

APPROVED  
by the General Meeting of Shareholders of OJSC MMC Norilsk Nickel  
on \_\_\_\_\_, 2008 г.

**Remuneration Program for Independent Directors of OJSC MMC  
Norilsk Nickel – Options Plan**

# Contents

Section 1. Introduction .....	3
Section 2. Definitions .....	3
Section 3. Fundamentals of Program Implementation.....	4
Section 4. Duration and Stages of the Program .....	4
Section 5. Program Participants .....	4
Section 6. Phantom stock package for Program .....	5
Section 7. Vesting and exercise .....	5
7.1. Vesting .....	5
7.2. Payout calculation.....	5
7.3. Payout under the Program.....	10
Section 8. Calculation of the Actual Share Price of the Company .....	11
Section 9. Program implementation in Special Conditions .....	12
9.1. Loss of Independent Director's status .....	12
9.2. Change of the Number of Shares in the Company's Share Capital.....	12
9.3. Share Split .....	13
Section 10. Final Provisions .....	13
Appendix 1. Values for Share Price Change Coefficients .....	14

## Section 1. Introduction

Remuneration program for Independent Directors of OJSC MMC Norilsk Nickel - option plan (hereinafter – the Program) is designed for independent members of the Board of Directors of OJSC MMC Norilsk Nickel.

The objective of the Program is to promote the long-term well-being of the Group by means of providing the Company's Independent Directors with an opportunity to share the long-term growth of the Company's value, thus creating an incentive for the enhancement of their performance and aligning the interests of the Program Participants and shareholders focused on the growth of the Company's capitalization.

## Section 2. Definitions

Unless the context clearly indicates otherwise, the following capitalized terms, when used in the Program, shall have the meanings set forth in this Section 2. Wherever used in the Program, words in the masculine gender shall be deemed to refer to females as well as to males; words in the singular number shall be deemed to refer also to the plural number.

«**Company**» means OJSC MMC Norilsk Nickel or any of its legal successors.

«**Group**» includes the Company and all its subsidiaries and affiliated companies or their legal successors.

«**Independent Director**» means a member of the Board of Directors of MMC Norilsk Nickel meeting the criteria set forth by the Company's Charter.

«**Program Participant (Participant)**» – an Independent Director of the Company, entitled to participate in the Program in accordance with provisions of this document.

«**Company's share**» - one ordinary share of OJSC MMC Norilsk Nickel.

«**Phantom stock package**» - the number of phantom ordinary Company's shares, which are granted to each Program Participant in accordance with this Program for the purpose of payout calculation within the Program.

«**Actual share price**» – the price of the Company's share calculated in accordance with Section 7 of this document.

«**MICEX**» - Moscow Interbank Currency Exchange.

«**RTS**» - Russian Trading System.

«**LSE**» - London Stock Exchange.

«**Dividend equivalent**» - cash remuneration equal to the dividends payable on Shares of the Company before any tax withholding.

All mathematical calculations which are performed within the payout calculation are to be done to a precision of 2 decimal places in accordance with arithmetical rules.

## **Section 3. Fundamentals of Program Implementation**

- Conditions of the Program shall be transparent for shareholders of the Company and Program Participants, comprehensive and equitable;
- Conditions of the Program shall not be worsened for the Program Participants within the Program operation;
- The cash payment (bonus) of the Participant shall be calculated on the basis of Actual price of the Company's share without any transfer of property or other share rights to the Participant;
- Within the Program, the procedure for cash payment (bonus) calculation shall be unified for all Program Participants;
- Conditions under which a Participant is entitled to cash payment (bonus) shall be unified for all Program Participants.

## **Section 4. Duration and Stages of the Program**

The Program becomes effective as of July 1, 2008 and is introduced for the period through June 30, 2009.

The Program provides for the cash payments to the Participant upon the results of the Program.

Based on the evaluation of the Program effectiveness in terms of its incentive effect and influence on the growth of the Company's value the duration of the Program may be extended.

## **Section 5. Program Participants**

The Program and the size of Phantom Stock Package granted to each Program Participant shall be approved by the General Meeting of Shareholders.

The Program eligibility and main provisions of the Program are provided in the agreement with Program Participant or in the attachment to such an agreement.

