- Sergey Volk
- Alexey Ivanov
- Stanislav Luchitsky
- Evgeny Shvarts

#### Non-executive directors

- Alexey Bashkirov
- Sergey Batekhin
- Elena Bezdenezhnykh
- Andrei Bougrov
- Alexandra Zakharova
- Egor Sheibak

#### Executive directors

- Marianna Zakharova

<sup>1</sup> The full version of the document is available on [the Company's website](#).

<sup>2</sup> Marianna Zakharova holds the position of First Vice President, Corporate Governance, Asset Management and Legal Affairs. The other Board members hold no major positions within the Company. As at the end of 2022, the Board of Directors was chaired by Andrei Bougrov. For more details on members of the Board of Directors, please see [MMC Norilsk Nickel's Annual Report for 2022](#).

The Board of Directors meets as and when required, but at least once every six weeks. In 2022, the Board of Directors held 38 meetings (nine meetings in person and 29 meetings in absentia).

GRI 2-12, 2-16

As part of these meetings, the Board of Directors considered 105 matters, including 51 corporate governance matters, 27 deal approvals, and 27 strategic, operational, social, environmental and other matters.

The Company's management keeps the Board of Directors updated on the most essential matters and issues. As part of its regular reporting to the Board of Directors, the management submits problems and concerns for preliminary discussion in order to ensure the most impartial and informed decision-making possible.

# 38 meetings

the Board of Directors held in 2022

In 2022, the key ESG-related matters submitted for discussion to the Board of Directors and its Committees included:

- investigations of fatalities and performance in occupational health and safety;
- assessment of performance of corporate risk management and internal controls;
- performance of the Environmental Department, the Centre for Monitoring Technical, Production and Environmental Risks, and the Environmental Monitoring Centre;
- Nornickel's KPI system, including environmental and OHS indicators;
- discussion of scenarios for global economy and for climate change.

Also, the Board of Directors meets on a quarterly basis to review the Company's financial results, operational performance, and OHS reports.

In overseeing the Company's management, financial and business affairs, the Board of Directors may instruct the managers on individual matters and monitor

implementation of resolutions and tasks. Authorised executives are vested with powers and responsibilities to address economic, environmental and social matters and may delegate their powers to other employees based on their competences and functions.

### Committees of the Board of Directors

Nornickel's Board of Directors has five Committees. The Committee operations, structure, functions and membership are defined by the respective Committee Regulations.

# 105 matters

were considered by the Board of Directors in 2022



### Key functions of the Board's Committees

GRI 2-9, 2-12, 2-13

Committee	Key functions
Audit Committee	<ul style="list-style-type: none"> <li>• Reviewing matters related to financial statements</li> <li>• Overseeing risk management and internal controls</li> <li>• Overseeing external and internal audits</li> <li>• Preventing employee and third party wrongdoing</li> <li>• Reviewing HSE matters</li> </ul>
Strategy Committee	<ul style="list-style-type: none"> <li>• Preliminary review of matters pertaining to strategy development, investment planning, restructuring, and interaction with capital markets</li> </ul>
Budget Committee	<ul style="list-style-type: none"> <li>• Issuing recommendations to the Board of Directors in order to facilitate decision-making on the amount of dividends and on the record date to be suggested by the Board of Directors; taking into account information on the Company's financial results; approving the Company's budget</li> </ul>
Corporate Governance, Nomination and Remuneration Committee	<ul style="list-style-type: none"> <li>• Support in assessing, overseeing and improving Nornickel's corporate governance framework; succession planning for Nornickel's Board of Directors and Management Board; providing incentives, evaluating the performance of Nornickel's Board of Directors, Management Board, President, and Corporate Secretary, and setting relevant remuneration policies; supervising the development and implementation of Nornickel's information policy</li> </ul>
Sustainable Development and Climate Change Committee	<ul style="list-style-type: none"> <li>• Integration of the sustainable development principles, including climate change, into the Company's operations</li> <li>• Development and implementation of a strategy on sustainable development and climate change</li> <li>• Overseeing risk management and internal control in sustainable development and climate change</li> <li>• Overseeing the Company's internal reporting and disclosures on sustainable development and climate change</li> <li>• Overseeing external audit of the Company's sustainable development and climate change reports and activities</li> </ul>

### Composition of the Board's Committees as at 31 December 2022

The composition of the Board's Committees is determined by resolution of the Board of Directors.

