



# Key principles

In its corporate governance practice, Nornickel is governed by applicable laws, listing rules, and recommendations of the Corporate Governance Code. Nornickel's corporate governance system is designed

to balance the interests of its shareholders, the Board of Directors, management and employees, as well as other stakeholders involved in the Company's activities. The approach, key principles and mechanisms

underpinning Nornickel's efforts to build a robust corporate governance system are based on the applicable Russian laws, including the Corporate Governance Code recommended by the Bank of Russia.

## Key corporate governance principles

Strategic management of the Company by the Board of Directors

Equitable and fair treatment of every shareholder

Ensuring transparency of information about the Company

Effective Risk Management and Internal Control Service

Sustainable development

Accountability of the Board of Directors and executive bodies to shareholders

Professionalism and leadership of the Board of Directors

# Improvement of corporate governance

In the reporting period, Nornickel continued its efforts to build an effective corporate governance system.

The Company maintained a strong focus on enhancing its sustainable development and climate change management. The Board of Directors approved the Environmental and Climate Change Strategy proposed by the Company's Management Board. The Sustainable Development and Climate Change Committee was established at the Board of Directors' level and is chaired by

Gareth Penny, the independent Chairman of the Board of Directors. The Committee comprises five Board members, including four independent directors. The Board of Directors' intention to pay closer attention to sustainability matters, in particular, to environmental protection, was the key reason for the establishment of the new committee.

In 2021, five ESG policies were updated, and six new policies were adopted in line with the requirements of ICMM and IRMA.

These policies include the Climate Change Policy, the Position Statement on Water Stewardship, the Tailings Management Policy, the Responsible Sourcing Policy, the Supplier Code of Conduct, as well as the Stakeholder Engagement Policy. In 2021, Nornickel was also able to improve its score from international ESG rating agencies: in particular, the ESG score assigned by MCSI, one of the world's leading ESG rating agencies, was raised to "BB", the Company's ESG score from FTSE4Good was 4.3 (4.0

in 2020), and the score from EcoVadis was increased to 48 (33 in 2020).

To further improve corporate governance and meet the Bank of Russia's recommendations for risk management, internal control and internal audit organisation, Nornickel has developed a new version of the Regulations on the Internal Audit Department, which was approved by the Board of Directors in January 2022. The new version of the Regulations stipulates that the Internal Audit Department is responsible for performing an annual evaluation of the Company's corporate governance and auditing the performance of the corporate sustainability risk management system.

In 2022, the Board of Directors plans to approve the corporate governance evaluation methodology designed to be used Nornickel's Internal Audit Department as part of its regular corporate governance evaluation.

The adoption of these documents ensures the codification of the Company's corporate governance evaluation procedure and demonstrates Nornickel's aspiration to enhance its corporate governance system and fully comply with the Corporate Governance Code.

During the reporting year, the Company implemented a range of transformations to enhance its governance model and support its new division-based structure.

In order to meet the Bank of Russia's recommendations to raise information transparency of the securities market, Nornickel has begun to elaborate approaches to defining materiality criteria for the price sensitive information and

events/facts. The codification of the approaches to disclosure of material information and an indicative list of information that qualifies as material in the Company's internal documents allows improving the quality of disclosed information, which is crucial for all stakeholders to make balanced and informed investment decisions.

In 2022, to boost its competitive edge in the domestic and global markets, Nornickel intends to continue its consistent efforts to enhance corporate governance and build an effective disclosure framework that ensures compliance with the principles of transparency and public accessibility in line with applicable laws and global best practices.

The Company implemented a range of transformations to enhance its governance model and support its new division-based structure:

- The Energy Division was set up in July 2021 to enhance performance in governance. The Division is made up of Norilskenergo, a branch of MMC Norilsk Nickel ("Norilskenergo"), and NTEC, Norilskgazprom, Norilsktransgaz, and Taimyr Fuel Company.
- The Company has also introduced the role of Senior Vice President – Operational Director and appointed Sergey Stepanov to this role. He is responsible for coordinating the metals and mining and geological exploration operations. In particular, this role implies supervision over the design and implementation of the respective units' development strategy, and the implementation of the industry investment programme. His responsibility scope also includes

supervision and coordination of the environmental policy's design and implementation, and ensuring compliance with environmental and industrial safety regulations. The Senior Vice President – Operational Director's reports include: Vice President for Ecology and Industrial Safety, Production and Technical Department, Mineral Resources Department, Production Investment Department, Industrial Assets Department, and the Transformation PMO of the Operations. Sergey Stepanov also oversees the Company's Polar Division.

