

RELIABILITY

RESPONSIBILITY

EFFICIENCY

GROWTH

PROFESSIONALISM

COLLABORATION

NORNICKEL

2016 CORPORATE SOCIAL
RESPONSIBILITY
REPORT



OUR MOST VALUABLE ASSET IS OUR PEOPLE

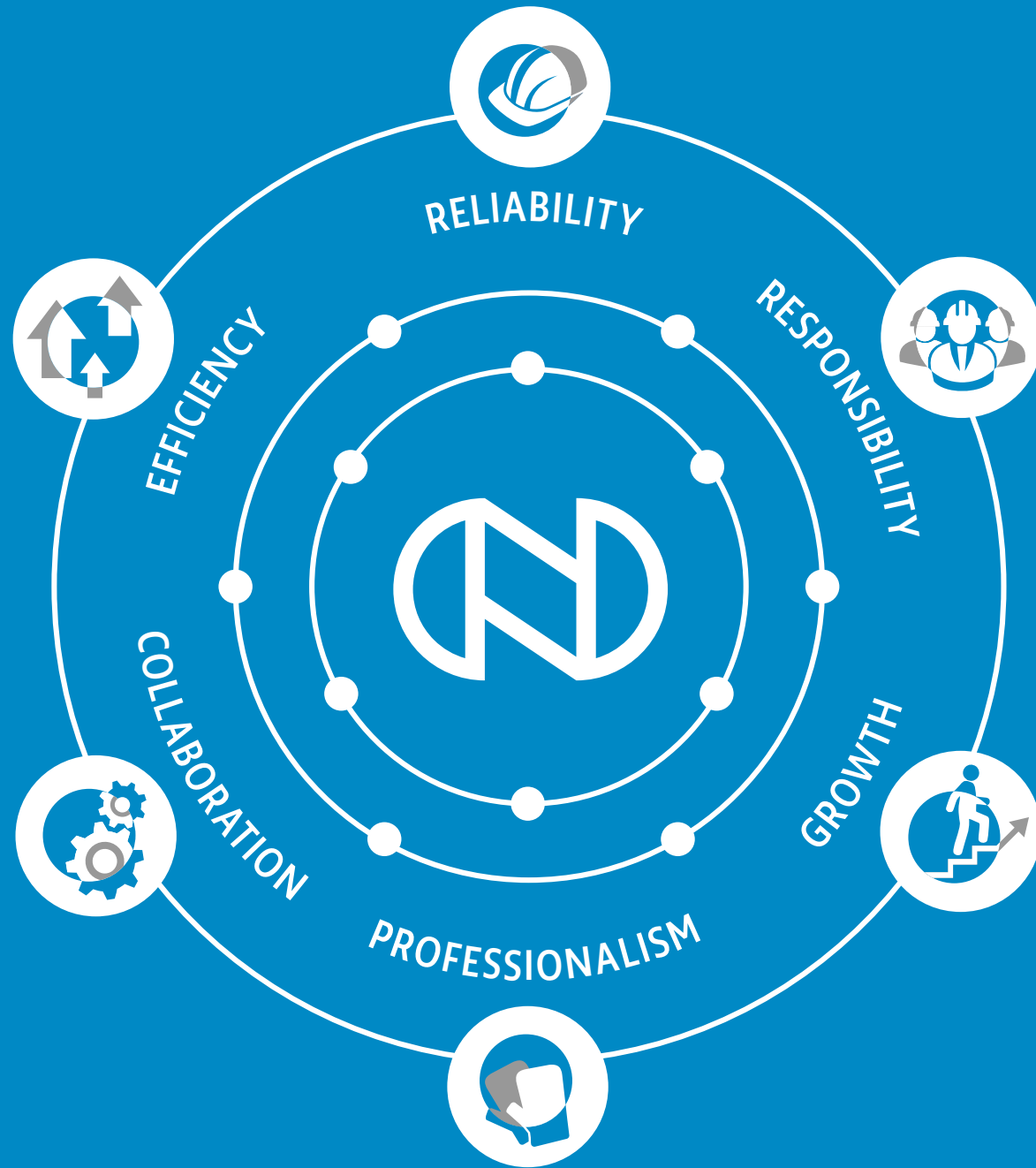
OVER DECADES, THEY HAVE BEEN
DISCOVERING NEW LANDS,
CONSTRUCTING MINES AND PLANTS,
SMELTING METALS, BUILDING
NEW CITIES AND RAISING CHILDREN.

**THEY SAW THE FUTURE.
THEY BELIEVED
IN THE FUTURE.
THEY BUILT THE FUTURE...**

YEARS HAVE PASSED AND NOW,
AS MUCH AS BEFORE, OUR
PEOPLE CONTINUE TO BE OUR
KEY RESOURCE AND MOST
VALUABLE ASSET. THEY SEEM
TO HAVE BORROWED THE BEST
PROPERTIES OF OUR METALS
TO WITHSTAND THE HARSH
CHALLENGES AND BECOME
A REAL SYMBOL OF RELIABILITY.

OVER EIGHT DECADES OF OPERATIONS
IN THE FAR NORTH, OUR ENGINEERS
HAVE DEVELOPED GROUNDBREAKING
TECHNOLOGIES AND UNIQUE SOLUTIONS
WHICH ALLOW THE COMPANY
TO LEVERAGE AVAILABLE RESOURCES
AND MAINTAIN THE EXCELLENCE
OF OUR PRODUCTS. AN EVEN GREATER
HERITAGE IS OUR IDENTITY WHICH
UNDERPINS OUR EFFECTIVENESS
AND SOLIDARITY IN WORKING
TOWARDS THE TARGET, NO MATTER
THE DIFFICULTIES.

THROUGH THE EFFICIENT USE OF NATURAL RESOURCES AND EQUITY WE SUPPLY MANKIND WITH NON-FERROUS METALS, WHICH MAKE THE WORLD A MORE RELIABLE PLACE TO LIVE AND HELP PEOPLE REALISE THEIR ASPIRATIONS FOR DEVELOPMENT AND TECHNOLOGICAL PROGRESS. © G4-56



RELIABILITY

is an ability to address any challenges to ensure success for the business.

For us, reliability means that the Company and its team can fully and assuredly honour commitments to both each other and our partners, counterparties, government agencies and local communities, regardless of ongoing circumstances and market conditions.

Our reliability is underpinned by a high resource to production ratio, strategic planning, an absolute priority of health and safety issues, competitive social benefits to employees, and sustainable development in the regions of operation.

RESPONSIBILITY

is a desire to honour our commitments and take on responsibility for our decisions.

Responsibility is the main behavioural principle for each employee in their corporate and external relations, as it is regarded as a key to maintaining reliability. Responsibility is closely tied to the readiness to assume personal responsibility for the decisions made.

It also means grasping the need to strictly and reasonably comply with the corporate rules and standards, a permanent focus on health and safety, zero tolerance to corporate misconduct, negligence and breach of business ethics, as well as continuous and sincere aspiration of each employee to maximise the impact of their performance.

EFFICIENCY

is delivering against our targets in due time and at minimum costs.

Efficiency is key to our strong competitive edge and investment appeal. It means excellence in all business areas through the leverage of an optimal strategy, advanced technologies and best practices, effective staff management, rational use of financial and HR resources, and mitigation of the Company's environmental impacts. To be efficient, our employees need to continuously develop their professional skills, gain new knowledge, and pursue personal growth.

GROWTH

is an effective production ramp-up and upgrade, leverage of ground-breaking technologies and development of our people.

Growth is key to our strong performance and continued leadership despite any market challenges.

Our ability to grow depends on the willingness to set and achieve strategic goals, understand and embrace changes quickly responding to the shifting operating environment, invest in the exploration and development of new promising deposits, and commit ourselves to the development and retraining of employees.

PROFESSIONALISM

is the ability to ensure a sustainable strong performance.

To be professional means to achieve goals with due regard to health, safety and environment, commit oneself to continuous operating improvements and implementation of innovations and cutting-edge technologies.

COLLABORATION

is the ability and desire of our employees to achieve goals and objectives through teamwork, respect and mutual assistance, the willingness to share experience, knowledge and resources, and actively develop horizontal communication as part of the effective interaction between the management and rank-and-file employees.

Collaboration can only be built through openness and consideration for the interests of all stakeholders.

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STATEMENT OF THE PRESIDENT AND CHAIRMAN OF THE MANAGE- MENT BOARD G4-1

In 2016, Nornickel once again reaffirmed its reputation of a sustainable company that stays up to date and is able to overcome the global financial turmoil. Our flexible financial and dividend policies enabled the Company to achieve a strong financial performance, sustain the drive for reconfiguration and upgrade of its production facilities, and hold firm to its obligations to customers and suppliers. Most importantly, Nornickel maintained trust of the investment community, which helped secure funding for the Company's key projects.

However, this does not mean we can rest on our laurels. The Company has major tasks to achieve in terms of keeping costs under control and improving labour productivity. In 2016, we launched a long-term development programme that is expected to bring

about a 1.5-fold increase in output and an almost 2-fold growth figure in concentration volumes by 2023. This is only possible through continuous upgrade of capital assets and technology.

As before, health and safety remain a top priority of our production policy. A set of measures introduced in 2016 helped bring down our overall injury rate. Our employees demonstrated a more responsible behaviour, with their proactive approach allowing us to identify more cases of workplace safety violations. New machinery, protection equipment, positioning and radio systems used underground have contributed to a decrease in injury rates. Still a lot needs to be done to guarantee safe labour. In particular, we have to focus on prevention and step up measures to avoid workplace accidents and injuries.

An important part of the modernisation plan is our commitment to solving decades-long legacy environmental issues. In 2016, Nornickel invested over RUB 25.7 bn in these solutions. We shut down Nickel Plant, which was beyond modernisation, thus cutting sulphur dioxide emissions within Norilsk city limits. We upgraded and ramped up Talnakh Concentrator

and Nadezhda Metallurgical Plant, commissioned a saline effluent disposal facility at Kola MMC, and prepared to introduce advanced metal leaching technology.

It is important to note that our modernisation projects caused no decline in output or major job cuts. Nornickel remains a leader in terms of social responsibility and fulfils its obligations to more than 80,000 employees every year. Along with traditional forms of social support, Nornickel introduces social programmes aimed at urban development, social entrepreneurship, charity, and volunteering.

Nornickel remains a reliable partner to regions of its presence, both as a major taxpayer and a contributor to important regional and federal programmes supporting social activities, sports, and infrastructure projects.

I am confident that the well-coordinated efforts of the management and professionalism of Nornickel employees will help the Company to retain its industry leadership and live up to the reputation of a reliability role model for the employees, community, and country in general.

Vladimir Potanin

President, Chairman
of the Management Board
MMC Norilsk Nickel

NORNICKEL REMAINS A LEADER IN TERMS OF SOCIAL RESPONSIBILITY

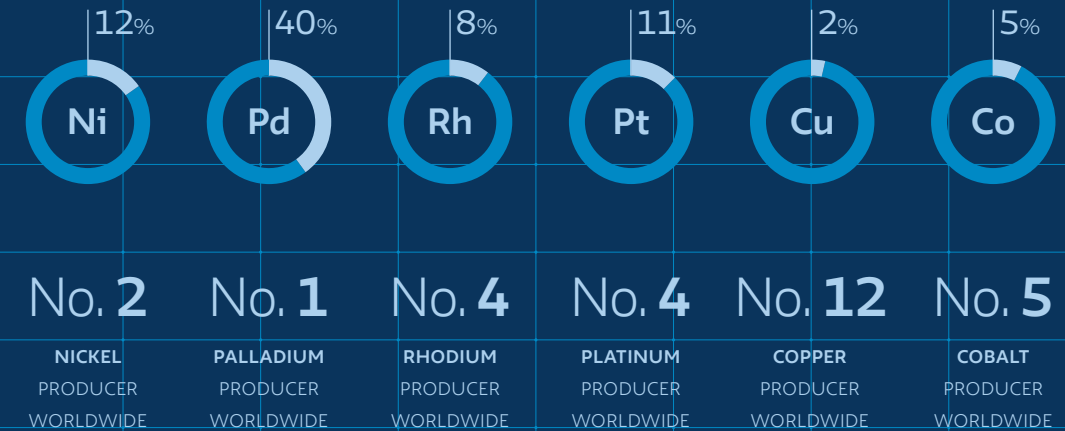
2016 HIGHLIGHTS

SAFETY

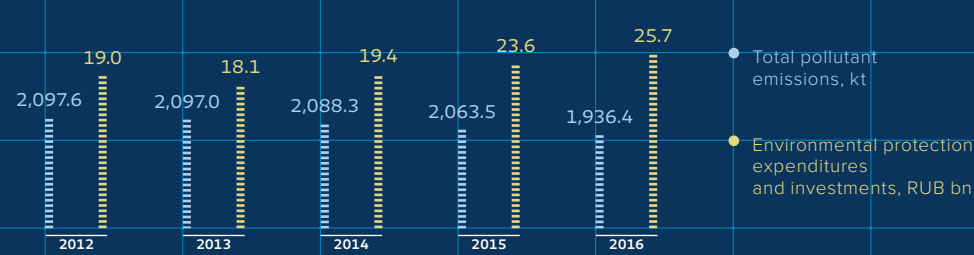


THE COMPANY'S POSITION IN THE INDUSTRY

% OF GLOBAL OUTPUT ²G4-4, G4-8

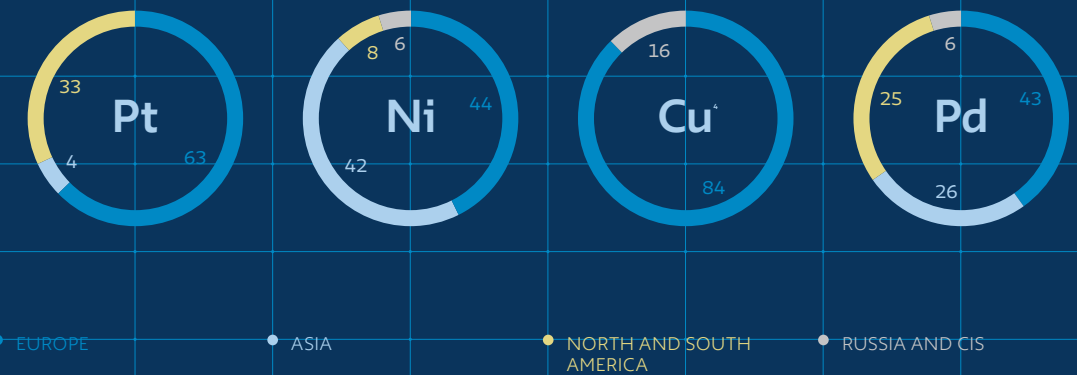


ENVIRONMENT ³G4-EN21

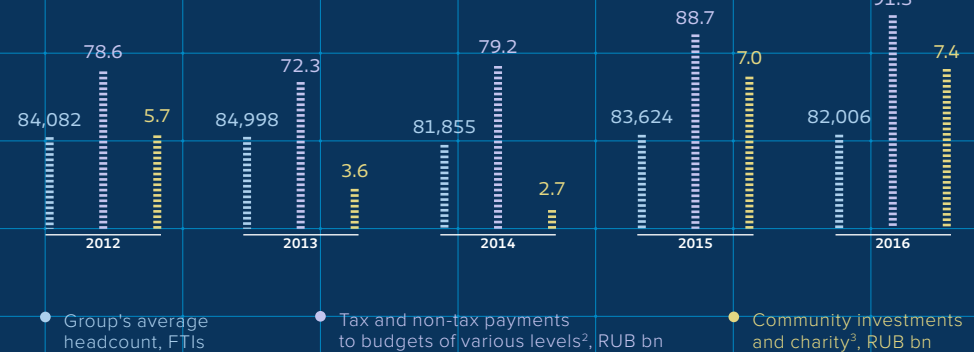


KEY METAL SALES IN 2016 BY REGION

% OF REVENUE



SOCIETY ⁴G4-9, G4-10



¹ LTIFR and FIFR have been monitored since 2013.
² Tax and non-tax payments include all taxes paid, net of VAT and dividend income tax, as well as insurance payments and customs duties.
³ In accordance with the IFRS financial statements, net of social CAPEX.

⁴ There were insignificant copper shipments to Asia.

KEY EVENTS OF 2016

RELIABILITY

MMC Norilsk Nickel completed an important phase of its large-scale, environment-focused programme for smelting capacities reconfiguration, with outdated Nickel Plant shut down in Norilsk **in August**, two months ahead of schedule. The project is unprecedented in terms of its environmental impact and social guarantees provided to the plant's employees. Before the shutdown, the Company ramped up its nickel concentrate processing capacity at other production facilities (Kola MMC, Norilsk Nickel Harjavalta and Nadezhda Metallurgical Plant).

RESPONSIBILITY

In December, one of the two treatment facilities for saline effluent from nickel refining operations was commissioned at Kola MMC to become a pre-eminent environmental initiative run by the Company on the Kola Peninsula. The new effluent treatment technology will minimise the environmental footprint of the local operations. **In May**, Kola MMC shut down its pelletisation and roasting section. The obsolete technology was excluded from the process and replaced with the briquetting of copper-nickel concentrate. The technology upgrade made the facility more environmentally friendly and efficient, reducing SO₂ emissions in Zapolyarny from 38,000 to 7,000 tonnes per annum.

EFFICIENCY

Nornickel's projects to reduce its environmental impact, worth RUB 1.3 bn, were included in the list of initiatives for Russia's Year of the Environment in 2017. **In June** 2016, MMC Norilsk Nickel, Ministry of Natural Resources and Environment, Federal Service for Supervision of Natural Resources and Government of the Krasnoyarsk Territory signed an agreement setting out the Company's obligations to carry out these projects.

GROWTH

According to the independent assessment of **November** 2016, the safety culture level at Nornickel Group's key production facilities stood at 2.5 compared to 1.4 in early 2014 when the first assessment took place. The safety culture improvement is driven by the implementation of risk mitigation standards, safety communication campaign and dedicated risk mitigation programmes. The assessment covered Polar Division, Kola MMC, Norilsknickelremont and Polar Construction Company.

PROFESSIONALISM

In June, Nornickel organised the Time of Reliable Solutions, a corporate forum that became a venue to discuss the Company's strategy progress, corporate culture and values, coordinate the vision of future development, and define tasks for the next three years. For the second year in a row, the Company turned the forum into an interactive event with a better involvement of employees and managers in the discussion of corporate activities.

COLLABORATION

In October, Norilsk Administration, MMC Norilsk Nickel's Polar Division and Vladimir Potanin Foundation signed a tripartite memorandum of cooperation. The document provides for the establishment of Norilsk Development Agency to become a foundation for economic, social and cultural development of Norilsk and creation of a favourable urban environment.

ABOUT NORNICKEL GROUP

Norilsk Nickel is Russia's leading metals and mining company, and the world's largest producer of palladium and refined nickel and one of the biggest platinum and copper producers. The Group's companies also produce cobalt, rhodium, silver, gold, iridium, ruthenium, selenium, tellurium, and sulphur. [G4-9](#)

In 2016, the Company accounted for 0.6% of Russia's GDP, 2.7% of the national industrial output, 9.8% of metals production, and 2.4% of Russia's exports.

For the purposes of this Corporate Social Responsibility Report for 2016 (the "Report"), Nornickel Group shall refer to MMC Norilsk Nickel and the entirety of operations forming Nornickel Group. Unless otherwise specified or required by the context, the terms "Company", "Group", "Nornickel" or "the Group's companies" shall mean Nornickel Group. Quantitative indicators for certain areas of sustainable development pertain to the Group's specific operations in accordance with Appendix 3. [G4-3](#)

The Group's average headcount in 2016 was 82,000 employees, including 925 people employed by foreign subsidiaries.

In distribution and sales, the Company focuses on building long-term strategic relationships with key market players. Its customer base includes 436 companies, mostly industrial consumers. Nornickel sells its products on all the key markets, with its footprint spanning over 35 countries as at the end of 2016.

ASSETS

Production units of the Group are located in three countries – Russia, Finland and South Africa. [G4-6](#)

Its core businesses are based in Russia and have a vertically integrated structure. Two main production sites in Russia are:

- Polar Division of MMC Norilsk Nickel ("Polar Division");
- Kola Mining and Metallurgical Company ("Kola MMC").

The Company's Polar Division is located on the Taimyr Peninsula (Krasnoyarsk Territory) beyond the Arctic Circle. It is linked to other regions by inland waterways (the Yenisey River), marine transport (the Northern Sea Route) and air transport.

Kola MMC is located on the Kola Peninsula beyond the Arctic Circle. It is the leading industrial facility of the Murmansk Region and is completely integrated into the transport infrastructure of the Northwestern Federal District.

In Finland, Nornickel operates Norilsk Nickel Harjavalta (part of the Group), the country's only nickel refining plant.

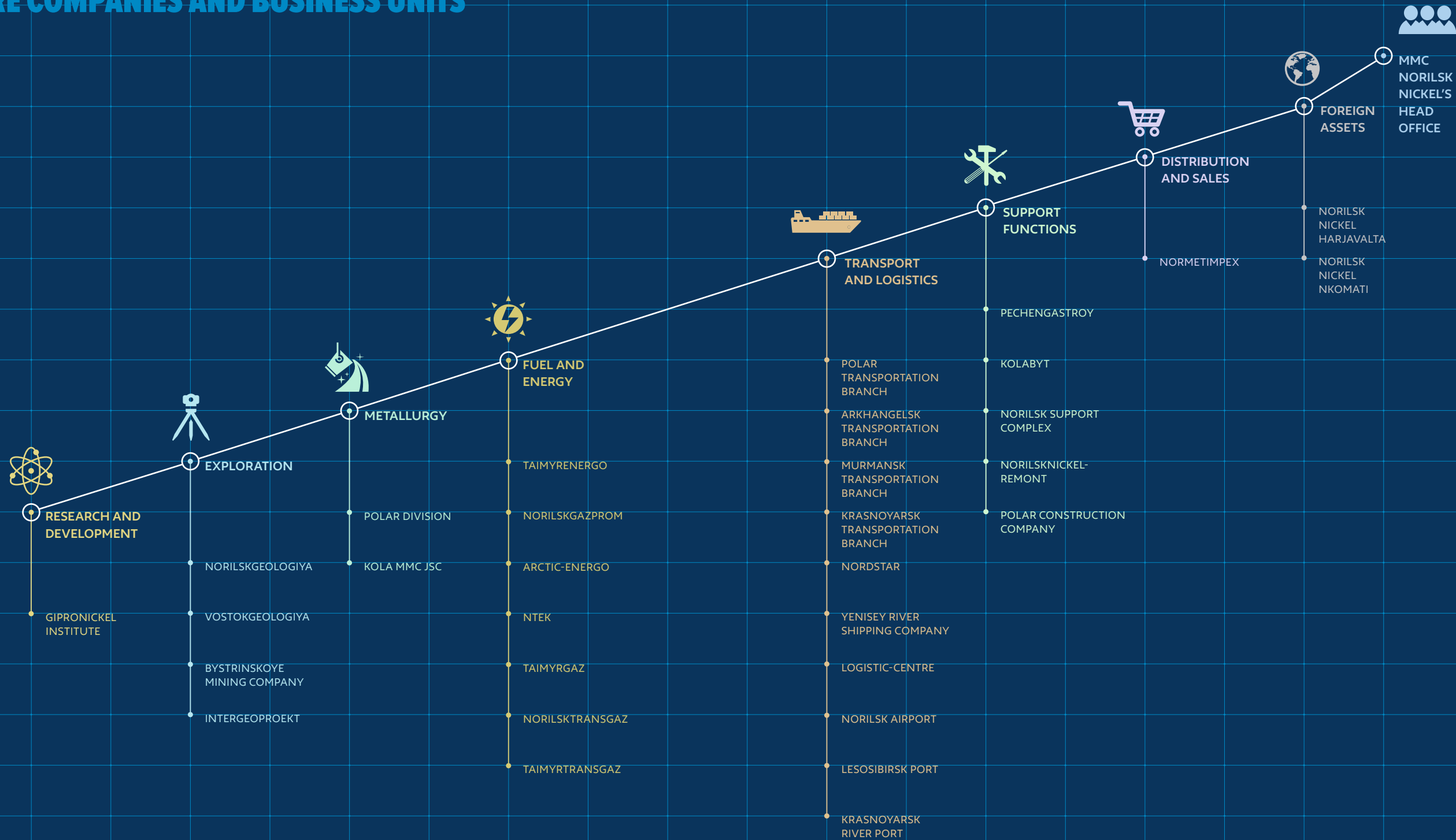
In South Africa, the Company owns 50% of Nkomati, a nickel mine developed jointly with African Rainbow Minerals.

MMC Norilsk Nickel runs a global network of representative and sales offices in Russia, UK, China, USA, and Switzerland.

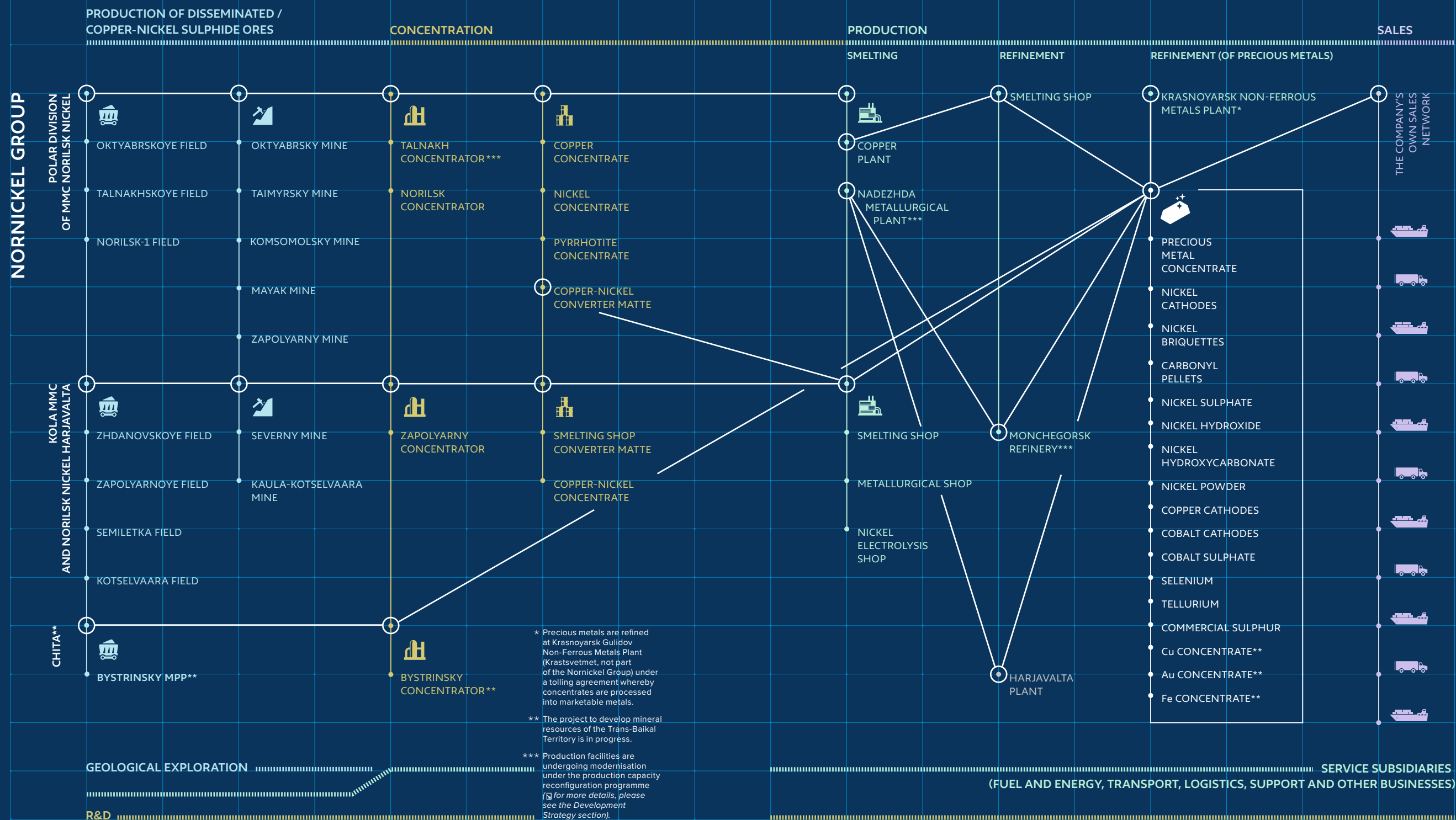
In addition to geology, energy, logistics, and support businesses, the Group comprises Gipronickel Institute, an R&D facility based in St Petersburg with branches in Norilsk and Monchegorsk. In total, the Group counts over 80 companies.

NORICKEL GROUP: CORE COMPANIES AND BUSINESS UNITS

G4-17



NORNICKEL GROUP PRODUCTION CHART



KEY DEVELOPMENT PROJECTS

G4-13

- ⊕ PROJECT/PHASE COMPLETED IN 2016
- ✓ PROJECT/PHASE IN PROGRESS

KOLA MMC

Projects

Projects	Current status	Capacity upon completion
SEVERNY-GLUBOKY MINE	✓	6.0 MTPA OF ORE BY 2030
ELECTROWINNING OF NICKEL NICKEL FROM CHLORINE DISSOLVED TUBE FURNACE NICKEL POWDER	✓	145 KTPA OF NICKEL
DISPOSAL OF SALINE EFFLUENT FROM NICKEL REFINING	⊕	
PRODUCTION OF PRECIOUS METAL CONCENTRATES FROM THE RESIDUE OF CHLORINE DISSOLVED TUBE FURNACE NICKEL POWDER	✓	

POLAR DIVISION

Projects	Current status	Capacity upon completion
SKALISTY MINE	✓ ⊕	2.4 MTPA OF ORE BY 2023
KOMSOMOLSKY MINE	✓	4.1 MTPA OF ORE BY 2020
TAIMYRSKY MINE	✓ ⊕	3.9 MTPA OF ORE BY 2022
OKTYABRSKY MINE	✓ ⊕	5.2 MTPA OF ORE BY 2023
TALNAKH CONCENTRATOR UPGRADE AND RETROFIT	✓	TALNAKH CONCENTRATOR TO BOOST PROCESSING CAPACITY FOR RICH (TALNAKH MINES) AND CUPROUS (OKTYABRSKY MINE) ORES AND IMPROVE CONCENTRATION KPIS; OUTPUT UPON STAGE 3 COMPLETION TO REACH 18 MTPA
RECONSTRUCTION OF NADEZHDA METALLURGICAL PLANT AND RAMPING UP OF ITS PYROMETALLURGICAL CAPACITIES	✓	2.4 MTPA
SULPHUR PRODUCTION REFURBISHMENT AT NADEZHDA METALLURGICAL PLANT	✓	CAPACITY OF UP TO 600 KTPA OF SULPHUR
SULPHUR PRODUCTION REFURBISHMENT AT THE COPPER PLANT	✓	CAPACITY OF UP TO 280 KTPA OF SULPHUR
NADEZHDA METALLURGICAL PLANT CONTINUOUS COPPER CONVERSION FACILITY	✓	NEW ANODE COPPER CAPACITY OF 405 KTPA; CLEANER AIR IN NORILSK RESIDENTIAL AREAS DUE TO ELIMINATION OF THE MAIN SOURCE OF GROUND-LEVEL EMISSIONS AT COPPER PLANT (AN OBSOLETE COPPER CONVERSION SECTION) AND A RESULTING DECREASE IN SULPHUR EMISSIONS BY 172 KTPA

CHITA PMO

Projects	Current status	Capacity upon completion
CHITA PROJECT: DEVELOPMENT OF POLYMETALLIC DEPOSITS IN TRANS-BAIKAL TERRITORY	✓	CONSTRUCTION OF AN OPEN-PIT MINE AND A MINING AND PROCESSING PLANT IN ORDER TO UTILISE UNTAPPED RESERVES KEY PROJECT FEATURES: 294 MT OF ORE IN RESERVES; OUTPUT OF 10 MTPA

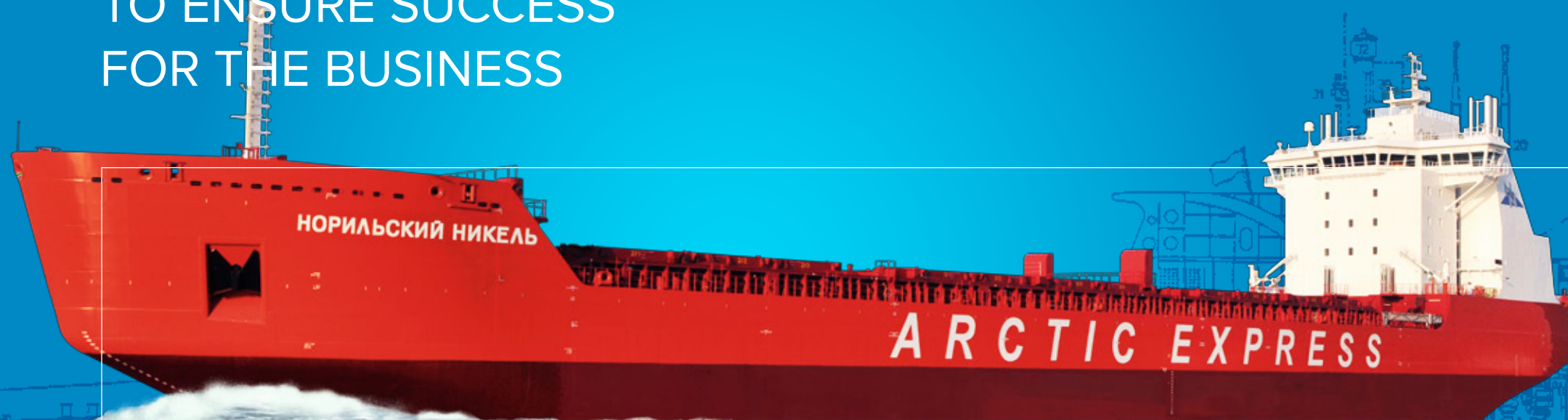
- MINING FACILITIES DEVELOPMENT PROJECTS – MINE DEVELOPMENT PROJECTS
- RECONSTRUCTION AND UPGRADE OF CONCENTRATION OPERATIONS
- RECONFIGURATION OF PRODUCTION ASSETS; INTEGRATED PROJECT TO SHUT DOWN NICKEL PLANT AND EXPAND KOLA MMC'S REFINING CAPACITIES
- ENVIRONMENTAL PROJECT (INTEGRATED EMISSION REDUCTION PROJECT)

KEY SOCIAL AND ECONOMIC PROJECTS



-  SOCIAL AND ECONOMIC PARTNERSHIP AGREEMENT WITH REGIONAL AUTHORITIES
-  WORLD OF NEW OPPORTUNITIES
-  COOPERATION WITH NATURE RESERVES
-  CORPORATE VOLUNTEER PROGRAMME

ABILITY TO ADDRESS
ANY CHALLENGES
TO ENSURE SUCCESS
FOR THE BUSINESS



MMC Norilsk Nickel completed an important phase of its large-scale, environment-focused programme for smelting capacities reconfiguration, with outdated Nickel Plant shut down in Norilsk in August, two months ahead of schedule. The project is unprecedented in terms of its environmental impact and social guarantees provided to the plant's employees. Before the shutdown, the Company ramped up its nickel concentrate processing capacity at other production facilities (Kola MMC, Norilsk Nickel Harjavalta and Nadezhda Metallurgical Plant).

RELIABILITY



3. PRIORITIES AND OBJECTIVES

22

2016 HIGHLIGHTS

82,006

EMPLOYEES
Nornickel's average headcount

0.6

%
Nornickel's share in the national GDP

9.8

%
Nornickel's share in Russia's metals production

Nornickel's priority is its Tier-1 assets, as they secure robust returns on investments and are located in the high-potential regions where the Company has a competitive edge

3.1. DEVELOPMENT STRATEGY

In 2013, the Company adopted a new corporate strategy focused on unlocking the potential of the Taimyr and Kola Peninsula's resource base, improving operating efficiency, and raising the quality of investment and capital management.

Nornickel's priority is its Tier-1 assets, as they secure robust returns on investments and are located in the high-potential regions where the Company has a competitive edge. Tier-1 assets must generate over RUB 1 bn in revenue and have at least a 40% EBITDA margin and 20 years' life. By focusing on the development of its Tier-1 assets, the Company will be able to make better use of the existing infrastructure and fully unlock its geological and technological potential to deliver the highest margins. In implementing its strategy, the Company factors in trends that shape the global commodity markets, and focuses on projects with a good safety buffer in terms of performance.

In 2014, the Company presented its production reconfiguration programme. The reconfiguration exercise seeks to achieve economies of scale and mitigate the environmental impact on the Norilsk Industrial District. The reconfiguration will deliver:

- reduction of SO₂ emissions through the concentrator upgrade and the Nickel Plant shutdown;
- substantially lower pollutant concentrations in Norilsk's residential area;
- higher metal recovery rates and optimisation of the Company's production capacity utilisation rates;
- lower load on the energy infrastructure of the Norilsk Industrial District.

In 2016, the Company continued its strategic projects within the reconfiguration scope:

- ore processing started at Stage 2 of the upgraded Talnakh Concentrator;
- reconstruction completed at Nadezhda Metallurgical Plant to be used as a single nickel feedstock smelting facility;
- Nickel Plant shut down, thus cutting sulphur dioxide emissions within Norilsk city limits by more than a third.

In 2016, the Board of Directors' Strategy Committee reviewed:

- the Company's updated strategy*;
- sales and marketing strategy;
- transport and logistics strategy;
- project services development strategy;
- repair services development strategy;
- progress in environmental projects;
- progress in implementation of the fuel and energy development strategy;
- progress in large investment projects of the Company*.

Since 2015, the Company has been implementing the New Norilsk concept, a vision of Norilsk as a city of sustainable development. Corporate priorities, such as health, safety and environment protection, social investments, accessibility of the region and support for new businesses, are viewed as a foundation to achieve the target vision. [G4-15](#)

In implementing the New Norilsk concept, the Company focuses on:

1. Promoting innovation and professional incentives by:
 - improving corporate culture;
 - creating innovative jobs;
 - introducing young talent development and retention programme.
2. Breaking the island mentality by:
 - improving the region's environment for new businesses to emerge;
 - building a fibre optic communication line;
 - upgrading the Norilsk (Alykel) Airport's runway.
3. Improving local infrastructure by:
 - building convenient social, sporting and transport infrastructure;
 - supporting public initiatives to develop urban infrastructure jointly with the regional authorities. [G4-2](#)

[For more details, please see the Developing Local Communities section.](#)

* Reviewed by the Board of Directors on an annual basis.

KEY PRINCIPLES OF THE COMPANY'S STRATEGY AND CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

Tier-1 asset priority and value chain optimisation	<ul style="list-style-type: none"> Modernising and building capacities as part of the Tier-1 assets development, outsourcing to local construction, assembly and R&D businesses Economies of scale and advanced production technologies Maintaining and enhancing the Company's key competitive edge – efficient geological exploration service and geology professionals with an extensive experience in the Taimyr Peninsula and Eastern Siberia Ensuring sustainable high margins throughout the asset development life cycle Fulfilling all commitments to the government, employees and shareholders Securing sustainable development of the Group's operations in a challenging macroeconomic environment
Responsibility for the capital and investments returns	<ul style="list-style-type: none"> Laying a foundation for the community development across the Company's regions of operations for decades to come Efficient investment activities leading to higher tax payments to the budgets of various levels
Social responsibility	<ul style="list-style-type: none"> Achieving positive results in the Safety, Environment and Community areas <p>For more details, please see the Goals and Objectives by CSR Focus Area section.</p>

3.2. GOALS AND OBJECTIVES BY CSR FOCUS AREA

PRIORITIES AND FOCUS AREAS	OBJECTIVES	GOALS	PROGRESS IN 2016
SAFETY			
Health and safety	<ul style="list-style-type: none"> Zero work-related fatalities Continuous LTIFR improvements 	Annual reduction in the number of accidents	Completed In 2016, the number of accidents decreased by 39% compared to a planned reduction of 20%. The plan for 2017 is to reduce accidents by another 15%. See Section 6.1.
Occupational safety and emergency preparedness		Health and safety measures as per plan	Completed See Section 6.1.
Improvements in social and working standards at the Company's production sites	<ul style="list-style-type: none"> Favourable social and working conditions for the Company employees Bringing social facilities in line with existing requirements 	Overhaul of social facilities	Completed See Section 6.2.
COMMUNITY			
Regulatory compliance and observance of human rights	<ul style="list-style-type: none"> Development of the regulatory framework in line with the Company's priorities Minimisation of breaches of law 	Expert review of draft regulations	Completed See Section 5.5.
		Preparation of amendments and proposals on draft federal regulations	Completed See Section 5.5.
		Identification of non-compliance risks associated with business processes, and risk governance based on the mitigation of such risks in line with the Company's risk profile	Completed In 2016, the number of non-financial sanctions against the Company saw a reduction. See Section 4.12.
		Introduction of an antitrust compliance system	On the plan starting 2017

PRIORITIES AND FOCUS AREAS	OBJECTIVES	GOALS	PROGRESS IN 2016
Excellence in corporate governance and strong business ethics	<ul style="list-style-type: none"> Compliance with best practices in corporate governance and business ethics to improve the Company's investment case, efficiency and competitiveness 	Enhancement of the Company's corporate governance, including by aligning corporate documents with best practices in corporate governance and business ethics	Completed See Section 4.2.
Quality management	<ul style="list-style-type: none"> Confirmation of certification to ISO 9001:2008 	Surveillance audits	Completed See Section 4.10.
		Certification audits	Completed See Section 4.10.
Contribution to the professional and cultural development of employees	<ul style="list-style-type: none"> Strict compliance with staff training laws across the Group's operations Stabilisation of the employee churn rate 	Excellence in staff training, retraining, and professional development	Completed See Section 8.1.
		Upgrade of the existing distance training system	In progress See Section 8.1.
		Implementation of corporate social programmes	Completed See Section 8.1.
Development of talents in the Company's regions of operation	<ul style="list-style-type: none"> Recruitment of highly skilled employees, including those from the skills shortage list 	Provision of career guidance	Completed See Section 8.2.
		Sponsorship of vocational schools in the Company's regions of operations	Completed See Section 8.2.
Employee incentivisation	<ul style="list-style-type: none"> Incentives for the employees to achieve best results under the business plan in line with the corporate strategy Individual and team performance improvements Labour recruitment and retention Creation of the talent pool for the effective use of HR resources 	Provision of competitive remuneration	Completed In 2016, the average salary in Nor Nickel Group increased by 11%. See Section 8.1.
		Implementation of the performance management framework	In progress See Section 4.3.
		Creation and development of the talent pool	In progress See Section 8.1.
Community investments and charity in the Company's regions of operations	<ul style="list-style-type: none"> Maintenance of social stability for the workforce in the Company's regions of operations 	Construction and maintenance of social infrastructure	Completed See Section 8.2.
Support to vulnerable population groups		Implementation of charitable programmes	Completed See Section 8.2.
Payments to budgets and non-budget funds		Full and timely payments to budgets and non-budget funds	Completed See Section 8.2.

PRIORITIES AND FOCUS AREAS	OBJECTIVES	GOALS	PROGRESS IN 2016
ENVIRONMENT			
Gradual reduction of air pollutant emissions	<ul style="list-style-type: none"> Mitigation of the Company's environmental impact through production reconfiguration and high-tech projects reducing air pollutant emissions and wastewater discharges 	No violation of current-year environmental impact limits in production operations	Completed See Section 7.3.
Consistent reduction of wastewater discharges into water bodies		Implementation of environmental, administrative and technical measures to minimise the environmental impact of the Company's operations	Completed 6.2% reduction of air pollutant emissions by Group companies 5.7% reduction of water withdrawal by Group companies 6.6% reduction of pollutants in wastewater discharges of MMC Norilsk Nickel in 2016 See Section 7.3.
Development of waste disposal sites		Environmental management compliance with ISO 14001:2004, updates in the environmental management documents	Completed See Section 7.1.
Prevention of pollution resulting from sea freighting and vessel operation		Participation in events staged under cooperation agreements signed by the Company and environmental protection authorities	Completed See Section 5.6.
Water consumption optimisation			
Biodiversity conservation			
Energy efficiency	<ul style="list-style-type: none"> Reliable and high-quality power supplies to production sites and local communities in the Company's regions of operations 	Implementation of a programme to upgrade, revamp and replace the Norilsk Industrial District's power transmission facilities	In progress See Section 7.7.
		Implementation of initiatives under the Company's Fuel and Energy Development Strategy	In progress See Section 7.7.
Achievement of operating efficiency through resource saving technologies	<ul style="list-style-type: none"> Improvements in operating efficiency 	Implementation of initiatives to improve operating efficiency	In progress See Section 7.7.





One of the two treatment facilities for saline effluent from nickel refining operations was commissioned at Kola MMC to become a pre-eminent environmental initiative run by the Company on the Kola Peninsula. The new effluent treatment technology will minimise the environmental footprint of the local operations. In May, Kola MMC shut down its pelletisation and roasting section. The obsolete technology was excluded from the process and replaced with the briquetting of copper-nickel concentrate. The technology upgrade made the facility more environmentally friendly and efficient, reducing SO₂ emissions in Zapolyarny from 38,000 to 7,000 tonnes per annum.