Committees of the Board of Directors	Directors	Chairman		Share of directors, %	
		Independent	Non-executive	Independent	Non-executive
Audit Committee	5	+	+	80	20
Budget Committee	5	–	+	20	80
Strategy Committee	5	+	+	40	60
Corporate Governance, Nomination and Remuneration Committee	5	+	+	60	40
Sustainable Development and Climate Change Committee	5	+	+	80	20

## Evaluation of the Board of Directors performance

GRI 2-18

Nornickel has developed the Performance Evaluation Policy for the Board of Directors in line with the Bank of Russia's Corporate Governance Code and global best practices. According to the Policy, the Company runs annual internal evaluation (self-evaluation) of the Board of Directors' performance in the form of an online questionnaire filled by each director based on a schedule approved by the Board of Directors. The questionnaire contains 87 questions, divided into 18 sections. All questions are graded on a scale from 1 to 10. For each question there is a text field where directors may enter additional comments. Answering all questions is mandatory.

Following the evaluation, the Corporate Governance, Nomination and Remuneration Committee prepares the Board of Directors' performance report for the year and develops recommendations for improving the Board functions that were scored below average. With the Committee's recommendations taken into account, the Board of Directors approves the report; the recommendations are communicated to all stakeholders.

In addition to internal evaluation, the Company organises an external independent evaluation of the Board of Directors' performance at least once every three years. In 2021, external evaluation of the Board of Directors' performance was carried out by the Professional Directors Association.

Survey and interview results served as the basis for conclusions and recommendations across four areas:

- role of the Board of Directors and corporate governance;
- composition and remit of the Board of Directors;
- Committees of the Board of Directors;
- operating model of the Board of Directors.

Following the evaluation, an opinion was prepared stating that in 2021, the Board was balanced in terms of professional qualification, experience and business skills of the directors; the composition of

the Board Committees was aligned with the Company's goals and objectives; the Chairman of the Board of Directors ensured efficient organisation of the Board activities and its interaction with other bodies of the Company and facilitated the optimal performance of the functions conferred on the Board.

In 2022, a number of activities were implemented to improve the Board processes, including activities recommended by the independent external consultant. Specifically:

- the report submitted to the shareholders ahead of the General Meeting of Shareholders was expanded to include more information on Board nominees, and the Board paid more attention to matters related to KPI improvement;
- the Company looks into ways to increase representation of women on the Board of Directors.

### Director induction and training

GRI 2-17

Nornickel has in place the Professional Development Policy for Members of Board of Directors. In line with the Policy, newly elected Board members undergo onboarding by attending a series of meetings with executives and key officers of the Company. During the summer of 2022, a number of working meetings were held between the newly elected Board members and the management team to discuss key aspects of the Company's operations. The Corporate Secretary makes sure the new directors familiarise themselves with the existing by-laws of the Company and provides materials required under the Professional Development Policy. In 2022, an online session on leadership development in the area of safety culture was organised for the Board of Directors involving Andrew Sherman, a recognised expert in this field.

The Company also organises field sessions for its directors, which involve visits to the Company's production sites and meetings with heads of production units to address key issues locally. In the autumn of 2022, the Board of Directors travelled to Norilsk to visit the key production sites

of the Company's Polar Division and social infrastructure facilities included in the Company's charity programme.

### Executive bodies

GRI 2-13

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 the end of 2022, Vladimir Potanin had held the position of the President (CEO before 2015) for 10 years and 13 days.

The remit of the Management Board members, who also hold the positions of Vice Presidents, includes the Company's impact on the economy, environment, and local communities. Members of the Management Board can delegate respective matters to other employees in line with their scope of responsibilities and job duties.

## Prevention of conflict of interest

GRI 2-15

As part of its commitment to the principles of legality, impartiality, objectivity and confidentiality, Nornickel puts a special emphasis on managing conflicts of interest among its shareholders, members of the Board of Directors and top management. The Company has in place measures to prevent situations that may involve a conflict of interest.

Transactions involving a conflict of interest that meet the criteria for related-party transactions are executed in line with the procedure prescribed by laws on joint-stock companies. Also, under the Company's Articles of Association, transactions

involving a conflict of interest for a shareholder owning more than 5% of voting shares are subject to a special approval procedure. Such transactions can only be executed upon an approval by a qualified majority voting of the Board members (at least 10 out of 13).