## Section 6. Phantom stock package for Program

Each Program Participant is granted a Phantom stock package including 1000 shares.

The Phantom stock package entitles the Program Participant only to receive cash payment (bonus) within the Program upon the expiry of the Program term and does not entitle the Participant to any dividends<sup>1</sup>, participation in the meetings of the Company's shareholders or any other rights attached to a share.

## Section 7. Vesting and exercise

### 7.1. Vesting

On the last day of the Program term a certain share of the Phantom stock package of the Participant vests and he becomes entitled to receive a cash payment in the amount calculated in accordance with rules stipulated in Section 7.2 of the Program provided that he has a status of an Independent Director of the Company on the last date of the Program term.

In certain cases, upon fulfillment of the conditions and in accordance with the procedure stipulated in Section 9 of this Program, Participants are also entitled to an early payout.

### 7.2. Payout calculation

#### 7.2.1 Due to the completion of the Program

Within the Program, Participant's remuneration shall comprise the following three elements:

1. Absolute remuneration element
2. Relative remuneration element
3. Dividend equivalent

#### **Absolute remuneration element (ARE)**

The share of the Participant's Phantom stock package ( $S_i$ ) used for calculating the amount of ARE upon completion of the Program term shall equal to 50%.

The amount of the Participant's ARE shall be calculated as a product of:

- Phantom stock package (number of shares) -  $PSP$ ;

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<sup>1</sup> Program Participant is entitled to receive Dividend equivalent (p. 7.2 of the Program).

- Share of the Phantom stock package of the Participant used for ARE calculation -  $S_i$ ;
- Actual share price calculated as of the date of the Participant's enrollment in the Program -  $APb$ ;
- Share price change coefficient for the period from the date of the Participant's enrollment in the Program through the vesting date –  $SPC$

$$Payout = PSP * S * APb * SPC$$

The values for the Share price change coefficient calculated as the ratio of the Actual share price as of the vesting date to the Actual share price as of the date of the Participant's enrollment in the Program are provided in Attachment 2.

Share price change coefficient is introduced in order to adjust the amount of the payout in case of significant volatility of the share price.

### Relative remuneration element (RRE)

The share of the Participant's Phantom stock package ( $S_i$ ) used for calculating the amount of RRE upon completion of the Program term, shall not exceed 50% ( $S_{max}$ ).

The share of the Phantom stock package for the purposes of calculation of RRE shall be determined as follows:

- In case Company's Total Shareholder Return (TSR) outperformance ( $\Delta TSR_i$ ) during the Program term is below zero, the share of the Phantom stock package for the purposes of payout calculation equals 0%;
- In case Company's Total Shareholder Return (TSR) outperformance ( $\Delta TSR_i$ ) during the Program term exceeds 5%, the share of the Phantom stock package for the purposes of payout calculation equals  $S_{i\_max}$ ;
- In case Company's Total Shareholder Return (TSR) outperformance ( $\Delta TSR_i$ ) during the Program term is between 0% and 5% inclusive, the share of the Phantom stock package for the purposes of payout calculation shall be determined in accordance with the following formula:

$$S_i = S_{i\_max} \times (16 \times \Delta TSR_i + 20\%)$$

Company's TSR outperformance ( $\Delta TSR_i$ ) during the Program term shall be calculated according to the following formula:

$$\Delta TSR = \left( \left( \frac{1 + TSR}{1 + IndexTSR} \right) - 1 \right) \times 100\%, \text{ where}$$

**TSR**– annual average Total Shareholder Return during the Program term calculated according to the following formula:

$$TSR_i = (APe_i - APb + Dividends_i) / APb, \text{ where}$$

**APb** – the actual Company's share price as of the first date of the Program term;

**$APe_i$**  – the actual Company's share price as of the last date of the Program term;

**$Dividends_i$**  – the sum of all dividends per Company's share that shall be paid upon the decision taken by the General meeting of the shareholders of the Company during the Program term, USD;

and

**$IndexTSR_i$**  – Total Shareholder Return of comparable companies during the Program term, calculated as:

$$IndexTSR_i = \frac{\sum_{h=1}^H ((APe_h^i - APb_h + D_h^i) / APb_h * MCAP_h)}{\sum_{h=1}^H MCAP_h}$$