RESPONSIBILITY

DESIRE TO HONOUR OUR COMMITMENTS
AND TAKE ON RESPONSIBILITY
FOR OUR DECISIONS



4. RESPONSIBLE OPERATIONS

30

2016 HIGHLIGHTS

8.9

% Increase in environmental expenses and investments

29.2

% Increase in the financing of social, charitable and social infrastructure programmes

3.2

% Increase in tax and non-tax payments to budgets of various levels

The Company estimates its impact to be the most significant in three key areas of corporate social responsibility: safety, environment, and community

4.1. SUSTAINABILITY MANAGEMENT

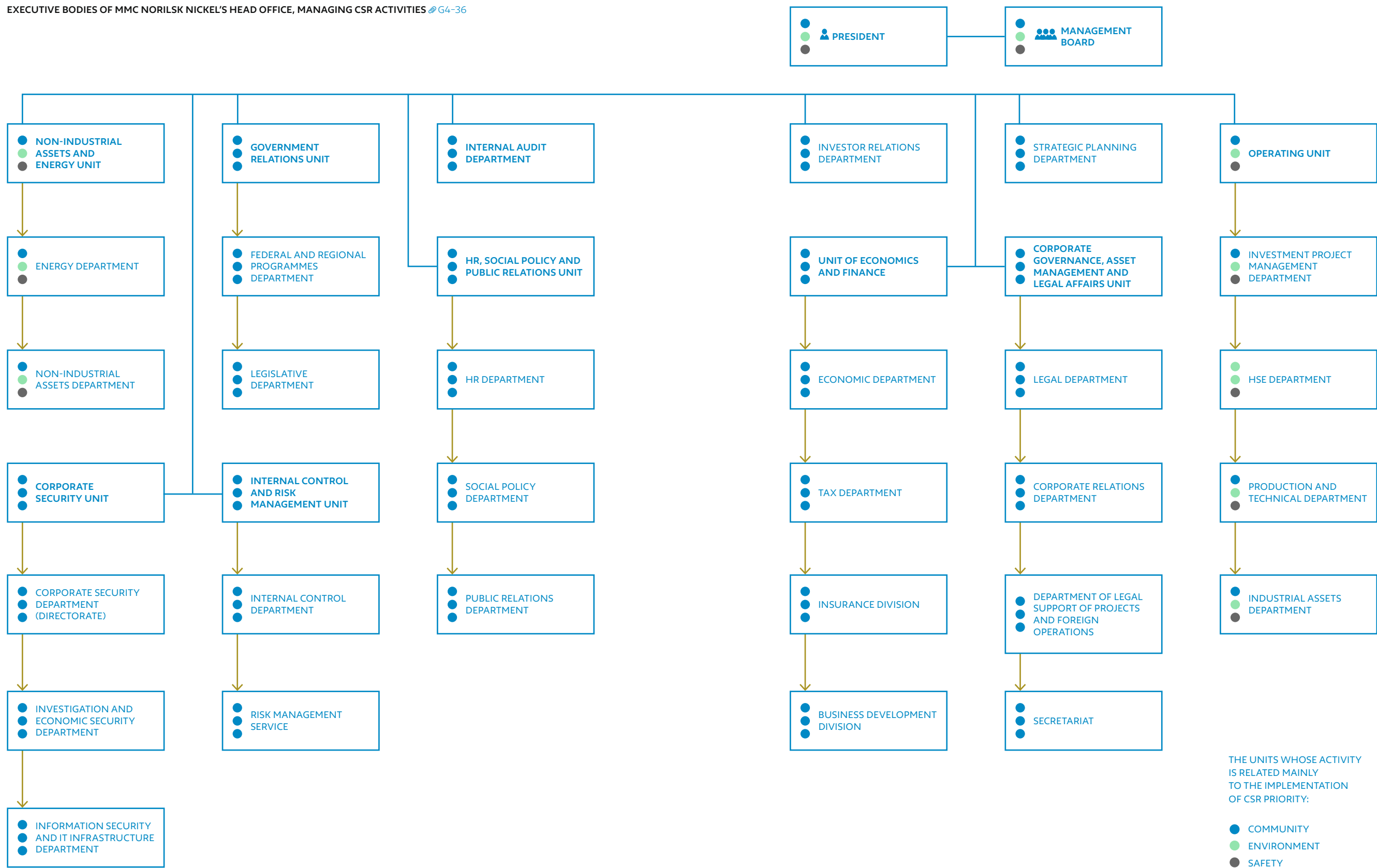
Corporate social responsibility is one of the strategic priorities of Nornickel Group. The Company estimates its impact to be most significant in three

key areas of CSR: safety, environment, and community. Activities in these areas bring the biggest positive effect in terms of long-term sustainability and promoting social stability and comprehensive safety in the territories where the Company operates.

SUSTAINABILITY MANAGEMENT G4-56



EXECUTIVE BODIES OF MMC NORILSK NICKEL'S HEAD OFFICE, MANAGING CSR ACTIVITIES G4-36



THE UNITS WHOSE ACTIVITY IS RELATED MAINLY TO THE IMPLEMENTATION OF CSR PRIORITY:

- COMMUNITY
- ENVIRONMENT
- SAFETY

The Company supports major domestic and international CSR and sustainable development initiatives that bring together businesses committed to responsible business practices and excellent reputation. Nornickel joined the Social Charter of the Russian Business in 2005 and the United Nations Global Compact in 2016. The Company sticks to the provisions of ISO 26000:2010 in its social and environmental policy-making and actively promotes the UN Sustainable Development Goals that are applicable to its business. [G4-15](#)

The management and executive bodies of MMC Norilsk Nickel and its subsidiaries are in charge of developing and implementing the policy for various aspects of the Group's corporate social responsibility and sustainable development, within the scope of their functions and in accordance with the legislation and internal regulations¹.

All executive efforts aimed at our CSR priorities are coordinated by the Management Board, the President, and following committees of the Company: the Budget Committee under the Management Board, the Charity Committee, the Health, Safety and Environment Committee, the Investment Committee, and the Nomination and Remuneration Committee.

The Company has developed and successfully implemented the Corporate Integrated Quality and Environmental Management System (CIMS)².

Operational management of corporate social responsibility and sustainable development activities at the Group's foreign enterprises is carried out by the specific units in line with their functional responsibilities and include development, adoption, and implementation of management decisions.

For three successive years, Nornickel has been among the leaders of the Responsibility and Transparency and Sustainable Development Vector indices made by the Russian Union of Industrialists and Entrepreneurs. These indices measure the level of CSR reporting disclosure and the evolution of performance and commitment in this field.

At the international level, the appreciation of our efforts in the area of corporate social liability and sustainable development is attested by the inclusion of the Company's stock in the FTSE4Good Emerging Index in 2016.

4.2. CORPORATE GOVERNANCE³

The Company continuously improves its corporate governance framework to enhance efficiency and ensure compliance with global best practices. Since 2002, the Company has been following the recommendations of the Code of Corporate Conduct of the FCSM, and the Corporate Governance Code after its approval by the Board of Directors of the Bank of Russia on 21 March 2014.

The key internal regulations on corporate governance are available on MMC Norilsk Nickel's website www.nornik.ru in the Investor Relations section:

- Regulation on the General Meeting of Shareholders of MMC Norilsk Nickel;
- Regulation on the Board of Directors of MMC Norilsk Nickel;
- Directors' Code of Corporate Conduct and Business Ethics;
- Directors' Professional Development Policy of MMC Norilsk Nickel;
- Directors' Performance Assessment Policy of MMC Norilsk Nickel;
- Policy for the Development and Approval of Voting Recommendations in respect of Candidates to the Board of Directors of MMC Norilsk Nickel;
- Directors' Remuneration Policy of MMC Norilsk Nickel;
- Regulation on the Management Board of MMC Norilsk Nickel;
- Regulations on the Committees of the Board of Directors of MMC Norilsk Nickel.

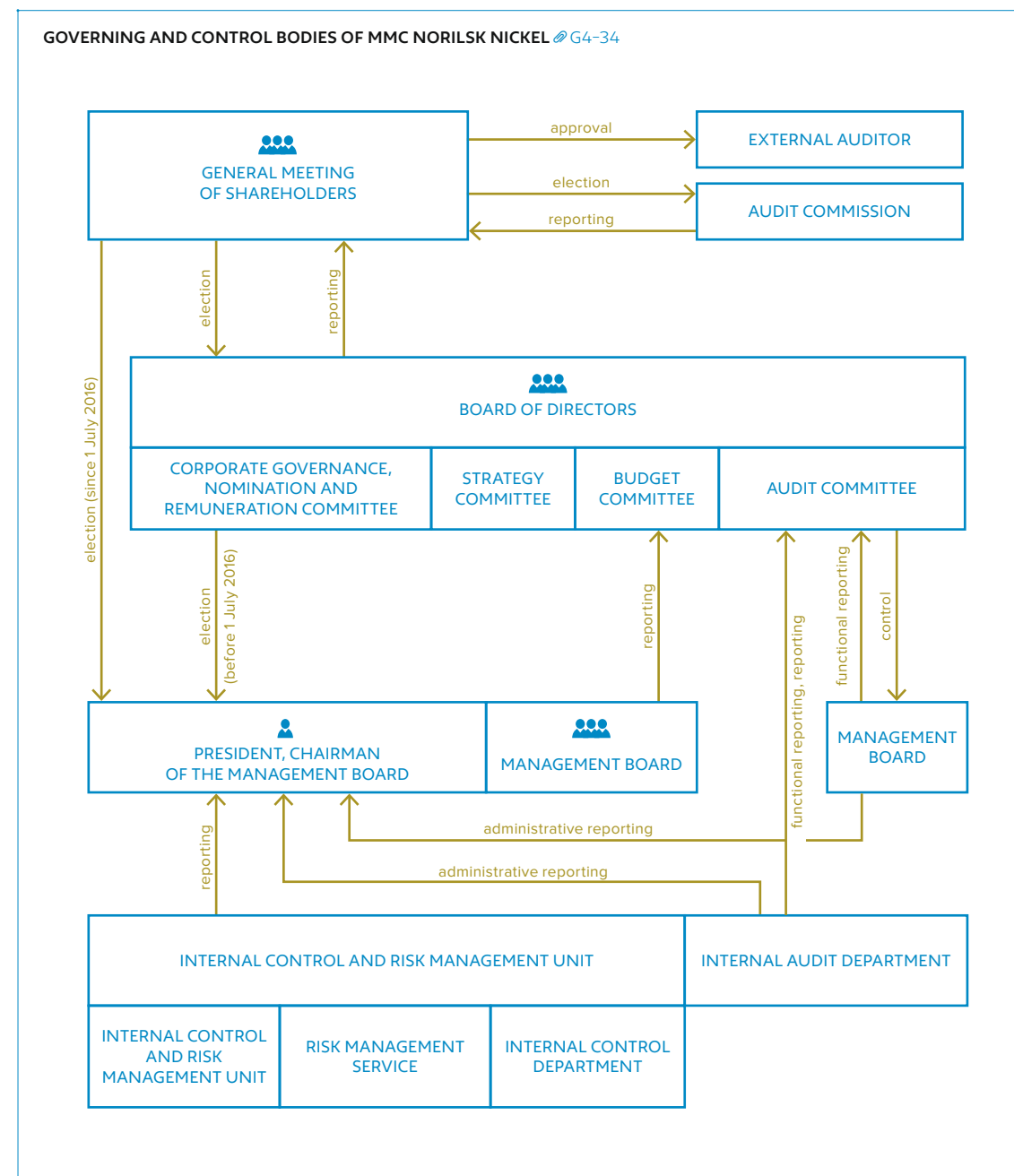
The General Meeting of Shareholders is the Company's supreme governing body and has the authority to elect members of the Board of Directors (BD), approve the Company's auditor, annual reports, and annual financial (accounting) statements. The Audit Commission, controlling the Company's financial and business operations, reports to the General Meeting of Shareholders.

The Board of Directors is in charge of overseeing the Company's business, with the exception of matters that fall within the scope of the General Meeting of Shareholders, as specified in the Federal Law On Joint Stock Companies and the Company's Charter. It establishes priorities, the development strategy, plans and budgets, approves major

and interested-party transactions pursuant to the Federal Law On Joint Stock Companies, defines key risks associated with the Company's operations, and measures and procedures for managing such risks. [G4-42](#), [G4-45](#), [G4-46](#)

In overseeing the Company's management, financial and business affairs, the Board of Directors may

instruct the managers on individual matters. Such decisions and instructions are minuted at the BD meetings and subsequently followed up. Authorised executives are vested with powers and responsibilities to address economic, environmental and social issues and may delegate their powers to other employees based on their competences and functions. [G4-35](#), [G4-36](#)



¹ See <http://www.nornik.ru/en/investor-relations/shareholders/internal-documents2>.

² For details, please see the Product Responsibility and Environmental Performance sections.

³ The "Company" in this section is understood as MMC Norilsk Nickel.

According to the Regulations on the Committees of the Board of Directors, to ensure efficiency and proper fulfilment of their functions, the Committees are entitled to consult with the Company's governing bodies and seek advice or opinion of external consultants appointed by the Company upon a Committee's request. Any Committee member may propose a consultant to the Committee. Where required and subject to approval by the Company's President, Committees may engage business unit employees that have relevant skills. [G4-37](#)

In accordance with the applicable Russian laws, candidates for election to the boards of joint-stock companies incorporated in Russia may be nominated by shareholders jointly holding at least two percent of a company's voting shares.

The BD is formed by the General Meeting of Shareholders based on the Company's Policy for Development and Approval of Voting Recommendations in respect of Candidates to the Board of Directors. Shareholders' proposals of nominees to the Board of Directors must contain information on offices held by the candidate in the governing bodies of other legal entities and the number of shares in the Company held by such candidate. [G4-40](#)

The BD plays a key role in prevention, identification and settlement of internal conflicts between the Company's governing bodies, shareholders and employees. Pursuant to the Directors' Code of Corporate Conduct and Business Ethics, the BD members shall comply with the highest ethical standards, integrity and accountability, avoid conflicts of interests and, in case of such conflicts, report them. [G4-41](#)

In accordance with global corporate governance practices and recommendations of the Corporate Governance Code, no less than one third of the Board of Directors should consist of independent directors. Moreover, the Company believes that independent directors are key to efficient operation of the Board of Directors and thoughtful decision-making.

All independent directors meet the independence criteria recommended by the Corporate Governance Code and the requirements established by the current version of the Listing Rules of the Moscow Exchange, which state that an independent director is one who is not related to:

- the Company;
- any of the substantial shareholders of the Company;
- any of the substantial counterparties of the Company;
- any competitor of the Company;
- federal and regional (Russian Federation or its constituent entities) governments or municipal entities. [G4-39](#)

The Company sees independent directors as very valuable contributors to the efficiency of the Board, in particular, in terms of ensuring that the matters on the agenda of the Board are treated fairly, and reinforcing shareholders' and investors' confidence in actions taken by the Board of Directors.

In the reporting year, the composition of the Board of Directors remained unchanged. The Board of Directors includes renowned global experts with many years of experience in mining. Five (38%) out of 13 directors are independent, including the Board's Chairman. Two directors are the Company's senior executives. One of the directors is female.

Number of years served on the Board of Directors:

- 1 to 3 years – Rushan Bogaudinov, Andrey Korobov;
- >3 years – Sergey Barbashev, Alexey Bashkirov, Sergey Bratukhin, Andrey Bougrov, Marianna Zakharova, Stalbek Mishakov, Gareth Peter Penny, Gerhardus Prinsloo, Maxim Sokov, Vladislav Soloviev, Robert Edwards.

In 2015, the Company put in place the Directors' Professional Development Policy based on global and national best practices for corporate governance.

In compliance with the Directors' Performance Assessment Policy, the BD members conduct annual self-assessment based on annual results. The first of such self-assessments was for 2015, and the performance assessment for 2016 was conducted in February 2017. The BD Performance Assessment Report for 2016 was drafted based on the questionnaires filled in by the directors. It was reviewed by the meeting of the Corporate Governance, Nomination and Remuneration Committee on 23 March 2017. [G4-43](#), [G4-44](#)

The Board of Directors meets as and when required, but at least once every six weeks. The meeting agenda is set by the BD Chairman based on a request to convene the meeting, which can be initiated by the BD Chairman or members, or by the Audit Commission, auditor, Management Board, President, and shareholders jointly holding at least 10% of ordinary shares. [G4-49](#)

In 2016, the BD met quarterly to review the Company's financial results, strategy implementation progress, the management's HSE reports, and operational performance reports. In 2016, the Board of Directors of MMC Norilsk Nickel considered 1,024 matters, including 858 deal approvals, 134 corporate governance matters, 12 economic and financial matters, 2 social and environmental matters, and 18 other matters. [G4-47](#), [G4-50](#)

The President and the Management Board are the Company's sole and collegial executive bodies in charge of managing the Company's day-to-day operations. In the reporting period, the position of the Company's sole executive

body, the President, was held by Vladimir Potanin. He also performed the functions of the Chairman of the Company's Management Board. On 27 April 2016, the Company's Board of Directors approved the new make-up of the Management Board, which remained unchanged for the rest of the reporting year. The Management Board consists of 13 members, including five women. [G4-38](#)

For more information on the members of the Board of Directors, Management Board, and on the President, please see the Corporate Governance section in the 2016 Annual Report.

4.3. REMUNERATION¹

REMUNERATION OF MEMBERS OF THE SUPREME GOVERNING BODY

The Board of Directors' annual remuneration is decided upon by the General Meeting of Shareholders and includes basic remuneration for membership, reimbursement of expenses incurred by the directors in discharge of their duties, and bonuses for participating in and chairing the Board committees. The Remuneration Policy for the Board of Directors was approved at the Annual General Meeting of Shareholders on 6 June 2014. [G4-51](#)

EMPLOYEES COVERED BY ASSESSMENT IN RUSSIA [G4-LA11](#)

INDICATOR	BLUE-COLLAR EMPLOYEES	WHITE-COLLAR EMPLOYEES	EXECUTIVES	TOTAL
COMPETENCY ASSESSMENT				
Male	752	16	329	1,097
Female	45	12	87	144
Total	797	28	416	1,241
KPI-BASED ASSESSMENT				
Male	–	188	1,020	1,208
Female	–	339	332	671
Total	–	527	1,352	1,879

ASSESSMENT OF EMPLOYEES OF THE GROUP COMPANIES IN RUSSIA, % OF AVERAGE HEADCOUNT

INDICATOR	BLUE-COLLAR EMPLOYEES	WHITE-COLLAR EMPLOYEES	EXECUTIVES
COMPETENCY ASSESSMENT			
Share of staff covered by competency assessment	1.4	0.2	3.9
Share of male employees covered by competency assessment	1.7	0.3	4.1
Share of female employees covered by competency assessment	0.4	0.2	3.2
KPI-BASED ASSESSMENT			
Share of staff covered by KPI-based assessment	0	4	13
Share of male employees covered by KPI-based assessment	0	3	13
Share of female employees covered by KPI-based assessment	0	5	12

¹ The "Company" in this section is understood as MMC Norilsk Nickel.

The Annual General Meeting of Shareholders for 2016 established remuneration for the Chairman of the Board of Directors, an independent director, in the amount of USD 1,000,000 per year, paid in equal instalments on a quarterly basis in roubles at the exchange rate of the Bank of Russia on the last business day of the reporting quarter¹.

According to the Company's Charter, decisions on remuneration and reimbursement amounts payable to the members of the Company's Management Board are reserved to the Board of Directors. The Company does not engage external consultants on remuneration matters. Remuneration of the Management Board members is linked to the Company's financial (such as EBITDA) and non-financial metrics (e.g. systematic measures to reduce workplace injury rates, interaction with stakeholders, updating and implementing the corporate strategy). [G4-52](#), [G4-53](#)

Remuneration amounts payable to the members of the Management Board and to the President are set forth in their employment contracts approved by the Board of Directors.

The dismissal policy for top executive officers does not differ from the dismissal policy for other employees.

The total amount of remuneration paid to the members of governing bodies in 2016 (including salaries, bonuses, remuneration for membership in the governing body, reimbursement of expenses) was RUB 3,533,398,000 (USD 52,709,828)².

EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM

Since 2014, the Company has been implementing the Employee Performance Management System based on a 360-degree assessment of the key performance indicators (KPI) and competencies (managerial, corporate and value related). The company's KPIs cover safety, operating efficiency, capital management and organisational development and production metrics. For our production facilities, KPI sheets are developed down to the shop manager level.

The main focus in assessing KPI performance in 2016 was to improve their quality (the measurability and significance), as well as to train heads of units and functions how to provide feedback based on assessment results. In 2017, the KPI-based assessment will be extended to cover managers up to section heads at key production facilities.

4.4. RISK MANAGEMENT FRAMEWORK

The Company's operations are associated with inherent risks that may adversely affect its strategic and operational goals, including financial performance. To ensure that all risks are managed in an efficient way, we have implemented and keep improving our corporate risk management framework (CRMF).

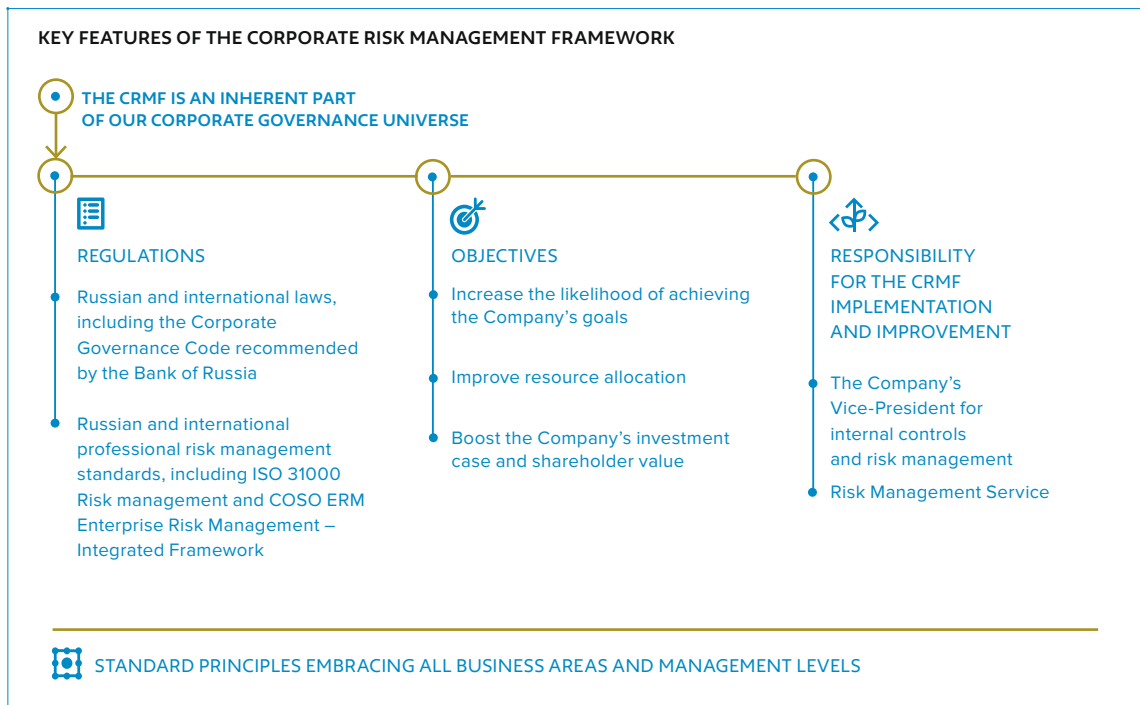
EVOLUTION OF THE CORPORATE RISK MANAGEMENT FRAMEWORK

The Company has been introducing new risk management methodologies and integrating them with key business processes and functions. Risk management training programmes take place on a regular basis to improve employees' professional skills and competencies.

On a regular basis, the Audit Committee of the Board of Directors reviews the status report on the corporate risk management framework and provides recommendations for its further improvement.

In 2016, as part of the corporate risk management framework development:

- the Company's Board of Directors adopted a Corporate Risk Management Policy, while the Company's President endorsed the new policy in a declaration of commitment;
- risk experts, whose responsibility is to coordinate risk management activities and provide knowledge-based support to risk owners, were appointed in various departments of the Head Office;
- key risks affecting the Company were identified, reported, analysed and documented along with risk management procedures. The Management Board and the Audit Committee review risk-related reports on a regular basis;
- Nornickel's Investment Project Risk Management Regulations were developed and approved.



Key initiatives aimed at improving the corporate risk management framework include:

- creation of local risk management standards and guidelines for the Company's units and business areas that are customised to fully fit their operations;
- integration of risk management practices into the core business processes of the Company, including strategic and operational planning and investment activities;
- phased deployment of IT systems and risk management automation tools in the Head Office, branches, and subsidiaries;
- continuing development of quantitative risk metrics and, in particular, creation of a quantitative model for key risks affecting the Company.

Key risks associated with corporate social responsibility:

- Workplace injury risk
- Technical and production risk
- Risk of escalating social tensions in the regions of operation and strained social and labour relations among the workforce
- Risk of disruptions in Norilsk Airport operations during the runway reconstruction in 2017
- Environmental risk
- Risks posed by climate change (insufficient water resources and soil thawing risk). [G4-2](#)

For details on risks and related mitigants see the following sections of the Report: 4.10, 6.1, 7.1, 7.3, 8.1, 8.2, 8.3.

RISK INSURANCE

Insurance is a key tool to manage risks and finances in the long-term perspective, and protect the assets of the Company and its shareholders against any unforeseen losses related to our operations, including due to external hazards.

The Group has centralised its insurance function to consistently implement uniform policies and standards supporting a comprehensive approach to managing insurance policies and fully covering every risk at all times.

To mitigate risks, we have implemented a corporate insurance programme that covers assets, equipment failures and business interruptions across the Group. Our corporate insurance policies are issued by major Russian insurers in cooperation with an international broker. This helps the Group make sure that its risks are underwritten by highly reputable international re-insurers.

¹ This amount is after taxes that are withheld in accordance with the applicable Russian law.

² The total amount of remuneration paid to the members of governing bodies in 2016 under IFRS was RUB 4.1 bn (USD 62 m).

Principles of centralisation apply to our freight, construction and installation, aircraft and ship insurance programmes. The Group, as well as its directors and officers, carry business and third-party liability insurance.

To optimise the terms of coverage and better manage covered risks, we follow the best mining industry practices.

PRECAUTIONARY APPROACH *G4-14*

In accordance with Nornickel's Investment Project Risk Management Regulations approved in 2016, risks are analysed and impacts and potential consequences of actions planned are assessed using qualified expert review during both project initiation and implementation. In the event material risks are identified, mitigation initiatives are developed, and a decision may be taken to abandon the project. In case of implementation, current regulations and standards are taken into account. FEED documents for all the projects being implemented by the Company are subject to mandatory assessment for compliance with the applicable law during state expert appraisal.

Our corporate health and safety system requires that our employees assess risks during each shift. Each employee evaluates risks inherent in his work before starting an assignment for their shift. If life and health are in danger, an employee has the right to demand elimination of risk factors or refuse to do the work.

When planning operations, the Company ensures compliance with the requirements of the applicable Russian environmental laws and regulations, including:

- volumes of emissions and discharges set out in permits;
- limits for waste generation and disposal;
- water consumption terms and the hazardous waste management licence.

4.5. CORPORATE SECURITY

The comprehensive corporate security measures at Nornickel Group are aimed at ensuring safe uninterrupted production, logistics, transportation and other operations and functioning of the critical infrastructures, as well as at preventing embezzlement and in-house corruption, and counter-ing illicit trafficking of precious metals and metal bearing materials.

The corporate security system is structured and managed based on a number of targeted programmes on economic, corporate, information, facility, and transportation security. Nornickel is actively engaged in public-private partnerships to maintain high security levels and enhance social stability at its facilities in the regions of operation.

Developing and implementing comprehensive corporate security measures across the Group is within the competence of the Corporate Security Unit, acting in line with Russian laws, applicable international regulations, internal standards and guidelines.

At Infoforum–2016, National Forum for Information Security arranged jointly with representatives of Russia's Security Council, Federal Security Service, Ministry of Internal Affairs and Federal Guard Service, Nornickel's excellence in IT security was recognised by the Silver Dagger Award, a professional information security prize won by the Company in the nomination for "Secure Cyberspace".

In September 2016, Norilsk Nickel took part in the InfoSecurity 2016 fair, one of the most significant events in IT security. The Company's excellence in industrial IT security was recognised by the IT Sec Award 2016. During the fair, Norilsk Nickel also proposed establishing the Club of Information Security in Industry, a cross-industry organisation to share practical experience in cyber threat protection and develop initiatives strengthening key elements of domestic IT infrastructure.

For details, see the following sections: Dialogue with Authorities, Communities and Non-Profit Organisations, Employees and Social Policy, Preventing and Fighting Corruption.

CORPORATE SECURITY FOCUS AREAS

- Ensuring safety and integrity of the Group's property
- Ensuring anti-terrorism and anti-sabotage security of the Group's critical infrastructures
- Preventing embezzlement and illicit trafficking of semi-products containing precious metals
- Ensuring information security across the Group
- Monitoring contractors' compliance with Russian laws, including their anti-money laundering and counter-terrorist financing initiatives
- Ensuring confidentiality and protection of contractors' personal information
- Ensuring protection of employees' personal information
- Preventing corruption
- Implementing drug prevention and awareness initiatives
- Ensuring observance of human and civil rights and freedoms
- Participating in agenda formulation and activities of Russian and international organisations for increasing safety in precious metals production and trade, and combating illicit trafficking of raw materials for these metals and transnational crime

4.6. PREVENTING AND FIGHTING CORRUPTION¹

The Company's strategic goals focus on maintaining the trust and interest of shareholders, investors, partners, employees, state, Russian and international business communities, and society with regard to the Company's operations. Therefore, corruption of any nature is absolutely unacceptable.

The Company ensures compliance with applicable Russian and international anti-corruption laws in accordance with such key regulatory documents as the United Nations Convention against Corruption ratified by the Russian Federation, Federal Law No. 273-FZ On Combating Corruption, Presidential Decree No. 147 On the National Anti-Corruption Plan for 2016–2017, the Criminal Code of the Russian Federation, the US

Foreign Corrupt Practices Act of 1977 (FCPA), the UK Bribery Act 2010, and the Council of Europe Criminal Law Convention on Corruption ratified by the Russian Federation.

The Company consistently implements the Management Board's resolutions on the compliance framework focusing on anti-corruption priorities, key actions and the role of the management bodies.

To develop and monitor anti-corruption and prevention measures, the Company has assigned a dedicated unit – the Corporate Relations Department. Its areas of responsibility include identifying and documenting risks related to corruption, developing risk management measures and controlling their implementation.

The Company has developed a set of measures on mitigating and eliminating corruption risks for certain business processes with a high probability of corruption offences (procurement, relations with counterparties, business partners and other third parties, charity, sponsorship, etc.). The progress of anti-corruption measures is reviewed and the risk map is updated on a quarterly basis.

The Company joined the Anti-Corruption Charter of the Russian Business in January 2014. In late 2015, the Company submitted its Declaration on Compliance with the Regulations of the Anti-Corruption Charter to the Russian Union of Industrialists and Entrepreneurs, and its participation in the Charter's Register was extended.

¹ The "Company" in this section is understood as MMC Norilsk Nickel.

In November 2016, the Company joined the United Nations Global Compact. This major UN initiative in the area of corporate social responsibility and sustainable development unites entities committed to responsible business and good industry practice worldwide. Combating corruption is one of the principles of the UN Global Compact that its signatories undertake to adhere to. [G4-15](#)

The main focus areas of the Company's anti-corruption activities are stated in the Anti-Corruption Policy approved by the Board of Directors on 17 November 2014. The Policy's provisions, principles and requirements are mandatory for the governing bodies and all employees. It is applicable to all counterparties,

the Company's representatives, and other persons such as foreign public officials and international officials where respective obligations are stated in agreements signed with them, their internal regulations, or directly in applicable law. The Policy is recommended for implementation and observance in all Group entities.

In its government relations, the Company, its employees and corporate bodies comply with the applicable laws (including anti-corruption laws).

The Company provides ongoing training on anti-corruption matters for its personnel. In August 2016, the Group launched the distance learning course On Preventing Corruption. The Company's

employees regularly participate in round tables, conferences, and expert group meetings addressing major challenges in corruption prevention. In 2016, trainings in the corruption prevention policy and methods covered 2,966 employees, which corresponds to 3.7% of the total year-end headcount.

Over 80,000 employees were informed of the existing corruption prevention methods when signing the anti-corruption appendices to their employment contracts.

In December 2016, the Company held an anonymous survey among the employees in order to get their opinion on corruption in the Company and its anti-corruption performance.

All anti-corruption measures are implemented in the Company and its standalone business units, and are also recommended to the Group's subsidiaries. The Company's anti-corruption initiatives are regularly covered in corporate press releases. The Company ensures functioning of the Preventing and Fighting Corruption page on the corporate website www.nornik.ru and the relevant section on the Company's intranet portal.

In 2016, corruption-related risk assessment was held in respect of MMC Norilsk Nickel and the Russian Group companies. [G4-S03](#)

To further improve the existing compliance procedures, in 2017 the Company plans to update its corporate governance and sustainable development policies, including the anti-corruption policy, take measures to include the

anti-corruption clause in contracts with counterparties, take measures on anti-corruption monitoring, internal document review, counterparty due diligence enhancement, employee training, and to further develop corporate culture.

4.7. ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING INITIATIVES

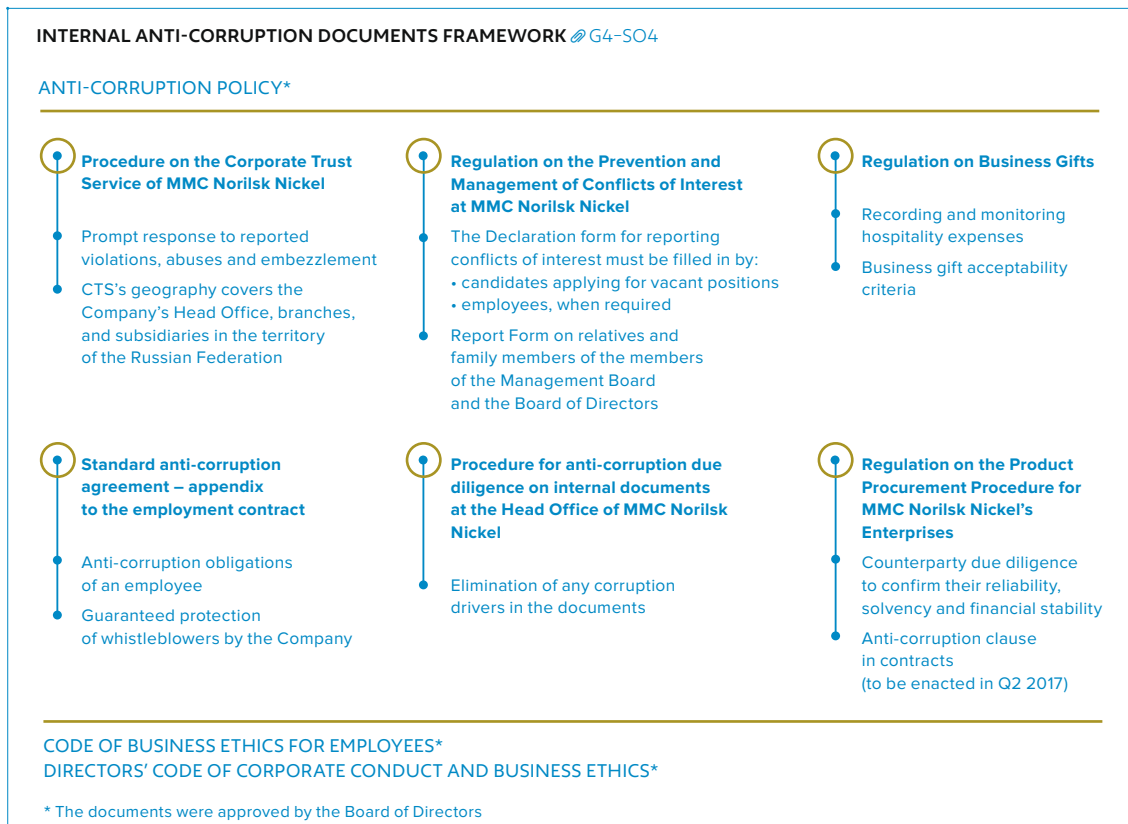
As required under Federal Law No. 115-FZ On Anti-Money Laundering and Combating the Financing of Terrorism dated 7 August 2001, the Company implements a set of anti-money laundering and counter-terrorist financing initiatives ("AML/CTF").

The main document regulating the Company's procedures for AML/CTF monitoring is the Internal

Control Rules on Anti-Money Laundering and Counter-Terrorist Financing developed in compliance with the Federal Law requirements.

The key principle underlying the Company's AML/CTF monitoring practices is the engagement of all employees, within their competences, in identifying signs of money laundering and terrorist financing activities in counterparties' operations, and also in identifying operations subject to mandatory control.

The Company runs due diligence on all potential counterparties before signing contracts with them in order to check their reliability and identify entities and persons involved in extremist or terrorist activities.



[G4-S05](#)

INDICATOR	NUMBER, 2016
Confirmed incidents of corruption	0
Confirmed incidents of corruption-related dismissals	0
Confirmed incidents of corruption-related penalties (criminal or administrative penalty or disciplinary action by employer on relevant grounds)	0
Confirmed incidents of corruption-related non-extension or termination of contracts with business partners	0
Pending corruption-related lawsuits filed against the company or its employees during the reporting period	0
Adjudicated corruption-related lawsuits filed against the company or its employees during the reporting period	0

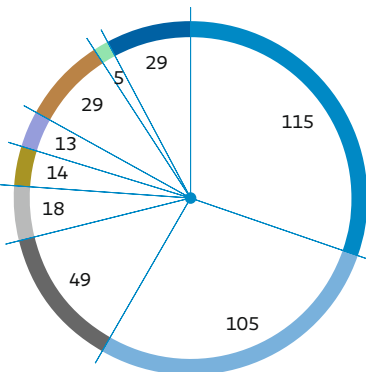
4.8. CORPORATE TRUST SERVICE

The Company's Corporate Trust Service has operated since February 2010 to ensure prompt response to reported violations, abuses and embezzlement. To make a report, anyone is invited to call a toll-free hotline available 24/7: +7 800 700 1941, +7 800 700 1945, or e-mail to: skd@nornik.ru. The Service's geography covers all business units of the Company and Group members.

The key principles underlying the Corporate Trust Service include:

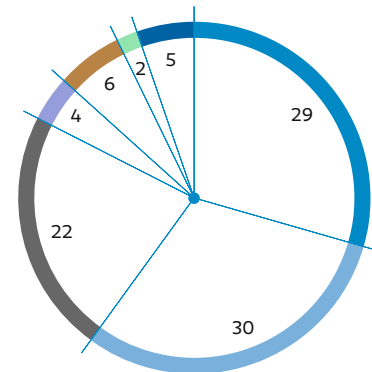
- guaranteed confidentiality for everyone who do not wish to disclose their personal data;
- independent consideration of reports;
- timely and unbiased consideration of all incoming reports irrespective of the position and employment period of the person mentioned therein.

REPORTS RECEIVED IN 2016 (BY TYPE), 377 REPORTS IN TOTAL



- Payroll abuses
- Production related abuses
- Technology and safety abuses
- Corruption
- Commercial and contractual abuses

REPORTS CONFIRMED IN 2016 (BY TYPE), 98 REPORTS IN TOTAL



- Breaches of job descriptions
- Labour disputes
- Social issues
- Embezzlement

Any interested person may contact the Service.

After a report is registered by an operator, the standard time¹ until the investigation results are reviewed by the Head of Service is 21 days. The exceptions are reports that require immediate action or additional investigation. If the report is found substantiated, a set of control measures is taken, and if a violation is confirmed, measures are taken to correct the situation, eliminate any negative consequences, and inform stakeholders.

Report statistics (as broken down by the entity of origin and type of reported abuse) are submitted to the Audit Committee of the Board of Directors and the Company's relevant internal units on a quarterly basis. The Service's performance is monitored online by the Director of Internal Control Department and assessed annually by the Board's Audit Committee. Employees in charge of the Service have report processing performance as their individual KPIs.

Information about the Corporate Trust Service is available on the Company's intranet site and official webpage. To raise awareness about the Service, the Company includes its logo and all the relevant information into its corporate calendars, posters, and salary slips.

4.9. TRANSPARENCY

MMC Norilsk Nickel is guided by the principle of increasing transparency and committed to annual growth in disclosure levels. The Company honours its voluntary obligation to go beyond mandatory disclosure requirements of the Russian law and to keep its stakeholders and the general public fully informed about the Company's strategy, key developments, and operating results.

The key principles of our information policy are regularity, timeliness, availability, reliability, completeness, balance, and impartiality. The Company publishes information in mass media, on its website www.nornik.ru, corporate pages in social media and feeds of news agencies, hosts publicity events (press conferences, briefings, conference calls), issues statutory publications (annual report, CSR report), and uses other communication channels. The Company actively cooperates with leading business media, major news agencies, and news-focused TV channels.

An important focus in 2016 was on systemic enhancement of outreach to social media in which the Company has its corporate pages. This is viewed as a way to both promote transparency and level off geographic differences by providing every internet user with direct access to information on Nornickel.

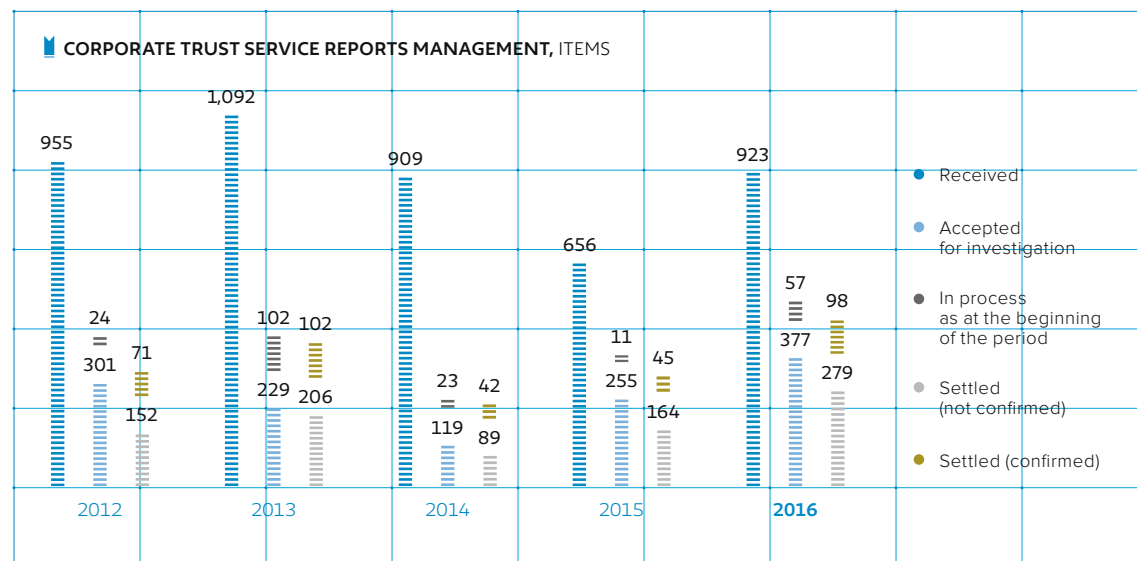
2016 was the year of Nornickel's rebranding, which reflected major positive changes that had happened in the Company in recent years – changes in production, approach

to environmental issues, workforce management, increased transparency, and sustainable development of the regions where we operate.

The shutdown of the outdated Nickel Plant in 2016 boosted the interest of experts and the general public in the Company's environmental programmes and environmental impact reduction initiatives. More attention was also drawn to Our Home, My Home, and World of New Opportunities social programmes. Among cultural projects, most interest was shown for the Company's collaboration with the Golden Mask Festival and the Multimedia Art Museum, while in sports, the most popular project was our sponsorship of the 2019 Winter Universiade in Krasnoyarsk, where the Company is the General Partner and works in close cooperation with the International University Sports Federation (FISU). In 2016, national and local media published in aggregate more than 90,000 news items about the Company and about 50 interviews with our top executives.

The year 2016 saw further development of our multimedia project "Be Norilsk. The northernmost city in the world through the eyes of its inhabitants", with more materials added to norilskfilm.com. The project received the Grand Prix at Digital Communications Awards 2016.

To observe the requirements of law, in 2016, Nornickel ceased to be a shareholder in any media outlets (the biggest of which were VK Telesfera, SZV, and Severny Gorod Media Company), but maintained regional media presence due to its efficient outreach activities. [G4-13](#)



¹ The Procedure on the Corporate Trust Service is approved by the Company's President.

4.10. PRODUCT RESPONSIBILITY

G4-DMA COMPLIANCE (PRODUCTS)

Nornickel Group is efficient in its production operations to provide volumes, quality, and product range¹ that meet the needs of society while fully complying with all applicable laws and HSE requirements.

Environmental and quality-related goals and objectives are in line with the Company's strategic goals and are formulated in the management's resolutions based on annual Corporate Integrated Management System performance reviews. To achieve the goals and objectives, the Company develops plans and programmes and then implements them, monitors the status of target parameters, and assesses performance.

In 2016, quality management training was provided to 155 employees, including 77 line managers and 78 other employees.

MMC Norilsk Nickel's commercial products (electrolytic nickel as full-plate and uncut cathodes, primary nickel, copper cathodes, and metallic cobalt) are certified in the GOST R certification system to demonstrate compliance with all applicable rules and regulations. The certification confirms that the products have stable properties set forth and tested during the GOST R voluntary certification process.

