



CONTROL SYSTEM AND RISK MANAGEMENT

According to the Anti-corruption Ranking of Russian Business 2021 compiled by the Russian Union of Industrialists and Entrepreneurs, the Company received the top rating, A1, reflecting its effective anti-corruption management.



The Company has in place a robust internal control and risk management system covering key business processes and all management levels. The corporate risk management system is particularly focused on climate change risks.

CONTROL SYSTEM

The Company has in place an internal control system covering key business processes and all management levels across the Group. The system comprises the following supervisory bodies:



Audit Commission



Audit Committee of the Board of Directors

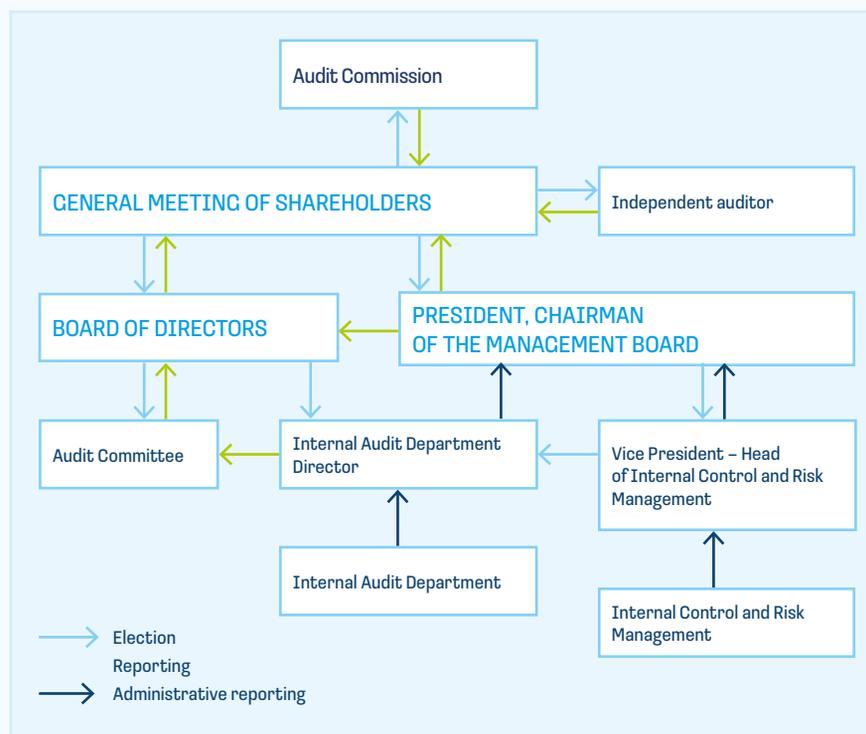


Internal Audit Department



Internal Control and Risk Management, comprising the Internal Control Department, Financial Control Service, Risk Management Service, and the Inspectorate for Monitoring Technical, Production and Environmental Risks

Control flowchart



Audit Commission

AUDIT COMMISSION'S PERFORMANCE

In 2021, the Audit Commission audited Nornickel's business operations for 2020, with the auditors' [report](#) presented to the shareholders as part of materials for the Annual General Meeting of Shareholders. Results of the audit of the Company's business operations for 2021 will be reported to the Annual General Meeting of Shareholders in 2022.

The Annual General Meeting of Shareholders held on 19 May 2021 re-elected the incumbent members of the Audit

Commission and set total remuneration at RUB 1.8 million per year (before taxes) for each member of Nornickel's Audit Commission who is not an employee of the Company. The above remuneration level is similar to the remuneration rate set for members of the Audit Commission in 2020. Members who are Nornickel employees are not paid remuneration for their work as part of the Audit Commission.

In 2021, remuneration of the Audit Commission totalled RUB 7.2 million (USD 98 thousand). No bonuses or other rewards were paid.

THE AUDIT COMMISSION IS NORNICKEL'S STANDING INTERNAL CONTROL BODY THAT MONITORS ITS FINANCIAL AND BUSINESS OPERATIONS. THE FIVE MEMBERS OF THE AUDIT COMMISSION ARE ELECTED ANNUALLY AT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS.



Members of the Audit Commission

Name	Primary employment and position as of the end of 2021
Alexey Dzybalov	Analyst, UC RUSAL, IPJSC (until 25 September 2020: United Company RUSAL Plc)
Anna Masalova	Chief Financial Officer, Pizza Restaurants
Georgy Svanidze	Head of the Financial Department, member of the Management Board at Interros Holding Company
Vladimir Shilkov	CEO of AC, CIS investment Advisers, and Orion Property; Deputy Project Manager at the Financial Control Service of MMC Norilsk Nickel
Elena Yanevich	CEO of Interpromleasing

Internal audit

The Internal Audit Department was established to assist the Board of Directors and executive bodies in better managing the Company and improving its financial and business operations through a systematic and consistent approach to the analysis and evaluation of risk management and internal controls as tools providing reasonable assurance that Nornickel will achieve its goals.

The internal Audit Department conducts objective and independent audits to assess the effectiveness of the internal control system and risk management system. Based on the audits, the Department prepares reports and proposals for management on improving internal controls, and monitors the development of remedial action plans.

In order to ensure independence and objectivity, the Internal Audit Department functionally reports to the Board of Directors through the Audit

Committee and has an administrative reporting line to Nornickel's President.

In 2021, the Audit Committee of the Board of Directors reviewed the annual audit plan and internal audit development plans; reviewed bonus-related performance targets (KPI scorecards) of the Internal Audit Department Director; discussed the results of completed audits, including gaps identified and corrective actions designed by management to improve internal controls and minimise risks. The Audit Committee commend the work of the Internal Audit Department in the reporting period.

In 2021, the Internal Audit Department performed 20 audits of subsidiaries' operations, corporate governance processes, and IT asset control procedures. The Department also performed an annual performance evaluation of Nornickel's corporate risk management system (CRMS)

and internal control system (ICS) for 2021 and concluded that the Company's CRMS and ICS as a whole function effectively, there are some comments. The evaluation results were reviewed at an Audit Committee meeting and a meeting of the Company's Board of Directors.

Based on the recommendations issued during the audits, management developed corrective actions and implemented a total of 263 such actions over FY 2021. The actions included updating regulatory documents, developing new or amending existing control procedures, communicating them to employees, training employees, identifying and assessing risks. The Internal Audit Department continuously monitors the implementation of initiatives developed by management, with the resulting insights on types and number of initiatives regularly reviewed by the Audit Committee.

DIGITALISATION OF INTERNAL AUDIT

In 2021, after the SAP Audit Management information system was implemented at the Head Office, the Internal Audit Department began rolling out the system to seven Group company-level internal control and audit units. The system was piloted in December 2021.

The system's launch delivered a number of benefits and advantages:

- Standardisation of internal audit processes across the Company
- A single information space where all members of the audit teams of the Head Office and other units can collaborate regardless of location
- Generation of analytical reports on audits of the Company's units, as well as consolidated reports on all audits across the Company
- Automated monitoring of the implementation

of recommendations across the Company's units

The Internal Audit Department is strongly focused on expanding the use of data analysis tools in audits.

In 2021, the Internal Audit Department leveraged digital data processing methods to perform five IT audits, as well as a working capital control audit and a mining equipment performance monitoring audit.

Internal control

The Internal Control Department regularly monitors the Company's high-risk business processes – procurement and investment activities, capital construction and corporate insurance transactions, as well as the reliability of the existing systems of accounting for metal-bearing products. The Company also continuously monitors compliance with regulatory requirements to combat the unlawful use of insider information and market

manipulation, as well as money laundering, terrorist financing, and proliferation financing.

The performance and maturity of internal control system elements are evaluated annually as part of a financial statement audit and internal control system self-evaluation. Reports containing the internal control system evaluation results are reviewed by Nor Nickel's management

and the Audit Committee of the Board of Directors.

The Financial Control Service audits financial and business operations of Nor Nickel and its subsidiaries to make updates and recommendations for the President and members of the Board of Directors. The Head of the Financial Control Service is appointed by resolution of the Board of Directors.