, where:

H – number of companies included in HSBC Global Mining Index calculation;

**$APe_h^i$**  - weighted average price of the Company's ordinary share of the h-th company for the period of 180 days preceding the last date of the Program term, in USD;

**$APb_h$**  - weighted average price of the Company's ordinary share of the h-th company for the period of 180 days preceding the first date of the Program term, in USD;

**$D_h^i$**  - the sum of all dividends per ordinary share of the h-th company that have been approved by the General meeting of the shareholders of the company during the Program term, in USD;

**$MCAP_h^i$**  - market capitalization of the h-th company as of the first date of the Program term, in USD;

The amount of Participant's RRE shall be calculated as a product of:

- Phantom stock package (number of shares) -  **$PSP$** ;
- Share of the Participant's Phantom stock package used for calculating RRE -  **$S_i$** ;
- Actual price of the Company's share as of the date of completion of the corresponding Plan Stage -  **$APe_i$** .

$$RRE_i = PSP \times S_i \times APe_i$$

### Dividend equivalent

The Dividend equivalent shall be calculated as product of dividends per Company's share payable upon the decision of the General meeting of the shareholders of the Company within the Program term and the number of vested shares used for calculation of Participant's ARE (in accordance with p. 7.2.1. of the Program).

### 7.2.2 Incase of circumstances provided in pp. 9.1. of the Program

If any of the conditions stipulated in p. 9.1. of the Program occur, the payout shall be calculated on the basis of the share of the Phantom stock package determined in accordance with provisions 9.1.1 – 9.2.2 of the Program.

### **ARE related payout**

The ARE related payout of the Participant shall be calculated as a product of:

- Phantom stock package (number of shares) - *PSP*;
- Share of the Participant's Phantom stock package used for ARE related payout calculation - *S*;
- Actual share price calculated as of the date of the Participant's enrollment in the Program - *APb*;
- Share price change coefficient for the period from the date of the Participant's enrollment in the Program through the date on which the Participant ceases to be an Independent Director – *SPC*;

$$Payout_{ARE} = PSP * S * APb * SPC$$

The values for the Share price change coefficient calculated as the ratio of the Actual share price as of the vesting date to the Actual share price as of the date of the Participant's enrollment in the Program are provided in Attachment 2.

Share price change coefficient is introduced in order to adjust the amount of the payout in case of significant volatility of the share price.

Actual share price as of the corresponding date is calculated in accordance with Section 8 of this Program.

In case the General meeting of shareholders of the Company decides for payment of dividends on shares of the Company during the Program term but before the date on which the Participant ceases to be an Independent Director due to causes stipulated in p. 9.1 of the Program, the Participant becomes entitled to remuneration in the form of Dividend equivalent calculated as a product of dividends due on one share of the Company approved by the General meeting of shareholders of the Company for the period from the first date of the Program term through the date on which the Participant ceases to be an Independent Director and the number of shares used for calculation of Participant's remuneration under the Program.

### **RRE related payout**

Participant's RRE related payout shall be calculated in accordance with the following procedure.

The share of the Phantom stock package for the purposes of calculation of RRE related payout shall be determined as follows:

- In case annual average Company's Total Shareholder Return (TSR) outperformance ( $\Delta TSR_t$ ) for the period from the first date of the Program term through the date on which the Participant ceases to be an Independent Director is below zero, the share of the Phantom stock package for the purposes of payout calculation equals 0%;



- In case annual average Company's Total Shareholder Return (TSR) outperformance ( $\Delta TSR_i$ ) for the period from the first date of the Program term through the date on which the Participant ceases to be an Independent Director exceeds 5%, the share of the Phantom stock package for the purposes of payout calculation equals  $S_{i\_max}$ ;
- In case annual average Company's Total Shareholder Return (TSR) outperformance ( $\Delta TSR_i$ ) for the period from the first date of the Program term through the date on which the Participant ceases to be an Independent Director is between 0% and 5% inclusive, the share of the Phantom stock package for the purposes of payout calculation shall be determined in accordance with the following formula:

$$S_i = S_{i\_max} \times (16 \times \Delta TSR + 20\%)$$

Company's TSR outperformance ( $\Delta TSR$ ) for the period from the first date of the Program term through the date on which the Participant ceases to be an Independent Director shall be calculated according to the following formula:

$$\Delta TSR = \left( \left( \frac{1 + TSR}{1 + IndexTSR} \right) - 1 \right) \times 100\%, \text{ where}$$