Copper cathodes produced by Polar Division are registered on the London Metal Exchange under the NORILSK brand. Nickel branded as NORILSK COMBINE H-1 is registered on the Shanghai Futures Exchange.

Nickel branded as NORILSK COMBINE H-1Y and NORILSK COMBINE H-1, along with cobalt branded as NORILSK K1AY and NORILSK K1A, were also registered on the London Metal Exchange.

Kola MMC's products (electrolytic nickel, carbonyl nickel powder, carbonyl nickel pellets, electrolytic copper, electrolytic cobalt, cobalt concentrate, precious metal concentrates, and sulphuric acid) do not require mandatory certification and are not certified against Russian regulatory standards. Products are labelled in accordance with GOST and TU standards. At the same time, Kola MMC's cathode nickel brands of SEVERONICKEL COMBINE H-1Y and SEVERONICKEL COMBINE H-1 are registered on the London Metal Exchange and Shanghai Futures Exchange.

In 2016, Nornickel was awarded the Best Overseas Brand of Material for Plating at SF EXPO CHINA Chongqing 2016.

ITEM	2012	2013	2014	2015	2016
Nickel production, kt	300	285	274	266	236
Copper production, kt	364	371	368	369	360
Palladium production, '000 oz t	2,731	2,661	2,749	2,689	2,618
Platinum production, '000 oz t	683	651	657	656	644

FACTORS ENSURING RELIABILITY AND CONTINUITY OF NORNICKEL'S DELIVERIES

- Efficient self-developed product delivery planning and monitoring system
- Close coordination between marketing, production and delivery units
- Corporate cargo fleet
- ISO-certified management system in Nornickel Group
- Feedback loop with customers that enables prompt response to their proposals, inquiries, and complaints
- Talented staff

THROUGHOUT THE HISTORY OF NORNICKEL GROUP, IT NEVER ONCE FAILED TO MEET ITS OBLIGATION TO DELIVER PRODUCTS TO CONSUMERS

¹ The Company's products, when used as intended, fall in the category of those that change their properties almost completely: nickel is used in alloys; copper is mostly used in construction and manufacturing of electric and electronic devices; platinum and palladium as chemical compounds are mainly used in autocatalysts; and nickel salts are used in a variety of industries.

COMPANY	COMPLIANCE OF THE MANAGEMENT SYSTEM WITH INTERNATIONAL STANDARDS	EXTERNAL AUDITS IN 2016	CERTIFICATION BODY	AUDIT RESULTS	CERTIFICATION AREA
MMC Norilsk Nickel	ISO 9001:2008, ISO 14001:2004	Second surveillance audit	Bureau Veritas Certification (BVC)	Compliant	Production, project management, storage, delivery, including by sea, and sales (nickel, copper, cobalt, precious materials, sulphur, selenium, tellurium)
Kola MMC JSC	ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007	Recertification audit	Bureau Veritas Certification (BVC)	Compliant	Mining and processing of ore, production of nickel, copper, cobalt, their compounds, precious metal concentrates, sulphuric acid
Gipronickel Institute	ISO 9001:2008	First surveillance audit	Societe Generale de Surveillance (SGS)	Compliant	R&D, design, engineering and environment conservation activities, mining, concentration and smelting project management; development of standards for non-ferrous metal industry products and their inspection methods; development of reference standards for the composition of non-ferrous metal industry products
Norilsk Nickel Harjavalta	ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007	Recertification audit	DQS GmbH (DQS&UL)	Compliant	Manufacturing of nickel and cobalt products

CORPORATE INTEGRATED MANAGEMENT SYSTEM (CIMS)



CUSTOMER SATISFACTION MONITORING

Consumers of our key products are surveyed to assess their satisfaction on an annual basis, and those of sulphuric acid, once every three years. Compliance with contract terms is regularly audited and analysed to make sure all contract terms and conditions are met in full.

The main criterion for customer satisfaction is maintaining or exceeding the target satisfaction level (2.50 points or above). The key metric is coverage of key

customers, whose aggregate consumption share must be at least 50% of the Company's total product sales. In 2016, the customer satisfaction level dropped by a mere 0.2% against 2015 to 2.68 points. Best contributors to the aggregate customer satisfaction rate were platinum group metals (+3.7% y-o-y in 2016), carbonyl nickel (+1.5%), and copper (+1.3%).

In the reporting year, the Company received 45 complaints about its product or service quality, achiev-

ing out of court settlement for all of them taking into account the interests of consumers (21 complaints were deemed unfounded). For all legitimate complaints (23 cases), and also partially for complaints that were turned down (4 cases), the Company developed remedial actions. One complaint is pending.

In 2016, the Company received no major fines for failure to comply with regulatory rules and requirements related to product supplies. [G4-PR9](#)

4.11. RESEARCH AND DEVELOPMENT

Norilsk Nickel Group's R&D activities are focused on research, technological development, feasibility studies, design and survey work to support the Company's strategy. The main strategy implementation activities relying on R&D are:

- development and implementation of the environmental programme;
- operating efficiency improvement;
- redefinition of the upstream project portfolio.

The Group's main R&D facility is Gipronickel Institute, one of Russia's largest research and engineering centres for mining, metallurgy, concentration and processing of minerals. Besides, we use dozens of domestic and foreign research and engineering companies along with Russian universities.

To improve the quality of decisions related to research and technology, the Company has an R&D Panel.

A separate R&D activity is our Office for Chemical Forensic Analysis. In 2016, it continued to update its product databank used to fully prevent cross-border smuggling of any metal-containing materials. The databank contains information on nearly 400 products of Nornickel Group (based on 20,000 repeated samples), 120 products of other metals and mining companies, 4,500 minerals, and 3,000 metal alloys. The databank is designed as an intelligent information retrieval wizard and is a powerful software tool currently used for the identification of unknown materials not only by our Office for Chemical Forensic Analysis, but also by some law-enforcement laboratories.

For the Company's major R&D achievements in 2016 see the Research and Development section in the 2016 annual report.

4.12. ENSURING ECONOMIC EFFICIENCY

Economic efficiency ensures the Company's development, sustainability, and investor appeal.

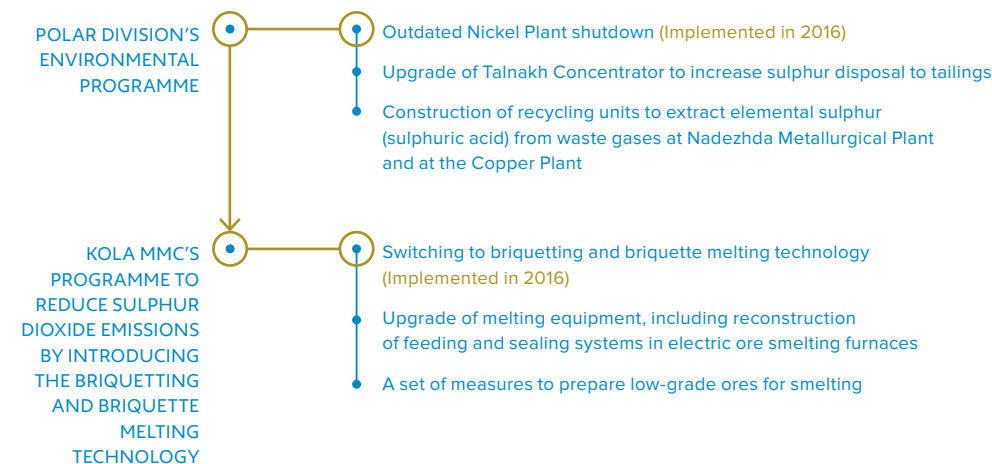
In 2016, despite several adverse factors (metal prices dropping to multi-year lows, high price and exchange rate volatility), the Company maintained a leading position in the global mining sector with a 47% EBITDA margin. That high performance was driven by favourable exchange rates, efforts to control operating cost inflation, and the disposal of foreign and non-core assets.

The Company's CAPEX in 2016 was in line with the three-year average. The large-scale production capacity reconfiguration programme launched in 2014 entered its most active phase in 2016. Our CAPEX was largely centred on the Bystrinsky Mining and Processing Plant project,

KEY RISKS ASSOCIATED WITH CORPORATE SOCIAL RESPONSIBILITY [G4-2](#)



ENVIRONMENTAL PROGRAMMES THAT RELY HEAVILY ON R&D [G4-2](#)



Nickel Plant shutdown-related projects, Talnakh Concentrator expansion, and Nadezhda Metallurgical Plant upgrade. We continued the development of an efficient solution for the Sulphur Project, which is the next step of our environmental programme after the Nickel Plant shutdown.

The Company remains among industry leaders in terms of dividend yield. Nornickel paid ca. USD 1.2 bn of interim dividends for 9 months

of 2016, which translates into USD 7.4 per share. As at the end of 2016, our net debt to EBITDA ratio remained one of the lowest in the industry at 1.2x. The Company's stable financial position is confirmed by investment grade ratings from Standard & Poor's and Fitch.

In 2016, the Group's companies paid RUB 42.3 m in administrative fines to budgets of various levels. There was a total of 400 orders issued by regulatory authorities

(which is a notable reduction as compared to 608 orders in 2015), including 15 for environmental impact, 46 for non-compliance with labour and health and safety laws, and 339 on other grounds.

[G4-SO8](#), [G4-EN29](#)

For more details on economic performance see the *Financial Overview* section (MD&A) in the 2016 annual report.

FINANCIAL HIGHLIGHTS [G4-9](#)

INDICATOR	2012	2013	2014	2015	2016
Revenue, RUB billion	384.5	366.2	456.0	506.1	548.6
Gross profit, RUB billion	186.5	159.0	238.0	277.0	270.8
EBITDA, RUB billion	153.3	133.6	218.2	247.3	257.3
EBITDA margin, %	40	37	48	50	47
Net profit, RUB billion	67.4	23.5	93.4	104.0	167.4
Dividends paid, RUB billion	31.0	98.4	159.9	154.2	86.7
Assets, RUB billion	637.0	614.7	739.8	974.5	998.3
Total CAPEX, RUB billion	84.4	63.4	49.9	103.3	112.3

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED² [G4-EC1](#)

INDICATOR, RUB MILLION	2012	2013	2014	2015	2016
1. Direct economic value generated	384.9	367.8	470.8	521.2	554.9
2. Economic value distributed, including:	334.7	414.4	464.9	554.2	512.7
Operating expenses	158.0	169.5	162.0	175.7	194.6
Community investments and charity ³	5.7	3.6	2.7	7.0	7.4
Payroll and other employee remuneration and benefits	74.4	87.3	87.4	104.5	114.2
Payments to providers of capital (interest, dividends)	38.3	108.3	165.2	222.0	133.4
Gross tax payments	58.3	45.7	47.6	45.0	63.1
3. Economic value retained (1-2)	50.2	(46.5)	5.9	(32.9)	42.2

¹ Includes costs paid in Russia for new construction projects, expansion, retrofit or upgrade of existing facilities, acquisition of machinery and equipment, R&D and other expenses, as well as housing and amenity construction.

² Calculated on an accrual basis under the IFRS. The Company used its in-house calculation methodology developed in line with GRI G4 Guidelines.

³ Excluding CAPEX.





Nornickel organised the Time of Reliable Solutions, a corporate forum that became a venue to discuss the Company's strategy progress, corporate culture and values, coordinate the vision of future development, and define tasks for the next three years. For the second year in a row, the Company turned the forum into an interactive event with a better involvement of employees and managers in the discussion of corporate activities.

PROFESSIONALISM

ABILITY TO ENSURE
A SUSTAINABLE STRONG
PERFORMANCE



5. EFFECTIVE RELATIONSHIPS

54

2016 HIGHLIGHTS

OVER
47,000

REPORTS reviewed by the offices for operating, social and labour relations

923

REPORTS received by the Corporate Trust Service

OVER
9,000

NEWS ITEMS about the Company published by national and local media

The Company honours its voluntary obligation to go beyond mandatory disclosure requirements of the Russian law and to keep its stakeholders and the general public fully informed about the Company's strategy, key developments, and operating results

5.1. STAKEHOLDERS AND INTERACTION MECHANISMS

MMC Norilsk Nickel's key stakeholders are employees, shareholders, investors, business partners, national authorities, local communities and Russian and international non-profit organisations. Nornickel identifies stakeholders based on the extent to which they interact, share interests and communicate with the Company. [G4-25](#)

Stakeholder engagement principles and procedures are set out in the Code of Business Conduct approved by the Company in 2012¹.

The Transparency Policy of MMC Norilsk Nickel seeks to provide stakeholders with complete and accurate information about the Company's operations, as well as ensure proper feedback².

5.2. DIALOGUE WITH EMPLOYEES³

Nornickel Group companies run an effective social partnership framework aimed at reconciling interests of employees and employers on matters pertaining to the regulation of social and labour relations. [G4-HR4](#)

They provide every support to employee representative bodies and comply with the Russian Labour Code, collective bargaining agreements and joint resolutions.

Employee interests are represented by social and labour councils and trade union organisations. The Company has also set up collective decision making bodies representing the employer, employees and trade union organisations.

G4-DMA
FREEDOM
OF ASSOCIATION
AND COLLECTIVE
BARGAINING

[G4-24](#), [G4-26](#)

STAKEHOLDERS	KEY INTERESTS OF STAKEHOLDERS	INTERACTION MECHANISMS	KEY INTERACTION EVENTS IN 2016
PERSONNEL			
Employees of the Company	<ul style="list-style-type: none"> Social benefits Favourable working conditions Decent salaries Company's stability as an employer 	<ul style="list-style-type: none"> Joint commissions, committees and working groups Discussions with trade unions and labour councils Offices for operating, social and labour matters Opinion polls Corporate media, booklets, information screens and boards Corporate intranet portals 	<ul style="list-style-type: none"> Time of Reliable Solutions corporate forum Retraining and outplacement of Nickel Plant employees Personal Donations Programme for Company employees
SHAREHOLDERS AND INVESTORS			
Shareholders and investors Investment banks (brokers) Analyst and rating agencies	<ul style="list-style-type: none"> Capitalisation growth Dividend payments Transparency of information 	<ul style="list-style-type: none"> Meetings (incl. one-on-one meetings) and conference calls Phone calls Emails Site visits 	<ul style="list-style-type: none"> Strategy Day on 16 May 2016 Foreign investors' business visit to the Polar Division of MMC Norilsk Nickel
BUSINESS PARTNERS			
Suppliers and contractors Company customers	<ul style="list-style-type: none"> Development of tender-based procurement Corruption prevention Product quality Terms of delivery Contract support 	<ul style="list-style-type: none"> Customer satisfaction monitoring Query and claim management Meetings, conferences, fairs, exhibitions Tender-based procurement Corporate Trust Service Joint seminars 	<ul style="list-style-type: none"> Nornickel awarded for the Best Foreign Electroplating Product at SF EXPO CHINA Chongqing 2016

¹ As at the end of 2016, the work was ongoing to update the Code of Business Conduct to incorporate goals set out in the new development strategy.

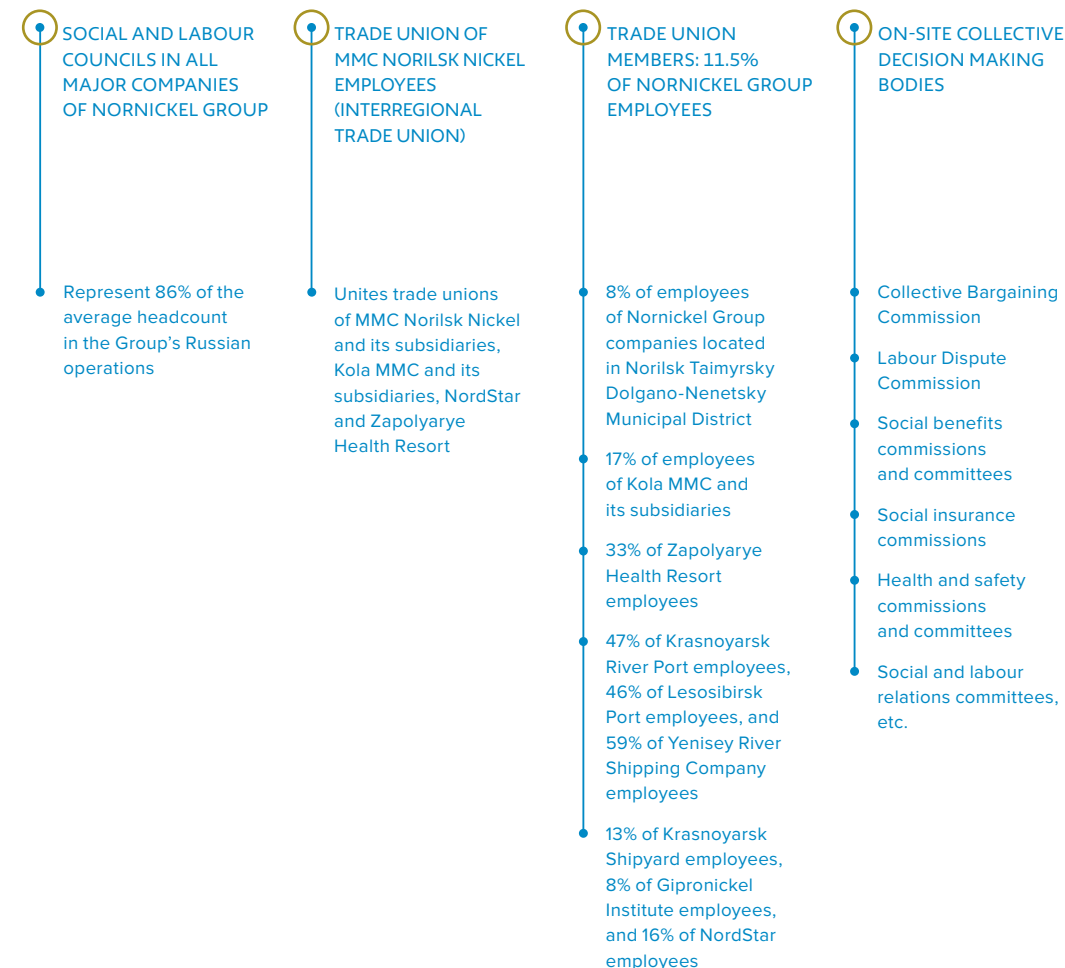
² For more details, please see the Transparency section.

³ The information presented in this section refers to the Company's Russian operations and Norilsk Nickel Harjavalta.

G4-24, G4-26

STAKEHOLDERS	KEY INTERESTS OF STAKEHOLDERS	INTERACTION MECHANISMS	KEY INTERACTION EVENTS IN 2016
FEDERAL AUTHORITIES			
Russian Federation Council Russian State Duma Russian Government Federal ministries, agencies and services Russian Trilateral Commission on the Regulation of Social and Labour Relations	<ul style="list-style-type: none"> Regulatory improvement in different areas Environmental impact regulation Support for domestic producers Stability in taxes Social stability support across the Company's geographies 	<ul style="list-style-type: none"> Working and expert groups, commissions and committees Public events Permits and licenses Intergovernmental commissions 	<ul style="list-style-type: none"> Cooperation agreement signed (Russia's Year of the Environment – 2017) by MMC Norilsk Nickel, Ministry of Natural Resources and Environment, Federal Service for Supervision of Natural Resources and Government of the Krasnoyarsk Territory Round table discussion in the Russian State Duma on results of the Company's large-scale project to shut down Nickel Plant in Norilsk in August 2016
LOCAL COMMUNITIES			
Regional government authorities Local authorities Territorial offices of federal government authorities State-run educational institutions in the Company's regions of operation Local communities and civil society organisations across the Company's footprint	<ul style="list-style-type: none"> Stability in taxes Environmental protection Social stability support in the Company's geographies Support for domestic producers 	<ul style="list-style-type: none"> Working and expert groups, commissions, committees and councils Cooperation agreements Development plans for the Company's regions of operation Corporate and partnership programmes and projects Forums, conferences, fairs, and round table discussions Joint inspections, drills and training exercise 	<ul style="list-style-type: none"> Social and Economic Partnership Agreement signed between MMC Norilsk Nickel and the Government of the Murmansk Region Implementation of the agreement to shut down Nickel Plant Memorandum signed to establish the Norilsk Development Agency
RUSSIAN AND INTERNATIONAL NON-PROFIT ORGANISATIONS			
Business associations Industry unions Non-profit organisations Russian and international sports organisations	<ul style="list-style-type: none"> Information exchange Removal of administrative barriers Support for domestic producers Stability in taxes Environmental protection 	<ul style="list-style-type: none"> Joint projects Events (meetings, round table discussions, conferences and competitions) Membership in governing bodies and committees Opinions, proposals, applications 	<ul style="list-style-type: none"> Company joined the UN Global Compact Nornickel joined the Institute of Information System and Research Centre as a full-fledged member Partnership agreement signed between the Russian Olympic Committee and MMC Norilsk Nickel Partnership agreement signed between MMC Norilsk Nickel and the International University Sports Federation

SOCIAL PARTNERSHIP FRAMEWORK IN NORNICKEL GROUP G4-11



THE COLLECTIVE BARGAINING AGREEMENT*
COVERS 78% OF EMPLOYEES G4-11

* Including companies that have no collective bargaining agreements in place but have approved local regulatory documents making MMC Norilsk Nickel's Collective Bargaining Agreement effective in these companies.

In 2016, some of Russia-based Nornickel Group companies (Yenisey River Shipping Company, Gipronickel Institute, Norilsktransgaz) made new collective bargaining agreements or extended the expired ones. Some of the agreements were amended by collective bargaining commissions in the reporting year. These amendments were mostly necessitated by adjustments in wage rates arising from legislative changes, organisational structure transformation and introduction of a new automated HR system. In general, Nornickel Group's Russian operations comply with the applicable laws and substantially meet employee expectations.

There were no strikes or lock-outs at the Group's entities in the reporting year.

OFFICES FOR OPERATING, SOCIAL AND LABOUR RELATIONS

Offices for operating, social and labour relations are primarily tasked with fast response to employee queries (including those from retirees and veterans) and solving operating, labour and social conflicts in a timely manner, as well as communicating employee concerns to the management of relevant business units and management of the Company. They monitor the staff's social status on a monthly basis, making it possible to

solve reported problems in a timely manner and always tend to the needs and reasonable requests of employees. Offices for operating, social and labour relations has been in place since 2003, and their number keeps growing. In 2016, there were 24 offices, including offices in the Polar Division, Norilsknickelremont, Polar Construction Company, Norilsk Support Complex, Gipronickel Institute, Polar Transportation Branch, and Norilskpromtransport. Over 47,000 queries and applications were considered by the offices in the reporting year. [G4-LA16](#)

5.3. DIALOGUE WITH SHAREHOLDERS AND INVESTORS

The authorised capital of MMC Norilsk Nickel is made up of 158,245,476 ordinary shares with an aggregate market value of USD 26.6 bn as at 31 December 2016. The Company's ordinary shares are traded mostly on the Moscow Exchange, while ADRs are traded on the London and New York stock exchanges. [G4-7](#)

The Company's major shareholders are Olderfrey Holding Limited, UC Rusal Plc

and Crispian Investments Ltd. owning collectively 62% of the Company's share capital, while the remaining 38% is free float owned by institutional and private investors from Russia, Europe, Asia and the USA.

MMC Norilsk Nickel takes great care in engaging with its shareholders and provides equal access to significant information in accordance with the Russian law and international best practices.

In 2016, the Investor Relations Department continued working on the acquisition of new investors. As part of this effort, the Department held 386 meetings with investors and organised the Investor Day in London, followed by massive road shows in Europe and the USA.

An annual independent study of investor perception towards MMC Norilsk Nickel by the leading international investment funds showed continued improvement in communications, disclosure, and presentation materials, as well as an increase in management availability and visibility, which benefits the Company's investment case.

In 2016, public reports of the Company were very much appreciated by international and Russian experts.

COMPETITION	ANNUAL REPORT AWARDS	CSR REPORT AWARDS
ReportWatch	Ranked first among reports of diversified international companies and second among Russian and international mining and smelting companies	–
LACP Vision Awards	Named a Top-10 Russian report and received a golden award in the Materials class	Named a Top-10 Russian report and received a platinum award in the Materials class
Moscow Exchange and Forum Securities Market competition	Ranked first in the Best Metallurgy and Mining Annual Report category	Ranked first in the Best CSR and Sustainability Report category
CR Reporting Awards 2017	–	Named a Top-10 report in the Relevance & Materiality and Credibility through Assurance categories

EVOLUTION OF INVESTOR ENGAGEMENT INITIATIVES

INITIATIVE	2014	2015	2016
Investment conferences	16	22	25
Investor road shows	7	10	10

INVESTMENT COMMUNITY ENGAGEMENT INITIATIVES

- INVESTOR DAY (ATTENDED BY SENIOR MANAGEMENT)
- CONFERENCE CALLS ON FINANCIAL PERFORMANCE; COMMODITY MARKET DISCUSSIONS
- INVESTMENT CONFERENCES (ATTENDED BY COMPANY MANAGERS)
- ROAD SHOWS
- VISITS TO COMPANY SITES BY INVESTORS AND ANALYSTS
- INVESTOR MEETINGS (GROUP AND ONE-ON-ONE MEETINGS)
- PUBLICATION OF FINANCIAL STATEMENTS, STATEMENTS OF OPERATIONS, ANNUAL AND QUARTERLY REPORTS, CSR REPORTS, STATEMENTS ON MATERIAL FACTS, PRESS RELEASES, INVESTOR PRESENTATIONS, ETC. ON THE COMPANY'S CORPORATE WEBSITE (HTTP://WWW.NORNICKEL.RU/) AND IN MEDIA NEWS FEEDS
- CONSULTING SUPPORT FOR SHAREHOLDERS ON COMPANY SHARES IN CIRCULATION

5.4. DIALOGUE WITH BUSINESS PARTNERS

Nornickel is an active member of the International Platinum Group Metals Association (IPA). Under the auspices of the IPA, the United Nations Interregional Crime and Justice Research Institute (UNICRI) and MMC Norilsk Nickel launched a programme to investigate into possible links between the transnational illicit trafficking of precious metals and the financing of terrorist activities, and to look into ways and methods of eradicating the malpractices. The programme is based on UN ECOSOC Resolution 2013/38 adopted at the initiative of the Russian and South African Ministries of Foreign Affairs, and Nornickel. [G4-16](#)

In May 2016, Sochi hosted an annual IPA Security Committee meeting attended by security directors of global leaders in platinum production, and government representatives (Ministry of Internal Affairs, Ministry of Foreign Affairs, Federal Security Service, and Federal Customs Service of the Russian Federation). Vladimir Potanin, President and Chairman of the Management Board of MMC Norilsk Nickel, sent his greetings to the forum. The centrepiece of the meeting was a report on UNICRI Investigation Stage 1. The report was simultaneously presented in Sochi and at the UN Commission on Crime Prevention and Criminal Justice in Vienna. The attendees also stressed effective interaction between government bodies and companies producing non-ferrous metals.

Nornickel is a member of the Institute of Information System and Research Centre (IISRC) and thus has an opportunity to shape the global agenda on such issues as mitigation of adverse information risks (for political, economic, ideological or other reasons), confidentiality, integrity and accessibility of information in local corporate networks or on the internet, and application of international law to the cyberspace.

In April 2016, Vladislav Gasumyanov, Nornickel Vice-President and Head of Corporate Security, presented a report at the 10th International Forum, Partnership of State Authorities, Civil Society and the Business Community in Ensuring International Information Security, organised in Garmisch-Partenkirchen (Germany) by IISRC. The report was dedicated to current information security issues and practices at strategic facilities. Provisions of the report were taken into account when drafting IISRC recommendations and proposals for relevant agencies of international organisations (UN, EU, OSCE, ASEAN, SCO, and BRICS).

Company experts also took part in the preparation of a reference book for the best available nickel and cobalt production solutions. The book was approved by Rosstandart's decree No. 1890 dated 15 December 2016.

PARTICIPATION IN INTERNATIONAL, NATIONAL AND REGIONAL EVENTS

In 2016, MMC Norilsk Nickel acted as a partner to (sponsor of) the following major economic forums and events:

- Krasnoyarsk Economic Forum (general partner)
- 6th St Petersburg International Legal Forum (general partner)
- 20th St Petersburg International Economic Forum (SPIEF, partner)
- Eastern Economic Forum (partner)
- 5th Murmansk International Business Week (partner)
- Arctic Days in Moscow Forum (partner)
- Arctic: Today and the Future Forum (partner).

5.5. DIALOGUE WITH AUTHORITIES, COMMUNITIES AND NON-PROFIT ORGANISATIONS

Nornickel Group's guiding principles in cooperation with government bodies, local authorities and non-profit organisations are collaboration, mutual respect of interests, and strict compliance with the Russian law and regional and municipal regulations, as well as with the social responsibility principle.

The Company stays in close contact with federal executive and legislative authorities, and civil society institutions. It is represented and expresses its interests in 23 committees, commissions, expert teams, and working groups established by government bodies in association with the business community, thus supporting socially important projects.

Representatives of the Company take part in parliamentary sessions and round table discussions organised by the Federation Council and State Duma of the Federal Assembly of the Russian Federation, Government of the Russian Federation, Russian Union of Industrialists and Entrepreneurs, Chamber of Commerce and Industry of the Russian Federation, Association of Managers interregional public organisation, etc.

By participating in expert and working groups, commissions and public councils established by regional and local authorities, the Company expresses its interests and gets involved in solving social and economic issues across its geographies.

In 2016, Nornickel took part in drafting Norilsk 2030, a strategy for the social and economic development of the Norilsk Municipality. This work will be continued in 2017. The Company provides operational information about Group companies, analytics on long-term prospects and development priorities, and takes part in setting long-term priority goals and mission of the city.

PARTICIPATION IN DRAFTING REGULATIONS

The Company has developed a comprehensive system of working with draft laws and regulations set to ensure an optimal balance of interests of society, the state and business when they are drafted.

The Company has set up a dedicated function to monitor the draft laws and regulations on a regular basis, to analyse them in depth, to inform the Company's relevant units about the developed drafts, to assess the potential impact of draft laws and regulations on the operations of the Nornickel Group, rights and duties of employees, interests of the regions of the Group's operations.

On 1 March 2016, Elena Bezdenezhnykh, the Company's Vice-President, State Secretary and Head of the Government Relations, as a delegate took part in the 7th Congress of the Chamber of Commerce and Industry of Russia, which, among other things,

FORMATS OF INTERACTION WITH AUTHORITIES AND NON-PROFIT ORGANISATIONS [G4-16](#)

- PARTICIPATION IN PARLIAMENTARY HEARINGS AND ROUND TABLES STAGED BY THE FEDERATION COUNCIL, STATE DUMA, RUSSIAN GOVERNMENT, RUSSIAN UNION OF INDUSTRIALISTS AND ENTREPRENEURS (RSPP), CHAMBER OF COMMERCE AND INDUSTRY (CCI) OF RUSSIA, ASSOCIATION OF MANAGERS AND OTHER ORGANISATIONS
- MEMBERSHIP IN THE RUSSIAN UNION OF INDUSTRIALISTS AND ENTREPRENEURS AND IN THE CHAMBER OF COMMERCE AND INDUSTRY OF THE RUSSIAN FEDERATION
- COMPANY REPRESENTATIVES' PARTICIPATION IN COMMISSIONS, COMMITTEES AND WORKING GROUPS WITH THE RUSSIAN STATE DUMA, FEDERAL EXECUTIVE BODIES, THE RUSSIAN UNION OF INDUSTRIALISTS AND ENTREPRENEURS (MANAGEMENT BOARD, COORDINATION COUNCIL, COMMISSIONS, 10 COMMITTEES), AND THE CHAMBER OF COMMERCE AND INDUSTRY (3 COMMITTEES)
- PARTICIPATION IN BODIES ESTABLISHED BY LOCAL AUTHORITIES (COMMISSIONS, COMMITTEES, EXPERT AND WORKING GROUPS)
- COMPANY REPRESENTATIVES' PARTICIPATION IN DRAFT REGULATION DISCUSSIONS HELD BY THE OPEN GOVERNMENT AND BY COMMUNITY COUNCILS WITH THE AUTHORITIES, AS WELL AS THROUGH ANTI-CORRUPTION DUE DILIGENCE AND REGULATORY IMPACT ASSESSMENT
- PARTICIPATION IN BODIES AND ASSOCIATIONS ESTABLISHED BY NON-PROFIT ORGANISATIONS, AND IN EVENTS HELD BY NON-PROFIT ORGANISATIONS

discussed the development of laws and regulations set to solve urgent issues. The Congress, which takes place every five years, was attended by the President of Russia, members of the Government of the Russian Federation, representatives of the Presidential Executive Office, the Federal Assembly of the Russian Federation and authorities at all levels.

The Company is an active participant in the system of assessing the regulatory impact of draft laws and regulations developed in Russia. On 28 August 2016, the Company took part in the Doors Open Day of the Regulatory Impact Assessment Department of Russia's Ministry of Economic Development. After the event, the Ministry expressed

acknowledgement of the Company "for active participation in public discussions of draft laws and regulations undergoing regulatory impact assessment, as well as for proposals submitted to improve mechanisms and methods of participation in the assessment procedure, specifically, to upgrade the regulation.gov.ru website."

On 10 May 2016, an order of the Ministry of Economic Development established an interagency working group to develop Russia's Public Non-Financial Reporting Concept, which includes a representative of the Company. The working group has developed a draft Concept recommended for submission to the Government.

COOPERATION AGREEMENTS

In 2016, the Company signed a number of agreements with federal and regional authorities, as well as major Russian and international non-profit organisations. The agreements covered a wide range of social and economic issues, including large sports projects.

📄 *For more details on agreements with federal and regional authorities that were effective as at the beginning of 2016, see the interactive version of this Report.*

COOPERATION AGREEMENTS

PARTNERS	SUBJECT OF AGREEMENT
Government of the Murmansk Region	Social and economic partnership 📄 <i>For more details, please see the Developing Local Communities section.</i>
Vladimir Potanin Foundation and Norilsk Administration	Establishment of the Norilsk Development Agency 📄 <i>For more details, please see the Developing Local Communities section.</i>
Krasnoyarsk Territory and Norilsk ¹	Construction of a multi-purpose sports centre in Norilsk
Norilsk Administration	Strategic partnership, development of long-term and efficient cooperation to maintain and improve regular passenger and luggage bus services in Norilsk 📄 <i>For more details, please see the Transport Accessibility section.</i>
Ministry of Natural Resources and Environment, Federal Service for Supervision of Natural Resources and Government of the Krasnoyarsk Territory	Events organised by Nornickel Group as part of Russia's Year of the Environment in 2017 📄 <i>For more details, please see the Environmental Dialogue section.</i>
Government of the Omsk Region ²	Joint project providing for high-tech products of Omsk-based manufacturers to be used at the Company's facilities till 2020 📄 <i>For more details, please see the Supply Chain Responsibility section.</i>
International University Sports Federation (FISU)	Support for FISU activities and international university sports 📄 <i>For more details, please see the Developing Local Communities section.</i>
Russian Olympic Committee	Partnership between Nornickel and the Russian Olympic Committee 📄 <i>For more details, please see the Developing Local Communities section.</i>
Siberian Federal University	Establishment of an R&D centre to operate as a laboratory for the development of a dynamic QC system to monitor the extraction and processing of mineral resources
Minister of Defence, Presidential Plenipotentiary Envoy to the Volga Federal District, Governor of the Nizhny Novgorod Region	Cooperation and coordination of joint initiatives to support General V. F. Margelov Nizhny Novgorod cadet corps

¹ Addendum to the Agreement made in 2010.

² Road Map.

COOPERATION WITH GOVERNMENT LAW-ENFORCEMENT AUTHORITIES

In 2016, Nornickel consistently organised interaction programmes with the Federal Security Service, Ministry of Internal Affairs EMERCOM, and the Federal Customs Service using the public-private partnership methodology:

- the Federal Security Service of the Russian Federation on anti-terrorism and anti-sabotage security of the Group's critical infrastructures (fuel and energy utilities, transport infrastructure, etc.);
- Ministry of Emergency Situations (EMERCOM) of the Russian Federation to drill emergency responses and disaster relief operations;
- Ministry of Internal Affairs of the Russian Federation to prevent stealing of products and materials containing precious and non-ferrous metals, maintain security at public events and take drug prevention and awareness measures;
- Federal Customs Service of the Russian Federation to prevent cross-border smuggling of metal bearing materials.

Nornickel provides regular support for non-profit veteran organisations of the Federal Security Service, Ministry of Internal Affairs, and other law enforcement and security agencies.

DIALOGUES IN PUBLIC REPORTING

Each year, the Company engages in dialogues with stakeholders and organises opinion polls for external and internal stakeholders on preparation of the corporate social responsibility (CSR) report.

In early 2017, dialogues were held to discuss the 2015 CSR Report. This year's dialogues took place on 4 March 2017 in Zapolyarny and 18 March 2017 in Norilsk during the annual We Are the City social forum. The discussions were centred on Nornickel's corporate values, compliance with the UN Sustainable Development Goals and their relevance for the Company's activities and regions of operation, and how implementation of the UN Goals is presented in the CSR report.

📄 *Dialogue minutes are included in the interactive version of this Report.*

📄 *For details on opinion polls and updating the map of material aspects, please see the About the Report section.*

INTERACTION WITH INDIGENOUS AND MINORITY PEOPLES

The Company recognises the rights of indigenous minorities residing across the Company's regions of operation and provides patronage assistance as part of the initiatives preserving and promoting the culture and traditions of the peoples in the Far North.

Some of Nornickel Group companies, including Polar Transportation Branch, Norilskgazprom, Taimyrgaz, Norilsktransgaz and Taimyrtransgaz, operate in traditional settlement areas of indigenous northern minorities. The Group does not have any formal arrangements with indigenous northern minorities. Representatives of the Company are members of indigenous minority commissions organised by local authorities. 📄 [G4-MM5](#)

The Company did not participate in collective bodies to manage indigenous peoples' land use and legal matters. In 2016, MMC Norilsk Nickel registered no disputes in this regard, and there were no breaches of indigenous peoples' rights by the Company. 📄 [G4-MM6](#), [G4-MM7](#), [G4-HR8](#)

Key areas of interaction with indigenous northern minorities

Support for indigenous northern minorities is an integral part of the Company's general strategy to improve the life of Taimyr residents. The Company supports construction, maintenance and social projects in small and remote settlements on the Taimyr Peninsula, and transports social aid to remote villages.

In the reporting period, the Company took part in organising special events to preserve and promote local traditions:

- Big Agrish ethnic cultural festival;
- Native Tongue Restoration by One and All, the first municipal festival and competition;
- professional holidays of tundra residents, the Reindeer Herder's Day and the Fisherman's Day.

Nornickel supports construction and repair projects in indigenous peoples' settlements of the Taimyrsky Municipal District and the Yamal-Nenets Autonomous Area.

EVENTS IN THE COMPANY'S REGIONS OF OPERATION

In 2016, the Company took part in organising the following events for local communities: the Norilsk City Day, the 60th Anniversary of Zapolyarny, and preparing for the celebration of the 350th anniversary of Dudinka (to be celebrated in September 2017).

The Company provides financial aid for the Krasnoyarsk Federation of Northern Multisport Races to hold a northern multi-sport race championship in Russia.

Financial aid was also provided to the Top League Krasnoyarsk Public Organisation for Sports and Leisure Activities to hold the Spring Cup rhythmic gymnastics championship.

In association with the Company, the town of Nickel (Murmansk Region) hosted the 6th Russia-Norway Cross-Border Cooperation Days. This annual event captures much interest of the business community involved in joint Russian-Norwegian projects and initiatives.

For more details on the support for cultural, academic and sports events, please see the *Developing Local Communities* section.

5.6. ENVIRONMENTAL DIALOGUE

The measures for reducing MMC Norilsk Nickel's environmental footprint are constantly on the agenda of the Company and stakeholders. In the course of the year, both internal and public events feature environmental discussions.

In 2016, the key environmental initiatives were:

- Environmental Effects of Polar Division Nickel Plant Shutdown (a round table discussion during site visits to Polar Division companies, Norilsk, 10 November 2016);
- Industrial Production Modernisation in the Far North: Environmental and Economic Effects (a round table discussion in the Russian State Duma on 6 December 2016);

- round table discussion with representatives of the Organisation for Economic Cooperation and Development (OECD) member states on the inclusion of OECD standards in Russian environmental regulations (Moscow, 17 February 2016);
- environmental Problems in the Metals Industry (MMC Norilsk Nickel's corporate workshop, Moscow, 20–24 November 2016);
- visit of the Russian-Norwegian Expert Group for Cross-Border Air Pollution Monitoring to Kola MMC production facilities on 20 October 2016. The visit was organised at the Company's initiative. Experts praised results of environmental projects carried out in the Pechenga District, including transition to the copper-nickel concentrate briquetting technology and retrofit in the smelting and conversion department;
- meeting between Kola MMC managers and members of the Working Group on Environment with the Barents Euro-Arctic Council to discuss the Company's environment protection policy. The meeting was attended by representatives of Finland's Ministry of Environment, Finnish Environment Institute, Norwegian Ministry of Climate and Environment, Norwegian Environment Agency, Sweden's Ministry of the Environment and Energy, Russian Ministry of Natural Resources and Environment, research institutions, and local authorities of the Barents Region;

- cooperation agreement signed in June 2016 by MMC Norilsk Nickel, Ministry of Natural Resources and Environment, Federal Service for Supervision of Natural Resources and Government of the Krasnoyarsk Territory. The agreement provides for a series of projects to be implemented by Nornickel in 2017 to gradually reduce the Company's environmental footprint in the Norilsk Industrial District. These projects are included in the list of key initiatives approved by the Russian Government for the 2017 Year of the Environment. Investments in the projects covered by the agreement will total RUB 1.3 bn in 2017 alone.

In 2016, the Company received a number of awards, including V. I. Vernadsky National Environmental Award for its Nickel Plant shutdown project in Norilsk and Green Development and Evolution Awards 2016 from the Ministry of Natural Resources and Environment. The Company made it to the Top-3 ranking of environmental initiatives by the Modern Media Institute and Live Planet TV Channel among Russian metals and mining companies.

Nornickel takes great care in working with the nature reserves that are adjacent to the production sites of Kola MMC (Pasvik and Lapland Reserves) and Polar Division (Putoransky Reserve).

For more details on cooperation with nature reserves, see the *Biodiversity Conservation* sub-section of the *Environment* section.

5.7. SUPPLY CHAIN RESPONSIBILITY

The main objective of MMC Norilsk Nickel's procurement activities is timely, efficient, cost-effective and complete supply of resources to ensure stable operation of all production facilities. G4-12, G4-13

The Company's procurement priorities:

- providing legal entities (including small and medium-sized businesses) with more opportunities to engage in procurement for the Company;
- fostering fair competition;
- selecting suppliers through bidding;
- developing standardised procurement approaches and processes;
- increasing centralised procurement volumes;
- ensuring transparent procurement procedures through automation and independent bidding platforms;
- developing supplier feedback mechanisms;
- preventing corruption and other abusive practices;
- streamlining inventories.

MMC Norilsk Nickel pays close attention to developing relations with Russian suppliers and contractors, as they ensure the Company's ability to meet its strategic targets. International suppliers are mainly engaged for delivering unique equipment or systems that do not currently have Russian equivalents.

For more details on development of cooperation with the Krasnoyarsk Territory and Murmansk Region based companies in the procurement process, please see the *Development of Local Communities* section.

In 2016, Nornickel and the Omsk Region Government signed a road map for the project to use high-tech products of Omsk-based manufacturers at the Company's facilities till 2020. The road map provides for:

- measures to compile a list of relevant products and their application areas/projects;
- assessment of compliance of Omsk products with specifications and import substitution requirements of Nornickel Group companies;
- competitive selection of vendors and suppliers;
- pre-qualification of vendors and suppliers.

All procurement activities in the Company are based on the regulated procedures and policies and are in full compliance with Federal Law No. 223-FZ On Procurement of Goods, Work and Services By Certain Types of Legal Entities dated 18 July 2011.

Procurement activities can be either centralised or organised individually by the Head Office, branches or Group enterprises. Depending on the supplies required and the purchase price expected, procurement can be organised either as a bidding procedure (tender), simple procurement, simplified procurement or single-source procurement. Procurement procedures may involve collective procurement bodies, such as the Tender Committee, tender commissions of the Head Office, procurement and tender commissions of the Group companies.

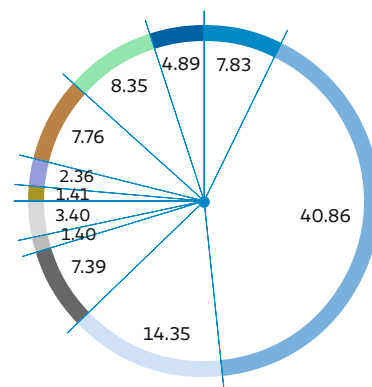
- direct contracts with suppliers; Direct contracts accounted for 65% of all contracts made by the Company in 2016.
- development and implementation of procurement guidelines, harmonisation of the regulatory procurement framework across the Company's Russian subsidiaries and branches, including procurement of services;
- pilot test of a SAP SRM/SLC-based automated system for supplier relationship management, which helped improve the transparency and competitiveness of the procurement procedures.