Corporate Trust Line

Nornickel runs the Corporate Trust Line speak-up programme established within the Internal Control Department to respond promptly to reports of non-compliance, wrongdoing or embezzlement, violation of employees' rights, and breach of ethical standards or rules of conduct by employees. Employees, shareholders, and other stakeholders can report any actual or potential actions that cause or may cause financial or reputational damage to Nornickel. All reports submitted

via the line are registered, assigned a unique number, and investigated. The key principles underlying the operation of the Corporate Trust Line include guaranteed anonymity for whistleblowers, and timely and unbiased review of all reports. Nornickel will in no circumstances retaliate against an employee who raises a concern via the Corporate Trust Line, meaning that no disciplinary action or sanction will be taken (dismissal, demotion, forfeiture of bonuses, etc.).

Reports can be submitted via toll-free hotlines at 8,800,700 1941 and 8,800,700 1945, via e-mail at skd@nornik.ru, or via a reporting form on the Nornickel [website](#).



[Corporate Trust Line](#)

Report statistics

Indicator	2019	2020	2021
Total number of reports	1,181	1,037	1,243
Total number of reports that triggered investigation	481	451	422
Percentage of corruption reports (%)	0.2 (1 confirmed case)	0 (0 cases)	0 (0 cases)

For more details on report statistics, please see the Sustainability Report.

Anti-corruption

According to the Anti-corruption Ranking of Russian Business 2021 compiled by the Russian Union of Industrialists and Entrepreneurs, Nornickel received the top rating, A1, reflecting the particular attention paid by the Company's management to corruption prevention, as well as effective implementation of relevant measures.

Nornickel complies with anti-corruption laws of the Russian Federation and other countries in which it operates, as well as with any applicable international laws and Nornickel's internal documents.

Nornickel openly declares its zero tolerance to corruption in any form or manifestation. Members of Nornickel's

Board of Directors / Management Board and senior management role model a zero-tolerance approach to corruption in any form or manifestation at all levels across the organisation. Facilitation payments and political contributions to obtain or retain a business advantage are strictly prohibited by Nornickel's policy. Nornickel

will not tolerate any retaliation against an employee who reports a concern about suspected corruption, or refuses to offer a bribe, facilitate bribery or take part in any other corrupt activities, even if their refusal to do so results in a lost opportunity or a failure to obtain a business or competitive advantage for Nornickel.

In line with legal requirements and its voluntary commitments, Nornickel actively implements anti-corruption measures:

- Records and monitors entertainment expenses. Nornickel has established uniform requirements for offering and receiving business gifts applicable to all employees, which are set forth in the Regulations on Business Gifts
- Regular anti-corruption due diligence of internal documents ensures that they present no potential for corruption
- We perform annual assessment and quarterly monitoring of corruption risks
- Every two years, Nornickel submits to the Russian Union of Industrialists and Entrepreneurs a Declaration of Compliance with the Anti-corruption Charter of Russian Business to confirm its compliance with anti-corruption requirements

Nornickel regularly trains its employees and involves them in implementing anti-corruption programmes. We run an online anti-corruption training course for all employees, as well as a course on compliance with anti-corruption laws for our HR function. As of the end of 2021, 100% of employees were trained to be familiar with the Group's anti-corruption policies. Over the year, the training on statutory requirements and provisions of corporate anti-corruption regulations covered 9,805 people.

Timely identification and prevention of conflicts of interest are also key to our anti-corruption efforts. In line with

the Regulations on the Prevention and Management of Conflicts of Interest, an approved standard reporting form is to be filled by candidates applying for vacant positions at Nornickel.

Nornickel maintains a Preventing and Combating Corruption section on its intranet portal, providing information on its anti-corruption regulations and measures taken to combat and prevent corruption, offer legal education, and promote lawful behaviours among employees.

In 2021, the Internal Audit Department evaluated the Company's anti-corruption performance and proposed the following improvement measures following the audit:

- Define a unified approach to adopting anti-corruption regulations and controls throughout the Group
- Run additional anti-corruption training for employees

Nornickel is also implementing an initiative to identify and rank corruption risks inherent in business processes, as well as develop and implement a methodology for assessing and managing corruption risks. The following actions were taken as part of this initiative:

- The heads of business units within Nornickel's Head Office were surveyed to identify the business processes most prone to corruption
- A draft register of corruption risks was compiled based on the survey findings
- A draft Corruption Risk Management Methodology was developed

In order to mitigate potential risks associated with contractor engagement, Nornickel evaluates business standing, integrity, and solvency of its potential counterparties. To prevent procurement misconduct and maximise value capture through unbiased selection of best proposals, Nornickel's procurement owner, customer, and secretary of a collective procurement body adhere to the following rules:

- Procurement relies on the principle of division of roles
- Commercial proposals submitted by qualified suppliers are compared using objective and measurable criteria approved prior to sending a relevant request for proposal
- The selection results and the winning bidder in the material procurement process are approved by the collective procurement body comprised of representatives from various functions of Nornickel
- A Master Agreement containing an anti-corruption clause is signed with each supplier or updated on an annual basis. The anti-corruption clause outlines the course of action to be taken between the supplier and Nornickel with respect to risks of abuse. Moreover, by signing the Master Agreement, suppliers acknowledge that they have read MMC Norilsk Nickel's Anti-Corruption Policy

Antitrust compliance

An antitrust compliance system in place at the Company since 2017 establishes the processes for the timely prevention, identification, and elimination of causes and conditions facilitating antitrust violations and ensures compliance of the Company and its corporate entities with applicable laws.

Federal Law No. 135-FZ On Protection of Competition dated 26 July 2006 was amended in 2020 to set requirements for internal antitrust compliance regulations

of organisations and establish the right of organisations to submit these regulations to the Federal Antimonopoly Service of the Russian Federation and obtain its opinion upon confirmation of compliance. The Company was the first in Russia to use the new statutory procedure to obtain a confirmation of the Federal Antimonopoly Service that its antimonopoly compliance system meets legal requirements, issued on 25 March 2021.

IN 2021, THE FEDERAL ANTIMONOPOLY SERVICE AND/OR ITS TERRITORIAL BODIES DID NOT FIND ANY ANTITRUST VIOLATIONS BY THE COMPANY OR THE GROUP ENTERPRISES; AND NO ADMINISTRATIVE ACTIONS WERE TAKEN AGAINST THE GROUP ENTERPRISES FOR SUCH VIOLATIONS.

Corporate security

Nornickel's corporate security system management is based on a set of programmes to ensure economic, corporate, internal, on-site, transport and information security, as well as the transparency of procurement and contractor selection procedures.

The Company continues to cooperate with the United Nations Interregional Crime and Justice Research institute (UNICRI) and the United Nations Office on Drugs and Crime (UNODC) on matters including the implementation of the UN Economic and

Social Council Resolution 2019/23 on combating transnational organised crime, illicit trafficking in precious metals, and illegal mineral extraction.

In September 2021, Nornickel employees and officials from the Ministry of Transport of Russia, federal agencies for various modes of transport, and the regional transport ministries participated in the 10th National Conference on Transport Security and Anti-terrorism Technologies 2021. The conference participants proposed

amendments to transport security laws and specific procedures around their enforcement.

In 2021, Nornickel conducted a total of 325 trainings, 41 general and 6 tactical and special drills.

The Company engages external contractors to ensure the safety of its facilities, making sure that contractor activities respect human rights, including those of employees of private security organisations. Respect for human rights is incorporated in the regulations of the Corporate Security Unit.

Information security

PROGRAMMES

Amid the COVID-19 pandemic with some employees still working remotely, the Company is taking extra precautions to ensure the information security of corporate resources and infrastructure. These include more stringent security requirements and controls for remote computers and devices used in audio and video conferencing. Remote work is monitored on a daily basis, with users guides and instructions updated as necessary.

The Company continues implementing its scheduled measures and programmes to protect corporate information systems and automated process control systems (APCSs) across the Group. Nornickel is providing project support for its IT initiatives programme and rolling out security tools to build the target information security architecture.

The Company assessed key information systems (criticality class A) for compliance with approved corporate information security standards.

