

SALES AND SUPPLY CHAIN

Products

One of the Company's main objectives is to make sure its product range matches the global demand mix for metals now and in the future, which is essential to generating demand for its products.

NICKEL

The main market segment for Nornickel's nickel products remains stainless steel, plating and alloying.

However, in order to prepare the mid-term growth of nickel demand in batteries, Nornickel continues implementing a number of initiatives to enhance and expand its existing product range to support the battery supply chain.

Norilsk Nickel Harjavalta's nickel and cobalt sulphates are considered the industry benchmark and are widely used in battery manufacturing. Norilsk Nickel Harjavalta is uniquely flexible when it comes to making various types of products so it can factor in consumer preferences in developing its product portfolio.

Although the Company already has a wide portfolio of battery materials, it continues to actively engage the battery sector as it expands its product range to match the new requirements for type and quality emerging in the market. The Company developed specialised products for the battery sector based on nickel sulphate solution and plans to further boost the output of nickel products to meet the needs of the emerging ecosystem of battery materials.

Furthermore, the Company has recognized early on that the existing nickel sources will not be able to meet the rising demand of nickel in batteries. Therefore through joint development with an industrial partner, Nornickel designed a competitive process

that provides a solution for customers to dissolve nickel and cobalt cathodes thereby ensuring the availability of nickel feedstock for electric vehicles for future projects.

PRECIOUS METALS

The main market segment for its PGM products is and remains the automotive segment and the production of catalysts.

At the same time, Nornickel engages in various initiatives to further promote the use of palladium in future industrial applications.

One of them was The Palladium Challenge - an initiative launched in 2021 and intended to inspire individuals, businesses and academic institutions to invent and design a sustainable use-case that increases the demand for palladium. Furthermore, we have been actively engaging with Russian and international scientific institutions which with our support carry out research to allocate new palladium applications.

Speaking about the future PGM uses, we should name several of those related to the hydrogen economy. Palladium can find important application in hydrogen storage. Moreover, palladium may be a good component in the systems of hydrogen transportation based on the liquefied organic hydrogen carriers (LOHC). In the longer run, palladium may find new applications in electrolysers and fuel cells.

Moreover, palladium may play an important role in hydrogen safety. Among other promising areas where palladium can find its future use, we can name water treatment systems, electric sensors (including those for autonomous vehicles), palladium coatings and alloys in aerospace and electronic applications, energy density enhancing dopings for Li-Ion batteries as well as biofuel catalysis, carbon dioxide capturing devices, cancer drugs and pharmaceutical catalysts and others.

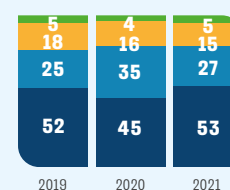
Nornickel together with its partners is working on accelerated adoption of hydrogen technologies and other applications mentioned above to bring closer a cleaner and more sustainable future and ensure the effective energy transition essential to achieve net-zero goals as it was set by the Paris agreement on climate change.

OTHER METALS

Nornickel engages in steady continuous improvement of its quality for its other commodity metals in dialogue with its main industrial customers.

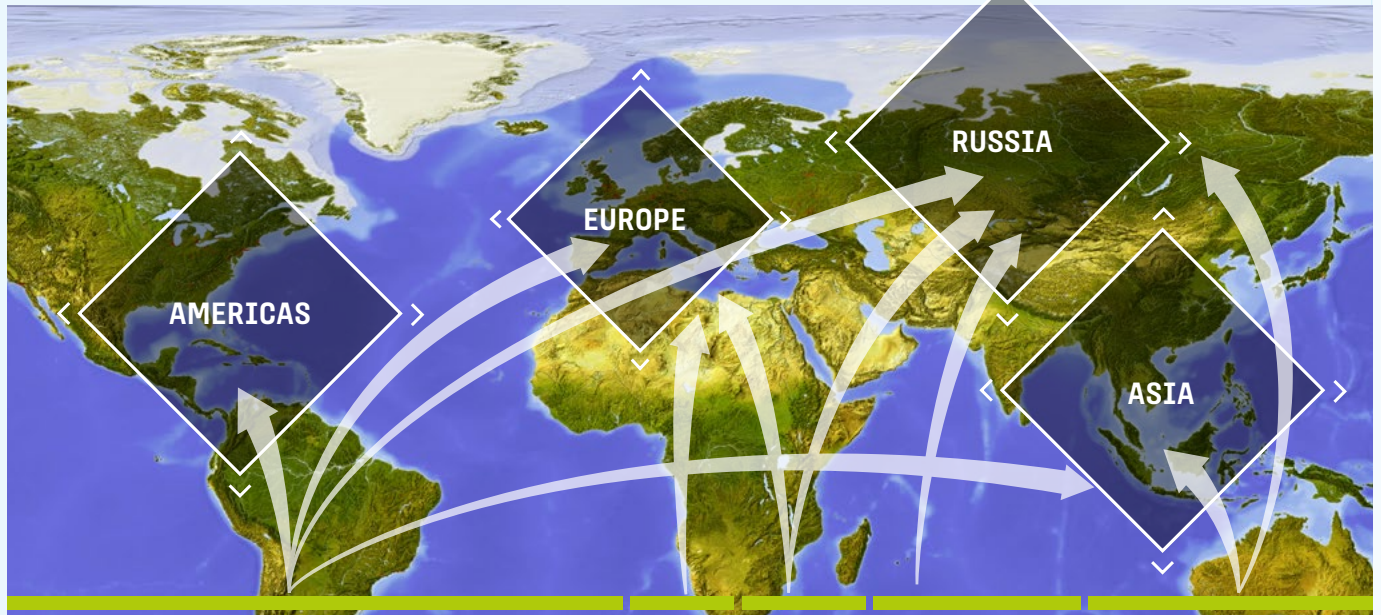
The Company supplies its products to 37 countries around the world, with Europe as the major consumer.