- To ensure efficient implementation of Nornickel's critical programmes, the Company introduced the roles of Vice President for Investment Project Management and Vice President for Ecology and Industrial Safety. All these efforts are intended to boost the Company's most important development areas such as investment and capital construction management, as well as industrial safety and environmental programmes.
- The roles of State Secretary – Vice President for Government Relations and Vice President for Federal and Regional Programmes now report to Senior Vice President – Head of HR, Social Policy and Public Relations in order to establish an optimal end-to-end system of strategic communications that will maximise synergies between Nornickel's units, and to improve engagements between the Company, the public and governmental authorities at various levels in addressing social objectives of the business.

# Compliance with the Corporate Governance Code

Nornickel's corporate governance standards are based on the principles and recommendations of the Corporate Governance Code, and the Company continues to implement them consistently.

The implementation of the Corporate Governance Code's principles and recommendations by the Company in 2021 was evaluated using a new format recommended by the Bank of Russia's Letter No. IN-06-28/102 dated 27 December 2021.

Nornickel's corporate practices cover most of the Corporate Governance Code's principles and recommendations. For the full 2021 Report on Compliance with the Corporate Governance Code with comments on cases of partial compliance and non-compliance with the Code's principles, please see [Appendix](#) to this Annual Report.

## Implementation of the Corporate Governance Code principles and recommendations in 2021

Corporate governance principles	Full compliance	Partial compliance	No compliance
Rights and equal opportunities for shareholders in exercising their rights	9	4	-
Board of Directors	28	8	-
Corporate Secretary	2	-	-
Remuneration system for members of the Board of Directors and senior management	6	4	-
Risk management and internal control framework	5	1	-
Company disclosures	4	3	-
Material corporate actions	3	2	-

## STAKEHOLDER RELATIONS

To achieve operational excellence and further improve corporate governance, Nornickel focuses on engaging its stakeholders in corporate governance, taking their needs into account when making important decisions.

In February 2021, Nornickel held its traditional dialogue with stakeholders, including employees, governmental authorities, businesses, local communities, environmental organisations, and other experts. The Company annually invites a wide range of experts to a dialogue in order to take into account the opinions of all its stakeholders. Due to the COVID-19

pandemic, this traditional event was moved online for the first time, instead of taking place across the cities within Nornickel's footprint.

A well-built and clear corporate governance system, which is transparent for both Russian and foreign shareholders and investors, as well as active stakeholder engagement directly affect investment decisions and the price of Company securities.

## DIALOGUE WITH INVESTORS

Nornickel's senior management maintains an active dialogue with a wide universe of international and Russian investors, seeking to follow global best practices in making mandatory disclosures. To make disclosures more meaningful and comprehensive, Nornickel uses an array of disclosure tools, including press releases, presentations, annual and sustainability reports, issuer reports, corporate action notices, as well as interactive tools. With Nornickel's growth story appealing to international investors as well, the Company provides parallel disclosure both in Russian and in English, the latter via a disclosure service authorised by the UK regulator.

Nornickel's quarterly disclosures via its website include its operating performance reports and financial statements under RAS. Financial statements in accordance with IFRS are released on a semi-annual basis and are followed by webcasts and conference calls with the Group's senior management and one-on-one meetings with analysts. Starting from 2021, issuer reports and lists of affiliates have also been published every six months. Nornickel also holds an annual Capital Markets Day to share its updates on the corporate long-term strategy until 2030, focusing on sustainability and efforts to reduce environmental footprint. To maintain strong investor relations, the Company makes extensive use of various communication tools, including conference speaking opportunities, road shows, site visits for investors, etc.



For more details on investor relations, please see the [Shareholder Information](#) chapter of the Investor Relations section of this Annual Report.