Key information security rules are summarised in a single document – Guidelines on Permitted Use of Information Assets. The information security procedures which involve Nornickel employees include:

- identification and classification of data assets
- raising information security awareness
- managing access to data assets
- information security incident management
- assessing IT projects for compliance with information security requirements.

TRAINING AND EDUCATION

New employees are required to take a knowledge test and extra briefing on information security. The Company has also developed and approved the Procedure Rules for Raising Information Security Awareness and has in place annual employee training plans compiled with account for current trends and newly identified risks and cyber threats. All Group employees are trained and tested on information security, on average, once a year. A total of 69 e-learning courses were delivered in 2021, with a total of 10,170 Group employees trained.

CYBER INCIDENT RESPONSE SYSTEM

The Company's Information Security Incident Response Centre uses advanced technical solutions as well as Russian and global best practices in managing cyber defence. Processes and procedures in place to ensure information security continuity in case of emergency are tested regularly, at least once per quarter.

SUSPICIOUS ACTIVITY REPORTING PROCESS

Nornickel improves the corporate information security system through regular drills and tests, including simulations of phishing attacks and other illegal interference with the corporate IT infrastructures. Following the drills, instructions for employees are updated, and the results are included in the quarterly bulletin forwarded to the heads of the Company's units. In addition, the Company uses dedicated newsletters to improve employee awareness about current information security threats and digital hygiene.

Users are required to report any suspicious content or activity via the predetermined communication channels to the corporate Information Security Incident Response Centre, which assesses potential destructive impacts on the Company's information systems and drives the planning and implementation of actions to prevent and/or address any consequences.

CERTIFICATION

In line with ISO/IEC 27001:2013 and international best practices, Nornickel enterprises have been taking consistent efforts to implement and improve the information security management systems (ISMSs). By end-2021, ISMSs were introduced and proved their effectiveness for the following processes:

- Marine freight transportation in the Murmansk Transport Division
- Operational production management, procurement of feedstock and process materials, and monitoring progress against targets in production and shipment of finished products in the Polar Division

To demonstrate compliance with ISO/IEC 27001:2013, Nornickel's information security management systems are audited by an independent certification body on an annual basis. 2021 was the first year in the Company's history when a recertification audit covered the principal corporate ISMS in the Murmansk Transport Division. To verify its compliance with the standard, a repeat full audit was conducted on the division's ISMS for the first time since its launch (in 2017). At the same time, additional tough requirements called for significant improvements across the elements of information security management. Employees involved in the operation of the Murmansk Transport Division's ISMS showed excellent knowledge of information security, and the Company as a whole demonstrated that it can control risks and is prepared for unexpected changes when achieving its goals.

In 2021, Nornickel also expanded the list of sites that have in place a certified ISMS. Specifically, in September 2021, a certification audit of Talnakh Concentrator demonstrated that a unified approach to information security management is used across the Polar Division facilities.

An international certification body conducted a total of four audits at Nornickel in 2021: in addition to the recertification audit of the Murmansk Transport Division's ISMS and the certification audit of Talnakh Concentrator's ISMS, supervisory audits were run at two more sites within the Polar Division to verify the continuous improvement of the ISMS. At Nadezhda Metallurgical Plant and Copper Plant, the auditor satisfied itself that observations raised on the previous audit were followed up and conducted random standard compliance checks.

MURMANSK TRANSPORT DIVISION IS CONFIRMS EFFECTIVENESS THE INFORMATION SECURITY SYSTEM ALREADY FOUR YEARS

MANAGEMENT INVOLVEMENT IN INFORMATION SECURITY

Nornickel's Information Security Policy applies to all employees and includes the engagement boundaries and responsibilities of the Board of Directors and the Management Board in this regard. Their responsibilities include among other things setting up an information security risk management system along with reviewing and approving budgets for relevant programmes and projects.

PARTNERSHIPS AND BEST PRACTICE SHARING

At the national level, the Information Security in Industry Club, an industry association founded by Nornickel in 2017, has been successfully operating for four years now. Information security managers of major Russian industrial holdings are involved in its activities. The club provides

a robust platform for sharing best information security practices, experience and expertise in manufacturing industry.

In international information security, Nornickel cooperates with the Security Council of the Russian Federation and the Ministry of Foreign Affairs of the Russian Federation, contributing to the development and discussion of position papers in this area. The Company also participates in the National Association for International Information Security (NAIIS) and cooperates with the International Information Security Research Consortium (IISRC).

The development and international promotion of precious metal supply chain security is an important aspect of the Company's engagement with its business partners: Nornickel participates in dialogues on this issue on international platforms such as the UN Commission on Crime Prevention and Criminal Justice and the Security Committee of the International Platinum Group Metals Association (IPA), and is involved in the activities of the Joint Intergovernmental Committee on Trade and Economic Cooperation Between Russia and South Africa.



Independent audit

An independent auditor for MMC Norilsk Nickel's financial statements is selected through competitive bidding in accordance with the Company's established procedure. The Audit Committee of the Board of Directors reviews the shortlist and makes a recommendation to the Board of Directors on the proposed auditor to be approved by the Annual General Meeting of Shareholders of MMC Norilsk Nickel.

In 2021, the General Meeting of Shareholders approved KPMG as the auditor for MMC Norilsk Nickel's RAS and IFRS financial statements for 2021 on the recommendation of its Board of Directors.

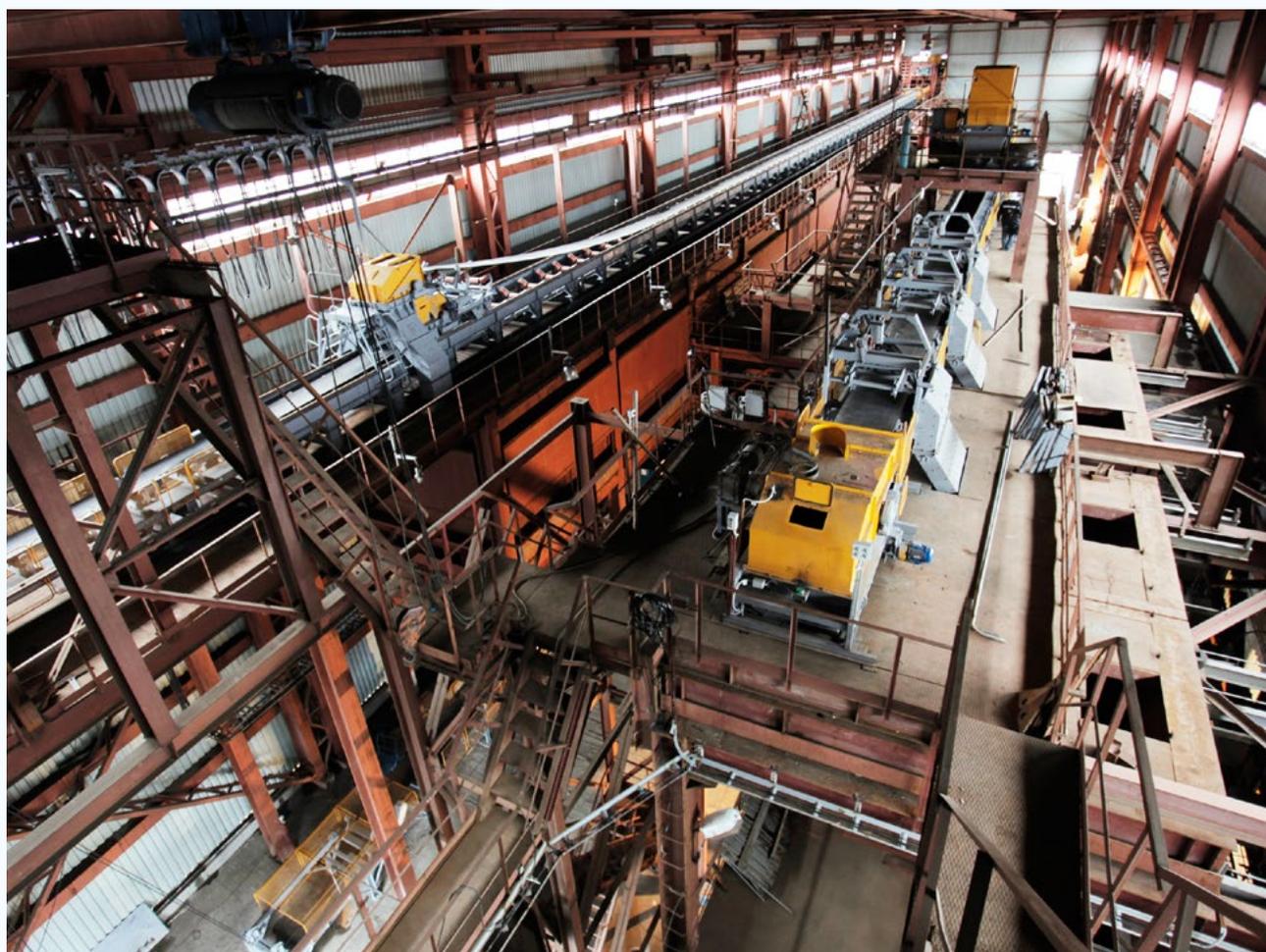
The Audit Committee of the Board of Directors also commended the effective collaboration between the Company's management and KPMG on the 2020 audit of the Group, citing the accelerated publication of consolidated financial statements amid significant restrictions due to COVID-19.