In addition, the Company has adopted the Code of Conduct and Ethics for Members of the Board of Directors, which serves to uphold high standards of ethics and business conduct of the Board members and is a guidance to be relied on in case of ethical risks and conflicts of interest. The Code states that members of the Board

of Directors shall refrain from engaging in any activities that may cause a conflict of interest, and, if there is reason to believe such conflict may occur, notify the Corporate Secretary in writing.

If a director has a direct or indirect personal interest in a matter submitted for consideration by the Board of Directors, they shall inform the Board of Directors accordingly before the matter is considered or resolved and withdraw from any further discussions and voting on such matter.

## Ensuring transparency and dialogue with stakeholders on corporate governance

GRI 2-29

Maintaining a focus on transparency and openness, Nornickel prioritises interaction between the Company's management and stakeholders. Stakeholder engagement in corporate governance helps Nornickel improve its governance system by adopting important resolutions that reflect the needs of the Company's stakeholders.

Nornickel has an active dialogue with a wide range of Russian and international investors. Public reporting is among the key communication channels for Nornickel. We strive to leverage global best practices to make all the necessary disclosures, which take the form of annual and sustainability

reports, press releases, presentations, statements of material facts, and interactive tools.

We disclose quarterly production results and accounting statements prepared under the Russian Accounting Standards (RAS) on the Company's website. Every six month, we publish IFRS financial statements, issuer reports, and affiliate lists.

We also maintain regular contact with investors and external stakeholders.

To improve internal communications, Nornickel organised traditional online dialogues between employees and the

top management as a way to identify key strengths and weaknesses and improve corporate governance. In March 2022, we held yet another Nornickel Live – a Q&A session for employees to ask questions and for the Company's Vice Presidents to respond and give their insights into the latest corporate developments and plans going forward. This time, the session focused on social support for employees in a turbulent economic environment. During the year, we also held a number of online one-on-one meetings, some of which were attended by the Company's top management.

## Remuneration

GRI 2-19, 2-20

The Board of Directors' 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.

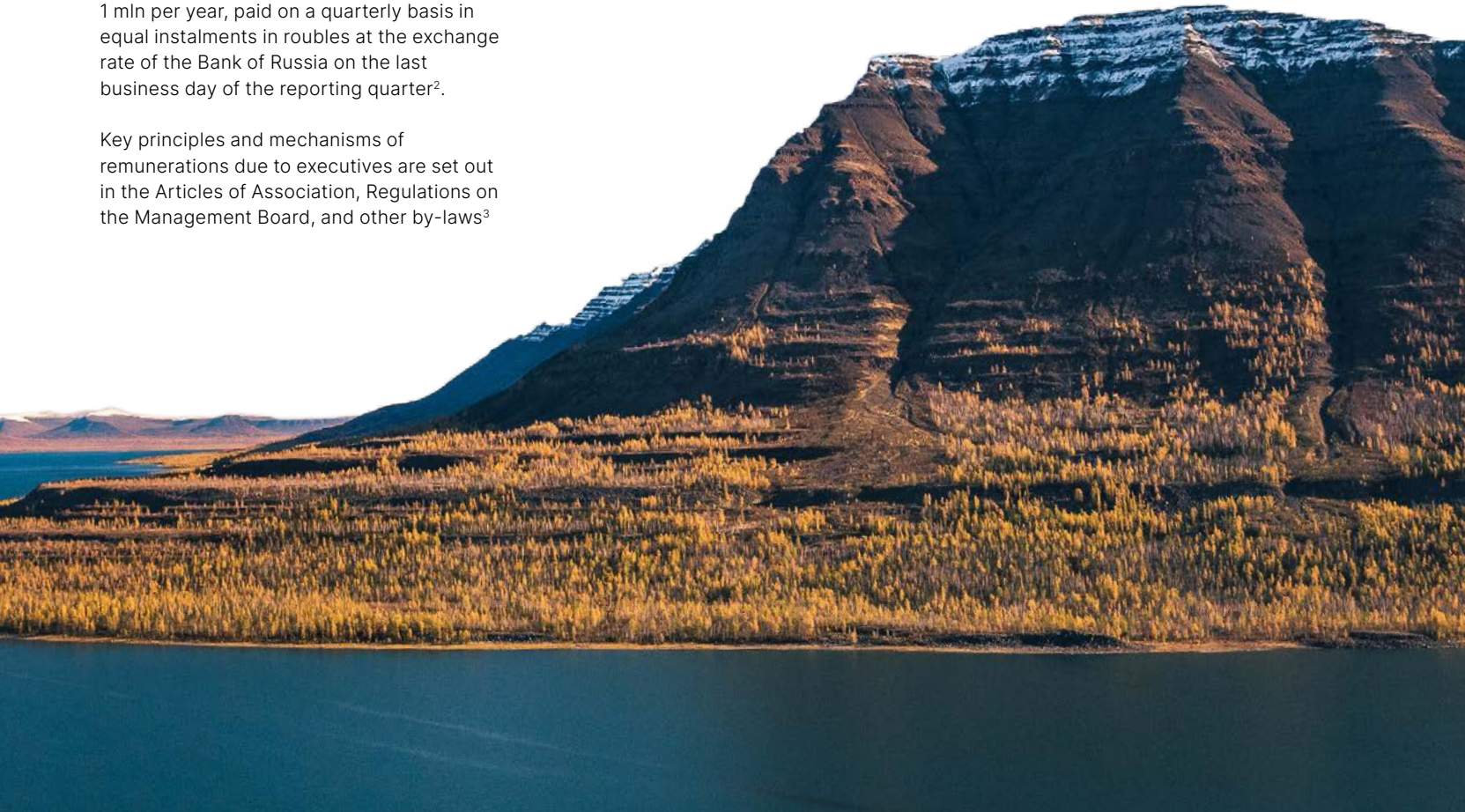
In 2022, the Annual General Meeting of Shareholders established remuneration for the Chairman of the Board of Directors, an independent director, in the amount of USD 1 mln per year, paid on a quarterly basis in equal instalments in roubles at the exchange rate of the Bank of Russia on the last business day of the reporting quarter<sup>2</sup>.