Despite macroeconomic fluctuations in 2016, the Company improved procurement efficiency, having decreased the average price of materials and equipment by 5% against the targets. The price reduction was achieved through:

All employees of Nornickel's Procurement are members of the Association of Procurement Directors, a professional association for the development of corporate procurement practices. Its mission is to develop and implement best practices in procurement activities. [G4-16](#)

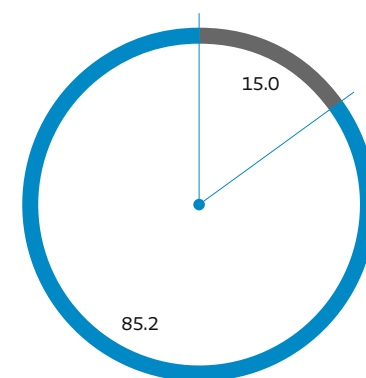
[For more details on the Group's contractor safety requirements for personal protective equipment and hazardous operation procedures, please see the Occupational Health and Safety section.](#)

BREAKDOWN OF PROCUREMENT IN 2016, %



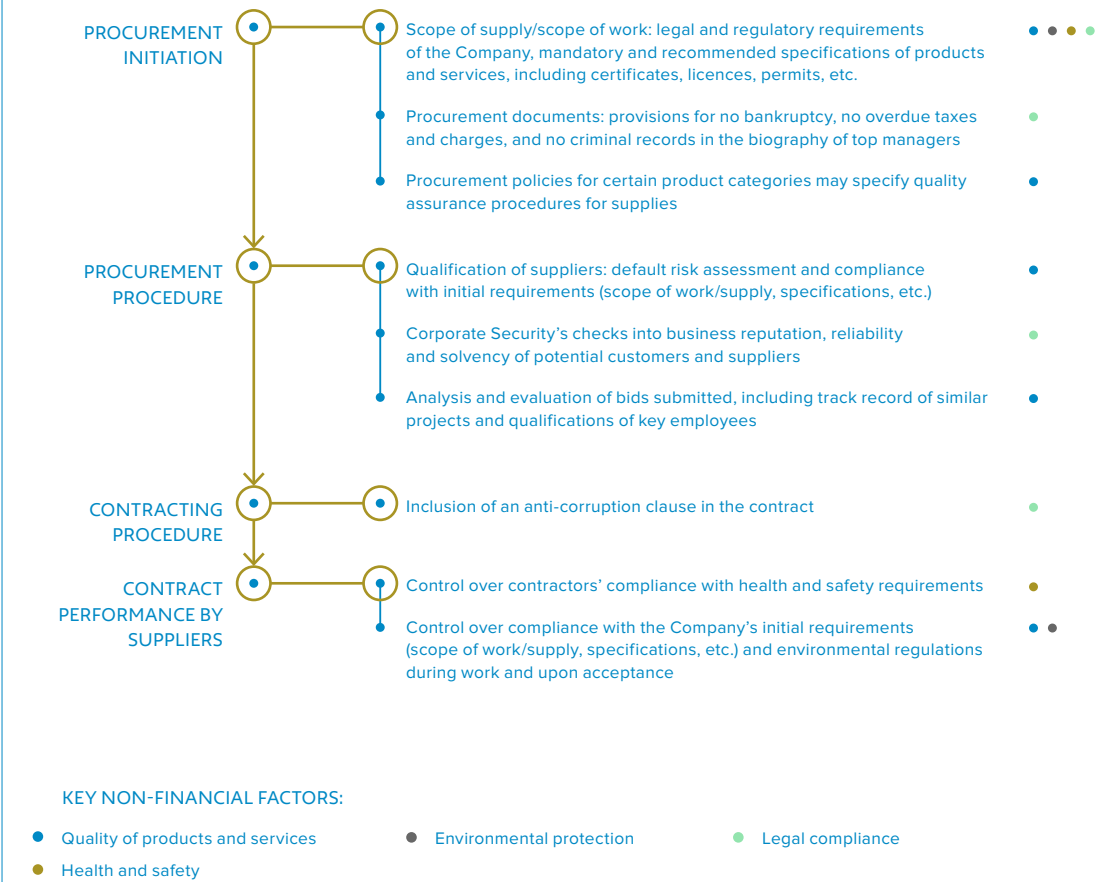
- Bystrinskoye Mining Company
- Polar Division
- Kola MMC
- Logistic-Center
- Norilskgazprom
- Branch of Norilskenergo
- Murmansk Transportation Branch
- Taimyrgaz
- Taimyr Fuel Company
- Other
- IT Department of MMC's Head Office

PROCUREMENT, RUB BN



- Non-resident suppliers (38)
- Resident suppliers (540)

CONTROL OF NON-FINANCIAL FACTORS IN SUPPLIER RELATIONS



G4-DMA SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

G4-DMA SUPPLIER ASSESSMENT FOR LABOUR PRACTICES

G4-DMA SUPPLIER ENVIRONMENTAL ASSESSMENT

G4-DMA SUPPLIER HUMAN RIGHTS ASSESSMENT



EFFECTIVE PRODUCTION
RAMP-UP AND UPGRADE,
LEVERAGE
OF GROUNDBREAKING
TECHNOLOGIES
AND DEVELOPMENT
OF OUR PEOPLE

According to the independent assessment of November 2016, the safety culture level at Nor Nickel Group's key production facilities stood at 2.5 compared to 1.4 in early 2014 when the first assessment took place. The safety culture improvement is driven by the implementation of risk mitigation standards, safety communication campaign and dedicated risk mitigation programmes. The assessment covered Polar Division, Kola MMC, Norilsknickelremont and Polar Construction Company.

GROW WITH



6. SAFETY

70

2016 HIGHLIGHTS



Zero work-related fatalities is the Company's key strategic priority in OHS

6.1. OCCUPATIONAL HEALTH AND SAFETY

Ensuring the occupational health and safety of the employees is one of the core aspects of Nornickel Group's corporate social responsibility work.

HEALTH AND SAFETY MANAGEMENT G4-36

The highest governance body in charge of health and safety matters is the Board of Directors, which each quarter reviews management reports on the results of health and safety activities. The First Vice-President – Chief Operating Officer, who controls the Company's Health, Safety and Environment

Committee, is responsible for development of the activities and monitoring of compliance with the applicable health and safety legislation.

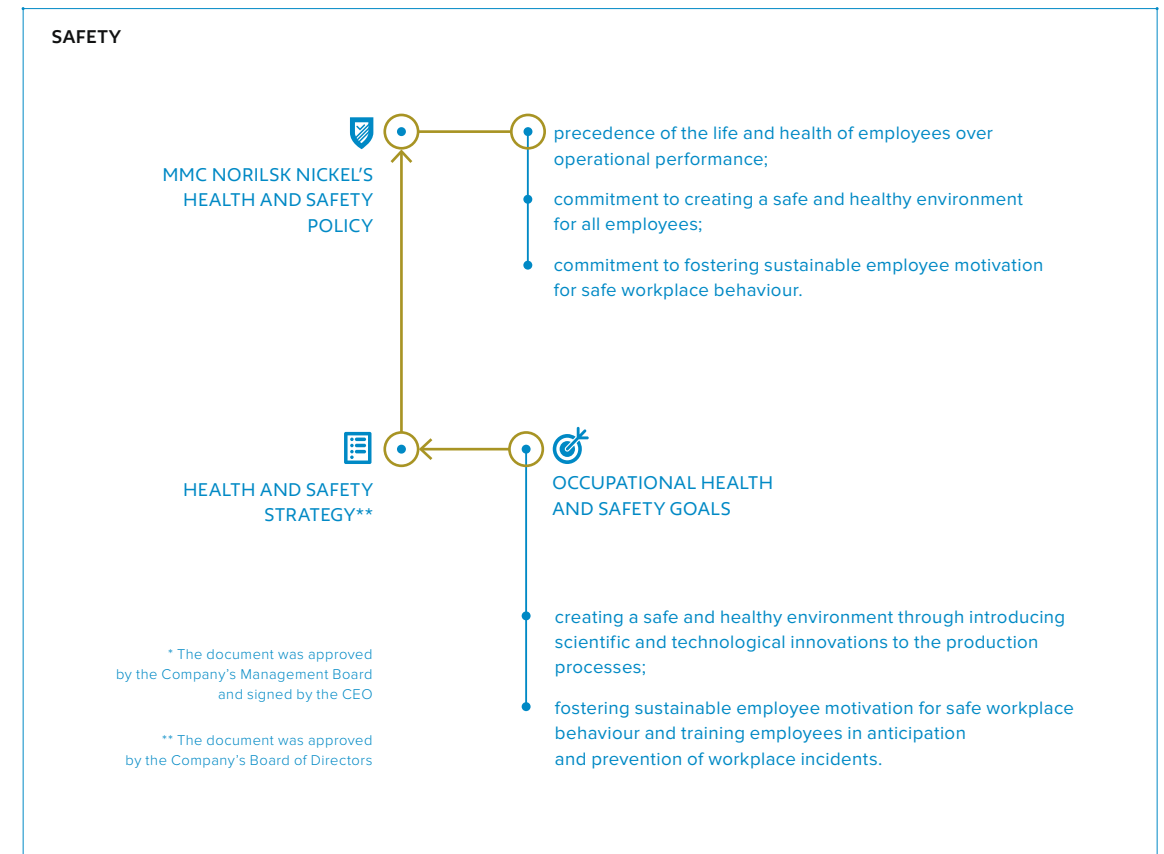
Under the Committee's instruction, the HSE Department has organised ongoing monitoring of planned and in-progress activities aimed at improving the health and safety management system.

The Company's health and safety policy, including investigation and reporting of accidents, is governed by applicable laws of the Russian Federation and Technical Regulations of the Customs Union on security.

All production processes at the enterprises are supported by relevant regulations and guidelines; maintenance, construction and installation works are carried out in accordance with the project implementation plans and specifications containing health and safety sections. The companies have developed health and safety guidelines for various professions and types of work.

Investigation and registration of production accidents and occupational diseases are carried out in accordance with the Labour Code of the Russian Federation, industry regulations, and the Accident Investigation corporate standard.

G4-DMA
OCCUPATIONAL
HEALTH
AND SAFETY



The Group's collective bargaining agreements have health and safety sections. [G4-LA8](#)

The occupational health and safety management system is certified against OHSAS 18001 for Kola MMC, against GOST R 12.0.230-2007 (OHSAS 18001) for Norilsknickelremont (the Group's core repair company), and against GOST R 54934-2012 / OHSAS 18001 for the Polar Division. In 2016, all these units demonstrated positive results on the recertification and surveillance audits.

ENGAGEMENT OF EMPLOYEES IN SAFETY MANAGEMENT

The Company and most of the Group's subsidiaries run official joint health and safety committees composed of management, employee and trade union representatives in their enterprises, branches and production units. The Russian companies of the Group that have joint committees employ around 73,200 people (over 91% of Nor Nickel Group's total headcount), and new joint committees are being established

in the Group's companies and their branches. Norilsk Nickel Harjavalta has two joint committees. [G4-LA5](#)

Authorised representatives of trade unions and staff for health and safety (1,186 employees) have been elected to participate in preventive health and safety activities across the production units of the Group's companies. In 2016, they took part in over 28,000 audits and submitted around 7,800 health and safety improvement proposals.

SAFETY MANAGEMENT IN CONTRACTORS

Contractors' operations (repair, construction and installation works at the existing facilities) are classified as high-hazard operations and governed by the respective corporate standards. Work permits or operations certificates; as well as work execution plans (project implementation plans, guidelines, etc.), contain safety requirements to be met in the process of organisation and conduct of work. Prior to

commencement of work, contractors' workers undergo induction and target briefings on health and safety, including security measures as per the work execution plans.

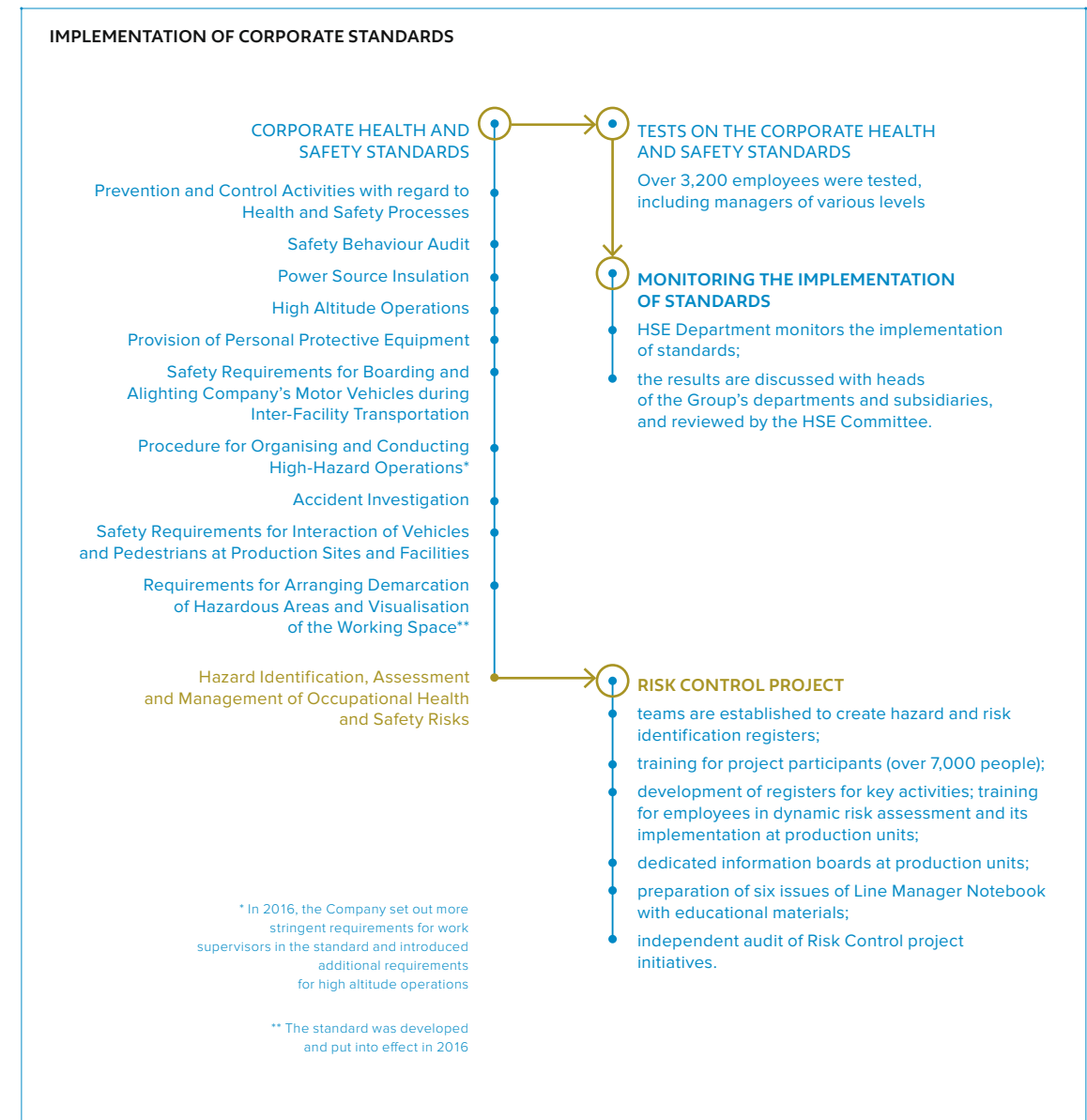
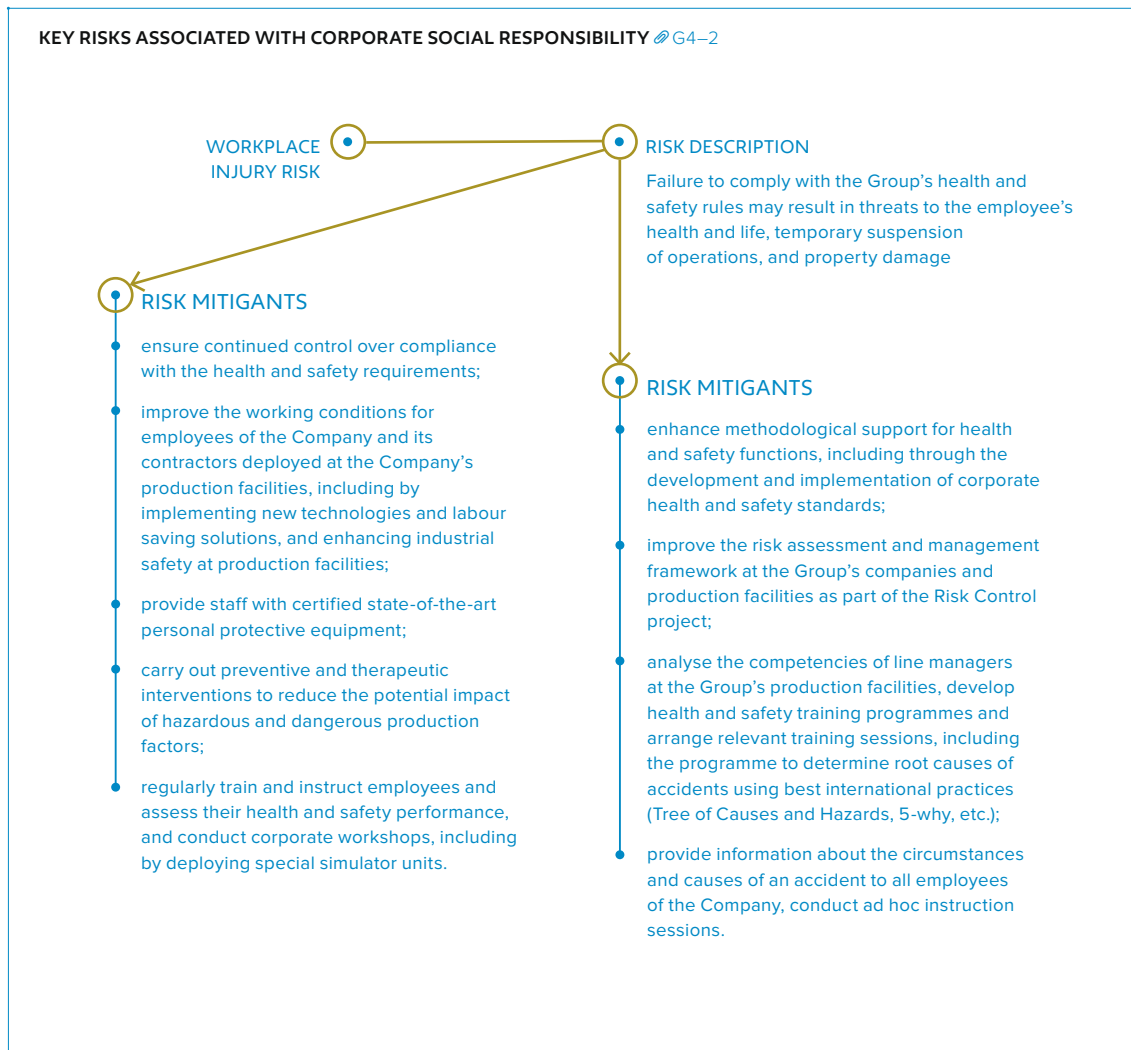
KEY INJURY INDICATORS¹

The Company takes all possible measures to mitigate the risk of occupational injuries and diseases.

The Group implements measures for mitigating the risks of the impact with moving parts of equipment, energy sources, vehicle and

pedestrian collisions, and for preventing rockfalls and falling from a height [for details, please see the interactive version of this Report](#).

[Health and safety indicator details for 2012–2015 in line with the GRI Guidelines are included in the interactive version of this Report.](#)



¹ The indicators are given for Nor Nickel Group's Russian operations.

In 2016, occupational health and safety expenses of Norilsk Nickel Harjavalta amounted to EUR 1.2 m (EUR 4,400 per employee).

SPECIAL ASSESSMENT OF WORKING CONDITIONS

In 2016, in accordance with the Federal Law On Special Assessment of Working Conditions, the Com-

pany carried out a special assessment of working conditions at the Polar Division, Polar Transportation and Murmansk Transportation Branches, Polar Construction

Company, NTEK, Norilskgazprom, and at a number of the Group's other production operations.

The special assessment of working conditions covered 10,420 working

places and over 18,620 employees in 2016, which amounted to RUB 13.3 m in expenses for the Group's Russian operations.

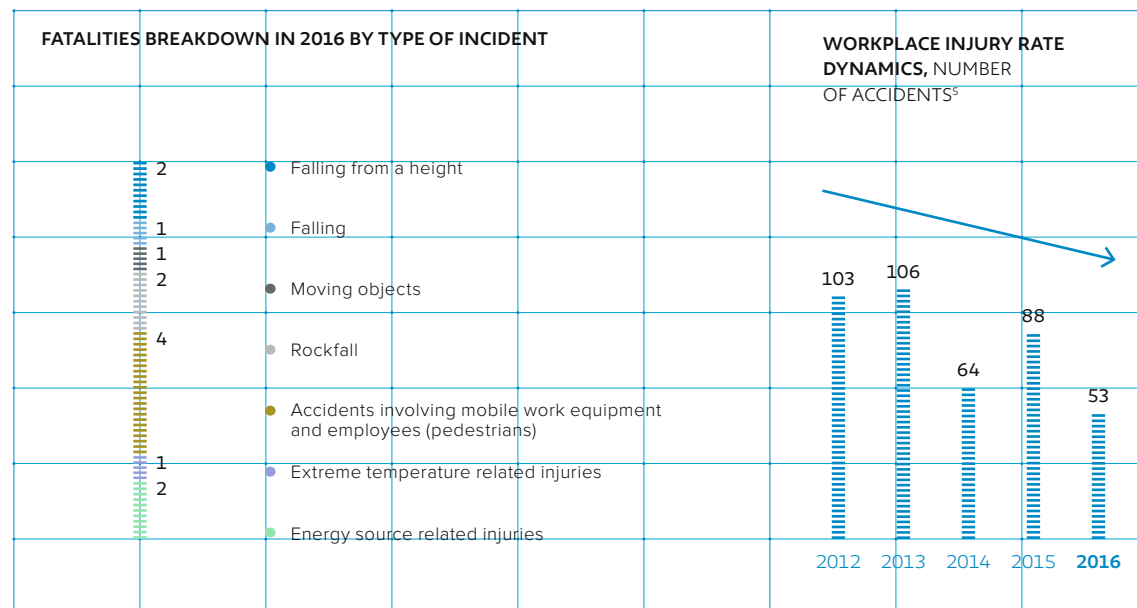
In 2016, the Group carried out certification at 3,400 working places at the production units of its branches and companies.

OCCUPATIONAL HEALTH AND SAFETY EXPENSES

INDICATORS	2012	2013	2014	2015	2016
Occupational health and safety expenses (RUB m)	6,422	4,095	7,446	10,748	8,515
including per employee (RUB '000)	77	51	95	134	106

KEY INJURY INDICATORS¹ G4-LA6

INDICATOR	2012	2013	2014	2015	2016
FIFR	-	0.10	0.07	0.12	0.11
LTIFR ²	-	0.80	0.48	0.62	0.33
Total number of production-related accidents in accordance with the labour laws of the Russian Federation	103	106	64	88	53
Fatal production-related accidents	8	12	8	14	13
Minor injuries ³	-	50	305	411	719
Potentially dangerous incidents ⁴	-	-	349	976	1,845



¹ The indicators are given for Nornickel Group's Russian operations.

² LTIFR and FIFR have been monitored since 2013.

³ The indicator has been recorded since 2013.

⁴ The indicator has been recorded since 2014. The increase in the number of Minor Injuries and Potentially Dangerous Incidents was due to the introduction of the corporate Accident Investigation Standard, awareness-raising activities, and better understanding among employees of how reporting minor injuries and potentially dangerous incidents helps eliminate their causes and, therefore, prevent incidents with more severe implications.

⁵ Lower workplace injury rates in 2016 were due to safety culture improvements driven by the introduced corporate standards, safety communication campaign and dedicated risk mitigation programmes.

PROVISION OF PERSONAL PROTECTIVE EQUIPMENT

Shop area employees of the Group's production units are exposed to hazardous and harmful workplace factors (underground work, operation and maintenance of mining equipment and heavy self-propelled vehicles, extreme climate, etc.). For that reason, in addition to implementing technical and organisational security measures, the Company also provides employees with free of charge personal protective equipment as per the standard rules and regulations on working conditions. The Company continu-

ously implements measures on disease prevention, arranges compulsory initial (upon employment) and regular health examinations and check-ups. The employees working in contaminated conditions are compensated for wash-off and decontaminating agents. G4-LA7

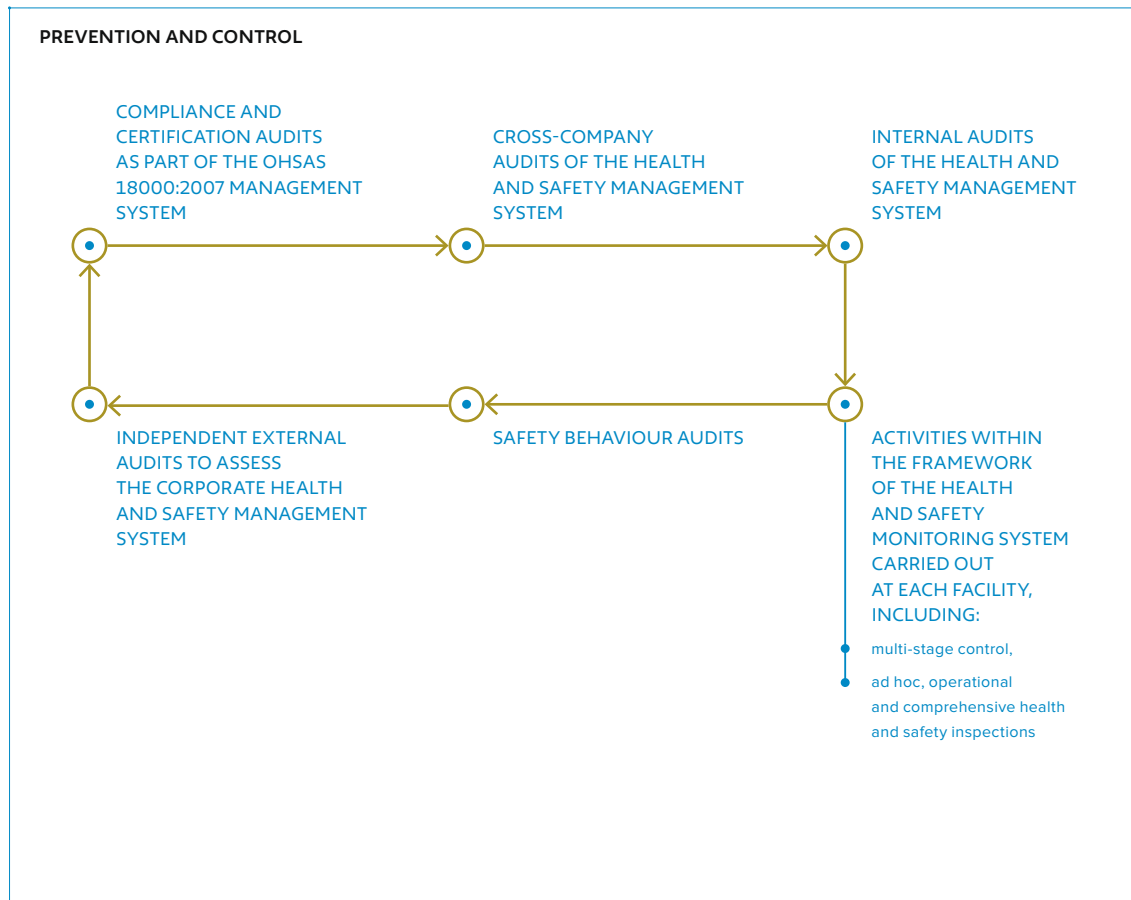
In accordance with the Provision of Personal Protective Equipment corporate standard, the Company's units and the Group's production facilities run preliminary tests on the personal protective equipment.

To facilitate ultimate control over the safe working behaviour, employees with a track record of up to three years wear red helmets with the word "Warning" on them and protective clothing with "Warning" chevrons that make them stand out.

In 2016, the Russian companies of the Group covered by the CSR report purchased personal protective equipment for a total amount of RUB 2.2 bn, or RUB 30,300 per employee, including RUB 870.7 m spent by MMC Norilsk Nickel (RUB 36,200 per employee). Medical examination expenses amounted to RUB 396.9 m.

STAFF TRAINING IN HEALTH AND SAFETY IN 2016

- SPECIAL HEALTH AND SAFETY ONBOARDING AND ADAPTATION COURSES FOR NEW EMPLOYEES AND EMPLOYEES WITH A TRACK RECORD OF UP TO THREE YEARS**
three years
Around 5,300 employees were trained
- HEALTH AND SAFETY: PRE-ASSESSMENT, TRAINING AND ASSESSMENT**
31,200 employees completed pre-assessment, training and assessment
- CORPORATE WORKSHOPS**
2 workshops were conducted
- SPECIALISED TRAINING SESSIONS**
94 heads of the Group's branches and companies participated in the sessions
- SEMINARS AND TRAINING SESSIONS FOR CROSS-COMPANY AUDIT PARTICIPANTS**
58 seminars and training sessions were carried out and 222 auditors were trained
- TRAINING BASES: IMPROVING PERFORMANCE DURING UNDERGROUND AND HIGH ALTITUDE OPERATION**
- TRAINING CLASSES**
- NORNICKEL GROUP'S COMPREHENSIVE PERSONNEL TRAINING IMPROVEMENT PROGRAMME OF ACTION FOR 2016-2018**
 - multimedia video production, development of training systems, e-learning programmes, 3D atlases of equipment and assembly units
 - purchase of equipment and simulation training devices
 - extension of the underground training base at the Anhydride mine of Kayerkansky Mine



In 2014–2016, Nornickel Group companies showed positive results in reducing the level of occupational health and safety index².

SAFETY COMMUNICATION CAMPAIGN

Employee communications are key to enhancing the corporate health and safety culture. The Company continuously implements Occupational Health and Safety communication programme. The programme includes the following key activities:

- information support of health and safety activities;
- information provided to employees about their right to refuse to perform dangerous work via existing feedback channels;
- management meetings with employees.

In 2016, Polar Division completed renovation of 739 Workplace Safety information boards.

Occupational safety helplines are available at Kola MMC and Norilsk-nickelremont (Polar Division). Any Group's company employee has a right to address the Company's Corporate Trust Service, which reviews matters related to occupational safety.

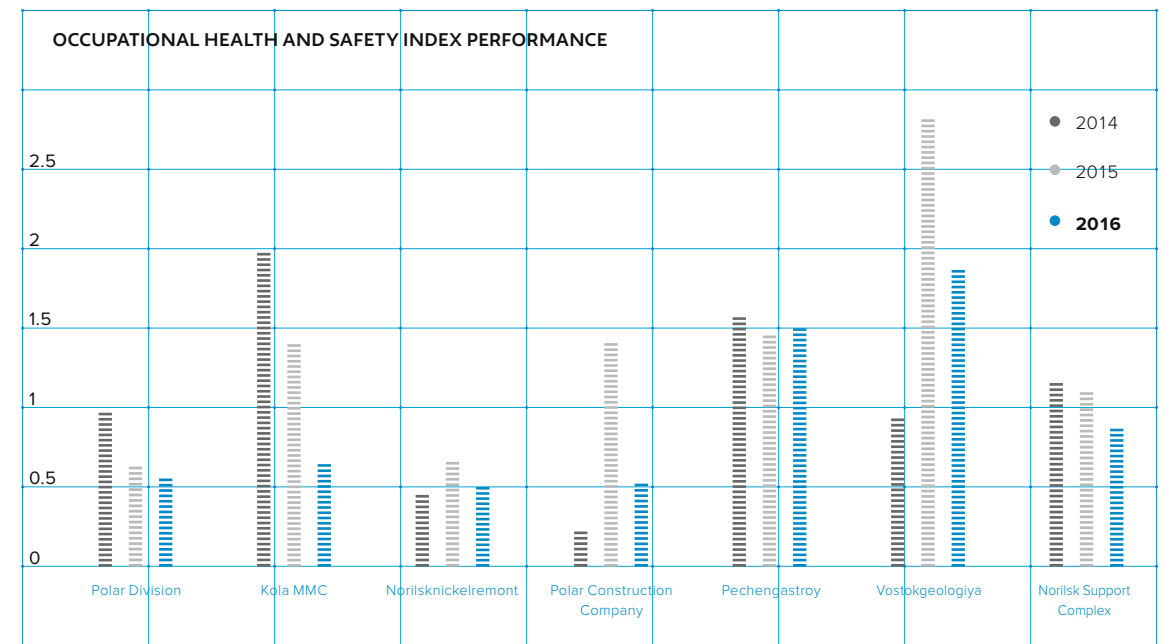
SAFETY CULTURE ASSESSMENT

From October to December 2016, DuPont Science and Technologies assessed the current situation and determined priorities for further improvement of the health and safety management framework and for mitigating injury and accident risks at Nornickel's key companies (Polar Division, Kola MMC, Norilsknickelremont and Polar Construction

Company). Independent experts reported, that in November 2016 the industrial safety culture level (Bradley Curve indicator) amounted to 2.5 (compared to 2.3 in December 2015, 2.1 in March 2015, and 1.4 in March 2014). The safety culture improvement is driven by the implementation of risk mitigation standards, safety communication campaign and dedicated risk mitigation programmes.

EMERGENCY PREPAREDNESS

Nornickel Group companies take great care in maintaining emergency preparedness, as the Group embraces mining, concentration and smelting operations, operates over 300 hazardous production facilities, and uses various hazardous substances (toxic, explosive, oxidising, etc.) in its processes.



² Occupational health and safety index is the ratio of identified violations to the period of time taken by the auditors to carry out the audit.

HEALTH AND SAFETY PERFORMANCE INDICATORS FOR ACCIDENT PREVENTION

INDICATORS	2012	2013	2014	2015	2016
Audits conducted:					
by health and safety committees ('000)	> 30	> 35	> 33	> 33	> 31.5
Target audits conducted by managers, senior specialists and committees of the Group's enterprises and business units ('000)	18	16	7.7	8.4	6.8
Ad hoc audits ('000)	22	21	6.3	8.1	8.8
Comprehensive audits of health and safety and dedicated management systems	140	157	160	163	167
Coupons removed from the books of employees violating health and safety requirements ('000) ¹	4.1	6.4	4.4	3.9	3.4
Employees subject to disciplinary action for the violation of health and safety requirements ('000)	7.1	7.6	6.9	8.3	8.8
Employees with reduced bonus payments ('000)	> 14	> 17	> 14	> 15	> 15
Total (RUB m)			> 67	> 56	> 55
Employees incentivised for health and safety involvement and lower workplace injury rate as per the audit results ('000)	>10	> 7	> 5	> 9	> 5
Total (RUB m)	>42	> 42	> 35	> 78	> 51

¹ Removing coupons as a prevention initiative enables the Company to take note of the number of gross violations of health and safety requirements, which did not cause accidents, and subject the culprits to disciplinary actions and financial penalty.

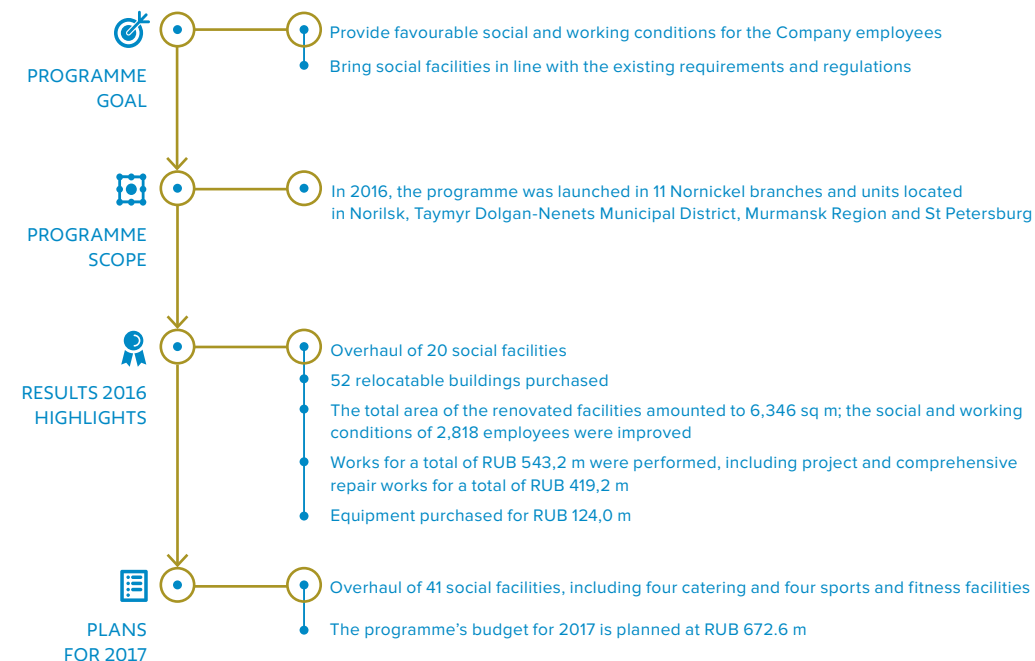
EMERGENCY PREPAREDNESS SYSTEM AT HAZARDOUS PRODUCTION FACILITIES

PLANS ON CONTAINMENT AND ELIMINATION OF ACCIDENTS CONSEQUENCES AT HAZARDOUS PRODUCTION FACILITIES (HAZARD CLASSES I, II, III)

- Contracts with professional emergency rescue services and organisations across the Company's footprint
- Auxiliary mine rescue team at Polar Division and Kola MMC
Monthly realistic trainings and classes
- Financial reserves for accident management at hazardous production facilities
- Test alerts for the employees with emergency rescue services and organisations taking part

NORNICKEL GROUP COMPANIES HAVE SURVEILLANCE AND WARNING SYSTEMS, AND SYSTEMS FOR COMMUNICATION AND SUPPORT IN CASE OF AN ACCIDENT

PROGRAMME FOR IMPROVEMENT OF SOCIAL AND LIVING CONDITIONS OF WORKERS



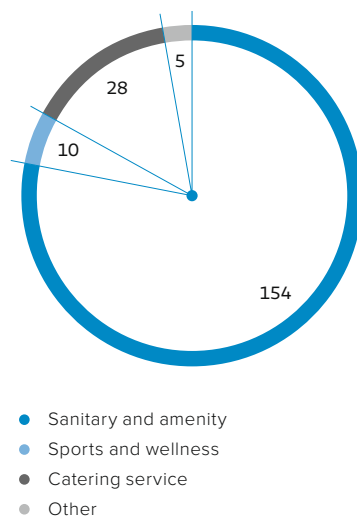
The Company complies with the requirements of the Federal Law No. 116-FZ On Industrial Safety of Hazardous Production Facilities dated 21 July 1997, and ensures preparedness for management of accidents at hazardous production facilities.

For information on emergency preparedness, please see the interactive version of this report.

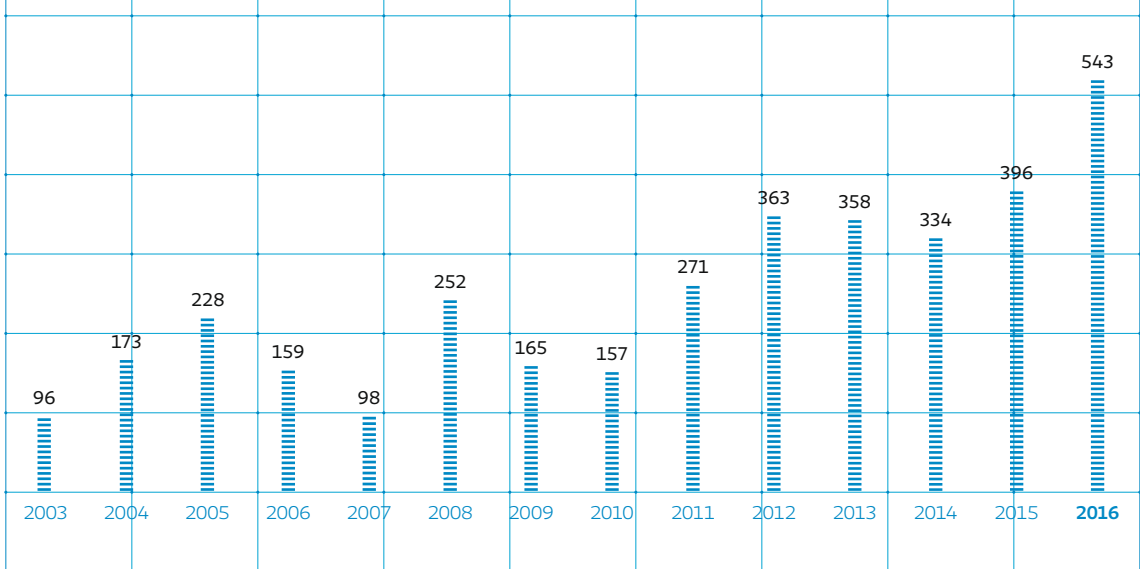
6.2. IMPROVEMENT OF SOCIAL AND WORKING CONDITIONS

Improvement of working conditions is a key aspect of the Company's corporate social responsibility. The Group's companies operate more than 2,000 sanitary, amenity, sports and fitness, catering, healthcare and recreation facilities with a total area of over 300,000 sq m. Comfortable working conditions materially contribute to the employees' satisfaction and motivation to perform.

BREAKDOWN OF SOCIAL FACILITIES OVERHAULED IN 2003-2016



ACTUAL COSTS OF THE PROGRAMME FOR IMPROVEMENT OF SOCIAL AND WORKING CONDITIONS¹
COSTS FOR 2003-2016 RUB 3,463.2 M



¹ Data are given on an accrual basis.



EFFICIENCY

DELIVERING AGAINST OUR TARGETS
IN DUE TIME AND AT MINIMUM COSTS

Nornickel's projects to reduce its environmental impact, with a total budget of RUB 1.3 bn, were included in the list of initiatives for Russia's Year of the Environment – 2017. In June 2016, MMC Norilsk Nickel, Ministry of Natural Resources and Environment, Federal Service for Supervision of Natural Resources and Government of the Krasnoyarsk Territory signed an agreement that set out the Company's obligations to carry out these projects.



7. ENVIRONMENT

82

2016 HIGHLIGHTS

25.72

RUB BN
Group's environmental
expenses and investments

6.6

%
Reduction of pollutant
discharges

6.2

%
Reduction of pollutant
emissions

In 2016, Nornickel ranked 4th in the World Wildlife Fund's Environmental Responsibility Rating of Metals and Mining Companies in Russia

7.1. ENVIRONMENTAL MANAGEMENT SYSTEM

MMC Norilsk Nickel's Environmental Management System is a component of the Corporate Integrated Quality and Environmental Management System (CIMS). This enables the Company to harmonise environmental and quality management initiatives with production management, finance, health and safety operations.

The Company's vision of its key environmental commitments and priority environmental goals and objectives are stated in the Environmental Policy adopted by MMC Norilsk Nickel's Management Board¹.

Based on the annual CIMS analysis, a report is prepared for senior management to assess performance of the management system and decide on corrective measures.

For details on Corporate Integrated Quality and Environmental Management System, please see the Product Responsibility section.

For details on development of the environmental management system in 2016, please see the interactive version of this Report.

7.2. ENVIRONMENTAL PROTECTION EXPENDITURES

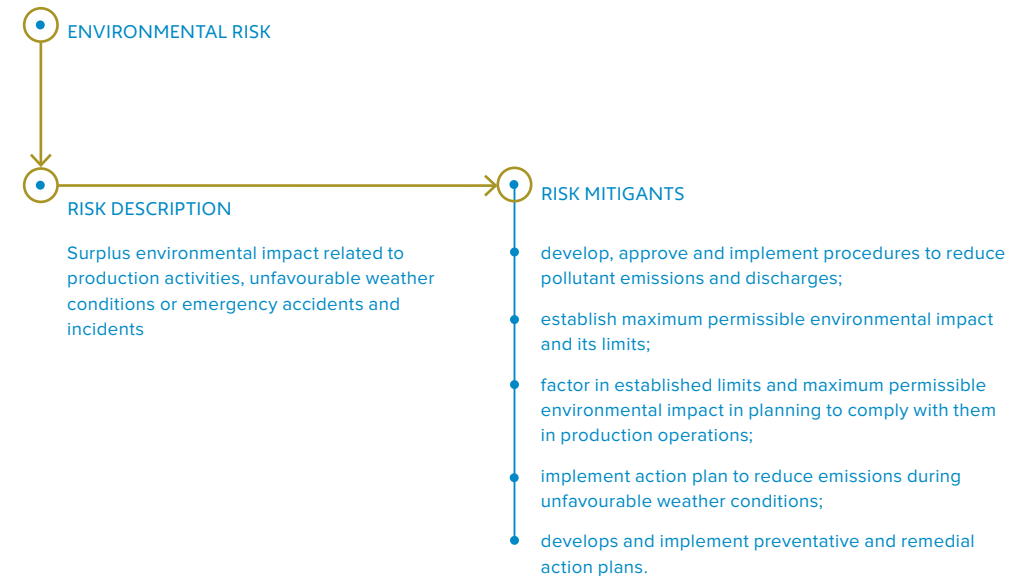
The Group's total environmental protection expenditures stood at RUB 25.7 bn in 2016, up 8.9% vs 2015. The largest spending items were current environmental protection expenditures (RUB 15.4 bn) and capital investments to ensure environmental protection and sustainable use of natural resources (RUB 9.6 bn).