The fee paid to KPMG for its audit and non-audit services in 2021 totalled RUB 335.1 million (USD 4.6 million), net of VAT, with the share of non-audit services accounting for 48% of the total.

To prevent conflict of interest between the audit and non-audit services, KPMG has in place a specific policy covering different types of services they provide to companies, which complies with the requirements of the International Ethics Standards Board for Accountants (IESBA), the Russian Rules for the Independence of Auditors and Audit Organisations, and other applicable standards.

Auditor's fee

Service type	RUB mln, net of VAT	USD mln, net of VAT
Audit and related services	173.5	2.4
Non-audit services	161.6	2.2
Total auditor's fee	335.1	4.6
Share of non-audit services (%)	48	



RISK MANAGEMENT

The existing corporate risk management system is integrated into the Company's business processes and enables effective risk-based decisions at various organisational levels to achieve strategic and operational goals.

Nornickel set the following key risk management objectives:

- Increase the likelihood of achieving the Company's goals
- Improve resource allocation
- Boost Nornickel's investment case and shareholder value

The risk management system is based on the principles and requirements set forth in Russian and international laws, as well as professional standards, including the Corporate Governance Code recommended by the Bank of Russia, GOST R ISO 31000-2019 Risk Management. Principles and Guidelines, COSO ERM Enterprise Risk Management – Integrating with Strategy and Performance, and Recommendations for Public Joint Stock Companies to Organise Risk Management, Internal Controls, Internal Auditing, and the Work of Auditing Committees Under Boards of Directors (Supervisory Boards) (Appendix to the Bank of Russia's Letter No. IN-06-28/143 dated 1 October 2020).

To manage production and infrastructure risks, Nornickel develops, approves and updates business continuity plans which define the following sequence of steps in case of emergency:

- Procedure for interaction between business units in rescuing people, minimising property damage, and ensuring process stability
- Current operations support or recovery plan
- Recovery or restoration plan for affected assets

Risk management system

BOARD OF DIRECTORS

Audit Committee of the Board of Directors

Key functions

- ⇒ Approve the Corporate Risk Management Policy
 - ⇒ Supervise the building of the risk management system
 - ⇒ Prepare the Corporate Risk Appetite Statement (annually)
 - ⇒ Manage strategic risks on an ongoing basis
 - ⇒ Review and approve the risk management development roadmap and assess its implementation status (annually)
 - ⇒ Review reports on strategic and key risks (annually/quarterly)
- Assess risk management performance at Nornickel (annually)

MANAGEMENT BOARD

Risk Management Committee of the Management Board

Key functions

- ⇒ Review strategic risks and reports on key risks
- ⇒ Review materialised risks and lessons learned
- ⇒ Review risk appetite metrics
- ⇒ Make decisions related to key risk management
- ⇒ Review business continuity plans
- ⇒ Review the strategy and development plans for the Corporate Risk Management System (CRMS) and Internal Control System (ICS)
- ⇒ Review the performance of dedicated risk management committees within business verticals

RISK MANAGEMENT SERVICE

Key functions

- ⇒ Develops and updates the risk management methodology
- ⇒ Prepares reports on Nornickel's Top 20 risks (annually)
- ⇒ Prepares reports on strategic risks (annually)
- ⇒ Enhances quantitative risk assessment using simulation modelling tools
- ⇒ Improves the business continuity management system
- ⇒ Ensures employee development and training in practical approaches to risk management

RISK OWNERS / HEADS OF BUSINESS UNITS

Key functions

- ⇒ Day-to-day risk management within the integrated risk management model, including risk identification, analysis, assessment and/or prioritisation, as well as development and execution of response plans and mitigation measures
- ⇒ Risk-based decision making

INTERNAL AUDIT

Key functions

- ⇒ Makes independent assessments of the effectiveness of risk management, internal controls and corporate governance (annually)

INTERNAL CONTROL

Key functions

- ⇒ Methodological support and participation in risk assessment of business processes

2021

In 2021, the Company completed the following projects to develop its risk management system:

- Commencement of pilot operation of a GRC-class system developed as part of a project to automate risk management processes
- Internal follow-up review of key asset risks, with updates and verification
- Establishment of new or continued consistent operation of existing dedicated risk management committees
- Completion of a project to improve risk management integration with budgeting processes
- Quantitative assessment of the cumulative impact of key risks on the Company's 2022 budget, with an analysis of the budget sensitivity to key risks
- Development, testing, and implementation planning of key performance indicators for the risk management process

- Development of an improved approach to risk appetite definition and decomposition with due consideration of ESG metrics
- Development of a target quantitative model to assess equipment failure risks in test environment, and an improved assessment approach for risks that may prevent use of buildings in permafrost environments of the Norilsk Industrial District
- Update of the corporate online course Fundamentals of Risk Management, which is now mandatory for new employees
- Regular quantitative assessment of investment project risks
- Commencement of a project to assess long-term climate-related risks in accordance with the TCFD requirements for a number of critical assets within the Norilsk Division

New emerging risks

New emerging risk management is supported by an existing team of internal risk champions who analyse and assess risks related to all activities of the Company.

New emerging risk management focuses on preventing risk occurrence as well as its potential negative consequences. Controls used by the Company include the implementation of business continuity plans to manage external risks that can have a disastrous impact on the Company's operations and business processes. These

controls increase Nor nickel's resilience to external shocks.

The Company's strategic risks were updated in 2021. Nor nickel sees the following groups of risks as its key risks: aggressive expansion of the Company's investment programme, aging of its production assets, and the mismatch between skills supply on the labour market and the Company's needs in the context of advances in new technology and digitalisation.

2022

In line with risk management system improvement plans for 2022 and beyond, the following areas have been prioritised:



External review of the Company's key technical and production risks



Improvement of the risk management system elements in strategic and operational planning



Rollout of simulation modelling for investment project risk assessment to the PMO level



Enhancement of the methodology to analyse, assess and manage various categories and types of risks



Role-based upskilling of Company employees involved in risk management



Development of a methodology to consider climate-related factors; continued implementation of a project to assess long-term climate-related risks in accordance with the TCFD methodology

The Audit Committee of the Board of Directors regularly reviewed reports of the Risk Management Service; on 28 October 2021, the Board of Directors heard a report on the Company's key and strategic risks and gave a number of recommendations to the management team.

1 The Task Force on Climate-related Financial Disclosures

Insurance

Insurance is an essential tool used to manage risks while protecting the property interests of Nornickel and its shareholders against any unforeseen losses related to operations, including due to external effects.

Nornickel has centralised its insurance function to ensure the consistent implementation of its uniform insurance policy and standards. Nornickel annually approves a comprehensive programme that

defines key parameters by insurance type, key business area, and project. Nornickel has implemented a corporate insurance programme that covers assets, equipment failures, and business interruptions across the Group. Nornickel maintains corporate insurance policies with major Russian insurers under the corporate insurance programme, involving an international broker to ensure that Nornickel's risks are underwritten by highly reputable international re-insurers.