Key principles and mechanisms of remunerations due to executives are set out in the Articles of Association, Regulations on the Management Board, and other by-laws<sup>3</sup>

of the Company. Nornickel's remuneration framework is continuously and closely monitored by the Board of Directors.

According to the Company's Articles of Association, decisions on remuneration and reimbursement payable to the Company's President and members of the Management Board are reserved to the Board of Directors. Total remuneration payable to senior executives comprises the base salary and bonuses. Bonuses are linked to the Company's performance, including both

financial (EBITDA, free cash flow) and non-financial (workplace injury rates, labour productivity, environmental performance) indicators.



# Sustainability Management

GRI 2-24

Sustainability management and ESG integration are a major part of Nornickel's corporate governance system.

By promoting sustainable development practices, the Company adapts to the strategic landscape and changing market environment and contributes to effective risk management, while at the same time fostering a motivating and innovation-driven corporate culture and helping to secure stakeholder engagement positive for the Company.

To make sure sustainability principles are integrated at Nornickel across the board, the Company has adopted over 20 by-laws<sup>1</sup>. At the strategic level, the Company has approved the Environmental and Climate Change Strategy, and the Social Development Strategy is currently being developed.

The Company relies on a matrix structure to manage its ESG aspects, with responsibility for specific ESG aspects split among all functional units of the Head Office, branches and entities. At the same time,

most of the matters are subject to oversight by the Management Board, Board of Directors, and respective Committees.

With this approach in place, ESG aspects can be successfully integrated into by-laws and day-to-day activities of all structural units and ensure development of new competencies that employees need to help Nornickel set corporate best practices in sustainable development.

To coordinate all sustainability-related processes, the Company established a dedicated Sustainable Development Department. It sets out Nornickel's ambitions and vision in the area of sustainability and monitors the alignment of the Company's operations with international standards and expectations of external stakeholders. At the senior executive level, this process falls within the remit of Vice President for Investor Relations and Sustainable Development. At the Board of Directors level, it is the Sustainable Development and Climate

Change Committee that is responsible for the development of the Company's ESG practices.

To engage its top executives in sustainability management, the Company increased the share of HSE targets in the annual 2022 team KPIs, bringing their aggregate weight to 50%. The Environmental Project Implementation indicator was selected as a KPI for the Long-Term Incentive Programme for the Group's Key Employees (total weight of 30%).

### ESG-related KPIs of the top management

Period	Annual team KPIs		Long-term KPIs
<b>Focus area</b>	Occupational health and safety	Environment	Ecology and environment
<b>KPI weight</b>	30%	20%	30%
<b>KPI target</b>	Achievement of the OHS plan depending on FIFR	Reduction in GHG emissions	Delivery of environmental projects

<sup>1</sup> The full version of the document is available on [the Company's website](#).

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

<sup>3</sup> The texts of the documents are available on [the Company's website](#).

<sup>1</sup> The texts of the documents are available on [the Company's website](#).