Expenditures also included charges for permissible and surplus emissions (effluents) and disposal of production and consumption waste, and charges paid by the Company to remedy damages arising from non-compliance with environmental laws. [G4-EN31](#)

In 2016, the Company paid a total of RUB 1,429,000 in environmental fines (down 15.2% y-o-y) and received 15 improvement notices from regulators. [G4-EN29](#)

G4-DMA ENVIRONMENTAL COMPLIANCE
G4-DMA GENERAL INFORMATION

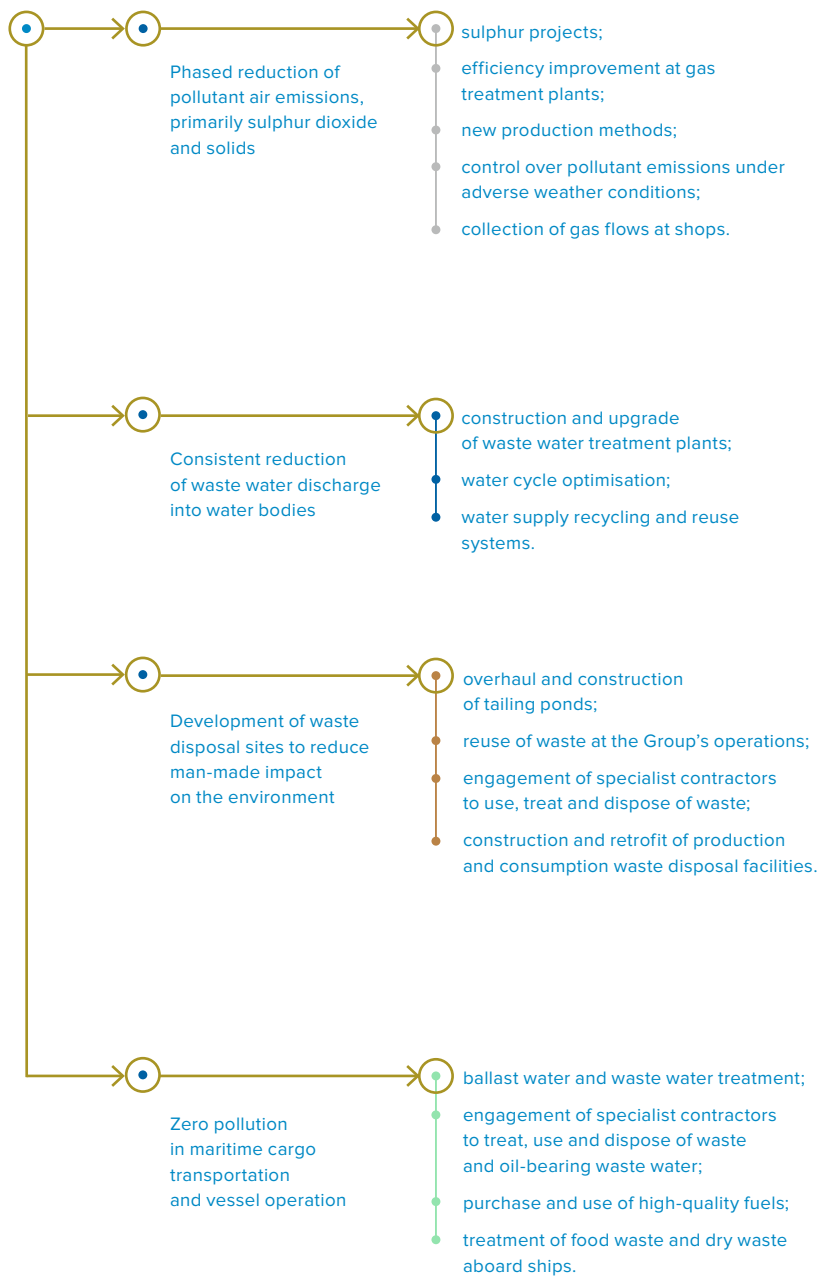
KEY RISKS ASSOCIATED WITH CORPORATE SOCIAL RESPONSIBILITY [G4-2](#)



¹ See <http://www.nornik.ru/en/about-norilsk-nickel/sustainable-development/environmental-protection>.

TOP PRIORITY ENVIRONMENTAL PROTECTION GOALS

TOP PRIORITY ENVIRONMENTAL PROTECTION GOALS



7.3. ENVIRONMENTAL PERFORMANCE

The Company strictly complies with:

- the Federal laws on the Protection of Atmospheric Air and on the Protection of the Environment with respect to inventory, control and management of air emissions;
- the Federal law on the Protection of the Environment and the Water Code of the Russian Federation with respect to water use and water body protection;
- the Federal law on Production and Consumption Waste with respect to waste management.

The Company's operations are planned with reference to statutory environmental limits. In 2016, the Company did not exceed limits for key pollutant emissions.

The Company has in place an integrated environmental reporting system to monitor progress in achieving environmental objectives and prepare quarterly, annual and ad-hoc reports. The Company submits annual statistical reports to regulating authorities as and when required.

In 2016, the Company ranked 4th in the World Wildlife Fund's Environmental Responsibility Rating of Metals and Mining Companies in Russia. According to the rating methodology, metals and mining companies are assessed by three indicators: environmental policies, environmental impacts, and disclosures and transparency.

AIR PROTECTION

Polar Division's various operations mainly impact the environment in Norilsk. 54 pollutants are emitted to the air in this area. The key pollutant is sulphur dioxide, accounting for ca. 98% of all emissions. G4-SO2

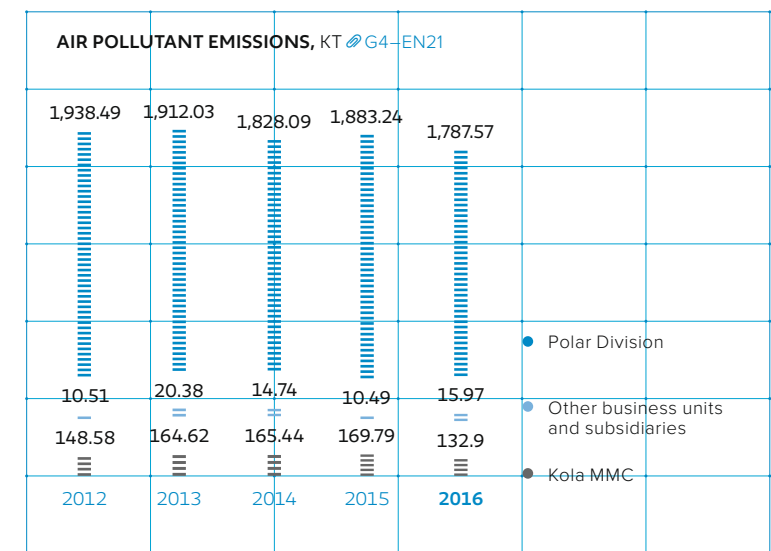
Kola MMC's operations have environmental implications mostly for Monchegorsk and Zapolyarny towns and Nickel settlement. The key pollutants resulting from copper and nickel feedstock processing are sulphur compounds and dust which contains heavy non-ferrous metals such as nickel and copper.

Reduction of air emissions (especially those of sulphur dioxide and dust containing non-ferrous metals) is the key objective pursued by the Company's operational units in terms of environmental management.

To communicate its environmental efforts to the people of Norilsk, Polar Division has been running an automatic toll-free enquiry service since 2012. By dialling 007, anyone can hear short-term environmental forecasts for the city.

In 2015, the Company developed and approved a roadmap to reduce air pollutant emissions at MMC Norilsk Nickel's Polar Division up to 2020. In August 2016, as planned, outdated Nickel Plant was shut down, with Polar Division's nickel feedstock melting transferred to Nadezhda Metallurgical Plant. As a result, some 600 sources of emissions were eliminated in the Norilsk residential area.

The Company continued the sulphur projects at Copper Plant and Nadezhda Metallurgical Plant, with the project design documents approved by Russia's State Expert



Review Board. MMC Norilsk Nickel and SNC-Lavalin Inc. (Canada) signed a contract to prepare engineering documents and implement the sulphur dioxide recovery project at Nadezhda Metallurgical Plant.

In 2016, the Group's pollutant emissions decreased by 6.2%, with Polar Division's emissions down by 5.1% and Kola MMC's emissions down by 21.7% (22.8% for sulphur dioxide). Such a significant reduction was achieved because Kola MMC shut down its pelletisation and roasting section, excluding the obsolete technology from the feedstock treatment process. In 2016, Kola MMC completed the construction of the copper-nickel concentrate briquetting section and is now bringing the technology up to the required volume and quality performance. The full-fledged roll-out of the briquetting technology will additionally reduce sulphur dioxide emissions.

For more details on our air emission reduction initiatives, please see the interactive version of this report.

GREENHOUSE GAS (GHG) EMISSIONS

In 2016, the Group's direct GHG emissions totalled 10,031,386 tonnes of CO₂ equivalent, with the estimates for Polar Division, Kola MMC and Nor Nickel's fuel and energy operations based on the Guidelines and Instructions approved by Order of the Russian Ministry of Natural Resources No. 300 dated 30 June 2015. GHG emissions intensity equals 18.287 tonnes of CO₂ equivalent per RUB 1 m of consolidated revenue. G4-EN15, G4-EN18

USE OF OZONE-DESTROYING SUBSTANCES

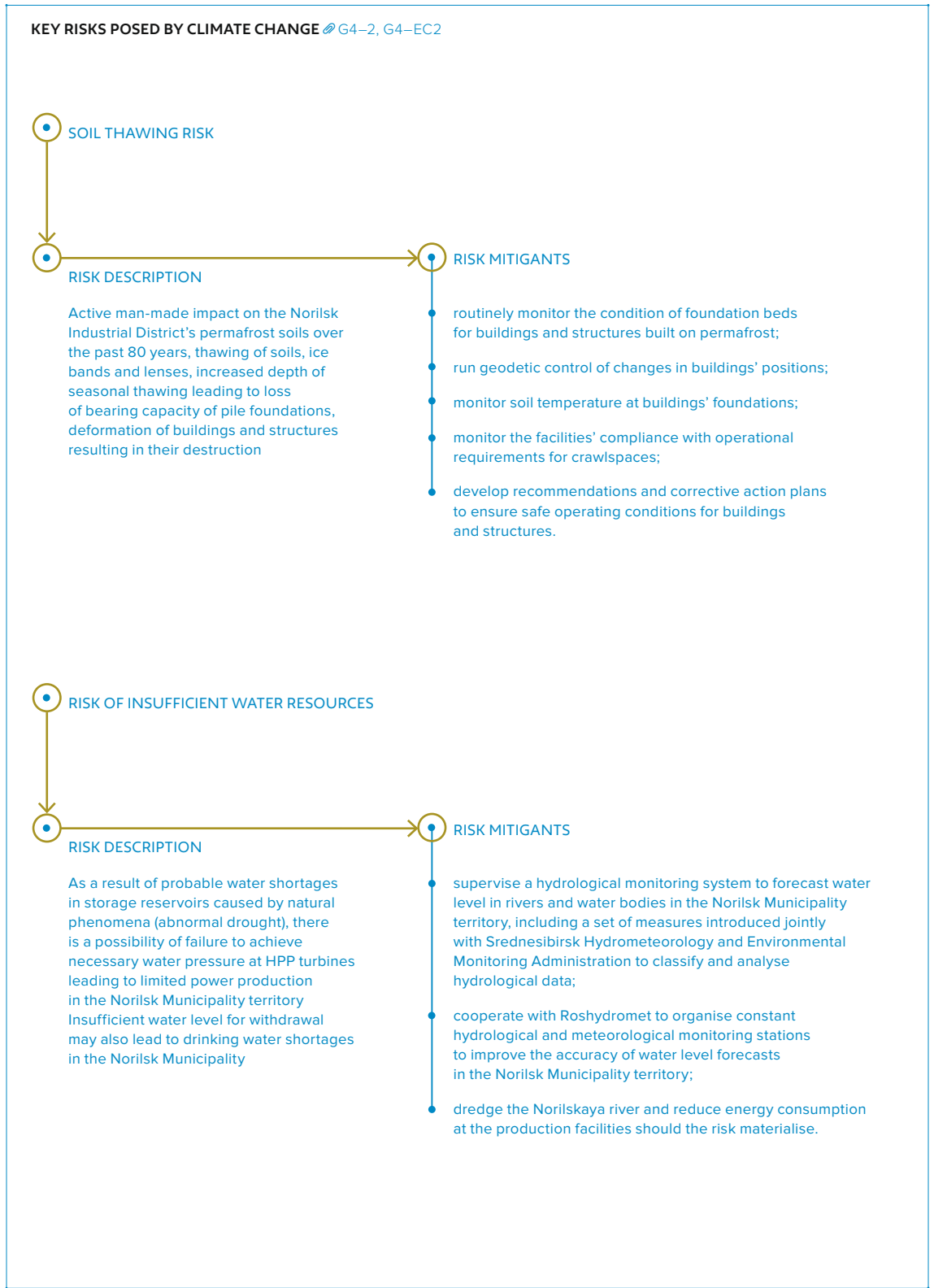
The Group neither produces nor uses ozone-depleting substances, except for small amounts used as a chemical agent for laboratory-based chemical analysis as well as for filling and topping of compressors in various air conditioning units and carbonated water machines, which produce water used as a cooling agent for medium- and low-temperature refrigerating equipment. G4-EN20

PROTECTION OF WATER BODIES

The Group uses water from surface and underground sources (see Appendix 4) for its drinking, production and process supply needs as well as for community and shipping needs. The water is withdrawn in compliance with the approved limits, without any major impacts on water bodies. No water is withdrawn from either the Ramsar Wetlands or from other protected natural territories. G4-EN9

The Group's wastewater effluents do not exceed the approved limits, including admissible impact limits, or have any major impact on biodiversity of water bodies and related habitats. G4-EN26

In 2016, the Group's total water withdrawal decreased by 5.7% primarily owing to lower withdrawal from water storage reservoir Kharaelakh as the turbines at NTEK's TPP-2 worked fewer hours. Polar Division reduced water withdrawal as Nickel Plant was shut down, while mine and pit water inflows and third-party wastewater volumes fluctuated. Kola MMC increased water withdrawal as mine water inflows fluctuated.



Polar Division posted a significant change in water consumption as Nickel Plant was shut down. NTEK's increased water consumption was due to a greater volume of recycled water used to cool the equipment. The percentage of reused and recycled water in the Group's total water consumption stood at 85.8% in 2016. The total volume of reused and recycled water in the Group's water withdrawal came in at 382.6%. This percentage is largest for Polar Division (495.0%) and Kola MMC (424.7%), and stands at 243.6% for NTEK and 38.1% for the Company's other units.

increase in pollutants discharged as part of the wastewater due to higher water withdrawal for Monchegorsk process needs and excess concentrations of some pollutants in the nickel electrolysis shop's saline effluent.

In 2016, the discharge of wastewater pollutants did not exceed the maximum discharge rates or limits.

For more details on the Group's water body impact reduction initiatives effected in 2016, please see the interactive version of this report.

WASTE MANAGEMENT

Over 90 % of the Group's production waste is classified as hazard class 5 (practically non-hazardous waste), including rock and overburden, tailings, and metallurgical slags. To reduce technogenic impacts on the environment, waste is stored and disposed of in an environmentally safe way at the Group's special waste disposal sites or used at the Group's

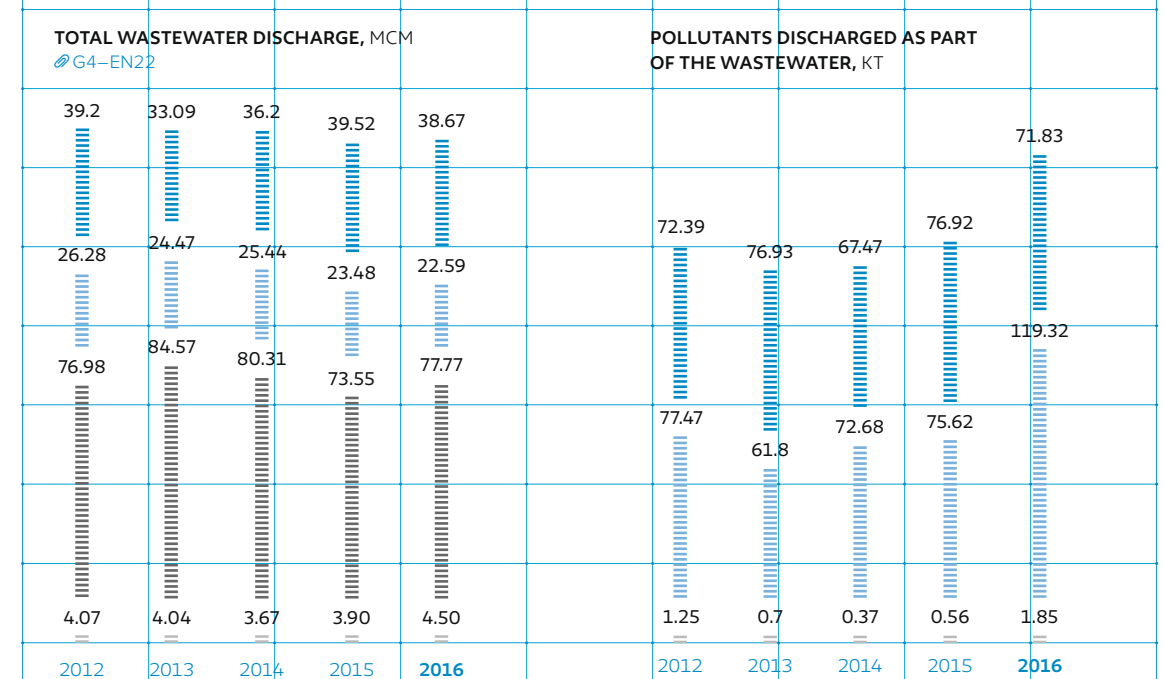
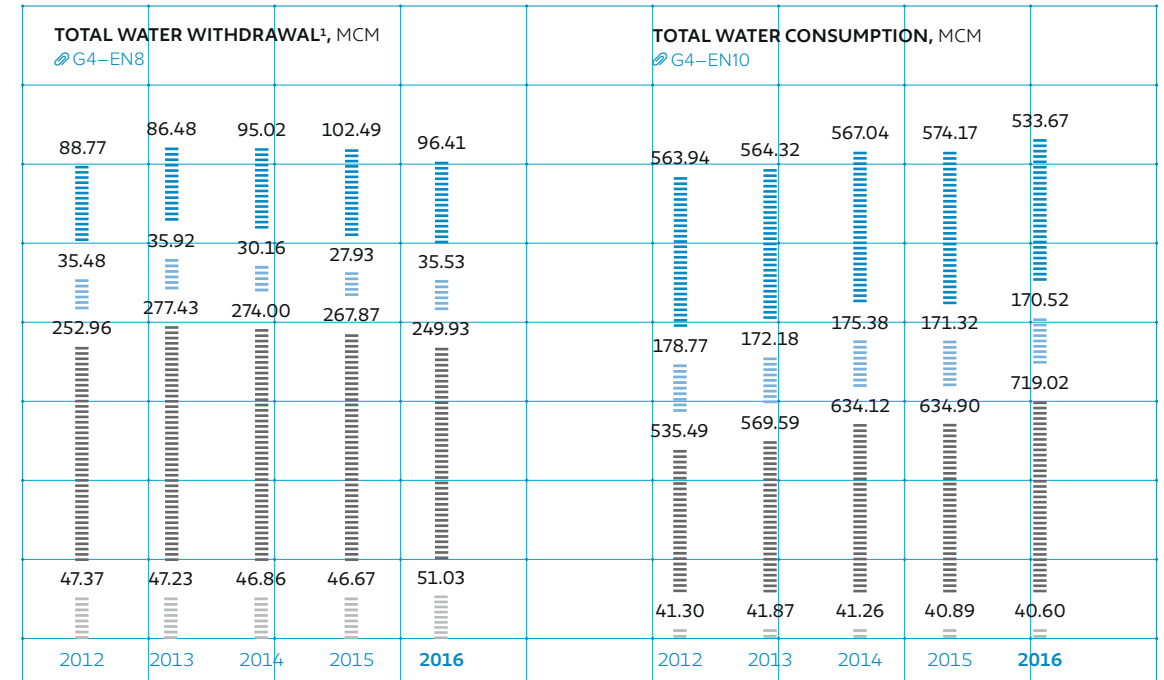
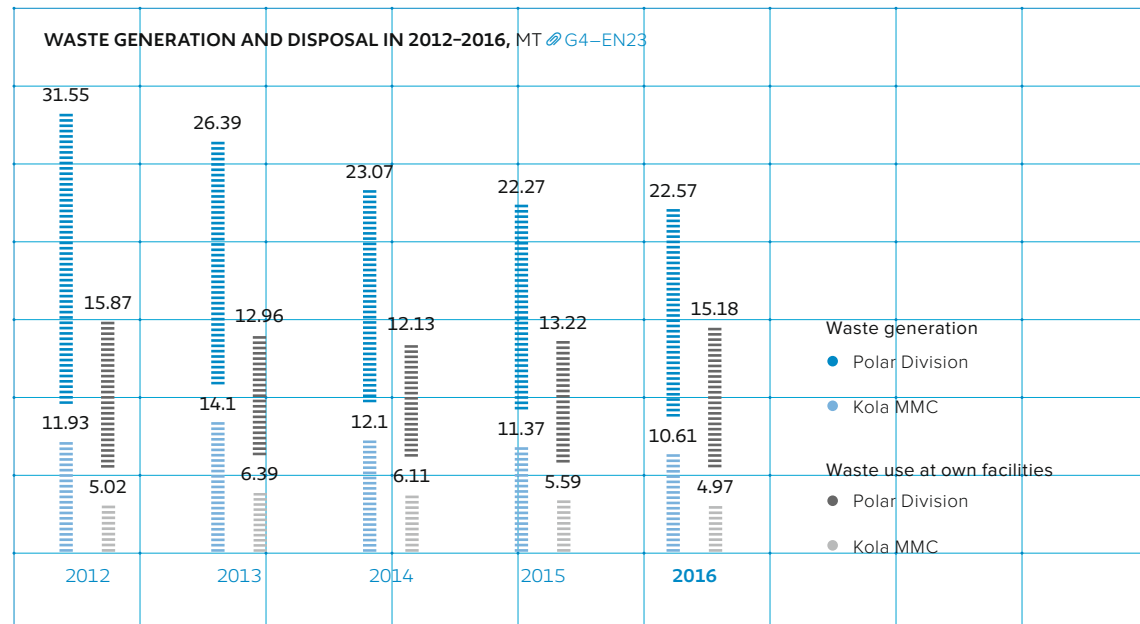
facilities. Waste is used for preparation of filling compounds, as flux for melting of metal in melting furnaces, construction and strengthening of tailing dumps, railroad groundwork, road filling, etc. Over the last eight years (2009–2016), the Group has been steadily re-using some 50% of all waste produced.

All of the Group's waste disposal sites are listed on the national disposal site register. The Group manages waste and monitors special sites in accordance with applicable permits. Tailings pits are monitored additionally as required by safety standards for hydraulic structures.

As part of the Talnakh Concentrator upgrade and retrofit project to increase its total ore capacity to 16 mtpa, the Group continued the construction of a new tailings pit which should meet all environmental requirements and ensure that up to 6 mt of tailings per annum is stored and disposed of in an environmentally safe way.

In 2016, the Group's total waste water discharge stood at 143.5 mcm, which is 1.15 mcm lower than the last four years' average.

Polar Division and Norilskenergo Branch posted a decrease in pollutants discharged as part of the wastewater as no effluents came from Nickel Plant after it was shut down. Kola MMC showed an



¹ Water withdrawal volumes associated with Polar Division, Norilskenergo and other business units of the Group include the water withdrawn from NTEK network.

An upgrade and retrofit project was completed with regard to the tailings pipes at Nadezhda Metallurgical Plant in 2016. Started in 2013, the project included a replacement of some 13 km of the existing pipes with leak-proof polymer piping. In the course of replacement, the pipes were cleaned of the mud contents that underwent two-stage treatment and did not pose a life hazard, and then washed through with water. At the same time, precautions were taken to prevent pollution from these mud contents. In September 2016, the works were performed in heavy rain, which washed off some iron hydroxide into the Doldykan river and caused a temporary change in the colour of the river water. The Company fully paid the fine and environmental damages, taking measures to clean up the area near the tailings pipes and prevent contamination.

In 2016, Norilskgazprom piloted a solid domestic and industrial waste landfill in the Tukhard settlement, updated engineering surveys for the construction of a landfill in the Messoyakhsky natural gas field, with the project design documents sent for review to the Krasnoyarsk Branch of Russia's State Expert Review Board.

In 2016, the Group decreased the total volume of waste by 0.38 mt y-o-y, or 1.1%, due to waste reductions at Kola MMC by 0.76 mt y-o-y, or 7.1%. Meanwhile, Polar Division increased the total volume of waste by 0.3 mt y-o-y, or 1.3% as the Talnakh Concentrator upgrade and retrofit project was still in progress.

The Group's total waste utilisation rose by 1.34 mt y-o-y, or 6.6%, due to higher utilisation at Polar Division.

7.4. BIODIVERSITY CONSERVATION

COOPERATION WITH NATURE RESERVES

Kola MMC is located 15 km from the Pasvik Nature Reserve and 10 km from the Lapland Biosphere Reserve, while Polar Division's sites are some 80–100 km away from the buffer zone of the Putoransky Nature Reserve. At present, the Company's operations do not produce any significant impact on areas adjacent to the nature reserves. [G4-EN12](#), [G4-MM2](#), [G4-EN11](#)

Taimyr Peninsula

The Putoransky State Nature Reserve was included on the UNESCO world heritage list in 2010. It covers a total area of over 1,887 thousand ha. The reserve is part of the Joint Directorate of Taimyr Nature Reserves, which also includes the Putoransky, Taimyrsky and Big Arctic reserves, as well as the Purinsky and Severozemelsky natural protected areas.

In 2016, the Joint Directorate of Taimyr Nature Reserves continued implementing three projects selected under MMC Norilsk Nickel's World of New Opportunities charitable programme to support socially important initiatives. Those are:

- Save the Bighorn Together (research and protection of this endangered species of the Putorana Plateau);
- Hatanga Crafts Festival (a space for demonstration, experience sharing and knowledge transfer in order to revive the northern indigenous peoples' forgotten crafts);
- Environmental Camp (a summer field camp set up in the protected area of the Putoransky Nature Reserve).

Following the Socially Important Initiatives Competition held under the World of New Opportunities charitable programme in September 2016, the Joint Directorate of Taimyr Nature Reserves received funding to implement the Crafts Workshops project in 2017. The initiative is aimed at promoting the crafts practised by the indigenous people of the North.

In 2016, the Company also helped Taimyr's nature reserves to put in place reliable satellite communications infrastructure for the reserves' employees and guests, and assisted in transporting their research groups to the outer field locations.

Kola Peninsula

The Company cooperates with the Lapland and Pasvik Nature Reserves in several areas. The key ones are environmental monitoring and vegetation restoration in the vicinity of Kola MMC's production sites.

The Pasvik State Nature Reserve is featured as one of the Wetlands for the Shadow List of Ramsar Sites under the name of Fjarvann – Schaannings Field Base. It covers a total area of over 14,000 ha.

In 2016, the construction of a visitor centre in the settlement of Nickel was completed with the support from the Company. The state-of-the-art centre with an area of over 800 sq m was opened on 17 January 2017, when Russia was launching the Year of Ecology, and aimed to promote environmental awareness among communities from the cross-border regions of Russia, Norway and Finland.

Since 2006, the Pasvik Nature Reserve has been carrying out an ecological assessment of the natural environment in the area of Pechenganickel Plant (including Zapolyarny, Nickel and their suburbs, as well as the Pasvik State Nature Reserve), and developing a long-term environmental monitoring programme. The reserve is also working on several projects that received grants under MMC Norilsk Nickel's World of New Opportunities charitable programme. For example, in 2016, it started the implementation of a project to develop the Pasvik Reserve's research database and promote an effective dialogue at the Russia-Norway border, encouraging the launch of new R&D projects in the Pechengsky District of the Murmansk Region.

With an area of 278,000 ha, the Lapland State Nature Biosphere Reserve is one of the largest protected areas in Europe and also

one of Russia's oldest nature reserves (founded in 1930). In 1985, it was included in the UNESCO Network of Biosphere Reserves.

In 2002, Kola MMC and the Lapland Biosphere Reserve signed contracts for the development of a methodology to reclaim disturbed natural environments in the areas affected by permanent emissions from Severonickel Plant and monitoring of the Monchegorsk District and the Lapland Biosphere Reserve. The scientific research data provided a basis for further rehabilitation of disturbed lands and for sanitary and fire-protection improvements in the forest areas.

In 2016, the Company also provided financial aid for the Lapland Biosphere Reserve to make a new nature trail and publish books about Oleg Semyonov-Tyan-Shansky and Herman Kreps, the reserve founders.

REPRODUCTION OF AQUATIC BIORESOURCES

The Company's Polar Division develops Oktyabrskoye, Talnakh and Norilsk-1 Fields; Kola MMC develops Zhdanovskoye, Zapolyarnoye, Kotselvaara and Semiletka Fields.

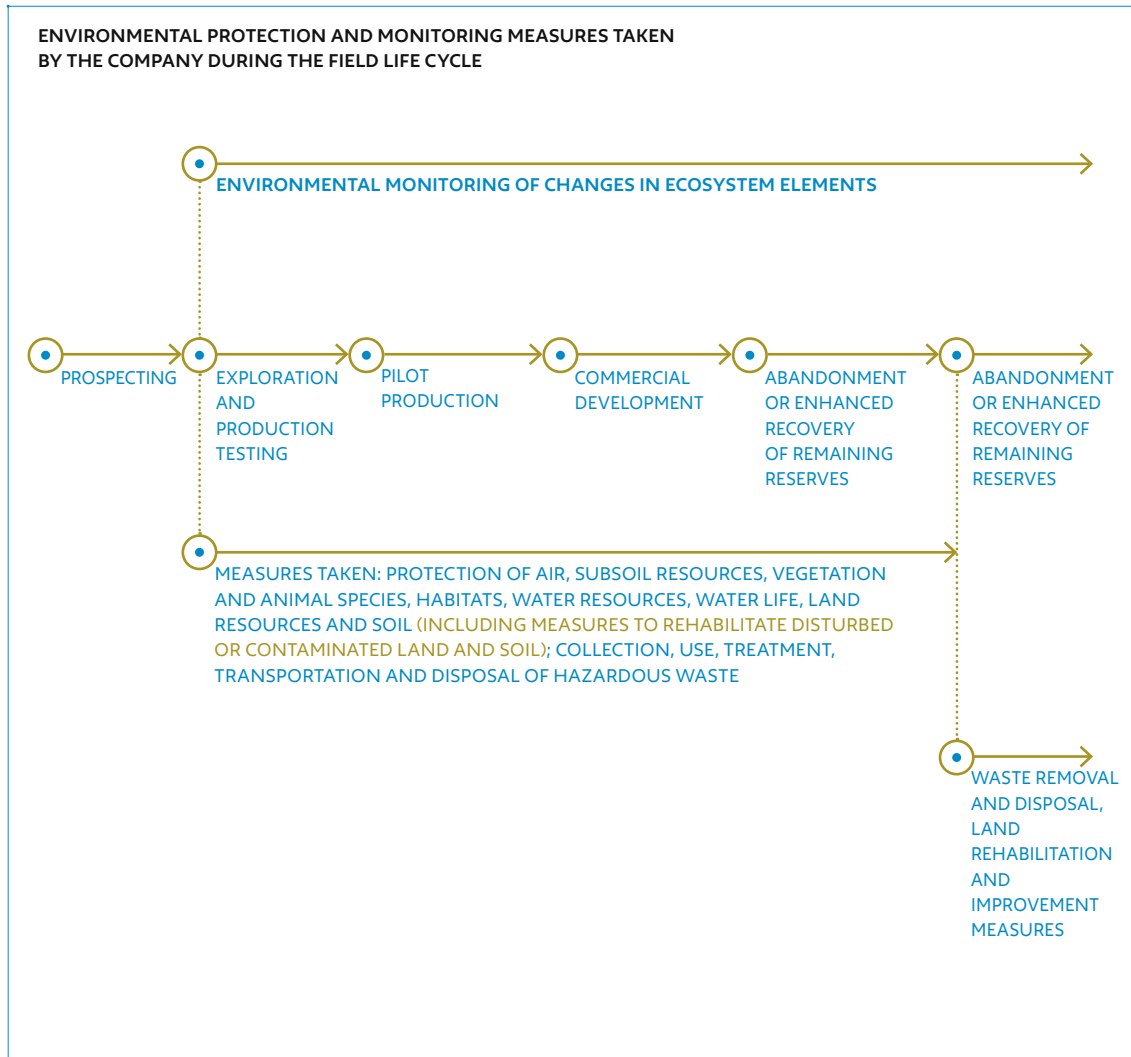
Pursuant to the Russian laws, design documents on field development and capital construction projects, both for business and non-business purposes, must have a section describing the company's environmental protection and control (monitoring) initiatives to track changes across the ecosystem resulting from ongoing development, construction, or accidents.

The Company has field development, mine liquidation and land rehabilitation projects in place for all of its fields, with special reserves set up for rehabilitation activities.

DISTURBED AND REHABILITATED LAND AREA¹, HA [G4-EN12](#), [G4-MM1](#)

ITEM	TOTAL	INCLUDING			
		DURING MINING	DURING CONSTRUCTION	DURING DISPOSAL OF SOLID DOMESTIC AND INDUSTRIAL WASTE	DURING OTHER ACTIVITIES
Total disturbed area, beginning of period	13,735.18	12,049.46	139.00	65.00	1,481.72
Total rehabilitated area	0.00	0.00	0.00	0.00	0.00
Total disturbed area in the reporting period	1,311.88	1,071.35	227.52	1.34	11.67
Total disturbed area, end of period	15,047.06	13,120.81	366.52	66.34	1,493.39

¹ The total area of disturbed land as at the beginning of 2016 differs from the total area of disturbed land as at the end of 2015, as stated in the 2015 CSR Report, which is due to the adjustment of data collection boundaries; the considerable increase in the disturbed land area in 2016 is due to more intensive operations at Bystrinsky MPP.



The projects provide for making lay-outs, slopes, hydraulic and irrigation structures, and taking other technical measures. Importantly, the Company's fields are in commercial development, exploration and production test stages with liquidation or abandonment not expected until 2050. [G4-EN13](#)

The Company complies with all applicable regulations for land rehabilitation and other environmental protection activities associated with field development.

The Company traditionally takes part in urban greening projects in Norilsk, Dudinka, Monchegorsk, Zapolyarny, and Nickel. The programme for urban greening and restoration of public spaces and surrounding territories is implemented in cooperation with the municipal authorities and seeks to clean up and improve public spaces and areas adjacent to the roads, protect water bodies and water reserves, and revamp tourist camping sites. In 2016, the Company's volunteers joined the programme. Monchegorsk hosted the environmental Let's Do It festival, while

Norilsk organised an ecological marathon for greening the Zapolyarnik stadium territory.

Upon the recommendation from nature reserves, in 2003, Kola MMC started implementing a land rehabilitation programme. In just 13 years, Kola MMC had over one million trees and bushes planted over an area of about 100 ha, including as part of a pilot project to restore damaged land adjacent to the Company's production site in Monchegorsk implemented jointly with Kola Science Centre of the Russian Academy of Sciences.

7.5. IMPACTS FROM TRANSPORT AND LOGISTICS OPERATIONS

The Company's transport and logistics subsidiaries and units have all the necessary environmental permits, undergo regular audits by the supervising authorities, and comply with the applicable environmental regulations in their operations, specifically in transportation of hazardous goods. As a result, there are no significant environmental impacts from the transportation of products, materials, and members of the workforce. [G4-EN30](#)

Both Nornickel Group's companies and other parties engaged in transportation ensure multi-stage monitoring of compliance with the standards and rules of transporting goods. Most of Polar Division's metal products are transported from Murmansk and Arkhangelsk to Europe, and all of Kola MMC's metal products are transported from St Petersburg to Europe by third-party fleet chartered by Metal Trade Overseas, one of the Group's companies. Third-party fleet environmental parameters comply with the requirements of international environmental conventions.

For more details about the environmental initiatives of the transport and logistics units, see the interactive version of this Report.

7.6. IMPACTS FROM FOREIGN OPERATIONS

Norilsk Nickel Harjavalta's main environmental impact consists in emissions of ammonia (NH₃) and nickel, and discharges of nickel (Ni), sulphates (SO₄²⁻) and ammonia ions (NH₄⁺).

In 2016, Norilsk Nickel Harjavalta met all permit requirements for emissions, discharges and waste disposal volumes.

In 2016, the Company continued researching and monitoring water habitats on the Kokemaenjoki River in the area of the 2014 accidental Ni solution discharge from Norilsk Nickel Harjavalta.

ENVIRONMENTAL IMPACT OF NORILSK NICKEL HARJAVALTA

ITEM	2013	2014	2015	2016
Industrial wastewater, '000 cu m	625	625	728	771
Pollutant concentrations in industrial wastewater, t				
Ni	0.5	66.6 ¹	0.4	0.4
SO ₄ ²⁻	19,420	19,281	20,051	22,457
NH ₄ ⁺ (converted to nitrogen)	28.3	45	36	49.5
Total water consumption, mcm ²	11.5	10.9	10.4	10.9
Total air pollutant emissions, t				
Ni	2.0	1.8	1.7	1.6
NH ₃	80	50	70	70
Waste generation, kt	22.0	30.8	16.5	7.0
Waste disposal, kt	21.3	29.8	15.7	0.8
Power consumption, GW/h	181	164	165	180
Power consumption for heating/cooling, GW/h	124	122	122	130
Steam consumption, GW/h	201	203	198	225
Environmental expenses, USD m	3.0	3.0	3.0	2.7

¹ Including 66,189 kg (Ni) discharged in July 2014 as Ni solution due to a heat exchanger failure at the reduction plant.

² Over 95% is water withdrawn from surface sources (Kokemaenjoki River).

The three-year research confirmed that there were no negative impacts. The situation fully normalised, with the metal content in the water meeting the applicable standards, and clam and shell populations recovering in a natural way.

Since the accident occurred, Norilsk Nickel Harjavalta has been in close touch with regulators strictly complying with their directives. As part of the jointly developed environmental protection plan for 2016, the facility released the first batch of salmon fingerlings to maintain the fish population in the river.

7.7. ENERGY CONSERVATION AND EFFICIENCY

The fuel and energy business block is an integral link in the production chain and a key element in supporting the households across the Company's footprint. Most of the Company's production facilities and workforce operate or live in the harsh Arctic climate.

The Company's fuel and energy assets include:

- NTEK. The company is responsible for power and heat generation, transmission and sale using the facilities of Norilskenergo (MMC Norilsk Nickel's branch) and Taimyren-ergo. It comprises five power generating facilities, including three thermal power plants (TPP-1, TPP-2 and TPP-3) and two hydropower plants (Ust-Khantayskaya and Kureyskaya HPPs);

- Taimyrgaz. The company holds a licence for gas and gas condensate production, and follow-up exploration in Pelyatkinskoye Field, the Taimyr Peninsula's largest hydrocarbon deposit. Currently, the field is being developed by the company;
- Taimyrtransgaz. The company transports natural gas and condensate to consumers in the Norilsk Industrial District;
- Norilskgazprom. The company produces and treats gas and gas condensate, and sells raw hydrocarbons to NTEK and MMC Norilsk Nickel's Polar Division. Norilskgazprom produces gas in the following fields: Severo-Soleninskoye Gas Condensate Field; Yuzhno-Soleninskoye Gas Condensate Field; and Messoyakhskoye Gas Field;
- Norilsktransgaz. The company transports natural gas and condensate from the Norilskgazprom fields to consumers in the Norilsk Industrial District;
- Bystrinsk Electric Grid Company. The company was set up in 2015 as a construction management company under the investment project to build an overhead Kharanorskaya GRES (power plant) – Bugdainskaya – Bystrinskaya 220 kV power line with 220 kV Bugdainskaya and Bystrinskaya substations;
- Arctic-Energo. The company is Kola MMC's default supplier based in Monchegorsk.

The key documents governing the development of the fuel and energy assets are the Fuel and Energy Development Strategy (approved by the Board of Directors in 2015) and the Programme to Upgrade, Revamp and Replace the Norilsk Industrial District's Power Facilities (in implementation since 2014, expected to run up to 2025).

For the purposes of implementing a uniform R&D policy and meeting the targets of the strategy for the fuel and energy assets, the Company has set up an Expert Committee on Energy, which forms a part of the Company's R&D Council and is chaired by the Senior Vice President – Head of Nonindustrial Assets and Energy Supply.

To achieve the fuel and energy development goals and objectives, the Company is running investment projects approved by the Investment Committee.

In 2016, the Company continued upgrading, revamping and replacing the Norilsk Industrial District's power facilities.

Major investment projects aiming to increase the use of renewable energy include:

- the replacement of obsolete hydroelectric units at Ust-Khantayskaya HPP to make better use of water resources, increase HPP generation volumes, and improve the reliability of energy supplies to the Norilsk Industrial District (as at 31 December 2016, two out of seven hydroelectric units were commissioned);
- installation of an additional autotransformer at the Opornaya substation to increase the intake of power and capacity from Ust-Khantayskaya and Kureyskaya HPPs for the Norilsk Industrial District across the 110 kV network to 350 MW and 500 MW in normal and emergency conditions, respectively (the project was successfully completed in 2016).

For more details about key investments in the fuel and energy capacities, please see the interactive version of this Report.

For the purpose of Federal Law No. 261-FZ On Energy Conservation and Improvements in Energy Efficiency, in 2016, MMC Norilsk Nickel launched a mid-term programme, approved by the Company's First Vice-President (COO), to improve energy efficiency at the industrial facilities of the Norilsk Industrial District and the Murmansk Region.

The programme's priority project is the installation of an automated commercial electricity metering system across the Company's operations in the Norilsk Industrial District. The project involves the installation of units, electricity and heating meters, the automatic acquisition, transfer, processing and storage of data, etc. The projects of upgrading oxygen generation facilities and air compressor systems are in their final stages. The Company continued rolling out energy efficient equipment across its business units, having replaced incandescent lights with LED and other energy saving bulbs and installed RPM controllers in ventilation systems, pump stations and other variable load systems. Each year, the Company develops and implements organisational and technical action plans to save fuel, heat, power and water.

MMC Norilsk Nickel and NTEK are members of industrial non-commercial organisations (Energy Consumers Association and Energy Producers Association, respectively). These organisations work towards creating a competitive and transparent power and capacity market in Russia, as well as ensuring a favourable investment climate in the industry. [G4-16](#)

In 2016, the Company's fuel and energy assets provided a stable energy supply for the Group's operations and other consumers, including the residents of towns and settlements of the Norilsk Industrial District.

There were no significant changes in the structure of primary power consumption in 2012–2016. Natural gas is the primary energy source used for generating about 90% of total energy. The peak values of gas consumption in 2013 and 2016 were driven by lower water levels at NTEK's HPP water storage reservoirs, which led to increased TPP generation and lower HPP volumes in order to achieve long-time average annual levels to coincide with the peak load of the heating season. The decrease in coal consumption was due to the reconfiguration of core production facilities. In 2016, the Company's HPPs generated 38% of total power produced by the Company's fuel and energy assets.

Due to the Nickel Plant shutdown, there were significant changes in the patterns of electricity, heat and steam consumption by the Group's facilities in 2016. Of the total consumption, electricity represents the highest percentage – 49.9% (vs 55.5% in 2015), followed by heating and cooling energy – 45.8% (vs 33.3% in 2015), and steam and low-grade heat used in production processes – the remaining 4.3%. [G4-EN6](#)

Kola MMC accounts for the consumption of nearly all energy (around 99%) purchased from third-party suppliers¹.

The Group's total energy supply to external consumers stands at 19,882 TJ, with NTEK's share amounting to 86.4%, or 17,178 TJ.

In 2016, the Group's Russian operations saved 930 TJ of energy on the back of multiple energy saving initiatives (against 1,290 TJ in 2015)².

PRIMARY ENERGY CONSUMPTION³, TJ [G4-EN3](#)

	2012	2013	2014	2015	2016	%
Coal	4,299	4,250	4,417	4,170	2,132	1.2
Natural gas	132,095	151,351	146,200	145,266	151,081	87.5
Diesel fuel and fuel oil	12,441	11,888	11,684	12,274	15,640	9.1
Gasoline and aviation fuel	–	–	–	–	3,789	2.2
Total	148,835	167,489	162,301	161,710	172,643	100.0

INTERMEDIATE ENERGY CONSUMPTION⁴, TJ [G4-EN3](#)

	2012	2013	2014	2015	2016	%
Electricity	50,434	44,499	45,100	42,943	32,530	49.9
Heating and cooling	22,866	21,152	28,230	25,721	29,888	45.8
Steam, low-grade heat	9,048	9,568	9,648	8,692	2,803	4.3
Total	82,348	75,219	82,978	77,356	65,221	100.0

¹ Kola MMC buys energy through Arctic-Energo, its default supplier.

² The adjustment (as compared to 1,209 TJ specified in the 2015 report) is due to the update of the calculation methodology for NTEK. The new methodology does not factor in the difference between the target and actual energy consumption.