Nornickel's freight, construction and installation, aircraft and watercraft insurance programmes are also based on the principle of centralisation. The Group companies, directors and officers carry relevant liability insurance. Nornickel applies industry best practice and leverages insurance market trends to negotiate the best insurance and insured risk management terms.

Climate risks

The Company recognises the need to remain resilient to climate-related risks, including through climate adaptation, target-based CHG emission management, and innovation sourcing to better gear up the business to meet current challenges.

Two categories of climate-related risks have been identified in line with the TCFD recommendations.



1. Physical. These risks can manifest themselves as abnormal weather or lasting changes in weather patterns. Physical consequences of climate change for the Company can include permafrost thawing, changes in water levels in water bodies, precipitation amounts, wind loads and other climate risk factors with potentially material adverse impact on operations.



2. Transition risks Transition risks (arising from the transition to a low-carbon economy). The Company includes in this category relevant political, regulatory, technology, market and reputational risks.



The corporate risk management system covers climate-related risks. Nornickel's governance bodies review key risk information on a quarterly basis, including on key climate-related risks.

In 2021, the Company's Board of Directors approved a Climate Change Policy, setting forth key commitments and operating principles, including those concerning climate-related risk management.

The management team developed and approved a roadmap for ensuring compliance with the TCFD Guidance, covering 2022 and the first quarter of 2023. The roadmap implementation will enable the integration of climate-related risk management and potential financial impact analysis into the Company's business processes. In 2023, the Company intends to release a public climate report disclosing all material information on the Company's performance and progress on climate change.

As part of physical risk management, the Norilsk Division is establishing a building and structure monitoring system for continuous automated monitoring of permafrost foundation soil temperature and foundation deformations. Also in 2021, climate change in the Norilsk Industrial District was simulated until 2050 for three global climate scenarios put forward by the Intergovernmental Panel on Climate Change. The simulation results will inform further mitigation and adaptation efforts for physical risks.

As part of its greenhouse gas (GHG) management activities in 2021, the Company developed a methodology to calculate the carbon footprint of its six key metals. Also in the reporting year, the Company launched the production of carbon-neutral nickel. This initiative was enabled by efforts to reduce GHG emissions across all stages of production from ore mining to beneficiation and refining to

finished products. Carbon footprint was primarily offset through the upgrade of a hydropower plant powering Nornickel's production facilities in the Norilsk Industrial District.

Climate-related risks may offer additional economic benefits to Nornickel due to the changing structure of demand for metals required in a future low-carbon economy. Based on Nornickel's assessment of climate change risks under the International Energy Agency's Sustainable Development Scenario envisaging the temperature rise in 2100 limited to 1.5 °C, the Company expects a positive impact on its product portfolio under this scenario, driven by the development of the electric vehicle sector as well as wider adoption of renewables and hydrogen: a neutral impact on PGMs and a positive impact on non-ferrous metals.

Decarbonisation of the global economy – risk assessment for Nornickel metals

	Ni	PGMs	Cu
Growth of market share of BEVs			
Growth of hybrids			
Fuel cell electric vehicles			
Growth of renewables / low carbon fuel in power generation			
Storage and grid expansion to support the growth of xEVs			
Net impact			

Lack of water resources

Water shortages in storage reservoirs of Nornickel's hydropower facilities may result in failure to achieve required water pressures at HPP turbines, leading to lower power output and to drinking water shortages in Norilsk.



Impact on goals:
medium



Source of risk:
external



Year-on-year change in risk:
stable

Key risk factors	Impact on Nornickel's development goal and strategy	Mitigation
Extreme weather events (droughts) caused by climate change	<p>Efficient delivery of finished products (metals) in line with the production programme.</p> <p>Timely supply of products to consumers.</p> <p>Social responsibility: comfort and safety of people living in Nornickel's regions of operation.</p>	<p>To manage this risk, Nornickel:</p> <ul style="list-style-type: none"> implements a closed water circuit to reduce water withdrawal from external sources carries out regular hydrological observations to forecast water levels in rivers and other water bodies cooperates with the Federal Service for Hydrometeorology and Environmental Monitoring (Rosgidromet) on setting up permanent hydrological and meteorological monitoring stations in order to improve the accuracy of water level forecasts for major rivers across Nornickel's regions of operation dredges the Norilskaya River and prepares its production facilities for reducing their energy consumption in case of risk occurrence refurbished one of its two hydropower plants to increase power output through improving the hydroelectric units' performance.

Permafrost thawing

Loss of bearing capacity by pile foundation beds may lead to deformation and collapse of buildings and structures.



Impact on goals:
medium



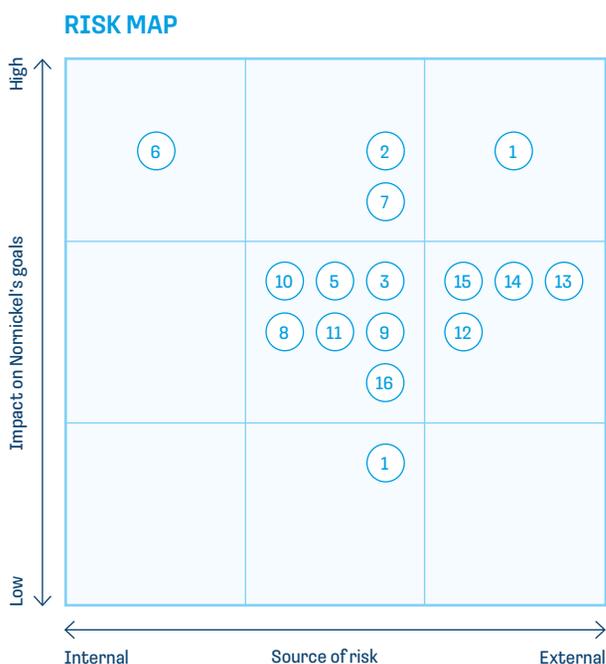
Source of risk:
external



Year-on-year change in risk:
stable

Key risk factors	Impact on Nornickel's development goal and strategy	Mitigation
<p>Climate change, average annual temperature increases over the last 15 to 20 years.</p> <p>Increased depth of seasonal permafrost thawing.</p>	<p>Efficient delivery of finished products (metals) in line with the production programme.</p> <p>Social responsibility: comfort and safety of people living in Nornickel's regions of operation.</p>	<p>To manage this risk, Nornickel:</p> <ul style="list-style-type: none"> performs regular monitoring of soil condition under the foundations of buildings and structures built on permafrost performs geodetic monitoring of the movement of buildings uses satellite technology to monitor Nornickel's assets and further analyse the data regularly monitors the condition of Nornickel's buildings and structures via an information system for conducting geotechnical surveys monitors soil temperature in buildings' foundations monitors the compliance of its facilities with operational requirements for crawl spaces takes corrective actions to ensure safe operating conditions for buildings and structures.

Map of Nornickel's material risks with year-on-year changes in 2021



RISK

1. → Price risk (decline in market prices for Nornickel metals)
2. → Market risk (lower competitiveness of Nornickel products)
3. → Tighter environmental regulations
4. → FX risk
5. → Investment risk
6. → Work-related injury risk
7. → Information security risks
8. → Technical and production risk
9. → Power outages at production and social facilities in the Norilsk Industrial District
10. → Compliance risk
11. → Social risk
12. → Changes in legislation and law enforcement
13. → Lack of water resources
14. → Permafrost thawing
15. → Risk of epidemics
16. ⚠ Risk of supply chain disruptions

Risk: an impact of uncertainty on the goals (ISO/COST R 31000).

Source of risk: an element which, alone or in combination with other elements, may cause a risk (ISO/COST R 31000).

- ↻ Risk increased year-on-year
- ↺ Risk decreased year-on-year
- Risk has not changed year-on-year
- ⚠ New emerging risk

A high-level map of Nornickel's material risks leverages global best practices in risk management. The risk map ranks material risks by impact on the Group's goals and by source.

In 2021, the following previously identified risks materialised:

- An ore rehandling building and the adjoining walkway of the Norilsk Concentrator collapsed during repair
- The Oktyabrsky and Taimyrsky mine operations were suspended due to flooding by natural groundwater

The Norilsk Concentrator implemented a range of initiatives to reinforce the main

load-bearing structures of its buildings. It resumed operation using a new crushing arrangement, with two legacy crushing buildings now fully decommissioned.

