

## EXPLANATORY NOTE

### **Ref.: Remuneration and compensation of expenses incurred by independent directors – members of MMC Norilsk Nickel's Board of Directors.**

Pursuant to Federal Law *On Joint Stock Companies* (Article 64, p. 2), the amount of remuneration and compensation for expenses incurred by the members of the Board of Directors in relation with their duties on the Board, should be approved by the General Meeting of shareholders.

We suggest that the Board of Directors recommends to the AGM approving of remuneration of independent directors in the amount of RUB 750 000 per quarter for each director, and RUB 1 250 000 per quarter for independent director – chairman of the Audit Committee of the Board of Directors. Compensation of directors' documented expenses related to their duties on the Board of Directors of MMC Norilsk Nickel (travel, accommodation, meals, interpreter services) may reach max amount of RUB 2 million a year for each director.

The amount of an independent director's remuneration is equivalent to USD 110 000 per year before tax at 1:27 USD/RUB exchange rate, and this sum assumes the withholding by MMC Norilsk Nickel of personal income tax of 30% applicable to non-residents of the Russian Federation and 13% for residents. The aforementioned amount was established on the basis of a survey of independent directors' remuneration paid by leading international mining and metallurgical companies, which was carried out for MMC Norilsk Nickel by PriceWaterhouseCoopers.

The amount of annual compensation of an independent director's expenses has been calculated assuming his/her personal participation in five Board meetings per year, plus payments for accommodation in Moscow hotels (up to USD 500 per day), first class air tickets, ground transportation, meals and interpreting.

Enclosed hereto is an excerpt from the Protocol of the Board meeting of May 30, 2006, when this recommendation was approved by Directors.