

## **EXPLANATORY NOTE**

**re:**

### **Liability Insurance for members of the Board of Directors and the Management Board of MMC Norilsk Nickel and indemnification of such members against damages**

The Corporate Governance Code approved by the Order of FCSM of Russia dated April 4, 2002 No. 421/p advises that joint stock companies at their own expense secure insurance for liability of members of the board of directors to ensure that in situations where the company or third parties incur damages as a result of actions taken by members of the board of directors such damages could be reimbursed by insurance agents.

The proposed D&O Liability Insurance Agreement provides for insurance of liabilities of members of the Company's Board of Directors and the Management Board and for liabilities of the Company related to securities claims with the total liability limit of USD 150,000,000 (one hundred and fifty million US dollars) and additional insurance coverage limit of USD 50,000,000 (fifty million US dollars). The total amount of premium to insurer shall not exceed USD 1,400,000 (one million four hundred thousand US dollars).

At the same time, traditional practices of liability insurance for directors and officers involve entering into Indemnity Agreements between MMC Norilsk Nickel and each member of the Board of Directors and the Management Board. The aforementioned Indemnity Agreements set forth MMC Norilsk Nickel's obligations to indemnify members of the Board of Directors and the Management Board against damages they may incur as a result of their appointments to corresponding posts, and the total amount of up to USD 115,000,000 (one hundred fifteen million US dollars) for each agreement.

The following issues have to be considered by the General Meeting of Shareholders of OJSC MMC Norilsk Nickel:

- The value of services related to liability insurance for members of the Board of Directors and the Management Board of MMC Norilsk Nickel;
- Approval of the interested party transaction involving liability insurance for members of the Board of Directors and the Management Board of MMC Norilsk Nickel, to which all of such members of the Board of Directors and the Management Board of MMC Norilsk Nickel are interested parties;
- The value of property being the subject of Indemnity Agreements with members of the Board of Directors and the Management Board of MMC Norilsk Nickel;

- Approval of interrelated interested party transactions whereby the members of the Board of Directors and the Management Board of MMC Norilsk Nickel shall be indemnified against damages.

In accordance with the Federal Law *On Joint Stock Companies* (Art. 83) whereas all members of the Board of Directors are qualified as interested parties to the transactions involving indemnification of members of the Board of Directors and the Management Board of MMC Norilsk Nickel against damages and whereas the total amount of the Company's expenses under the transactions involving indemnification of members of the Board of Directors and the Management Board may exceed 2 % of net book value of assets of MMC Norilsk Nickel.