The concentrator is implementing a project to set up a building and structure monitoring system at its facilities. Another ongoing project is the construction of a new Norilsk Concentrator, implementing a vision for a modern, cost-effective concentrator to process ores and ensuring a reliable production chain.

The Taimyrsky and Oktyabrsky Mines fully completed dewatering and recovery measures. The Company is conducting

additional hydrogeological surveys across all of its mines, with underground excavation suspended in the immediate vicinity of potentially water-bearing seams at two enterprises. The hydrogeological model update is expected to be completed in early 2022, with follow-up changes to mining plans. Projects are also advancing to boost drainage capacity.



For more details on additional activities carried out at Norilsk Concentrator to prevent similar events in the future, please see the [Health and Safety](#) section of this Annual Report.

KEY RISKS

Nornickel's risks are all inherent to its strategic and operational development and business continuity goals. Key risks have a varying degree of impact on Nornickel's ability to achieve its goals.¹

Price risk

Potential decrease in sales revenues due to lower prices for Nornickel metals is subject to actual or potential changes in demand and supply in certain metals markets, global macroeconomic trends, and the financial community's appetite for speculative/investment transactions in the commodity markets.



Impact on goals:
high



Source of risk:
external



Year-on-year change in risk:
stable

Key risk factors	Impact on Nornickel's development goal and strategy	Mitigation
<p>Lower demand for metals produced by Nornickel.</p> <p>A slowdown in the global economy in general and in the economies consuming Nornickel metals in particular.</p> <p>Supply and demand imbalance in metals markets.</p>	<p>Enhancing Nornickel's leadership in the nickel and palladium markets</p>	<p>Nornickel is consciously accepting the existing price risk for now. To manage this risk, Nornickel:</p> <ul style="list-style-type: none"> continuously monitors and forecasts supply and demand dynamics for key metals secures feedstock supplies for key consumers through long-term contracts to supply metals in fixed volumes as a member of the Nickel Institute and the International Platinum Group Metals Association, works with other nickel and PGM producers to maintain and expand the demand for these metals. <p>Should the price risk materialise, Nornickel will consider cutting capital expenditures (revising the investment programme for projects that do not have a material impact on Nornickel's development strategy).</p>

¹ In 2022, the Company may face sanctions restrictions on the supply of products, materials and equipment, technology, and licenses, restrictions on cross-border road transit for vehicles and on financial transactions, as well as voluntary restrictions by business partners.

Market risk

Lower competitiveness of Nornickel products in the market may result in their lower liquidity, discounts to the market price and a decrease in Nornickel's income.



Impact on goals:
high



Source of risk:
mixed



Year-on-year change in risk:
stable

Key risk factors	Impact on Nornickel's development goal and strategy	Mitigation
<p>Stricter market requirements on product quality and ESG compliance.</p> <p>Competition from producers of cheaper nickel.</p> <p>More aggressive transport decarbonisation programmes.</p> <p>Changes in consumption patterns for high-tech products.</p> <p>Foreign regulators imposing new foreign trade restrictions that impact Nornickel's activities (tariff and non-tariff regulatory measures).</p>	<p>Enhancing Nornickel's leadership in the nickel and palladium markets</p>	<p>To manage this risk, Nornickel:</p> <ul style="list-style-type: none"> • monitors and analyses changes in market demands for product quality and ESG compliance • promotes global industrial and investment demand for its metals • monitors the development of transport electrification • searches for new applications and uses for palladium • diversifies its metal product sales across industries and geographies • improves and diversifies its product range • cooperates with industry institutions to maintain access to relevant sales markets for its metals • cooperates with Russian ministries and agencies to prevent/mitigate negative impacts of local or international regulation • implements an ESG road map • seeks partnership opportunities with key producers of lithium-ion batteries for electric vehicles • maintains strategic partnerships with car makers based on guarantees of long-term palladium supplies.

Tighter environmental regulations

Stricter environmental requirements, administrative sanctions, and governmental control over environmental compliance.

Impact on goals: **medium**
 Source of risk: **mixed**
 Year-on-year change in risk: **stable**

Key risk factors	Impact on Nornickel's development goal and strategy	Mitigation
<p>Domestic and international focus on environmental protection and sustainability.</p> <p>Extensive changes in environmental laws and regulations.</p> <p>Changes in the regulation and tighter standards for emissions from stationary sources and wastewater discharges into water bodies; changes in the waste permitting framework and waste management regulation.</p> <p>Amendments to the Code of Administrative Offences of the Russian Federation: liability for non-compliance with instructions of state authorities within prescribed time limits, repeat offenses, violations of requirements for preventing and responding to oil and petroleum product spills, non-compliance with requirements for equipping stationary sources of emissions and discharges with automated meters.</p> <p>Stricter procedure for decommissioning hazardous facilities and waste storage facilities, especially regarding the development and expert review of an environmental pollution prevention and response plan.</p> <p>An experiment to use emission allowances run across 12 Russian cities (Federal Law No. 195-FZ dated 26 July 2019), including Norilsk and Krasnoyarsk in 2020–2024.</p>	<p>Compliance by Nornickel and Norilsk Nickel Group corporate entities with the applicable laws, regulatory requirements, corporate standards, and business codes</p>	<p>To manage this risk, Nornickel:</p> <ul style="list-style-type: none"> • has developed and is implementing a corporate Environmental and Climate Change Strategy • manages environmental risks • implements environmental measures and environmental performance improvement programmes • carries out operational environmental control • provides for its participation in working groups on developing and amending environmental laws • monitors draft laws and regulations • conducts legal reviews of draft laws and regulations to analyse their potential implications for the Company's operations • brings forward draft laws and regulations and proposals to introduce such draft laws and regulations or amend existing ones.

FX risk

US dollar depreciation against the rouble, including due to changes in the Russian economy and the monetary policy of the Bank of Russia, may adversely affect Nornickel's financial performance, as most of its revenues are denominated in US dollars, while most of its operating and investment expenses are denominated in Russian roubles.



Impact on goals:
low



Source of risk:
mixed



Year-on-year change in risk:
stable

Key risk factors	Impact on Nornickel's development goal and strategy	Mitigation
<p>Increase in Russia's balance of payments, relatively lower imports and positive economic impact from import substitution or export growth, and steadily growing oil exchange prices.</p> <p>Country-specific macroeconomic changes, supported by sovereign credit rating upgrade in particular.</p> <p>Higher appeal of the rouble to non-resident investors on the back of the relevant monetary policy of the Bank of Russia.</p> <p>Lower volatility in financial markets and Russia's stable geopolitical environment, as well as lower volatility across other emerging markets (particularly partner countries in regional and sectoral agreements), making the rouble more attractive to investors and stronger against the US dollar.</p>	<p>Maintaining investment-grade credit ratings.</p> <p>A debt portfolio with a well-balanced profile in terms of maturity, currency composition, and sources of financing.</p>	<p>To manage this risk, Nornickel:</p> <ul style="list-style-type: none"> • maintains a balanced debt portfolio with USD-denominated borrowings prevailing • implements regulations that limit pricing by contractors for expenditure contracts with prices fixed in foreign currencies • uses derivatives to mitigate its exposure by balancing USD-denominated cash flows from revenues and cash flows from liabilities denominated in currencies other than the US dollar • regularly monitors and analyses open foreign currency positions, operational and transactional currency positions, and evaluates its exposure to the FX risk • where necessary to mitigate its exposure to unfavourable changes in FX rates across open currency positions, uses derivatives that balance the invariably USD-denominated cash flows from revenues and cash flows from liabilities denominated in currencies other than the US dollar.

Investment risk

Risk related to time and budget overruns, and performance targets of Nornickel's major investment projects.