**TSR** – annual average Total Shareholder Return for the period from the first date of the Program term through the date on which the Participant ceases to be an Independent Director calculated as:

$$TSR = \sqrt[q]{(APt - APb + Dividends_t) / APb}, \text{ where}$$

$$z = \frac{t}{q}$$

**q** – number of calendar days in the period from the first date through the last day (inclusive) of the Program term;

**t** – number of days in the period from the first date of the Program term through the date on which the Participant ceases to be an Independent Director;

**APb** – the actual Company's share price as of the first date of the Program term;

**APt** – the actual Company's share price as of the date on which the Participant ceases to be an Independent Director;

**Dividends<sub>t</sub>** – the sum of all dividends per Company's share that shall be paid upon the decision taken by the General meeting of the shareholders of the Company during the period starting at the first date of the Program term through the date on which the Participant ceases to be an Independent Director, in USD;

**IndexTSR<sub>i</sub>** – weighted average Total Shareholder Return of comparable companies for the period starting at the first date of the Program term through the date on which the Participant ceases to be an Independent Director, calculated as:

$$IndexTSR = \sqrt{\frac{\sum_{h=1}^H ((APe_h^t - APb_h + D_h^t) / APb_h * MCAP_h^t)}{\sum_{h=1}^H MCAP_h^t}}$$

, where:

**H** – number of companies included in HSBC Global Mining Index calculation;

$APe_h^t$  - weighted average price of the Company's ordinary share of the h-th company for the period of 180 days preceding the date on which the Participant ceases to be an Independent Director, in USD;

$APb_h$  - weighted average price of the Company's ordinary share of the h-th company for the period of 180 days preceding the first date of the Program term, in USD;

$D_h^t$  - the sum of all dividends per ordinary share of the h-th company that have been approved by the General meeting of the shareholders of the company during the period starting at the first date of the Program term and ending at the date on which the Participant ceases to be an Independent Director, in USD;

$MCAP_h^t$  - market capitalization of the h-th company as of the first date of the Program term, in USD;

The amount of Participant's RRE related payout shall be calculated as a product of:

- Phantom stock package (number of shares) -  $PSP$ ;
- Share of the Participant's Phantom stock package used for calculating RRE related payout -  $S_i$ ;
- Actual price of the Company's share as of the date on which the Participant ceases to be an Independent Director –  $Ape_t$ .

$$Payout_{RRE} = PSP \times S_i \times Ape_t$$

### 7.3. Payout under the Program

The payout under the Plan shall be made within 30 calendar days following the last date of the program term (the vesting date).

If the payout is made to the Program Participants upon conditions stipulated in p. 9.1. of the Program, the payout shall be made within 30 days following the date when the Participant becomes entitled to receive the payout.

## Section 8. Calculation of the Actual Share Price of the Company

For the purpose of payout calculation the Actual share price of the Company as of the corresponding date shall be calculated as the weighted average of one ordinary share close price on MICEX, RTS and LSE for the period of 180 calendar days prior to this date.

The Actual share price ( $AP_i$ ) as of the corresponding date is calculated as follows:

$$AP_i = \frac{\sum_{n=1}^N P_n^{MICEX} \times V_n^{MICEX} + \sum_{k=1}^K P_k^{RTS} \times V_k^{RTS} + \sum_{l=1}^L P_l^{LSE} \times V_l^{LSE}}{\sum_{n=1}^N V_n^{MICEX} + \sum_{k=1}^K V_k^{RTS} + \sum_{l=1}^L V_l^{LSE}}, \text{ where}$$

$K$  – number of trading days on RTS within 180 calendar days prior to the date as of which the Actual share price is calculated;

$N$  – number of trading days on MICEX within 180 calendar days prior to the date as of which the Actual share price is calculated;