1 Information about upcoming events is posted in the [IR Calendar](#) on the corporate website.

## DIALOGUE WITH EMPLOYEES

The Company regularly runs open online conferences between employees and senior management to identify strengths and weaknesses in communication and improve corporate governance. The COVID-19 pandemic, production upgrades and ambitious investment projects transform the approaches to work, routines, as well as to health, safety, and environmental issues. To retain its leadership in the market, the Company needs to address new challenges, which is almost impossible without employee involvement. During the Nornickel Live annual video conference, Nornickel's vice presidents answered employee questions and spoke about the Company's news and future plans. In October 2021, Nornickel held its Challenges 2021, a 2-hour autumn video conference for managers, where the Company's vice presidents discussed key topics such as operating and living in a fast-paced world. Higher salaries, new work patterns that emerged during the pandemic, changes in attitude towards health, safety and environmental issues are but some topics that were on the agenda of the video conference. The Challenges 2021 conference launched a new series of corporate dialogues, which took place across 40 Nornickel enterprises in October and November. In line with its practice, Nornickel also held autumn and winter 1.5-hour conferences across over 40 enterprises, both offline and online, where top managers spoke to employees about current hot topics, such as enterprises' key highlights, new equipment procurement plans, important coronavirus and vaccination issues, improvement of living conditions, special assessment of working conditions, the corporate social policy opportunities for employees, the Code of Business Ethics, as well as employees' concerns.

## DIALOGUE WITH LOCAL AND INTERNATIONAL ORGANISATIONS

During the 11th international forum Arctic: Today and the Future in Saint Petersburg, Nornickel and the Russian Far East and Arctic Development Corporation (FEDC) signed a strategic partnership agreement providing for cooperation in implementing Nornickel's investment projects in the Krasnoyarsk Region, the Zabaykalsky Region and the Murmansk Region. Under the agreement, FEDC will assist the Company in defining support measures for investment, environmental, renewables development, tourism, talent development and supply projects, as well as projects for comprehensive social and economic development within the Company's footprint.

In the reporting year, Nornickel and Russian Platinum launched an operational partnership in the Norilsk Industrial District. The Norilsk Nickel Group enterprises signed a range of service contracts with the Chernogorskaya Mining Company (a Russian Platinum subsidiary) to provide it with energy, transport and logistics services.

Together with the Ministry of Industry and Trade of the Russian Federation and the International Exhibition of Inventions of Geneva, Nornickel co-organised the International Forum of Innovators and the Contest of Inventors IN'HUB 2022, which provides inventors and innovators from over 20 countries with an excellent opportunity to meet large companies and investors, share experiences and start a successful business.

Nornickel signed a cooperation agreement with Financial University under the Government of the Russian Federation. The agreement provides for a joint development and implementation of educational projects, higher education programmes, training and upskilling for Nornickel employees, cooperation in research, and expert and analytical activities to further improve and modernise the education and research processes.

Nornickel signed a cooperation agreement with the Government of the Krasnoyarsk Territory to implement investment projects in the Krasnoyarsk Region. The agreement aims to support businesses that implement investment projects in the region.

Nornickel and the International Chess Federation (Fédération Internationale des Échecs or FIDE) signed a cooperation agreement for 2021–2023, under which the Company will act as FIDE’s title sponsor in the global development of children’s and youth chess. As part of this cooperation, Nornickel will act as a partner of FIDE’s annual world junior championships, FIDE annual world junior under-20 championships, including for girls under 20, as well as a range of other large-scale sports competitions, including World Cup 2021, Women’s World Cup 2021, and Chess Olympiad 2022.

In 2021, the Company acted as a partner of the Your Move national student competition. This is one of the largest student competitions in Russia, with about half a million university students from all over the country expected to take part in it. They will have an opportunity to build a team of like-minded people and put their ideas into practice.

Nornickel signed an agreement with the Fund of Polar Research, which brings together a team of researchers to address scientific, social, cultural, educational, and charitable challenges related to the exploration and development of Polar

regions. The agreement provides for cooperation in analytical, research and practical activities aimed at tackling global challenges of the Russian Arctic zone.

MMC Norilsk Nickel and the Football Union of Russia signed a cooperation agreement for 2021–2023, under which the Company will act as a partner for the Union’s development programmes. The Our Relief talent training programme will be a key cooperation project aimed at creating a system for identifying, training and supporting young football players aspiring to become professionals.

## DIALOGUE WITH INDIGENOUS MINORITIES

A department responsible for liaising with indigenous peoples of the North was set up within the Polar Division, and the Indigenous Communities Coordination Council was established.

Nornickel maintains regular relations with indigenous minorities of the Taimyrsky Dolgano-Nenetsky Municipal District, covering all areas of mutual interest and using a comprehensive approach. Due to its dialogue with the Association of Indigenous Peoples of Taimyr, the Company has significantly expanded the scope and improved the format of its engagements with indigenous peoples. Nornickel and the indigenous peoples of Taimyr have launched joint planning processes to develop the infrastructure, trades and economic activities of indigenous communities, and have started to build new industries based on the indigenous way of using natural resources to process products and achieve higher added value, thereby creating conditions for sustainable development of the communities and settlements of the Taimyrsky Dolgano-Nenetsky District.