Impact on goals:
medium



Source of risk:
mixed



Year-on-year change in risk:
stable

Key risk factors	Impact on Nornickel's development goal and strategy	Mitigation
<p>Changes in forecasts of ore volumes, grades and properties resulting from follow-up exploration.</p> <p>Changes in investment project timelines (including due to the pandemic).</p> <p>Further changes to budgets of investment projects.</p> <p>Amendments to project performance targets in the course of implementation.</p>	<p>Strategic goal: growth driven by Tier 1 assets.</p> <p>Developing the mining, concentration and metallurgical assets.</p> <p>Developing the mineral resource base and upgrading core production processes at Nornickel's Tier 1 assets.</p>	<p>To manage this risk, Nornickel:</p> <ul style="list-style-type: none"> • carries out proactive exploration and updates performance targets and the mining plan (a long-term production plan) based on the progress of its major investment projects developing the mineral resource base • conducts resource, geomechanical and hydrogeological modelling • holds external expert audits of geological data • develops an in-house geological and mining information system • models mining options in geological and mining information systems • as part of the project assurance process, conducts internal (cross-functional) audits of major investment projects at each stage in their life cycle • improves incentives to drive project delivery and build skills and capabilities (including staff certification, identification of improvement areas, and provision of tailored training) • improves project delivery standards, develops tools to digitise technical document management and project controls • promotes the use of pilot units across all technically challenging and unique processing stages.

Work-related injury risk

Failure to comply with Nornickel's health and safety (H&S) rules may result in threats to health and life or temporary suspension of operations, or cause property damage.



Impact on goals:
high



Source of risk:
internal



Year-on-year change in risk:
stable

Key risk factors	Impact on Nornickel's development goal and strategy	Mitigation
<p>Suboptimal methods of work organisation.</p> <p>Disruptions in technological processes.</p> <p>Exposure to hazards.</p>	<p>Health and safety</p>	<p>Pursuant to the Occupational Health and Safety Policy approved by the Board of Directors, Nornickel:</p> <ul style="list-style-type: none"> continuously monitors compliance with H&S requirements improves the working conditions for its employees and contractors deployed at Nornickel's production facilities, including by implementing new technologies and labour-saving solutions, and enhancing industrial safety at production facilities provides employees with certified state-of-the-art personal protective equipment improves the system of stationary gas analysers, provides employees with portable gas analysers carries out preventive and therapeutic interventions and enforces hygiene protocols to reduce the potential impact of work-related hazards regularly trains and briefs employees on health and safety, assesses their health and safety performance and conducts corporate workshops, including by deploying special simulator units enhances methodological support for H&S functions, including through the development and implementation of corporate standards improves the risk assessment and management framework across Group enterprises as part of the Risk Control project reviews the competencies of line managers across Nornickel enterprises, develops H&S training programmes, and arranges relevant trainings holds H&S competitions communicates the circumstances and causes of accidents to all Nornickel employees, conducts ad-hoc safety briefings introduces frameworks to manage technical, technological, organisational, and HR changes.

Risk of epidemics

Risk related to the spread of infectious diseases and the subsequent preventive, safety, and response measures.



Impact on goals:
medium



Source of risk:
external



Year-on-year change in risk:
stable

Key risk factors	Impact on Nornickel's development goal and strategy	Mitigation
<p>Spread of viral infections.</p> <p>Anti-epidemic restrictive measures imposed by federal and regional authorities.</p>	<p>Social responsibility: comfort and safety of people living in Nornickel's regions of operation.</p> <p>Efficient delivery of finished products (metals) in line with the production programme.</p> <p>Timely supply of products to consumers.</p>	<p>Nornickel has implemented a range of measures to mitigate the risk impact, including:</p> <ul style="list-style-type: none"> • 100% of salaries maintained, with additional compensation for employees working on sites and in offices • work from home for office employees • personal protective equipment, tests, medical devices, sanitiser products, etc. provided to all sites • purchases of medicines and medical equipment (including one automated immunoassay analyser, 940 air sanitisers, 489 non-contact thermometers, and over 324 thousand COVID-19 tests) • assistance in expanding local hospital capacity • support for SMEs • support for local volunteers who help employees requiring regular health monitoring • arrangements for mandatory COVID-19 testing • increased shifts for shift workers in Chita and Norilsk • raising awareness of the need to get vaccinated among employees, providing a fully paid (average daily wage) extra day off after each vaccination (including booster) against the novel coronavirus (COVID-19).

Information security risks

Potential cybercrimes may result in an unauthorised transfer, modification or destruction of data assets, disruption or reduced efficiency of Nornickel's IT services, business, technological, and production processes.



Impact on goals:
high



Source of risk:
mixed



Year-on-year change in risk:
stable

Key risk factors	Impact on Nornickel's development goal and strategy	Mitigation
<p>Growing external threats.</p> <p>Unfair competition.</p> <p>Rapid development of Nornickel's IT infrastructure and automation of technological and business processes.</p> <p>Unlawful acts by employees and/or third parties.</p> <p>Shift to work from home and hiring remote employees outside Nornickel's regions of operation.</p>	<p>Mitigation of the information security risk and risk of cyberattacks on Nornickel's information systems and automated process control systems</p>	<p>To manage this risk, Nornickel:</p> <ul style="list-style-type: none"> ensures compliance with applicable Russian laws and regulations with respect to the protection of personal data, insider information, trade secrets and critical information infrastructure implements MMC Norilsk Nickel's information Security Policy categorises data assets and makes information security risk assessments embeds and monitors compliance with corporate information security standards within information systems and automated process control systems raises information security awareness among employees uses technical means to ensure information security of assets and manage access to data assets ensures information security of the automated process control systems monitors threats to information security and the use of technical protection means, including vulnerability analysis, penetration testing, cryptographic protection of communication channels, controlled access to removable media, protection from confidential data leaks, and mobile device management develops an information security framework sets up and certifies the Company's information security management system implements measures to ensure safe remote access.

Technical and production risk

Technical, production, or natural phenomena which, once materialised, could have a negative impact on the implementation of the production programme and cause equipment breakdown or result in the need to compensate damage to third parties and the environment.

Impact on goals:
medium

Source of risk:
mixed

Year-on-year change in risk:
stable

Key risk factors	Impact on Nornickel's development goal and strategy	Mitigation
<p>Harsh natural and climatic conditions, including low temperatures, storm winds, and snow load.</p> <p>Unscheduled stoppages of core equipment caused by fixed assets' wear and tear.</p> <p>Release of explosive gases and flooding of mines.</p> <p>Collapse of buildings or structures.</p> <p>Infrastructure breakdowns.</p>	<p>Efficient delivery of finished products (metals) in line with the production programme</p>	<p>To manage this risk, Nornickel:</p> <ul style="list-style-type: none"> ensures proper and safe operation of its assets in line with the requirements of technical documentation, as well as technical rules and regulations as prescribed by local laws across Nornickel's geographic footprint develops ranking criteria and criticality assessment for the Norilsk Nickel Group's key industrial assets implements an automated system for managing reliability, efficiency, and production asset risks ensures timely replacement of fixed assets to consistently achieve production safety targets regularly monitors the condition of Nornickel's buildings and structures via an information system for conducting geotechnical surveys uses satellite technology to monitor Nornickel's assets and further analyse the data implements automated systems to control equipment process flows, uses state-of-the-art engineering controls improves the maintenance and repair system trains and educates its employees both locally, on site, and centrally, through its corporate training centres systematically identifies, assesses and monitors technical and production risks, implements a programme of organisational and technical measures to mitigate relevant risks continuously monitors the industrial asset management system ensures risk review by collective bodies at all management levels of the Company develops the technical and production risk management system, including by engaging independent experts to assess the system's performance and completeness of risk data develops and tests business continuity plans which set out a sequence of actions to be taken by Nornickel's personnel and internal contractors in case of technical and production risk causing maximum damage (these plans are aimed at the earliest resumption of Nornickel's production operations) engages, on an annual basis, independent surveyors to analyse Nornickel's exposure to disruptions in the production chain and make assessments of related risks assesses physical climate-related risks. <p>In 2021, insurance was taken out against key technical and production risks as part of the property and business interruption (downtime) insurance programme, with emphasis on best risk management practices in the mining and metals industry.</p>

Power outages

Failure of core equipment at generating facilities and transmission grid facilities may result in power, heat or water shortages at key production and social facilities in the Norilsk Industrial District.