$L$  – number of trading days on LSE within 180 calendar days prior to the date as of which the Actual price of ADR (American depository receipts) is calculated;

$P_n^{MICEX}$  – weighted average price of Company's shares as at the  $n$ -th trading day, as determined and published by MICEX in USD at the official RUB/USD exchange rate of the Central Bank of Russia on the  $i$ -th trading day;

$V_n^{MICEX}$  – volume of trade of Company's shares on MICEX for the  $n$ -th trading day estimated as the number of Company's shares transacted on MICEX during the  $n$ -th trading day;

$P_k^{RTS}$  – weighted average price of Company's shares as established and published by RTS for the  $k$ -th trading day (in USD);

$V_k^{RTS}$  – volume of trade of Company's shares on RTS for the  $k$ -th trading day determined as the number of Company's shares transacted on RTS during the  $k$ -th trading day.

$P_l^{LSE}$  – weighted average price of Company's ADRs (American depository receipts) as established and published by LSE for the  $l$ -th trading day (in USD);

$V_l^{LSE}$  – volume of trade of Company's ADRs (American depository receipts) on LSE for the  $l$ -th trading day determined as the number of Company's ADRs (American depository receipts) transacted on LSE during the  $l$ -th trading day.

For the purpose of Actual share price (APi) calculation for trading days starting from February 20, 2008, the value for  $V_i^{LSE}$  in the denominator of the formula for Average share price calculation equals the volume of trade of Company's ADRs for the  $i$ -th trading day determined as the number of Company's ADRs transacted on LSE during the  $i$ -th trading day divided by 10. Changes in the calculation method are due to the change in the number of ADRs per 1 ordinary share from 1:1 to 10:1 starting from February 20, 2008.

## Section 9. Program implementation in Special Conditions

### 9.1. Loss of Independent Director's status

In case of loss of Independent Director's status the Program Participant becomes entitled to cash payment. The payment amount shall be calculated under p. 7.2.2. of this Program based on the share of Phantom stock package of the Program Participant pro rata the duration of the Participant's performance as an Independent Director of the Company within the Program term.

9.1.1. Share of the Phantom stock package of the Participant used for ARE calculation (S) equals:

$$S = \frac{t}{q}$$

$q$  – number of calendar days in the period from the first date through the last day (inclusive) of the Program term;

$t$  – number of days in the period from the first date of the Program term through the date on which the Participant ceases to be an Independent Director;

9.1.2. The share of the Participant's Phantom stock package ( $S_i$ ) used for calculating the amount of RRE shall not exceed the following maximum value ( $S_{imax}$ ), equivalent to the share of Phantom stock package used in calculation of ARE in accordance with p. 9.1.1. of the Program.

### 9.2. Change of the Number of Shares in the Company's Share Capital

In the event of any change in the Company's share capital during the operation of the Program the number of shares in the Phantom stock package granted to the Program Participant shall be adjusted proportionally to the change in the number of shares in the Company's share capital.

### 9.3. Share Split

In the event of Company share split being performed during the operation of the Program, the number of shares in the Phantom stock package granted to the Program Participant shall be increased proportionally to the increase in the total holding of the Company's shares.

## Section 10. Final Provisions

- This Program is prepared in accordance with the Law of the Russian Federation.
- Given that in the course of the Program operation certain personal data of Plan Participants may be required, Participants shall agree to reveal the required information to the Company and the Company shall be obliged to follow all legislative requirements in respect to Participants' personal data processing and protection.
- The Company bears all administrative costs related to the operation of the Program. The Company pays remuneration directly to all Program Participants entitled to receive remuneration in accordance with the Program.
- In the course of Program operation, the Company shall ensure that sufficient funds to perform remuneration payment to all Program Participants on time and in full are available.