In 2021, support for the indigenous peoples of Taimyr experienced a fundamental change and was stepped up dramatically. This change was made possible by the signing of a four-party agreement on interaction and cooperation with associations of indigenous peoples of the Russian North, Siberia and the Far East, the Krasnoyarsk Region, and the Taimyrsky Dolgano-Nenetsky Municipal District in September 2020. The agreement served as a basis for a five-year programme to promote the social and economic development of Taimyr until 2024, with a total funding of around RUB 2 billion. The programme outlines over 40 measures and covers traditional economic activities of the indigenous peoples of Taimyr, home construction in local settlements, healthcare, education, culture, sports, and tourism. Public organisations, family communities of indigenous peoples of the North and local community authorities were closely involved in the development of the Programme

In 2021, Nornickel launched a free, prior and informed consent (FPIC) procedure and used it to discuss options for the relocation of Tukhard residents. In 2021, the Company signed partnership and cooperation agreements with the Kola Sámi Association.



For more details on interaction with indigenous peoples of the North, please see the [Social Investments](#) section of this Annual Report.

## GOVERNMENT RELATIONS

Nornickel interacts with federal legislative and executive authorities, and civil society institutions. Nornickel is represented and promotes its interests in 25 committees, councils, commissions, expert panels, and working groups established by the government in association with the business community, thus supporting socially important projects. Nornickel also actively participates in the work of regional authorities' expert councils within its footprint.

The Company's representatives take part in parliamentary hearings 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 (RSPP), Civic Chamber of the Russian Federation, Chamber of Commerce and Industry of the Russian Federation, the Association of Managers interregional public organisation, etc.

Nornickel's experts engage in draft regulation discussions as part of open government and local councils under federal executive bodies, as well as in anti-corruption due diligence and regulatory impact assessments. This all helps to maintain a constructive dialogue with the government, cut red tape and improve the country's business climate. MMC Norilsk Nickel's representatives are also part of various working groups created by federal executive authorities to help implement the regulatory guillotine mechanism.

## MANAGING CONFLICTS OF INTEREST

Nornickel has developed measures to prevent potential conflicts of interest involving shareholders, Board members and senior managers.

The Company's Articles of Association set forth the procedure for approving transactions by shareholders who hold more than 5% of voting shares. Such transactions are only made if approved by Nornickel's Board of Directors by a qualified majority of directors (at least 10 out of 13 votes).

Transactions that are deemed interested-party transactions are regulated by the law on joint stock companies.

In addition, Nornickel's internal documents stipulate that members of the Board of Directors and the Management Board are to refrain from actions that may result in a conflict of interest, and if such a conflict arises, they should promptly inform the Corporate Secretary in writing about such conflict.

If a Board member has a direct or indirect personal interest in a matter reviewed by the Board of Directors, they should inform other members of the Board of Directors before the matter is reviewed or a relevant resolution is passed, and refrain from participating in the review and from voting on the matter.

Nornickel also has in place the Regulations on the Prevention and Management of Conflicts of Interest, covering the Company employees, that outlines, in particular, the methods to identify potential or existing conflicts of interest and ways to resolve them. A Conflict of Interest Commission was set up at the Company's Head Office to enhance the effectiveness of preventing, identifying and resolving conflicts of interest, as well as to develop and improve the corporate culture.

**THE COMPANY AND THE FEDERAL TAX SERVICE OF RUSSIA SIGNED RUSSIA'S FIRST ADVANCE PRICING AGREEMENT INVOLVING A FOREIGN TAX AUTHORITY – THE FINNISH TAX ADMINISTRATION. THE AGREEMENT PROVIDES THAT INTERMEDIATE PRODUCTS THAT NORNICKEL EXPORTS TO FINLAND FOR PROCESSING AT ITS OWN HARJAVALTA PLANT ARE PRICED IN LINE WITH INTERNATIONAL PRINCIPLES USING TRANSFER PRICING METHODS. THE AGREEMENT DETAILS KEY TAX METRICS THAT WILL BE APPLIED BOTH BY THE RUSSIAN AND FOREIGN COMPANIES OF THE GROUP.**