³ Since 2016, including the consumption by the Company's transport and logistics operations; in 2016, total consumption, excluding transport and logistics operations, stood at 160,568 TJ.

⁴ Net of losses.





Norilsk Administration, MMC Norilsk Nickel's Polar Division and Vladimir Potanin Foundation signed a tripartite memorandum of cooperation. The document provides for the establishment of Norilsk Development Agency to become a foundation for economic, social and cultural development of Norilsk and creation of a favourable urban environment.

COLLABORATION

ABILITY OF OUR EMPLOYEES
TO ACHIEVE GOALS AND OBJECTIVES
THROUGH TEAMWORK



8. SOCIETY

100

2016 HIGHLIGHTS

91.5

RUB BN
Tax and non-tax payments to budgets of various levels

23.6

RUB BN
Financing of social, charitable and social infrastructure programmes

94,200

RUB
Average monthly salary paid to the Company's employees

Nornickel's social policy focuses on maintaining social stability in teams engaged in the Group's operations

8.1. EMPLOYEES AND SOCIAL POLICY

Human capital is one of the key factors contributing to the Company's successful development. Recognising its importance, the management of Nornickel Group is committed to creating conditions that would contribute to employees' performance and engagement, and exercises a transparent approach to HR practices.

The legal basis of the Company's approach to labour and other HR relations is consistent with widely

recognised principles and rules of international law, standards of the International Labour Organisation, and national laws of the countries of the Company's operations.

The business of Norilsk Nickel is based on respect for each employee and their rights. The Company's position on human rights is set forth in the Code of Business Conduct, Personal Data Policy, Anti-Embezzlement Regulation, In-House Investigation Regulation, and Regulation on the Prevention and Management of Conflicts of Interest in Norilsk Nickel.

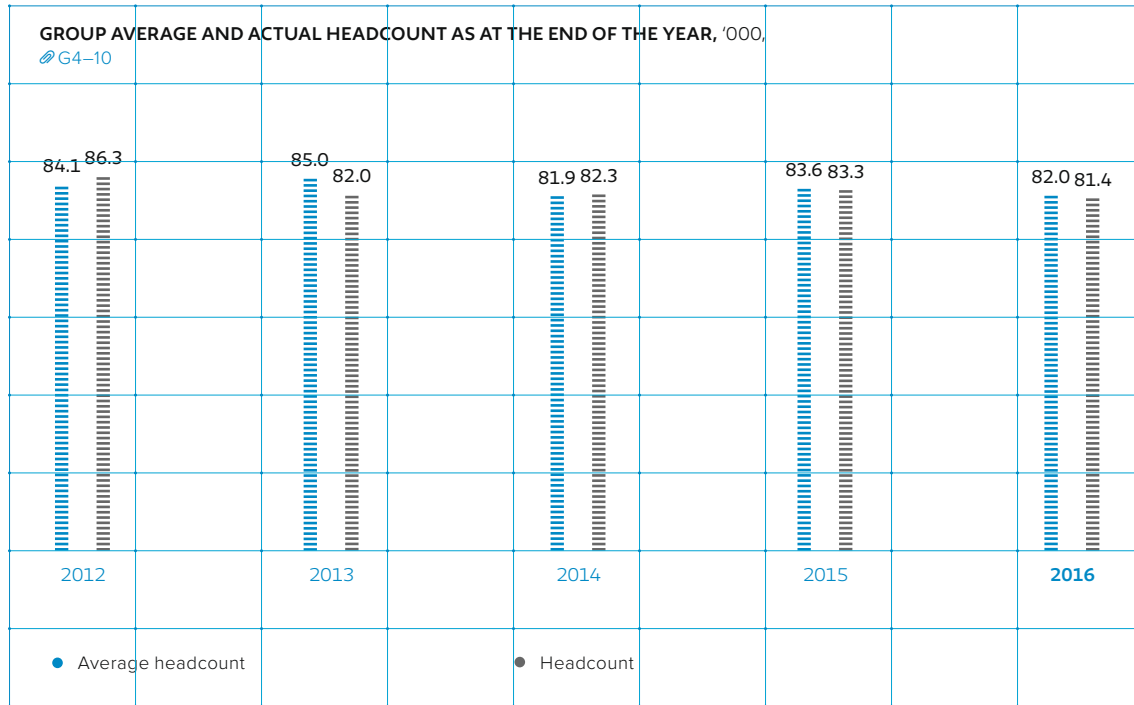
The responsibility for the HR and social policy of the Norilsk Nickel Group is borne by:

- Corporate Governance, Nomination and Remuneration Committee of MMC Norilsk Nickel's Board of Directors;
- Ms. L. Zelkova, Senior Vice President for HR, Social Policy and Public Relations, a member of the Public Council under the Ministry of Labour and Social Protection of the Russian Federation;
- Departments of Personnel and Social Policy of the Company's Head Office;
- personnel services of the Group's companies.

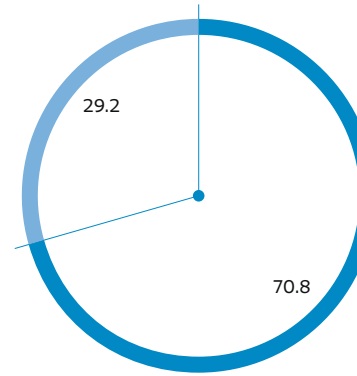
G4-DMA
MARKET PRESENCE
G4-DMA
EMPLOYMENT

KEY RISKS ASSOCIATED WITH CORPORATE SOCIAL RESPONSIBILITY G4-2



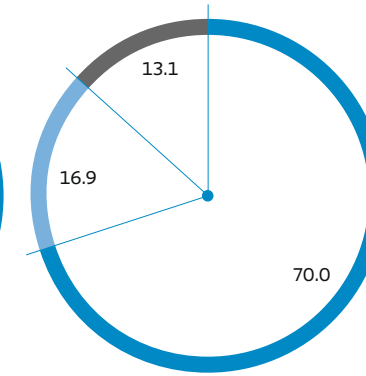


PERSONNEL STRUCTURE BY GENDER, %



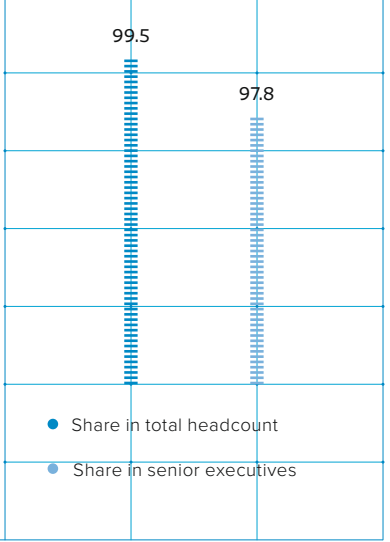
- Male
- Female

PERSONNEL STRUCTURE BY CATEGORY, %



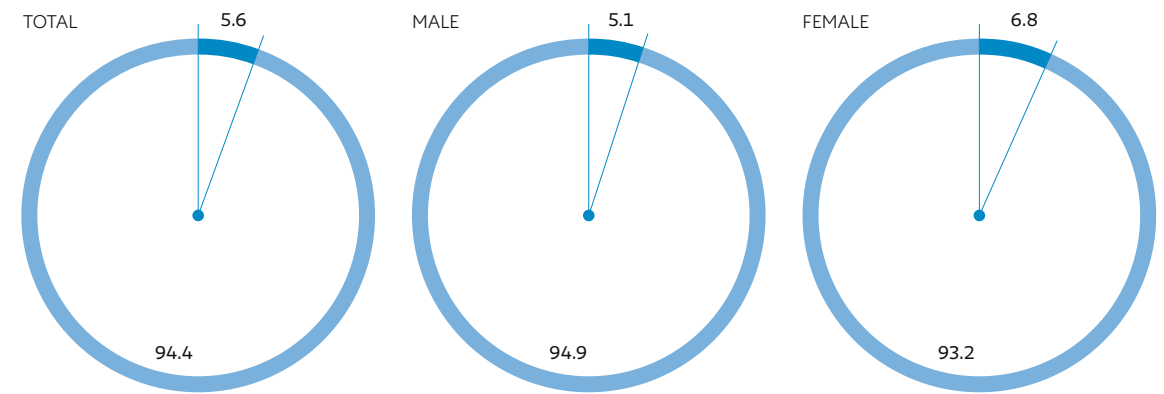
- Blue-collar employees
- White-collar employees
- Executives

RUSSIAN CITIZENS, %
G4-EC6



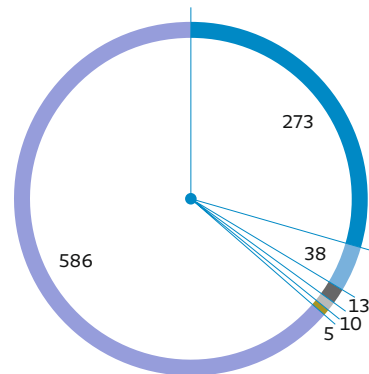
- Share in total headcount
- Share in senior executives

PERSONNEL STRUCTURE BY TYPE OF CONTRACT, %



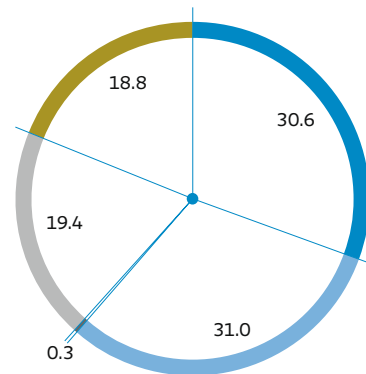
- Fixed-term employment contracts
- Unlimited employment contracts

HEADCOUNT OF THE GROUP'S FOREIGN OPERATIONS, EMPLOYEES



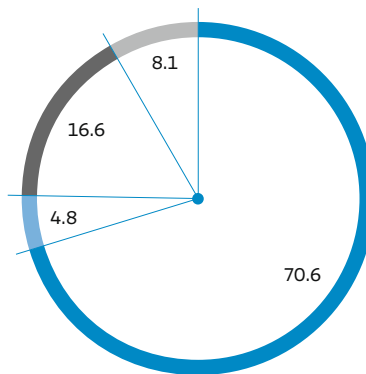
- Europe (Finland)
- Europe (other countries)
- Asia
- North America
- Australia
- Africa (SAR)

PERSONNEL STRUCTURE BY EDUCATION¹, %



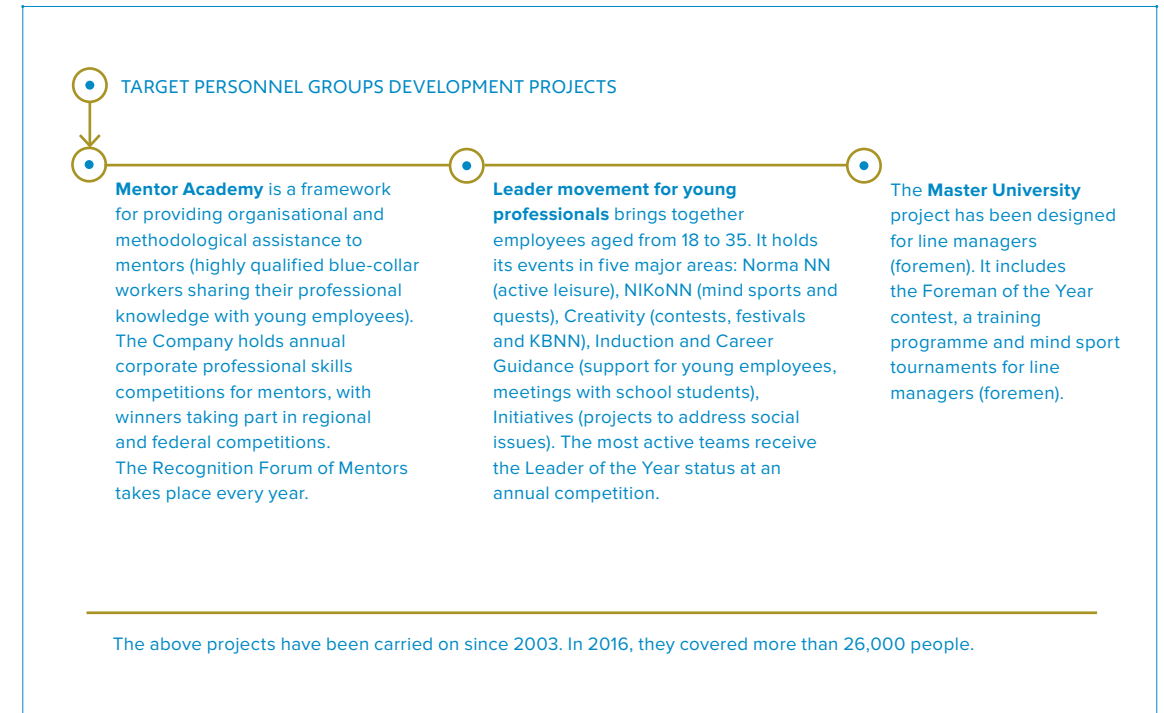
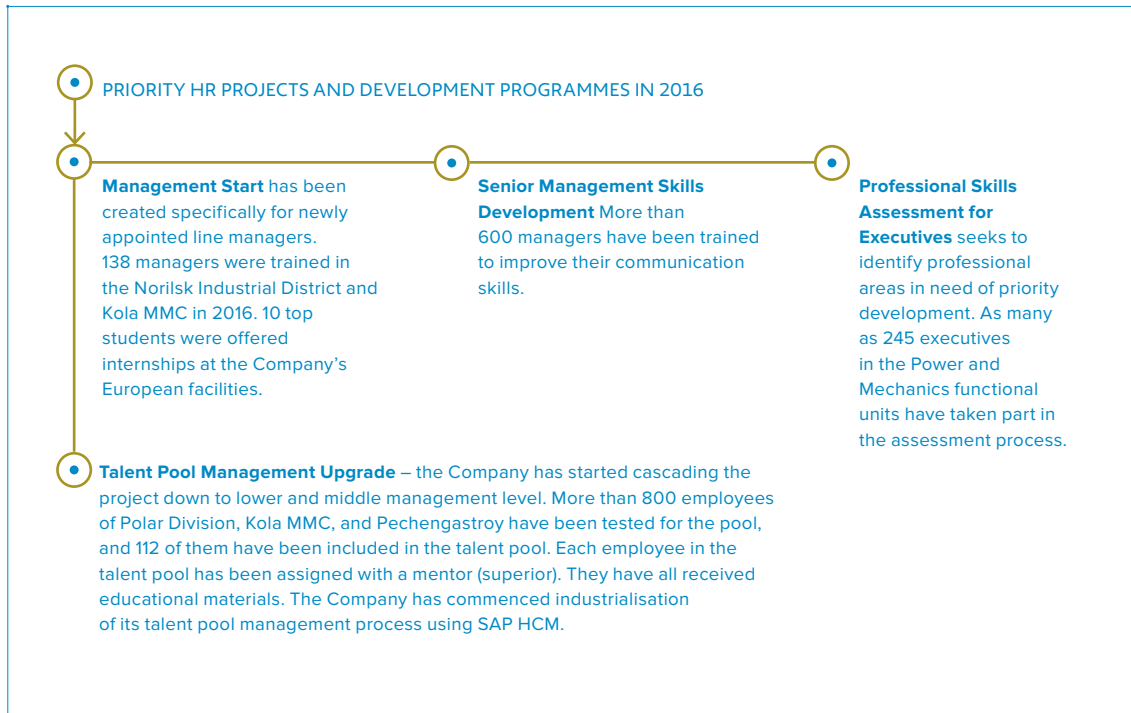
- Total average
- Higher education
- Undergraduate education
- Secondary vocational education
- Primary vocational education

PERSONNEL STRUCTURE BY TERRITORY, %



- Norilsk Industrial District (NID)
- Krasnoyarsk Territory (except for NID)
- Kola Peninsula Industrial District (Murmansk Region)
- Moscow and other regions of Russia

¹ Unless otherwise specified, the indicators are hereinafter given for the Group's Russian operations. Over 99% of the staff employed by the Group's Russian companies are full-time employees. In 2016, there were 1,329 employees working under civil contracts and external part-timers not on the Company's payroll, including 766 males and 563 females.



PROSPECTIVE RECRUITMENT OF SKILLED PERSONNEL

The Company applies a wide range of advanced recruitment technologies. In particular, we use a specialised Norilsk Nickel – Jobs and Careers website www.hr.nornik.ru and a free employment hot line (8-800-700-19-43).

The Company also implements corporate programmes to recruit white- and blue-collar employees from among young people that are completing their training at professional schools. The Company

has ongoing relations with colleges and universities and offers internships to students majoring in much sought-after professions and qualifications.

Students from dedicated Russian universities are invited to take part in the Career Start-Up programme of pre-graduation internships and work placements. The Programme cooperates with 23 Russian universities. In 2015, Norilsk Nickel was the first company in the Russian metals and mining sector to start mentoring students and graduates by

engaging them in solving actual business tasks. The method served as the basis for the Conquerors of the North, a business game held as part of the Career Start-Up programme that took place in Norilsk in summer 2015. In 2016, Kola MMC joined the business game. For two summer months, the programme participants were offered to take a hands-on training and a multi-stage business game with a focus on team work to try and tackle some of the Company's real tasks. In 2016, the business game was attended by 215 students.

📍 G4-LA1

INDICATOR	2012	2013	2014	2015	2016
Employments	15,408	10,103	13,220	15,607	15,166
Employee inflow ratio ¹ , %	18.8	12.2	16.5	19.1	18.8
Separations	14,316	13,738	12,812	14,277	15,413
Employee turnover ² , %	11.8	12.1	11.3	10.7	10.5
Employee outflow ratio ³ , %	16.6	16.7	15.6	17.1	19.2

¹ The ratio of new employments to the total employments as at the end of the period.

² The ratio of resignations, dismissals for breach of labour discipline, and negotiated terminations, to the annual average headcount.

³ The ratio of all separations to the total employments as at the end of the period.

For its efforts in guiding the young in their career development, the Company has received awards in several nominations of the Community Professional Engagement competition held in the Krasnoyarsk Territory. The Conquerors of the North project won the All-Russian Graduate Award 2016.

📖 For more details on the Company's career development programmes, please see the *Developing Local Communities* section.

The Company has taken efforts to assist new employees with their living arrangements by launching the dedicated programme in the Norilsk Industrial District and Taimyrsky Dolgano-Nenetsky Municipal District. Experts with professional skills in high demand on the local labour market invited from other Russian regions and neighbouring countries are provided with adequate living conditions and compensated for the costs of relocation and resettlement.

OUTPLACEMENT, RETRAINING AND RELOCATION OF NICKEL PLANT EMPLOYEES

All outplacement proceedings in respect of the Nickel Plant employees have been conducted by the Company in compliance with statutory procedures, with the relevant notices duly sent to the local employment agency, the trade union, the Social and Labour Council, and other stakeholders.

As at the end of 2016, the Company has outplaced 1,680 employees to various positions in Polar Division and other operations.

The Company has signed agreements with 569 employees under the Metallurgy Veterans Programme; as at 31 December 2016, all its participants have received a one-off redundancy payment.

Certain categories of the Nickel Plant redundant employees (vulnerable categories, or women who could not be offered an outplacement) have received additional benefits and severance guarantees. As at the end of 2016, the relevant agreements under these programmes have been signed with 65 employees.

The outplaced employees have been offered professional training to master new professional skills, or to upgrade their qualification category and get clearance for specific types of work. More than 1,158 employees have undergone the training during 2016.

The total cost of social support measures undertaken by the Company in connection with the closure of Nickel Plant has amounted to RUB 1,382 m.

PERSONNEL DEVELOPMENT

In 2014, the Company launched its long-term HR strategy – the Human Capital Development Programme. The Programme sets out the priority areas of human capital development required to facilitate the implementation of the Company's strategy.

The main objectives of the Human Capital Development Programme are as follows:

- to introduce staff segmentation and apply a targeted approach to social benefits in various segments;
- to implement appropriate models in deploying manpower;
- to focus increasingly on the proactive approach and personal initiative;
- to enhance the talent pool;
- to help personnel grow;
- to change the HR focus towards supporting the Company's strategy and acting as a business partner.

Training is one of the key tools of personnel development. Training is an ongoing process and an everyday part of the employee's daily work enabling them to consistently expand and deepen their knowledge and skills, and to enhance professional excellence to meet the Company's development needs. [G4-LA10](#)

The Group's entities organise their personnel training process in accordance with their local internal regulations based on the Model Regulation on Professional Training at MMC Norilsk Nickel.

The professional training process may include training, retraining, skills improvement, and internship. Training takes place at corporate training centres in Norilsk and Monchegorsk (more than 70% of all courses), and independent institutions.

In 2017, the Company intends to transform its corporate training system by enhancing and developing the distance learning option. It also plans to roll out the talent pool management programme for the Norilsk Industrial District. The comprehensive talent pool development programme is to be finalised, with the first version of the industrialised talent pool management process to be tested in production environment. The Company plans to launch its Talent Nurturing project focused on the concept of selection and development of promising employees. Executive professional skills assessment will be extended to cover line managers employed at mining operations.

SYSTEM OF INCENTIVES AND REWARDS

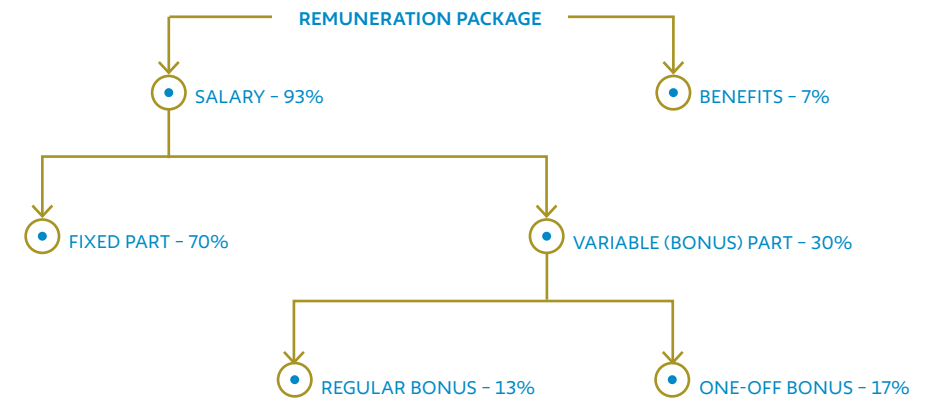
In 2016, the Company approved its remuneration policy, which seeks to recruit and retain employees, promote productive attitude to work, administrative efficiency and simplicity, and compliance with legal requirements.

The key principles that underlie the Company's remuneration system include:

- progressive remuneration system in line with the job grading framework (single approach to salaries and wages);
- single approach to salaries and wages;
- incentivising employees to achieve their goals and objectives by improving individual, business unit and Group performance;
- competitive salary;
- promotion of the Company's image as a responsible and reliable employer.

In 2016, the Company continued its efforts in the introduction of the grading framework, whereby each job and level of remuneration are ranged by reference to the value the Company attaches to the relevant position. Grading is conducted by applying the point factor method to job evaluation that

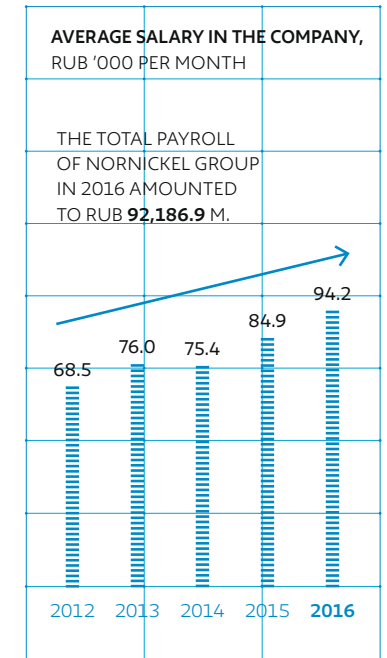
REMUNERATION PACKAGE STRUCTURE IN THE GROUP'S RUSSIAN ENTITIES IN 2016, %



takes into account knowledge and skills, complexity of tasks, and level of responsibility. The grading framework seeks to ensure that the Company delivers on its business objectives and implements its strategy, secures maximum return on investment in human capital, and engages and retains the best professionals.

Executives and white-collar employees are compensated on the basis of the time actually worked by applying the relevant tariffs and wages in accordance with the time-based remuneration system, or the time worked and performance demonstrated in accordance with the time plus

bonus remuneration system. Blue-collar employees are remunerated in accordance with the time-based, time plus bonus, or piecework plus bonus remuneration systems. Bonuses are paid to the employees who have met the bonus award criteria and have scored to achieve the relevant threshold values calculated to factor in the overall performance of the Company, and the relevant unit, as well as the employee's personal contribution. Types of bonuses: for overall operating performance in a given month; for outstanding individual performance; for completion of critical assignments, and other types of one-off awards in accordance with the local regulations.



KEY PERSONNEL TRAINING INDICATORS [G4-LA9](#)

INDICATOR	2012	2013	2014	2015	2016
Employees covered by training, vocational training, retraining and skills improvement ('000)	48.7	47.9	54.1	63.1	70.0
The average annual training volume per employee trained (hours)	115.7	109.6	93.8	92.2	80.8
Training costs (RUB m)	600.7	608.9	661.5	669.1	760.0

KEY COMPENSATION INDICATORS [G4-EC5](#)

REGION	REMUNERATION PACKAGE (RUB '000)	AVERAGE MONTHLY SALARY, (RUB '000)	REGIONAL PAYROLL PERCENTAGE OF THE AGGREGATE PAYROLL, %	MINIMUM MONTHLY COMPENSATION TO STATUTORY MINIMUM MONTHLY WAGE
Kola Peninsula Industrial District (Murmansk Region)	76.6	72.1	12.2	1.0
Krasnoyarsk Territory (except for NID)	47.9	46.9	2.4	1.2
Moscow and other regions of Russia	165.0	157.6	15.0	1.7
Norilsk Industrial District (NID)	103.4	94.5	70.4	1.7

EMPLOYEE AWARDS

In 2016, 4,980 employees of the Group received various awards for their outstanding performance and long-standing and diligent work, including 55 employees honoured with government awards, 303 employees – with ministry and agency awards, 1,338 employees who received awards from regional and municipal authorities, 271 and 3,013 employees who were granted corporate and internal awards, respectively.

SOCIAL POLICY

The social policy of the Nor Nickel Group is implemented in a consistent manner in accordance with its approved regulations. To make changes to the existing programmes, develop new ones and close the programmes that have

achieved their goals and objectives, the Company conducts a thorough and comprehensive review, assesses the most acceptable solutions in terms of social interests, economics of the Company, and the interests of its employees. In addition to that, to ensure prompt identification of gaps in the programme implementation mechanism, the Company monitors such implementation on an ongoing basis.

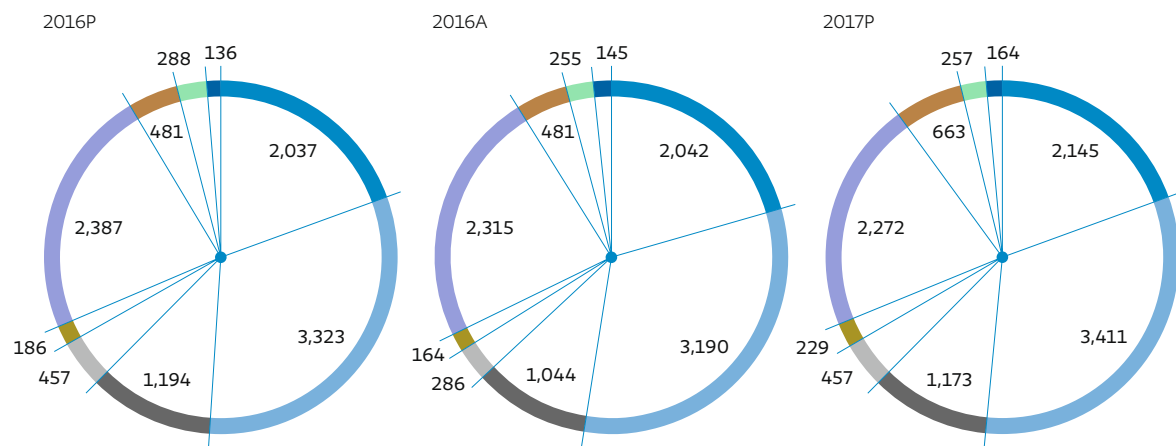
The social package includes the following benefits and compensations:

- payment of return travel and baggage costs to a place of vacation to employees in the Far North and equivalent areas, and their families;

- health resort treatment and vacation to employees and their families at subsidised prices;
- one-off financial aid in the face of certain life events, or hardships;
- additional pensions to employees and other types of social guarantees under the existing collective bargaining agreements and local regulations.

For more details on employee benefits and remuneration, please see Appendix 4 hereto.

EMPLOYEE-RELATED SOCIAL EXPENSES IN 2016, RUB M



- Health resort treatment and vacations of employees and their families
- Reimbursement of round trip travel expenses and baggage fees to employees and their families
- Pension plans
- Relocation assistance to new employees
- Expenses for voluntary medical insurance
- Housing programmes
- Corporate social projects¹
- Financial aid and additional benefits paid to pensioners, former employees and their families
- Other social expenses

¹ Developing target groups, sports and festive events, New Year presents for children.

Co-Funded Pension Plan Programme

In 2016, the Group entities continued implementing its Co-Funded Pension Plan, a corporate private pension programme. The programme targets employees of 20 entities, including the Company's branches and Group entities in the Norilsk Industrial District and Kola Peninsula, as well as the Head Office in Moscow. [G4-EC3](#)

The programme has been in place since 2007; at the end of 2016, more than 17,000 of the Group employees have joined the programme.

The terms of the Programme provide for two pension plans: Parity and Corporate. The Parity Plan is the basic plan where pension savings are co-funded by the employee and the Company on a par (equal) basis. The Company's contribution is equal to that of the employee but may not exceed 7% of the employee's salary. The Corporate Plan is designed for highly skilled employees and/or employees with highly sought-after occupations; within this plan, the Company finances private pension plans for such employees. In 2016, an average participant contribution amounted to 2.70% of the employee's salary, or the Company's average of RUB 2,500.

As at the end of 2016, the Co-Funded Pension Plan has been made available to more than 5,600 people.

Health improvement programmes

The Company's programme of health improvement and health resort treatment that it offers its employees and their families is one of the key priorities in its social policy. The significance of the programme is explained by special working conditions at the Group's facilities, and harsh climate of the Far North where the Company's main operations are located.

PARTICIPANTS OF THE CO-FUNDED PENSION PLAN IN 2016

INDICATOR	2016	2017 (PLAN)
Total participants	17,322	18,958
Kola Peninsula Industrial District (Murmansk Region)	2,867	3,201
Moscow and other regions of Russia	18	25
Norilsk Industrial District (NID)	14,437	15,732

VACATION PROGRAMMES

NUMBER OF PARTICIPANTS IN 2016

Zapolyarye Health Resort (Sochi)	10,301
Kolsky Health and Spa Centre (Monchegorsk)	1,689
Non-corporate health resorts, incl.:	7,958
Rossiya Health Resort (Altai Territory)	509
Roza Khutor, Imeretinsky resorts ² (Sochi)	7,356
Rosa Springs Health Resort (jointly with the Imeretinsky resort) (Sochi)	5,232
Rossiya Health Resort (Republic of Crimea)	1,573
Primorie Holiday Centre (Gelendzhik)	601
other non-corporate health resorts	43
Vacation for children (incl. Anapa and Bulgaria)	1,508
International vacation programme	5,160
Total participants	26,616

² Wellness programme offered by the Rosa Khutor ski resort and Imeretinsky is combined with the treatment offered by the Zapolyarye Health Resort.

Our Home and My Home Programmes

Our Home programme has been implemented since 2010 and is offered at Polar Division, Polar Transportation Branch, and Kola MMC. My Home programme was launched in 2011 and includes 13 Group entities operating in Norilsk, Taimyrsky Dolgano-Nenetsky Municipal District and Murmansk Region.

Both programmes seek to address the shortage of strategically important critical and key personnel and to create stable core staff at the Group entities located in the Far North. Preference is given to line managers and highly skilled blue-collar employees.

The Company purchases ready-for-residence flats located in Russian regions with comfortable living conditions and provides those to eligible employees under co-financing terms: the Company pays up to a half of the flat price and the rest is paid by the employee during a specified period of the employment term (5 to 10 years). The flat is registered as the employee's property upon completion of their participation in the programme. Employees can use the flat immediately after receiving it. The flat price remains unchanged throughout the term of the programme.

Since the start of the programmes, the Company has purchased 3,404 flats.

The Company's obligations to annually purchase up to 550 flats for its employees are stipulated by the Collective Bargaining Agreement of MMC Norilsk Nickel. In 2016, the flats were purchased in the Tver Region and Krasnodar Territory.

Temporary Assistance Programme for Employees of Polar Division and Kola MMC in Acquiring Residential Property

In September 2016, the Company piloted the Temporary Assistance Programme for Employees of Polar Division and Kola MMC in Acquiring Residential Property, a new housing programme aimed at social support and employee retention. It is designed to give the Company's employees a greater choice in determining their future region of residence and quality of housing, and encourage them to make responsible decisions. To this end, the Company provides employees with interest-free loans to make a down payment due in up to ten years and partially repays mortgage loan interest. In 2016, 122 people joined the programme.

Sporting and mass public events programme

The programme of sporting and mass public events seeks to foster the corporate team spirit, develop corporate culture, promote a healthy lifestyle and maintain favourable psychosocial climate within teams. For this purpose, the Company has set up the Physical Fitness and Sports Promotion Council.

The Company welcomes regular fitness sessions of its employees, organises and holds annual corporate sports events and competitions attended by dozens of thousands employees, their families, and local community.

The events include the annual Polar Division Olympics, Kola MMC Olympics, Norilsk Nickel Ski Track health marathon, "Dad, Mum and I – a Sporty Family" corporate competition, swimming, futsal,

volleyball, basketball, alpine skiing, snowboarding competitions, and sport events dedicated to the Metallurgist Day and other high days and holidays. The annual Polar Olympics, a winter family competition, brings together the Group's corporate and municipal teams.

The corporate competitions encompass 10 sports.

Programmes supporting former employees and their families

The ongoing post-retirement support of its former employees is part of the Company's corporate social policy.

The Company's Veterans programme has been designed to support unemployed pensioners who permanently reside in Norilsk. The conditions for programme participation depend on the employee's length of service or permanent disability status. Financial aid is paid by the Social Security Fund of the Norilsk Industrial District from the charitable contribution made by the Company.

The former employee financial aid programme establishes the amount of the benefit paid upon retirement by reference to the employment period.

The Pensioner Financial Aid Fund provides financial aid to former employees who retired prior to 10 July 2001 provided they had been employed by the Company's units for more than 25 years and permanently reside outside of the Norilsk Industrial District. The Fund relies on voluntary monthly contributions from employee salaries and equal charitable contributions from the Company's budget.

The Company also provides targeted assistance to its former employees and their families to pay for health improvement and medications, funeral services, and helping in financial distress.

THE COMPANY'S AWARDS AS A RESPONSIBLE EMPLOYER

In 2016, the Company was honoured by a number of significant awards attesting to the high opinion shared by its employees and expert community in respect of its personnel management practices.

- The Company received the Randstad Award 2016 as one of the most attractive employers in the Russian metals and mining sector.

- Norilsk Nickel took the 3rd prize in the All-Russian Creating the Future competition that promotes best talent engagement practices. The competition sponsored by the Ministry of Education and Science of the Russian Federation is held every year.
- In 2016, Norilsk Nickel was included in the Russia's top employer rating by the Head-Hunter portal. The contest brought together 233 companies representing all industries and regions of the country. The rating was based on the scores from job seekers and employees, and took into account the performance of the contenders' HR departments.
- Norilsk Nickel with its integrated communication programme Creating the Future has won the Silver Archer award for the Best Corporate Communication and Corporate Media Project.

8.2. DEVELOPING LOCAL COMMUNITIES

Norilsk Nickel is one of the major employers and taxpayers in Russia¹. The Company makes significant contribution to the development of local communities by implementing a range of social programmes that address current and future objectives taking into account stakeholder opinions and the results of the comprehensive analysis of the current situation and potential impact. [G4-SO1](#)

Norilsk Nickel's key regions of operation in Russia include the cities of Norilsk and Monchegorsk, Taimyrsky Dolgano-Nenetsky Municipal District of the Krasnoyarsk Territory, Pechengsky District of the Murmansk Region, Tazovsky District of the Yamal-Nenets Autonomous

G4-DMA LOCAL COMMUNITIES
G4-DMA INDIRECT ECONOMIC IMPACTS

COMPANY'S CONTRIBUTION TO THE DEVELOPMENT OF LOCAL COMMUNITIES [G4-EC8](#)

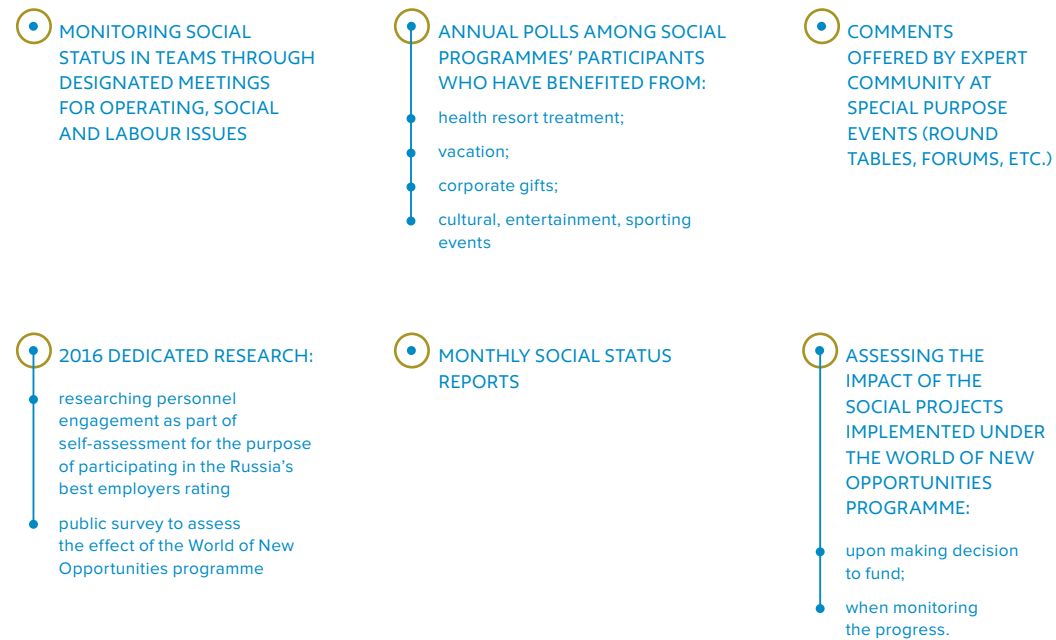
THE GROUP'S OPERATIONS AS A BACKBONE OF LOCAL ECONOMIES

- Making tax payments to local budgets
- Facilitating employment in local communities
- Fostering cooperation with local businesses
- Developing local social infrastructure
- Organising regular charitable programmes
- Operating socially oriented assets and assets essential for local community support

COOPERATION AGREEMENTS WITH GOVERNMENT AUTHORITIES

¹ The information presented in this section refers to the Company's Russian operations.

TOOLS USED BY THE COMPANY IN ASSESSING THE IMPACT OF ITS PROGRAMMES

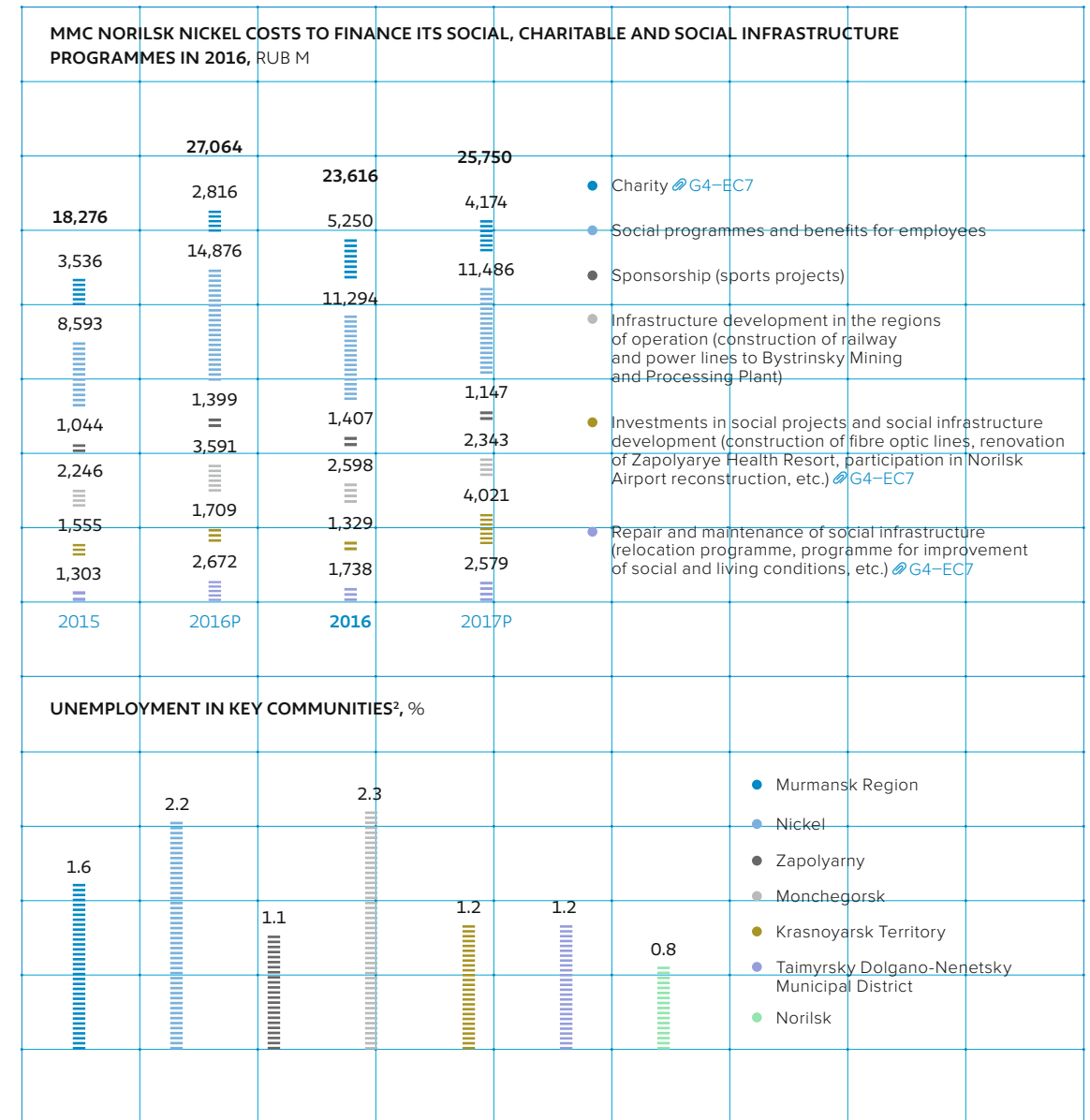


EMPLOYING LOCAL POPULATION

As the major employer across its footprint, the Company implements a set of initiatives to provide jobs and career guidance to local communities, including to younger population groups.

To reduce unemployment and staff its Polar Division units, MMC Norilsk Nickel and Norilsk Employment Centre signed a cooperation agreement with the view to retraining those out of work for the most needed blue-collar jobs.

The career guidance events staged by the Company focus on children and young people under 35 y. o., and constitute part of the regional and municipal interagency initiatives to implement the 2020 Occupational Guidance Strategy in the Krasnoyarsk Territory and the City of Norilsk.



² As at the end of the reporting year.

Area, Gazimuro-Zavodsky District of the Trans-Baikal Territory, a prospective region where the Bystrinsky Mining and Processing Plant is being constructed. In the Tver Region, the Company is engaged in the construction of housing for its employees under My Home and Our Home programmes. Saratov hosts the Company's General Service Centre that opened in 2016. Norilsk Nickel has entered into social and economic partnership agreements with the govern-

ments of the Krasnoyarsk Territory, the Murmansk Region, the Trans-Baikal Territory, the Tver Region, and the Saratov Region.

Norilsk Nickel sees its social policy priorities in maintaining social stability in teams engaged in the Group's operation, and in local communities. The Company regularly assesses the impact of its social programmes and adjusts them accordingly.

BUDGET PAYMENTS

In the reporting year, Norilsk Nickel's payments to budgets of all levels and non-budget funds rose by 3% year-on-year, reaching RUB 91.5 bn. Higher tax and non-tax payments are due to the planned payroll increase. Decrease in income tax and environmental payments are due to the deduction of the overpayment recorded at the beginning of the year. G4-EC7

TAX AND NON-TAX PAYMENTS¹ TO BUDGETS OF VARIOUS LEVELS, RUB BN

BUDGET	2012	2013	2014	2015	2016
Total tax and non-tax payments, including	78.6	72.3	79.2	88.7	91.5
federal budget	23.5	16.7	13.5	11.9	14.1
Krasnoyarsk Territory consolidated budget	32.2	28.8	37.1	43.6	41.6
the budget of the city of Norilsk	4.0	3.7	4.1	5.5	4.7
Murmansk Region budget	5.7	5.7	7.0	8.2	7.8

¹ Tax and non-tax payments include all taxes paid, net of VAT and dividend income tax, as well as insurance payments and customs duties.