## Appendix 1. Values for Share Price Change Coefficients

Ratio of the Company's Actual share price as of the vesting date to the Company's Actual share price as of the date of Program entry	Value for share price change coefficient for the purpose of payout calculation
Up to 1.20 inclusive	Share Price Change Coefficient equals the ratio of the Company's Actual share price as of the vesting date to the Company's Actual share price as of the date of Program entry
1.21	1.205
1.22	1.210
1.23	1.215
1.24	1.220
1.25	1.225
1.26	1.230
1.27	1.235
1.28	1.240
1.29	1.245
1.30	1.250
1.31	1.255
1.32	1.260
1.33	1.265
1.34	1.270
1.35	1.270
1.36	1.280
1.37	1.290
1.38	1.290
1.39	1.300
1.40	1.310
1.41	1.310
1.42	1.320
1.43	1.330
1.44	1.330
1.45	1.340
1.46	1.340
1.47	1.350
1.48	1.360
1.49	1.360
1.50	1.370
1.51	1.380
1.52	1.380
1.53	1.390
1.54	1.390
1.55	1.400
1.56	1.400
1.57	1.410
1.58	1.420

Ratio of the Company's Actual share price as of the vesting date to the Company's Actual share price as of the date of Program entry	Value for share price change coefficient for the purpose of payout calculation
1.59	1.420
1.60	1.430
1.61	1.430
1.62	1.440
1.63	1.440
1.64	1.450
1.65	1.460
1.66	1.460
1.67	1.470
1.68	1.470
1.69	1.480
1.70	1.480
1.71	1.490
1.72	1.490
1.73	1.500
1.74	1.500
1.75	1.510
1.76	1.510
1.77	1.520
1.78	1.520
1.79	1.530
1.80	1.540
1.81	1.540
1.82	1.550
1.83	1.550
1.84	1.560
1.85	1.560
1.86	1.560
1.87	1.570
1.88	1.570
1.89	1.580
1.90	1.580
1.91	1.590
1.92	1.590
1.93	1.600
1.94	1.600
1.95	1.610
1.96	1.610
1.97	1.620
1.98	1.620
1.99	1.630
2.00	1.635
2.01	1.635
2.02	1.640
2.03	1.644
2.04	1.649

Ratio of the Company's Actual share price as of the vesting date to the Company's Actual share price as of the date of Program entry	Value for share price change coefficient for the purpose of payout calculation
2.05	1.653
2.06	1.658
2.07	1.662
2.08	1.667
2.09	1.671
2.1	1.675
2.11	1.680
2.12	1.684
2.13	1.688
2.14	1.693
2.15	1.697
2.16	1.701
2.17	1.705
2.18	1.709
2.19	1.714
2.2	1.718
2.21	1.722
2.22	1.726
2.23	1.730
2.24	1.734
2.25	1.738
2.26	1.742
2.27	1.746
2.28	1.750
2.29	1.754
2.3	1.758
2.31	1.762
2.32	1.766
2.33	1.770
2.34	1.774
2.35	1.778
2.36	1.782
2.37	1.785
2.38	1.789
2.39	1.793
2.4	1.797
2.41	1.801
2.42	1.804
2.43	1.808
2.44	1.812
2.45	1.816
2.46	1.819
2.47	1.823
2.48	1.827
2.49	1.830
2.5	1.834



Ratio of the Company's Actual share price as of the vesting date to the Company's Actual share price as of the date of Program entry	Value for share price change coefficient for the purpose of payout calculation
2.51	1.838
2.52	1.841
2.53	1.845
2.54	1.848
2.55	1.852
2.56	1.856
2.57	1.859
2.58	1.863
2.59	1.866
2.6	1.870
2.61	1.873
2.62	1.877
2.63	1.880
2.64	1.884
2.65	1.887
2.66	1.891
2.67	1.894
2.68	1.897
2.69	1.901
2.7	1.904
2.71	1.907
2.72	1.911
2.73	1.914
2.74	1.917
2.75	1.921
2.76	1.924
2.77	1.927
2.78	1.931
2.79	1.934
2.8	1.937
2.81	1.940
2.82	1.944
2.83	1.947
2.84	1.950
2.85	1.953
2.86	1.956
2.87	1.960
2.88	1.963
2.89	1.966
2.9	1.969
2.91	1.972
2.92	1.975
2.93	1.979
2.94	1.982
2.95	1.985
2.96	1.988

Ratio of the Company's Actual share price as of the vesting date to the Company's Actual share price as of the date of Program entry	Value for share price change coefficient for the purpose of payout calculation
2.97	1.991
2.98	1.994
2.99	1.997
3.00 and further	2.000