Sales by region (%)



- Europe
- Asia
- North and South America
- Russia and the CIS

Saleable products



Type of metals	Saleable products	Sales markets						
<ul style="list-style-type: none"> • Copper cathodes • Intermediate copper products • Nickel cathodes • Nickel carbonyl powder • Nickel shot • Intermediate nickel products • Nickel briquettes • Nickel sulphate crystals • Nickel sulphate solution • Nickel hydroxycarbonate 	<ul style="list-style-type: none"> • Platinum • Palladium • Rhodium • Iridium • Ruthenium • Gold • Gold gravity concentrate • Silver 	<ul style="list-style-type: none"> • Cobalt cathodes • Cobalt sulphate • Cobalt concentrate 	Tellurium ingots	Commercial selenium powder	Commercial sulphur	Sodium sulphate	Sulphuric acid	Iron ore concentrate

Sales strategy

Sales, along with production, have traditionally been a key focus area of Nornickel's business.

When it comes to nickel products, the sales strategy focuses on achieving a balance between supplies to stainless steel producers and other industries to secure a stable position in the market.

Electric vehicles and batteries are a priority segment in the nickel consumption structure, as its growth rates suggest that in the long term, it can become the key source of demand for high-grade nickel. Given the Company's wide range of nickel products, high reliability of supply,

own global sales platform, and long-term experience of partnering with automakers and chemical companies, Nornickel sees its role as a key element in the development of the electric vehicle market and related value chains. The Company is strongly focused on building long-term relationships with key market participants and considers various forms of cooperation with the battery sector players. Nornickel also conducts research in battery recycling and works on developing integrated solutions for the future battery supply chain.

In the alloys, special steels and electroplating sectors, the Company seeks to maximise the use of its product portfolio advantages and improve product quality to boost its share in high-quality, premium segments.

As the world's largest producer of palladium, the Company follows its strategy of entering into direct long-term contracts with end consumers to sustain strong demand.

Product sales

In 2021, Nornickel once again confirmed its long-standing reputation as a reliable supplier of high-quality products. Every year, the Company conducts customer satisfaction analysis in line with ISO 9001 to get feedback from its customers. Customer feedback is analysed and used to design initiatives to improve product and service quality. The Company is committed to continuous improvement. The integrated index of customer satisfaction with the Company's products and services fully met its target for 2021.

Despite production disruptions in 2021 caused by unforeseen events at the Norilsk Division and notwithstanding the continued

logistical issues due to the COVID-19 pandemic, the Company successfully fulfilled all of its obligations to customers without defaulting on any of them. Annual sales for some metals exceeded production volumes due to sales from inventories, which to some extent offset the decrease in planned production.

Demand, as an external driver for product sales, showed mixed trends during 2021. In 2021, the global automotive industry (the main consumer of platinum group metals) fell short of its production targets amid supply disruptions in the market for chips and other components, which, in turn, led to a lower demand for PGMs. Nevertheless,

thanks to Nornickel's strategy to develop its own distribution system based on long-term direct relationships with major consumers including automotive companies and PGM processors, the Company delivered on its targets for palladium supply to the industrial consumption sector and ensured the overall efficiency of its product sales.

Nornickel's products are listed on the London Metal Exchange and the Shanghai Futures Exchange.

The Company does not mine or manufacture its products in areas of conflict and/or to finance conflicts. Mining and production comply with human rights policies.

Supply chain

Supply chain management at Nornickel ensures the Group's continuous operation and reliable supplies to customers. Nornickel seeks to work with partners who are committed to occupational safety and environmental protection. The Company also expects its suppliers to follow international best practices and standards in sustainable development and sustainable use of natural and mineral resources, with operations certified through industry initiatives.

Nornickel employs a proprietary multi-tier system to evaluate its suppliers. The criteria for selection, evaluation and re-evaluation of external suppliers have been determined in line with the requirements of ISO 9001:2015 Quality management systems. Nornickel is particularly focused on building relationships with suppliers whose equipment is unique and critical for the stable operation of the Company's production facilities.