Key career guidance events:

- excursions,
- exhibitions,
- open days,
- public lectures,
- dedicated lessons (Company's Lessons, Norilsk Nickel – Not Just Dreams),
- career contests (Add Colours to your Town, My Parents' Job is Safe, I Would Become a Worker, Dreaming of a Future Career),
- additional education programmes for students of dedicated universities,
- Conquerors of the North, a business career guidance game for interns,
- schoolchildren and student work brigades,
- social skills training programmes for high school students,
- intellectual quizzes (What? Where? When?),
- Arctic Wave festival of R&D discoveries,
- Arctic.PRO R&D marathon.


Annually, all Norilsk educational institutions and teachers actively involved in the Company's career guidance efforts are invited to take part in the contest promoting innovative pedagogical practices in vocational counselling. The Company enlists its young specialists to take part in its professional engagement programmes seeking to establish a direct dialogue with school students, and shape up a positive attitude to joining the Nornickel team and living in the areas of the Company's operations.

In 2016, the Company's integrated younger generation professional engagement project won the award as Russia's Best Social Project sponsored by the Agency for Strategic Initiatives. The project seeks to stir up an interest in R&D creativity, and introduce new educational technologies to motivate children and youth to acquire professions sought after by the Company.

In 2016, the target audience of the Company's career guidance events exceeded 25,000 people.

COOPERATION DEVELOPMENT

As part of its social and economic partnership agreements entered into in 2009 and 2016, the Company has been cultivating cooperation with the companies of the Krasnoyarsk Territory and the Murmansk Region. By implementing these agreements the Company has managed to make significant contribution to the development of local communities not only through its investment projects, but also by providing assistance to regional companies, creating local jobs, and paying local taxes.

 For social infrastructure development, please see the interactive version of this Report.

RELOCATION PROGRAMME


Since 2011, the Company has been contributing to a long-term target programme to relocate people living in Norilsk and Dudinka (the Krasnoyarsk Territory) to other Russian regions with favourable climate conditions.

The programme envisages relocation, over the span of 10 years, of 11,265 families (1,126 families per year) registered with the respective municipalities as those entitled to housing subsidies under Federal Law No. 125-FZ On the Housing Subsidies for Citizens Migrating from the Far North Regions and Equated Territories dated 25 October 2002.

The Company participates in the programme as a benefactor, with its donation to the programme totalling RUB 8.3 bn. Since the launch of the programme, the Company has contributed a total of RUB 5,331 m to the Krasnoyarsk Territory budget, including RUB 830 m in 2016. During 2011–2016, 5,786 families¹ purchased apartments and moved to the "mainland," including 4,796 families from Norilsk and 990 families from Dudinka. In 2016, a total of 648 home purchase certificates were issued.

Federal funding for the target relocation programme was reduced in 2015 and suspended altogether in 2016, whereas contributions from the Company and regional and local budgets remained unchanged. The Company plans to discharge its obligations under the programme donating RUB 830 m each year up to the expiry of the Agreement in 2020.

COMPREHENSIVE NICKEL PLANT SHUTDOWN PROGRAMME

 In August 2016, MMC Norilsk Nickel completed an important phase of a large-scale, environment-focused programme for smelting capacities reconfiguration as outdated Nickel Plant was shut down in Norilsk two months ahead of the schedule. The project has been implemented in accordance with the agreement entered into in 2014 among the Company, the relevant ministries, and regional and local authorities. Prior to the shutdown, the Company ramped up its nickel concentrate processing capacities at its other production facilities (Kola MMC, Norilsk Nickel Harjavalta and Nadezhda Metallurgical Plant), and put in place an unprecedented programme of outplacement, retraining and relocation of the plant's employees. The plant shutdown has allowed to substantially decrease SO₂ ground level concentrations in the residential area of Norilsk.

[G4-MM10](#)

CONSTRUCTION OF A NOVY URENGOY-NORILSK FIBER OPTIC COMMUNICATION LINE

In late 2014, the Company made a decision to build a fibre optic communication line between Novy Urengoy and Norilsk. This significant project was launched in line with the Company's development strategy to meet the Norilsk Industrial District's need for high-speed internet connection and state-of-the-art mobile services.

The line will be 956 km long, with approximately 460 km using the existing power lines, 190 km running through a permafrost zone with no infrastructure, and 3.5 km beneath the Yenisey River with a radio relay link as a backup.

The project is funded by MMC Norilsk Nickel, with organisational support provided by the Krasnoyarsk Territory authorities. The total project costs are estimated at RUB 2.5 bn.

In 2016, the Company held tenders and selected contractors, with materials procured and supplied. In February 2016, the construction and installation of the communication line started.

PODSOLNUKH STORE CHAIN

The Podsolnukh store chain, a part of the Norilsk Nickel Group, takes its fair share of the retail market in the Norilsk Industrial District with eight stores, including one hypermarket. One of the store chain's priorities is to provide local population with an opportunity to buy socially significant basic groceries at affordable prices.

The SKU range of the chain includes 31 types of socially significant goods (vegetables, fruit, grains, dairy products, meat, canned foods, eggs, sugar, etc.) that are offered at prices significantly lower than in other stores of the Norilsk Industrial District. 2016 witnessed a twofold increase of the socially significant goods sold in the Podsolnukh store chain (from 10% to 23% of the total turnover).

COOPERATION DEVELOPMENT IN FIGURES

INDICATOR	ACROSS	
	THE KRASNOYARSK TERRITORY	THE MURMANSK REGION
Procurement tenders for goods and services held by the Company	1,573	937
Locally awarded procurements in the aggregate tenders held by the Company, %	61.79%	54.54%
Group's procurement costs in the region, RUB m, incl.	18,384.6	1,487.1
for services	2,684.0	1,487.1
for physical resources	14,757.3	0
for food supplies	943.3	0

¹ As of January 2017.

The Podsolnukh store chain welcomes from 10,000 to 13,000 people daily. The annual consumer traffic in 2016 increased by 4% as compared with 2015, with the absolute figure exceeding 4 million people. The average retail prices in the Podsolnukh store chain appreciated a fraction over 1% in 2016, which is notably less than the official inflation rate.

CHARITABLE PROGRAMMES

The main objective of the Company's charitable programmes is to improve the overall business environment and mitigate social problems across the regions of Norilsk Nickel's operations.

Nornickel's new charitable strategy first launched in 2014 has been since then deployed in the following three directions:

1. Comprehensive charity: transition from one-off donations to a more efficient grant-based social investments scheme, development of social infrastructure, and establishment of local partnerships through cooperation agreements and joint projects.
2. Support and donations targeting specific organisations, provision of aid in the aftermath of natural calamities and catastrophes.

3. Socially oriented business: inclusion of socially oriented assets and social infrastructure in the Group's assets.

The Company's charity mechanisms seek to improve the effect of charitable initiatives and to support local communities' social improvement projects. The Company places a high emphasis on development of civil institutions and improvement of the region's reputation both locally and nationwide.

PARTNERSHIP

Objective	<ul style="list-style-type: none"> • Support public initiatives, impart new skills to the participants, and develop local expertise.
Grant competition	<ul style="list-style-type: none"> • The annual socially responsible initiatives competition with free grants for winners. • Project geography: Norilsk, the Taimyrsky Dolgano-Nenetsky Municipal District, Monchegorsk, and the Pechengsky District. • Competition participants: non-profit organisations and associations, government and municipal bodies. • Participants may submit their projects in one of the following 8 nominations: POLE OF GOODNESS (volunteer movement, social support of vulnerable population), POLE OF THE FUTURE (new methods and technologies in engaging children, teenagers, young people; R&D creativity, vocation counselling, spiritual guidance and patriotic education), POLE OF THE CITY (development and redevelopment of public spaces and courtyards), POLE OF RENAISSANCE (maintaining and recovering cultural heritage), POLE OF ENERGY (promotion of healthy lifestyle), POLE OF NORTH (nurturing environmental awareness); POLE OF GROWTH (organisational development of non-profit entities), NEW POLE (a special nomination for proactive and ambitious secondary school students).
Participant training ¹	<ul style="list-style-type: none"> • Academy for social partnership and development: workshops, meetings, presentations and round tables on social projects, management, expertise and project promotion, analysis of application process mistakes. A new topic introduced in 2016 is monetisation of social projects. • Social engineering workshop: a three-day learning session that takes participants all the way through from idea generation to the project implementation in the form of a city-wide campaign. • The proactive attitude of the participants has risen noticeably: in 2016, the Company held as many training sessions, workshops and round tables as during the period of 2014–2015. The programme involved approximately 1,800 people.

¹ All training is free for the participants under the World of New Opportunities programme.

INNOVATIONS

Objective	<ul style="list-style-type: none"> • Facilitate the implementation of advanced technologies, foster R&D potential and encourage innovation in engineering.
Arctic.PRO R&D marathon	<ul style="list-style-type: none"> • Held since 2014. • Target audience – schoolchildren of Norilsk, the Taimyrsky Dolgano-Nenetsky Municipal District, Monchegorsk and the Pechengsky District. • Three stages: an online quiz, a personal invention contest, and a winter R&D school for finalists (Kazan in 2016, Krasnoyarsk in 2015, and St Petersburg in 2014). • In 2016, a total of approximately 600 children participated in the marathon.
FabLab, an innovation and creativity laboratory	<ul style="list-style-type: none"> • FabLab-Norilsk and FabLab-Monchegorsk were launched in 2015. • The laboratories feature cutting-edge equipment (3D scanners and printers, laser and milling machines, plotters, lathes, moulding machines, etc.) enabling experiments, 3D printing, robot engineering, creation of unique designer items and interior decorations, programming, and inventions. • The FabLab laboratories host training courses and workshops for schoolchildren, university students, IT professionals, engineers and other keen participants. • In 2016, the Monchegorsk laboratory hosted a foresight session with the view to further expanding the FabLab project, and to defining avenues for development, including establishment of an autonomous non-profit organisation and involvement of local communities in the laboratory's efforts.
Arctic Wave festival of R&D discoveries	<ul style="list-style-type: none"> • The festival took place in Norilsk and Monchegorsk in 2015 and 2016 drawing over 8,000 participants each time. • Objective: to promote science and technology among the youth, support creative engineering and innovative thinking in schoolchildren, and demonstrate development potential of global and domestic R&D. • Over 20 interactive sites hosting science battles and team games, quests and contests, experiments and tests, lectures by young scientists and educational R&D shows.
6 th All-Russian Science Festival in Krasnoyarsk	<ul style="list-style-type: none"> • MMC Norilsk Nickel became general partner of the festival in 2015. • Educational R&D lectures, science shows, workshops and contests. • In 2016, over 40 R&D organisations, universities, innovation centres, plants and enterprises of the Krasnoyarsk Territory and other Russian regions took part to showcase their most advanced products. • The Company initiated and sponsored participation of a delegation representing supplementary education facilities for children and cultural institutions from Norilsk and Dudinka that focus predominantly on R&D projects.
School of Urban Competencies	<ul style="list-style-type: none"> • Held since 2014. • A joint project by MMC Norilsk Nickel and the Kudrin Fund for Supporting Civil Initiatives. • The goal is to raise financial awareness, foster social activism and encourage new projects. • The target audience includes high school students and teachers from Norilsk, the Taimyrsky Dolgano-Nenetsky Municipal District, Monchegorsk and the Pechengsky District of the Murmansk Region. • In 2016, the School hosted workshops for teachers and schoolchildren and staged the Our City educational festival. 50 senior school students who succeeded in the project went to Anapa to take part in a training expedition conducted in form of a business game that sought to nurture leaders and activists for children's community organisations and project groups, as well as student self-government practices.

DEVELOPMENT

Objective • Engage active citizens and business community to address social issues of the local communities through business projects.

Social Entrepreneurship Course

- The course runs in Monchegorsk (with some attendance from the Pechengsky District) and Norilsk.
- The course includes theory of social entrepreneurship, business planning and investment analysis.
- The attendees get free guidance and advice to develop and promote business ideas addressing any given social problems.
- The course deliverables come in the form of a business plan for implementing a social entrepreneurial project.
- Course graduates may submit their business projects for expert review, with the best projects getting funding from the Company in the form of an interest-free loan.
- Two clubs of socially responsible businessmen were open in Norilsk and the Murmansk Region in 2016. They brought together the most active representatives of small and medium business. Objective: to share experience, learn new trends and technologies of doing business, discuss plans, and forge partnership connections.
- In 2016, the Company financed regional and federal outdoor events for club members, including their participation in the All-Russian Convention of Social Entrepreneurs held in Skolkovo, the Moscow Region.
- The Company received two awards at the All-Russian Competition Russian Business Leaders: Dynamics and Responsibility 2016 held as part of the 10th Russian Business Week. One of these awards celebrated the Company's success in the nomination For Support and Development of Social Entrepreneurship.

The Company's charity efforts centre around the World of New Opportunities programme. In 2016, it was recognised as the Best Charity Promotion Programme as part of the 9th annual review Leaders of Corporate Charity. Polls undertaken by Polar Division and Kola MMC demonstrate that the programme is positively viewed by local population, non-commercial organisations, and authorities.

The programme covers three focus areas: Partnership, Innovations, Development.

In 2016, the funding for the World of New Opportunities programme amounted to RUB 144.3 m.

Target assistance

The Company continued providing targeted charitable donations in response to special requests from organisations. In 2014, the Polar Division and Kola MMC set up dedicated charity committees to review organisations' applications.

Certain donations also get approved by the Company's management. In 2016, the Company helped construct outdoor swing sets, supported entities dealing with vulnerable demographics (veterans of the Great Patriotic War, invalids, multi-child families, special needs children, financially disadvantaged citizens); and financed participation of local non-profit organisations and entities in various sports competitions, creativity contests, etc.

In 2016, Polar Division and Kola MMS donated a total of RUB 370.7 m in response to requests from organisations.

CORPORATE VOLUNTEER PROGRAMME

Nornickel launched the Plant of Goodness corporate volunteer programme in December 2015. Over the year, Moscow, Norilsk and the Kola Peninsula hosted more than 60 various charitable campaigns, which lasted over 60,000 hours and engaged 5,000 employees.

The corporate volunteer programme helps the Company achieve its business goals as volunteers' mobility, responsibility and leadership represent the very qualities required by the Company to boost its performance and underpinning its personnel development model. The Company provides organisational and financial support to its employees' volunteer initiatives. One of the significant events in 2016 was the launch of the Employees' Personal Donation Programme with the matching contributions committed by the Company. Any employee of the Head Office (and, in future, of Kola MMC) who has a personal account on the intranet portal can take part in the programme. In 2016, the donations exceeded RUB 3 m.

In the reporting year, the Company for the first time joined the Good-Hearted Bazaar, a New Year charitable fair. Moscow's most known charitable event held at the Gostiny Dvor welcomed 13,000 guests.

The Company's regions of operation hosted a Let's Do It corporate volunteer environmental marathon engaging local activists, participants of the Plant of Goodness programme and caring town residents.

The Engineers of the Future intellectual forum held in Moscow brought together the best regional Plant of Goodness volunteers.

The most exciting events of the volunteer programme in Norilsk were Norilsk, Run with Me! and the Cinderella amateur show. The Kola Peninsula hosted a DobroNickel in Zapolyarny family fest, Orange Ball of Friendship and Warm Hose charitable initiatives.

Another interesting event titled Engineers of Goodness was held as part of the Company's annual social technology forum where, within one

day, Nornickel employees developed and presented their socially important projects and ideas. The Company awarded grants to the best projects.

In December 2016, Nornickel revealed the findings of Russia's first ever research named Corporate Volunteering in Russia: Status and Recommendations. The research was initiated by the National Corporate Volunteering Council and the Company. Its findings may be used as a tool to foster corporate volunteering and boost the efficiency of programme managers and coordinators.

As at the end of 2016, Nornickel became one of the three winners of the Champions of Goodness national contest, receiving an award in the Environment nomination for its environmental volunteer programme in the Krasnoyarsk Territory, Murmansk Region and Moscow.

SPONSORING VOCATIONAL TRAINING
MMC Norilsk Nickel helps develop the material, technical and academic potential of Norilsk's vocational training institutions to improve the quality of training for in-demand jobs and reduce the adaptation time for graduates hired by the Group.

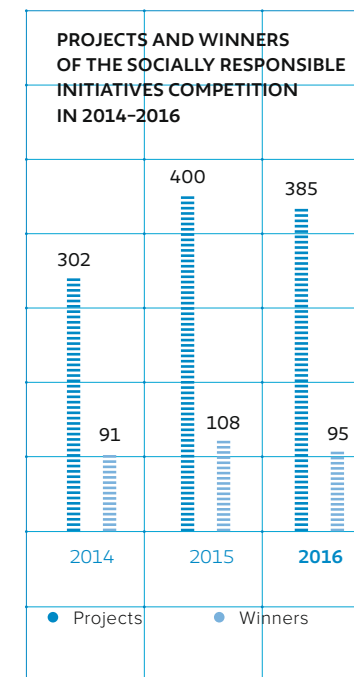
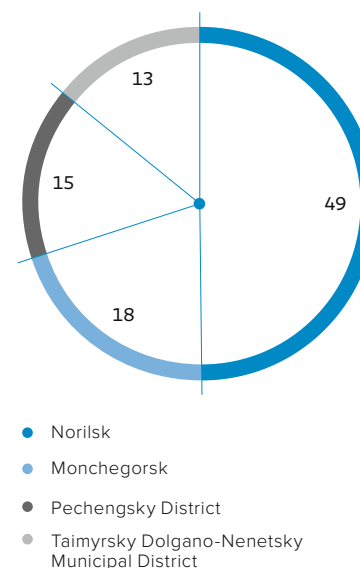
The financial support targets long-term projects implemented in conjunction with the Norilsk Polytechnic College, Norilsk Industrial Engineering and Service College, and Norilsk Industrial Institute.

After the Norilsk Industrial Engineering and Service College had been provided with a full upgrade of its infrastructure with the support of the Company's Polar Division, it won the Best Industrial Partnership College award in the Educational Establishment of the 21st Century. Leaders League – 2016 All-Russian competition.

In 2016, the Polytechnic College of the Norilsk State Industrial Institute opened the Electric Drive, Machines and Apparatuses and TPS Boiler Equipment laboratories after the previously purchased equipment was assembled and installed.

In 2016, the Company and the Siberian Federal University entered into a cooperation agreement to build a new sci-tech centre, which will operate as a laboratory for the development of a dynamic QC system to monitor the extraction and processing of mineral resources.

2016 WINNERS – STRUCTURE BY TERRITORY, %



SUPPORTING SPORTS PROJECTS

Norilsk Nickel sponsors strategic Russian and international sports organisations.

In accordance with the agreement entered into by the Company in 2016, Norinickel obtained the status of General Partner of the Russian Olympic Committee and the Russian Olympic team. This would enable the Company to provide support to youth and high performance sports for up to 2021, including to assist with the implementation of Olympic educational programmes of the Russian International Olympic University for a total amount of over RUB 1 bn.

In April 2016, the Company signed a partnership agreement with the International University Sports Federation (FISU), under which the Company as an official partner of FISU will be promoting the international university sports movement. FISU is the main body to supervise international universiades and university championships, including the upcoming XXIX International Winter Universiade to be held in 2019 in Krasnoyarsk.

Nornickel continues providing support to CSKA professional basketball club, Russia's most successful and award-winning basketball club. In 2016, the team won the EuroLeague Final Four over the strongest European basketball clubs.

In 2015, Norilsk Nickel became an official partner of the Russian Football Union in promoting youth

and grassroots football, and an official partner of Russia's national football team.

The Company provides sponsor support to the Norilsk Nickel futsal club. Located in Norilsk since 2016, the club participates in the Russian Super League Championship and Russian Futsal Cup. Its relocation gave a powerful push to the development of minifootball in the local community, as the team members and coaching staff are now directly involved in the promotion of children's sports in polar regions, putting the club's motto Playing for the City – Playing for the Region! into practice.

Starting from 2015, Nornickel has been acting as a general partner for the Futsal to Schools national project, which seeks to include this sport into health and fitness engagement programmes offered by Russian educational institutions as part of extra-curriculum activities. The Company supervises the Futsal to Polar Region Schools programme.

For the eighth year running, the Company has been sponsoring the Russian Cross-Country Skiing Championship in Monchegorsk. This championship is currently the only nationwide sports competition held in Monchegorsk. Around 200 people from 26 regions participate in the marathon, including leading Russian athletes.

[📄](#) For more details on support of corporate sports, please see the *Employees and Social Policy section*.

XXIX International Winter Universiade 2019 in Krasnoyarsk

The Company, acting as general partner of the XXIX International Winter Universiade that will take place in 2019 in Krasnoyarsk, has been honouring the obligations it assumed in 2015 to prepare the venue for the upcoming worldwide sports event.

The Bobrov Log Fun Park, one of the investment projects of Nornickel, has become a construction site for a new athletic training complex to be equipped with a broadcasting system and an integrated security system, expanded ski trails, an ambulance helicopter pad, new equipment, etc.

Seven trails of the Bobrov Log Fun Park will welcome the athletes of the XXIX International Winter Universiade 2019, who will compete for nine sets of medals in five disciplines – slalom, giant slalom, super giant, alpine skiing combined, and PSL.

The Company's participation in the Winter Universiade will help create the most advanced sports infrastructure in compliance with global standards, designed for professional sportsmen training, provide more comfortable and safer conditions for participants at the start point on the trail, and broadcast the alpine competitions using the most up-to-date equipment.

The Company has arranged for training of highly skilled personnel and volunteers who will be involved in the Winter Universiade 2019. The funding provided by Nornickel

will pay for the training of sports facilities' administrators, heads of functional divisions and sports top managers, as well as leaders of volunteering teams which will be organised in 2017–2019 on the basis of the Russian International Olympic University and the Siberian Federal University.

The Company was officially announced general partner of the XXIX International Winter Universiade on 15 February 2016.

With a view to promoting sports among different audiences and expanding the target area of presentation for the Krasnoyarsk XXIX International Winter Universiade 2019, Nornickel is supporting various engagement and cultural events, assisting with the branding of three NordStar aircraft running both domestic and international flights with the symbol of the Winter Universiade 2019, to be followed by the branding of other transportation means and art objects in various locations.

SUPPORT FOR CULTURAL PROJECTS

Supporting cultural projects is part of the general strategy the Company pursues in the sphere of charity, which includes two major directions.

Federal cultural projects

In 2016, Nornickel acted as a general partner of the Golden Mask in the Cinema project. Golden Mask in the Cinema is a unique nationwide theatre project making stage productions of the best Russian theatres available to a broader audience. The Company has supported cinema-based online broadcasting of winning productions of the famous festival across the country.

Nornickel sponsored the Russia – My History exposition held in the historical park at the Exhibition of Economic Achievements in Moscow. The Company's participation in this project has become a natural follow-up to the educational projects raising awareness of the national history, including those connected with the exploration of the Arctic Region and the Russian North (Arctic Days in Moscow forum, VI International Forum Arctic: the Present and the Future, etc.).

In 2016, after the reconstruction financed by the Company, the Russian Salon at the United Nations Office in Geneva held its opening ceremony. The Company's efforts have been appreciated personally by S.V. Lavrov, Head of the Ministry of Foreign Affairs of the Russian Federation.

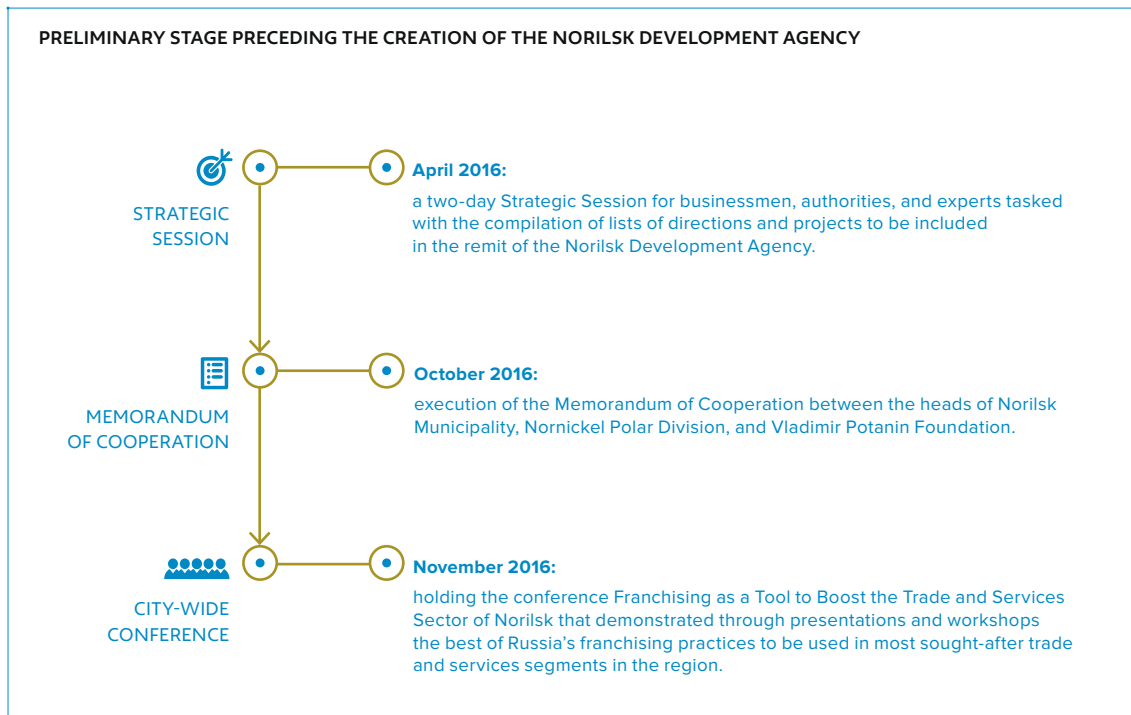
Local cultural projects

The Company has supported the following most talked about cultural events that took place in its local communities:

- an exhibition of local modern art Cosmic Descent organised to celebrate the 55th anniversary of the first human space flight, and the Space Exploration Day (Norilsk);
- the IX International Documentary Cinema Festival Nordic Character (Norilsk, Murmansk);
- the Big Argish festival that demonstrates social, cultural, tourist, and business potential of the Russian North (Norilsk).

The Company annually holds the Star Corporation creativity contest among its employees, proposing to compete in musical and artistic, and ornamental areas. In 2016, the festival celebrated its 11th anniversary.

The Company holds corporate festive events with popular Russian and local music bands and performers as a must-have; employees' kids are invited to theatrical performances. The annual audience of such festive events exceeds 20,000 people, half of which are employees' children.



In 2016, the Company was named the winner of the IABS' Gold Quill Awards, an international professional award, in two nominations: Special Event, and Audio/Visual Communications for its Go Show project, the northernmost 3D show, and the northernmost flashmob, organised as part of the previous year's celebration of its 80th anniversary.

One of the nominations in the World of New Opportunities Socially Responsible Initiatives Competition is the Renaissance Pole. It serves to support projects designed to preserve and give new life to cultural heritage, tap into creative potential, develop various forms of art, and offer new leisure activities for the local communities.

Under the programme, which has been in place since 2014, MMC Norilsk Nickel sponsored 57 cultural projects in Norilsk, the Taimyrsky Dolgano-Nenetsky Municipal District, Monchegorsk, and the Pechengsky District, with 20 of them in 2016.

Norilsk Development Agency
Key objectives of the Agency: launching projects for economic diversification and urban space transformation, creating a favourable investment climate in the city, providing support for small and medium-sized businesses, and promoting local employment and self-employment. In addition, there are plans to develop a tourism cluster based on local natural and production facilities, hold training sessions and promote branded businesses and entrepreneurial initiatives. The Agency is scheduled to start its operation in 2017.

The Norilsk Development Agency project is being implemented in conjunction with the educational project for introduction of the best urban development practices throughout the Company's regions of operation: Russian Municipal Map: Points of Growth. In 2016, in conjunction with the Kudrin Fund for Supporting Civil Initiatives, the Company held a series of workshops and hands-on sessions for representatives of the Administration of Norilsk and Taimyrsky Dolgano-Nenetsky Municipal District, with subsequent visits to Perm and Cherepovets to share experience in urban development. Norilsk businessmen and tourist experts were welcomed to share their thoughts at a special venue at the big Argish festival.

Chita Project

The Company continues implementing the comprehensive public-private partnership programme to develop mineral resources of the Trans-Baikal Territory (Chita project). This project, one of the key ones comprising the Company's growth strategy, contemplates construction of the Bystrinsky Mining and Processing Plant, a concentration facility, a rotation camp, railway and power grid infrastructure. The operation will create approximately 2,000 jobs, including those at auxiliary and satellite facilities, and increase tax proceeds. The project is expected to be completed as scheduled.

The Company's successful public-private partnership experience in implementing this project in 2016 was presented at the Eastern Economic Forum.

8.3. TRANSPORT ACCESSIBILITY

The essential role of our transport and logistics operations for communities across the Group's operations is due to remote location of Norilsk Nickel's key production facilities, their position as a mainstay of local economies, and the severe Arctic climate.

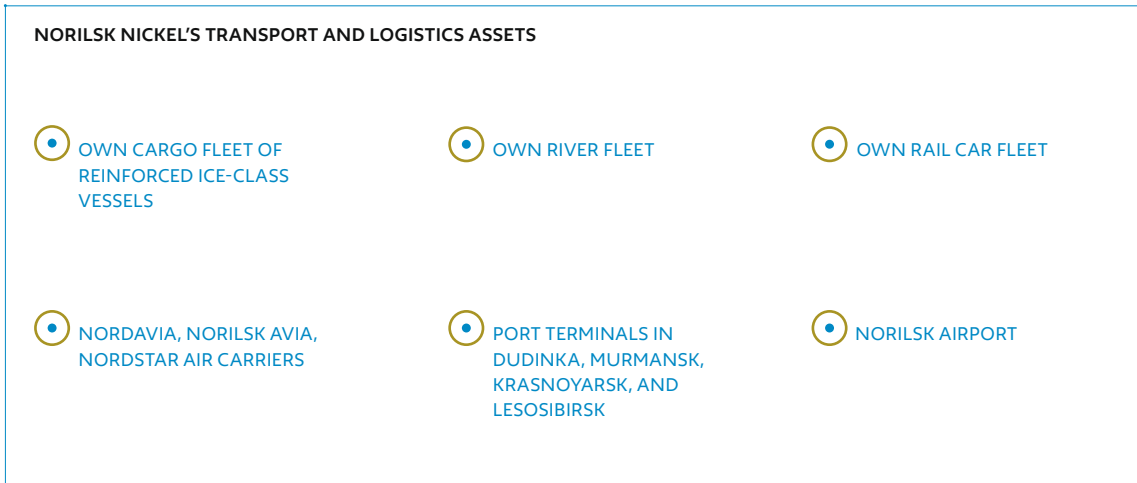
G4-EC8

The Company's own cargo fleet includes 6 reinforced ice class vessels (ARC 7 according to RMRS). The technological capacities of the vessels allow overcoming polar ice up to 1.5 m thick without icebreakers. Five Norilsk Nickel container vessels, and the Yenisey tanker ensure year-round service between Dudinka, Murmansk, Arkhangelsk, Rotterdam and Hamburg sea ports, and also offer commercial voyages to other destinations.

The Company's own river fleet consists of 163 self-propelled vessels, and 392 non-self-propelled vessels.

Yenisey River Shipping Company transports socially important cargoes to various destinations across the Krasnoyarsk Territory. During the short period of spring floods, it ensures delivery of fuels and lubricants, food and other goods to locations with limited transport accessibility on the Podkamennaya and Nizhnyaya Tunguska rivers and in other areas. The shipping company operates its own search and rescue fleet and takes part in emergency response missions on internal water routes of the Yenisey Basin. In 2016, the Yenisey River Shipping Company was named the best among Russian river shipping companies in the Industry Leader contest held by the Federal Agency for Sea and River Transport.

Local shipping between different locations along the Yenisey river is carried out by dry cargo vessels of MMC Norilsk Nickel's Krasnoyarsk Transportation Branch. They deliver socially important goods from Dudinka shipping agricultural products as their return cargo and carry cargoes for the Russian Emergency Situations Ministry to deal with emergencies.



KEY RISKS ASSOCIATED WITH CORPORATE SOCIAL RESPONSIBILITY G4-2

RISK OF DISRUPTIONS IN NORILSK AIRPORT OPERATIONS DURING THE RUNWAY RECONSTRUCTION IN 2017

RISK DESCRIPTION

The risk of disruptions in Norilsk Airport operations in potentially adverse weather conditions at peak times and in the restricted runway operating mode during its repair may cause a shortage of freight and passenger air traffic and escalation of social tensions in the Norilsk Municipality territory

RISK MITIGANTS

- monitoring the progress in the Norilsk Airport runway reconstruction;
- engagement of a dedicated commission for the Norilsk Airport runway reconstruction and air traffic during the reconstruction;
- flight scheduling so as to account for the current need in freight and passenger transportation services, working hours of the airport and capacity of air carriers;
- aircraft ground handling and maintenance so as to account for changes in the aircraft fleet, retraining of the flight personnel and support staff, and recruitment of additional staff;
- scheduling vacations of Nornickel Group employees residing in the Norilsk Municipality territory so as to account for reduced passenger traffic in Norilsk Airport during the runway reconstruction.

The destinations covered by the NordStar air carrier include more than 30 Russian and CIS cities. The airline offers regular and charter flights, and transports passengers to interregional budget subsidised destinations selling tickets at reduced tariffs. Following the end of 2016, NordStar was named the most punctual air carrier at the Domodedovo Airport of the Moscow Air Cluster.

Norilsk Avia is the only air operator that is capable of responding to both industrial and social emergencies in the region (the Norilsk Industrial District and Taimyrsky Dolgano-Nenetsky Municipal District of the Taymyr Peninsula). The Company satisfies the demand for regional traffic, including emergency ambulance flights as part of search and rescue operations.

As part of the 2010–2020 Federal Russian Transport Development Programme and the Memorandum of Intent signed between the Federal Air Transport Agency and MMC Norilsk Nickel, the project for reconstruction of the Norilsk Airport (“Alykel”) reached its principal stage in 2016. The agreement provides that the Norilsk Airport will be used not only by cargo, passenger and special aircraft, but by special aircraft, including owned by the Russian Emergencies Ministry. The airport is expected to become the centrepiece of the Russia’s Arctic Zone development project. A distinctive feature of this project is the reconstruction being conducted without closing the airport, or interrupting flight connections. In 2016, the first stage of the reconstruction of its 720 m long paved runway was completed.

In 2016, MMC Norilsk Nickel and the Norilsk City Administration entered into a cooperation agreement with a view to maintaining and expanding the existing regular passenger and luggage bus service in Norilsk.

For more details on operating results and the projects implemented in the sphere of Norilsk Nickel’s transport and logistics operations, please see the Transport and Logistics section of the Group’s 2016 annual report



9. ABOUT THE REPORT

Nornickel is one of the companies that pioneer public non-financial reporting in Russia. The Company has been publishing annual social responsibility reports since 2003, with GRI Gold Community membership obtained in 2016. Nornickel is a participant of the GRI Standard Pioneers programme. [G4-28](#), [G4-29](#), [G4-30](#), [G4-15](#)

The 2016 Corporate Social Responsibility Report has been prepared in accordance with the extended version of the GRI G4 Sustainability Guidelines, and the GRI Mining and Metals Sector Supplement. The Report reflects the Company's performance for the period from 1 January 2016 to 31 December 2016 and provides mid-term and long-term outlook for a number of positions¹. The 2015 CSR Report

was published in June 2016. Traditionally, the Report aims to inform a wide range of stakeholders on the Company's strategy and mission, its sustainable developments principles, key highlights and results of the reporting period, and the Group's material impact on stakeholders.

Information provided herein was obtained from corporate reports and special information requests based on the recommendations contained in the GRI G4 Guidelines and the GRI Mining and Metals Sector Supplement. In 2016, the Company launched the project to standardise and automate the CSR preparation business process. The system developed as a result permits to collect information meeting the requirements of the

GRI G4 Guidelines; it is being gradually adapted to comply with the new GRI standards. The project included the update of disclosure methods and data collection scope for a number of indicators, in particular in respect of land rehabilitation, energy consumption and the number of employees covered by collective bargaining agreements. The Company adjusted historical energy saving data and updated the calculation methodology for a number of health and safety indicators required by the GRI Guidelines. In general, there have been no restatements or corrections of historical data that could significantly affect the decisions or opinions of the addressees of this Report. [G4-22](#)

The preparation of the Corporate Social Responsibility Report, including mapping out essential topics to be covered and selecting an independent entity to certify (audit) the Report is coordinated by the Social Policy Department. The independent auditor of the CSR Report is approved by the Senior Vice President for HR, Social Policy and Public Relations, whom the Social Policy Department is accountable to. The information included in the Report is collected and confirmed by a special working group consisting of representatives of the Company's key divisions. [G4-48](#)

In order to upgrade the map of material disclosures, the Company's employees and representatives of external stakeholders were invited to take part in the poll which ultimately involved 23 representatives of the external stakeholders and 47 representatives of the internal ones. [G4-18](#)

In addition to polling, the concept was also developed on the basis of the Company's mass media profile in 2016, stakeholder dialogues in 2016–2017, recommendations offered by the investment community in respect of the previous CSR Report, comments of the independent auditor and the Russian Union of Industrialists and Entrepreneurs' Council for Non-Financial Reporting, as well as by benchmarking comparable reports.

In addition to the GRI G4 Guidelines, the Company has used the following in preparation of the Report:

- UN Global Compact;
- UN Sustainable Development Goals up to 2030;
- Guidance on Social Responsibility ISO 26000:2010;
- RSPP Reference Performance Indicators.

The updated map of material disclosures (aspects) presented in a new format became the outcome of the efforts undertaken. The highest scoring aspects have been recognised material by the working group. The material aspects are fully disclosed in the Report with details of respective management approaches and performance indicators provided. Aspects from the blue area were deemed relevant (intermediate between material and non-material aspects), with respective management approaches disclosed in the Report.

The collection scope for material aspects (see Appendix 3) is set in such a way as to describe all Nornickel Group's material impacts. The collection scope has not undergone any significant changes compared to the previous reporting period. The Report provides results for all the companies within the scope against each aspect. For some companies, however, the information is disclosed separately based on the materiality principle. In addition to the companies covered by the CSR Report, the consolidated IFRS financial statements include Nkomati Nickel Mine classified as an asset held for sale, and a number of the Group's other foreign companies that do not have a material economic, environmental and social impact. [G4-17](#), [G4-23](#)

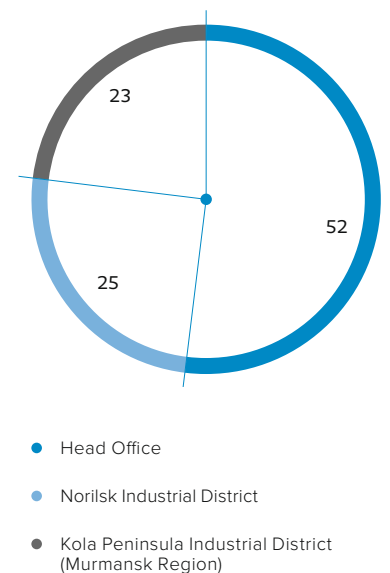
The working group has adjusted the scope of some material aspects beyond the Group. In addition to the Occupational Health and Safety, the working group has classified the following aspects beyond the Group as material: Anti-Corruption, Product and Service Quality Compliance, Emergency Preparedness. These have been described in the Report

by disclosing the Company's approaches to implementation of responsible practices in its supply chain. The Report discloses the injury rate among the employees of the contractors involved in the Group's operations. [G4-21](#)

The CSR Report has been approved by the RSPP's Council on Non-Financial Reporting and verified by a professional auditor and Global Reporting Initiative SDG Mapping Service. The Report has been also approved by the MMC Norilsk Nickel's Board of Directors. [G4-33](#)

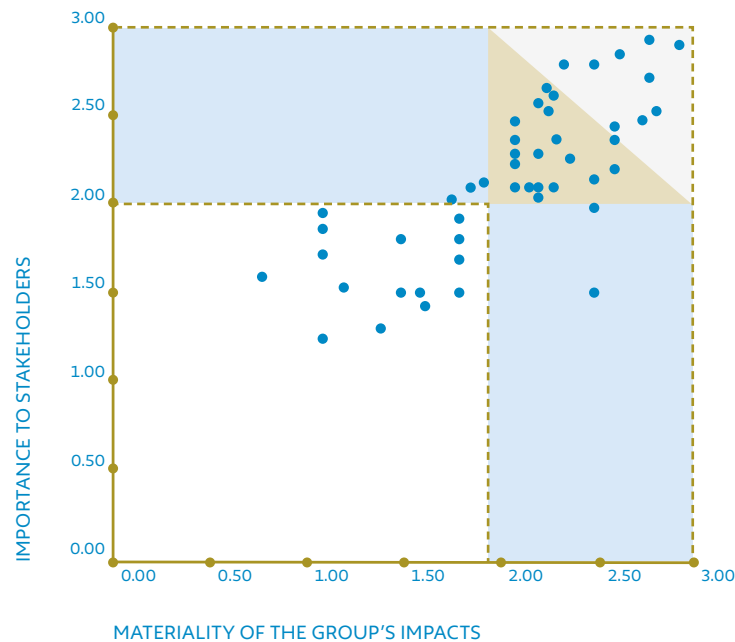
[G4-27](#) The interactive version of the Report published on www.nornik.ru contains additional information on the Report's sections, an extended GRI index, dialogue minutes, a table of comments and proposals prepared by stakeholders in respect of the Report. [G4-27](#)

POLL PARTICIPANTS GEOGRAPHY, %

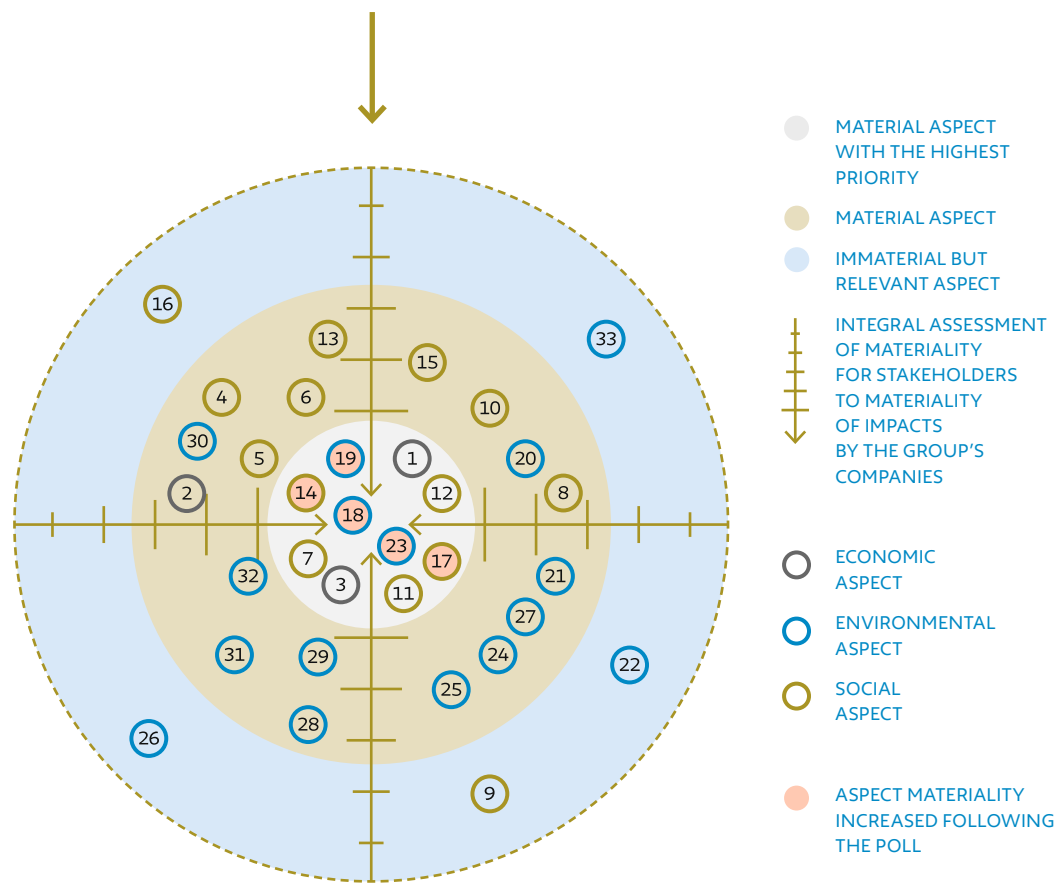


¹ Bearing in mind that the Company's operations are impacted by a multitude of factors beyond its control, the actual results in the future reporting periods may differ from the projections contained in the 2016 CSR Report.

