

## **Explanatory note**

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### **Remuneration and reimbursement of expenses of Independent Directors – members of the Board of Directors of MMC Norilsk Nickel.**

#### **I. Cash remuneration**

Based on international corporate practices related to the amounts and procedures of payment of remunerations to independent members of the board of directors and taking into account the experience of major Russian companies it is proposed:

1. To establish that the basic amount of remuneration to be paid to an Independent Director shall be USD 62,500 (sixty-two thousand five hundred US dollars) per quarter, which will be paid in rubles at the rate set by the Central Bank of the Russian Federation for the date of payment, and that their expenses shall be reimbursed upon presentation of documental proof in the amount of up to RUB 2 (two) million a year. The amount shown above shall be net of taxes and duties imposed under the laws of the Russian Federation.
2. If an Independent Director presides over a Board Committee (Committees), the additional remuneration in the amount of USD 31,250 (thirty-one thousand two hundred fifty US dollars) per quarter shall be paid to such Independent Director shall be paid to such Director in rubles at the rate set by the Central Bank of the Russian Federation for the date of payment for each of the Committees, over which he/she presides. The amount shown above shall be net of taxes and duties imposed under the laws of the Russian Federation.
3. If the Chairman of the Board of Directors is an Independent Director, the basic amount of remuneration to be paid to such Director shall be USD 2,500,000 (two million five hundred thousand US dollars) a year, which will be paid on a quarterly basis in rubles at the rate set by the Central Bank of the Russian Federation for the date of payment. The amount shown above shall be a gross amount while taxes and duties imposed under the laws of the Russian Federation shall apply.
4. If the Chairman of the Board of Directors is an Independent Director, the annual bonus (additional remuneration) in the amount of USD 3,000,000 (three million US dollars) a year shall be paid after the year end and based on the Director's performance as the Chairman of the Board of Directors in rubles at the rate set by the Central Bank of the Russian Federation for the date of payment. The amount shown above shall be a gross amount while taxes and duties imposed under the laws of the Russian Federation shall apply.
5. The term of remunerations mentioned in pp. 1, 2, 3 and 4 shall be from July 1, 2009. If a Director ceases to be an Independent Director and/or the term of the Independent Director expires and/or he or she leaves the post of the Chairman of the Board of Directors, including the resignation resulting from new elections, all of the aforementioned remunerations shall be paid pro rata to the time the Director has spent working in correspondent capacities.

#### **II. Options Program**

Taking into account the results of analytical efforts covering existing market practices in relation to remuneration of independent directors, it is proposed to complement the compensations package for independent members of the Board of Directors of MMC Norilsk Nickel through introducing a remuneration that will depend on the Company's performance in the form of the Independent Directors Remuneration Program – Options Plan. The proposal is as follows:

1. To approve the OJSC MMC Norilsk Nickel Independent Directors Remuneration Program –

## Options Plan.

2. To establish the term of the Program for the period from July 1, 2009 to June 30, 2010

Key provisions of the Program are as follows:

- Upon expiration of the Program term each Participant will be eligible to receive remuneration provided that he will be an Independent Director of the Company at the Program expiration date. If for any reason an Independent Director ceases to carry out his/her duties in this capacity before Program termination date, his remuneration shall be identified pro rata to duration of the Participant's term as an Independent Board member within the Program's term.
- Remuneration to Participant will be comprised of the following components:
  - a. Absolute component will be calculated based on 50% of the Participants Conventional Share Block and on the absolute growth of the Company's share value during Program term adjusted by the special ratio ensuring that the remuneration will be commensurate with real terms in situations where market prices for the Company's shares are highly volatile.
  - b. Relative component will be calculated based on 50% of the Participants Conventional Share Block and on the amount, by which the Company's total per share income growth exceeds the total per share income growth of a set of peer companies during the Program term.
  - c. Dividend equivalent shall be equal to the dividend amount for the Program term calculated for the amount of the Company's shares, which are used in calculation of the absolute component of remuneration.
- Remunerations shall be paid to Program Participants within 30 days following the date of Program expiry / the date, on which a respective Participant stops performing the duties of the Company's Independent Director.

In accordance with the Federal Law *On Joint Stock Companies* (Art. 64 p. 2), the General Meeting of Shareholders of the Company is authorized to adopt resolutions on payment of remunerations and compensations to members of the Board of Directors.