Nornickel gives preference to local suppliers to provide social support to its operating regions. Along with saving jobs, this policy supports unique enterprises whose continuous operation is essential to both the well-being of their employees and the social fabric of local communities.

ESG-DRIVEN SUPPLIER SELECTION

Nornickel seeks to create a common information space and set of values with its suppliers. Consideration of ESG factors in supplier selection, combined with the use of advanced equipment and materials, regular pilot tests and operational improvements enable lean resource management and reduce environmental footprint, directly improving the environmental performance of Nornickel's operations.

In 2021, the Company approved its Responsible Sourcing Policy (the "Policy") covering all of the Company's activities related to supplier selection in the supply chain of raw materials, goods, works, and services. The purpose of the Policy is to define the Company's approach to responsible sourcing and declare standards and principles to be followed by the Company and its suppliers.

Together with the Policy, the Company approved the Supplier Code of Conduct (the "Code"), which introduced procedures for responsible selection of suppliers in accordance with ESG requirements in all of Nornickel's supply chains.

Also in the reporting period, the Company began developing a due diligence management system (DDMS) for its supply chains focused on identifying potential risks affecting the sustainability of business processes in supply chains as well as minimising the following risks:

- Violation of human rights and freedoms
- Support for non-state armed groups
- Illegal control of mines and raw material transportation
- Corruption and bribery
- Misinformation across the supply chain from ore mining to product delivery to consumers

The Policy and the Code are the key tools of the DDMS. A number of new DDMS tools are planned to be developed and deployed in 2022. The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and a five-step model for risk-based due diligence on supply chains provide a methodological framework for developing the DDMS.

The DDMS ensures compliance with the following requirements and guidelines:

- London Metal Exchange responsible sourcing policy
- Standards and principles of leading sustainable development initiatives in the industry: ICMM, IRMA, RMI, and JDDS
- Requirements of the Company's clients

As part of the DDMS implementation, the Company held training events for its employees and began assigning roles and developing a roadmap for the Code implementation.

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TfS, RSBN and RMI audits as well as a number of customer-requested audits were conducted in 2021. Audits of the production sites of Nornickel's divisions and PGM product processors included evaluation of all ESG aspects: environmental, social and corporate governance. The auditors

also made recommendations on engaging contractors on compliance with the Company's policies.

For example, the TfS audit verified that the employees of Nornickel and contractors outside the Group were not paid below the living wage. The verification identified violations on the part of some contractors, followed by improvement notices to the non-compliant contractors.

In 2021, the Company delivered a series of trainings for its internal suppliers on sustainability standards for responsible supply chains (OECD, JDDS). A total of 80 employees of the Company have been trained.

The DDMS will enable the identification of all supply chain participants which, provided they comply with the Policy and the Code, will improve decision making and strengthen the Company's position on the global market.

The Company's model master agreement with contractors now includes a separate clause on ESG compliance with the following provisions:

- Zero tolerance for discrimination and retaliation
- Requirements for working conditions and remuneration and prevention of child and forced labour
- Environmental protection requirements
- Anti-corruption
- Compliance with the UN Global Compact

Given the risk of potential negative environmental impact of cargo in transit, the master agreement sets explicit requirements for cargo packaging. Goods to be shipped must meet the cargo standards and requirements of COST 26653-2015 Preparation of general cargoes for transportation and COST 15846-2002 Production for transportation to the areas of the Far North and similar regions. Packaging, labelling, transportation and storage. Mandatory requirements are established for the transport containers and product packaging that should ensure cargo integrity during multiple transshipments and transportation to the Far North.

Environmental impact is assessed throughout the life cycle of procured products: production, transport, storage, use, and disposal. Nornickel requires its contractors to have a functioning environmental management system in place and to ensure that all services and products delivered by them comply with local environmental laws.

PROCUREMENT

The main objective of procurement at Nornickel is to facilitate the timely and full satisfaction of its needs in required products supplied to the specified quality and reliability standards at acceptable price, as well as maximising the value for money spent on such products.

Nornickel's procurement process is certified to international standards ISO 9001 and ISO 14001. Uniform procedures apply to both centralised procurement for Nornickel and to independent procurement by the Head Office units, the Company's branches and the Group enterprises. Depending on the budgeted cost, procurement can follow a tendering, simple or simplified procedure. Procurement procedures may involve collective procurement bodies at various levels, such as the tender committee, tender commissions of the Head Office, procurement and tender commissions of branches and Group companies.

Nornickel has in place category procurement policies outlining unified binding principles and approaches to procurement of specific categories to mitigate operational and financial risks, cut costs, reduce working capital requirements, and add reliability and cadence to the supply flow. A total of 45 category procurement policies were in place at Nornickel at the end of 2021, including four new policies approved in 2021. In 2021, about 58% of inventories were purchased for Nornickel's core operations under the category procurement policies.

TfS, RSBN AND RMI AUDITS AS WELL AS A NUMBER OF CUSTOMER-REQUESTED AUDITS WERE CONDUCTED IN 2021.