Impact on goals:
medium



Source of risk:
mixed



Year-on-year change in risk:
stable

Key risk factors	Impact on Nornickel's development goal and strategy	Mitigation
<p>Isolation of the Norilsk Industrial District's power grid from the national grid (Unified Energy System of Russia).</p> <p>Harsh natural and climatic conditions, including low temperatures, storm winds and snow load.</p> <p>Length of power, heat and gas transmission lines.</p> <p>Wear and tear of core production equipment and grid infrastructures.</p>	<p>Efficient delivery of finished products (metals) in line with the production programme.</p> <p>Timely supply of products to consumers.</p> <p>Social responsibility: comfort and safety of people living in Nornickel's regions of operation.</p>	<p>To manage this risk, Nornickel:</p> <ul style="list-style-type: none"> operates and maintains generating and mining assets as required by the technical documentation, industry rules and standards, and applicable laws monitors the technical condition of linear facilities, including with the involvement of external experts ensures timely construction and launch of transformer facilities, as well as timely replacement of transmission towers ensures timely retrofits (equipment replacement) of CHPP and HPP power units ensures timely upgrades and repairs of trunk gas and condensate pipelines and gas distribution networks.

Compliance risk

The risk of legal liability and/or legal sanctions, significant financial losses, suspension of production, revocation/suspension of a licence, loss of reputation, or other adverse effects arising from Nornickel's non-compliance with the applicable laws, regulations, instructions, rules, standards, or codes of conduct.

Impact on goals: **medium**
 Source of risk: **mixed**
 Year-on-year change in risk: **stable**

Key risk factors	Impact on Nornickel's development goal and strategy	Mitigation
<p>Discrepancies in rules and regulations.</p> <p>Considerable powers and a high degree of discretion exercised by supervision agencies.</p>	<p>Compliance by Nornickel and its subsidiaries with the applicable laws, regulations, corporate standards, and business codes</p>	<p>To manage this risk, Nornickel:</p> <ul style="list-style-type: none"> ensures its compliance with the applicable laws defends its interests during regulatory inspections and administrative proceedings uses trial and post-trial remedies to defend its interests ensures that agreements signed by Nornickel contain clauses safeguarding its interests implements anti-corruption, anti-money laundering, counter terrorist financing, and counter proliferation financing initiatives takes actions to prevent unlawful use of insider information and market manipulation ensures timely and reliable information disclosures as required by the applicable Russian and international laws has its employees take insider information management and anti-corruption training courses ensures that all employees receive anti-corruption induction briefing ensures that the Corporate Trust Line receives and handles reports of corruption, fraud, embezzlement, or other wrongdoing, either planned or committed ensures evaluation of anti-corruption controls at the Norilsk Nickel Group. <p>In addition, the following internal documents have been developed (updated) and approved:</p> <ul style="list-style-type: none"> Business Process Outsourcing Guidelines MMC Norilsk Nickel's List of Insider Information (new version) MMC Norilsk Nickel's Internal Control Rules for Preventing, Detecting and Stopping the Unlawful Use of Insider Information and/or Market Manipulation (new version) MMC Norilsk Nickel's Guidelines for Identifying, Analysing, Assessing, and Monitoring the Regulatory Risk in Combating the Unlawful Use of Insider Information and Market Manipulation Procedure for Informing Members of Governance Bodies and the Audit Commission of MMC Norilsk Nickel on Quiet Periods Under Russian Laws and amendments to the Procedure for Informing Managers of MMC Norilsk Nickel on Quiet Periods Under EU Laws and Disclosing Transactions of Such Persons and Persons Closely Related to Them Regulations on the Procedure for Keeping the List of Insiders of MMC Norilsk Nickel (updated) Procedure Rules for Interaction Between Units of MMC Norilsk Nickel and Russian Business Units of Norilsk Nickel Group when Disclosing/Providing Information in the Securities Market (updated)

Social risk

Tensions may escalate among the workforce due to the deterioration of social and economic conditions in Nor Nickel's regions of operation.



Impact on goals:
medium



Source of risk:
mixed



Year-on-year change in risk:
stable

Key risk factors	Impact on Nor Nickel's development goal and strategy	Mitigation
<p>Headcount/staff composition optimisation projects.</p> <p>Rejection of Nor Nickel's values by individual employees and/or third parties.</p> <p>Limited ability to perform annual wage indexation.</p> <p>Dissemination of false and inaccurate information about Nor Nickel's plans and operations among the Group's employees.</p> <p>Reallocation of funds originally intended for social programmes and charity.</p>	<p>Social responsibility:</p> <p>Partnering with regional and local authorities to develop a social infrastructure that supports a safe and comfortable living environment for local communities</p> <p>Facilitating the employees' professional and cultural development and building up talent pools across Nor Nickel's regions of operation</p> <p>Implementing long-term charity programmes and projects</p>	<p>To manage this risk, Nor Nickel:</p> <ul style="list-style-type: none"> strictly adheres to the terms and conditions of collective bargaining agreements between the Group companies and their employees (the Group has signed a total of 23 collective bargaining agreements) actively interacts with regional authorities, municipalities and civil society institutions fulfils its social obligations under public-private partnership agreements implements corporate social responsibility programmes and the World of New Opportunities charity programme aimed at supporting and promoting regional civil initiatives, including by indigenous peoples of Taimyr and the Plant of Goodness employee volunteering programme implements infrastructure projects to support the accelerated development of the service economy and improved living standards across Nor Nickel's regions of operation through the Norilsk Development Agency, the Second School centre for community initiatives in the Pechengsky District, and the Monchegorsk Development Agency implements regular sociological monitoring across its operations surveys Norilsk residents on living standards, employment, migration trends, and general social sentiment to identify major issues implements social projects and programmes aimed at supporting employees and their families, as well as Nor Nickel's former employees maintains dialogues with stakeholders and conducts questionnaire surveys when preparing the Group's public sustainability reports provides a range of social support measures to redundant staff under Kola MMC's social programmes and develops the Social and Economic Development Strategy of the Pechengsky District

Changes in legislation and law-enforcement practices

Changes in legislation may cause financial damages (extra costs to ensure compliance with stricter requirements, a heavier tax and levy burden, etc.). Changes in law-enforcement and judicial practices, uncertain legal treatment of certain matters may hamper Nornickel's business, entail extra expenses, and delay or raise the cost of its investment projects.



Impact on goals:
medium



Source of risk:
external



Year-on-year change in risk:
stable

Key risk factors	Impact on Nornickel's development goal and strategy	Mitigation
Unstable legal environment (including lack of codified/uniform regulations in various areas). Frequent changes to legislation. Complicated geopolitical situation. Lack of treasury funds (the government needs to boost its tax and other revenues).	Compliance by Nornickel and its subsidiaries with the applicable laws, regulations, corporate standards, and business codes	To manage this risk, Nornickel: <ul style="list-style-type: none"> continuously monitors changes in legislation and law-enforcement practices across all of its business areas conducts legal review of draft laws and regulations as well as relevant amendments participates in discussions of draft laws and regulations, both publicly and as part of expert groups engages its employees in relevant professional and specialist training programmes, corporate workshops and conferences cooperates with government agencies to ensure that new laws and regulations take into account Nornickel's interests.

Risk of supply chain disruptions

Supply chain interruption/disruption within the existing transport and logistics system.



Impact on goals:
medium



Source of risk:
mixed



Year-on-year change in risk:
new

Key risk factors	Impact on Nornickel's development goal and strategy	Mitigation
<p>Challenging natural and climatic conditions in the regions of operation.</p> <p>Limitations of the transport and logistics system.</p> <p>Growing inflation, FX rates, pricing pressure from suppliers, poor planning, spread of COVID-19, and other factors.</p> <p>Breach of contracts by contractors.</p>	<p>Efficient delivery of finished products in line with the production programme.</p> <p>Timely supply of products to consumers.</p>	<p>To manage this risk, Nornickel:</p> <ul style="list-style-type: none"> actively engages Russian manufacturers to expand competition uses long-term agreements/contracts/price lists with fixed optimal prices for materials, equipment and spare parts on terms that are most beneficial for the Company drafts lists of critical manufacturers of equipment and materials, works to prevent supply disruptions, and monitors suppliers' performance implements its Logistics Infrastructure Development Programme.