MAP OF MATERIAL ASPECTS @ G4-19, G4-20



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SET OF DISCLOSURES (ASPECTS)	DISCLOSURES (ASPECTS)	No. ON THE MAP	
Economic	Economic performance	1	
	Market presence	2	
	Indirect economic impacts	3	
Environmental	Energy	4	
	Water	5	
	Biodiversity	6	
	Sulphur dioxide and solid emissions*	7	
	Greenhouse emissions*	8	
	Emissions of ozone-depleting substances (ODS)*	9	
	Emissions of other substances*	10	
	Discharges	11	
	Effluents and wastes	12	
	Transport	13	
	Environmental costs and investments**	14	
	Environmental grievance mechanisms	15	
	Supplier Environmental Assessment	16	
	Environmental compliance**	17	
	Social	Employment**	18
		Occupational health and safety**	19
		Training and education	20
Labour practices grievance mechanisms		21	
Supplier assessment for labour practices		22	
Local communities**		23	
Anti-corruption		24	
Grievance mechanisms for impacts on society		25	
Supplier assessment for impacts on society		26	
Product and service compliance		27	
Emergency preparedness		28	
Shutdown plans		29	
Freedom of association and collective bargaining		30	
Indigenous rights		31	
Compliance		32	
Supplier and contractor human rights assessment		33	

* new description of the GRI Emissions aspect as compared with the one used in 2015 CSR Report.
 ** the materiality of the disclosure has been increased following the polling of internal and external stakeholders.

APPENDIX 1. COMPLIANCE WITH THE UN GLOBAL COMPACT PRINCIPLES ¹G4-15

GLOBAL COMPACT PRINCIPLE	SECTION OF THE ANNUAL REPORT
HUMAN RIGHTS	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	Goals and Objectives by CSR Focus Area Employees and Social Policy
Principle 2: Businesses should make sure that they are not complicit in human rights abuses	
LABOUR	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Dialogue with Employees
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour	Dialogue with Employees Employees and Social Policy
Principle 5: Businesses should uphold the effective abolition of child labour	
Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation	
ENVIRONMENT	
Principle 7: Businesses should support a precautionary approach to environmental challenges	Risk Management Framework
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility	Goals and Objectives by CSR Focus Area Environmental performance
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies	Environmental performance Research and development
ANTI-CORRUPTION	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	Goals and Objectives by CSR Focus Area Preventing and fighting corruption

¹ The interactive version of this Report provides a table demonstrating how the Company's corporate social responsibility priorities (safety, environment and community) and activities relate to key international and domestic corporate social responsibility and sustainable development standards, including ISO 26000:2010, GRI G4 aspects, UN Global Compact principles, UN Sustainable Development Goals, and RSPP Reference Performance Indicators.

APPENDIX 2. GRI G4 CONTENT INDEX¹ G4-32



GENERAL STANDARD DISCLOSURES	PAGE	EXCLUDED INFORMATION/ COMMENTS	UN SUSTAINABLE DEVELOPMENT GOAL
GENERAL STANDARD DISCLOSURES			
STRATEGY AND ANALYSIS			
G4-1	7	–	–
G4-2	23, 39, 48, 49, 72, 87, 101, 124	–	–
ORGANISATIONAL PROFILE			
G4-3	11	–	–
G4-4	9	–	–
G4-5	152	–	–
G4-6	9	–	–
G4-7	58	–	–
G4-8	9	–	–
G4-9	8, 11, 50, consolidated financial statements for the year 2016	–	–
G4-10	8, 102	–	8
G4-11	57	–	–
G4-12	65	–	–
G4-13	16, 65, consolidated financial statements for the year 2016	–	–
G4-14	40	–	–
G4-15	23, 34, 126, 130	–	–
G4-16	60, 61, 66	–	–
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	12	–	–
G4-18	127	–	–
G4-19	128	–	–
G4-20	128, 136, Appendix – The collection scope for material aspects GRI G4 in the interactive version of the Report	–	–
G4-21	127	–	–
G4-22	126	–	–
G4-23	126	–	–

¹ For the report's External Assurance Statement, see a similarly named Appendix to the Report.

GENERAL STANDARD DISCLOSURES	PAGE	EXCLUDED INFORMATION/ COMMENTS	UN SUSTAINABLE DEVELOPMENT GOAL
STAKEHOLDER ENGAGEMENT			
G4-24	55	–	–
G4-25	55	–	–
G4-26	55	–	–
G4-27	127	–	–
REPORT PROFILE			
G4-28	126	–	–
G4-29	126	–	–
G4-30	126	–	–
G4-31	152	–	–
G4-32	131	–	–
G4-33	127	–	–
GOVERNANCE			
G4-34	35	–	–
G4-35	36	–	–
G4-36	32, 36, 71	–	–
G4-37	36	–	–
G4-38	37	–	16
G4-39	36	–	16
G4-40	36	–	–
G4-41	36	–	16
G4-42	35	–	–
G4-43	36	–	4
G4-44	36	–	–
G4-45	35	–	16
G4-46	35	–	–
G4-47	37	–	–
G4-48	127	–	–
G4-49	37	–	–
G4-50	37	–	–
G4-51	38	–	–
G4-52	38	–	–
G4-53	38	–	–
G4-54	–	Not disclosed for personal data protection reasons	–
G4-55	–	–	–
ETHICS AND INTEGRITY			
G4-56	21, 31	–	16
G4-57	44, http://www.nornik.ru/en/investor-relations/information-disclosure/preventing-and-fighting-corruption	–	16
G4-58	44, http://www.nornik.ru/en/investor-relations/information-disclosure/preventing-and-fighting-corruption	–	16

MATERIAL ASPECTS	DMA AND INDICATORS	EXCLUDED INFORMATION/ COMMENTS	UN SUSTAINABLE DEVELOPMENT GOAL
SPECIFIC STANDARD DISCLOSURES			
CATEGORY: ECONOMIC			
ECONOMIC PERFORMANCE			
DMA	49	–	–
G4-EC1	50	–	8, 9
G4-EC2	87	Risks posed by climate change are not measured financially	–
G4-EC3	109	–	–
G4-EC4	–	The Group did not receive significant government grants for the 12 months ended 31 December 2016	–
MARKET PRESENCE			
DMA	101	–	–
G4-EC5	107	–	1, 8
G4-EC6	103	–	–
INDIRECT ECONOMIC IMPACTS			
DMA	111	–	–
G4-EC7	112, 113	–	9
G4-EC8	111, 123	–	–
CATEGORY: ENVIRONMENTAL			
ENERGY			
DMA	94	–	–
G4-EN3	96	–	7
G4-EN4	–	Not assessed; disclosure not planned	–
G4-EN5	–	–	7
G4-EN6	96	–	7, 13
G4-EN7	–	Not applicable to the Company's products	7, 12
WATER			
DMA	86	–	–
G4-EN8	89, 138	–	6
G4-EN9	86, 138	–	6
G4-EN10	89, 140	–	6
BIODIVERSITY			
DMA	90	–	–
G4-EN11	90	–	15
G4-EN12	90, 91	–	15
G4-EN13	92	–	15
G4-EN14	–	–	15
G4-MM1	91	–	15
G4-MM2	90	–	15
EMISSIONS			
DMA	85	–	–
G4-EN15	86	–	13
G4-EN16	–	–	–
G4-EN17	–	Reporting not required by law	–
G4-EN19	–	–	–
G4-EN18	86	–	–
G4-EN20	86	Negligible emissions	–
G4-EN21	8, 82, 140	–	3, 12, 15

MATERIAL ASPECTS	DMA AND INDICATORS	EXCLUDED INFORMATION/ COMMENTS	UN SUSTAINABLE DEVELOPMENT GOAL
EFFLUENTS AND WASTE			
DMA	86, 88	–	–
G4-EN22	89, 140	–	6
G4-EN23	88, 140	–	3
G4-EN24	90	–	3, 6, 14
G4-EN25	–	There are no such waste or waste transportation	–
G4-EN26	87, 138	–	–
ENVIRONMENTAL COMPLIANCE			
DMA	83	–	–
G4-EN29	83	–	–
TRANSPORT			
DMA	92	–	–
G4-EN30	93	–	–
OVERALL			
DMA	83	–	–
G4-EN31	83	–	9, 12, 13, 14, 15
SUPPLIER ENVIRONMENTAL ASSESSMENT			
DMA	67	–	–
ENVIRONMENTAL GRIEVANCE MECHANISMS			
DMA	44	–	–
G4-EN34	44	No environmental grievances were filed with the Corporate Trust Service in 2016	–
CATEGORY: SOCIAL			
LABOUR PRACTICES AND DECENT WORK			
EMPLOYMENT			
DMA	101	–	–
G4-LA1	104	–	8
G4-LA2	142	–	–
G4-LA3	–	No data on return to work and retention rates after parental leave (by gender) due to the lack of centralised records	–
OCCUPATIONAL HEALTH AND SAFETY			
DMA	71	–	–
G4-LA5	72	–	8
G4-LA6	74	No breakdown by gender for injury rates due to the lack of centralised records	3, 8
G4-LA7	75	–	3, 8
G4-LA8	72	–	8
TRAINING AND EDUCATION			
DMA	106	–	–
G4-LA9	106	No breakdown by gender due to the lack of centralised records	4
G4-LA10	106	–	8
G4-LA11	37	–	–
SUPPLIER ASSESSMENT FOR LABOUR PRACTICES			
DMA	67	–	–
LABOUR PRACTICES GRIEVANCE MECHANISMS			
DMA	44, 58	–	–
G4-LA16	44, 58	–	–

MATERIAL ASPECTS	DMA AND INDICATORS	EXCLUDED INFORMATION/ COMMENTS	UN SUSTAINABLE DEVELOPMENT GOAL
HUMAN RIGHTS			
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
DMA	55	–	–
G4-HR4	55	None	–
INDIGENOUS RIGHTS			
DMA	63	–	–
G4-HR8	63	–	–
G4-MM5	63	–	–
SUPPLIER HUMAN RIGHTS ASSESSMENT			
DMA	66	–	–
SOCIETY			
LOCAL COMMUNITIES			
DMA	111	–	–
G4-SO1	111	Such programmes are implemented in 4 out of 72 (5.6%) Group entities operating in Russia (the Company's Head Office, Kola MMC, Polar Division, and Nor Nickel – Shared Services Centre) within the report boundaries	–
G4-SO2	85	–	–
G4-MM6	63	–	–
G4-MM7	63	–	–
ANTI-CORRUPTION			
DMA	40	–	–
G4-SO3	43	–	16
G4-SO4	42	–	16
G4-SO5	43	–	16
COMPLIANCE			
DMA	50	–	–
G4-SO8	50	–	–
SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY			
DMA	67	–	–
GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY			
DMA	44	–	–
G4-SO11	44	–	–
PRODUCT RESPONSIBILITY			
PRODUCT AND SERVICE COMPLIANCE			
DMA	46	–	–
G4-PR9	48	–	–
SECTOR DISCLOSURES (ASPECTS)			
EMERGENCY PREPAREDNESS			
DMA	77	–	–
G4-MM3	88	–	–
SHUTDOWN PLANS			
DMA	115	–	–
G4-MM10	115	The IFRS financial statements reflect a decommissioning provision for Polar Division, Kola MMC and Norilsk Nickel Harjavalta (3% of the Group's operations within the report boundaries). As at 31 December 2016, this provision stood at RUB 23,764 m	–

APPENDIX 3.
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES (GRI G4) 

CATEGORY	GRI ASPECT	ASPECT MATERIALITY OUTSIDE THE GROUP (IN THE SUPPLY CHAIN)	COMPLEX		COMPLEX								
			MMC NORILSK NICKEL'S HEAD OFFICE	EXPLORATION	METALLURGY	RESEARCH	FUEL AND ENERGY	TRANSPORTATION AND LOGISTICS	SUPPORT	FOREIGN ASSETS	SALES	OTHER BUSINESS UNITS OF THE GROUP	
Economic	Economic performance ¹	-											
	Market presence ²	-											
	Indirect economic impacts	-											
Environmental	Energy ³	-											
	Water	-											
	Biodiversity	-											
	Emissions	-											
	Effluents and Waste	-											
	Environmental compliance	-											
	Transport	-											
	Overall	-											
	Environmental grievance mechanisms	-											
	Social	Employment ⁴	-										
Occupational health and safety		+											
Training and education ⁵		-											
Labour practices grievance mechanisms		-											
Freedom of Association and Collective Bargaining		-											
Indigenous rights		-											
Local Communities		-											
Anti-corruption		+											
Social compliance		-											
Grievance mechanisms for impacts on society		-											
Product and service quality compliance		+											
Closure planning		-											
Emergency preparedness		+											



¹ As regards pension plans, the boundaries include only business units benefiting from the Co-Funded Pension Plan.

² As regards nationality, the boundaries include all business units of the Group.

³ As regards energy saving, the boundaries include Polar Division, Kola MMC and NTEK.

⁴ As regards benefits offered to employees, the boundaries include only Polar Division and Kola MMC.

⁵ As regards staff assessment, the boundaries include only the Head Office, Polar Division, Kola MMC and Pechengastroy.

	Information is collected on all companies of the business block
	Information is collected on key companies of the business block

 The detailed table including the names of the Group's companies and branches can be found in the interactive version of this report.

APPENDIX 4. GRI G4 SPECIFIC STANDARD DISCLOSURE ENVIRONMENTAL PERFORMANCE

TOTAL WATER WITHDRAWAL [G4-EN8](#)

Indicator, mcm	GROUP'S TOTAL					INCLUDING														
						POLAR DIVISION AND NORILSKENERGO					NTEK					KOLA MMC				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
Total water withdrawal, incl.	332.40	352.78	351.96	348.52	328.44	88.77	86.48	95.02	102.49	96.41	252.96	277.43	274.00	267.87	249.93	35.48	35.92	30.16	27.93	35.53
from surface water bodies	244.35	267.33	258.93	254.92	230.45	0.03	0.01	0.02	0.02	0.02	226.89	250.44	242.84	239.21	216.68	14.43	13.76	13.04	12.84	12.39
from underground sources	26.10	27.02	31.16	28.66	33.24	0.00	0.00	0.00	0.00	0.00	26.07	26.99	31.16	28.66	33.24	0.00	0.00	0.00	0.00	0.00
wastewater from other organisations	15.96	15.22	21.07	21.15	15.42	10.21	9.77	15.38	15.48	9.78	0.00	0.00	0.00	0.00	0.00	0.20	0.24	0.13	0.12	0.11
natural water inflow	37.76	33.71	31.84	34.84	40.82	24.86	21.07	23.57	28.60	26.15	0.00	0.00	0.00	0.00	0.00	12.85	12.59	8.22	6.19	14.63
municipal water supplies and other water utilities (excluding NTEK)	8.25	9.51	8.96	8.94	8.51	0.08	0.00	0.00	0.00	0.001	0.00	0.00	0.00	0.00	0.00	8.00	9.33	8.77	8.79	8.40
from NTEK ¹	92.14	94.01	94.08	96.44	104.45	53.67	55.62	56.05	58.39	60.46	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

¹ Included into the volume of water withdrawn by NTEK.

WATER SOURCES [G4-EN9](#), [G4-EN26](#)

BRANCHES AND SUBSIDIARIES	SCALE OF IMPACT ASSOCIATED WITH THE GROUP COMPANIES' WATER WITHDRAWALS	SCALE OF IMPACT ASSOCIATED WITH THE GROUP COMPANIES' WATER DISCHARGES
Polar Division of MMC Norilsk Nickel	Withdrawals from water systems (the Yenisei River, water bodies of the Norilo-Pyasinokaya water system and Kara Sea) do not affect the environment and cannot change the ability of the ecosystem to perform its functions	Water bodies of the Yenisei River and Norilo-Pyasinokaya water system are used to discharge wastewater
Polar Transportation Branch of MMC Norilsk Nickel		
Krasnoyarsk Transportation Branch of MMC Norilsk Nickel		
Norilsknickelremont		
ZSK		
Norilsk Support Complex		
Norilskgeologiya		
TTK		
Taimyrgaz		
ERP		
Norilsk Airport		
NTEK		
Norilskpromtransport		
NTPO		
Murmansk Transportation Branch of MMC Norilsk Nickel	Withdrawals do not affect the water sources (water bodies of the Barents Sea)	Wastewater is discharged into the water bodies of the Barents Sea
Kola MMC		

NO_x, SO_x AND OTHER SIGNIFICANT AIR EMISSIONS, INCLUDING THEIR TYPE AND WEIGHT¹ [G4-EN21](#)

BRANCHES AND SUBSIDIARIES Indicator, kt	AIR POLLUTANT EMISSIONS																			
	TOTAL AMOUNT					INCLUDING														
	2012	2013	2014	2015	2016	NO ₂					SO ₂					SOLIDS				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
Group's total	2,097.58	2,097.03	2,088.27	2,063.52	1,936.44	9.52	12.13	12.13	9.84	10.12	2,044.21	2,032.85	1,947.58	2,009.11	1,877.97	19.20	20.63	23.09	20.67	14.3
Polar Division	1,938.49	1,912.03	1,828.09	1,883.24	1,787.57	1.43	1.57	1.61	1.64	1.52	1,908.01	1,881.06	1,797.18	1,853.92	1,758.18	8.89	9.98	9.68	8.95	6.18
NTEK	7.88	10.54	9.74	6.33	8.2	6.63	8.78	8.11	6.32	6.89	0.025	0.062	0.044	0.008	0.006	0.006	0.005	0.007	0.006	0.006
Kola MMC	148.58	164.62	165.44	169.79	132.9	1.12	1.15	1.12	1.18	1.12	136.06	151.58	150.20	155.05	119.72	9.74	9.98	11.76	10.61	7.38

¹ Air pollutant emissions are determined on the basis of the Environmental Monitoring and Industrial Control data: emissions are calculated as per the applicable methodologies using data on feedstock and equipment running time, through sampling and analysing fuel gases, direct measurements with gas analysers, etc.

PERCENTAGE AND TOTAL VOLUME OF THE WATER RECYCLED AND REUSED [G4-EN10](#)

Indicator, mcm	INCLUDING																			
	GROUP'S TOTAL					POLAR DIVISION					NTEK					KOLA MMC				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
Total amount of water used, incl.	1,319.50	1,347.96	1,417.80	1,421.41	1,463.81	563.94	564.32	567.04	574.17	533.67	535.49	569.59	634.12	634.9	719.02	178.77	172.18	175.38	171.32	170.52
Utility water	27.52	27.28	25.02	21.29	20.72	12.26	12.47	11.41	12.51	12.09	7.22	7.11	6.96	2.34	1.79	2.82	2.45	1.93	1.79	1.9
Production, incl.	1,292.33	1,320.69	1,392.75	1,400.12	1,443.09	551.67	551.84	555.63	561.66	521.58	528.28	562.47	627.15	632.56	717.24	175.95	169.72	173.45	169.53	168.62
water reused	38.71	39.37	39.41	40.13	36.73	37.32	37.39	37.38	37.7	34.43	0.92	0.88	0.93	0.89	1.03	0.00	0.00	0.00	0.00	0.17
water recycled	1,092.54	1,202.54	1,269.55	1,275.62	1,219.70	472.95	471.30	473.59	478.07	442.82	447.11	458.17	525.9	537.68	607.85	154.15	150.44	150.48	146.67	150.72
Percentage of reused and recycled water in the volume of water used, %	85.7	92.2	92.3	92.6	85.83	90.5	90.1	90.1	89.8	89.4	83.7	80.6	83.1	84.8	84.7	86.2	87.4	85.8	85.6	88.5

The Group's total volume of reused and recycled water in the water withdrawal is 382.6%. This percentage is largest for Polar Division (495.0%) and Kola MMC (424.7%), and stands at 243.6% for NTEK and 38.1% for the Company's other units.

TOTAL WASTEWATER² AND POLLUTANT DISCHARGE [G4-EN22](#)

Indicator, mcm or kt	INCLUDING																			
	GROUP'S TOTAL					POLAR DIVISION AND NORILSKENERGO					NTEK					KOLA MMC				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
Total wastewater discharge, mcm, incl.	146.53	146.17	145.62	140.45	143.55	39.20	33.09	36.20	39.52	38.67	76.98	84.57	80.31	73.55	77.76	26.28	24.47	25.44	23.48	22.59
Insufficiently treated	30.23	30.09	30.90	29.58	29.81	6.37	5.81	5.94	6.01	6.42	0.00	0.00	0.00	0.00	0.00	23.50	24.06	24.60	23.48	22.59
Contaminated untreated	34.03	26.09	26.44	27.73	26.94	30.62	25.22	25.43	27.54	26.83	0.00	0.00	0.00	0.00	0.00	2.78	0.40	0.84	0.00	0.00
Treated to standard quality at treatment facilities	2.38	2.37	4.42	5.92	5.26	2.18	2.05	4.13	5.18	4.71	0.01	0.00	0.00	0.00	0.003	0.00	0.00	0.00	0.00	0.00
Standard clean (without treatment)	79.89	87.62	83.96	77.1	81.54	0.03	0.01	0.70	0.78	0.73	76.97	84.57	80.31	73.55	77.76	0.00	0.00	0.00	0.00	0.00
Pollutants discharged as part of the wastewater, kt	151.11	139.43	140.52	153.1	192.99	72.39	76.93	67.47	76.92	71.83	0.28	0.1	0.27	0.48	1	77.47	61.80	72.68	75.62	119.32

² The volume of water discharge is measured instrumentally by certified gauges and is also based on the Calculation of Water Consumption and Water Discharge as approved by the territorial office of the Federal Water Resources Agency.

TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD [G4-EN23](#)

BRANCHES AND SUBSIDIARIES Indicator, mt	WASTE MANAGEMENT																										
	WASTE GENERATION					WASTE INPUT FROM THIRD-PARTY CONTRACTORS ³	WASTE USE AT OWN FACILITIES					WASTE TRANSFER TO THIRD-PARTY CONTRACTORS (FOR USE OR TREATMENT)					WASTE TRANSFER TO THIRD-PARTY CONTRACTORS (FOR STORAGE)					WASTE STORAGE AT OWN WASTE DISPOSAL SITES					WASTE TREATMENT AT OWN FACILITIES ³
	2012	2013	2014	2015	2016	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2016
Total, including	43.52	40.49	35.17	33.64	33.27	0.04	20.89	19.35	18.24	18.81	20.15	0.06	0.037	0.044	0.041	0.09	0.073	0.041	0.04	0.049	0.11	23.13	21.08	16.81	14.75	13.54	0.0003
Polar Division	31.55	26.39	23.07	22.27	22.57	0.03	15.87	12.96	12.13	13.22	15.18	0.028	0.026	0.027	0.024	0.03	0.048	0.041	0.04	0.049	0.07	16.23	13.38	10.84	8.99	7.88	0.0001
Kola MMC	11.93	14.10	12.10	11.37	10.61	0.00	5.02	6.39	6.11	5.59	4.97	0.015	0.011	0.017	0.017	0.01	0.0001	0.0002	0.0000	0.0003	0.0003	6.9	7.7	5.97	5.76	5.66	0.0002

³ Has been calculated since 2016.

WASTE MANAGEMENT IN 2016 BY HAZARD CLASS AND WASTE TYPE, T

ITEM	WASTE GENERATION	WASTE INPUT FROM THIRD-PARTY CONTRACTORS	USE	WASTE TRANSFER TO THIRD-PARTY CONTRACTORS (FOR USE OR TREATMENT)	WASTE TRANSFER TO THIRD-PARTY CONTRACTORS (FOR STORAGE OR DISPOSAL)	WASTE STORAGE AT OWN DISPOSAL SITES	TREATMENT
Hazard class 1	71.9	0.9	2.0	69.0	1.1	0.0	0.0
Hazard class 2	5,813.5	0.0	5,791.0	17.3	1.1	0.0	9.0
Hazard class 3	29,861.1	1,426.4	28,194.7	2,503.9	113.1	572.0	167.0
Hazard class 4	1,113,548.0	16,085.5	2,689.4	238.9	54,938.0	1,090,048.1	69.0
incl. mining waste and tailings	1,014,449.0	0.0	0.0	0.0	0.0	1,014,449.0	0.0
Hazard class 5	32,118,369.1	17,876.1	20,114,973.6	85,694.8	59,932.7	12,445,749.7	54.1
incl. mining waste and tailings	27,195,659.1	0.0	14,953,842.7	0.0	0.0	12,241,816.4	0.0
Total	33,267,663.6	35,388.8	20,151,650.7	88,524.0	114,986.0	13,536,369.8	299.0
incl. hazard class 1–4 waste (% of the total volume)	3.5	–	–	–	–	–	–

SOCIAL PERFORMANCE [G4-LA2](#)

BENEFITS FOR FULL-TIME, TEMPORARY AND PART-TIME EMPLOYEES

BENEFITS FOR EMPLOYEES OF POLAR DIVISION	FULL-TIME WORK		TEMPORARY WORK ¹		SEASONAL WORK		
	FULL-TIME WORK	PART-TIME WORK	FULL-TIME WORK	PART-TIME WORK	FULL-TIME WORK	PART-TIME WORK	PART-TIME WORK
Reimbursement of vacation travel expenses (incl. return fare)	+	+	+ ²	+ ²	+ ²	+ ²	–
All kinds of financial aid	+	+	+	+	+	+	+
Health resort treatment and vacations	+	+	–	–	–	–	–
Vouchers for children's wellness recreation tours	+	+	–	–	–	–	–
Pension plans	+	+	–	–	–	–	–
Termination benefits (apart from those prescribed by the applicable law)	+	+	+ ³	+ ³	+ ³	+ ³	+ ³

¹ Work under a fixed-term employment contract.

² According to the collective bargaining agreement and local regulations, such categories of employees are not excluded from benefits; however, in practice, travel expenses are not reimbursed since no vacation is granted to such employees.

³ According to the collective bargaining agreement and local regulations, such categories of employees are not excluded from the reimbursement of expenses associated with relocation, it is practically possible. No severance pay is provided by mutual agreement.

BENEFITS FOR EMPLOYEES OF KOLA MMC	FULL-TIME WORK		TEMPORARY WORK ¹		SEASONAL WORK ²		
	FULL-TIME WORK	PART-TIME WORK	FULL-TIME WORK	PART-TIME WORK	FULL-TIME WORK	PART-TIME WORK	PART-TIME WORK
Reimbursement of vacation travel expenses (incl. return fare)	+	+	+	+	–	–	–
All kinds of financial aid	+	+	+	+	–	–	– ³
Health resort treatment and vacations	+	+	+	+	–	–	– ³
Vouchers for children's wellness recreation tours	+	+	+	+	–	–	– ³
Pension plans	+	+	+	+	–	–	+
Termination benefits (apart from those prescribed by the applicable law)	+	+	+	+	–	–	–


¹ Work under a fixed-term employment contract.

² At Kola MMC, no seasonal work is carried out; employees do not work seasonally.

³ In-house employees doing bywork can be granted benefits by their primary employer.

APPENDIX 5. LIST OF ABBREVIATIONS

AML/CTF	Anti-money laundering / counter-terrorism financing
ASEAN	Association of Southeast Asian Nations
BRICS	Five countries: Brazil, Russia, India, China and the Republic of South Africa
CHPP	Combined heat and power plant
CIMS	Corporate Integrated Quality and Environmental Management System
CIS	The Commonwealth of Independent States
CRMF	Corporate Risk Management Framework
CSR	Corporate and Social Responsibility
DMA	Disclosure on Management Approach
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EMERCOM	The Ministry of the Russian Federation for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters
EMS	Environmental Management System
EU	European Union
FCSM	Federal Commission for the Securities Market
FFMS	Federal Financial Markets Service
FIFR	Fatal-Injury Frequency Rate
FISU	International University Sports Federation
FZ (FL)	Federal Law
GOST	State standard
GRES	District thermal power plant
GRI	Global Reporting Initiative
Group	Nornickel Group
HPP	Hydropower plant
IFRS	International Financial Reporting Standards
IISRC	International Information Security Research Consortium
IPA	International Platinum Group Metals Association
ISO	International Organisation for Standardisation
IT	Information Technology
IUCN	International Union for Conservation of Nature

JSC	Joint-stock company
Kola MMC	Kola Metals and Mining Company JSC
Kola MMC JSC	
KPI	Key performance indicators
KPID	Kola Peninsula Industrial District
LTIFR	Lost Time Injury Frequency Rate
MMC	Metals and Mining Company
NIR	Norilsk Industrial Region
NPOs	Non-profit organisations
NTEC	Norilsk-Taimyr Energy Company
OECD	Organisation for Economic Cooperation and Development
OHSAS	Occupational Health and Safety Assessment System
OJSC	Open joint-stock company
OOO	Russian limited liability company
OSCE	Organisation for Security and Co-operation in Europe
PGM	Platinum group metals
PJSC	Public joint-stock company
PPE	Personal Protective Equipment
RMRS	Russian Maritime Register of Shipping
RSPP (RUIE)	Russian Union of Industrialists and Entrepreneurs
SCO	Shanghai Cooperation Organisation
SDG	Sustainable Development Goal
TJ	terajoule
UN	The United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICRI	United Nations Interregional Crime and Justice Research Institute
VAT	Value added tax
	Click here to access the interactive version of this Report

APPENDIX 6. COUNCIL ON NON-FINANCIAL REPORTING OF THE RUSSIAN UNION OF INDUSTRIALISTS AND ENTREPRENEURS (RSPP)

OPINION OF THE RSPP COUNCIL ON NON-FINANCIAL REPORTING ON NORNICKEL GROUP'S 2016 CORPORATE SOCIAL RESPONSIBILITY REPORT FOR THE PURPOSES OF PUBLIC VERIFICATION



The Council on Non-Financial Reporting of the Russian Union of Industrialists and Entrepreneurs (the "Council"), established as per the Management Bureau's Resolution dated 28 June 2007, reviewed, at the request of MMC Norilsk Nickel (the "Company", the "Group", "Nornickel"), Nornickel Group's 2016 Corporate Social Responsibility Report (the "Report").

The Company requested the RSPP to arrange for the public verification of the Report, with the Council on Non-Financial Reporting providing an opinion on the completeness and materiality of the Report's information about the Company's operations from the perspective of the Social Charter of the Russian Business, which sets out key principles of responsible business conduct.

From 15 May to 5 June 2017, the Council members reviewed the content of the Company's Report and passed this Opinion in accordance with the Council's Procedure for Public Verification of Corporate Non-Financial Reports.

The Council members possess all the required competencies in corporate responsibility, sustainable development and non-financial reporting, comply with the ethical requirements for independence and impartiality, and provide their personal expert opinion rather than the opinion of organisations they represent.

The Report was assessed based on the following criteria of information completeness and materiality.

Information is considered to be material if it reflects the company's efforts to implement the principles of responsible business conduct set out in the Social Charter of the Russian Business (see www.rspp.ru).

Completeness implies that the company provides a comprehensive overview of its operations, including the underlying values and strategic benchmarks, governance systems and structures, accomplishments and key results, and the stakeholder relationship framework.

The procedure for the public verification of the Report factors in the Company's application of international reporting frameworks; this Opinion does not, however, purport to assess the Report's compliance with such international frameworks.

The Company is responsible for the information and statements provided in the Report. The accuracy of the Report's information is beyond the scope of the public verification procedure.

This Opinion has been prepared for MMC Norilsk Nickel. The Company may use it for both corporate and stakeholder communication purposes by publishing the original version without any changes.

CONCLUSIONS

Based on the review of the Report and the information publicly available on the Company's official website, and following a collective discussion of the results of the Report's independent assessment undertaken by the members of the Council on Non-Financial Reporting, the Council confirms as follows:

Nornickel Group's 2016 Corporate Social Responsibility Report covers the key areas of responsible business conduct in accordance with the principles set out in the Social Charter of the Russian Business, and provides sufficient information about the Company's operations in relation thereto.

The recommendations made by the Council following the public verification of Nornickel Group's 2015 Report were duly noted and incorporated into the 2016 Report. For example, the Company provided a more detailed coverage of occupational health, safety and stakeholder engagement in preparing the Report.

The Company's 2016 Report contains material information relating to the following aspects of responsible business conduct.

Economic freedom and responsibility

The Report discloses information about Nornickel Group's core business segments, products, footprint, and position in the domestic and foreign markets. The Report dwells on the Company's development strategy updated in 2016, and sets out its strategic goals for ensuring sustainable development. It presents the Company's financial and operational results, along with key development projects. The Report contains information on the progress of the smelting capacities reconfiguration,

including the full shutdown of Nickel Plant in 2016, to boost their environmental safety. It describes measures taken to expand the range of products and services, and improve their quality and safety. There is also a description of the Company's investment projects, related priorities and expenses. It reports on the integration of information technologies in the financial reporting system and its rollout across the Company's subsidiaries, the corporate governance framework, key elements of the risk management framework, and the approval of the respective policy. The Report lists CSR priorities, focus areas and objectives, including those for 2017. It provides details on the Company's Corporate Integrated Quality and Environmental Management System (CIMS), implementation of the Health and Safety Policy, and the process of confirming the CIMS compliance with international standards across the Company's operations. The Report contains information about corporate anti-corruption regulations and activities, including regular anti-corruption training for the personnel and employee surveys related to the efficiency of the relevant measures.

Business partnerships

The Report discloses information about the focus areas, tools and results of stakeholder engagement, including dialogues with stakeholders held by the Company while preparing public reports. It describes the initiatives to engage shareholders and foreign investors, while also giving details on a number of agreements signed with federal and regional authorities, as well as large Russian and international non-profit organisations. These pertain to a variety of matters concerning the social and economic development of the regions where the Group operates. The Report pays special attention to the Company's efforts in ensuring employee health, safety, and professional development, and implementing corporate social programmes. Additionally, it covers the measures to support employees of Nickel Plant due to its shutdown in the reporting year, while also dwelling on the social partnership framework and collective bargaining practices. The Report gives a description of staff communication and feedback channels in place at the Company, including surveys, offices for operating, social and labour relations, the Corporate Trust Service, and the annual corporate

forum. It offers information on the Company's work to deliver high-quality products, questionnaire surveys of customer satisfaction, procedures to monitor compliance with contract terms and review complaints. The Report also contains details about the Company's procurement policy, which aims to improve transparency and access to procurement procedures, among other things by inviting bids via independent bidding platforms. It mentions pilot testing of the automated system for the supplier relationship management and discloses data on contractors' compliance with the HSE requirements during work. The Report describes the Company's membership in international and Russian public organisations, and participation in international, national and regional events. It also highlights the fact that the Company joined the United Nations Global Compact and signed partnership agreements with the Russian Olympic Committee and the International University Sports Federation.

Human rights

The Report emphasises the Company's commitment to human rights in accordance with the international regulations and the laws of the countries of operation. In this respect, the Report focuses on labour rights and the prevention of any discrimination. It proclaims equal employment, professional development and career growth opportunities predicated exclusively on employee skills. The Report indicates that the Company's position on human rights is reflected in a number of its by-laws. It gives account of the Company's initiatives to ensure protection of employees' personal information and observance of their social and economic rights, including those with respect to safe and comfortable working conditions, social security, education, family welfare and housing. It also describes the Company's efforts to protect the rights of the indigenous minorities residing across its regions of operation, preserve and develop their culture and traditions.

Environmental protection

The Report presents the Company's environmental protection priorities, environmental management and environmental risk management frameworks. It provides data on environmental expenses and performance, while also covering the initiatives that resulted in a significant

reduction of the Group's air emissions and water impact, as well as waste treatment activities. The Report features information about the Company's initiatives in respect of land rehabilitation, reproduction of aquatic bioresources and biodiversity preservation. It dwells on the development of the mid-term programme to improve energy efficiency in the reporting year, and implementation of the Fuel and Energy Development Strategy along with the Programme to Upgrade, Revamp and Replace the Norilsk Industrial District's Power Facilities. It also lists energy consumption and saving indicators. The Report provides details on the Company's cooperation with nature reserves adjacent to its key production sites. It describes the corporate volunteer environmental marathon hosted by the Company's regions of operation, and the awards received by the Company for its environmental performance.

Contribution to the development of local communities

The Report gives a detailed account of the Company's contribution to the social and economic development of local communities. It highlights the Company's standing as a major taxpayer, employer, and contributor to regional and federal social, sports and infrastructure development programmes. The Report refers to the social and economic cooperation agreements between the Company and the government agencies across its footprint, including those signed in the reporting year. There is also a description of the key regional social and economic projects implemented thereunder. It reports on the Company's participation in drafting Norilsk 2030, a strategy for the social and economic development of the Norilsk Municipality, and in the Norilsk Development Agency project. It also dwells on the Company's social programmes aimed at urban development and support of social entrepreneurship, charity, and volunteering. In particular, the Report focuses on the World of New Opportunities, the Company's key charitable initiative. It lists the performance assessment tools for the Company's social programmes. The Report discloses data on tax and non-tax payments to budgets of various levels, and on the financing of social, charitable and social infrastructure programmes.

Final provisions

Information in the Report generally reflects the Company's consistent work towards the integration of corporate social responsibility and sustainable development principles into its business practices. The Report contains a significant amount of information about the Company's impact on the society and environment, its strategy and policies in the key focus areas, and the effect of the related programmes. It covers the main focus areas and formats of stakeholder engagement, including those used in preparing the Report.

The Report was prepared using internationally and domestically recognised reporting tools (e.g. the GRI G4 Sustainability Reporting Guidelines, Comprehensive option, GRI G4 Sector Disclosures and the RSPP Key Performance Indicators), which ensures comparability of the Group's information with that of other Russian and international companies. The Report is also in line with the UN Global Compact and 17 Sustainable Development Goals of the UN 2030 Agenda. The Report's structure, key topics and material disclosures were defined based on the contributions from stakeholders, with the relevant selection criteria included in the Report.

The 2016 Report is the Company's thirteenth non-financial report, which demonstrates its determination to consistently develop reporting processes and enhance transparency. The Company uses various forms of independent assessment and confirmation of disclosed information (professional audit and public verification). This reflects the Company's commitment to keeping stakeholders informed and maintaining the high quality of disclosures.

RECOMMENDATIONS

While acknowledging the Report's strong points, the Council calls attention to some aspects of disclosures' materiality and completeness, which should be addressed in the future reporting cycles.

The Council notes that the previous non-financial report recommendations remain valid and good for use going forward.

The Report features the Company's goals and objectives for its CSR activities. It is recommended that in the next reporting cycles, the Group disclose specific plans for the mid-term and the next reporting period,

in addition to its objectives, provide information on their implementation and summarise its performance against the goals and objectives across all material aspects. This approach will provide stakeholders with a broader insight into the Company's prospects and achievements.

The Report discloses material information relating to the approaches to sustainable development and corporate social responsibility management. To ensure a more complete disclosure going forward, the Company is advised to give more detailed information on the KPI system, with a special emphasis on sustainable development and corporate social responsibility KPIs.

It is further advised that the Company provide more cases to support the information on the material aspects of its CSR activities and the associated management approaches. In particular, this applies to the disclosure of the Company's

contribution to developing specific regions and cities, as well as to the description of significant corporate events, which should be more specific and move beyond a mere statement of facts.

The Company should take into account that the analytical value of the Report will increase if it includes detailed comments on the indicators, especially in case of significant changes thereof.

It is recommended that the Report feature a more extensive disclosure on the responsibility across the supply chain and contractor interactions, and specify the ways the corporate HSE standards apply to contractors, relevant controls, achievements and further plans.

The Report describes corporate tools to assess the performance of social programmes. In future, it would be appropriate to add a description of how these tools are

used in management practices. The Company is advised to pay more attention to the assessment of social projects and programmes, given the importance of this information for the stakeholders.

It is further recommended that the Company provide more details on how its CSR targets correlate with the Sustainable Development Goals of the UN 2030 Agenda, while also emphasising its contribution to achieving these, including solutions to specific challenges.

The RSPP Council on Non-Financial Reporting hereby takes a positive view of MMC Norilsk Nickel's Report, supports the Company's commitment to responsible business practices, notes consistency in developing the reporting process, and confirms that Nornickel Group's 2016 Corporate Social Responsibility Report has passed the public verification procedure.

Chair of the RSPP Council on Non-Financial Reporting

Deputy Chair of the RSPP Council on Non-Financial Reporting



Fyodor Prokopov

Elena Feoktistova

APPENDIX 7.
EXTERNAL ASSURANCE STATEMENT

**INDEPENDENT ASSURANCE REPORT
ON THE CORPORATE SOCIAL RESPONSIBILITY REPORT
OF NORILSK NICKEL GROUP FOR 2016**

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Introduction

The Independent Assurance Report is addressed to the management of Public Joint Stock Company "Mining and Metallurgical Company "Norilsk Nickel" (hereinafter referred to as MMC Norilsk Nickel). The subject of assurance is the Report on Corporate Social Responsibility of Norilsk Nickel Group for 2016 (hereinafter referred to as the Report) including information on MMC Norilsk Nickel, its Russian subsidiaries and Norilsk Nickel Harjavalta. Information on the total number of employees and revenue (within consolidated revenue) of other abroad subsidiaries is also included in the Report.

Responsibilities

The management of MMC Norilsk Nickel bears full responsibility for the preparation and accuracy of the Report. We are responsible for the results of independent assurance of the Report only to MMC Norilsk Nickel within the engagement and do not assume any responsibility to any third party.

Scope, criteria and level of assurance

The Report was evaluated considering compliance with the requirements to the comprehensive 'in accordance' option of GRI G4. The engagement was planned and performed in accordance with AA1000 Assurance Standard 2008 (moderate level of assurance) and International Standard on Assurance Engagement ISAE 3000 (revised) "Assurance engagements other than audits or reviews of historical financial information" (limited level of assurance). The statement corresponds to type 2, as defined by AA1000AS 2008, in accordance with the limitations specified in section "Limitations of the engagement" of the present statement.

The selective verification of information in the Report performed under aforementioned levels of assurance does not claim to provide a high level of assurance. The work was based on the supporting materials provided by the management of the entity and its employees, publicly available information and analytical methods of confirmation. In relation to the quantitative information contained in the Report the work performed cannot be considered sufficient for identification of all possible deficiencies and misstatements. However, the collected evidence is sufficient for expressing our conclusion in accordance with the above levels of assurance.

Methodology of assurance

In our engagement, we have performed the following procedures:

- Interviewing the management and employees of Head office of MMC Norilsk Nickel and obtaining documentary evidence.
- Attending the We Are the City social technologies forum in Zapolyarny (on 4 March 2017) and in Norilsk (on 18 March 2017), including participation in dialogues with stakeholders.
- Visiting the Pasvik State Nature Reserve's visitor centre in Nickel settlement.
- Study of information available on the websites of companies of Norilsk Nickel Group related to their activities in the context of sustainable development.
- Study of public statements of third parties concerning economic, environmental and social aspects of the Norilsk Nickel Group activities, in order to check validity of the declarations made in the Report.
- Analysis of non-financial reports of foreign companies working in the similar market segment for benchmarking purposes.
- Selective review of documents and data on the efficiency of the management systems of economic, environmental and social aspects of sustainable development in Norilsk Nickel Group.
- Study of the existing processes of collection, processing, documenting, verification, analysis and selection of data to be included into the Report.
- Analysis of information in the Report for compliance with the requirements to the comprehensive 'in accordance' option of GRI G4.

Limitations of the engagement

The engagement was performed only in relation to data for the year ended 31 December 2016.

The evaluation of reliability of the information on performance in the Report was conducted in relation to compliance with the criteria to be applied to prepare sustainability report 'in accordance' with the GRI G4 and information referred to in the GRI Content Index. In respect to the quantitative performance indicators the conformity assessment to external and internal reporting documents provided to us is performed.

Assurance does not apply to forward-looking statements, as well as statements expressing the opinions, beliefs and intentions of MMC Norilsk Nickel as the parent company of Norilsk Nickel Group to take any

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в ассоциации с АКГ «МООР СТИВЕНС РУС»

action relating to the future. The assurance on the statements which are based on expert opinion is not performed.

Assurance is performed only in relation to the Russian version of the Report which includes information to be published in a hard-copy form as well as in digital form.

This statement is the translation of the Russian original. The Russian version prevails.

Conclusions

The following conclusions are based on the assurance work performed within the limitations of the engagement specified above.

Compliance of the Report with the GRI Sustainability Reporting Guidelines G4 (Comprehensive option)

Analysis of compliance to the GRI Standards requirements

In order to form a position on this issue, we have performed analysis of compliance to the GRI G4 requirements concerning principles and standard disclosures for the chosen 'in accordance' option.

- General standard disclosures are reported in compliance with the requirements of GRI G4 for the chosen 'in accordance' option.
- The Report contains the information on impacts that make the aspects material, the company's approach to managing the material aspects, as well as evaluation of the management approach for some material aspects.
- Indicators required for the Comprehensive option are reported in accordance with guidance contained in GRI G4. If it is not possible to disclose required information, the Report identifies the information that has been omitted and explains reason for omissions.

Overall assessment of the Report

- As a result and within the scope of our work, we did not identify material non-compliance with requirements to the report prepared 'in accordance' with the Comprehensive option of the G4 Guidelines including requirements of the Mining and Metals Sector Disclosures. The conclusion is stated taken into account abovementioned analysis of compliance to the GRI Standards requirements.

Recommendations

1. It is reasonable to disclose GRI indicators in relation to target values and plans for the future.
2. Increase the extent of disclosure of indicators in relation to which GRI guidance is not fully taken into account (disclosures with omissions).
3. In case of disclosure with omissions due to absence of a recording system provide more specific information about plans to obtain data in future.
4. When disclosing performance indicators with breakdown by region, consider the possibility of updating the list of regions of operations, taking into account the significance of the companies' of the Norilsk Nickel Group impacts.
5. Extend disclosure of information on how the organization evaluates the management approach to all material topics.

Statement of competence and independence

"NP Consult" LLC, an independent audit firm, professionally rendering assurance services, is a licensed provider of assurance services in accordance with AA1000 Assurance Standard. "NP Consult" LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". "NP Consult" LLC complies with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Standard Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. "NP Consult" LLC applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. "NP Consult" LLC employs a system of quality control of audit services, including control of compliance to ethical norms.

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